

NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION

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2005 DEC 13 P 4: 02

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
INC., AN ARIZONA CORPORATION, TO
EXAMINE POSSIBLE FORMS OF MITIGATION
OF THE ACRM FOR ITS HAVASU WATER
DISTRICT.

DOCKET NO.

W-01303A-05-0890

APPLICATION

**APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY**

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5 In Decision No. 68310 in Dockets Nos. W-1303A-05-0280 *et al.*, dated November 14,
6 2005, the Commission, among other things approved for Arizona-American Water Company
7 (“Arizona-American” or the “Company”) the use of an Arsenic Cost Recovery Mechanism
8 (“ACRM”) for customers in the Company’s Havasu Water District. This will allow Arizona-
9 American to recover its arsenic-remediation investment and certain O&M expenses from these
10 customers through Step 1 and Step 2 surcharges on the customers’ bills. Arizona-American
11 estimated that the combined impact of the two step increases on a typical residential customer in
12 the district would be \$18.06/month,¹ even after taking into consideration the effect of the new
13 hook-up fee approved in the Decision. The Commission went on to say (p. 14, l. 8):

14 The Commission is concerned about the impact on the bills of customers served
15 on the Havasu system from the implementation of the ACRM. Consequently, we
16 direct Staff and the Company to open a new proceeding to examine other forms of
17 mitigation of the ACRM for the Havasu system, including the use of hook-up fees
18 for adjacent systems.

¹ This is a blended average increase over three years.

1 This Application is filed to comply with that direction.

2 Arizona-American has consulted with Commission Staff and offers two proposals to
3 mitigate the impact of the ACRM on the Havasu system. The first proposal, preferred by Staff
4 and the Company, would reduce the amount of the expected Step 2 increase by capitalizing and
5 thereby deferring recovery of eligible O&M until the Company's next rate case for its Havasu
6 Water District. The second proposal would implement impact fees in the Company's Mohave
7 Water District to offset much of the Havasu ACRM step increases.

8 **Deferral Proposal**

9 Arizona-American proposes to permanently capitalize 12 months of eligible media
10 expense incurred during the initial treatment-facility operation, instead of recovering these
11 expenses as part of the Step 2 increase, as originally approved in Decision No. 68310. The
12 Company estimates that this would reduce the typical Step 2 bill increase by over \$7/month.
13 This would not affect the expected Step 1 increase. Details of the proposal follow:

- 14 1. Twelve months of eligible media expenses during the initial commercial operation in
15 Havasu would be permanently capitalized, as incurred, into the Havasu arsenic facility.
- 16 2. Subsequent depreciation of the capitalized media expenses would not commence until the
17 effective date of new permanent rates in Havasu that include the capitalized media
18 expense in rate base.
- 19 3. AFUDC will accrue on the capitalized media expenses from the date(s) capitalized until
20 the effective date of new permanent rates in Havasu that include the capitalized media
21 expense in rate base.
- 22 4. The mitigated Step 2 ACRM increase in Havasu would then contain only 12 months of
23 ACRM eligible media expenses, not 24 months as otherwise provided for in Step 2 of the

1 ACRM. As a result, there would be no ACRM decrease 12 months after implementation
2 of the Step 2 ACRM increase as provided for in the administration of the ACRM in our
3 other districts.

4 5. At the time of Arizona-American's Step 2 ACRM filing for the Havasu Water District,
5 the Company would provide the Commission with accounting data sufficient for review
6 of the reasonableness of the 12 months of actual media expenses incurred as already
7 provided for in the administration of the approved ACRM.

8 6. An accounting order will be necessary to allow Arizona American to capitalize the first
9 12 months of actual media expense. The order will have to assure recovery of the
10 capitalized media expense, provided that the Company has satisfied the Commission of
11 the reasonableness of the expense, as provided in paragraph 5, above. This will allow
12 Arizona-American's accountants and auditors to establish the deferrals under GAAP
13 without offsetting reserves.

14 Exhibit A to this application provides pro-forma calculations of the revenue requirement,
15 surcharges, and typical bill impacts of this proposal. For comparison purposes, Exhibit B
16 provides the same information for the ACRM mechanism approved by the Commission in
17 Decision No. 68310.

18 **Alternative Proposal - Mohave Arsenic Impact Fee**

19 Decision No. 68310 approved an arsenic impact fee (starting at \$870 for a 5/8 inch meter)
20 for new construction in Arizona-American's Havasu Water District to somewhat offset the
21 amount of the ACRM Step 2 increases. As an alternative to the proposal preferred by Staff and
22 the Company, the Commission could implement impact fees in its Mohave Water District.

1 Funds generated by these fees would be used to further offset the amount of the ACRM Step 2
2 increases in the Havasu Water District.

