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ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Commissioner

Direct Line: (602) 542-4143
Fax: (602) 542-0765
E-mail: kmayes@azcc.gov

November 10, 2008

Re: Arizona-American Water Company's Rate Case Application, Docket No: 08-0227; Request for information regarding the potential consolidation of Arizona-American's water systems.

Dear Parties to the Docket:

As you know, the Commission has previously been presented with proposals addressing water consolidation. In 2002 Arizona-American Water Company first proposed consolidation for its Agua Fria and Anthem wastewater customers. In its current Application, Arizona-American acknowledges its interest in reaching a statewide tariff and its general interest in rate consolidation, but declines to make a specific proposal regarding consolidation of its water system.

I write to request that the Parties provide the Commission, as part of their testimony in this case, an analysis addressing the predicted impacts of statewide and select consolidation of Arizona-American's water systems. As you know, consolidation can provide administrative efficiencies, create increased economies of scale, facilitate rate stability and bolster reliability, among other benefits.

Notwithstanding these potential benefits, consolidation efforts may not make sense in every instance. Issues such as an absence of present and projected rate comparability, or differences in supply sources and operational distinctions may result in poor combinations. Recognizing these limitations, I would like the Parties to propose combinations of systems where potential benefits outweigh the limitations. Specifically, Parties should consider combinations which would not result in marked rate changes post consolidation. Please also provide the Commission with an analysis of rates and operations under a statewide consolidation of Arizona-American's water systems.

Thank you for your consideration of these matters.

Sincerely,

Kris Mayes
Commissioner

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Ernest Johnson
Janice Alward
Lyn Farmer
Brian McNeil
Rebecca Wilder