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ARIZONA CORPORATION COMMISSION

August 23, 2004

Mr. Philip Jansen  
14115 West Gunsight Drive  
Sun City West, Arizona 85375

WS-01303A-02-0867  
WS-01303A-02-0868  
WS-01303A-02-0869  
WS-01303A-02-0870  
W-01303A-02-0908

Re: Arizona-American Water Company  
Docket No. WS-01303A-02-0867, et al.

Dear Mr. Jansen:

Thank you for your letter. The answer to your question is that the flat rate for wastewater contains both a demand charge and a commodity charge. The demand charge is a major part of the bill. This is because Arizona-American Water was required to improve (decrease) the amount of nitrates in the wastewater before it could be recharged in the underground aquifer.

I attempted to include a tiered wastewater rate based on water consumption in the recent rate case, but was unable to do so. I did get an amendment included that requires Arizona-American Water to include its financial data in their next rate case. I have included a copy of my amendment for your review. Thus, I hope I can get tiered wastewater rates in most new rate cases.

Thank you for your concern. If there are other questions, please contact me.

Sincerely,

*Mike*

Arizona Corporation Commission

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SEP - 1 2004

Mike Gleason  
Commissioner

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AZ CORP COMMISSION  
DOCUMENT CONTROL

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_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

**GLEASON PROPOSED AMENDMENT # 1**

TIME/DATE PREPARED: 5:00p.m. / June 16, 2004

COMPANY: Arizona-American Water Company

AGENDA ITEM NO. U-1

DOCKET NO. WS-01303A-02-0867, et al.

OPEN MEETING DATE: June 18, 2004

Page 41, after line 28 INSERT:

“Arizona-American’s wastewater rates consist of a flat monthly rate. In general, all customers in a class are charged the same amount regardless of how much that customer taxes the system. However, for Arizona-American’s water rates, we adopt a tiered rate design that requires customers who use more water to pay more. We find that this encourages water conservation. Some municipal wastewater systems bill their customers based on the amount of water they use. To determine if tiered wastewater rates based on water consumption would be an appropriate rate design, we will require Arizona-American to include a proposal in its next rate case filing for the Sun City West, Sun City and Anthem/Agua Fria wastewater systems that will present information on 1) whether wastewater rates based on water consumption encourage water conservation; 2) whether higher bills for those who use the system more is a fairer way to collect revenue and 3) what tiered wastewater rates based on water consumption would look like compared to a flat rate design.”

Pass