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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

MAY - 1 2012

GARY PIERCE - Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT, HAVASU WATER DISTRICT, AND MOHAVE WATER DISTRICT.

DOCKET NO. W-01303A-10-0448

DECISION NO. 73145

OPINION AND ORDER

DATES OF HEARING:

January 18, August 2, August 15, September 19, and December 2, 2011 (Procedural Conferences); August 17, 2011 (Public Comment - Phoenix); August 22, 2011 (Public Comment - Surprise); August 25, 2011 (Public Comment - Bullhead City); December 5, 7 and 16, 2011 (Evidentiary Hearings).

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Dwight D. Nodes

APPEARANCES:

Mr. Thomas H. Campbell and Mr. Michael T. Hallam, LEWIS AND ROCA, LLP, on behalf of Arizona-American Water Company;

Ms. Michelle L. Wood on behalf of the Residential Utility Consumer Office;

Mr. Greg Patterson on behalf of the Water Utility Association of Arizona;

Ms. Joan S. Burke, LAW OFFICE OF JOAN S. BURKE, P.C., on behalf of Mashie, LLC, dba Corte Bella Golf Club;

Mr. Curtis S. Ekmark and Mr. Jason F. Wood, EKMARK & EKMARK, LLC, on behalf of the Sun City Grand Community Association and the Class of Homeowners and Community Associations;

Ms. Michele L. Van Quathem, RYLEY CARLOCK &

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APPLEWHITE, on behalf of DMB White Tank, LLC, and Verrado Community Association, Inc.;

Mr. James Gruber, Assistant City Attorney, on behalf of the City of Surprise, Arizona;

Mr. Jay L. Shapiro and Mr. Patrick J. Black, FENNEMORE CRAIG, PC, on behalf of EPCOR Water (USA), Inc.;

Mr. Garry D. Hays, GARRY D. HAYS, PC, on behalf of Cross River Homeowners Association; and

Mr. Charles H. Hains, Ms. Kimberly A. Ruht, and Ms. Bridget A. Humphrey, Staff Attorneys, Legal Division, on behalf of the Utilities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission (“Commission”) finds, concludes, and orders that:

**FINDINGS OF FACT**

**Background and Procedural History**

1. On November 3, 2010, Arizona-American Water Company (“Arizona-American” or “Company”) filed with the Arizona Corporation Commission (“Commission”) an application for rate increases for its Agua Fria Water District (“Agua Fria”), Havasu Water District (“Havasu”), and Mohave Water District (“Mohave”). With its application, Arizona-American filed supporting schedules and the direct testimony of Thomas Broderick, Paul Townsley, Ian Crooks, Jeffrey Stuck, Sandra Murrey, Linda Gutowski, Joseph Gross, Miles Kiger, John Guastella, and Dr. Bente Villadsen.

2. On November 30, 2010, the Company filed certain revised schedules following discussions with the Commission’s Utilities Division (“Staff”).

3. On December 2, 2010, Arizona-American filed a letter agreeing to a two-week extension of the sufficiency deadline.

1           4.     On December 22, 2010, Staff filed its sufficiency letter indicating that Arizona-  
2 American had satisfied the requirements of Arizona Administrative Code (“A.A.C.”) R14-2-103, and  
3 classifying the Company as a Class A utility.

4           5.     On December 23, 2010, Arizona-American filed a second supplement to its  
5 application with additional revised schedules.

6           6.     On January 4, 2011, a Procedural Order was issued scheduling a procedural  
7 conference for January 18, 2011.

8           7.     On January 6, 2011, the Residential Utility Consumer Office (“RUCO”) filed an  
9 Application to Intervene.

10          8.     On January 11, 2011, Staff filed a Proposed Hearing Schedule.

11          9.     On January 18, 2011, a procedural conference was conducted, as scheduled, for  
12 purposes of discussing a procedural schedule, hearing dates, testimony filing dates, and a proposed  
13 form of notice.

14          10.    On January 20, 2011, a Procedural Order was issued that, among other things, granted  
15 RUCO’s intervention request; scheduled a hearing to commence on August 17, 2011; established  
16 testimony filing deadlines; and directed the Company to mail notice to all affected customers, and to  
17 publish notice in newspapers of general circulation in the affected service areas.

18          11.    On March 7, 2011, the Water Utility Association of Arizona (“WUAA”) filed a  
19 Petition for Leave to Intervene.

20          12.    On March 18, 2011, a Procedural Order was issued granting WUAA’s request for  
21 intervention.

22          13.    On March 21, 2011, Arizona-American filed a Notice of Filing Affidavits of  
23 Publication indicating that the Company caused notice of the application and hearing to be made in  
24 accordance with the requirements of the January 20, 2011, Procedural Order.

25          14.    On March 22, 2011, a request for intervention was filed by DMB White Tank, LLC  
26 (“DMB”).

27          15.    On March 24, 2011, an intervention request was filed by the Verrado Community  
28 Association, Inc. (“Verrado”).

1           16.     On March 25, 2011, a Procedural Order was issued directing DMB to obtain counsel,  
2 in accordance with the Arizona Supreme Court Rules governing the practice of law, and directing  
3 Verrado to comply with Arizona Supreme Court Rule 31(d)(28) governing lay representation by a  
4 non-profit organization before the Commission.

5           17.     On March 25, 2011, Mashie, LLC, dba Corte Bella Golf Club (“Corte Bella”) filed an  
6 Application for Leave to Intervene.

7           18.     On March 29, 2011, the Sun City Grand Community Association, Inc. (“SCGCA”)  
8 filed an intervention request.

9           19.     On March 30, 2011, a Procedural Order was issued directing SCGCA to comply with  
10 Arizona Supreme Court Rule 31(d)(28) governing lay representation by a non-profit organization  
11 before the Commission.

12          20.     On March 30, 2011, Kenneth Hewitt filed a Motion to Intervene.

13          21.     On April 1, 2011, a renewed Motion to Intervene was filed on behalf of the SCGCA  
14 by counsel licensed in Arizona.

15          22.     On April 13, 2011, a Procedural Order was issued granting intervention to Corte Bella  
16 and the SCGCA, and granting Mr. Hewitt’s intervention request as an individual customer.

17          23.     On April 19, 2011, renewed Motions to Intervene were filed on behalf of DMB and  
18 Verrado by counsel licensed in Arizona.

19          24.     On May 2, 2011, a Procedural Order was issued granting intervention to DMB and  
20 Verrado.

21          25.     On June 3, 2011, Mr. Hewitt filed an Application requesting that Arizona-American  
22 Water Company’s Application be Corrected.

23          26.     On June 6, 2011, RUCO filed a Stipulated Motion to Continue Testimony Filing  
24 Dates.

25          27.     On June 7, 2011, Arizona-American filed a Response to Mr. Hewitt’s motion.

26          28.     On June 10, 2011, a Substitution of Counsel was filed on behalf of the SCGCA.

27          29.     On June 15, 2011, a Procedural Order was issued modifying the testimony filing  
28 schedule in accordance with RUCO’s stipulated request.

1 30. On June 24, 2011, direct testimony was filed by Mr. Hewitt.

2 31. On June 27, 2011, RUCO filed the direct testimony of William Rigsby, Rodney  
3 Moore, Royce Duffett, and Dr. Thomas Fish; Corte Bella filed the direct testimony of Gordon Petrie;  
4 DMB filed the direct testimony of Kent Simer and David Nilsen; Verrado filed the direct testimony  
5 of Melinda Gulick; SCGCA filed the direct testimony of Michael Arndt; and Staff filed the direct  
6 testimony of Dorothy Hains.

7 32. On June 29, 2011, Staff filed the direct testimony of Juan Manrique and Gerald  
8 Becker.

9 33. On June 30, 2011, RUCO filed a Notice of Errata.

10 34. On July 5, 2011, SCGCA filed the direct rate design testimony of Mr. Arndt; Verrado  
11 filed the direct rate design testimony of Ms. Gulick; and RUCO filed the direct rate design testimony  
12 of Mr. Moore.

13 35. On July 6, 2011, Commissioner Stump filed a letter proposing that public comment  
14 meetings be scheduled for Surprise and Bullhead City.

15 36. On July 6, 2011, Staff filed the direct rate design testimony of Jeffrey Michlik.

16 37. On July 15, 2011, Arizona-American filed the rebuttal testimony of Mr. Townsley,  
17 Mr. Broderick, Mr. Day, Mr. Guastella, Mr. Kiger, Mr. Gross, Mr. Crooks, Ms. Murrey, and Dr.  
18 Villadsen.

19 38. On July 18, 2011, the Company filed revisions to its rebuttal testimony.

20 39. On July 18, 2011, a Procedural Order was issued confirming that the first day of  
21 hearing would begin on August 17, 2011, and would resume on August 25, 2011.

22 40. On July 25, 2011, a Procedural Order was issued scheduling public comment meetings  
23 for August 22, 2011, in Surprise, and for August 25, 2011, in Bullhead City.<sup>1</sup>

24 41. On August 2, 2011, RUCO filed the surrebuttal testimony of Dr. Fish, Mr. Duffett,  
25 Mr. Moore, and Mr. Rigsby; SCGCA filed the surrebuttal testimony of Mr. Arndt; DMB filed the  
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28 <sup>1</sup> The public comment sessions were conducted in Surprise and Bullhead City as scheduled, on August 22 and 25, 2011, respectively.

1 surrebuttal testimony of Mr. Simer; Staff filed the surrebuttal testimony of Mr. Michlik, Mr. Becker,  
2 Mr. Manrique, and Ms. Hains; and Mr. Hewitt filed his surrebuttal testimony.

3         42. On August 2, 2011, a telephonic procedural conference was conducted at the request  
4 of Arizona-American, with all parties participating. During the teleconference, counsel for Arizona-  
5 American stated that the Company had become aware that several thousand customers in its Agua  
6 Fria Water District<sup>2</sup> had not been mailed notice of the application and hearing as directed by the Rate  
7 Case Procedural Order. The Company requested that an opportunity for intervention in the case be  
8 reopened until August 24, 2011, and that it be authorized to provide notice to all Agua Fria Water  
9 District customers of the application, hearing and the right to intervene. All parties agreed that the  
10 opportunity for intervention should be reopened, and that the Company should be required to provide  
11 notice to all customers of the Agua Fria Water District. Intervenor Kenneth Hewitt expressed  
12 concern that notice should also be provided in customer bills. The Company agreed to his request,  
13 and stated that the initial notice sent to customers by separate mailing would indicate and highlight  
14 that a second notice would also be sent with customer bills. The Company also agreed that the  
15 normal discovery process would apply and indicated that it would make all discovery conducted to  
16 that date available to new intervenors. The parties did not agree as to whether the hearing should be  
17 continued, or whether the Company's proposal to have two phases of hearing was appropriate.

18         43. On August 2, 2011, a Procedural Order was issued memorializing the discussion  
19 during the telephonic procedural conference, and indicating that the issue concerning the schedule of  
20 the hearings and how to accommodate any new intervenors' participation in the hearing, as well as  
21 any other unresolved issues, would be addressed during the pre-hearing conference scheduled for  
22 August 15, 2011. The Procedural Order also directed the Company to provide notice to customers in  
23 accordance with the guidelines discussed during the telephonic conference.

24         44. On August 5, 2011, a Motion to Intervene was filed by Peggy H. Rahkola, President,  
25 Board of Directors, of the Arizona Traditions Homeowners Association ("Arizona Traditions").

26         45. On August 9, 2011, a Motion to Intervene was filed by Jim Weihman, Vice President,  
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28 <sup>2</sup> The Company indicated an estimate of 11,000 customers.

1 Board of Directors, of the Happy Trails Community Association (“Happy Trails”).

2 46. On August 9, 2011, Arizona-American filed the rejoinder testimony of Mr. Townsley,  
3 Mr. Broderick, Mr. Day, Mr. Guastella, Mr. Kiger, Mr. Crooks, Ms. Murrey, Dr. Villadsen, and  
4 Gregory Barber.

5 47. On August 12, 2011, a Motion to Intervene was filed by Nicholas Mascia, President,  
6 Board of Directors, of the Surprise Farms III Community Association (“Surprise Farms III”).

7 48. On August 12, 2011, a Motion to Intervene was filed by Mike Orose, President, Board  
8 of Directors, of the Crystal Springs Estates Homeowners Association (“Crystal Springs”).

9 49. On August 15, 2011, a Motion to Intervene was filed by Paul Briningstool, President,  
10 Board of Directors, of the Ashton Ranch Homeowner’s Association (“Ashton Ranch”).

11 50. On August 15, 2011, a Motion to Intervene was filed by William B. Lipscomb,  
12 President, Board of Directors, of the Kingwood Parke Community Association (“Kingwood Parke”).

13 51. On August 15, 2011, a Motion to Intervene was filed by Kevin Chiariello, President,  
14 Board of Directors, of the Greer Ranch South Homeowners Association (“Greer Ranch South”).

15 52. On August 15, 2011, the prehearing conference was convened as scheduled. Arizona-  
16 American, WUAA, SCGCA, DMB, Verrado, Corte Bella, RUCO, and Staff appeared through  
17 counsel. Mr. Hewitt appeared on his own behalf. The Company indicated that notice of the hearing,  
18 with a new intervention deadline of August 24, 2011, was mailed on August 5, 2011, to all Agua Fria  
19 customers, and that it would file proof of notice in the docket.

20 53. At the August 15, 2011, prehearing conference, the parties were informed that public  
21 comment would take place as scheduled on August 17, 2011, but that no opening statements would  
22 be taken, as all parties to the case were not yet known. The parties were further informed that in  
23 order to allow all parties an equal opportunity to conduct discovery and prepare and file testimony,  
24 the commencement of the evidentiary part of this proceeding, then scheduled for August 25, 2011,  
25 would be continued, pending a determination following a procedural conference set for September  
26 19, 2011. The parties were directed to be prepared to discuss at that time a reasonable schedule for  
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1 the conduct of the hearing in this matter.<sup>3</sup>

2 54. On August 17, 2011, a Motion to Intervene was filed by Pauline A. Harris Henry,  
3 President, Board of Directors, of the Russell Ranch Homeowners Association (“Russell Ranch”).

4 55. On August 17, 2011, a Motion to Intervene was filed by Tony DeSanti, President,  
5 Board of Directors, of the Clearwater Farms Unit II Property Owners Association (“Clearwater  
6 Farms II”).

7 56. On August 17, 2011, a Motion to Intervene was filed by Raul Muniz, President, Board  
8 of Directors, of the Surprise Farms Unit II Community Association (“Surprise Farms II”).

9 57. On August 18 and 19, 2011, Procedural Orders were issued directing the filing of  
10 authorizations for lay representation of various non-profit organizations, pursuant to the requirements  
11 of the Arizona Supreme Court Rules.

12 58. On August 18, 2011, Arizona-American filed an affidavit and certification of mailing  
13 attesting that notice of the public comment sessions had been mailed and published in accordance  
14 with the July 25, 2011, Procedural Order.

15 59. On August 18, 2011, the City of Surprise (“City” or “Surprise”) filed a Motion to  
16 Intervene.

17 60. On August 19, 2011, Arizona-American filed a certification of mailing attesting that  
18 notice of the proceeding and an opportunity for intervention had been mailed to affected customers in  
19 accordance with the August 2, 2011 Procedural Order.

20 61. On August 19, 2011, Owen Dejanovich, President of the Clearwater Farms III  
21 Homeowners Association, Inc. (“Clearwater Farms III”), filed a Motion to Intervene.

22 62. On August 19, 2011, Craig and Nancy Plummer, residential customers of Arizona-  
23 American, filed a Motion to Intervene.

24 63. On August 22, 2011, William and Erin Parr, residential customers of Arizona-  
25 American, filed a Motion to Intervene.

26 64. On August 22, 2011, Sharon Wolcott, a residential customer of Arizona-American,  
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28 <sup>3</sup> A Procedural Order was issued on August 17, 2011, continuing the evidentiary hearing, scheduling a procedural  
conference for September 19, 2011, and suspending the timeclock.



1 filed a Motion to Intervene.

2 65. On August 22, 2011, Thomas and Laurie Decatur, residential customers of Arizona-  
3 American, filed a Motion to Intervene.

4 66. On August 22, 2011, Ken Peterson, President of the Jackrabbit Estates Homeowners  
5 Association (“Jackrabbit Estates”), filed a Motion to Intervene.

6 67. On August 22, 2011, G. Thomas Hennessy, President of the Savannah Homeowners  
7 Association (“Savannah”), filed a Motion to Intervene.

8 68. On August 22, 2011, G. Thomas Hennessy, President of the Surprise Farms 5  
9 Community Association (“Surprise Farms 5”), filed a Motion to Intervene.

10 69. On August 22, 2011, Jim Oravetz, President of the Legacy Parc South Homeowners  
11 Association (“Legacy Parc South”), filed a Motion to Intervene.

12 70. On August 22, 2011, Stan Mucha, President of the Sun Village Community  
13 Association (“Sun Village”), filed a Motion to Intervene.

14 71. On August 22, 2011, Jan Garcia, President of the Sycamore Estates Parcel 13  
15 Community Association (“Sycamore Estates 13”), filed a Motion to Intervene.

16 72. On August 22, 2011, Jared Evenson, President of the Cross River Homeowners  
17 Association (“Cross River”), filed a Motion to Intervene.

18 73. On August 22, 2011, Dana Miller, President of the Western Meadows Homeowners  
19 Association, Inc. (“Western Meadows”), filed a Motion to Intervene.

20 74. On August 22, 2011, Timothy and Cindy Duffy, residential customers of Arizona-  
21 American, filed a Motion to Intervene.

22 75. On August 23, 2011, Mike Smith, President of the Sierra Montana Homeowners  
23 Association (“Sierra Montana”), filed a Motion to Intervene.

24 76. On August 23, 2011, Dana Rosenbaum, Secretary of the Surprise Farms Community  
25 Association, Phase 1A (“Surprise Farms 1A”), filed a Motion to Intervene.

26 77. On August 23, 2011, Jerome M. Ellison II, President of the Cortessa Community  
27 Association, (“Cortessa”), filed a Motion to Intervene.

28 78. On August 24, 2011, Jeanne Stockard, Senior Property Manager for the Northwest

1 Ranch Homeowners Association (“Northwest Ranch”), filed a Motion to Intervene.

2 79. On August 24, 2011, EPCOR Water (USA), Inc. (“EPCOR”) filed an Application for  
3 Leave to Intervene..

4 80. On August 24, 2011, Susan Harr, Vice-President of the Summerfield at Litchfield  
5 Subdivision Homeowners Association (“Summerfield”), filed a Motion to Intervene.

6 81. On August 24, 2011, Mike Albertson, a residential customer of Arizona-American,  
7 filed a Motion to Intervene.

8 82. On August 25, 2011, a Procedural Order was issued directing the filing of  
9 authorizations for lay representation of various non-profit organizations, pursuant to the requirements  
10 of the Arizona Supreme Court Rules; suggesting that the homeowners and community associations  
11 may wish to consider participating as a class, as described in A.A.C. R14-3-104(C); and directing that  
12 individuals and organizations that had requested intervention must serve the requests on other parties.

13 83. On August 26, 2011, Arizona-American filed affidavits of publication attesting that  
14 notice of the proceeding and an opportunity for intervention had been published in accordance with  
15 the August 2, 2011, Procedural Order.

16 84. On August 30, 2011, RUCO filed a Response to EPCOR’s Request to Intervene  
17 stating opposition to EPCOR’s request.

18 85. On September 1, 2011, Mr. Hewitt filed a Motion to Join RUCO’s Response to  
19 EPCOR’s Request to Intervene.

20 86. On September 1, 2011, Mr. Hewitt filed a Motion to Compel testimony from several  
21 witnesses related to the prior notice issues.

22 87. On September 2, 2011, SCGCA filed a Joinder in Support of RUCO’s Response to  
23 EPCOR’s Request to Intervene.

24 88. On September 2, 2011, EPCOR filed a Reply in Support of Application for Leave to  
25 Intervene.

26 89. On September 7, 2011, Arizona-American filed a Response to Kenneth Hewitt’s  
27 Motion to Compel.

28 90. On September 8, 2011, Brian O’Neal, a residential customer of Arizona-American,

1 filed a Motion to Intervene.

2 91. On September 8, 2011, Arizona-American filed a Motion for Declaration of Intervenor  
3 Classes.

4 92. On September 13, 2011, Ms. Wolcott filed a Response to Arizona-American's Motion  
5 for Declaration of Intervenor Classes.

6 93. On September 13, 2011, SCGCA filed a Response to Motion for Declaration of  
7 Intervenor Classes. In its response, SCGCA stated that it had agreed to be the class representative for  
8 the following 15 associations: Arizona Traditions, Clearwater Farms II, Clearwater Farms III,  
9 Cortessa, Greer Ranch South, Happy Trails, Legacy Parc South, Northwest Ranch, Russell Ranch,  
10 Summerfield, Sun Village, Surprise Farms 1A, Surprise Farms II, Surprise Farms III, and Sycamore  
11 Estates 13.

12 94. On September 14, 2011, Clearwater Farms III, Cortessa, Russell Ranch, Summerfield,  
13 and Sun Village each filed Supplements to their intervention requests, including resolutions by the  
14 respective associations authorizing specified individuals to represent their interests.

15 95. On September 14, 2011, Arizona-American filed the testimony of Kevin Tilden to  
16 address issues related to notice to customers.

17 96. On September 14, 2011, Verrado filed a Response to Arizona-American's Motion for  
18 Declaration of Intervenor Classes.

19 97. On September 15, 2011, Cross River filed an Application for Leave to Intervene  
20 signed by counsel retained by Cross River.

21 98. On September 15, 2011, Clearwater Farms II, Arizona Traditions, Greer Ranch South,  
22 Surprise Farms II, Surprise Farms III, Sycamore Estates 13, and Summerfield each filed Supplements  
23 to their intervention requests, including resolutions by the respective associations authorizing  
24 specified individuals to represent their interests.

25 99. On September 16, 2011, Happy Trails, Surprise Farms 1A, Legacy Parc South, and  
26 Northwest Ranch each filed Supplements to their intervention requests, including resolutions by the  
27 respective associations authorizing specified individuals to represent their interests.

28 100. On September 19, 2011, Crystal Springs, Kingwood Parke, and Sierra Montana each

1 filed Supplements to their intervention requests, including resolutions by the respective associations  
2 authorizing specified individuals to represent their interests.

3 101. On September 19, 2011, the procedural conference was conducted as scheduled.  
4 During the procedural conference, intervention was granted to Arizona Traditions, Clearwater Farms  
5 II, Clearwater Farms III, Cortessa, Greer Ranch South, Happy Trails, Legacy Parc South, Northwest  
6 Ranch, Russell Ranch, Summerfield, Sun Village, Surprise Farms 1A, Surprise Farms II, Surprise  
7 Farms III, and Sycamore Estates 13, and SCGCA was designated as the class representative for those  
8 associations. Intervention was also granted to Surprise, Kingwood Parke, Cross River, Sierra  
9 Montana, and Ms. Wolcott. Other issues discussed at the procedural conference were the possibility  
10 of additional class designation for the remaining homeowners associations; EPCOR's intervention  
11 request; Mr. Hewitt's Motion to Compel Testimony; and possible hearing dates.