3 If the Commission were to approve this alternative, Arizona American suggests arsenic
4 impact fees in three steps (for 5/8 inch meters):²

- 5 • Step 1 (March 2006 – February 2007): \$264 per new connection;
- 6 • Step 2 (March 2007 – February 2008): \$274 per new connection; and
- 7 • Step 3 (March 2008 – August 2009): \$456 per new connection.

8 Other important features of the impact-fee alternative include:

- 9 1. Mohave impact fees would be treated as ACRM revenue in the Havasu Water District.
- 10 2. A balancing account would be used so that over or under collections would reduce or
11 increase subsequent impact fees on a true-up basis.
- 12 3. The fee would be temporary until the arsenic facilities and costs were reflected in base
13 rates as the result of the next Havasu Water District rate case.

14 As detailed in Exhibit C, based on expected customer growth, Arizona-American projects that
15 arsenic impact fees in these amounts would eliminate the need for a Step 2 increase in the
16 Havasu Water District.

17 Comparison of Alternatives

18 The following table summarizes the expected Step 1 and Step 2 rates for an average
19 residential customer under the three alternatives.

	<u>Total Bill Including ACRM</u>			
	<u>Present Rates</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Presently Approved ACRM	\$21.67	\$32.51	\$46.56	\$39.54
Capitalization of Eligible Media Expense	\$21.67	\$32.51	\$39.54	\$39.54
Mohave Arsenic Impact Fees	\$21.67	\$32.51	\$32.51	\$32.51

² See Exhibit C for required arsenic impact fees for other meter sizes.

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2 on December 13, 2005, with:

3
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

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39

By: 
Courtney Appelhaus

Exhibit A

Company Name: ARIZONA AMERICAN WATER COMPANY
Docket Number: WS-01303A-02-0867, et al
Period Ending: December 31, 2004

ARSENIC COMPLIANCE REVENUE REQUIREMENT - HAVASU

[A]	[B] Havasu Water Step 1 Mar-06 to Feb-07	[C] Havasu Water Step 2 Mar-07 to ~ New Rates
Arsenic Compliance Revenue Requirement:		
PLANT IN SERVICE EXPENDITURES:		
Test Year Data:		
Arsenic MCL Rate Base	1,718,501	1,718,501
Accumulated Depreciation	-	(53,274)
Net Rate Base	<u>1,718,501</u>	<u>1,665,228</u>
Less: Offset from havasu Impact Fee Contribution - Dec. '05 to Mar. '07		(95,265)
Accumulated Amortization on Havasu Impact Fee Contribution - Dec. '05 to Mar. '07		
Less: Offset from havasu Impact Fee Contribution - Mar. '07 to Mar. '08		
Net Contribution Offset		<u>(95,265)</u>
Net Rate Base After Offset	1,718,501	1,569,963
Depreciation Rate	3.1%	3.1%
Depreciation Expense	53,274	53,274
Contribution Depreciation	-	(2,953)
Net Depreciation Expense	<u>53,274</u>	<u>50,320</u>
Depreciation Expense net of tax savings	32,711	30,897
Recoverable O&M Costs	-	156,724
Recoverable O&M Costs net of tax savings		96,230
Prior 12 Months Deferred Recoverable O&M Costs		- Capitalized to be recovered in next base rate case.
Arsenic MCL Operating Income	(32,711)	(127,128)
Current Rate of Return	-1.90%	-7.63%
Required Operating Income	<u>111,703</u>	<u>108,240</u>
Required Rate of Return (Dec. No. 67093)	6.50%	6.50%
Operating Income Deficiency	144,413	235,368
Gross Revenue Conversion Factor (Decision No. 67093)	1.62863	1.62863
Revenue Deficiency	235,196	383,327
Authorized Rates (Decision No. 67093)		
14. Minimum 5/8" Meter	\$ 11.78	\$ 11.78
15. Commodity Rate 0 to 4,000 gallons	1.0500	1.0500
16. Commodity Rate 4,000 to 13,000 gallons	1.5550	1.5550
17. Commodity Rate 4,000 to 15,000 gallons		
18. Commodity Rate 4,000 to 20,000 gallons		
19. Commodity Rate 13,000 gallons and over	1.8700	1.8700
20. Commodity Rate 15,000 gallons and over		
21. Commodity Rate 20,000 gallons and over		
Arsenic Cost Recovery Mechanism Surcharge		
22. ACRM Minimum Surcharge 5/8" Meter	\$ 6.05	\$ 9.85
23. ACRM Commodity Surcharge	0.6261	1.0205
Total (Proposed Rates)		
24. Minimum 5/8" Meter	\$ 17.83	\$ 21.63
25. Commodity Rate 0 to 4,000 gallons	1.6761	2.0705
26. Commodity Rate 4,000 to 13,000 gallons	2.1811	2.5755
27. Commodity Rate 4,000 to 15,000 gallons		
28. Commodity Rate 4,000 to 20,000 gallons		
29. Commodity Rate 13,000 gallons and over	2.4961	2.8905
30. Commodity Rate 15,000 gallons and over		
31. Commodity Rate 20,000 gallons and over		

