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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

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2008 MAY -7 P 12:55

AZ. CORP. COMMISSION
DOCKET CONTROL

WONE

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 PARADISE
VALLEY WATER DISTRICT

DOCKET NO. W-01303A-05-0405

IN THE MATTER OF THE APPLICATION OF
OF ARIZONA-AMERICAN WATER
COMPANY, INC., AN ARIZONA
CORPORATION,
FOR APPROVAL OF AN AGREEMENT
WITH THE PARADISE VALLEY COUNTRY
CLUB

DOCKET NO. W-01303A-05-0910

NOTICE OF ERRATA

Staff of the Arizona Corporation Commission ("Commission") hereby files this Errata to the Direct Testimony of Darron W. Carlson of the Utilities Division originally filed on April 25, 2008 in the above-referenced matter. Attached is a revised page 9 of Mr. Carlson's Direct Testimony. The changes appear on lines 10 through 13 of the testimony. Please substitute this page for the page 9 originally included in Mr. Carlson's testimony filed on April 25, 2008.

RESPECTFULLY SUBMITTED this 7th day of May, 2008.

Arizona Corporation Commission
DOCKETED

MAY -7 2008

DOCKETED BY

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7th day of May, 2008 with:

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6th day of May, 2008 to:

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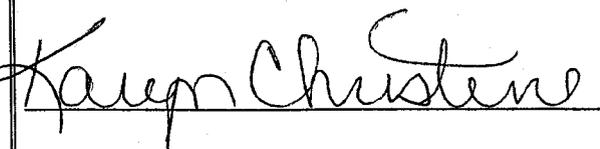
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1 **Q. Does Staff agree with the proposal in the Agreement to reduce the High Block**
2 **Surcharge and eliminate the Public Safety Surcharge until the Commission's Order**
3 **in the next rate case?**

4 A. Yes. Staff agrees with these recommendations. However, this should not preclude
5 reexamination of the issues in the next rate case, to the extent desired.

6
7 **Q. If the High Block Surcharge is reduced and the Public Safety Surcharge is**
8 **eliminated, how do the Petitioning Parties propose to make up for this reduction in**
9 **the Company's revenues?**

10 A. Since the funds from both of these surcharges are classified as contributions, their
11 reduction and/or elimination do not affect the operating revenues of the Company.
12 Additionally, the Company participated in its formulation, and Staff understands that the
13 Company is in agreement with the proposed reductions.

14
15 **Q. What is Staff's assessment of the Agreement's request to alter the future funding of**
16 **fire flow phases completed after March 1, 2008?**

17 A. Staff believes that it is inappropriate to entertain these types of alterations to the prior
18 Decision at this time. Staff recommends that all issues other than the
19 reduction/elimination of surcharges be addressed in the Company's next rate case which it
20 has indicated it will be filing shortly.

21
22 **Q. So is it correct that Staff does not support a predetermination with respect to a new**
23 **ACRM-like Public Safety Surcharge in this proceeding?**

24 A. Correct. The Parties may advocate their positions in the next rate case. Nothing should be
25 predetermined in this proceeding to limit or preempt the Commission's rate options in the
26 next rate case. A future rate proceeding that allows for a comprehensive and full