ORIGINAL

Sheila Stoeller

From: Bob Golembe [anthemkid@cox.net]
Sent: Sunday, April 11, 2010 5:21 PM
To: Mayes-WebEmail; Kennedy-Web; Newman-Web; Pierce-Web; Stump-Web
Cc: Utilities Div - Mailbox
Subject: Comment on AZ Amer Financial 2009 (Docket: W-01303A-09-0343)
Attachments: AZ Amer Financial 2009.pdf

SW-01303A-09-0343

Dear Chairwoman Mayes and Commissioners:

Thank you for attending Anthem on the 7th of April to host a Public Comment Session.

I believe that the financial well being of Arizona American Water Company is the collective revenue and expenses flowing to coporate headquaters at American Water in New Jersey. Having worked in a multi-billion dollar company with many divisions worldwide, I believe it is the "bottom-line" that the stockholders look for in their investment.

Attached is the 2009 financial statement from the parent company, American Water. They look pretty healthy at this time.

Admitting I am not a financial guru, it appears that their proposed rate increase that doubles our monthly bill is completely unwarranted (to be polite).

Once again, THANK YOU for coming to Anthem,

Bob Golembe
Anthem, AZ

PS: The attached information was provided to me from a fellow Anthem resident, Mr. Ken Cohen.

Arizona Corporation Commission
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AZ CORP COMMISSION
DOCKET CONTROL

Cash flows from operating activities have been a reliable, steady source of funding, sufficient to meet operating requirements, our dividend payments and a portion of our capital expenditures requirements. We will seek access to debt and equity capital markets to meet the balance of our capital expenditure requirements as needed. There can be no assurance that we will be able to access such markets successfully on favorable terms or at all. Operating cash flows can be negatively affected by changes in our rate regulatory environments or changes in our customer economic outlook and ability to pay for service in a timely manner. We can provide no assurance that our customers' historical payment pattern will continue in the future.

The following table provides a summary of the major items affecting our cash flows from operating activities for the periods indicated:

	2009	2008	2007
		(in thousands)	
Net income (loss)	$ (233,083)	$ (562,421)	$(342,826)
Add (subtract):			
Non-cash operating activities(1)	1,016,826	1,214,120	881,013
Changes in working capital(2)	(60,141)	5,523	16,770
Pension and postretirement healthcare contributions	(127,446)	(105,053)	(81,245)
Net cash flows provided by operations	$ 596,156	$ 552,169	$ 473,712

(1) Includes (gain) loss on sale of businesses, depreciation and amortization, impairment charges, removal costs net of salvage, provision for deferred income taxes, amortization of deferred investment tax credits, provision for losses on utility accounts receivable, allowance for other funds used during construction, (gain) loss on sale of assets, deferred regulatory costs, amortization of deferred charges and other non-cash items, net, less pension and postretirement healthcare contributions.

(2) Changes in working capital include changes to accounts receivable and unbilled utility revenue, taxes receivable (including federal income), other current assets, accounts payable, taxes accrued (including federal income), interest accrued and other current liabilities.

The increase in cash flows from operations during 2009 compared to 2008 was primarily due to increased revenues offset by changes in working capital mainly driven by changes in taxes receivable and taxes accrued. The change in taxes is primarily due to the fact that a $35.0 million tax refund, including interest, was received in December 2008. No similar amount was received at the end of 2009.

In December 2008, the Company filed a request with the Internal Revenue Service (IRS) to change its tax accounting method for repair and maintenance cost on its utility assets. The IRS partially approved the request in October 2009, with the Company receiving final approval in February 2010. As a result of this change we expect to receive cash refunds of approximately $43.1 million, including a carryback claim for alternative minimum tax of $25.2 million which will be filed for in 2010.

The increase in cash flows from operations during 2008 compared to 2007 was primarily due to increased revenues partially offset by higher contributions to our pension and postretirement healthcare trusts.

The Company currently expects to make pension and postretirement benefit contributions to the plan trusts of $119.9 million in 2010, of which $22.6 was already made in February 2010. In addition, we currently estimate that contributions will amount to $147.9 million in 2011, $155.8 million in 2012, $123.8 in 2013 and $118.8 million in 2014. Actual amounts contributed could change materially from these estimates.