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Period Ending: December 31, 2004

SURCHARGE CALCULATION FOR ARSENIC CAPITAL COSTS - STEP-1
 HAVASU DISTRICT

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
			Gallons Sold (000)					
			<u>Total</u>	<u>Per Customer</u>				
Growth	Customers							
1. 12/31/2003 (Year 1)	1,087		167,537	154.13				
2. 12/31/2004 (Year 2)	1,189		208,094	175.02				
3. Year 2 minus Year 1	102		40,557	20.89				
4. Percentage Change	9.38%		24.21%	13.65%				
5. Year 1 Plus Year 2			375,631					
6. Avg Gallons (Col. D. Line 5 / 2)			187,816					
<u>Meter Size</u>	<u>Average Customers at 12/31/2004</u>	<u>Estimated Customers at 12/31/2005</u>	<u>Estimated Average Customers</u>	<u>Monthly Minimum</u>	<u>Minimum Multiples</u>	<u>Equivalent Meters</u>	<u>Fixed Increment Monthly</u>	<u>Fixed Increment Annual Total</u>
7. Resid. 5/8-inch	1,082	1,184	1,133	\$ 11.78	1.0	1,133	6.05	82,179
8. Commer. 5/8-inch	33	36	35	\$ 11.78	1.0	35	6.05	2,506
9. 1-inch	5	5	5	\$ 20.27	1.7	9	10.40	653
10. 1.5-inch	-	-	-	\$ 28.76	2.4	-	14.76	-
11. 2-inch	3	3	3	\$ 39.88	3.4	11	20.47	771
12. 3-inch	4	4	4	\$ 54.26	4.6	19	27.85	1,399
13. 4-inch	2	2	2	\$ 68.64	5.8	12	35.23	885
14. 6-inch	-	-	-	\$ 236.59	20.1	-	121.42	-
15. 8-inch	-	-	-	\$ 457.50	38.8	-	234.79	-
16. Multi-family 044 1"	1	1	1	\$ 259.16	22.0	23	133.00	1,671
17. Multi-family 056 2"	1	1	1	\$ 329.84	28.0	29	169.28	2,127
18. Multi-family 064 4"	1	1	1	\$ 376.96	32.0	34	193.46	2,430
19. Multi-family 065 2"	1	1	1	\$ 382.85	32.5	34	196.48	2,468
20. Multi-family 067 4"	1	1	1	\$ 394.63	33.5	35	202.53	2,544
21. Multi-family 089 1"	1	1	1	\$ 524.21	44.5	47	269.03	3,380
22. Multi-family 102 2"	1	1	1	\$ 600.78	51.0	53	308.33	3,874
23. Multi-family 129 4"	1	1	1	\$ 759.81	64.5	68	389.94	4,899
24. Multi-family 153 4"	1	1	1	\$ 901.17	76.5	80	462.49	5,810
25. Total	1,138	1,245	1,191			1,621		117,598
26. Costs To Be Recovered (Return)		\$ 235,196		Commodity Surcharge Calculation				
27. Minimum Revenue	\$ 235,196	x 50%	= \$ 117,598					
28. Commodity Revenue	\$ 235,196	x 50%	=					
Monthly Increment Per Equivalent Meter								
29. Equivalent Meters	1,621	x 12 Months	= 19,452					
30. Minimum Surcharge	(Column D, Line 27 / Column D, Line 29)		\$ 6.05					
31. Average Gallons	(Column D, Line 6)		187,816					
32. Commodity Surcharge	(Column E, Line 28 / Column E, Line 31)		\$ 0.6261					

Numbers for illustrative purposes only.

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Period Ending: December 31, 2004

SURCHARGE CALCULATION FOR ARSENIC CAPITAL & RECURRING O&M COSTS - STEP-2
 HAVASU DISTRICT

[A] [B] [C] [D] [E] [F] [G] [H] [I]

Growth	Customers		Gallons Sold (000)	
	Average	Total	Total	Per Customer
1. 12/31/2003 (Year 1)	1,087	167,537	154.13	
2. 12/31/2004 (Year 2)	1,189	208,094	175.02	
3. Year 2 minus Year 1	102	40,557	20.89	
4. Percentage Change	9.38%	24.21%	13.55%	
5. Year 1 Plus Year 2		375,631		
6. Avg Gallons (Col. D. Line 5 /2)		187,816		

