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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

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AZ CORP COMMISSION
DOCUMENT CONTROL

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Arizona Corporation Commission
DOCKETED

DEC 29 2006

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IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN ARIZONA
CORPORATION, FOR ADJUSTMENTS TO ITS
RATES AND CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS WESTERN GROUP AND
FOR CERTAIN RELATED APPROVALS.

DOCKET NO. W-01445A-04-0650

PROCEDURAL ORDER

BY THE COMMISSION:

On November 14, 2005, the Arizona Corporation Commission ("Commission") issued Decision No. 68302 in the above-captioned matter filed by Arizona Water Company ("Company"). Decision No. 68302 approved an Arsenic Cost Recovery Mechanism ("ACRM") for the Company's Western Group that is the same as the ACRM previously approved for the systems in its Northern and Eastern Groups,¹ in order to allow the Company to recover capital costs and certain recoverable operating and maintenance ("O&M") costs directly related to the construction and continued operation of facilities required to comply with the United States Environmental Protection Agency's new maximum contaminant level of 10 parts per billion for arsenic. Decision No. 68302 ordered the Company to file a rate case no later than September 30, 2007.

On June 20, 2006, the Company filed in this docket a Request for Alteration or Amendment of Rate Filing Requirements. Therein, the Company requested that the Commission alter or amend the Company-wide rate case filing requirements by 1) changing the filing date for the total Company rate case, upon which the ACRM was conditioned, from September 30, 2007 to September 30, 2008; 2) changing the required test year to 2007 instead of 2006; and 3) allowing arsenic treatment O&M costs recoverable under the ACRM to be deferred through 2007, instead of through 2006. The Company states that the basis for its request is a material change in the Arizona Department of Environmental Quality ("ADEQ") Arsenic Compliance Policy. The Company states that it will

¹ Decision Nos. 66400 (October 14, 2003) and 66849 (March 19, 2004), respectively.

1 actually incur the first full year of arsenic treatment costs in 2007 instead of 2006 as contemplated by
2 the ACRM.

3 On August 21, 2006, the Commission's Utilities Division Staff ("Staff") filed a Staff Report
4 on the Company's request, and filed an addendum to the Staff Report on September 8, 2006. Staff
5 recommended approval of the Company's request.

6 By Procedural Order issued October 16, 2006, intervenors in this docket were ordered to file
7 comments or request that a hearing be held on the Company's June 20, 2006 filing no later than
8 October 25, 2006.

9 No comments or requests for hearing were filed.

10 The Company's request is reasonable and should be granted.

11 IT IS THEREFORE ORDERED that the date on which Decision No. 68302 ordered Arizona
12 Water Company to file a company-wide rate case as a condition for approval of the Arsenic Cost
13 Recovery Mechanism is hereby changed from September 30, 2007 to September 30, 2008.

14 IT IS FURTHER ORDERED that in conjunction with the change in the required date for
15 filing the company-wide rate case, the test year for the rate case is hereby changed from 2006 to
16 2007.

17 IT IS FURTHER ORDERED that in conjunction with the change in the date for filing the
18 company-wide rate case, Arizona Water Company shall be allowed to defer arsenic treatment
19 operations and maintenance costs recoverable under the Arsenic Cost Recovery Mechanism through
20 2007.

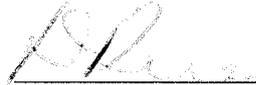
21 Dated this 21st day of December, 2006

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23
24
25 
26 TEENA WOLLEE
27 ADMINISTRATIVE LAW JUDGE
28

1 Copies of the foregoing mailed/delivered
this 27 day of December, 2006 to:

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