12 102. On September 23, 2011, a Procedural Order was issued scheduling the evidentiary  
13 hearing to commence on December 5, 2011; scheduling a pre-hearing conference for December 2,  
14 2011; directing that testimony by new intervenors be filed by November 10, 2011; directing that  
15 rebuttal testimony by Arizona-American be filed by November 17, 2011; directing that surrebuttal  
16 testimony be filed by December 1, 2011; formally granting intervention to the associations and  
17 individuals recognized at the September 19, 2011 procedural conference, and class designation to the  
18 associations represented by SCGCA; granting intervention to Mr. and Mrs. Corpus, Mr. and Mrs.  
19 Parr, Mr. and Mrs. Botha, Mr. and Mrs. Plummer, Mr. and Mrs. Decatur, Mr. and Mrs. Duffy, Mr.  
20 Albertson, and Mr. O'Neal; denying intervention to the remaining associations pending compliance  
21 with prior Procedural Orders regarding lay representation of an association; and denying Mr.  
22 Hewitt's Motion to Compel.

23 103. On September 30, 2011, SCGCA filed a Motion for Reconsideration of [September  
24 23, 2011] Procedural Order. SCGCA requested that additional time be allowed for discovery, filing  
25 of testimony, and commencement of the hearing.

26 104. On October 3, 2011, SCGCA filed an unsigned Subpoena Duces Tecum for the  
27 Custodian of Records at Brown and Caldwell.

28 105. On October 11, 2011, Mr. Hewitt filed a Joinder in Support of SCGCA's Motion for

1 Reconsideration of Procedural Order.

2 106. On October 12, 2011, SCGCA filed an Application for Administrative Subpoena  
3 Duces Tecum for the Custodian of Records at Brown and Caldwell.

4 107. On October 13, 2011, SCGCA filed a Motion to Dismiss on behalf of the designated  
5 class of associations (“Intervenor Class”). SCGCA argued that the then-pending sale of Arizona-  
6 American’s stock to EPCOR necessitated delay in the proceeding until updated information could be  
7 obtained regarding EPCOR’s operational expenses, cost of capital and rate base.

8 108. On October 18, 2011, Arizona-American filed a Motion for Extension of Time, of two  
9 days, to respond to SCGCA’s Motion to Dismiss.

10 109. On October 18, the Intervenor Class filed a Response to the Motion for Extension of  
11 Time, opposing the Company’s extension request.

12 110. On October 18, 2011, RUCO filed a Response to SCGCA’s Request for  
13 reconsideration of Procedural Order. RUCO argued in support of allowing the Intervenor Class  
14 additional time to file testimony and for a continuance of the hearing date.

15 111. On October 18, 2011, a Procedural Order was issued granting the Company’s request  
16 for a two-day extension of time to respond to the Motion to Dismiss.

17 112. On October 20, 2011, Arizona-American filed a Response to Motion to Dismiss,  
18 arguing, among other things, that the motion did not state a basis for dismissing the Company’s  
19 application given that the test year was based on Arizona-American’s historical data, rather than  
20 EPCOR’s pro forma operations.

21 113. On October 25, 2011, the Intervenor Class filed a reply in Support of Motion to  
22 Dismiss, contending that the matter should be dismissed because the test year occurred before  
23 EPCOR’s intent to purchase the Company’s stock was known; and that the test year was not  
24 reflective of EPCOR’s future operational costs during the period when the rates established in this  
25 case would be in effect.

26 114. On October 28, 2011, intervenor Frederick Botha filed testimony in the form of a  
27 letter expressing his views on various matters.

28 115. On November 9, 2011, Kingwood Parke and Sierra Montana filed a Motion for

1 Inclusion in the Intervenor Class.

2 116. On November 10, 2011, the Intervenor Class filed the direct testimony of Glenn  
3 Watkins and John Shaw.

4 117. On November 17, 2011, Arizona-American filed the second rebuttal testimony of Mr.  
5 Townsley, Mr. Broderick, Mr. Gross, Mr. Crooks, Mr. Day, Ms. Murrey, and Mr. Kiger.

6 118. On November 18, 2011, the Company filed a Notice of Errata.

7 119. On November 18, 2011, a Procedural Order was issued granting inclusion of  
8 Kingwood Parke and Sierra Montana in the Intervenor Class.

9 120. On November 18, 2011, Mr. Hewitt filed a Motion to Withdraw as Intervenor.

10 121. On November 22, 2011, a Procedural Order was issued granting Mr. Hewitt's request  
11 to withdraw as an intervenor.

12 122. On November 22, 2011, Arizona-American filed a Motion to Reinstate Time Clock.

13 123. On November 29, 2011, the Intervenor Class filed a Response to Motion to Reinstate  
14 Time Clock.

15 124. On December 1, 2011, Staff filed the second surrebuttal testimony of Ms. Hains;  
16 RUCO filed the second surrebuttal testimony of Mr. Moore and Mr. Rigsby; and the Intervenor Class  
17 filed the surrebuttal testimony of Mr. Watkins, Mr. Shaw, and Mr. Arndt.

18 125. On December 1, 2011, the Intervenor Class filed a Motion to Compel Data Request  
19 Responses from Arizona-American and EPCOR.

20 126. On December 1, 2011, Staff filed a Notice of Settlement Discussions, indicating that  
21 settlement discussions may commence on December 6, 2011, in lieu of the hearing continuing on that  
22 day.

23 127. On December 2, 2011, the pre-hearing conference was held as scheduled. During the  
24 pre-hearing conference, the Motion to Compel was denied and a tentative order of witnesses was  
25 established for the hearing.

26 128. On December 5, 2011, the hearing commenced with public comment and testimony by  
27 several Company witnesses. At the conclusion of the hearing on December 5, 2011, the parties  
28 jointly requested an opportunity to engage in settlement discussions on the following day in lieu of

1 hearing.

2 129. On December 7, 2011, the hearing resumed for purposes of receiving an update on the  
3 status of settlement discussions. The parties indicated that a tentative agreement had been reached  
4 and that the general parameters of the agreement had been drafted into a "Letter of Intent," to be  
5 followed by a full settlement agreement. The parties were directed to file the completed agreement  
6 by December 15, 2011, along with supporting testimony, with a hearing to be held on the settlement  
7 on December 16, 2011.

8 130. On December 8, 2011, the parties filed the Letter of Intent outlining the terms of their  
9 tentative settlement of the issues. On December 9, 2011, an executed signature page for the City was  
10 filed for the Letter of Intent.

11 131. On December 15, 2011, a Settlement Agreement ("Settlement Agreement,"  
12 "Settlement" or "Agreement") was filed on behalf of all parties to settle all issues raised in this  
13 proceeding. Supporting schedules for all three districts were also filed in accordance with the terms  
14 of the Settlement.<sup>4</sup>

15 132. On December 15, 2011, testimony in support of the Settlement Agreement was filed  
16 by Mr. Broderick and Mr. Townsley on behalf of Arizona-American; by Steve Olea on behalf of  
17 Staff; by Jodi Jerich on behalf of RUCO; by James McKee on behalf of EPCOR; by Mr. Petrie on  
18 behalf of Corte Bella; by Mr. Nilsen on behalf of DMB; by Ms. Gulick on behalf of Verrado; and by  
19 Mitzi Mills on behalf of the Intervenor Class.

20 133. On December 16, 2011, a hearing on the Settlement Agreement was conducted, with  
21 sworn testimony given in support of the Agreement by Mr. Broderick and Mr. Townsley on behalf of  
22 Arizona-American; by Mr. Olea and Mr. Becker on behalf of Staff; by Ms. Jerich on behalf of  
23 RUCO; by Mr. McKee on behalf of EPCOR; by Mr. Nilsen on behalf of DMB; by Ms. Gulick on  
24 behalf of Verrado; and by Ms. Mills on behalf of the Intervenor Class. Mr. Petrie's testimony on  
25 behalf of Corte Bella was admitted without cross-examination by stipulation of the parties. (Tr. 201.)  
26 In accordance with the terms of the Settlement Agreement, the previously filed testimony and  
27

28 <sup>4</sup> The Settlement Agreement and corresponding schedules are attached hereto as "Attachment A."

1 exhibits of the signatory parties were also admitted into evidence without objection.

2 134. During the hearing, an issue was raised concerning a provision of the Settlement that  
3 provides for credits to customers related to White Tanks hook-up fees and non-firm treatment sales  
4 revenues for the White Tanks plant received by the Company. The parties agreed to discuss details  
5 of how the credits would be applied to customers, and to submit a filing within 60 days after the  
6 hearing explaining how the mechanisms would work. At the conclusion of the hearing, the matter  
7 was taken under advisement pending submission of late-filed exhibits and the issuance of a  
8 Recommended Opinion and Order.

9 135. On December 20, 2011, Verrado late-filed a complete copy of its Exhibit V-1 in this  
10 proceeding.

11 136. On February 8, 2012, Arizona-American filed, on behalf of the parties to the  
12 Settlement Agreement, Settlement Agreement Addenda explaining how revenue credits for non-  
13 refundable White Tanks hook-up fees and non-firm treatment services would be determined and  
14 applied to customer bills. Illustrative sample schedules were also attached to the filing.<sup>5</sup>

15 137. On February 27, 2012, EPCOR filed a letter stating that it had completed its  
16 acquisition of Arizona-American's assets and operations.

17 **Summary of Parties' Positions Prior to Settlement**

18 138. The most contentious issue in this proceeding was whether the White Tanks treatment  
19 plant should be considered used and useful in the provision of service to Agua Fria customers, and  
20 therefore included in Arizona-American's rate base for the Agua Fria Water District. As reflected in  
21 the pre-settlement testimony, the proposed revenue requirement positions of the parties reflected vast  
22 differences due primarily to arguments raised regarding the White Tanks plant.

23 139. At the time the evidentiary hearing began, the Company was proposing a total revenue  
24 increase of \$17,242,385 for Agua Fria,<sup>6</sup> of which, according to the SCGCA, approximately \$13.5  
25 million was attributable to inclusion of the White Tanks plant in rate base. (SCGCA Ex. 4, at 22.)

26 140. Staff found that the White Tanks plant was used and useful during the test year, and

27 <sup>5</sup> The Settlement Agreement Addenda and illustrative sample schedules are attached hereto as "Attachment B."

28 <sup>6</sup> Arizona-American's total pre-settlement proposed revenue increases for the Mohave and Havasu Water Districts were \$2,172,308 and \$701,559, respectively.



1 accordingly recommended inclusion of the White Tanks plant in rate base, and an overall revenue  
2 increase of \$12,723,057 for the Agua Fria Water District. Staff also recommended revenue increases  
3 of \$1,767,763 for Mohave, and \$599,885 for Havasu.

4 141. Prior to negotiation of the Settlement Agreement, RUCO proposed that the White  
5 Tanks plant be partially included in rate base, but that a substantial portion of the plant be disallowed  
6 as not being used and useful because it represented excess capacity. (RUCO Ex. 12.) As a result of  
7 its conclusion regarding excess capacity, as well as other lesser adjustments, RUCO proposed total  
8 revenue increases of \$9,824,534 for Agua Fria, \$1,912,374 for Mohave, and \$600,918 for Havasu.  
9 (RUCO Ex. 10, at 2.)

10 142. Although it did not present a specific revenue requirement recommendation prior to  
11 settlement negotiations, the SCGCA, on behalf of the Intervenor Class, proposed that the entire White  
12 Tanks plant represented excess capacity and was not used and useful, and that the White Tanks plant  
13 should, therefore, be disallowed from the Company's rate base. The Intervenor Class indicated that  
14 with the inclusion of various adjustments related to the White Tanks plant, the Company's revenue  
15 requirement for Agua Fria would be reduced by \$13,523,949. (SCGCA Ex. 4, at MLA-13.)

16 143. As indicated above, following the first day of the evidentiary hearing, the parties  
17 engaged in negotiations that ultimately led to the Settlement Agreement signed by all active parties in  
18 the proceeding. The terms of the Settlement are described below.

19 **Terms of Settlement Agreement**

20 144. The proposed Settlement Agreement was signed by Arizona-American, Staff, EPCOR,  
21 RUCO, Verrado, DMB, Corte Bella, Cross River, Surprise, WUAA, and SCGCA, on behalf of itself  
22 and the designated Intervenor Class of homeowners associations.<sup>7</sup>

23 145. The following customers were granted intervention but did not appear at the pre-  
24 hearing conference or the hearing, and did not submit testimony or cross-examine witnesses: Mr. and

25 <sup>7</sup> As indicated above, the homeowners and community associations represented by SCGCA are: Arizona Traditions,  
26 Happy Trails, Surprise Farms III, Kingwood Parke, Greer Ranch South, Clearwater Farms II, Surprise Farms II,  
27 Clearwater Farms III, Russell Ranch, Legacy Parc South, Sun Village, Sycamore Estates 13, Northwest Ranch,  
28 Summerfield, Surprise Farms 1A, Cortessa, and Sierra Montana. (Settlement Agreement, Ex. A-14, Para.1.2.) Other  
homeowners associations that initially requested intervention but did not comply with the lay representation filing  
requirements or join the Intervenor Class, and were therefore not granted intervention, are: Jackrabbit Estates, Savannah,  
Surprise Farms 5, Western Meadows, Crystal Springs, and Ashton Ranch.

1 Mrs. Plummer, Mr. and Mrs. Decatur, Mr. and Mrs. Corpus, Mr. and Mrs. Duffy, Mr. and Mrs.  
2 Botha, Mr. and Mrs. Parr, Mike Albertson and Brian O'Neal. None of these individual customers  
3 appeared at the Settlement hearing in opposition to the Settlement Agreement.

4 146. The Settlement Agreement states that the negotiation process undertaken in this case  
5 was open to all intervenors, and provided intervenors with an equal opportunity to participate along  
6 with legal counsel. (*Id.* at 1.5.)

7 147. The Settlement indicates that an initial settlement conference was held on December 2,  
8 2011, at RUCO's offices, with all active parties except Staff, WUAA, and Corte Bella. A second  
9 settlement meeting was held at RUCO's offices on December 6, 2011, with the same parties, plus  
10 Staff and WUAA in attendance. The Agreement states that the settlement meetings resulted in a  
11 compromise that reflects the good faith efforts of the parties to settle all issues raised in this case. (*Id.*  
12 at 1.6.)

13 148. According to the Agreement, the terms and conditions "will serve the public interest  
14 by providing a just and reasonable resolution of the issues" presented in this case, and will also serve  
15 the public interest "by allowing all parties to obtain greater certainty and avoid the expense, delay and  
16 risk associated with continued protracted litigation." (*Id.* at 1.7.)

17 Revenue Requirement Terms

18 149. For purposes of resolving this case, the Settlement provides that adjusted test year  
19 revenues are: \$24,197,216 for the Agua Fria Water District; \$4,904,592 for the Mohave Water  
20 District; and \$1,271,706 for the Havasu Water District. (*Id.* at 2.1(a).)

21 150. The Settlement provides that Arizona-American would be authorized to collect total  
22 annual revenue increases of \$14,034,551 for Agua Fria, \$1,812,486 for Mohave, and \$609,838 for  
23 Havasu. The proposed increases under the Settlement Agreement would result in total revenue  
24 requirements of \$38,231,767, \$6,717,078, and \$1,881,544 for the Company's Agua Fria, Mohave,  
25 and Havasu water districts, respectively. (*Id.* at 2.1(b).)

26 152. With respect to the rate bases for Agua Fria, Mohave, and Havasu, the parties agreed  
27 that the OCRBs and FVRBs are \$137,424,547, \$11,418,252, and \$3,578,982, respectively. (*Id.* at  
28 2.1(c).)

1           153. The Settlement provides that total adjusted test year operating expenses should be  
2 \$22,889,953 for the Agua Fria Water District, \$5,179,767 for the Mohave Water District and  
3 \$1,383,523 for the Havasu Water District. Under the proposed rates, the parties agreed that total  
4 operating expenses would be \$28,474,624, \$5,906,383, and \$1,627,436 for Agua Fria, Mohave, and  
5 Havasu, respectively. (*Id.* at 2.1(d).)

6           154. The Agreement states that the revenue requirements for the three districts should be  
7 based on Staff's recommended depreciation rates. (*Id.* at 2.1(e).)

8           155. The Settlement Agreement also provides that an overall rate of return equal to 7.1  
9 percent is fair and reasonable in this case, based on a capital structure of 41.27 percent equity and  
10 58.73 percent debt (11.35 percent short-term and 47.38 percent long-term). The parties agreed that  
11 the cost of short-term debt would be 0.41 percent; long-term debt would be 5.66 percent; and the  
12 return on equity would be 10.6 percent. (*Id.* at 2.1(f).)

13           156. Based on the parties' agreed upon return on rate base and recoverable operating  
14 expenses, Arizona-American would have total operating income of \$9,757,143, \$810,696, and  
15 \$254,108 for the Agua Fria, Mohave, and Havasu Water Districts, respectively. (*Id.* at 2.1(g).)

16           157. The revenue requirements set forth in the Settlement Agreement would result in a rate  
17 increase of 58.0 percent for Agua Fria, a 36.95 percent increase for Mohave, and 47.95 percent for  
18 Havasu. However, the Agua Fria increase would be phased in. (*Id.* at 2.1(h).)

19           158. The parties agree that the revenue requirements provided for by the Settlement  
20 Agreement are just and reasonable, and would result in Arizona-American recovering its reasonable  
21 operating expenses and a just and reasonable return on its FVRB. The Agreement requires the  
22 Company to implement a low income program/tariff in the form attached to the Settlement. (*Id.* at  
23 2.1(i) and (j).)

24           159. The Settlement Agreement further provides that the new rates would take effect on  
25 July 1, 2012. (*Id.* at 2.3.)

26           Agua Fria Water District – Additional Terms and Conditions

27           160. The Settlement provides that the \$137,424,547 FVRB for Agua Fria includes the total  
28 cost of the White Tanks treatment plant, and the related deferral, at a total cost of \$78,926,399.

1 Under the Agreement, the total amount of the White Tanks operation and maintenance (“O&M”)  
 2 deferral is \$2,942,870, to be amortized over three years. (*Id.* at 3.1(a).) The parties agree that, for the  
 3 purposes of settlement only, the White Tanks plant was a reasonable and prudent investment by  
 4 Arizona-American, and is used and useful in serving Agua Fria ratepayers. (*Id.* at 3.1(b).)

5 161. With respect to the Agua Fria Water District only, the rate increase agreed to by the  
 6 parties would be phased-in over three years, in 12-month increments, as follows:

<u>Rate Period</u>	<u>Percentage Increase</u>	<u>Rev. Increase<sup>8</sup></u>
July 1, 2012 to June 30, 2013	39%	\$9,437,026
July 1, 2013 to June 30, 2014	9.5%	\$11,735,788
July 1, 2014 to June 30, 2015 <sup>9</sup>	9.5%	\$14,034,551

10 162. As described in the Settlement Agreement, Arizona-American and its successor,  
 11 EPCOR, agree to forego any lost revenue, and carrying charges on such lost revenue, during the term  
 12 of the agreed rate phase-in. Given the total stipulated revenue increase of \$14,034,551, the parties  
 13 agree that lost revenue in the first phase-in period would be \$4,597,525, and lost revenue in the  
 14 second phase-in period would be \$2,298,763. (*Id.* at 3.2.)

15 163. Pursuant to the terms of the Settlement, Arizona-American agrees to credit customers  
 16 with the revenue requirement equivalent of non-refundable hook-up fees (“HUFs”) actually collected  
 17 under Part B of its White Tanks HUF tariff. The HUF credit would begin in the second year of the  
 18 phase-in and would continue each year until new rates are approved. The amount of the credit would  
 19 be based on the prior 12 months of actual non-refundable payments, and would be shown as a special  
 20 line item on customer bills. The Settlement provides that the formula for the credit was to be  
 21 determined by the Company and Staff.<sup>10</sup> Arizona-American agreed that, for new developer  
 22 agreements in the White Tanks service area, the Company will encourage payment of HUFs over the  
 23 development of wells in order to maximize the level of HUFs collected. (*Id.* at 3.3(a).)

25 <sup>8</sup> The listed revenue increases are cumulative, such that the total increase provided for in the Settlement Agreement  
 26 (\$14,034,551) will begin to be collected in the third year of the phase-in (*i.e.*, July 1, 2014).

27 <sup>9</sup> The rates established for the third phase would remain in effect until new rates are set in a subsequent rate proceeding.

28 <sup>10</sup> At the hearing, the parties agreed to develop an acceptable formula for calculating the credit and submit the results  
 within 60 days of the close of the hearing. (Tr. 287.) On February 8, 2012, Arizona-American filed a Settlement  
 Agreement Addenda setting forth the details of how the revenue credits for the White Tanks HUFs, as well as for White  
 Tanks non-firm treatment sales, would be calculated.

1           164. Arizona-American also agreed to credit customers for sales of non-firm treatment  
2 services, if any, based on incremental revenues from sales minus expenses in excess of amounts in  
3 rates, as set forth in the Settlement. The non-firm treatment credits would commence in the second  
4 year of the phase-in, based on 18 months of available sales data. In the third year of the phase-in, and  
5 for each subsequent year until new rates are approved, the credit would be based on sales of non-firm  
6 treatment services accrued in the prior 12 months using the same formula. The Settlement  
7 Agreement indicates that the purpose of this section is to provide customers in the Agua Fria Water  
8 District with a credit from the sales of treatment services using the existing White Tanks treatment  
9 plant. (*Id.* at 3.3(b).)

10           165. With respect to Agua Fria, the Agreement requires Arizona-American to use a test  
11 year in its next rate filing that includes at least six months of actual experience under the final phase  
12 of rates, as described in Section 3.2 of the Settlement. (*Id.* at 3.3(c).)

13           166. The final term specific to the Agua Fria Water District would set the non-potable  
14 irrigation rate for the Corte Bella Golf Club at \$0.92 per 1,000 gallons. (*Id.* at 3.4.)

15           Mohave and Havasu Water Districts – Additional Terms and Conditions

16           167. The Settlement Agreement provides that with respect to Mohave and Havasu,  
17 Arizona-American and Staff agree that despite the Company's efforts since its last rate case to reduce  
18 non-revenue water (*i.e.*, non-account water), the levels of non-revenue water in certain areas of the  
19 Mohave and Havasu Water Districts remain above desired levels. (*Id.* at 4.1(a).)

20           168. To address non-revenue water in Mohave and Havasu, the Company agrees to develop  
21 five-year plans to determine the most cost-effective approach to reducing water losses, based on leak  
22 survey and system analysis conducted by Arizona-American. The Settlement requires the Company  
23 to file the water loss plans by March 1, 2013, to be approved by Staff. (*Id.* at 4.1(b).)

24           169. The Settlement Agreement states that the revenue requirements and rates for Mohave  
25 and Havasu reflect the adoption of Staff's recommendation set forth in its Exhibit GWB-13 regarding  
26 non-revenue water. (*Id.* at 4.1(c).)

27  
28

1           170. The Settlement indicates that due to Arizona-American's efforts since the rate case  
2 was filed, as well as the Company's commitment to address non-revenue water losses, Staff's original  
3 recommendation to suspend implementation of new rates is unnecessary. (*Id.* at 4.1(d).)