Meter Size	Average Customers at 12/31/2004	Estimated Customers at 12/31/2005	Estimated Average Customers	Monthly Minimum	Minimum Multiples	Equivalent Meters	Fixed Increment Monthly	Fixed Increment Annual Total
7. Resid. 5/8-inch	1,082	1,184	1,133	\$ 11.78	1.0	1,133	9.85	133,937
8. Commer. 5/8-inch	33	36	35	\$ 11.78	1.0	35	9.85	4,085
9. 1-inch	5	5	5	\$ 20.27	1.7	9	16.95	1,065
10. 1.5-inch	-	-	-	\$ 28.76	2.4	-	24.06	-
11. 2-inch	3	3	3	\$ 39.88	3.4	11	33.36	1,257
12. 3-inch	4	4	4	\$ 54.26	4.6	19	45.39	2,281
13. 4-inch	2	2	2	\$ 68.64	5.8	12	57.41	1,443
14. 6-inch	-	-	-	\$ 236.59	20.1	-	197.89	-
15. 8-inch	-	-	-	\$ 457.50	38.8	-	382.67	-
16. Multi-family 044 1"	1	1	1	\$ 259.16	22.0	23	216.77	2,723
17. Multi-family 056 2"	1	1	1	\$ 329.84	28.0	29	275.89	3,466
18. Multi-family 064 4"	1	1	1	\$ 376.96	32.0	34	315.30	3,961
19. Multi-family 065 2"	1	1	1	\$ 382.85	32.5	34	320.23	4,023
20. Multi-family 067 4"	1	1	1	\$ 384.63	33.5	35	330.08	4,147
21. Multi-family 089 1"	1	1	1	\$ 524.21	44.5	47	438.47	5,509
22. Multi-family 102 2"	1	1	1	\$ 600.78	51.0	53	502.52	6,313
23. Multi-family 129 4"	1	1	1	\$ 759.81	64.5	68	635.53	7,984
24. Multi-family 153 4"	1	1	1	\$ 901.17	76.5	80	753.77	9,470
25. Total	1,138	1,245	1,191			1,621	753.77	191,663

Costs To Be Recovered (Return & Recurring O&M)	Minimum Surcharge Calculation	Commodity Surcharge Calculation
26. \$ 383,327	\$ 191,663	
27. Minimum Revenue \$ 383,327 x 50%	=	\$ 191,663
28. Commodity Revenue \$ 383,327 x 50%	=	

Monthly Increment Per Equivalent Meter	Minimum Surcharge Calculation	Commodity Surcharge Calculation
29. Equivalent Meters 1,621 x 12 Months	=	19,452
30. Minimum Surcharge (Column D, Line 27 / Column D, Line 28)	\$ 9.85	
31. Average Gallons (Column D, Line 6)	187,816	
32. Commodity Surcharge (Column E, Line 28 / Column E, Line 31)	\$ 1,0205	

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Company Name: ARIZONA AMERICAN WATER COMPANY
Docket Number: WS-01303A-02-0867, et al
Period Ending: December 31, 2004

TYPICAL BILL ANALYSIS - HAVASU DISTRICT
PRESENT AND PROPOSED 5/8" RATES WITHOUT TAXES

Line No.	[A] Gallons Consumption	[B] Present Rates	[C] Step-1 Proposed Rates	[C] Step-2 Proposed Rates	Step 1 Percent Increase
1.	-	\$ 11.78	\$ 17.83	\$ 21.63	51.3%
2.	1,000	\$ 12.83	\$ 19.50	\$ 23.70	52.0%
3.	2,000	\$ 13.88	\$ 21.18	\$ 25.77	52.6%
4.	3,000	\$ 14.93	\$ 22.85	\$ 27.84	53.1%
5.	4,000	\$ 15.98	\$ 24.53	\$ 29.92	53.5%
6.	5,000	\$ 17.54	\$ 26.71	\$ 32.49	52.3%
7.	6,000	\$ 19.09	\$ 28.89	\$ 35.07	51.3%
8.	7,000	\$ 20.65	\$ 31.07	\$ 37.64	50.5%
9.	8,000	\$ 22.20	\$ 33.25	\$ 40.22	49.8%
10.	9,000	\$ 23.76	\$ 35.44	\$ 42.79	49.2%
11.	10,000	\$ 25.31	\$ 37.62	\$ 45.37	48.6%
12.	11,000	\$ 26.87	\$ 39.80	\$ 47.94	48.1%
13.	12,000	\$ 28.42	\$ 41.98	\$ 50.52	47.7%
14.	13,000	\$ 29.98	\$ 44.16	\$ 53.09	47.3%
15.	14,000	\$ 31.85	\$ 46.66	\$ 55.99	46.5%
16.	15,000	\$ 33.72	\$ 49.15	\$ 58.88	45.8%
17.	20,000	\$ 43.07	\$ 61.63	\$ 73.33	43.1%
18.	25,000	\$ 52.42	\$ 74.11	\$ 87.78	41.4%
19.	Average Residential Consumption	7,659	7,659	7,659	
20.	Average Residential Bill	\$ 21.67	\$ 32.51	\$ 39.34	50.0%
21.	Minimum Rate	\$ 11.78	\$ 17.83	\$ 21.63	51.3%
22.	Commodity Rate 0 to 4,000 gallons	\$ 1.0500	\$ 1.6761	\$ 2.0705	59.6%
23.	Commodity Rate 4,000 to 13,000 gallons	\$ 1.5550	\$ 2.1811	\$ 2.5755	40.3%
24.	Commodity Rate 13,000 gallons and over	\$ 1.8700	\$ 2.4961	\$ 2.8905	33.5%

Numbers for illustrative purposes only.

