

ORIGINAL

THIS AMENDMENT:

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2008 MAY -5 P 4: 24

MAYES PROPOSED AMENDMENT # 1

AZ CORP COMMISSION

DOCKET CONTROL TIME/DATE PREPARED 5/5/08, 4:00 p.m.

COMPANY: AZ American Water Company

DOCKET NO: W-01303A-07-0209 OPEN MEETING DATE: 5-7-08 AGENDA ITEM: 19

Page 36, DELETE: lines 6 through line 16 on Page 37.

Page 36, at line 6, INSERT: "We find that based on the particular facts of this case, requiring Arizona-American Water Company to record the costs associated with constructing the fire flow facilities in an accounting order, for consideration by the Commission during a future rate case, is in the public interest. While Arizona-American Water Company stated in this case that it lacks the financial capacity to make the fire flow improvements without recovery of the costs of those improvements through a surcharge mechanism, we take judicial notice of the fact that Arizona-American has recently filed an Application for a rate increase for all of its Arizona water systems, with the exception of its Sun City system. Therefore, Arizona-American is actively seeking to improve its financial position in the near term and could be in a position – if it is not already – to make the improvements and seek recovery of their cost in a future rate case.

Thus, we approve an accounting order for costs associated with the fire flow improvements, to be addressed by the Commission during the next Arizona-American/Sun City Water rate case. We direct Arizona-American Water Company to record all costs associated with the fire flow improvements in an accounting order so that the Commission may address them during the next Arizona-American/Sun City Water rate case.

Page 43, DELETE: lines 7 through 9.

INSERT: "Based on the particular facts of this case, an accounting order is fair and reasonable, and should be utilized by Arizona-American Water Company to record the costs associated with the fire flow improvements for consideration during the next Arizona-American/Sun City rate case."

Page 46, DELETE: lines 9 through line 6 on page 47.

INSERT TWO NEW ORDERING PARAGRAPHS: "IT IS FURTHER ORDERED that Arizona-American Water Company be directed to record the costs associated with the fire flow improvements in an accounting order.

"IT IS FURTHER ORDERED that Arizona-American Water Company shall file a rate case for its Sun City Water District no later than June 30, 2012, and be permitted to seek recovery of costs recorded in its accounting order at that time."

Arizona Corporation Commission

DOCKETED

MAY -5 2008

DOCKETED BY *nr*