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**ARIZONA CORPORATION COMMISSION**

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April 11, 2007

Mike Surguine, General Manager  
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5700 East McDonald Drive  
Paradise Valley, AZ 85253-5218

Ralph Scatena, General Manager  
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Scottsdale, AZ 85253-4118

Richard Bibee, General Manager  
Scottsdale Renaissance  
6160 North Scottsdale Road  
Scottsdale, AZ 85253-5413

Arizona Corporation Commission

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Re: Reconsideration of Decision No. 68858  
(Docket Nos. W-01303A-05-0405 and W-01303A-05-0910)

Dear Mr. Surguine, Scatena and Bibee:

Thank you for your letter of March 29, 2007, in which you asked the Arizona Corporation Commission to reconsider the rates that it approved for Arizona-American Water Company's Paradise Valley Water District in Decision No. 68858.

As you mentioned, the Decision authorized to the Company to collect a "High Block" surcharge, as well as the "Public Safety" surcharge, which will fund projects needed to satisfy fire flow requirements imposed by the Town of Paradise Valley.

At the July 2006 Open Meeting in which the Commission considered the Company's requested rates, I offered an amendment which would have eliminated the Public Safety surcharge. This would have prevented the Company from collecting money from its customers to fund fire flow improvements required by the Town. Unfortunately, my amendment failed because I was the only Commissioner to vote for it.

As of this time, no Commissioner has formally proposed that we commence a proceeding under A.R.S. § 40-252 to amend Decision No. 68858. If two of my fellow Commissioners were to offer such a proposal, I would be willing to consider such a proceeding.

Sincerely,

Mike Gleason  
Chairman