

ORIGINAL NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION
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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION
OF ARIZONA-AMERICAN WATER
COMPANY, INC., AN ARIZONA
CORPORATION, FOR A HOOK-UP FEE
FOR ITS ANTHEM WATER DISTRICT

DOCKET NO. W-1303A-06- W-01303A-06-0284

APPLICATION FOR HOOK-UP FEE

**APPLICATION FOR HOOK-UP FEE
ARIZONA-AMERICAN WATER COMPANY**

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4 1. Arizona-American Water Company ("Arizona-American" or the "Company")
5 hereby applies for authority to implement a hook-up fee for new construction in its Anthem
6 Water District.
- 7 2. Later this year, Arizona-American will be filing a new rate case for its Anthem
8 Water District based on a 2005 test year. As detailed on Exhibit A to this Application, Anthem
9 Water's rates are currently based on a 2001 test year, with a rate base of only \$9,269,095. Test-
10 year 2005 rate base is expected to exceed \$31 million, because of the addition of new plant and
11 accumulated amortization of previously approved regulatory advances. Driven largely by these
12 factors, Arizona-American expects to file for an approximate 44% water rate increase.
- 13 3. Again as detailed on Exhibit A, rate base will continue to grow rapidly over the
14 next three years, which will require significant additional rate relief.
- 15 4. To somewhat reduce the need for future rate relief, Arizona-American is asking to
16 implement a new hook-up fee for Anthem Water. Proposed tariff language is attached as Exhibit
17 B. The proposed hook-up fee would start at \$3,000 for a 5/8 x 3/4-inch water meter and increase
18 volumetrically. As of April 2005, there are a total of 7,199 water connections in Anthem
19 including 7,028 residential connections. Of these residential connections, 4,045 are 5/8 x 3/4-

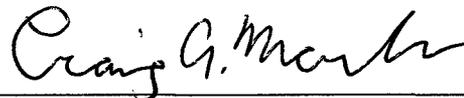
1 inch and 2,899 are one inch meters.¹ Funds generated by the new-hook up fees will be treated as contributions and will directly offset rate base.

5. Because the upcoming case will be based on a 2005 test year, new hook-up fees will not likely reduce the revenue requirement for that case. However, the contribution balance will help to mitigate the magnitude of the next required rate increase.

6. Prompt implementation of the hook-up fees is needed to generate as large a contribution balance as possible. Arizona-American often adds 200 connections in one month, and buildout for Anthem is expected to occur within the next several years. The Company estimates that total equivalent residential units ("ERUs") at the buildout of the Anthem community will total between 9500 and 10,000.

7. **RELIEF REQUESTED.** As more fully set forth above and on Exhibit B, Arizona-American Water Company asks for authority to implement a hook-up fee for new construction in its Anthem Water District. To generate as large a contribution balance as possible, the Company asks for expedited consideration of this request.

RESPECTFULLY SUBMITTED on April 26, 2006.



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¹ The remainder have larger meters.

1 Original and 13 copies filed
2 on April 26, 2006, with:

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

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12 Hearing Division
13 Arizona Corporation Commission
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22 Residential Utility Consumer Office
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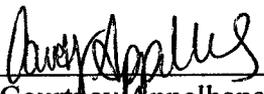
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29 By: 
30 Courtney Appelhaus
31

Exhibit A

Preview: Anthem Water Rate Cases

	Per Order 12/31/2001	Unadjusted Test Year					2009	2010
		2005	2006	2007	2008	2009		
Anthem Water		79,436,164	83,963,598	86,756,235	87,238,675	87,595,029	89,584,286	
Utility Plant in Service	41,133,262	383,363	992,019	1,167,250	1,266,847	1,569,721	1,819,315	
Allocated Plant (Corp & Central)	394,685	1,000,000	2,000,000	3,000,000	4,000,000	4,000,000	5,000,000	
Phoenix Interconnection (\$5 Million)		(7,416,714)	(9,252,200)	(11,151,500)	(13,071,303)	(14,999,013)	(16,931,613)	
Accum Deprec	(2,086,489)	(40,000)	(80,000)	(80,000)	(120,000)	(160,000)	(200,000)	
25 Yr Amrtzn of Phx Interconntn	39,441,458	72,402,813	76,703,417	78,771,985	78,434,219	78,165,737	79,471,988	
Less: Advances (net thru 2005)	(3,296)	(29,385,017)	(33,300,840)	(29,933,829)	(8,842,947)	(6,041,701)	(5,997,277)	
Actual Major Refund of Advance 6/30/06			5,383,300					
Est Major Refunds 6/30				21,338,700	2,986,300			
Less: CIACs (net)		(112,890)	(109,410)	(105,930)	(102,456)	(98,982)	(95,508)	
Less: Regulatory Advances	(29,093,642)	(29,093,642)	(29,093,642)	(29,093,642)	(29,093,642)	-	-	
Add back amortization	17,903,780	22,379,725	26,855,670	29,093,643	29,093,643	-	-	
Less: Regulatory Contributions	(1,075,425)	(1,075,425)	(1,075,425)	(1,075,425)	(1,075,425)	(1,075,425)	(1,075,425)	
Add back amortization	430,170	537,713	645,255	752,798	860,340	967,883	967,883	
Rate Base	\$9,269,095	\$31,069,790	\$41,424,838	\$67,402,785	\$72,152,490	\$71,809,970	\$73,271,661	
Authorized/Requested ROR	6.50%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	
Net Operating Income	\$602,491	\$2,463,834	\$3,284,990	\$5,345,041	\$5,721,692	\$5,694,531	\$5,810,443	
Tariff Rate Revenue	\$4,010,805	\$4,958,945	\$4,487,900	\$4,937,580	\$5,114,538	\$5,132,773	\$5,155,684	
CRC Revenue	0	1,156,177	862,920	113,220	0	0	0	
Del Webb Subsidy Rev	0	660,000	605,000	550,000	495,000	440,000	357,500	
Total Revenue	\$4,010,805	\$6,775,122	\$5,955,820	\$5,600,800	\$5,609,538	\$5,572,773	\$5,513,184	
Net Income	774,886	1,134,968	1,064,337	1,409,548	1,062,293	1,912,157	2,448,530	
Deficiency	(\$172,028)	\$1,328,866	\$2,220,653	\$3,935,493	\$4,659,399	\$3,782,374	\$3,361,913	
Rev Conv Factor	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	1.62863	
Incr/(Decr) in Revenue	(\$280,170) [1]	\$2,164,232	\$3,616,622	\$6,409,462	\$7,588,437	\$6,160,088	\$5,475,312	
% Change over Current Tariff Revenue		44%	81%	130%	148%	120%	106%	

