

ORIGINAL

THIS AMENDMENT:

_____ Passed _____ Passed as amended by _____

_____ Failed _____ Not Offered _____



0000074251

60CK

MAYES PROPOSED AMENDMENT # 3 REVISED

DATE PREPARED: June 26, 2007

COMPANY: Gold Canyon Sewer Co.

AGENDA ITEM NO. U-3

DOCKET NO. SW-02519A-06-0015

OPEN MEETING DATE: June 26-27, 2007

Page 25, DELETE lines 11 through 18, INSERT:

“We agree with RUCO’s hypothetical capital structure of 40 percent debt and 60 percent equity. A capital structure comprised of 100 percent equity would be viewed as having little to no financial risk. The proposed capital structure adopted by the Commission will bring the Company’s capital structure and weighted cost of capital in line with the industry average, but more importantly, it will result in lower rates for the customers of the system. We therefore adopt a hypothetical capital structure of 40 percent debt and 60 percent equity.”

Page 29, Line 4, DELETE: “Staff’s” INSERT: “RUCO’s”

Page 29, Line 5, DELETE: “Staff’s” INSERT: “RUCO’s”

Page 29, Line 10, DELETE: “Staff’s” INSERT: “RUCO’s”

Page 29, Line 11, DELETE: “Staff’s” INSERT: “RUCO’s”

Page 30, DELETE lines 4 through 13, INSERT:

“We believe that RUCO’s recommendation for a 8.60 percent cost of equity capital is appropriate, and will adopt it in this case. RUCO’s expert witness relied on a DCF model and a CAPM analysis for calculating his cost of equity capital. We believe that adoption of RUCO’s recommendations results in just and reasonable rates and charges for Gold Canyon based on the record of this proceeding.

We therefore adopt a cost of equity of 8.60 percent, which also results in an overall weighted cost of capital of 8.54 percent.”

Page 30, Line 16, DELETE: “\$1,822,101” INSERT: “\$1,318,948”

Page 30, Line 17 ½ DELETE: “327,982” INSERT: “\$533,140”

Page 30, Line 18 ½ DELETE: “9.20%” INSERT: “8.54%”

Arizona Corporation Commission
DOCKETED

JUN 26 2007

DOCKETED BY **nr**

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2007 JUN 26 P 3:36
AZ CORP COMMISSION
DOCKET CONTROL

Page 30, Line 19 DELETE: "\$1,446,772" INSERT: "\$1,342,982"

Page 30, Line 19 ½ DELETE: "1,118,791" INSERT: "\$809,843"

Page 30, Line 20 ½ DELETE: "\$1,822,101" INSERT: "\$1,318,948"

Page 31, Line 9, DELETE: "74" INSERT: "54"

Page 31, Line 9, DELETE: "\$60.89" INSERT: "\$53.80"

Page 46, DELETE lines 12 through 13, INSERT:

"36. A rate of return on FVRB of 8.54 percent, based on a hypothetical capital structure of 40 percent debt and 60 percent equity, is reasonable and appropriate."

Page 46, Line 14, DELETE: "\$1,822,101" INSERT: "\$1,318,948"

Make all conforming changes.