The increase in the 2009 contributions was the result of the Company's 2008 unfunded status of its pension plan, which increased significantly primarily due to lower than expected 2008 asset returns. Based on the then current plan assets and expected future asset returns, the Company estimated in early 2009 the increase to pension and postretirement expense (net of capitalized amounts) in 2009 to be approximately $32 million,

EXECUTIVE COMPENSATION

09 Summary Compensation Table

ne and Principal Position	Year	Salary ($)	Bonus ($)(3)	Stock Awards ($)(4)	Option Awards ($)(5)	Non-Equity Incentive Plan Compensation ($)(6)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(7)	All Other Compensation ($)(9)	Total
ald L. Correll President and Chief Executive Officer	2009	$ 610,615	$ —	$ 529,191	$ 529,200	$ 493,267	$ —	$ 245,298	$ 2,407,571
	2008	$ 582,211	$ 339,900	$ 580,221	$ 842,285	$ 1,351,092	$ —	$ 252,178	$ 3,947,887
	2007	$ 562,059	$ —	$ —	$ —	$ 457,415	$ —	$ 82,843	$ 1,102,317
n C. Wolf Senior Vice President and Chief Financial Officer	2009	$ 498,462	$ —	$ 287,989	$ 287,999	$ 258,378	$ 15,799	$ 84,775	$ 1,433,402
	2008	$ 475,558	$ 278,100	$ 401,664	$ 581,418	$ 910,950	$ 8,650	$ 106,403	$ 2,762,743
	2007	$ 459,865	$ —	$ —	$ —	$ 238,587	$ 0	$ 66,578	$ 765,030
lter J. Lynch President and Chief Operating Officer of Regulated Operations(1)	2009	$ 467,308	$ —	$ 258,756	$ 258,752	$ 289,417	$ 44,284	$ 17,524	$ 1,336,041
	2008	$ 394,346	$ 131,250	$ 167,679	$ 244,437	$ 557,850	$ 68,437	$ 15,743	$ 1,579,742
	2007	$ 318,769	$ —	$ —	$ —	$ 138,698	$ 22,197	$ 17,761	$ 497,425
n S. Young Chief Water Technology Officer, President, American Water Services and President, American Water Works Service Company(2)	2009	$ 443,422	$ —	$ 160,124	$ 160,127	$ 175,123	$ 651,258	$ 18,348	$ 1,608,402
	2008	$ 422,961	$ 247,200	$ 357,030	$ 516,818	$ 769,218	$ 550,153	$ 17,481	$ 2,880,861
	2007	$ 408,771	$ —	$ —	$ —	$ 206,927	$ 208,700	$ 26,183	$ 850,581
orge W. Patrick Senior Vice President, General Counsel and Secretary(8)	2009	$ 321,921	$ —	$ 116,251	$ 116,251	$ 130,028	$ —	$ 16,436	$ 700,887

Mr. Lynch has served as our President and Chief Operating Officer, Regulated Operations since March 1, 2010 (prior to that date Mr. Lynch was President of Regulated Operations).

Mr. Young has served as our Chief Water Technology Officer since March 1, 2010, the President of American Water Services since July 28, 2008 and the President of American Water Works Service Company since February 1, 2006 (Mr. Young was our Chief Operating Officer from October 1, 2005 to July 27, 2008).

The amounts shown in this column represent the discretionary portion of the completion bonus payable to each named executive officer in connection with our initial public offering. This portion was payable at the discretion of RWE, based on its judgment of each executive's leadership and support in positively marketing the business and preparing for our initial public offering, and therefore is considered a bonus award disclosable in this column pursuant to rules of the Securities and Exchange Commission. The other portion of each named executive officer's completion bonus, which was equal to 50% of each named executive officer's base salary, was payable based solely on the consummation of the initial public offering, and therefore is considered a non-equity award pursuant to rules of the Securities and Exchange Commission and is disclosed in the "Non-Equity Incentive Plan Compensation" column.

