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BEFORE THE ARIZONA CORPORATION COMMISSION

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MIKE GLEASON, CHAIRMAN
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KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER DISTRICT	DOCKET NO. W-01303A-07-0209 **NOTICE OF FILING SURREBUTTAL TESTIMONY BY TOWN OF YOUNGTOWN**

The Town of Youngtown ("Youngtown"), through its undersigned legal counsel, hereby gives notice that, pursuant to the Procedural Order dated June 5, 2007, it is this date filing the surrebuttal testimony of Mayor Michael LeVault relating to the issue of proposed fire flow improvement program.

DATED this 14th day of December, 2007.

CURTIS, GOODWIN, SULLIVAN,
UDALL & SCHWAB, P.L.C.

By: _____
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Arizona Corporation Commission
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PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 14th day of December, 2007, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPY of the foregoing hand delivered/mailed this 14th day of December, 2007 to:

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON, CHAIRMAN
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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER DISTRICT	DOCKET NO. W-01303A-07-0209 SURREBUTTAL TESTIMONY OF MAYOR MICHAEL LEVAULT

Q: Please state your name and business address for the record.

A: My name is Mayor Michael LeVault and my business address is 12030 Clubhouse Square, Youngtown, Arizona 85363.

Q: Have you previously submitted pre-filed testimony in these proceedings?

A: Yes

Q: Please explain the purpose of your surrebuttal testimony.

A: The purpose of my surrebuttal testimony is to address the positions of Staff and RUCO set forth in their direct testimony and the position of Arizona-American witnesses set forth in their rebuttal testimony regarding Arizona-American's fire flow improvement program for its Sun City Water District.

Q: Do you agree with Commission Staff witness Alexander Ibhade Igwe at page 6, lines 14-16 of his Direct Testimony dated October 29, 2007 that the proposed fire flow capital improvements seem imperative for public safety in the Sun City Water District's certificated area?

A: Absolutely. As reflected in my direct testimony, the fire flow capital improvements recommended in the Task Flow report are critical to allow Arizona-American to meet minimum fire flow standards throughout the Sun City Water District.

Q: Do you support Staff's suggested procedural requirements, earnings review and filing requirements related under the Company's Fire Flow Cost Recovery Mechanism (FCRM)?

A: As I indicated in my direct testimony, I am not qualified to testify on the intricacies of rate design or the FCRM. However, from a layman's perspective, Staff's suggestions seem to reach a proper balance between review and prompt implementation of a cost recovery mechanism. In reading Mr. Broderick's Rebuttal Testimony, Arizona-American appears to accept Staff's recommendations concerning the processing of step increases under the FCRM.

Q: Do you believe that water rates should be burdened with discretionary construction projects?

A: If discretionary means unnecessary and without public benefit, then I would agree that water rates should not be burdened with such unnecessary construction projects.

Q: Do you believe that the Arizona-American's proposed fire flow improvement program represents an unnecessary construction project that has no public benefit?

A: Absolutely not. The direct testimony filed on behalf of Youngtown explains why the fire flow improvement program proposed for the Sun City Water District is necessary and serves a public benefit. The improvements are necessary to protect the health and safety of the public and to provide a similar level of service throughout the Sun City Water District. I cannot comprehend how someone today can suggest that, in an urbanized area like the Sun City Water District, flows sufficient to enable the prevention of fire protection services are discretionary.

Q: Is Ms. Diaz Cortez correct when she suggests that Arizona-American is proposing to install 12-inch lines and provide a system-wide capacity of 1500 gallons per minute?

A: Ms. Diaz Cortez did not read the proposal very carefully. The Task Force accepted the recommendation of a 1,000 gpm for residential areas and 1,500 gpm for commercial and multi-family developments - - not a system-wide 1,500 gpm. The proposal does not include any lines over 10 inches in diameter. The vast majority of the lines being installed under the program are 6-inch lines, which I understand is now the minimum line size for new installations. Therefore, the review of 2004 annual reports undertaken by Ms. Diaz Cortez and her objection to the inclusion of lines 12-inch and larger in rate base are irrelevant.

Q: Does Ms. Diaz Cortez discuss the need for additional fire hydrants throughout the Sun City Water District?

A: No. She fails to address the need to install 195 fire hydrants within the Sun City Water District so that they are spaced in accordance with current fire code standards. This represents a significant portion of the proposed fire flow improvement program.

Q: Should public opinion control the installation of the proposed fire flow improvements?

A: As an elected official I appreciate the importance of public opinion. However, matters of public health and safety can not be held hostage to public opinion. In a representative democracy, public officials must consider the overall needs of their constituents and not just what is the popular stance of the day. However, as reflected

by the Task Force and the recent public forums that I attended, I believe that the majority of the residents within in the Sun City Water District support the project.

Q: Do you think the Commission's approval of the FRCM sends an appropriate message to other Arizona water companies?

A: Yes. It would indicate the importance of working with customers to: a) identify a level of fire flow that is deemed appropriate by the community, b) determine the improvements needed to reach the agreed upon fire flow level, and c) determine how to phase-in the needed improvements, considering both safety and costs.

Q: Do you agree with the concern expressed by Ms. Diaz Cortez that Arizona water companies would be encouraged to substantially inflate the size of their rate bases by making similar requests?

A: No. If this were a goal of water companies, Ms. Diaz Cortez's review of the annual reports would have found more than 3 water companies (out of 132 reviewed) that had a significant portion of their system sized at 12 inches or greater. In any event, sizing lines to provide adequate fire flows is part and parcel of providing adequate water service today. New subdivisions and commercial establishments must demonstrate they have adequate fire flow. It is only systems or portions of systems, installed before fire flow considerations were a mandatory part of the planning process, that are not designed to provide minimal fire flows. The process followed by Arizona-American in the Sun City Water District constitutes an excellent guide for other water companies to address a lack of fire flow or unequal service levels.

Q: Do you support phasing in the cost of the fire flow improvement program in between full rate cases?

A: Yes. The costs of the improvements identified to bring the system up to the minimum fire flow standards supported by the Task Force are not insignificant. The longer it takes to get them installed, the higher the ultimate cost as reflected in the upward estimates provided by Arizona-American. By phasing in the capital component of these improvements annually as they are placed into service, it encourages the water company to proceed with construction in a timely manner, while minimizing rate shock to the customers. The return will have been set based upon a full rate case. By adopting the recommendations of Staff, the Company will not be allowed to implement step rates that result in the Company over earning. We do believe that the Company should be required to either file a full rate case or an informational filing with the Commission for Staff review within twelve months of substantially completing the fire flow improvements.

Q: Does Ms. Diaz Cortez properly articulate the reasons for Youngtown's support of the fire flow project and FCRM?

A: No. Please refer to the direct testimony and this surrebuttal testimony filed on behalf of Youngtown.

Q: Does Youngtown believe it is necessary for the Commission to order Arizona-American to make the proposed fire flow improvements?

A: No. Arizona-American has committed to proceed with implementing the program over a four year period, once the Commission approves the FCRM. Therefore, the Town does not believe it is necessary for the Commission to order the improvements.

Q: Does that conclude your surrebuttal testimony?

A: Yes it does.

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