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THIS AMENDMENT:			
_____ Passed _____	Passed as amended by _____		
_____ Failed _____	Not Offered _____	_____ Withdrawn _____	

UAD

ORIGINAL

PIERCE PROPOSED AMENDMENT #2

DATE PREPARED: November 18, 2009

COMPANY: Arizona-American Water Co.

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

OPEN MEETING DATES: November 19th & 20th, 2009

AGENDA ITEM: U-26

Page 23, line 4

DELETE from sentence beginning on line 4 through end of line 17, and REPLACE WITH:

“There is merit to all the arguments concerning the WWTP. It is true that it required rehabilitation to provide continuous, reliable, safe service to the Company’s customers. It is also true that the rehabilitation and expansion of the plant were completed after the test year ended. There is no dispute that the costs of the rehabilitation and associated capacity expansion were large, and that they would dramatically increase rates if the Company were allowed to recover all of those costs in a single rate case. It is further true the deferring the Company’s recovery of prudent expenses will cause even larger rate increases in the future. Therefore, to mitigate the potential for future rate shock and to account for the fact that the rehabilitation is already benefiting current customers, it is appropriate at this time to include only the \$2.9 million cost of the WWTP rehabilitation in rate base. The prudence and recovery of the expansion cost of the WWTP can be considered in a future rate case.

Conforming changes.

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