4           171. The final provision specific to Mohave and Havasu, reflects that Arizona-American  
5 agreed to withdraw its proposal for an infrastructure system replacement surcharge for those districts.  
6 (*Id.* at 4.2.)

7           Miscellaneous Terms

8           172. The parties agree that the Settlement Agreement represents their "mutual desire to  
9 compromise and settle all disputed issues in the Rate Case in a manner consistent with the public  
10 interest" and that "[n]one of the positions taken in this Agreement by any of the Parties may be  
11 referred to, cited, or relied upon as precedent..." (*Id.* at 6.1(d).)

12           173 The parties further state that this case "presents a unique set of circumstances and has  
13 attracted the interest of a large number of ratepayers and residents" and "[t]o achieve consensus for  
14 settlement, certain participants are accepting positions that, in any other circumstance, they might be  
15 unwilling to accept." (*Id.* at 6.1(e).) According to the Agreement, the parties agree that "as a whole,  
16 with its various provisions for settling unique issues presented by this case, [the Settlement] is  
17 consistent with their long-term interests and the broader public interest." (*Id.*)

18           174. The parties agree that if the Commission does not issue an order adopting "all material  
19 terms...or modifies or adds material terms...any or all of the Parties may withdraw from this  
20 Agreement, and such Party or Parties may pursue their respective remedies at law without prejudice."  
21 (*Id.* at 5.2.)

22           175. The Settlement Agreement further provides that: the effective date for the rate increase  
23 will be July 1, 2012, unless otherwise ordered by the Commission; the parties are required to defend  
24 the terms of the Agreement in all proceedings before the Commission, including an obligation to  
25 elicit support from the parties' constituents; and to waive all rights to appeal a Commission decision,  
26 provided that the Commission adopts the material terms of the Agreement. (*Id.* at 5.1.)

27 ...

28 ...

1 **Testimony in Support of Settlement Agreement**

2 176. All parties that had previously filed litigation testimony prior to settlement were  
3 directed to submit testimony in support of the Settlement Agreement upon execution of the  
4 Agreement. As indicated above, testimony supporting adoption of the Settlement was filed on  
5 December 15, 2011, by Arizona-American, Staff, RUCO, SCGCA and the Intervenor Class, Verrado,  
6 DMB, EPCOR, the City, WUAA, Cross River, and Corte Bella.

7 177. On behalf of Arizona-American, Mr. Townsley testified that the Settlement  
8 Agreement represented the product of “candid discussions” among the parties and the talks “produced  
9 a well-balanced and fair result that illustrates a willingness of the parties to find common ground and  
10 to reach a compromise position that provides benefits for all parties.” (Ex. A-15, at 2.) Mr. Townsley  
11 described a number of customer benefits of the Settlement Agreement, including: a reduction from  
12 the total requested revenue increase of \$20.8 million, to \$16.4 million at full implementation; a three-  
13 year phase-in of rates for the Agua Fria Water District, with no recovery of foregone revenue or  
14 carrying costs by the Company; the potential for future customer rate reductions due to amounts  
15 received for White Tanks HUFs and non-firm water treatment sales; furtherance of groundwater  
16 sustainability through use of the White Tanks plant’s treatment of surface water; a reduction in the  
17 Company’s requested 11.5 percent cost of equity, to 10.6 percent; an effective postponement of any  
18 additional rate increases for Agua Fria until 2016; a requirement that Arizona-American develop non-  
19 revenue water loss plans for Mohave and Havasu; and inclusion of a low-income tariff for all three of  
20 the districts. (*Id.* at 5-6.) Mr. Townsley indicated that the Company was willing to accept the various  
21 terms and conditions of the Settlement Agreement, including a reduced revenue requirement, to:  
22 avoid the expense and uncertainty of protracted litigation; be responsive to customer concerns about  
23 rate shock; and assure inclusion in rate base of the Company’s investment in the White Tanks plant.  
24 (*Id.* at 6.)

25 178. RUCO’s Director, Jodi Jerich, also testified in support of the Settlement Agreement,  
26 stating that all participants had an opportunity to meaningfully participate in the settlement  
27 discussions and that the negotiations “produced a well-balanced and fair result that illustrates a  
28 willingness of the parties to find common ground, and to reach a compromise position that provides

1 benefits for both the ratepayers and [the Company].” (Ex. R-15, at 2.) Ms. Jerich described RUCO’s  
2 efforts to find a middle ground “to resolve the heated emotions that the Company’s rate case filing  
3 has generated in the Agua Fria community.” (*Id.* at 3.) She indicated that the litigation positions of  
4 the parties evidenced a broad divide between the Company and intervenors, but the compromise  
5 achieved by the Settlement provides significant ratepayer benefits including, but not limited to: a  
6 reduction in the requested revenue increase for Agua Fria; a three-year phase-in for Agua Fria,  
7 including a waiver of the Company’s ability to recover foregone revenues and carrying costs; a three-  
8 year stay out for seeking subsequent increases for Agua Fria; and customer credits for White Tanks  
9 HUFs and non-firm treatment sales at the White Tanks plant. (*Id.* at 8-9.) Ms. Jerich indicated that,  
10 given the totality of the terms, adoption of the Settlement Agreement would provide a measure of rate  
11 stability and certainty for families and businesses in the Agua Fria Water District. (*Id.* at 11-12.) Ms.  
12 Jerich testified that given the level of discord in the Agua Fria District, a settlement of contested  
13 issues that ameliorates hard feelings “is worthy of serious consideration.” (*Id.* at 6.) She concluded  
14 that the Settlement Agreement is in the public interest because it “resolves the divisive issues in a  
15 manner that is both fair and reasonable to the Company and to its ratepayers.” (*Id.*)

16         179. Staff’s Utilities Director, Steve Olea, reiterated that the settlement process was “open,  
17 transparent and inclusive” and all parties were given an opportunity to participate. (Ex. S-13, at 4-6.)  
18 He indicated that, in Staff’s opinion, the Settlement “is fair, balanced, and in the public interest.” (*Id.*  
19 at 8.) Mr. Olea described the rate case, particularly for the Agua Fria District, as “highly contentious”  
20 and stated that the various terms of the Agreement provide benefits to both the Company and  
21 ratepayers. (*Id.* at 8-10.) He stated that the Agreement benefits Arizona-American by allowing the  
22 entirety of the White Tanks plant in rate base, and allowing adequate revenues for the Company to  
23 provide reliable and safe service and ensure its financial health. (*Id.* at 11.) Mr. Olea testified that  
24 there are a number of other benefits associated with the Settlement, including: groundwater  
25 preservation from operation of the White Tanks plant; development of water loss reduction plans for  
26 the Mohave and Havasu Water Districts; rate designs that encourage efficient use of water;  
27 withdrawal by the Company of the proposed infrastructure system replacement surcharge; adoption  
28 of Staff’s recommended depreciation rate methodology; and a stay out of subsequent rate filings for



1 Agua Fria until at least 2015. (*Id.* at 8-10.) Mr. Olea concluded that nothing in the Agreement  
2 deviates from existing Commission policies, and Staff believes the Settlement should be approved by  
3 the Commission as proposed because it is “fair, balanced, and in the public interest.” (*Id.* at 11-12.)

4 180. The Intervenor Class presented the testimony of SCGCA’s Executive Director, Mitzi  
5 Mills, in support of the Settlement Agreement. Ms. Mills indicated that SCGCA supports the  
6 Settlement because, “in its business judgment, [it] concluded that the Settlement is in its best  
7 interest.” (SCGCA Ex. 9, at 9.) At the hearing, Ms. Mills testified that she is “very supportive of the  
8 agreement” and very comfortable testifying in support of the Settlement. (Tr. 271-72.) She agreed  
9 that the Settlement is in the public interest and recommends that it be approved by the Commission.  
10 (*Id.* at 272.)

11 181. On behalf of Verrado, Melinda Gulick testified that the Settlement Agreement should  
12 be adopted by the Commission as proposed because it represents a “global settlement” of the issues  
13 raised by the various parties in the case. (Verrado Ex. 4, at 8.) Ms. Gulick stated that certain key  
14 terms of the Agreement were critical to Verrado’s support, including a lower overall rate increase  
15 than that proposed by the Company; the three-year rate phase-in; credits for White Tanks HUFs and  
16 treatment service sales; and the three-year stay out provision. (*Id.* at 6-8.)

17 182. DMB witness David Nilsen also requests that the Commission approve the terms of  
18 the Settlement Agreement “as a reasonable resolution of disputed matters.” (DMB Ex. 2, at 6.) Mr.  
19 Nilsen expressed support for the reasons identified by Ms. Gulick, and indicated that DMB believes it  
20 is important for Arizona-American to continue to collect HUFs for the White Tanks plant and provide  
21 corresponding revenue credits to customers on a regular basis. (*Id.* at 5-6.)

22 183. Corte Bella witness Gordon Petrie indicated that Corte Bella supports the Settlement  
23 Agreement’s adoption of the agreed rate of \$0.92 per 1,000 gallons for non-potable irrigation water.  
24 Mr. Petrie stated that the wells used to serve Corte Bella were contributed to Arizona-American for  
25 purposes of serving the golf course; no distribution system was built by the Company to serve Corte  
26 Bella; the Company has a separate contractual obligation to serve Corte Bella; and the course must  
27 use “recovered” water rather than groundwater. (Corte Bella Ex. 2, at 2.) He also described the  
28 circumstances that resulted in Corte Bella currently paying a rate of \$1.24 per 1,000 gallons, after

1 having paid a rate of \$0.62 per 1,000 gallons for many years. Mr. Petrie testified that Corte Bella  
2 originally sought a rate of \$0.77 per gallons in this case, but that the negotiated rate of \$0.92 per  
3 1,000 gallons represents “a fair compromise” on the issue of Corte Bella’s rate. (*Id.* at 3-4.)

4 184. EPCOR submitted the testimony of James McKee in support of the Settlement  
5 Agreement’s adoption.<sup>11</sup> Mr. McKee stated that the Agreement represents a balance of benefits to all  
6 parties by eliminating the time and effort of a contentious rate proceeding; providing a reduction to  
7 the requested rate increase, as well as a phase-in for the Agua Fria rates; allowing the Company to put  
8 the White Tanks plant investment into rate base; and the requirement that water loss reduction plans  
9 be developed for Mohave and Havasu. (EPCOR Ex. 1, at 4-5.) Mr. McKee testified that the  
10 Settlement “represents the best possible result under very difficult circumstances” and he therefore  
11 urged the Commission to approve the negotiated Settlement of the parties. (*Id.* at 5.)

12 185. Although WUAA did not present a witness in the proceeding, it is a signatory to the  
13 Agreement. At the hearing, WUAA’s counsel, Greg Patterson, stated that the Settlement resolved  
14 WUAA’s four major issues to its satisfaction and indicated that the Settlement Agreement is well-  
15 balanced. (Tr. 232.)

16 186. The other signatory parties that did not present a witness, but are supportive of the  
17 Settlement Agreement, are the City of Surprise and the Cross River Homeowners Association.  
18 Counsel for Cross River, Garry Hays, stated that Cross River is supportive of the Agreement and that  
19 it is “a good deal for everybody.” (*Id.* at 286.) The City’s counsel, James Gruber, indicated that the  
20 Settlement represents “a fair settlement and good compromise” and stated that the Agreement “is in  
21 the interest of the residents of the City of Surprise.” (*Id.* at 287.) He added that “[t]he City of  
22 Surprise City Council unanimously voted to enter into this settlement, and we do support the  
23 agreement.” (*Id.*)

#### 24 **Analysis and Conclusion Regarding Settlement Agreement**

25 187. As described in the litigation testimony filed in this proceeding on behalf of a number  
26 of intervenors, as well as through the hundreds of public comments received, both written and verbal,

27 <sup>11</sup> On February 27, 2012, a letter dated February 6, 2012, from EPCOR’s President, Joe Gysel, was docketed stating that  
28 EPCOR had completed its acquisition of Arizona-American and New Mexico-American Water, as of that date (February 6, 2012).

1 this case involved several highly contentious issues related to the appropriate ratemaking treatment to  
2 be accorded to the White Tanks treatment plant constructed by Arizona-American for its Agua Fria  
3 Water District. We are cognizant of the deep divide that existed in the Agua Fria community with  
4 respect to the White Tanks plant, and we appreciate in particular RUCO's efforts to initiate  
5 discussions that led to the compromises represented in the Settlement. Despite significant differences  
6 in the positions initially taken by the Company, Staff, RUCO, and other intervenors regarding the  
7 White Tanks plant, by all accounts the parties engaged in open and inclusive settlement discussions  
8 that ultimately resulted in a full settlement of all issues raised by all active parties in the case.<sup>12</sup>

9 188. As recognized in the Settlement Agreement (*e.g.*, Section 5.1), the Commission is not  
10 bound by the terms of the Settlement and, in fact, must independently consider and evaluate the terms  
11 of such agreements to ensure they are in the public interest. However, as suggested by Ms. Jerich,  
12 given the level of discord that existed between the parties, the achievement of a settlement by all  
13 parties of all issues is worthy of serious consideration. (Ex.R-15, at 5-6.)

14 189. Based on our consideration of the entirety of the record in this proceeding, including  
15 the lengthy procedural history of the case recounted above; the contentiousness that existed between  
16 the parties; the level of compromise exhibited by the parties through negotiations; and the benefits  
17 that will be derived by the Company and customers; we find that the Settlement Agreement is in the  
18 public interest and should be adopted in its entirety.

19 190. The reasons for finding that the Settlement satisfies the public interest are numerous,  
20 and have been recounted above in describing the testimony of various witnesses in support of the  
21 Agreement. For example, the Settlement reduces the Company's requested total revenue increase for  
22 the three districts from \$20.8 million to \$16.4 million, at full implementation; imposes a three-year  
23 phase-in of rates for Agua Fria, with no recovery of foregone revenue or carrying costs by the  
24 Company; allows for potential future customer rate reductions for White Tanks HUFs and sales of  
25 non-firm water treatment sales at the White Tanks plant; reduces the Company's requested 11.5  
26 percent cost of equity to 10.6 percent; effectively postpones subsequent rate increases for the Agua

27 <sup>12</sup> As stated above, there are eight residential customer intervenors that were notified of the settlement meetings but did  
28 not attend those discussions, and did not participate at the prehearing conference or the hearings through presentation of  
testimony or cross-examination. (Ex. S-13, at 5.)

1 Fria Water District until 2016, through a three-year stay out provision; requires the Company to  
2 develop non-revenue water loss plans for the Mohave and Havasu Water Districts; and includes a  
3 low-income tariff for all three of the districts involved in this case. Adoption of the Settlement  
4 Agreement also avoids the expense and uncertainty of protracted litigation for the parties, as well as  
5 the Commission and its Staff; is responsive to customer concerns about rate shock through  
6 implementation of the phase-in of Agua Fria rates; and provides for inclusion in rate base of the  
7 Company's investment in the White Tanks plant, and allows adequate revenues for the Company to  
8 provide reliable and safe service.

9 191. As described in Mr. Olea's testimony, there are other less tangible benefits associated  
10 with the Settlement, including furtherance of groundwater preservation and sustainability through  
11 operation of the White Tanks plant; imposition of rate designs that encourage efficient use of water;  
12 adoption of Staff's recommended depreciation rate methodology; and the Company's withdrawal of  
13 the proposed infrastructure system replacement surcharge which, as Mr. Olea suggested, is a device  
14 that has not heretofore been adopted by the Commission and represented a deviation from existing  
15 Commission policy. Ms. Jerich also pointed out that adoption of the Settlement Agreement will  
16 provide a measure of rate stability and certainty for families and businesses in the Agua Fria Water  
17 District because rates are known for at least the next three years.

18 192. In finding that the Settlement satisfies the public interest, we considered that the  
19 interests of customers were well represented in this proceeding through the efforts of RUCO, as well  
20 as the various homeowners associations represented by SCGCA and others. The ability of the parties  
21 to craft an Agreement that satisfies the interests of not only the Company, but a number of diverse  
22 customer groups, including more than 20 separate homeowners and community associations; the  
23 statewide residential consumer advocate; and the City of Surprise, in which many of the Agua Fria  
24 customers reside, is an indication of the level of compromise that was achieved through negotiations.

25 193. Based on the totality of circumstances presented in this case, we find that the  
26 Settlement Agreement is just and reasonable, and satisfies the public interest. The Settlement  
27 Agreement, including the Addenda filed on February 8, 2012, are therefore approved in their entirety.

28

1           194. In accordance with the terms of the Settlement Agreement, we find, for purposes of  
2 setting rates for the Agua Fria Water District in this case: Arizona-American's adjusted test year  
3 revenues are \$24,197,216; adjusted test year operating expenses are \$22,889,953; and OCRB and  
4 FVRB are \$137,424,547. We also find, for purposes of setting rates for Arizona-American's Agua  
5 Fria Water District in this case, that a revenue increase of \$14,034,551; a return on common equity of  
6 10.6 percent; and a fair value rate of return of 7.1 percent, are just and reasonable and in the public  
7 interest.

8           195. We find, for purposes of setting rates for the Mohave Water District in this case:  
9 Arizona American's adjusted test year revenues are \$4,904,592; adjusted test year operating expenses  
10 are \$5,179,767; and OCRB and FVRB are \$11,418,252. We also find, for purposes of setting rates  
11 for Arizona-American's Mohave Water District in this case, that a revenue increase of \$1,812,486; a  
12 return on common equity of 10.6 percent; and a fair value rate of return of 7.1 percent, are just and  
13 reasonable and in the public interest.

14           196. We find, for purposes of setting rates for the Havasu Water District in this case:  
15 Arizona American's adjusted test year revenues are \$1,271,706; adjusted test year operating expenses  
16 are \$1,383,523; and OCRB and FVRB are \$3,578,982. We also find, for purposes of setting rates for  
17 Arizona-American's Havasu Water District in this case, that a revenue increase of \$609,838; a return  
18 on common equity of 10.6 percent; and a fair value rate of return of 7.1 percent, are just and  
19 reasonable and in the public interest.

#### 20 **Bill Impact**

21           197. As set forth in the Settlement Agreement, the rate increase for the Agua Fria Water  
22 District is to be phased-in over a three-year period. The rate impact for average usage 5/8-inch x 3/4-  
23 inch meter residential customers for each step of the Agua Fria phase-in, as well as for the Mohave  
24 and Havasu Water Districts, is set forth below.

#### 25 Agua Fria Step 1 – July 1, 2012 to June 30, 2013

26           198. In accordance with the Settlement's three-step phase-in of rates, for the first year that  
27 rates are in effect a 5/8-inch x 3/4-inch meter residential water customer, with average usage of 7,363  
28

1 gallons per month, would experience an increase of \$12.98 per month, from the current \$30.32 to  
2 \$43.30 (42.81 percent).

3 Agua Fria Step 2 – July 1, 2013 to June 30, 2014

4 199. In the second year of the phase-in, a 5/8-inch x 3/4-inch meter residential water  
5 customer, with average usage of 7,363 gallons per month, would experience an additional monthly  
6 increase of \$3.09, from the Phase 1 rate of \$43.30 to \$46.39 (7.14 percent over Phase 1).

7 Agua Fria Step 3 – July 1, 2014 to June 30, 2015 (and until new rates are established)

8 200. In the third year of the phase-in, a 5/8-inch x 3/4-inch meter residential water customer,  
9 with average usage of 7,363 gallons per month, would experience an additional monthly increase of  
10 \$3.10, from the Phase 2 rate of \$46.39 to \$49.49 (6.68 percent over Phase 2).

11 Mohave Water District

12 201. In the Mohave Water District, a 5/8-inch x 3/4-inch meter residential water customer,  
13 with average usage of 7,251 gallons per month, would experience an increase of \$4.56 per month,  
14 from the current \$16.91 to \$21.46 (26.95 percent).

15 Havasu Water District

16 202. In the Havasu Water District, a 5/8-inch x 3/4-inch meter residential water customer,  
17 with average usage of 8,334 gallons per month, would experience an increase of \$15.54 per month,  
18 from the current \$45.95 to \$61.49 (33.81 percent).

19 **CONCLUSIONS OF LAW**

20 1. Arizona-American and its successor in interest, EPCOR, are public service  
21 corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-  
22 251, and 40-367.

23 2. The Commission has jurisdiction over Arizona-American and its successor in interest,  
24 EPCOR, and the subject matter of the application.

25 3. Notice of the application was provided in accordance with the law.

26 4. Adoption of the Settlement Agreement, as discussed herein, is in the public interest.

27 5. The rates, charges, and conditions of service established herein are just and  
28 reasonable.

**ORDER**

IT IS THEREFORE ORDERED that the Settlement Agreement filed December 15, 2011, as supplemented by the Settlement Agreement Addenda filed February 8, 2012, and attached to this Decision as Attachments A and B, respectively, are hereby approved as discussed herein.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., is hereby directed to file with the Commission, on or before June 29, 2012, revised schedules of rates and charges consistent with Attachments A and B, and the findings herein.

IT IS FURTHER ORDERED that the revised schedules of rates and charges shall be effective for all service rendered on and after July 1, 2012.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., shall notify its affected customers of the revised schedules of rates and charges authorized herein by means of an insert in its next regularly scheduled billing, and by posting on its website, in a form acceptable to the Commission's Utilities Division Staff.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., shall implement and comply with the terms of the Settlement Agreement and Settlement Agreement Addenda as discussed herein, including filing all reports, studies, and plans as set forth in the Settlement Agreement and herein.

IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA), Inc., shall file with Docket Control, by March 1, 2013, as a compliance item in this docket, for Staff's review and approval, five-year plans to determine the most cost-effective approach to address non-revenue water in the Mohave and Havasu Water Districts, based on leak survey and system analysis.

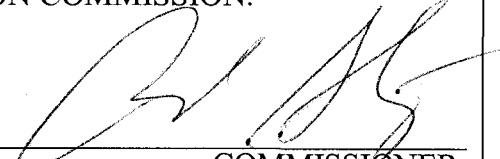
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1 IT IS FURTHER ORDERED that Arizona-American Water Company/ EPCOR Water (USA),  
2 Inc.'s next general rate application for the Agua Fria Water District shall use a test year including at  
3 least six months of actual experience with the final phase of rates approved herein.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

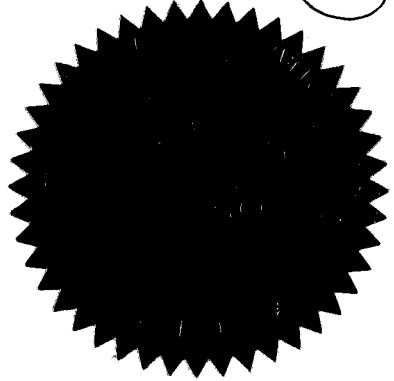
6  
7   
8 CHAIRMAN

  
COMMISSIONER

9   
10 COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER



11  
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 15<sup>th</sup> day of MAY 2012.

  
17 ERNEST G. JOHNSON  
18 EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_

20 DISSENT \_\_\_\_\_



1 SERVICE LIST FOR:

ARIZONA-AMERICAN WATER COMPANY –  
AGUA FRIA WATER DISTRICT, HAVASU WATER  
DISTRICT AND MOHAVE WATER DISTRICT.