Exhibit B

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Period Ending: December 31, 2004

ARSENIC COMPLIANCE REVENUE REQUIREMENT - HAVASU

[A]	[B] Havasu Water Step 1 Mar-06 to Feb-07	[C] Havasu Water Step 2 Mar-07 to ~ New Rates
Arsenic Compliance Revenue Requirement:		
PLANT IN SERVICE EXPENDITURES:		
Test Year Data:		
Arsenic MCL Rate Base	1,718,501	1,718,501
Accumulated Depreciation	-	(53,274)
Net Rate Base	<u>1,718,501</u>	<u>1,665,228</u>
Less: Offset from havasu Impact Fee Contribution - Dec. '05 to Mar. '07		(95,265)
Accumulated Amortization on Havasu Impact Fee Contribution - Dec. '05 to Mar. '07		
Less: Offset from havasu Impact Fee Contribution - Mar. '07 to Mar. '08		
Net Contribution Offset		<u>(95,265)</u>
Net Rate Base After Offset	1,718,501	1,569,963
Depreciation Rate	3.1%	3.1%
Depreciation Expense	53,274	53,274
Contribution Depreciation	-	(2,953)
Net Depreciation Expense	<u>53,274</u>	<u>50,320</u>
Depreciation Expense net of tax savings ¹	32,711	30,897
Recoverable O&M Costs	-	156,724
Recoverable O&M Costs net of tax savings ²	-	96,230
Prior 12 Months Deferred Recoverable O&M Costs	-	156,724
Prior 12 Months Deferred Recoverable O&M Costs net of tax savings	-	96,230 **
Arsenic MCL Operating Income	(32,711)	(223,358)
Current Rate of Return	-1.90%	-13.41%
Required Operating Income	<u>111,703</u>	<u>108,240</u>
Required Rate of Return (Dec. No. 67093)	6.50%	6.50%
Operating Income Deficiency	144,413	331,598
Gross Revenue Conversion Factor (Decision No. 67093)	1.62863	1.62863
Revenue Deficiency	235,196	540,051
Authorized Rates (Decision No. 67093)		
14. Minimum 5/8" Meter	\$ 11.78	\$ 11.78
15. Commodity Rate 0 to 4,000 gallons	1.0500	1.0500
16. Commodity Rate 4,000 to 13,000 gallons	1.5550	1.5550
17. Commodity Rate 4,000 to 15,000 gallons		
18. Commodity Rate 4,000 to 20,000 gallons		
19. Commodity Rate 13,000 gallons and over	1.8700	1.8700
20. Commodity Rate 15,000 gallons and over		
21. Commodity Rate 20,000 gallons and over		
Arsenic Cost Recovery Mechanism Surcharge		
22. ACRM Minimum Surcharge 5/8" Meter	\$ 6.05	\$ 13.88
23. ACRM Commodity Surcharge	0.6261	1.4377
Total (Proposed Rates)		
24. Minimum 5/8" Meter	\$ 17.83	\$ 25.66
25. Commodity Rate 0 to 4,000 gallons	1.6761	2.4877
26. Commodity Rate 4,000 to 13,000 gallons	2.1811	2.9927
27. Commodity Rate 4,000 to 15,000 gallons		
28. Commodity Rate 4,000 to 20,000 gallons		
29. Commodity Rate 13,000 gallons and over	2.4961	3.3077
30. Commodity Rate 15,000 gallons and over		
31. Commodity Rate 20,000 gallons and over		

** These charges are eliminated after 12 months of recovery during step-2.

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Period Ending: December 31, 2004

SURCHARGE CALCULATION FOR ARSENIC CAPITAL COSTS - STEP-1
 HAVASU DISTRICT

[A] [B] [C] [D] [E] [F] [G] [H] [I]

Growth	Customers		Gallons Sold (000)	
	Total	Per Customer	Total	Per Customer
1. 12/31/2003 (Year 1)	1,087	154.13	167,537	154.13
2. 12/31/2004 (Year 2)	1,189	175.02	208,094	175.02
3. Year 2 minus Year 1	102	20.89	40,557	20.89
4. Percentage Change	9.38%	13.55%	24.21%	13.55%
5. Year 1 Plus Year 2			375,631	
6. Avg Gallons (Col. D, Line 5/2)			187,816	

