

ORIGINAL



0000072430

THIS AMENDMENT:	
_____ Passed _____	Passed as amended by _____
_____ Failed _____	Not Offered _____ Withdrawn _____

60CP

PIERCE PROPOSED AMENDMENT #1

DATE PREPARED: May 7, 2007

COMPANY: Black Mountain Gas Company & SemStream Arizona Propane, LLC

DOCKET NOS: G-03703A-06-0694 and G-20471A-06-0694

OPEN MEETING DATES: May 8 and 9, 2007

AGENDA ITEM: U-5

Page 6

STRIKE lines 21 through 28.

Arizona Corporation Commission
DOCKETED

Page 7

STRIKE lines 1 through 12.

MAY - 8 2007

DOCKETED BY	nr
-------------	----

AZ CORP COMMISSION
DOCUMENT CONTROL

2007 MAY - 8 A 8:47

RECEIVED

Page 6

INSERT the following at line 21:

"13. The facts before us in this case are different than the facts that were before us in Decision No. 66101 and in Decision No. 69394. In those cases, the evidence suggested that the buyer was overpaying the seller for the plant. Here, the evidence suggests that the buyer is underpaying the seller for the plant. (Staff Report at 3.) Accordingly, SemStream's argument—that a condition automatically prohibiting an acquisition adjustment might discourage efficiency-enhancing transactions—holds less sway. SemStream does not need additional incentive to enter into the transaction if it is already purchasing BMG's Page Division for less than its value. Accordingly, we agree with Staff that its proposed Condition Nos. 5 and 6 will better protect ratepayers than its alternative proposed Condition No. 7.

"14. Moreover, we wish to reiterate our general rule: the Commission does not permit recovery of an acquisition adjustment arising from a sale of assets barring *extraordinary* circumstances. There has been no demonstration of

extraordinary circumstances in this case, only a vague assertion that the transaction *might* result in operational efficiencies. We recognize that a flat prohibition on acquisition adjustments might discourage efficiency-enhancing transactions. However, given the forward-looking nature of this concern, it is appropriate to require parties seeking an acquisition adjustment to justify their request *ex ante* as well as *ex post*. In other words, if a party believes that an acquisition adjustment is necessary to bring about an efficiency-enhancing transaction, it should come to the Commission and establish: (1) the transaction will not likely occur but for an acquisition adjustment, (2) that operational efficiencies will likely result from the transaction, and (3) in a subsequent rate case, that operational efficiencies resulted from the transaction. Having failed, in this case, to make the first two showings, Applicants have forfeited the right to make the third showing."

Page 7

INSERT the following at line 23½:

"5) SemStream shall not seek regulatory recovery of any costs arising from this transaction in a future rate proceeding.

"6) The Commission shall deny SemStream recovery of any acquisition adjustment resulting from this transaction."

Renumber accordingly.