3 DOCKET NO.:

W-01303A-10-0448

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## ATTACHMENT A

**SETTLEMENT AGREEMENT**

The purpose of this Settlement Agreement (“Agreement”) is to settle all issues related to Arizona Corporation Commission Docket No. W-01303A-10-0448, Arizona-American Water Company’s application to increase rates. This Agreement is entered into by the following entities:

**List Of Parties**

EPCOR Water USA, Inc. (“EPCOR Water”)

Arizona-American Water Company (“AAWC”)

Arizona Corporation Commission Utilities Division (“Staff”)

Residential Utility Consumer Office (“RUCO”)

Verrado Community Association, Inc. (“Verrado”)

DMB White Tank, LLC (“DMB”)

City of Surprise (“Surprise”)

Mashie, LLC dba Corte Bella Golf Club (“Corte Bella”)

Cross River Homeowners Association (“CRHA”)

The Water Utility Association of Arizona (“WUAA”)

Sun City Grand Community Association (“SCGCA”), on behalf of itself and the Class of Homeowners Associations<sup>1</sup>

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<sup>1</sup> All of these listed entities shall be referred to collectively as “Parties in this Agreement.”

## Terms And Conditions

In consideration of the promises and agreements contained herein, the Parties agree that the following numbered sections and subsections comprise the Parties' Agreement.

### 1. Recitals

- 1.1 On November 13, 2010, AAWC filed with the Commission an application for rate increases for its Agua Fria, Havasu, and Mohave water districts (Docket No. W-01303A-10-0448) (the Docket or "Rate Case").
- 1.2 The following entities filed for and were granted intervention in the proceeding: RUCO (January 20, 2011); WUAA (March 18, 2011); SCGCA and Corte Bella (April 13, 2011); Kenneth Hewitt (April 13, 2011);<sup>2</sup> Verrado and DMB (May 2, 2011); Arizona Traditions Homeowners Association, Inc. ("ATHA"), The Happy Trails Community Association ("HTCA"), The Surprise Farms III Community Association ("SF3CA"), Kingswood Parke Community Association, Inc. ("KPCA"), Greer Ranch South Homeowners Association ("GRSHA"), Clearwater Farms Unit II Property Owners Association ("CF2POA"), Surprise Farms Unit II Community Association ("SF2CA"), Clearwater Farms Three Homeowners Association, Inc. ("CF3HA"), Russell Ranch Homeowners Association ("RRHA"), Legacy Park South Homeowners Association ("LPSHA"), Sun Village Community Association ("SVCA"), Sycamore Estates Parcel 13 Community Association ("SEP13CA"), Northwest Ranch Homeowners Association ("NRHA"), Summerfield at Litchfield Subdivision Homeowners Association ("SLSHA"), Surprise Farms Community Association, Phase 1A ("SF1ACA"), Cortessa Community Association ("CCA"),<sup>3</sup> Surprise, Cross River Homeowners Association ("CRHA"), Sierra Montana Homeowners Association ("SMHA"), and Sharon Wolcott (September 19, 2011); EPCOR Water (USA), Inc. ("EPCOR Water"), Peter and Rochanee Corpus, Frederick and Mary Botha, Craig and Nancy Plummer, Thomas and Laurie Decatur, Timothy and Cindy Duffy, William and Erin Parr, Mike Albertson, and Brian O'Neal (September 23, 2011). None of the individual interveners appeared at the pre-hearing scheduling conference or the hearing to cross-examine witnesses or to submit testimony.
- 1.3 Additionally, Jackrabbit Estates Homeowners Association, Savannah Homeowners Association, Surprise Farms 5 Community Association, Western Meadows Homeowners Association, Inc., The Crystal Springs Estates Homeowners Association, and Ashton Ranch Homeowners applied for, but were not granted, intervention, as these entities did not comply with the Commission's filing requirements.
- 1.4 A Procedural Order was issued on January 20, 2011, scheduling an evidentiary hearing on the rate application to begin on August 17, 2011. In a subsequent Procedural Order,

<sup>2</sup> On November 18, 2011, Mr. Hewitt filed a Motion to Withdraw as an Intervener. The request was granted in the November 22, 2011 Procedural Order.

<sup>3</sup> SCGCA was designated class representative for ATHA, HTCA, SF3CA, KPCA, GRSHA, CF2POA, SF2CA, CF3HA, RRHA, LPSHA, SVCA, SEP13CA, NRHA, SLSHA, SF1ACA, SMHA, and CCA (collectively, the "Class of Homeowners Associations").

issued on September 23, 2011, the hearing was postponed until December 5, 2011. The hearing in this matter commenced on December 5, 2011, but did not conclude.

- 1.5 The negotiation process undertaken in this matter was open to all Interveners and provided all Interveners with an equal opportunity to participate along with legal counsel.
- 1.6 On December 2, 2011, a settlement conference was scheduled at the offices of RUCO. In attendance were representatives of AAWC, EPCOR Water, SCGCA, as representative for the Class of Homeowners Associations, DMB, Verrado, Surprise, CRHA, RUCO. On December 6, 2011, a second settlement meeting was held at RUCO with the same parties in attendance, plus Staff and WUAA. The agreement to compromise reflected in this Agreement is a result of those meetings and the Parties' good faith efforts to settle all of the issues presented in the Rate Case.
- 1.7 The Parties agree and represent their belief that the terms and conditions of this Agreement will serve the public interest by providing a just and reasonable resolution of the issues presented by AAWC's Rate Case. The adoption of this Agreement will further serve the public interest by allowing all parties to obtain greater certainty and avoid the expense, delay, and risk associated with continued protracted litigation.
- 1.8 As further reflected in this Agreement, the Parties acknowledge that under Arizona law the Commission has plenary authority over the determination of fair value and setting of rates.

## **2. Revenue Requirement – Rate Base, Expenses, Rate of Return - All Districts**

2.1 For ratemaking purposes and for the purposes of this Agreement, the Parties agree to each of the following settlement terms and conditions:

- (a) Rate increases should be based on adjusted test year revenues of \$24,197,216, \$4,904,592 and \$1,271,706 for AAWC's Agua Fria, Mohave and Havasu Water Districts, respectively.
- (b) AAWC should receive total annual revenue increases of \$14,034,551, \$1,812,486 and \$609,838 for its Agua Fria, Mohave and Havasu Water Districts, respectively. These revenue increases result in total revenue requirements of \$38,231,767, \$6,717,078 and \$1,881,544 for AAWC's Agua Fria, Mohave and Havasu Water Districts, respectively.
- (c) The fair value rate bases for AAWC's Agua Fria, Mohave and Havasu Water Districts should be \$137,424,547, \$11,418,252 and \$3,578,982, respectively. All Parties agree that fair value rate base shall be equal to original cost less depreciation.
- (d) The total adjusted test year operating expenses for AAWC's Agua Fria, Mohave and Havasu Water Districts should be \$22,889,953, \$5,179,767 and \$1,383,523, respectively. The total operating expenses at proposed rates for AAWC's Agua

Fria, Mohave and Havasu Water Districts should be \$28,474,624, \$5,906,383 and \$1,627,436, respectively.

- (e) The revenue requirements for the Agua Fria, Mohave and Havasu Water Districts should be based on Staff's proposed depreciation rates.
- (f) An overall rate of return equal to 7.1 percent is fair and reasonable. This return is based on a capital structure consisting of 41.27 percent equity and 58.73 percent debt, of which debt, 11.35 percent is short-term debt and 47.38 percent is long-term debt. The cost of short term debt is .041 percent, and the cost of long term debt is 5.66 percent. The authorized return on equity is 10.6 percent.
- (g) The return on rate base and recovery of operating expenses set forth herein result in total operating income of \$9,757,143, \$810,696 and \$254,108 for AAWC's Agua Fria, Mohave and Havasu Water Districts, respectively.
- (h) The revenue requirements agreed to herein result in a 58.00 percent rate increase for the Agua Fria Water District, a 36.95 percent rate increase for the Mohave Water District and a 47.95 percent increase for the Havasu Water District. As further provided in section 3.2 below, rate increases in the Agua Fria Water District should be phased in.
- (i) The rates that result from the increased revenue requirements agreed to herein are just and reasonable and would result in AAWC recovering its reasonable operating expenses and a just and reasonable return on its fair value rate base given the evidence presented to the Commission in this Rate Case and the terms and conditions of this Agreement.
- (j) The rate design for the Mohave, Havasu and Agua Fria Districts shall include a low income program/tariff in the form attached as Exhibit A for consideration and approval by the Commission as required by Decision No. 72630.

2.2 The Settlement Schedules attached hereto as Exhibit D reflect a summary of the H Schedules for each district in this Rate Case.

2.3 The Parties agree that new rates for the Agua Fria, Mohave and Havasu Water Districts based on the revenue requirements and other rate making components agreed to herein shall take effect on July 1, 2012.

### **3. Additional Terms of Settlement - Agua Fria Water District**

3.1 For ratemaking purposes and for the purposes of this Agreement, the Parties agree to each of the following additional settlement terms and conditions with respect to the Agua Fria Water District:

- (a) The Agua Fria Water District rate base of \$137,424,547 includes the total cost of the White Tanks Plant and the White Tanks Plant related deferral at a total cost of

\$78,926,399. The total amount of the White Tanks O&M Deferral to be amortized over three years is \$2,942,870.

- (b) For purposes of settlement only, the Parties agree that the White Tanks Plant was a reasonable and prudent investment and is used and useful in serving ratepayers in the Agua Fria Water District

3.2 The Parties further agree that the revenue increases for the Agua Fria District shall be phased in over three years in twelve-month increments as follows:

Period <sup>4</sup>	Percentage Increase <sup>5</sup>	Revenue Increase <sup>6</sup>
July 1, 2012 to June 30, 2013	39%	\$9,437,026
July 1, 2013 to June 30, 2014	9.5%	\$11,735,788
July 1, 2014 to June 30, 2015	9.5%	\$14,034,551

The Company<sup>7</sup> agrees to forgo authorized lost revenue and carrying costs on authorized lost revenue during the term of the phase-in as set forth above. In the first period, lost revenue is \$4,597,525. In the second period, lost revenue is \$2,298,763. In the third period, lost revenue is \$0.

3.3 Upon approval of new rates in this rate case, and until new rates are approved in AAWC's next rate case for the Agua Fria Water District, AAWC agrees to the following:

- (a) To credit customers with the revenue requirement equivalent of non-refundable hook-up fees actually collected under its existing White Tanks HUF Tariff Part B. Such credit would commence in Year 2 of the phase-in and continue each subsequent year until new rates are approved. The amount of the credit shall be based on the prior 12 months actual non-refundable payments and be shown as a special line item on customer bills. The formula for such credit is set forth in Exhibit B. While the credit will be determined annually, it will be applied to customers' monthly bills. AAWC and Staff agree to work together on a plan of administration for the timely provision of these credits to customers. The Company shall file an annual report showing how the credits were calculated and the report is subject to the review and approval of the Commission. In support of this provision, with new developer agreements in the WTWTP service area, the Company shall encourage payment of hook-up fees over the development of wells to maximize the level of hook-up fees collected.
- (b) To credit customers with sales of non-firm treatment services, if any, based on incremental revenues from sales minus expenses in excess of amounts in rates as described in Exhibit C. Such credits will commence in Year 2 of the phase-in period based on 18 months available sales data for non-firm treatment services

<sup>4</sup> This assumes an effective date of new rates of July 1, 2012 and will be adjusted accordingly.

<sup>5</sup> The adjusted test year revenues are the denominator for all three periods.

<sup>6</sup> Total annual revenue increase to date as set forth in the schedules.

<sup>7</sup> Any reference to AAWC or the Company which creates a binding obligation shall also be a binding obligation on any of its successors, assigns or subsequent owners, or shareholders.

based revenues. In Year 3 of the phase-in and each subsequent year until new rates are approved, the credit will be based on sales of non-firm treatment services accruing in the prior 12 months using the same formula. The purpose of this section is to provide AF customers with a credit from the sales of treatment services using the existing WTWTP. While the credit will be determined annually, it will be applied to customers' monthly bills. This credit will also be shown separately with the HUF-related credit. AAWC and Staff agree to work together on a plan of administration for these credits. The Company shall file an annual report showing how the credits were calculated and the report is subject to the review and approval of the Commission.

- (c) That AAWC's next rate case filing shall use a test year including at least six months of actual experience with the final phase of rates contemplated in section 3.2 above.

3.4 The non-potable irrigation rate for the Corte Bella Golf Club shall be \$.92 per 1000 gallons.

#### **4. Additional Terms of Settlement – Mohave and Havasu Water District**

4.1 Regarding non-revenue water in the Mohave and Havasu Water Districts, this Agreement reflects the concurrence of AAWC and Staff as follows:

- (a) Despite AAWC's reasonable efforts since the last rate case to reduce non-revenue water for these districts, the levels of non-revenue water in certain systems in the two districts remains above the desired levels.
- (b) Rather than concede that further reduction is not possible and/or economically viable, AAWC agrees to develop five-year plans for reducing non-revenue water in both the Mohave Water District and Havasu Water District. The plans shall be based on leak survey and system analysis performed by AAWC to determine the most cost effective approach to reducing water loss. Such plans should be approved by Commission Staff and filed by AAWC in this docket by March 1, 2013.
- (c) The revenue requirements and rates for the Mohave and Havasu water districts reflect adoption of Staff's adjustment GWB-13 relating to non-revenue water.
- (d) AAWC's efforts since this Rate Case was filed, coupled with its commitment to continue to address non-revenue water, renders Staff's recommended suspension of new rates unnecessary in this Docket.

4.2 Regarding the Company's request for an infrastructure system replacement surcharge, the Company agreed to withdraw that request in this Rate Case.



## 5. Commission Approval

5.1 The Parties acknowledge and agree that the determination of AAWC's fair value rate base and establishment of just and reasonable rates thereon, requires Commission approval, and that the Commission will independently consider and evaluate the terms of this Agreement. With respect to approval of this Agreement, the Parties agree as follows:

- (a) The Parties have already jointly submitted the LOI in the Docket and agreed to next submit the Agreement to the Commission immediately following execution, followed by supporting testimony from each of the Parties previously submitting testimony in the Docket, if required by the Administrative Law Judge.
- (b) To support and defend the Agreement by filing the testimony as required by the Administrative Law Judge, appearing at any and all hearings, open meetings or other proceedings in the Docket related to the Agreement, and taking any and all other steps reasonably necessary to obtain Commission adoption of the material terms of the Agreement, including, but not limited to, eliciting support from its constituents.
- (c) To waive all rights to appeal a Commission decision providing the Commission adopts the material terms of this Agreement.
- (d) A final, non-appealable Commission order adopting the material terms of this Agreement shall constitute Commission approval of the Agreement for purposes of the Agreement.
- (e) Consistent with any order of the Commission, but not less than fifteen days after the Commission issues an order in this matter, AAWC shall file compliance tariffs for Staff review and approval. Such compliance tariffs, however, will become effective upon the effective date of the rate increase stated in the Commission's Order, which the Parties agree will be July 1, 2012 unless otherwise ordered by the Commission.

5.2 The Parties further agree that in the event the Commission fails to issue an order adopting all material terms of this Agreement or modifies or adds material terms to this Agreement, any or all of the Parties may withdraw from this Agreement, and such Party or Parties may pursue their respective remedies at law without prejudice. For the purposes of this Agreement, whether a term is material shall be left to the reasonable discretion of the Party choosing to withdraw from the Agreement. If a Party withdraws from the Agreement pursuant to this paragraph and files an application for rehearing, the other Parties shall support the application for rehearing by filing a document to that effect with the Commission (unless a party does not reside or does not represent constituents that reside within the district to which the rehearing relates, in which case such party shall not be required to support the application for rehearing).

5.3 The Parties agree that this Agreement will not have any binding force or effect until its material terms are adopted as an order of the Commission. This provision shall not

relieve the Parties of their obligations pursuant to this Sections 5 and 6 of this Agreement and the Letter of Intent.

## **6. Miscellaneous Provisions**

6.1 With respect to the Parties' Agreement as set forth herein, the Parties further agree to the following general terms and conditions of their agreement to settle their disputed claims in the rate case:

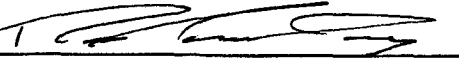
- (a) That each person whose signature appears below is fully authorized and empowered to execute this Agreement.
- (b) That each Party is represented by competent legal counsel and that they understand all of the terms of this Agreement, that it has had an opportunity to participate in the drafting of this Agreement and fully review this Agreement with its counsel before signing, and that it executes this Agreement with full knowledge of the terms of the Agreement.
- (c) Nothing in this Agreement shall be construed as an admission by any of the Parties that any of the positions taken by any Party in this proceeding is unreasonable or unlawful. In addition, acceptance of this Agreement by any of the Parties is without prejudice to any position taken by any party in these proceedings.
- (d) This Agreement represents the Parties' mutual desire to compromise and settle in good faith all disputed issues in the Rate Case in a manner consistent with the public interest. The terms and provisions of this Agreement apply solely to and are binding only in the context of the circumstances and those purposes. None of the positions taken in this Agreement by any of the Parties may be referred to, cited, or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except in furtherance of this Agreement.
- (e) The Parties agree that this Rate Case presents a unique set of circumstances and has attracted the interest of a large number of ratepayers and residents. To achieve consensus for settlement, certain participants are accepting positions that, in any other circumstances, they might be unwilling to accept. They are doing so because the Agreement, as a whole, with its various provisions for settling the unique issues presented by this case, is consistent with their long-term interests and the broader public interest. The Parties do not intend that their acceptance of a specific provision of this Agreement be considered as precedent for acceptance of that element in any other context.
- (f) All negotiations relating to this Agreement are privileged and confidential. No Party is bound by any position asserted in negotiations, except as expressly stated in this Agreement. The Parties expressly agree that evidence of conduct or statements made in the course of negotiating this Agreement shall not be offered

and are not admissible before this Commission, any other regulatory agency, or any court.

- (g) Each of the terms and conditions of the Agreement is in consideration and support of all other terms. Accordingly, the terms are not severable except upon express consent of the Parties.
- (h) The City is subject to the provisions of A.R.S. § 38-511 and the City represents that, to the best of its knowledge, no such conflict exists.
- (i) This Agreement may be executed in counterparts. This Agreement also may be executed electronically or by facsimile.

Executed this 15th day of December, 2011.

**ARIZONA-AMERICAN WATER COMPANY**

By: 

Its: PRESIDENT

**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF\***

By:  \_\_\_\_\_

Its: Director \_\_\_\_\_

\*Staff's execution of this Agreement is conditioned upon all parties to this docket who are not parties to the Agreement (because they chose not to participate and/or could not be located for comment) not opposing the Agreement at the hearing or Open Meeting at which this matter will be heard.

**EPCOR WATER (USA) INC.**

By: *J. Azel*

Its: *President Epcor Water U SA Inc.*

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**RESIDENTIAL UTILITY CONSUMER OFFICE**

By *Jodi A. Strick*  
Its DIRECTOR

**VERRADO COMMUNITY ASSOCIATION, INC.,**  
an Arizona non-profit corporation

By: M. Gulick  
Its: President

**DMB WHITE TANK, LLC,**  
an Arizona limited liability company

By: DMB Associates, Inc.,  
an Arizona corporation, its Manager

By: David L. Brewer  
Its: EVP / COO



**SUN CITY GRAND COMMUNITY  
ASSOCIATION, on behalf of itself and the Class of  
Homeowners Associations**

By: Jan J. Kroesen

Its: Jan J. Kroesen  
Vice-president Sun City Grand

**CROSS RIVER HOMEOWNERS ASSOCIATION**

By: *David Snow*  
Its: PRESIDENT

MASHIE LLC dba CORTE BELLA GOLF CLUB

By:

Its:

*[Handwritten signature]*  
*[Handwritten signature]*

12/15/11

**CITY OF SURPRISE**

By: [Signature]  
Its: City Attorney

**WATER UTILITY ASSOCIATION OF ARIZONA**

By:  \_\_\_\_\_

Its: Director

**Exhibit A****GENERAL WATER RATE****(continued)****LOW INCOME PROGRAM TARIFF**

Requires the completion of a Low Income Program Application. Restricted to up to the number of eligible residential participants identified per district below.

**Agua Fria District:**

Maximum participants: 1,000 residential customers on 5/8 x 3/4 inch meters

Monthly Low Income Credit: \$7.50

Increase in last block commodity rate for all residential and commercial customers:

\$0.08462 per thousand gallons

**Havasu:**

Maximum participants: 100 residential customers on 5/8 x 3/4 inch meters

Monthly Low Income Credit: \$10.00

Increase in last block commodity rate for all residential and commercial customers:

\$0.15192 per thousand gallons

**Mohave:**

Maximum participants: 1,000 residential customers on 5/8 x 3/4 inch meters

Monthly Low Income Credit: \$5.00

Increase in last block commodity rate for all residential and commercial customers:

~~\$0.2099~~ per thousand gallons

~~\$0.2066~~

*(Correction made at Hearing - Tr. 235)*

**Terms and Conditions**

Applicants must swear that he/she has annual income below a threshold of 150% of the federal low income guidelines as periodically revised. Applicant may not be claimed as a dependent on another person's tax return. Applicant must reapply each time moving

residences. Refusal or failure to provide acceptable documentation of eligibility, upon request, shall result in removal from the low income program. Repayment of low income credits by customers may occur for periods of ineligibility previously receiving low income credits. Annual income means the value of all money and non-cash benefits available for living expenses, from all sources, both taxable and non-taxable, before deductions, for all people who live with the applicant.

**Exhibit B**  
**HUF Formula**



Docket No. W-01303A-10-0448

Arizona-American Water Company  
 Test Year Ended June 30, 2010  
 Calculation of Annual White Tanks Hook-Up Fee Credit

PRE-TAX RATE OF RETURN CALCULATION:

Line No.	Description	Percent	Cost Rate	Weighted Cost	Pre-Tax ROR	NOI After Tax Deduction For Interest	After-Tax WACC
1	Long-Term Debt	47.38%	5.66%	2.68%	2.880%	61.40%	1.64552%
2	Short-Term Debt	11.35%	0.41%	0.05%	0.050%	61.40%	0.03070%
3	Stockholder's Equity	41.27%	10.80%	4.37%	4.370%	100.00%	4.37000%
4	Total			7.10%	7.100%		6.04622%
5						GRCF	1.9809
6	Weighted Cost of Debt			2.73%		Pre-Tax ROR	10.042%

Notes and Source:

Lines 1 thru 6 - Letter of Intent filed on December 8, 2011  
 Combined Income Tax Rate:

Combined Tax Rate 38.60%  
 61.40%

CALCULATION OF CUSTOMER CREDIT BASED ON ILLUSTRATIVE \$1M IN WHITE TANKS HOOK-UP FEES:

Line No.	Description	Value
1	Total Annual White Tanks Hook-Up Fees	\$(1,000,000)
2	Times: Pre-Tax ROR	10.042%
3	Pre-Tax ROR Portion of Credit	\$(100,422)
4	Total Annual White Tanks Hook-Up Fees	\$(1,000,000)
5	Times: Composite Rate of Amortization	2.720%
6	Annual Amortization of Hook-Up Fee Portion of Credit	\$ (27,200)
7	Total Annual White Tanks Hook-Up Fee Credit	\$(127,622)
8	Divided By: Total Number of Customers	XX,XXX
9	Monthly Credit per Customer	#VALUE!