The amounts shown in this column reflect the grant date fair value of the performance-based restricted stock unit awards granted to the named executive officers. In 2008 two grants were made in connection with our initial public offering. The amounts disclosed represent the value at the grant date based upon the probable outcome of the performance conditions. These amounts reflect the Company's aggregate compensation cost expected to be recorded in our financial statements over the service period for such awards determined at the grant date in accordance with FASB ASC Topic 718. The following table shows the grant date fair value of the awards at the grant date assuming the highest level of performance conditions were achieved.

Name	Year	Grant Date Fair Value
Donald L. Correll	2009	$ 793,787
	2008	$ 1,015,387
Ellen C. Wolf	2009	$ 431,984
	2008	$ 702,912
Walter J. Lynch	2009	$ 388,134
	2008	$ 293,438
John S. Young	2009	$ 240,186
	2008	$ 624,803
George W. Patrick	2009	$ 174,377

Dividends

Our board of directors has adopted a dividend policy to distribute to our stockholders a portion of our net cash provided by operating activities as regular quarterly dividends, rather than retaining that cash for other purposes. Generally, our policy is to distribute 50% to 70% of our net income annually. We expect that dividends will be paid every March, June, September and December of each fiscal year to holders of record approximately 15 days prior to the distribution date. Since the dividends on our common stock will not be cumulative, only declared dividends will be paid.

During 2009 and 2008, we paid $137.3 million and $64.1 million in dividends, respectively. For 2009, we paid a dividend of $0.21 per share on December 1, 2009 and September 1, 2009 and $0.20 per share on June 1, 2009 and March 2, 2009. For 2008, we paid a dividend of $0.20 per share on September 2, 2008 and December 1, 2008. There were no common dividend payments made for 2007.

Subject to applicable law and the discretion of our board of directors, we will pay cash dividends of approximately $0.21 per share per quarter in 2010, to be paid approximately 60 days after the end of each fiscal quarter. The quarterly and annual average aggregate dividend amounts for the four quarters would be $36.7 million, and $146.7 million annually. The aggregate dividend amounts are based upon 174.7 million shares outstanding as of February 25, 2010. Under Delaware law, our board of directors may declare dividends only to the extent of our "surplus" (which is defined as total assets at fair market value *minus* total liabilities, *minus* statutory capital) or, if there is no surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Although we believe we will have sufficient net profits or surplus to pay dividends at the anticipated levels during the next four quarters, our board of directors will seek periodically to assure itself of this before actually declaring any dividends. In future periods, our board of directors may seek opinions from outside valuation firms to the effect that our solvency or assets are sufficient to allow payment of dividends, and such opinions may not be forthcoming. If we sought and were not able to obtain such an opinion, we likely would not be able to pay dividends.

On January 29, 2010, our board of directors declared a quarterly cash dividend payment of $0.21 per share payable on March 1, 2010 to all shareholders of record as of February 18, 2010.

Current Credit Market Position

The Company believes it has sufficient liquidity should there be a disruption of the capital and credit markets. The Company funds liquidity needs for capital investment, working capital and other financial commitments through cash flows from operations, public and private debt offerings, commercial paper markets and credit facilities with $850.0 million in aggregate total commitments from a diversified group of banks. As of February 24, 2010, we had $801.8 million available to fulfill our short-term liquidity needs, to issue letters of credit and back our $58.9 million outstanding commercial paper. As of February 24, 2010, the Company can issue additional commercial paper of $641.1 million which is backed by the credit facilities. The 2008 market disruptions caused the Company to redeem its tax exempt bonds in variable rate structures and remarket as fixed rate securities. The Company closely monitors the financial condition of the financial institutions associated with its credit facilities.

At this time, the Company does not believe recent market disruptions will impact its long-term ability to obtain financing. The Company expects to have access to liquidity in the capital markets on favorable terms before the maturity dates of its current credit facilities and the Company does not expect a significant number of its lenders to default on their commitments thereunder. In addition, the Company can delay major capital investments or pursue financing from other sources to preserve liquidity, if necessary. The Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.