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AZ CORP COMMISSION
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Arizona Corporation Commission
DOCKETED

DEC 13 2006

Dwight Nodes
Assistant Chief Administrative Law Judge
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

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Re: Arizona-American Water Company, Inc.'s Application for a Finding of No Jurisdiction, or for a Waiver of the Affiliated Interests Rules Pursuant to A.A.C. R14-2-806, or in the Alternative for Approval of an Affiliated Interest Transaction Pursuant to A.A.C. R14-2-801 *et seq.*
Docket Nos: SW-01303A-06-0274; W-01303A-06-0274; WS-01303A-06-0274

Judge Nodes:

At the hearing on this matter, an issue arose regarding Arizona-American's request in its Application for a specific ordering paragraph indicating that any new conditions would supersede the conditions imposed in Decision No. 65453 and the old conditions would no longer continue in effect. Although Staff did not include the prior conditions as part of its recommended conditions for the current transaction (see Staff Report at p. 8), Staff indicated at the hearing that it wished to explore this matter further. As stated during the hearing, Arizona-American continues to believe that no conditions are warranted. However, Arizona-American desires to proceed with this matter and has agreed that if conditions are imposed, it would be acceptable to include the following conditions from the prior Decision, as revised below:

1. If Arizona-American ever plans to share with affiliates, or other entities, any information made available to Arizona-American solely by virtue of the company/customer relationship, such as billing information and services received by a customer, it shall notify the Commission at least 60 days in advance. Such notice shall, at a minimum, identify the intended use of the information. Arizona-American shall also, at the time of the filing of the 60-day notice, file a tariff setting forth appropriate customer notification procedures to inform customers about the sharing.
2. If Arizona-American ever shares any customer information with affiliates, or other entities, it shall maintain accurate records of revenues earned as a result and make those records available to Staff upon request with ten days' notice. For the purposes of this condition and condition ___ above, customer information that is prohibited from disclosure does not include a customer's name, address or service location, and telephone number.

3. Arizona-American shall not use any utility plant or other property, that is used or necessary for the provision of utility service, for any unregulated activity unless Arizona-American maintains appropriate books and records of account detailing the nature of such unregulated activity and providing appropriate allocations between activities relating to Arizona-American's provision of utility service and the unregulated activity. Arizona-American's books and records concerning all unregulated activities shall be subject to the commission's review and shall be made available in the Phoenix metropolitan area or, at the Commission's request, where the records are maintained, on ten days' notice.

AZ-American has conferred with Staff, and Staff has agreed with the language set forth above.

Thank you for your consideration.

Very truly yours,



Michael T. Hallam

MTH/jw

cc: Docket Control
Janice Alward