Note: The rate design of Line No. 9 is the subject of further Commission Staff and Company discussion.

Amortization of WT HUF	For the twelve months ENDING June 30 (or as adjusted accordingly to final decision):				Cumulative Yearly CIAC Amortization	Cumulative Unamort CIAC YE Balance
	2013	2014	2015	2016		
Illustrative only WT HUF Component B actual payments:	1,000,000	1,000,000	1,000,000	1,000,000		
CIAC Amort Rate	2.72%					
		Amortization <u>(27,200)</u>				
		Unamortized CIAC YE Balance	972,800		(27,200)	972,800
		Amortization <u>(26,460)</u>	<u>(27,200)</u>			
		Unamortized CIAC YE Balance	946,340	972,800	(53,660)	1,919,140
		Amortization <u>(25,740)</u>	<u>(26,460)</u>	<u>(27,200)</u>		
		Unamortized CIAC YE Balance	920,599	972,800	(79,401)	2,839,739
		Amortization <u>(25,040)</u>	<u>(25,740)</u>	<u>(26,460)</u>		
		Unamortized CIAC YE Balance	895,559	946,340	(104,441)	3,735,298
		Amortization <u>(24,359)</u>	<u>(25,040)</u>	<u>(25,740)</u>		
		Unamortized CIAC YE Balance	871,200	920,599	(128,800)	4,606,498
		Amortization <u>(23,697)</u>	<u>(24,359)</u>	<u>(25,040)</u>		
		Unamortized CIAC YE Balance	847,503	895,559	(152,497)	5,454,001
		Amortization <u>(23,052)</u>	<u>(23,697)</u>	<u>(24,359)</u>		
		Unamortized CIAC YE Balance	824,451	871,200	(148,349)	5,305,653
		Amortization <u>(22,425)</u>	<u>(23,052)</u>	<u>(23,697)</u>		
		Unamortized CIAC YE Balance	802,026	847,503	(144,314)	5,161,339
		Amortization <u>(21,815)</u>	<u>(22,425)</u>	<u>(23,052)</u>		
		Unamortized CIAC YE Balance	780,211	824,451	(140,388)	5,020,950
		Amortization <u>(21,222)</u>	<u>(21,815)</u>	<u>(22,425)</u>		
		Unamortized CIAC YE Balance	758,989	802,026	(136,570)	4,884,381
		Amortization <u>(20,645)</u>	<u>(21,222)</u>	<u>(21,815)</u>		
		Unamortized CIAC YE Balance	738,345	780,211	(132,855)	4,751,525

Revenue Requirement Equivalent Reduction of Prior Year WT HUF Collections

Illustrative only as actual revenue credits depend on actual WT HUF payments

12.7622%

Annualized revenue credits BEGINNING September 1 (or as adjusted according to final decision effective date):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Based on cumulative Unamortized CIAC balance	\$ 972,800					
	\$ 1,919,140	\$ 244,924				
	\$ 2,839,739		\$ 362,413			
	\$ 3,735,298			\$ 476,706		
	\$ 4,606,498				\$ 587,891	
	\$ 5,454,001					\$ 696,051

**Exhibit C****Customer Credit for Sales of White Tanks Plant Non-Firm Treatment Services****Period:**July 1, 2013 to June 30, 2014:<sup>8</sup>**Applicability:**

New 3<sup>rd</sup> party purchasers of treatment services from the White Tanks Water Treatment Plant, who have used treatment services any time during the period January 1, 2012 through June 30, 2013. These purchasers of treatment services exclude customers in AAWC's certificated service area who are receiving water service pursuant to existing tariff rates.

**Calculation of Benefit:**

[1] Additional revenue from 3<sup>rd</sup> Party = (\$/Kgal contracted treatment rate) x (Kgal delivered as measured by delivery meter)

[2] Cost of treatment services = (\$/Kgal average cost of treatment services during period of delivery) x (Kgal delivered as measured by delivery meter)

[3] Amount credited to AAWC customers = [1] - [2]

**Period:**July 1, 2014 to June 30, 2015:<sup>9</sup>**Applicability:**

New 3<sup>rd</sup> party purchasers of treatment services from the White Tanks Water Treatment Plant, who have used treatment services any time during the period July 1, 2013 through June 30, 2014. These purchasers of treatment services exclude customers in AAWC's certificated service area who are receiving water service pursuant to existing tariff rates.

**Calculation of Benefit:**

[1] Additional revenue from 3<sup>rd</sup> Party = (\$/Kgal contracted treatment rate) x (Kgal delivered as measured by delivery meter)

[2] Cost of treatment services = (\$/Kgal average cost of treatment services during period of delivery) x (Kgal delivered as measured by delivery meter)

[3] Amount credited to AAWC customers = [1] - [2]

<sup>8</sup> This assumes an effective date of new rates of July 1, 2012 and will be adjusted accordingly.

<sup>9</sup> This assumes an effective date of new rates of July 1, 2012 and will be adjusted accordingly.

**Exhibit D**  
**Settlement Schedules**

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Summary of Revenues by Customer Classification - Present & Proposed Rates  
STEP 1

Line No.	Customer Classification	Revenues in Test Year		Proposed Rates	Proposed Increase	
		Test Year Revenues	Annualized Present Rates		Amount	%
1						
2	Residential	\$ 14,662,813.45	\$ 17,076,546.30	\$ 24,255,910.81	\$ 7,179,364.51	42.04%
3						
4	Commercial	\$ 4,342,021.09	\$ 5,109,755.35	\$ 7,397,223.58	\$ 2,287,468.23	44.77%
5						
6	OPA	\$ 110,092.32	\$ 340,346.92	\$ 486,038.32	\$ 145,691.40	42.81%
7						
8	Irrigation/ Miscellaneous	\$ 287,365.17	\$ 335,298.48	\$ 258,791.83	\$ (76,506.65)	-22.82%
9						
10	Fire	\$ 155,190.13	\$ 150,222.23	\$ 51,230.74	\$ (98,991.49)	-65.90%
11						
12						
13						
14	Total Revenues	\$ 19,537,282.16	\$ 23,012,169.29	\$ 32,449,195.29	\$ 9,437,026.00	41.01%
15	TY Adj Billed Rev	\$ 23,012,169	\$ 23,012,169	\$ 32,449,195.29		
16		\$ 24,197,216	\$ 24,197,216	\$ -		
17		\$ 59,416	22952753			
18			Add Customer	Annualized		
19		From Schedule	Annualization from	Current		
20		H-2	Schedule C-2	Rates		\$ 9,437,026
21	Residential	\$ 17,075,902.25	\$ 644	\$ 17,076,546.30		
22	Commercial	\$ 5,130,269.95	(\$20,515)	\$ 5,109,755.35		
23	OPA	\$ 340,346.92		\$ 340,346.92	Total % Increase	\$ 9,437,026
24	Irrigation/ Miscellaneous	\$ 335,298.48		\$ 335,298.48	-100.00%	
25	Fire	\$ 150,222.23		\$ 150,222.23	\$ 16,008,746	Step 1
26		\$ 23,032,039.84	\$ (19,870.55)	\$ 23,012,169	\$ 39,020,915	\$ 32,449,195
					\$ 33,634,242	
1						
2	Increase in Gross Revenue from Sch A-1	\$ 9,445,531.93	\$ (8,505.93)	\$ 9,850,759		39.0%
3	Percentage Increase			42.8%		
4						
5						
6						
7		Proposed Rates	Add Customer	Annualized		
8		From Schedule	Annualization from	Proposed		
9	Residential	\$ 24,254,991.07	\$ 919.75	\$ 24,255,910.81		
10	Commercial	\$ 7,426,519.81	\$ (29,296.23)	\$ 7,397,223.58		
11	OPA	\$ 486,038.32		\$ 486,038.32		
12	Irrigation/ Miscellaneous	\$ 258,791.83		\$ 258,791.83		
13	Fire	\$ 51,230.74		\$ 51,230.74		
14		\$ 32,477,571.77	\$ (28,376.49)	\$ 32,449,195.29		
15						
16						
17						
18						
19						
20						
21						
22						

Exhibit  
SETTLEMENT Schedule H-2  
Page 1  
Witness: Koger

Line No.	Schedule	Description	Average Number of Customers	Average Consumption	Test Year Revenues	Annualized Present	Outright Present	Proposed Rates	Proposed Revenues	Proposed Increase	Increase %
1	C1MTA	Agua Fria Residential 5/8" & 3/4"	28,413	11.919	\$ 8,497,075.63	\$ 11,166,827.03	\$ 1,529,451.71	\$ 15,670,548.32	\$ 4,644,071.29	\$ 42.23%	42.23%
2	C1MTB	Agua Fria Residential 1-1/2"	5,515	8.928	\$ 3,916,753.90	\$ 4,541,546.77	\$ 624,993.27	\$ 6,189,064.45	\$ 1,971,711.68	\$ 42.44%	42.44%
3	C1MTC	Agua Fria Residential 2"	80	5.868	\$ 995,166.02	\$ 1,074,970.67	\$ 79,804.65	\$ 1,531,333.27	\$ 48,362.59	\$ 57.32%	57.32%
4	C1MTD	Agua Fria Residential 3"	71	19.010	\$ 26,503.20	\$ 31,352.39	\$ 4,849.19	\$ 429,066.02	\$ 17,972.32	\$ 90.10%	90.10%
5	C2MTA	Agua Fria Commercial 1"	35	54.105	\$ 226,482.10	\$ 1,104,843.12	\$ 878,361.02	\$ 1,708,316.49	\$ 514,473.37	\$ 48.09%	48.09%
6	C2MTB	Agua Fria Commercial 1-1/2"	62	68.070	\$ 1,018,639.83	\$ 3,017,226.14	\$ 1,998,586.31	\$ 516,160.15	\$ 1,345,720.52	\$ 42.81%	42.81%
7	C2MTC	Agua Fria Commercial 2"	137	158.102	\$ 2,562,873.41	\$ 3,961,439.63	\$ 1,400,566.22	\$ 3,350,055.03	\$ 889,689.65	\$ 42.81%	42.81%
8	C2MTD	Agua Fria Commercial 3"	259	197.183	\$ 313,562.80	\$ 381,435.18	\$ 67,872.38	\$ 37,876.20	\$ 11,883.48	\$ -23.81%	-23.81%
9	C2M1E	Agua Fria Commercial 4"	38	851.750	\$ 205,348.06	\$ 251,796.13	\$ 46,448.07	\$ 186,794.22	\$ 145,691.42	\$ -100.00%	-100.00%
10	C2M1G	Agua Fria Commercial 6"	6	9,484.400	\$ 22,291.44	\$ 58,803.28	\$ 36,511.84	\$ 486,036.34	\$ 12,592.20	\$ 68.17%	68.17%
11	C2M1H	Agua Fria Commercial 8"	0.42	15,819.240	\$ 228,260.44	\$ 340,348.92	\$ 112,088.48	\$ 20,410.04	\$ 11,199.80	\$ -69.14%	-69.14%
12	C2M2C	DWG Wells Golf	1	12,569.417	\$ 6,296.10	\$ 12,136.87	\$ 5,840.77	\$ 24,451.20	\$ 12,286.60	\$ -68.09%	-68.09%
13	C2M2E	Corona Fria CPA - State Prison	0.17	5,077.500	\$ 5,467.89	\$ 12,136.87	\$ 6,668.98	\$ 20,410.04	\$ 12,286.60	\$ -84.21%	-84.21%
14	CRACZ	Agua Fria Commercial Water Sales									
15	CRMZ	Agua Fria Irrigation									
16	CRM04	Private Fire 4"			\$ 33,504.25	\$ 36,092.95	\$ 2,588.70	\$ 11,199.80	\$ 8,512,174.58	\$ 41.30%	41.30%
17	CRM06	Private Fire 6"			\$ 70,094.72	\$ 76,613.76	\$ 6,519.04	\$ 24,451.20	\$ 7,201,804.67	\$ 45.70%	45.70%
18	CRM08	Private Fire 8"			\$ 36,785.16	\$ 32,955.52	\$ 3,829.64	\$ 720.00	\$ 2,344,595.36	\$ 42.81%	42.81%
19	CRM12	Private Fire 12"			\$ 4,274.21	\$ 4,580.00	\$ 305.79	\$ 720.00	\$ 145,691.42	\$ -22.78%	-22.78%
20	CRM04	Private Fire 4"			\$ 18,779,954.16	\$ 23,032,038.84	\$ 3,252,085.67	\$ 32,644,214.41	\$ 7,201,804.67	\$ 42.81%	42.81%
21	CRM06	Private Fire 6"			\$ 14,678,694.09	\$ 17,075,922.35	\$ 2,397,228.16	\$ 24,277,898.92	\$ 2,344,595.36	\$ 42.81%	42.81%
22	CRM08	Private Fire 8"			\$ 4,375,729.84	\$ 5,130,268.85	\$ 754,540.31	\$ 7,411,865.32	\$ 145,691.42	\$ -22.78%	-22.78%
23	CRM12	Private Fire 12"			\$ 317,486.02	\$ 340,348.82	\$ 22,862.80	\$ 283,894.24	\$ 145,691.42	\$ -68.87%	-68.87%
24		Total Agua Fria Water - Billed Revenues	36,518	44,650.133	\$ 19,778,954.16	\$ 23,032,038.84	\$ 3,252,085.67	\$ 32,644,214.41	\$ 9,512,174.58	\$ 41.30%	41.30%
25		Total Residential	35,079	247,918	\$ 14,678,694.09	\$ 17,075,922.35	\$ 2,397,228.16	\$ 24,277,898.92	\$ 7,201,804.67	\$ 42.81%	42.81%
26		Total Commercial	530	1,345,078	\$ 4,375,729.84	\$ 5,130,268.85	\$ 754,540.31	\$ 7,411,865.32	\$ 145,691.42	\$ -22.78%	-22.78%
27		Total Irrigation/Miscellaneous	628	12,562,417	\$ 267,426.06	\$ 335,348.48	\$ 67,872.41	\$ 48,808.80	\$ 145,691.42	\$ -68.87%	-68.87%
28		Total Fire	274	30,694,720	\$ 140,638.35	\$ 150,222.23	\$ 9,583.89	\$ 48,808.80	\$ 145,691.42	\$ -68.87%	-68.87%
29		Total	36,518	44,650.133	\$ 19,778,954.16	\$ 23,032,038.84	\$ 3,252,085.67	\$ 32,644,214.41	\$ 9,512,174.58	\$ 41.30%	41.30%

74% 22%	Test Year Revenues	Annualized Present Rates	Annualized Increase Over Present Rates	Proposed Rates	Cust Annualization
0.01%	Less: Miscellaneous Adjustments				
	C1M1A	(13,488.80)	\$ 1,528,451.21	\$ (19,169.85)	
	C1M1B	(3,611.87)	\$ 624,593.27	\$ (5,137.09)	
	C1M1C	(175.88)	\$ 67,991.02	\$ (250.53)	
	C1M1D	(479.57)	\$ 175,802.66	\$ (683.18)	
	Difference from General Ledger [a]	1,705.48	\$ 2,424.78		
		(16,050.64)	\$ 2,397,238.16	\$ (22,619.89)	PMT (Booked Revenue)
	Subtotal				\$ 17,892,512.45
	Residential Billed Revenues	\$ 14,682,613.45	\$ 17,075,802.25	\$ 24,254,991.07	\$ 17,892,512.45
	C2M1A	(172.68)	\$ 4,849.16	\$ (271.67)	
	C2M1B	(97.98)	\$ 40,888.70	\$ (158.86)	
	C2M1C	(755.16)	\$ 176,204.29	\$ (1,078.42)	
	C2M1D	(5,544.16)	\$ 454,352.73	\$ (6,096.96)	
	C2M1E	(6,114.57)	\$ 47,867.04	\$ (11,588.15)	
	C2M1G	(27.34)	\$ 26,087.11	\$ (39.04)	
	C2M1H	(19,485.09)	\$ 4,301.28	\$ (27,928.02)	
	Difference from General Ledger [a]	488.43	\$ 711.65		
		(33,798.55)	\$ 754,540.31	\$ (48,345.50)	PMT (Booked Revenue)
	Subtotal				\$ 4,426,518.81
	Commercial Billed Revenues	\$ 4,342,021.09	\$ 5,130,289.95	\$ 7,426,518.81	\$ 4,426,518.81
	C4M2	(207,403.68)	\$ 22,850.90		
	Difference from General Ledger [a]	(0.01)	\$ 22,850.90	\$ (0.01)	
		(207,403.70)	\$ 22,850.90	\$ (0.01)	PMT (Booked Revenue)
	Subtotal				\$ 110,092.32
	OWU Billed Revenues	\$ 110,092.32	\$ 340,346.92	\$ 486,038.32	\$ 110,092.32
	C8M2A	-	\$ 29,401.64		
	C8M2B	-	\$ 25,505.88		
	C8M2C	-	\$ 6,286.10		
	C8M2D	(60.91)	\$ 6,668.98	\$ (102.43)	
	Difference from General Ledger [a]	0.02	\$ 0.02	\$ 0.02	
		(60.89)	\$ 67,872.41	\$ (102.41)	
	Subtotal				\$ 258,791.83
	Irrigation/ Miscellaneous Billed Revenues	\$ 287,365.17	\$ 335,298.48	\$ 428.75	\$ 258,791.83
	C6M04	1,382.68	\$ 2,588.70	\$ 428.75	
	C8M08	12,107.43	\$ 4,518.04	\$ 3,864.07	
	C8M12	407.86	\$ 2,190.36	\$ 127.46	
	Difference from General Ledger [a]	653.81	\$ 285.79		
		14,551.78	\$ 9,583.80	\$ 4,821.14	PMT (Booked Revenue)
	Subtotal				\$ 51,230.74
	Private Fire Billed Revenues	\$ 155,190.13	\$ 150,222.23	\$ 51,230.74	\$ 155,190.13
	Billed Revenues	\$ 19,537,262.16	\$ 23,032,039.84	\$ 3,252,085.67	\$ 32,477,571.77
	Total Booked Revenues Per G.L. - F.Y. Twelve Months ending 6/30/10				\$ 19,833,755.56
	Difference from General Ledger [a]	(398,473.40)			

Note [a] This is the amount of difference from the General Ledger, booked revenue to the amount derived by using TV billing determinants, times rates, less Misc Adjustments. We also removed the effect of annualizing the July 1, 2008 rate increase to match the General Ledger.



Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Changes in Representative Rate Schedules  
STEP 1

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge		
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	C1M1A	Agua Fria Residential 5/8" & 3/4"	First 4,000 gals.	\$ 13.85	\$ 19.78	\$ 5.93	\$ 1,824,000	\$ 2,8048	\$ 0.7808
2			4,001 to 13,000 gals.				\$ 2,728,000	\$ 3,8958	\$ 1.1678
3			Over 13,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
4	C1M1B	Agua Fria Residential 1"	First 45,000 gals.	\$ 34.66	\$ 49.50	\$ 14.84	\$ 2,728,000	\$ 3,8958	\$ 1.1678
5			Over 45,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
6	C1M1C	Agua Fria Residential 1-1/2"	First 100,000 gals.	\$ 68.77	\$ 98.21	\$ 29.44	\$ 2,728,000	\$ 3,8958	\$ 1.1678
7			Over 100,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
8	C1M1D	Agua Fria Residential 2"	First 150,000 gals.	\$ 110.83	\$ 158.27	\$ 47.44	\$ 2,728,000	\$ 3,8958	\$ 1.1678
9			Over 150,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
10		Agua Fria Residential 3"	First 300,000 gals.	\$ 221.66	\$ 316.55	\$ 94.89	\$ 2,728,000	\$ 3,8958	\$ 1.1678
11			Over 300,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
12		Agua Fria Residential 4"	First 400,000 gals.	\$ 346.29	\$ 494.53	\$ 148.24	\$ 2,728,000	\$ 3,8958	\$ 1.1678
13			Over 400,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
14		Agua Fria Residential 6"	First 800,000 gals.	\$ 692.52	\$ 988.97	\$ 296.45	\$ 2,728,000	\$ 3,8958	\$ 1.1678
15			Over 800,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
16		Agua Fria Residential 8"	First 1,125,000 gals.	\$ 1,108.03	\$ 1,582.34	\$ 474.31	\$ 2,728,000	\$ 3,8958	\$ 1.1678
17			Over 1,125,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
18		Agua Fria Residential 10"	First 1,500,000 gals.	\$ 1,582.75	\$ 2,274.55	\$ 681.80	\$ 2,728,000	\$ 3,8958	\$ 1.1678
19			Over 1,500,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
20		Agua Fria Residential 12"	First 2,250,000 gals.	\$ 2,977.75	\$ 4,252.43	\$ 1,274.68	\$ 2,728,000	\$ 3,8958	\$ 1.1678
21			Over 2,250,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
22	C2M1A	Agua Fria Commercial 5/8" & 3/4"	First 13,000 gals.	\$ 13.85	\$ 19.78	\$ 5.93	\$ 2,728,000	\$ 3,8958	\$ 1.1678
23			Over 13,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
24	C2M1B	Agua Fria Commercial 1"	First 45,000 gals.	\$ 34.66	\$ 49.50	\$ 14.84	\$ 2,728,000	\$ 3,8958	\$ 1.1678
25			Over 45,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
26	C2M1C	Agua Fria Commercial 1-1/2"	First 100,000 gals.	\$ 68.77	\$ 98.21	\$ 29.44	\$ 2,728,000	\$ 3,8958	\$ 1.1678
27			Over 100,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
28	C2M1D	Agua Fria Commercial 2"	First 150,000 gals.	\$ 110.83	\$ 158.27	\$ 47.44	\$ 2,728,000	\$ 3,8958	\$ 1.1678
29			Over 150,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
30	C2M1E	Agua Fria Commercial 3"	First 300,000 gals.	\$ 221.66	\$ 316.55	\$ 94.89	\$ 2,728,000	\$ 3,8958	\$ 1.1678
31			Over 300,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
32		Agua Fria Commercial 4"	First 400,000 gals.	\$ 346.29	\$ 494.53	\$ 148.24	\$ 2,728,000	\$ 3,8958	\$ 1.1678
33			Over 400,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
34	C2M1G	Agua Fria Commercial 6"	First 800,000 gals.	\$ 692.52	\$ 988.97	\$ 296.45	\$ 2,728,000	\$ 3,8958	\$ 1.1678
35			Over 800,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
36	C2M1H	Agua Fria Commercial 8"	First 1,125,000 gals.	\$ 1,108.03	\$ 1,582.34	\$ 474.31	\$ 2,728,000	\$ 3,8958	\$ 1.1678
37			Over 1,125,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
38		Agua Fria Commercial 10"	First 1,500,000 gals.	\$ 1,582.75	\$ 2,274.55	\$ 681.80	\$ 2,728,000	\$ 3,8958	\$ 1.1678
39			Over 1,500,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
40		Agua Fria Commercial 12"	First 2,250,000 gals.	\$ 2,977.75	\$ 4,252.43	\$ 1,274.68	\$ 2,728,000	\$ 3,8958	\$ 1.1678
41			Over 2,250,000 gals.				\$ 3,275,000	\$ 4,6769	\$ 1.4019
42	Proposed	DMB White Tank	All Usage	\$ -	\$ -	\$ -	\$ 1,240,000	\$ 1,0900	\$ (0.1500)
43	Proposed	Corte Bella Golf	All Usage	\$ -	\$ -	\$ -	\$ 1,240,000	\$ 0,9200	\$ (0.3200)
44	C4M2	Agua Fria OPA - State Prison	All Usage	\$ 222.43	\$ 317.65	\$ 95.22	\$ 2,240,000	\$ 3,1989	\$ 0.9589
45	CRAC2	Misc Fee Commercial Water Sales	All Usage	\$ -	\$ -	\$ -	\$ 1,240,000	\$ 1,7708	\$ 0.5308
46	C7M2	Agua Fria Irrigation	All Usage	\$ -	\$ -	\$ -	\$ 2,728,000	\$ 3,8958	\$ 1.1678
51	C6M04	Private Fire 4"	Per Service	\$ 32.40	\$ 10.00	\$ (22.40)	\$ 1,380,000	\$ 1,9707	\$ 0.5907
52	C6M06	Private Fire 6"	Per Service	\$ 47.00	\$ 15.00	\$ (32.00)	\$ 1,380,000	\$ 1,9707	\$ 0.5907
53	C6M08	Private Fire 8"	Per Service	\$ 64.00	\$ 20.00	\$ (44.00)	\$ 1,380,000	\$ 1,9707	\$ 0.5907
54		Private Fire 10"	Per Service	\$ 126.39	\$ 25.00	\$ (101.39)	\$ 1,380,000	\$ 1,9707	\$ 0.5907
55	C6M12	Private Fire 12"	Per Service	\$ 190.00	\$ 30.00	\$ (160.00)	\$ 1,380,000	\$ 1,9707	\$ 0.5907

57 \*\* Proposed irrigation rates reflect no current basic service or commodity charges. Change in rate columns possess an n/a designation to denote that proposed rates reflect an irrigation pro forma shift of customers who have current rates, just in rate classes other than irrigation.

