

<b>THIS AMENDMENT:</b>			 0000105182
_____ Passed _____	_____ Passed as amended by _____		
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____	

48

**ORIGINAL**

**PIERCE PROPOSED AMENDMENT #1**

DATE PREPARED: November 18, 2009

COMPANY: Arizona-American Water Co.

DOCKET NOS: W .01303A-08-0227; SW-01303A-08-0227

OPEN MEETING DATES: November 19<sup>th</sup> & 20<sup>th</sup>, 2009

AGENDA ITEM: U-26

**Page 27, line 13**

STRIKE the sentence beginning “We agree with RUCO . . .” through the end of paragraph.

INSERT the following:

“The UNS Gas case cited by Staff is not apt. Like most water utilities, Arizona-American does not normally receive cash from developers – it receives plant, such as wells, pumps, tanks, and mains. The developer builds the plant and then advances or contributes it. It is first recorded in CWIP. Later when advanced or contributed plant is Utility Plant in Service, it then becomes appropriate to deduct the associated AIAC and CIAC when calculating rate base. This principle is established in the NARUC Uniform System of Accounts as cited by RUCO, which defines CIAC as follows: “Any amount or item of money, services or property received by a utility . . . at no cost to the utility . . . , and which is . . . used to provide utility services to the public.” In this case, although Arizona-American have already received plant from developers, they haven’t yet used all of that in the “provision of utility services to the public.” By definition, CWIP is not yet “used to provide utility services to the public.” Therefore, the AIAC and CIAC associated with plant that is not yet in service should not be deducted from rate base.”<sup>1</sup>

Conforming changes.

Arizona American Water Co.  
 1000 N. Central Expressway  
 Phoenix, AZ 85004  
 (602) 954-2000  
 www.aawater.com

RECEIVED  
 2009 NOV 18 P 4: 23  
 DEPARTMENT OF WATER CONTROL

<sup>1</sup> We note, however, that the Company should not receive AFUDC recovery in its next rate case for CWIP that in this case was customer-financed.