Meter Size	Average Customers at 12/31/2004	Estimated Customers at 12/31/2005	Estimated Average Customers	Monthly Minimum	Minimum Multiples	Equivalent Meters	Fixed Increment Monthly	Fixed Increment Annual Total
7. Resid. 5/8-inch	1,082	1,184	1,133	\$ 11.78	1.0	1,133	6.05	82,179
8. Commer. 5/8-inch	33	36	35	\$ 11.78	1.0	35	6.05	2,506
9. 1-inch	5	5	5	\$ 20.27	1.7	9	10.40	653
10. 1.5-inch	-	-	-	\$ 28.76	2.4	-	14.76	-
11. 2-inch	3	3	3	\$ 39.88	3.4	11	20.47	771
12. 3-inch	4	4	4	\$ 54.26	4.6	19	27.85	1,399
13. 4-inch	2	2	2	\$ 68.64	5.8	12	35.23	885
14. 6-inch	-	-	-	\$ 236.59	20.1	-	121.42	-
15. 8-inch	-	-	-	\$ 457.50	38.8	-	234.79	-
16. Multi-family 044 1"	1	1	1	\$ 259.16	22.0	23	133.00	1,671
17. Multi-family 056 2"	1	1	1	\$ 329.84	28.0	29	169.28	2,127
18. Multi-family 064 4"	1	1	1	\$ 376.96	32.0	34	193.46	2,430
19. Multi-family 065 2"	1	1	1	\$ 382.85	32.5	34	196.48	2,468
20. Multi-family 067 4"	1	1	1	\$ 394.63	33.5	35	202.53	2,544
21. Multi-family 089 1"	1	1	1	\$ 524.21	44.5	47	269.03	3,360
22. Multi-family 102 2"	1	1	1	\$ 600.78	51.0	53	308.33	3,874
23. Multi-family 129 4"	1	1	1	\$ 759.81	64.5	68	389.94	4,889
24. Multi-family 153 4"	1	1	1	\$ 901.17	76.5	80	462.49	5,810
25. Total	1,138	1,245	1,191			1,621		117,598

26. Costs To Be Recovered (Return)	Minimum Surcharge Calculation	Commodity Surcharge Calculation
\$ 235,196	\$ 117,598	\$ 117,598
27. Minimum Revenue \$ 235,196 x 50%	=	=
28. Commodity Revenue \$ 235,196 x 50%	=	=
Monthly Increment Per Equivalent Meter	1,621 x 12 Months =	19,452

29. Equivalent Meters	(Column D, Line 27 / Column D, Line 29)	\$ 6.05
30. Minimum Surcharge	(Column D, Line 6)	187,816
31. Average Gallons	(Column E, Line 28 / Column E, Line 31)	\$ 0.6281

Numbers for illustrative purposes only.

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Period Ending: December 31, 2004

SURCHARGE CALCULATION FOR ARSENIC CAPITAL & RECURRING O&M COSTS - STEP-2
 HAVASU DISTRICT

[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
	Customers	Estimated Customers at 12/31/2005	Estimated Average Customers	Per Customer	Minimum Multiples	Equivalent Meters	Fixed Increment Monthly	Annual Total
Growth								
1. 12/31/2003 (Year 1)	1,087	1,184	1,133	154.13	1.0	1,133	13.88	188,687
2. 12/31/2004 (Year 2)	1,189	36	35	175.02	1.0	35	13.88	5,755
3. Year 2 minus Year 1	102	5	5	20.89	1.7	9	23.89	1,500
4. Percentage Change	9.38%			13.55%	2.4		33.89	
5. Year 1 Plus Year 2					3.4		47.00	1,771
6. Avg Gallons (Col. D. Line 5/2)					4.6		63.94	3,213
					5.8		80.89	2,032
					20.1		278.80	
					38.8		539.13	
					22.0		305.40	3,837
					28.0		388.69	4,883
					32.0		444.22	5,581
					32.5		451.16	5,668
					33.5		465.04	5,842
					44.5		617.74	7,761
					51.0		707.97	8,894
					64.5		895.37	11,249
					76.5		1061.96	13,341
25. Total	1,138	1,245	1,191			1,621		270,025

26. Costs To Be Recovered (Return & Recurring O&M)	\$	540,051	Minimum Surcharge Calculation	Commodity Surcharge Calculation
27. Minimum Revenue	\$	540,051	x 50%	= \$ 270,025
28. Commodity Revenue	\$	540,051	x 50%	=
Monthly Increment Per Equivalent Meter		1,621	x 12 Months	= 19,452
29. Equivalent Meters				
30. Minimum Surcharge			(Column D, Line 27 / Column D, Line 29)	\$ 13.88
31. Average Gallons			(Column D, Line 6)	187,816
32. Commodity Surcharge			(Column E, Line 28 / Column E, Line 31)	\$ 1,4377

Numbers for illustrative purposes only.