EXHIBIT B

SAMPLE TARIFF

Arizona American Water Company
(Name of Company)

Anthem Water District
(Name of Service Area)

Water Facilities Hook-Up Fee WHU – 1

Applicability

Applicable to all new potable water Service Connections within the Company's CC&N.

Purpose

The purpose of the hook-up fee pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, treatment, transmission, storage, pressure and flow among all new Service Connections.

Definitions

Unless the context otherwise requires, the definitions set forth in Rule No. 1 shall apply in interpreting this tariff schedule. The following additional definitions apply to this tariff schedule only.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of on-site water facilities (including distribution mains, valves, fittings, hydrants and other improvements in accordance with Rule No. 5) to the Company to serve new service connections, or install on-site water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Facilities" means treatment facilities, wells, transmission lines, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-site facilities may also include booster pumps, pressure tanks, distribution mains and related appurtenances necessary for proper operation.

"Service Connection" means and includes all service connections for residential, commercial, industrial, or other uses, regardless of meter size.

ISSUED: April 28, 2006
Month Day Year

EFFECTIVE: _____
Month Day Year

ISSUED BY: Thomas Broderick, Rates and Regulatory Affairs Manager
19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Decision No. _____

Water Facilities Hook-Up Fee WHU – 1 (continued)

Rates

Each new service connection shall pay the Water Facilities Hook-up Fee indicated below based on the meter size to be installed:

Water Facilities Hook-Up Fee		
Meter Size	Factor	Total Hook-Up Fee
5/8" x 3/4"	1.0	\$3,000.00
3/4"	1.5	\$4,500.00
1"	2.5	\$7,500.00
1 1/2"	5.0	\$15,000.00
2"	8.0	\$24,000.00
3"	16.0	\$48,000.00
4"	25.0	\$75,000.00
6"	50.0	\$150,000.00
8"	100.0	\$300,000.00

Special Conditions

1. **Assessment of One Time Hook-Up Charge:** This hook-up fee may be assessed only once per Service Connection, or residential lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) resulting from further subdivision of a lot or land parcel and which do not have a Service Connection.
2. **Time of Payment:**
 - a. In the event that the Applicant is required to enter into a Main Extension Agreement, payment of the charges required hereunder shall be made by the Applicant when operational acceptance is issued for the on-site water facilities constructed to serve the improvement.
 - b. In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the service line and meter installation charge is due and payable.
3. **Failure to Pay Charges; Delinquent Payments:** Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this Water Facilities Hook-Up Fee tariff.
4. **Hook-Up Fees In Addition to Other Charges:** This hook-up fee shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be paid pursuant to charges authorized under other tariffs or other agreements.

ISSUED: April 28, 2006
Month Day Year

EFFECTIVE: _____
Month Day Year

ISSUED BY: Thomas Broderick, Rates and Regulatory Affairs Manager
19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Decision No. _____

Arizona American Water Company
(Name of Company)

Anthem Water District
(Name of Service Area)

Water Facilities Hook-Up Fee WHU – 1 (continued)

- 5. Use of and accounting for Water Facilities Hook-up Fee: Proceeds from the hook-up fee shall be accounted for as a contribution in aid of construction. As such, they will be treated as an offset to the cost of Facilities included in rate base in any future ratemaking proceeding. The Company shall maintain on its books an accounting of the Water Facilities Hook-up Fees collected pursuant to this tariff and an accounting of the Facilities constructed prior or subsequent to adoption of this tariff.

ISSUED: April 28, 2006
Month Day Year

EFFECTIVE: _____
Month Day Year

ISSUED BY: Thomas Broderick, Rates and Regulatory Affairs Manager
19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Decision No. _____