59  
 60 **Service Charges**  
 61 Establishment Re-establishment and/reconnection of Service:  
 62 Regular Hours \$ 30.00  
 63 After Hours \$ 40.00  
 64 Water Meter Test (If Correct) \$ 30.00  
 65 Meter Re-Read (If Correct) \$ 5.00  
 66 NSF Check Charge \$ 10.00  
 67 Late Fee Charge 1.5% Per Month  
 68 Deferred Payment Finance Charge N/A  
 69 Deposit Requirements Residential --  
 70 Deposit Requirements Non-Residential --  
 71 Deposit Interest ---  
 72  
 73 \*\* Residential - two times the average bill Non-residential - two and one-half times the estimated maximum bill.  
 74  
 75 \*\*\* Interest per [Per ACC Rule 14-2-403(B)]  
 76  
 77  
 78  
 79  
 80  
 81  
 82

	Service Line Charge	Meter Installation Charge	Total Charge
83 <b>Meter and Service Line Installation Charges</b>			
84 5/8 x 3/4-inch Meter	\$ 445.00	\$ 155.00	\$ 600.00
85 3/4-inch Meter	\$ 445.00	\$ 255.00	\$ 700.00
86 1-inch Meter	\$ 495.00	\$ 315.00	\$ 810.00
87 1 1/2-inch Meter	\$ 550.00	\$ 525.00	\$ 1,075.00
88 2-inch Turbine Meter	\$ 830.00	\$ 1,045.00	\$ 1,875.00
89 2-inch Compound Meter	\$ 830.00	\$ 1,890.00	\$ 2,720.00
90 3-inch Turbine Meter	Actual Cost	Actual Cost	Actual Cost
91 3-inch Compound Meter	Actual Cost	Actual Cost	Actual Cost
92 4-inch Turbine Meter	Actual Cost	Actual Cost	Actual Cost
93 4-inch Compound Meter	Actual Cost	Actual Cost	Actual Cost
94 6-inch Turbine Meter	Actual Cost	Actual Cost	Actual Cost
95 6-inch Compound Meter	Actual Cost	Actual Cost	Actual Cost
96 8-inch or Larger	Actual Cost	Actual Cost	Actual Cost

97 An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.  
 98  
 99

100 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE  
 101 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).  
 102

103 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING  
 104 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

Arizona American Water Company - Agua Fria Water  
 Test Year Ended June 30, 2010  
 Typical Bill Analysis  
 STEP 1

Exhibit  
 SETTLEMENT H-4  
 Page 1  
 Witness: Kiger

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
C1M1A		Agua Fria Residential 5/8" & 3/4"	Average: 7,363	\$30.32	\$43.30	\$ 12.98	42.81%
C1M1B		Agua Fria Residential 1"	Average: 11,919	\$67.18	\$95.93	\$ 28.76	42.81%
C1M1C		Agua Fria Residential 1-1/2"	Average: 69,626	\$258.71	\$369.45	\$ 110.75	42.81%
C1M1D		Agua Fria Residential 2"	Average: 159,010	\$549.54	\$784.78	\$ 235.24	42.81%
C2M1A		Agua Fria Commercial 5/8" & 3/4"	Average: 5,868	\$29.86	\$42.64	\$ 12.78	42.81%
C2M1B		Agua Fria Commercial 1"	Average: 34,105	\$127.70	\$182.36	\$ 54.66	42.81%
C2M1C		Agua Fria Commercial 1-1/2"	Average: 98,070	\$336.30	\$480.27	\$ 143.96	42.81%
C2M1D		Agua Fria Commercial 2"	Average: 158,102	\$546.56	\$780.53	\$ 233.97	42.81%
C2M1E		Agua Fria Commercial 3"	Average: 197,183	\$759.58	\$1,084.72	\$ 325.15	42.81%
C2M1G		Agua Fria Commercial 6"	Average: 851,750	\$3,044.40	\$4,347.61	\$ 1,303.21	42.81%
C2M1H		Agua Fria Commercial 8"	Average: -	\$1,108.03	\$1,582.34	\$ 474.31	42.81%
Bulk		Misc Fee Commercial Water Sales	Average: 15,618,246	\$19,366.63	\$14,368.79	\$(4,997.84)	-25.81%
CRAC2		Misc Fee Commercial Water Sales	Average: 9,484,400	\$11,760.66	\$10,338.00	\$(1,422.66)	-12.10%
C4M2		Agua Fria OPA - State Prison	Average: 12,562,417	\$28,362.24	\$40,503.20	\$12,140.95	42.81%
C7M2		Agua Fria Irrigation - Raw	Average: 92,688	\$252.85	\$361.09	\$ 108.24	42.81%
C6M04		Private Fire 4"	Average: 93	\$3,013.20	\$930.00	\$(2,083.20)	-69.14%
C6M06		Private Fire 6"	Average: 136	\$6,392.00	\$2,040.00	\$(4,352.00)	-68.09%
C6M08		Private Fire 8"	Average: 43	\$2,752.00	\$860.00	\$(1,892.00)	-68.75%
C6M12		Private Fire 12"	Average: 2	\$380.00	\$60.00	\$(320.00)	-84.21%

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Summary of Revenues by Customer Classification - Present & Proposed Rates  
STEP 2

Line No.	Customer Classification	Revenues in Test Year		Proposed Rates	Proposed Increase	
		Test Year Revenues	Annualized Present Rates		Amount	%
1						
2	Residential	\$ 14,662,613.45	\$ 17,076,546.30	\$ 25,989,725.08	\$ 8,913,178.78	52.20%
3						
4	Commercial	\$ 4,342,021.09	\$ 5,109,755.35	\$ 7,925,977.66	\$ 2,816,222.31	55.11%
5						
6	OPA	\$ 110,092.32	\$ 340,346.92	\$ 520,780.38	\$ 180,433.46	53.01%
7						
8	Irrigation/ Miscellaneous	\$ 267,365.17	\$ 335,298.48	\$ 260,243.42	\$ (75,055.06)	-22.38%
9						
10	Fire	\$ 155,190.13	\$ 150,222.23	\$ 51,230.74	\$ (98,991.49)	-65.90%
11						
12						
13						
14	Total Revenues	\$ 19,537,282.16	\$ 23,012,169.29	\$ 34,747,957	\$ 11,735,788.00	51.00%
15	TY Adj Billed Rev	\$ 23,012,169	\$ 23,012,169	\$ 34,747,957		
16			\$ 24,197,216	\$ -		
17						
18						
19						
20		From Schedule H-2	Add Customer Annualization from Schedule C-2	Annualized Current Rates		\$ 11,735,788
21	Residential	\$ 17,075,902.25	\$644	\$ 17,076,546.30		
22	Commercial	\$ 5,130,269.95	(\$20,515)	\$ 5,109,755.35		\$ 11,848,330
23	OPA	\$ 340,346.92		\$ 340,346.92	Total % Increase	\$ 9,437,026 \$ 11,735,788
24	Irrigation/ Miscellaneous	\$ 335,298.48		\$ 335,298.48	-100.00%	
25	Fire	\$ 150,222.23		\$ 150,222.23	\$ 16,008,746	Step 1 Step 2
26		\$ 23,032,039.84	\$ (19,870.55)	\$ 23,012,169	\$ 39,020,916	\$ 32,449,195 \$ 34,747,957
					\$ 33,634,242	\$ 35,933,004
1						
2	Increase in Gross Revenue from Sch A-1	\$ 11,746,322.29	\$ (10,534.29)	\$ 12,199,804		Diff 39.0% 48.5%
3	Percentage Increase			53.0%		9.5%
4						
5						
6		Proposed Rates From Schedule H-2	Add Customer Annualization from Schedule C-2	Annualized Proposed Rates		
7						
8						
9	Residential	\$ 25,988,739.60	\$ 985.49	\$ 25,989,725.08		
10	Commercial	\$ 7,957,367.99	\$ (31,390.33)	\$ 7,925,977.66		
11	OPA	\$ 520,780.38		\$ 520,780.38		
12	Irrigation/ Miscellaneous	\$ 260,243.42		\$ 260,243.42		
13	Fire	\$ 51,230.74		\$ 51,230.74		
14		\$ 34,778,362.12	\$ (30,404.84)	\$ 34,747,957.29		
15						
16						
17						
18						
19						
20						
21						
22						

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Analysis of Revenue by Detailed Class  
STEP 2

Line No.	Rate Schedule	Description	Average Number of Customers	Average Consumption	Last Block Consumption	Test Year		Revenues		Annualized Increase		Proposed		Increase %
						Revenues	Average Consumption	Annualized Present Rates	Over Present Rates	Annualized Present Rates	Proposed Rates	Amount	%	
1	C1M1A	Agua Fria Residential 5/8" & 3/4"	29,413	7,363	292,727	\$ 9,487,075.83	\$ 11,026,527.03	\$ 1,529,451.21	\$ 16,780,890.28	\$ 5,764,153.22	52.28%			
2	C1M1B	Agua Fria Residential 1"	5,515	11,919	55,413	\$ 3,916,753.50	\$ 4,541,346.77	\$ 624,593.27	\$ 6,920,758.85	\$ 2,379,412.08	52.39%			
3	C1M1C	Agua Fria Residential 1-1/2"	80	89,628	51,278	\$ 365,666.75	\$ 433,057.77	\$ 67,391.02	\$ 680,954.14	\$ 227,686.36	52.62%			
4	C1M1D	Agua Fria Residential 2"	71	195,010	142,811	\$ 899,168.02	\$ 1,074,970.67	\$ 175,802.66	\$ 1,940,793.08	\$ 565,822.41	68.57%			
5	C2M1A	Agua Fria Residential 5/8" & 3/4"	35	5,868	2,768	\$ 28,592.20	\$ 31,352.96	\$ 2,760.76	\$ 52,850.41	\$ 21,498.05	71.54%			
6	C2M1B	Agua Fria Residential 1"	62	34,105	27,597	\$ 228,492.10	\$ 267,380.81	\$ 40,888.71	\$ 458,664.21	\$ 191,283.41	53.01%			
7	C2M1C	Agua Fria Commercial 1-1/2"	137	98,070	159,483	\$ 1,018,638.83	\$ 1,194,843.12	\$ 176,204.29	\$ 1,828,284.11	\$ 633,441.00	56.48%			
8	C2M1D	Agua Fria Commercial 2"	258	158,102	442,017	\$ 2,592,873.41	\$ 3,017,228.14	\$ 424,354.73	\$ 4,721,494.69	\$ 1,704,268.75	53.01%			
9	C2M1E	Agua Fria Commercial 3"	38	197,183	53,940	\$ 313,582.60	\$ 361,439.63	\$ 47,857.04	\$ 553,055.32	\$ 191,815.88	53.01%			
10	C2M1F	Agua Fria Commercial 4"	6	851,750	48,155	\$ 205,348.06	\$ 231,435.18	\$ 26,087.11	\$ 354,129.55	\$ 122,694.37	53.01%			
11	C2M1G	Agua Fria Commercial 6"	2	2,291.44	1,276,289	\$ 22,401.64	\$ 26,592.72	\$ 4,191.08	\$ 40,889.74	\$ 14,098.02	-12.10%			
12	C8M2B	DMB White Tank	0.42	8,484,400	-	\$ 29,401.64	\$ 58,803.28	\$ 29,401.64	\$ 51,669.98	\$ (7,113.30)	-25.81%			
13	C8M2C	Corte Bella Golf	1	15,618,246	-	\$ 226,260.44	\$ 251,788.13	\$ 25,527.69	\$ 186,794.22	\$ (64,971.90)	-34.81%			
14	CRAC2	Agua Fria OPA - State Prison	0.17	12,592,417	109,000	\$ 317,496.02	\$ 340,346.92	\$ 22,850.90	\$ 520,760.39	\$ 180,463.47	-100.00%			
15	C7M2	Misc Fee Commercial Water Sales	4	5,077,500	-	\$ 6,286.10	\$ 12,592.20	\$ 6,306.10	\$ -	\$ (12,592.20)	-100.00%			
16		Agua Fria Irrigation	4	92,688	0.08462	\$ 5,487.89	\$ 12,136.87	\$ 6,648.98	\$ 21,868.95	\$ 9,732.08	80.19%			
17	CSM04	Private Fire 4"	93	-	-	\$ 33,504.25	\$ 36,032.95	\$ 2,528.70	\$ 11,139.80	\$ (24,853.15)	-69.14%			
18	CSM08	Private Fire 6"	136	-	-	\$ 72,094.72	\$ 76,613.76	\$ 4,519.04	\$ 24,451.20	\$ (52,162.56)	-68.09%			
19	CSM08	Private Fire 8"	43	-	-	\$ 30,765.18	\$ 32,955.52	\$ 2,190.38	\$ 10,298.60	\$ (22,656.92)	-68.75%			
20	CSM12	Private Fire 12"	2	-	-	\$ 4,274.21	\$ 4,580.00	\$ 305.79	\$ 720.00	\$ (3,840.00)	-84.21%			
24		Total Agua Fria Water - Billed Revenues	36,518	44,850,133	-	\$ 19,779,954.16	\$ 23,032,039.84	\$ 3,252,085.67	\$ 34,850,098.71	\$ 11,818,058.87	51.31%			
26		Total Residential	35,079	247,918	-	\$ 14,878,684.09	\$ 17,075,902.25	\$ 2,197,218.16	\$ 26,013,186.33	\$ 8,937,284.08	52.34%			
27		Total Commercial	536	1,345,078	-	\$ 4,375,729.64	\$ 5,130,269.95	\$ 754,540.31	\$ 8,098,169.23	\$ 2,878,899.28	56.12%			
28		Total OPA	1	12,592,417	109,000	\$ 317,496.02	\$ 340,346.92	\$ 22,850.90	\$ 520,760.39	\$ 180,433.47	53.01%			
29		Total Irrigation/ Miscellaneous	628	30,694,720	-	\$ 267,428.06	\$ 335,298.48	\$ 67,870.42	\$ 260,353.16	\$ (74,945.32)	-22.35%			
30		Total Fire	274	-	-	\$ 140,638.35	\$ 150,222.23	\$ 9,583.89	\$ 46,808.60	\$ (103,612.63)	-68.97%			
31														
32														
33														
34		Total Agua Fria Water - Billed Revenues	36,518	44,850,133	-	\$ 19,779,954.16	\$ 23,032,039.84	\$ 3,252,085.67	\$ 34,850,098.71	\$ 11,818,058.87	51.31%			

Line	Description	74%		22%		Annualized Increase Over Present Rates	Proposed Rates	Cust Annualization
		Test Year Revenues	Annualized Present Rates	Misc. Adjustments	Annualized Present Rates			
35	Less: Miscellaneous Adjustments							
36								
37								
38								
39								
40	C1M1A	\$ (13,488.80)	\$ 1,529,451.21	\$ -	\$ (20,540.11)			
41	C1M1B	\$ (3,611.87)	\$ 624,593.27	\$ -	\$ (5,504.29)			
42	C1M1C	\$ (175.86)	\$ 67,391.02	\$ -	\$ (268.44)			
43	C1M1D	\$ (478.57)	\$ 175,802.86	\$ -	\$ (732.00)			
44	Difference from General Ledger [e]	\$ 1,705.48	\$ -	\$ -	\$ 2,598.10			
45								
46								
47	Subtotal	\$ (18,050.84)	\$ -	\$ -	\$ (24,446.73)			
48								
49	Residential Billed Revenues	\$ 14,862,613.45	\$ 17,075,902.25	\$ -	\$ 25,988,739.60			
50								
51	C2M1A	\$ (172.66)	\$ -	\$ 4,649.16	\$ (291.09)			
52	C2M1B	\$ (97.96)	\$ -	\$ 40,886.70	\$ (168.07)			
53	C2M1C	\$ (755.16)	\$ -	\$ 176,204.29	\$ (1,155.50)			
54	C2M1D	\$ (5,544.16)	\$ -	\$ 454,352.73	\$ (8,675.78)			
55	C2M1E	\$ (8,114.57)	\$ -	\$ 47,857.04	\$ (12,416.47)			
56	C2M1G	\$ (27.34)	\$ -	\$ 26,087.11	\$ (41.83)			
57	C2M1H	\$ (19,465.09)	\$ -	\$ 4,301.28	\$ (29,815.03)			
58	Difference from General Ledger [e]	\$ 488.43	\$ -	\$ 754,540.31	\$ (762.52)			
59								
60	Commercial Billed Revenues	\$ 4,342,021.09	\$ 5,130,269.85	\$ -	\$ 7,947,367.98			
61								
62	C4M2	\$ (207,403.69)	\$ -	\$ 22,850.90	\$ (0.02)			
63	Difference from General Ledger [e]	\$ (207,403.70)	\$ -	\$ 22,850.90	\$ (0.02)			
64								
65	OWU Billed Revenues	\$ 110,092.32	\$ 340,346.92	\$ -	\$ 520,780.38			
66								
67								
68								
69	C8M2A	\$ -	\$ -	\$ 29,401.64	\$ -			
70	C8M2B	\$ -	\$ -	\$ 25,505.69	\$ -			
71	C8M2C	\$ -	\$ -	\$ 6,296.10	\$ -			
72	C8M2D	\$ -	\$ -	\$ 6,666.98	\$ (109.75)			
73	C7M2	\$ (80.91)	\$ -	\$ -	\$ -			
74	0 Agua Fria Irrigation - 5/8" & 3/4"	\$ -	\$ -	\$ -	\$ -			
75	C7M2B Agua Fria Irrigation - 1"	\$ -	\$ -	\$ -	\$ -			
76	C7M2C Agua Fria Irrigation - 1-1/2"	\$ -	\$ -	\$ -	\$ -			
77	C7M2D Agua Fria Irrigation - 2"	\$ -	\$ -	\$ -	\$ -			
78	Difference from General Ledger [e]	\$ 0.02	\$ -	\$ 67,872.41	\$ (109.74)			
79								
80								
81	Irrigation/ Miscellaneous Billed Revenues	\$ 287,365.17	\$ 335,298.48	\$ -	\$ 280,243.42			
82								
83								
84	C6M04	\$ 1,382.68	\$ -	\$ 2,586.70	\$ 426.75			
85	C6M06	\$ 12,107.43	\$ -	\$ 4,519.04	\$ 3,864.07			
86	C6M08	\$ 407.86	\$ -	\$ 2,180.38	\$ 127.46			
87	C6M12	\$ -	\$ -	\$ 265.79	\$ -			
88	Difference from General Ledger [e]	\$ 653.81	\$ -	\$ 9,583.89	\$ 202.86			
89								
90	Private Fire Billed Revenues	\$ 155,190.13	\$ 150,222.23	\$ -	\$ 51,230.74			
91								
92	Billed Revenues	\$ 19,537,282.16	\$ 23,032,038.64	\$ 3,252,065.67	\$ 34,778,382.12			
93								
94	Total Billed Revenues Per G.L. - F.Y. Twelve Months ending 6/30/10	\$ 19,537,282.16	\$ 23,032,038.64	\$ 3,252,065.67	\$ 34,778,382.12			
95								
96	Difference from General Ledger [e]	\$ (96,473.40)	\$ -	\$ -	\$ (96,473.40)			
97								
98								
99								
100	Note [e]	This is the amount of difference from the General Ledger, booked revenue to the amount derived by using TV billing determinants, times rates, less Misc Adjustments. We also removed the effect of annualizing the July 1, 2008 rate increase to match the General Ledger.						
101								
102								

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Changes in Representative Rate Schedules  
STEP 2