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Period Ending: December 31, 2004

TYPICAL BILL ANALYSIS - HAVASU DISTRICT
 PRESENT AND PROPOSED 5/8" RATES WITHOUT TAXES

Line No.	[A] Gallons Consumption	[B] Present Rates	[C] Step-1 Proposed Rates	[C] Step-2 Proposed Rates	Step 1 Percent Increase
1.	-	\$ 11.78	\$ 17.83	\$ 25.66	51.3%
2.	1,000	\$ 12.83	\$ 19.50	\$ 28.15	52.0%
3.	2,000	\$ 13.88	\$ 21.18	\$ 30.64	52.6%
4.	3,000	\$ 14.93	\$ 22.85	\$ 33.12	53.1%
5.	4,000	\$ 15.98	\$ 24.53	\$ 35.61	53.5%
6.	5,000	\$ 17.54	\$ 26.71	\$ 38.61	52.3%
7.	6,000	\$ 19.09	\$ 28.89	\$ 41.60	51.3%
8.	7,000	\$ 20.65	\$ 31.07	\$ 44.59	50.5%
9.	8,000	\$ 22.20	\$ 33.25	\$ 47.58	49.8%
10.	9,000	\$ 23.76	\$ 35.44	\$ 50.58	49.2%
11.	10,000	\$ 25.31	\$ 37.62	\$ 53.57	48.6%
12.	11,000	\$ 26.87	\$ 39.80	\$ 56.56	48.1%
13.	12,000	\$ 28.42	\$ 41.98	\$ 59.55	47.7%
14.	13,000	\$ 29.98	\$ 44.16	\$ 62.55	47.3%
15.	14,000	\$ 31.85	\$ 46.66	\$ 65.85	46.5%
16.	15,000	\$ 33.72	\$ 49.15	\$ 69.16	45.8%
17.	20,000	\$ 43.07	\$ 61.63	\$ 85.70	43.1%
18.	25,000	\$ 52.42	\$ 74.11	\$ 102.24	41.4%
19.	Average Residential Consumption	7,659	7,659	7,659	
20.	Average Residential Bill	\$ 21.67	\$ 32.51	\$ 46.56	50.0%
21.	Minimum Rate	\$ 11.78	\$ 17.83	\$ 25.66	51.3%
22.	Commodity Rate 0 to 4,000 gallons	\$ 1.0500	\$ 1.6761	\$ 2.4877	59.6%
23.	Commodity Rate 4,000 to 13,000 gallons	\$ 1.5550	\$ 2.1811	\$ 2.9927	40.3%
24.	Commodity Rate 13,000 gallons and over	\$ 1.8700	\$ 2.4961	\$ 3.3077	33.5%

Numbers for illustrative purposes only.

Exhibit C

Company Name: ARIZONA AMERICAN WATER COMPANY
 Docket Number: WS-01303A-02-0867, et al
 Mohave Impact Fee & Balancing Acct.

	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07
Step-1 Fee	\$ 264											
Step-2 Fee	\$ 274											
Step-3 Fee	\$ 456											
Havasu Arsenic O&M												
Chemicals/Media	\$ 12,813	\$ 12,838	\$ 12,862	\$ 12,887	\$ 12,912	\$ 12,936	\$ 12,961	\$ 12,986	\$ 13,011	\$ 13,036	\$ 13,062	\$ 13,088
Sludge/Media Disposal	247	248	248	249	249	250	250	251	251	252	252	253
Total	13,060	13,085	13,110	13,136	13,161	13,186	13,211	13,237	13,262	13,287	13,314	13,341
Inflation Rate - General	0.192%	0.192%	0.192%	0.192%	0.192%	0.192%	0.192%	0.192%	0.192%	0.192%	0.200%	0.200%
Impact Fee	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264	\$ 264
Impact Fee Revenues	17,555	14,651	10,823	17,555	12,407	7,655	14,651	7,655	17,555	6,336	-	31,546
Over/(Under Collected)	\$ 4,495	\$ 1,566	\$ (2,287)	\$ 4,419	\$ (754)	\$ (5,530)	\$ 1,440	\$ (5,581)	\$ 4,293	\$ (6,952)	\$ (13,314)	\$ 18,205
Acct. Balance	\$ 4,495	\$ 6,060	\$ 3,773	\$ 8,192	\$ 7,439	\$ 1,908	\$ 3,348	\$ (2,233)	\$ 2,060	\$ (4,892)	\$ (18,205)	\$ -

Company Name: ARIZONA AMERICAN WATER C
 Docket Number: WS-01303A-02-0867, et al
 Mohave Impact Fee & Balancing Acct.

	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Step-1 Fee	\$ 264											
Step-2 Fee	\$ 274											
Step-3 Fee	\$ 456											
Havasu Arsenic O&M												
Chemicals/Media	\$ 13,436	\$ 13,464	\$ 13,492	\$ 13,520	\$ 13,548	\$ 13,576	\$ 13,605	\$ 13,633	\$ 13,661	\$ 13,690	\$ 13,718	\$ 13,747
Sudge/Media Disposal	269	260	260	261	261	262	262	263	264	264	265	265
Total	13,695	13,724	13,752	13,781	13,809	13,838	13,867	13,896	13,925	13,954	13,983	14,012
Inflation Rate - General	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%
Impact Fee	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274	\$ 274
Impact Fee Revenues	28,514	23,496	17,337	28,514	20,074	12,318	23,496	12,318	28,514	10,949	-	45,394
Over/(Under Collected)	\$ 14,819	\$ 9,772	\$ 3,584	\$ 14,733	\$ 6,264	\$ (1,520)	\$ 9,629	\$ (1,578)	\$ 14,589	\$ (3,005)	\$ (13,983)	\$ 31,362
Acct. Balance	\$ 14,819	\$ 24,591	\$ 28,176	\$ 42,909	\$ 49,173	\$ 47,653	\$ 57,282	\$ 55,704	\$ 70,293	\$ 67,289	\$ 53,306	\$ 84,688

Company Name: ARIZONA AMERICAN WATER C
 Docket Number: WS-01303A-02-0867, et al
 Mohave Impact Fee & Balancing Acct.

Step-1 Fee \$ 264
 Step-2 Fee \$ 274
 Step-3 Fee \$ 456

	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Havasu Arsenic O&M	\$ 13,776	\$ 13,804	\$ 13,833	\$ 13,862	\$ 13,891	\$ 13,920
Chemicals/Media	266	266	267	267	268	269
Sludge/Media Disposal	14,041	14,071	14,100	14,129	14,159	14,188
Total	0.208%	0.208%	0.208%	0.208%	0.208%	0.208%
Inflation Rate - General	\$ 456	\$ 456	\$ 456	\$ 456	\$ 456	\$ 456
Impact Fee						
Impact Fee Revenues	\$ (14,041)	\$ (14,071)	\$ (14,100)	\$ (14,129)	\$ (14,159)	\$ (14,188)
Over/(Under Collected)	\$ 70,647	\$ 56,576	\$ 42,476	\$ 28,347	\$ 14,188	\$ -
Acct. Balance						

Number of Meters	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	2005	2006	2007	2008	2009	2010
Residential	16,578	16,609	16,698	16,693	16,715	16,755	16,777	16,826	16,843	14,200	14,785	15,370	15,917	16,400	16,843
5/8"	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
3/4"	132	132	132	132	132	132	132	132	135	106	114	120	126	131	135
1 1/2"	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
2"	166	166	166	166	166	166	166	166	166	166	166	166	166	166	166
3"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Residential Meters	16,891	16,922	16,971	17,006	17,028	17,068	17,090	17,139	17,159	14,489	15,080	15,671	16,224	16,712	17,159
Commercial	383	383	383	383	383	383	383	383	383	383	383	383	383	383	383
5/8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3/4"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1"	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149
1 1/2"	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
2"	177	177	177	177	177	177	177	177	177	177	177	177	177	177	177
3"	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
4"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Commercial Meters	740	740	740	740	740	740	740	740	740	740	740	740	740	740	740
Industrial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5/8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3/4"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1 1/2"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Industrial Meters	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Municipal	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
5/8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3/4"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1"	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9
1 1/2"	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
2"	42	42	42	42	42	42	42	42	42	42	42	42	42	42	42
3"	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
4"	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
6"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Municipal Meters	89	89	89	89	89	89	89	89	89	89	89	89	89	89	89
All Classes	16,991	17,022	17,071	17,106	17,128	17,168	17,190	17,239	17,256	14,613	15,198	15,783	16,330	16,813	17,256
5/8"	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
3/4"	290	290	290	290	290	290	290	290	293	266	272	278	284	289	293
1"	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
1 1/2"	387	387	387	387	387	387	387	387	387	387	387	387	387	387	387
2"	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
3"	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
4"	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
6"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12"	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total All Classes	17,720	17,751	17,800	17,835	17,857	17,897	17,919	17,968	17,988	15,316	15,909	16,500	17,053	17,541	17,988
Sale for Resale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private Fire	0	0	0	0	0	0	0	0	0	95	0	0	0	0	0
Public Fire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Flat Rate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0
Total Meters	17,720	17,751	17,800	17,835	17,857	17,897	17,919	17,968	17,988	15,416	15,909	16,500	17,053	17,541	17,988