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge		
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	C1M1A	Agua Fria Residential 5/8" & 3/4"	First 4,000 gals.	\$ 13.85	\$ 21.19	\$ 7.34	\$ 1,824,000	\$ 2,7910	\$ 0.9670
2			4,001 to 13,000 gals.				\$ 2,728,000	\$ 4,1742	\$ 1.4482
3			Over 13,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
4	C1M1B	Agua Fria Residential 1"	First 45,000 gals.	\$ 34.86	\$ 53.03	\$ 18.37	\$ 2,728,000	\$ 4,1742	\$ 1.4482
5			Over 45,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
6	C1M1C	Agua Fria Residential 1-1/2"	First 100,000 gals.	\$ 68.77	\$ 105.23	\$ 36.46	\$ 2,728,000	\$ 4,1742	\$ 1.4482
7			Over 100,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
8	C1M1D	Agua Fria Residential 2"	First 150,000 gals.	\$ 110.83	\$ 169.59	\$ 58.76	\$ 2,728,000	\$ 4,1742	\$ 1.4482
9			Over 150,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
10		Agua Fria Residential 3"	First 300,000 gals.	\$ 221.86	\$ 339.17	\$ 117.51	\$ 2,728,000	\$ 4,1742	\$ 1.4482
11			Over 300,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
12		Agua Fria Residential 4"	First 400,000 gals.	\$ 346.29	\$ 529.87	\$ 183.58	\$ 2,728,000	\$ 4,1742	\$ 1.4482
13			Over 400,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
14		Agua Fria Residential 6"	First 800,000 gals.	\$ 692.52	\$ 1,059.66	\$ 367.14	\$ 2,728,000	\$ 4,1742	\$ 1.4482
15			Over 800,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
16		Agua Fria Residential 8"	First 1,125,000 gals.	\$ 1,108.03	\$ 1,695.45	\$ 587.42	\$ 2,728,000	\$ 4,1742	\$ 1.4482
17			Over 1,125,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
18		Agua Fria Residential 10"	First 1,500,000 gals.	\$ 1,592.75	\$ 2,437.14	\$ 844.39	\$ 2,728,000	\$ 4,1742	\$ 1.4482
19			Over 1,500,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
20		Agua Fria Residential 12"	First 2,250,000 gals.	\$ 2,977.75	\$ 4,556.39	\$ 1,578.64	\$ 2,728,000	\$ 4,1742	\$ 1.4482
21			Over 2,250,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
22	C2M1A	Agua Fria Commercial 5/8" & 3/4"	First 13,000 gals.	\$ 13.85	\$ 21.19	\$ 7.34	\$ 2,728,000	\$ 4,1742	\$ 1.4482
23			Over 13,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
24	C2M1B	Agua Fria Commercial 1"	First 45,000 gals.	\$ 34.86	\$ 53.03	\$ 18.37	\$ 2,728,000	\$ 4,1742	\$ 1.4482
25			Over 45,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
26	C2M1C	Agua Fria Commercial 1-1/2"	First 100,000 gals.	\$ 68.77	\$ 105.23	\$ 36.46	\$ 2,728,000	\$ 4,1742	\$ 1.4482
27			Over 100,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
28	C2M1D	Agua Fria Commercial 2"	First 150,000 gals.	\$ 110.83	\$ 169.59	\$ 58.76	\$ 2,728,000	\$ 4,1742	\$ 1.4482
29			Over 150,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
30	C2M1E	Agua Fria Commercial 3"	First 300,000 gals.	\$ 221.86	\$ 339.17	\$ 117.51	\$ 2,728,000	\$ 4,1742	\$ 1.4482
31			Over 300,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
32		Agua Fria Commercial 4"	First 400,000 gals.	\$ 346.29	\$ 529.87	\$ 183.58	\$ 2,728,000	\$ 4,1742	\$ 1.4482
33			Over 400,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
34	C2M1G	Agua Fria Commercial 6"	First 800,000 gals.	\$ 692.52	\$ 1,059.66	\$ 367.14	\$ 2,728,000	\$ 4,1742	\$ 1.4482
35			Over 800,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
36	C2M1H	Agua Fria Commercial 8"	First 1,125,000 gals.	\$ 1,108.03	\$ 1,695.45	\$ 587.42	\$ 2,728,000	\$ 4,1742	\$ 1.4482
37			Over 1,125,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
38		Agua Fria Commercial 10"	First 1,500,000 gals.	\$ 1,592.75	\$ 2,437.14	\$ 844.39	\$ 2,728,000	\$ 4,1742	\$ 1.4482
39			Over 1,500,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
40		Agua Fria Commercial 12"	First 2,250,000 gals.	\$ 2,977.75	\$ 4,556.39	\$ 1,578.64	\$ 2,728,000	\$ 4,1742	\$ 1.4482
41			Over 2,250,000 gals.				\$ 3,275,000	\$ 5,0112	\$ 1.7382
42	Proposed	DMB White Tank	All Usage	\$ -	\$ -	\$ -	\$ 1,240,000	\$ 1,0900	\$ (0.1500)
43	Proposed	Corte Bella Golf	All Usage	\$ -	\$ -	\$ -	\$ 1,240,000	\$ 0,9200	\$ (0.3200)
44	C4M2	Agua Fria OPA - State Prison	All Usage	\$ 222.43	\$ 340.35	\$ 117.92	\$ 2,240,000	\$ 3,4275	\$ 1.1875
45	CRAC2	Misc Fee Commercial Water Sales	All Usage	\$ -	\$ -	\$ -	\$ 1,240,000	\$ 1,8974	\$ 0.6574
46	C7M2	Agua Fria Irrigation	All Usage	\$ -	\$ -	\$ -	\$ 2,728,000	\$ 4,1742	\$ 1.4482
51	C8M04	Private Fire 4"	Per Service	\$ 32.40	\$ 10.00	\$ (22.40)	\$ 1,380,000	\$ 2,1116	\$ 0.7316
52	C8M06	Private Fire 6"	Per Service	\$ 47.00	\$ 15.00	\$ (32.00)	\$ 1,380,000	\$ 2,1116	\$ 0.7316
53	C8M08	Private Fire 8"	Per Service	\$ 64.00	\$ 20.00	\$ (44.00)	\$ 1,380,000	\$ 2,1116	\$ 0.7316
54		Private Fire 10"	Per Service	\$ 126.39	\$ 25.00	\$ (101.39)	\$ 1,380,000	\$ 2,1116	\$ 0.7316
55	C8M12	Private Fire 12"	Per Service	\$ 190.00	\$ 30.00	\$ (160.00)	\$ 1,380,000	\$ 2,1116	\$ 0.7316

57 \*\* Proposed irrigation rates reflect no current basic service or commodity charges. Change in rate columns possess an n/a designation to denote that proposed rates reflect an irrigation  
58 pro forma shift of customers who have current rates, just in rate classes other than irrigation.

59

60 Service Charges

61 Establishment Re-establishment and/reconnection of Service:

62 Regular Hours	\$	30.00
63 After Hours	\$	40.00
64 Water Meter Test (If Correct)	\$	30.00
65 Meter Re-Read (If Correct)	\$	5.00
66 NSF Check Charge	\$	10.00
67 Late Fee Charge	1.5% Per Month	
68 Deferred Payment Finance Charge	N/A	
69 Deposit Requirements Residential		**
70 Deposit Requirements Non-Residential		**
71 Deposit Interest		***

72

73 \*\* Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.

74

75 \*\*\* Interest per [Per ACC Rule 14-2-403(B)]

76

77

78

79

80

81

82

	Service Line Charge	Meter Installation Charge	Total Charge
83 <u>Meter and Service Line Installation Charges</u>			
84 5/8 x 3/4-inch Meter	\$ 445.00	\$ 155.00	\$ 600.00
85 3/4-inch Meter	\$ 445.00	\$ 255.00	\$ 700.00
86 1-inch Meter	\$ 495.00	\$ 315.00	\$ 810.00
87 1 1/2-inch Meter	\$ 550.00	\$ 525.00	\$ 1,075.00
88 2-inch Turbine Meter	\$ 830.00	\$ 1,045.00	\$ 1,875.00
89 2-inch Compound Meter	\$ 830.00	\$ 1,890.00	\$ 2,720.00
90 3-inch Turbine Meter	Actual Cost	Actual Cost	Actual Cost
91 3-inch Compound Meter	Actual Cost	Actual Cost	Actual Cost
92 4-inch Turbine Meter	Actual Cost	Actual Cost	Actual Cost
93 4-inch Compound Meter	Actual Cost	Actual Cost	Actual Cost
94 6-inch Turbine Meter	Actual Cost	Actual Cost	Actual Cost
95 6-inch Compound Meter	Actual Cost	Actual Cost	Actual Cost
96 8-inch or Larger	Actual Cost	Actual Cost	Actual Cost

97

98 An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.

99

100 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE

101 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX, PER COMMISSION RULE 14-2-409D(5).

102

103 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING

104 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.



Arizona American Water Company - Agua Fria Water  
 Test Year Ended June 30, 2010  
 Typical Bill Analysis  
 STEP 2

Exhibit  
 SETTLEMENT H-4  
 Page 1  
 Witness: Kiger

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
C1M1A		Agua Fria Residential 5/8" & 3/4"	Average: 7,363	\$30.32	\$46.39	\$ 16.07	53.01%
C1M1B		Agua Fria Residential 1"	Average: 11,919	\$67.18	\$102.79	\$ 35.61	53.01%
C1M1C		Agua Fria Residential 1-1/2"	Average: 69,626	\$258.71	\$395.86	\$ 137.15	53.01%
C1M1D		Agua Fria Residential 2"	Average: 159,010	\$549.54	\$840.87	\$ 291.34	53.01%
C2M1A		Agua Fria Commercial 5/8" & 3/4"	Average: 5,868	\$29.86	\$45.69	\$ 15.83	53.01%
C2M1B		Agua Fria Commercial 1"	Average: 34,105	\$127.70	\$195.40	\$ 67.70	53.01%
C2M1C		Agua Fria Commercial 1-1/2"	Average: 98,070	\$336.30	\$514.60	\$ 178.29	53.01%
C2M1D		Agua Fria Commercial 2"	Average: 158,102	\$546.56	\$836.32	\$ 289.76	53.01%
C2M1E		Agua Fria Commercial 3"	Average: 197,183	\$759.58	\$1,162.26	\$ 402.69	53.01%
C2M1G		Agua Fria Commercial 6"	Average: 851,750	\$3,044.40	\$4,658.38	\$ 1,613.98	53.01%
C2M1H		Agua Fria Commercial 8"	Average: -	\$1,108.03	\$1,695.45	\$ 587.42	53.01%
Bulk		Misc Fee Commercial Water Sales	Average: 15,618,246	\$19,366.63	\$14,368.79	\$ (4,997.84)	-25.81%
CRAC2		Misc Fee Commercial Water Sales	Average: 9,484,400	\$11,760.66	\$10,338.00	\$ (1,422.66)	-12.10%
C4M2		Agua Fria OPA - State Prison	Average: 12,562,417	\$28,362.24	\$43,398.37	\$ 15,036.12	53.01%
C7M2		Agua Fria Irrigation - Raw	Average: 92,688	\$252.85	\$386.90	\$ 134.05	53.01%
C6M04		Private Fire 4"	Average: 93	\$3,013.20	\$930.00	\$ (2,083.20)	-69.14%
C6M06		Private Fire 6"	Average: 136	\$6,392.00	\$2,040.00	\$ (4,352.00)	-68.09%
C6M08		Private Fire 8"	Average: 43	\$2,752.00	\$860.00	\$ (1,892.00)	-68.75%
C6M12		Private Fire 12"	Average: 2	\$380.00	\$60.00	\$ (320.00)	-84.21%

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Summary of Revenues by Customer Classification - Present & Proposed Rates  
STEP 3

Line No.	Customer Classification	Revenues in Test Year		Proposed Rates	Proposed Increase			
		Test Year Revenues	Annualized Present Rates		Amount	%		
1								
2	Residential	\$ 14,662,613.45	\$ 17,076,546.30	\$ 27,723,540.11	\$ 10,646,993.81	62.35%		
3								
4	Commercial	\$ 4,342,021.09	\$ 5,109,755.35	\$ 8,454,731.97	\$ 3,344,976.62	65.46%		
5								
6	OPA	\$ 110,092.32	\$ 340,346.92	\$ 555,522.45	\$ 215,175.53	63.22%		
7								
8	Irrigation/ Miscellaneous	\$ 267,365.17	\$ 335,298.48	\$ 261,695.01	\$ (73,603.47)	-21.95%		
9								
10	Fire	\$ 155,190.13	\$ 150,222.23	\$ 51,230.74	\$ (98,991.49)	-65.90%		
11								
12								
13								
14	Total Revenues	\$ 19,537,282.16	\$ 23,012,169.29	\$ 37,046,720	\$ 14,034,551.00	60.99%		
15	TY Adj Billed Rev	\$ 23,012,169	\$ 24,197,216	\$ 37,046,720				
16								
17								
18								
19								
20		From Schedule H-2	Add Customer Annualization from Schedule C-2	Annualized Current Rates				
21	Residential	\$ 17,076,902.25	\$ 644	\$ 17,076,546.30				
22	Commercial	\$ 5,130,269.95	(\$20,615)	\$ 5,109,755.35				
23	OPA	\$ 340,346.92		\$ 340,346.92				
24	Irrigation/ Miscellaneous	\$ 335,298.48		\$ 335,298.48				
25	Fire	\$ 150,222.23		\$ 150,222.23				
26		\$ 23,032,039.84	\$ (19,870.55)	\$ 23,012,169				
					Total % increase	\$ 9,437,026	\$ 11,848,330	\$ 14,259,635
						\$ 11,735,788	\$ 14,034,551	
						\$ 16,008,746		
						\$ 39,020,916	Step 1	Step 2
						\$ 33,634,242	\$ 32,449,195	\$ 34,747,957
							\$ 35,933,004	\$ 37,046,720
								\$ 38,231,767
1					Diff			
2	Increase in Gross Revenue from Sch A-1	\$ 14,047,113.64	\$ (12,562.64)	\$ 14,548,849		39.0%	48.5%	58.0%
3	Percentage Increase			63.2%			9.5%	9.5%
4								
5								
6		Proposed Rates From Schedule H-2	Add Customer Annualization from Schedule C-2	Annualized Proposed Rates				
7								
8								
9	Residential	\$ 27,722,488.88	\$ 1,051.23	\$ 27,723,540.11				
10	Commercial	\$ 8,488,216.40	\$ (33,484.43)	\$ 8,454,731.97				
11	OPA	\$ 555,522.45		\$ 555,522.45				
12	Irrigation/ Miscellaneous	\$ 261,695.01		\$ 261,695.01				
13	Fire	\$ 51,230.74		\$ 51,230.74				
14		\$ 37,079,153.48	\$ (32,433.19)	\$ 37,046,720.29				
15								
16								
17								
18								
19								
20								
21								
22								

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Analysis of Revenue by Detailed Class  
STEP 3

Line No.	Rate Schedule	Description	Average Number of Customers	Average Consumption	Test Year Revenues	Annualized Present Rates	Annualized Present Revenues	Annualized Increase Over Present Rates	Proposed Rates	Proposed Revenues	Proposed Increase Amount	Increase %
1	1	Agua Fria Residential 1-1/2"	292,727	7,363	\$ 9,497,075.63	\$ 11,026,527.03	\$ 1,529,451.21	\$ 624,593.27	\$ 17,910,812.68	\$ 6,884,265.85	\$ 6,884,265.85	62.43%
2	2	Agua Fria Residential 1-1/2"	26,413	5,515	\$ 3,816,753.50	\$ 4,541,346.77	\$ 734,593.27	\$ 67,381.02	\$ 7,382,453.45	\$ 2,841,106.86	\$ 2,841,106.86	62.81%
3	3	Agua Fria Residential 2"	80	15,868	\$ 699,166.02	\$ 1,074,970.67	\$ 375,804.65	\$ 43,057.77	\$ 1,750,252.94	\$ 675,282.27	\$ 675,282.27	78.81%
4	4	Agua Fria Residential 2"	71	15,868	\$ 26,503.20	\$ 31,352.36	\$ 4,849.16	\$ 40,886.70	\$ 489,263.14	\$ 25,023.78	\$ 25,023.78	82.98%
5	5	Agua Fria Commercial 1"	142,911	34,105	\$ 228,492.10	\$ 267,380.81	\$ 38,888.71	\$ 4,088.11	\$ 1,850,261.78	\$ 221,881.61	\$ 221,881.61	63.22%
6	6	Agua Fria Commercial 1-1/2"	2,768	98,070	\$ 1,018,638.83	\$ 1,194,843.12	\$ 176,204.29	\$ 176,204.28	\$ 5,058,473.17	\$ 2,019,247.03	\$ 2,019,247.03	63.22%
7	7	Agua Fria Commercial 2"	27,597	158,102	\$ 2,582,873.41	\$ 3,017,228.14	\$ 434,354.73	\$ 454,352.73	\$ 8,989,950.50	\$ 228,510.87	\$ 228,510.87	63.22%
8	8	Agua Fria Commercial 3"	442,017	197,183	\$ 313,592.60	\$ 361,435.18	\$ 47,842.58	\$ 47,857.04	\$ 377,754.09	\$ 148,318.91	\$ 148,318.91	63.22%
9	9	Agua Fria Commercial 3"	53,940	651,750	\$ 205,348.06	\$ 231,435.18	\$ 26,087.11	\$ 26,087.11	\$ 43,405.28	\$ 16,812.56	\$ 16,812.56	-12.10%
10	10	Agua Fria Commercial 6"	48,155	8,484,400	\$ 22,291.44	\$ 29,401.64	\$ 7,110.20	\$ 7,110.20	\$ 51,688.98	\$ (7,113.30)	\$ (7,113.30)	-25.81%
11	11	Agua Fria Commercial 6"	6	8,484,400	\$ 22,291.44	\$ 29,401.64	\$ 7,110.20	\$ 7,110.20	\$ 186,794.22	\$ 215,175.54	\$ 215,175.54	63.22%
12	12	DMB White Tank	0.42	15,616,246	\$ 226,200.44	\$ 340,346.82	\$ 114,146.38	\$ 114,146.38	\$ 585,522.46	\$ (12,592.20)	\$ (12,592.20)	-100.00%
13	13	Core Balla Golf	1	12,962,417	\$ 6,296.10	\$ 12,962.20	\$ 6,666.10	\$ 6,666.10	\$ 23,327.87	\$ 11,190.89	\$ 11,190.89	92.21%
14	14	Agua Fria OPA - State Prison	0.17	1,276,299	\$ 5,467.89	\$ 12,136.87	\$ 6,668.98	\$ 6,668.98	\$ 11,139.80	\$ (24,953.15)	\$ (24,953.15)	-69.14%
15	15	Misc Fee Commercial Water Sales	108,000	1,276,299	\$ 33,504.25	\$ 36,082.95	\$ 2,578.70	\$ 2,578.70	\$ 24,451.20	\$ (52,182.59)	\$ (52,182.59)	-68.09%
16	16	Agua Fria Irrigation	93	-	\$ 72,084.72	\$ 78,613.76	\$ 6,529.04	\$ 6,529.04	\$ 10,288.60	\$ (22,658.92)	\$ (22,658.92)	-68.75%
17	17	Private Fire 4"	43	-	\$ 30,785.16	\$ 32,955.52	\$ 2,170.36	\$ 2,170.36	\$ 720.00	\$ (6,840.00)	\$ (6,840.00)	-84.21%
18	18	Private Fire 6"	2	-	\$ 4,274.21	\$ 4,560.00	\$ 285.79	\$ 285.79	\$ 720.00	\$ (6,840.00)	\$ (6,840.00)	-84.21%
19	19	Private Fire 12"	4	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	61.32%
20	20	Private Fire 4"	36,518	44,850,133	\$ 18,778,954.16	\$ 23,032,039.84	\$ 4,253,085.67	\$ 4,253,085.67	\$ 37,155,984.01	\$ 14,123,944.17	\$ 14,123,944.17	62.50%
21	21	Private Fire 6"	35,079	247,918	\$ 14,678,694.09	\$ 17,075,802.25	\$ 2,397,108.16	\$ 2,397,108.16	\$ 27,748,566.48	\$ 10,672,864.24	\$ 10,672,864.24	66.53%
22	22	Private Fire 12"	536	1,345,076	\$ 4,315,735.64	\$ 5,130,269.95	\$ 814,534.31	\$ 814,534.31	\$ 8,543,473.38	\$ 3,413,703.43	\$ 3,413,703.43	63.22%
23	23	Total Agua Fria Water - Billed Revenues	27	12,562,417	\$ 317,428.08	\$ 340,346.52	\$ 22,918.44	\$ 22,918.44	\$ 555,522.46	\$ 215,175.54	\$ 215,175.54	-21.92%
24	24	Total Residential	628	30,684,720	\$ 287,428.08	\$ 335,298.48	\$ 47,869.40	\$ 47,869.40	\$ 46,809.60	\$ (103,612.63)	\$ (103,612.63)	-88.87%
25	25	Total Commercial	274	140,638.35	\$ 150,222.23	\$ 150,222.23	\$ 9,565.99	\$ 9,565.99	\$ 37,155,984.01	\$ 14,123,944.17	\$ 14,123,944.17	61.32%
26	26	Total OPA	36,518	44,850,133	\$ 18,778,954.16	\$ 23,032,039.84	\$ 4,253,085.67	\$ 4,253,085.67	\$ 37,155,984.01	\$ 14,123,944.17	\$ 14,123,944.17	61.32%
27	27	Total Irrigation/ Miscellaneous	33	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
28	28	Total	34	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
29	29	Total Agua Fria Water - Billed Revenues										
30	30											
31	31											
32	32											
33	33											
34	34											

	74%	72%	74%	72%	Proposed Rates	Cust Annualization
	Test Year Revenues	Annualized Present Rates	Annualized Increase Over Present Rates	Annualized Present Rates	Annualized Increase Over Present Rates	Cust Annualization
	Misc. Adjustments	Misc. Adjustments	Misc. Adjustments	Misc. Adjustments	Misc. Adjustments	Misc. Adjustments
Less: Miscellaneous Adjustments						
C1M1A	\$ (13,488.80)	\$ 1,529,451.21	\$ (21,910.38)	\$ (13,488.80)	\$ 1,529,451.21	\$ (21,910.38)
C1M1B	\$ (3,611.87)	\$ 624,563.27	\$ (5,871.49)	\$ (3,611.87)	\$ 624,563.27	\$ (5,871.49)
C1M1C	\$ (175.88)	\$ 67,391.02	\$ (288.34)	\$ (175.88)	\$ 67,391.02	\$ (288.34)
C1M1D	\$ (478.57)	\$ 175,802.66	\$ (780.83)	\$ (478.57)	\$ 175,802.66	\$ (780.83)
Difference from General Ledger [a]	\$ 1,705.46	\$ 2,711.43	\$ 2,711.43	\$ 1,705.46	\$ 2,711.43	\$ 2,711.43
	\$ (16,060.64)	\$ 2,397,236.16	\$ (25,077.61)	\$ (16,060.64)	\$ 2,397,236.16	\$ (25,077.61)
Subtotal						
Residential Billed Revenues	\$ 14,662,613.45	\$ 17,075,902.25	\$ 2,772,488.89	\$ 14,662,613.45	\$ 17,075,902.25	\$ 2,772,488.89
C2M1A	\$ (172.68)	\$ 4,848.16	\$ (310.50)	\$ (172.68)	\$ 4,848.16	\$ (310.50)
C2M1B	\$ (97.98)	\$ 40,888.70	\$ (179.29)	\$ (97.98)	\$ 40,888.70	\$ (179.29)
C2M1C	\$ (755.18)	\$ 176,204.29	\$ (1,232.59)	\$ (755.18)	\$ 176,204.29	\$ (1,232.59)
C2M1D	\$ (5,944.16)	\$ 454,382.73	\$ (9,254.53)	\$ (5,944.16)	\$ 454,382.73	\$ (9,254.53)
C2M1E	\$ (8,114.57)	\$ 47,857.04	\$ (13,244.80)	\$ (8,114.57)	\$ 47,857.04	\$ (13,244.80)
C2M1G	\$ (27.34)	\$ 26,087.11	\$ (44.63)	\$ (27.34)	\$ 26,087.11	\$ (44.63)
C2M1H	\$ (19,485.09)	\$ 4,301.26	\$ (31,804.03)	\$ (19,485.09)	\$ 4,301.26	\$ (31,804.03)
Difference from General Ledger [a]	\$ 488.43	\$ 754,540.31	\$ 813.39	\$ 488.43	\$ 754,540.31	\$ 813.39
Subtotal	\$ (33,708.65)	\$ (55,256.95)	\$ (8,486,216.40)	\$ (33,708.65)	\$ (55,256.95)	\$ (8,486,216.40)
Commercial Billed Revenues	\$ 4,342,021.09	\$ 5,130,269.95	\$ 8,486,216.40	\$ 4,342,021.09	\$ 5,130,269.95	\$ 8,486,216.40
C4M2	\$ (207,403.89)	\$ 22,850.90	\$ (0.02)	\$ (207,403.89)	\$ 22,850.90	\$ (0.02)
Difference from General Ledger [a]	\$ (207,403.70)	\$ 22,850.90	\$ (0.02)	\$ (207,403.70)	\$ 22,850.90	\$ (0.02)
Subtotal	\$ 110,092.32	\$ 340,346.92	\$ 855,522.45	\$ 110,092.32	\$ 340,346.92	\$ 855,522.45
OWU Billed Revenues						
C8M2A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C8M2B	\$ -	\$ 29,401.64	\$ -	\$ -	\$ 29,401.64	\$ -
C8M2C	\$ -	\$ 25,505.69	\$ -	\$ -	\$ 25,505.69	\$ -
CRAC2	\$ -	\$ 0,286.10	\$ -	\$ -	\$ 0,286.10	\$ -
C7M2	\$ (60.91)	\$ 6,698.98	\$ (117.07)	\$ (60.91)	\$ 6,698.98	\$ (117.07)
0 Agua Fria Irrigation - 5/8" & 3/4"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
74 C7M2B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75 C7M2C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
76 C7M2D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agua Fria Irrigation - 1-1/2"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
77 C7M2D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agua Fria Irrigation - 2"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Difference from General Ledger [a]	\$ 0.02	\$ 67,872.41	\$ 0.02	\$ (60.89)	\$ 67,872.41	\$ (117.06)
Subtotal	\$ (60.89)	\$ 67,872.41	\$ (117.06)	\$ (60.89)	\$ 67,872.41	\$ (117.06)
Irrigation Miscellaneous Billed Revenues	\$ 267,365.17	\$ 335,298.48	\$ 261,695.01	\$ 267,365.17	\$ 335,298.48	\$ 261,695.01
C6M04	\$ 1,362.68	\$ 2,588.70	\$ 426.75	\$ 1,362.68	\$ 2,588.70	\$ 426.75
C6M06	\$ 12,107.43	\$ 4,519.04	\$ 3,664.07	\$ 12,107.43	\$ 4,519.04	\$ 3,664.07
C6M08	\$ 407.88	\$ 2,190.36	\$ 127.46	\$ 407.88	\$ 2,190.36	\$ 127.46
C6M12	\$ -	\$ 285.79	\$ -	\$ -	\$ 285.79	\$ -
Difference from General Ledger [a]	\$ 653.81	\$ 202.86	\$ -	\$ 653.81	\$ 202.86	\$ -
Subtotal	\$ 14,551.78	\$ 9,583.89	\$ 4,621.14	\$ 14,551.78	\$ 9,583.89	\$ 4,621.14
Private Fire Billed Revenues	\$ 155,190.13	\$ 150,222.23	\$ 51,230.74	\$ 155,190.13	\$ 150,222.23	\$ 51,230.74
Billed Revenues	\$ 19,537,262.16	\$ 23,032,039.84	\$ 3,252,065.07	\$ 19,537,262.16	\$ 23,032,039.84	\$ 3,252,065.07
Total Booked Revenues Per G.L. - F.Y. Twelve Months ending 6/30/10						
Difference from General Ledger [a]	\$ (396,473.40)	\$ -	\$ 119,813,755.56	\$ (396,473.40)	\$ -	\$ 119,813,755.56

100 Note [a] This is the amount of difference from the General Ledger, booked revenue to the amount derived by using TY billing determinants, times rates, less Misc Adjustments. We also removed the effect of annualizing the July 1, 2008 rate increase to match the General Ledger.

Arizona American Water Company - Agua Fria Water  
Test Year Ended June 30, 2010  
Revised Changes in Representative Rate Schedules  
STEP 3

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge		
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Change
1	C1M1A	Agua Fria Residential 5/8" & 3/4"	First 4,000 gals.	\$ 13.85	\$ 22.61	\$ 8.76	\$ 1.824000	\$ 2.9772	\$ 1.1532
2			4,001 to 13,000 gals.				\$ 2.728000	\$ 4.4527	\$ 1.7247
3			Over 13,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
4	C1M1B	Agua Fria Residential 1"	First 45,000 gals.	\$ 34.88	\$ 56.57	\$ 21.69	\$ 2.728000	\$ 4.4527	\$ 1.7247
5			Over 45,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
6	C1M1C	Agua Fria Residential 1-1/2"	First 100,000 gals.	\$ 68.77	\$ 112.25	\$ 43.48	\$ 2.728000	\$ 4.4527	\$ 1.7247
7			Over 100,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
8	C1M1D	Agua Fria Residential 2"	First 150,000 gals.	\$ 110.83	\$ 180.90	\$ 70.07	\$ 2.728000	\$ 4.4527	\$ 1.7247
9			Over 150,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
10		Agua Fria Residential 3"	First 300,000 gals.	\$ 221.66	\$ 361.80	\$ 140.14	\$ 2.728000	\$ 4.4527	\$ 1.7247
11			Over 300,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
12		Agua Fria Residential 4"	First 400,000 gals.	\$ 346.29	\$ 565.22	\$ 218.93	\$ 2.728000	\$ 4.4527	\$ 1.7247
13			Over 400,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
14		Agua Fria Residential 6"	First 800,000 gals.	\$ 692.52	\$ 1,130.35	\$ 437.83	\$ 2.728000	\$ 4.4527	\$ 1.7247
15			Over 800,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
16		Agua Fria Residential 8"	First 1,125,000 gals.	\$ 1,108.03	\$ 1,808.55	\$ 700.52	\$ 2.728000	\$ 4.4527	\$ 1.7247
17			Over 1,125,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
18		Agua Fria Residential 10"	First 1,500,000 gals.	\$ 1,592.75	\$ 2,599.73	\$ 1,006.98	\$ 2.728000	\$ 4.4527	\$ 1.7247
19			Over 1,500,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
20		Agua Fria Residential 12"	First 2,250,000 gals.	\$ 2,977.75	\$ 4,860.36	\$ 1,882.61	\$ 2.728000	\$ 4.4527	\$ 1.7247
21			Over 2,250,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
22	C2M1A	Agua Fria Commercial 5/8" & 3/4"	First 13,000 gals.	\$ 13.85	\$ 22.61	\$ 8.76	\$ 2.728000	\$ 4.4527	\$ 1.7247
23			Over 13,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
24	C2M1B	Agua Fria Commercial 1"	First 45,000 gals.	\$ 34.88	\$ 56.57	\$ 21.69	\$ 2.728000	\$ 4.4527	\$ 1.7247
25			Over 45,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
26	C2M1C	Agua Fria Commercial 1-1/2"	First 100,000 gals.	\$ 68.77	\$ 112.25	\$ 43.48	\$ 2.728000	\$ 4.4527	\$ 1.7247
27			Over 100,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
28	C2M1D	Agua Fria Commercial 2"	First 150,000 gals.	\$ 110.83	\$ 180.90	\$ 70.07	\$ 2.728000	\$ 4.4527	\$ 1.7247
29			Over 150,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
30	C2M1E	Agua Fria Commercial 3"	First 300,000 gals.	\$ 221.66	\$ 361.80	\$ 140.14	\$ 2.728000	\$ 4.4527	\$ 1.7247
31			Over 300,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
32		Agua Fria Commercial 4"	First 400,000 gals.	\$ 346.29	\$ 565.22	\$ 218.93	\$ 2.728000	\$ 4.4527	\$ 1.7247
33			Over 400,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
34	C2M1G	Agua Fria Commercial 6"	First 800,000 gals.	\$ 692.52	\$ 1,130.35	\$ 437.83	\$ 2.728000	\$ 4.4527	\$ 1.7247
35			Over 800,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
36	C2M1H	Agua Fria Commercial 8"	First 1,125,000 gals.	\$ 1,108.03	\$ 1,808.55	\$ 700.52	\$ 2.728000	\$ 4.4527	\$ 1.7247
37			Over 1,125,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
38		Agua Fria Commercial 10"	First 1,500,000 gals.	\$ 1,592.75	\$ 2,599.73	\$ 1,006.98	\$ 2.728000	\$ 4.4527	\$ 1.7247
39			Over 1,500,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
40		Agua Fria Commercial 12"	First 2,250,000 gals.	\$ 2,977.75	\$ 4,860.36	\$ 1,882.61	\$ 2.728000	\$ 4.4527	\$ 1.7247
41			Over 2,250,000 gals.				\$ 3.275000	\$ 5.3455	\$ 2.0705
42	Proposed	DMB White Tank	All Usage	\$ -	\$ -	\$ -	\$ 1.240000	\$ 1.0900	\$ (0.1500)
43	Proposed	Corte Bella Golf	All Usage	\$ -	\$ -	\$ -	\$ 1.240000	\$ 0.9200	\$ (0.3200)
44	C4M2	Agua Fria OPA - State Prison	All Usage	\$ 222.43	\$ 363.06	\$ 140.63	\$ 2.240000	\$ 3.6582	\$ 1.4182
45	CRAC2	Misc Fee Commercial Water Sales	All Usage	\$ -	\$ -	\$ -	\$ 1.240000	\$ 2.0240	\$ 0.7840
46	C7M2	Agua Fria Irrigation	All Usage	\$ -	\$ -	\$ -	\$ 2.728000	\$ 4.4527	\$ 1.7247
51	C6M04	Private Fire 4"	Per Service	\$ 32.40	\$ 10.00	\$ (22.40)	\$ 1.380000	\$ 2.2525	\$ 0.8725
52	C6M06	Private Fire 6"	Per Service	\$ 47.00	\$ 15.00	\$ (32.00)	\$ 1.380000	\$ 2.2525	\$ 0.8725
53	C6M08	Private Fire 8"	Per Service	\$ 64.00	\$ 20.00	\$ (44.00)	\$ 1.380000	\$ 2.2525	\$ 0.8725
54	C6M10	Private Fire 10"	Per Service	\$ 126.39	\$ 25.00	\$ (101.39)	\$ 1.380000	\$ 2.2525	\$ 0.8725
55	C6M12	Private Fire 12"	Per Service	\$ 190.00	\$ 30.00	\$ (160.00)	\$ 1.380000	\$ 2.2525	\$ 0.8725

57 \*\* Proposed irrigation rates reflect no current basic service or commodity charges. Change in rate columns possess an n/a designation to denote that proposed rates reflect an irrigation pro forma shift of customers who have current rates, just in rate classes other than irrigation.

59  
60 Service Charges  
61 Establishment Re-establishment and/reconnection of Service:  
62 Regular Hours \$ 30.00  
63 After Hours \$ 40.00  
64 Water Meter Test (If Correct) \$ 30.00  
65 Meter Re-Read (If Correct) \$ 5.00  
66 NSF Check Charge \$ 10.00  
67 Late Fee Charge 1.5% Per Month  
68 Deferred Payment Finance Charge N/A  
69 Deposit Requirements Residential --  
70 Deposit Requirements Non-Residential --  
71 Deposit Interest ---  
72  
73 \*\* Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.  
74  
75 \*\*\* Interest per [Per ACC Rule 14-2-403(B)]  
76  
77  
78  
79

	Service Line Charge	Meter Installation Charge	Total Charge
82			
83	<u>Meter and Service Line Installation Charges</u>		
84	\$ 445.00	\$ 155.00	\$ 600.00
85	\$ 445.00	\$ 255.00	\$ 700.00
86	\$ 495.00	\$ 315.00	\$ 810.00
87	\$ 550.00	\$ 525.00	\$ 1,075.00
88	\$ 830.00	\$ 1,045.00	\$ 1,875.00
89	\$ 830.00	\$ 1,890.00	\$ 2,720.00
90	Actual Cost	Actual Cost	Actual Cost
91	Actual Cost	Actual Cost	Actual Cost
92	Actual Cost	Actual Cost	Actual Cost
93	Actual Cost	Actual Cost	Actual Cost
94	Actual Cost	Actual Cost	Actual Cost
95	Actual Cost	Actual Cost	Actual Cost
96	Actual Cost	Actual Cost	Actual Cost
97			

98 An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.  
99

100 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE  
101 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409D(5).  
102

103 ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES, INCLUDING  
104 ALL GROSS-UP TAXES FOR INCOME TAXES, IF APPLICABLE.

Arizona American Water Company - Agua Fria Water  
 Test Year Ended June 30, 2010  
 Typical Bill Analysis  
 STEP 3

Exhibit  
 SETTLEMENT H-4  
 Page 1  
 Witness: Kiger

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
C1M1A		Agua Fria Residential 5/8" & 3/4"	Average: 7,363	\$30.32	\$49.49	\$ 19.17	63.22%
C1M1B		Agua Fria Residential 1"	Average: 11,919	\$67.18	\$109.64	\$ 42.47	63.22%
C1M1C		Agua Fria Residential 1-1/2"	Average: 69,626	\$258.71	\$422.27	\$ 163.56	63.22%
C1M1D		Agua Fria Residential 2"	Average: 159,010	\$549.54	\$896.97	\$ 347.43	63.22%
C2M1A		Agua Fria Commercial 5/8" & 3/4"	Average: 5,868	\$29.86	\$48.73	\$ 18.88	63.22%
C2M1B		Agua Fria Commercial 1"	Average: 34,105	\$127.70	\$208.43	\$ 80.73	63.22%
C2M1C		Agua Fria Commercial 1-1/2"	Average: 98,070	\$336.30	\$548.93	\$ 212.62	63.22%
C2M1D		Agua Fria Commercial 2"	Average: 158,102	\$546.56	\$892.12	\$ 345.55	63.22%
C2M1E		Agua Fria Commercial 3"	Average: 197,183	\$759.58	\$1,239.80	\$ 480.22	63.22%
C2M1G		Agua Fria Commercial 6"	Average: 851,750	\$3,044.40	\$4,969.15	\$ 1,924.74	63.22%
C2M1H		Agua Fria Commercial 8"	Average: -	\$1,108.03	\$1,808.55	\$ 700.52	63.22%
Bulk		Misc Fee Commercial Water Sales	Average: 15,618,246	\$19,366.63	\$14,368.79	\$ (4,997.84)	-25.81%
CRAC2		Misc Fee Commercial Water Sales	Average: 9,484,400	\$11,760.66	\$10,338.00	\$ (1,422.66)	-12.10%
C4M2		Agua Fria OPA - State Prison	Average: 12,562,417	\$28,362.24	\$46,293.54	\$ 17,931.30	63.22%
C7M2		Agua Fria Irrigation - Raw	Average: 92,688	\$252.85	\$412.71	\$ 159.86	63.22%
C6M04		Private Fire 4"	Average: 93	\$3,013.20	\$930.00	\$ (2,083.20)	-69.14%
C6M06		Private Fire 6"	Average: 136	\$6,392.00	\$2,040.00	\$ (4,352.00)	-68.09%
C6M08		Private Fire 8"	Average: 43	\$2,752.00	\$860.00	\$ (1,892.00)	-68.75%
C6M12		Private Fire 12"	Average: 2	\$380.00	\$60.00	\$ (320.00)	-84.21%

Arizona American Water Company - Mohave Water  
Test Year Ended June 30, 2010  
Summary of Revenues by Customer Classification - Present & Proposed Rates

Line No.	Customer Classification	Revenues in Test Year		Proposed Rates	Proposed Increase	
		Present Rates	Annualized Present Rates		Amount	%
1						
2	Residential	\$ 3,515,045.80	\$ 3,563,551.72	\$ 4,780,623.23	\$ 1,217,071.51	34.15%
3						
4	Commercial	\$ 882,270.19	\$ 958,748.46	\$ 1,465,560.35	\$ 506,811.89	52.88%
5						
6	OPA	\$ 177,030.89	\$ 177,818.29	\$ 235,117.61	\$ 57,299.32	32.22%
7						
8	Private Fire	\$ 19,859.89	\$ 9,792.38	\$ 29,701.23	\$ 19,908.86	203.31%
9						
10	Public Fire	\$ 17,054.49	\$ 17,368.24	\$ 24,992.94	\$ 7,624.70	43.90%
11						
12						
13	Total Revenues	\$ 4,611,261.25	\$ 4,727,279.10	\$ 6,535,995.37	\$ 1,808,716.27	39.22%
14				\$ 6,539,282.00	\$ 177,796.00	Other
15					\$ 6,717,078.00	
16						
17						
18						
19						
20	Residential	\$ 3,598,869.57	(\$35,318)	\$ 3,563,551.72		
21	Commercial	\$ 922,151.94	\$36,597	\$ 958,748.46		
22	OPA	\$ 177,818.29		\$ 177,818.29		
23	Private Fire	\$ 9,792.38		\$ 9,792.38		
24	Public Fire	\$ 17,368.24		\$ 17,368.24		
25		\$ 4,726,000.42	\$ 1,278.68	\$ 4,727,279.10		
26						
27						
28						
29	Increase in Gross Revenue from Sch A-1	\$ 1,808,226.02	\$ 490.26	\$ 1,812,486.00		
30	Percentage Increase					38.3%
31						
32						
33						
34						
35						
36	Residential	\$ 4,829,482.29	\$ (48,859.06)	\$ 4,780,623.23		
37	Commercial	\$ 1,414,932.36	\$ 50,627.99	\$ 1,465,560.35		
38	OPA	\$ 235,117.61		\$ 235,117.61		
39	Private Fire	\$ 29,701.23		\$ 29,701.23		
40	Public Fire	\$ 24,992.94		\$ 24,992.94		
41		\$ 6,534,226.44	\$ 1,768.93	\$ 6,535,995.37		
42						
43						
44						
45						
46						
47						
48						
49						



Arizona American Water Company - Mohave Water  
Test Year Ended June 30, 2010  
Analysis of Revenue by Detailed Class

Line No.	Rate Schedule	Description	Last Block Consumption	Average Number of Customers	Average Consumption	Revenues			Proposed		
						Present Rates	Annualized Present Rates	Annualized Increase Over Present Rates	Proposed Rates	Amount	Increase %
1	G1M1A	Bullhead Residential 5/8" & 3/4"	2,318	14,306	7,261	\$ 3,022,452.02	\$ 3,085,353.59	\$ 62,901.57	\$ 4,111,410.96	\$ 1,028,057.37	33.26%
2	G1M1B	Bullhead Residential 1"	8,892	59	22,415	\$ 38,277.07	\$ 39,423.18	\$ 1,146.11	\$ 57,785.06	\$ 18,361.88	46.59%
3	G1M1D	Bullhead Residential 2"	5,073	22	54,375	\$ 53,817.02	\$ 55,328.03	\$ 1,511.01	\$ 80,787.49	\$ 25,438.46	46.99%
4	G1M1E	Bullhead Residential 3"	-	-	-	\$ 24.00	\$ 24.05	\$ 0.05	\$ 28.39	\$ 5.34	22.22%
5	G1M2A	Bullhead Residential Apt 5/8"	5,076	70	12,249	\$ 22,278.44	\$ 22,815.70	\$ 537.26	\$ 33,138.44	\$ 10,323.74	45.25%
6	G1M2B	Bullhead Residential Apt 1"	6,096	52	19,556	\$ 30,588.05	\$ 31,341.56	\$ 752.51	\$ 45,087.59	\$ 13,746.03	43.88%
7	G1M2C	Bullhead Residential Apt 1-1/2"	1,198	3	62,389	\$ 4,685.93	\$ 4,944.20	\$ 258.27	\$ 7,231.15	\$ 2,286.95	48.25%
8	G1M2D	Bullhead Residential Apt 2"	33,419	146	42,545	\$ 224,917.72	\$ 230,908.46	\$ 5,990.74	\$ 320,872.42	\$ 89,963.96	38.96%
9	G1M2F	Bullhead Residential Apt 4"	702	4	50,111	\$ 12,100.43	\$ 13,247.38	\$ 1,146.95	\$ 17,183.01	\$ 3,935.05	29.71%
10	G1M2G	Bullhead Residential Apt 6"	8,624	1	858,525	\$ 22,149.36	\$ 22,938.50	\$ 789.13	\$ 36,885.32	\$ 13,846.62	60.80%
11	G1M2H	Bullhead Residential Apt 8"	433	-	1,183,000	\$ 2,489.08	\$ 2,423.08	\$ (66.00)	\$ 3,444.69	\$ 1,021.81	42.18%
12	G1M3A	Rio Utility Residential 5/8"	14,380	349	9,557	\$ 87,212.41	\$ 89,052.87	\$ 1,840.26	\$ 122,707.50	\$ 33,854.83	37.79%
13	G1M3B	Rio Utility Residential 1"	-	3	5,361	\$ 1,045.33	\$ 1,069.29	\$ 23.87	\$ 1,329.97	\$ 280.77	24.39%
14	G2M1A	Bullhead Commercial 5/8" & 3/4"	23,474	383	9,313	\$ 102,935.83	\$ 105,097.52	\$ 2,161.69	\$ 156,811.73	\$ 51,614.21	49.02%
15	G2M1B	Bullhead Commercial 1"	35,532	190	24,255	\$ 128,988.73	\$ 132,859.92	\$ 3,871.18	\$ 205,339.93	\$ 72,480.01	54.55%
16	G2M1C	Bullhead Commercial 1-1/2"	2,247	6	58,557	\$ 7,643.93	\$ 8,114.32	\$ 470.39	\$ 12,508.25	\$ 4,381.63	54.13%
17	G2M1D	Bullhead Commercial 2"	170,863	230	87,988	\$ 547,111.55	\$ 569,665.96	\$ 22,554.41	\$ 887,815.41	\$ 317,949.62	55.81%
18	G2M1E	Bullhead Commercial 3"	5,098	11	71,555	\$ 32,906.46	\$ 33,681.83	\$ 775.37	\$ 47,538.47	\$ 13,777.84	40.69%
19	G2M1F	Bullhead Commercial 4"	3,866	3	217,542	\$ 18,314.71	\$ 18,881.87	\$ 567.16	\$ 25,195.29	\$ 6,312.42	49.24%
20	G2M1G	Bullhead Commercial 6"	19,410	3	948,500	\$ 50,733.22	\$ 52,728.27	\$ 1,995.05	\$ 85,338.48	\$ 32,812.21	61.85%
21	G2M1V	BHC Veterans Memorial	1,665	2	93,250	\$ 2,818.07	\$ 2,944.28	\$ 126.19	\$ 5,583.00	\$ 2,638.75	89.82%
22	G4M1	Bullhead OPA - 1"	10	21	21,862	\$ 6,287.06	\$ 6,321.65	\$ 34.59	\$ 8,255.85	\$ 1,934.01	30.59%
23	G4M1	Bullhead OPA - 1-1/2"	348,453	3	35,450	\$ 3,348.14	\$ 3,383.04	\$ 34.89	\$ 4,391.95	\$ 1,008.92	28.82%
24	G4M1	Bullhead OPA - 2"	-	43	84,727	\$ 96,385.57	\$ 96,976.02	\$ 590.45	\$ 127,307.36	\$ 30,331.35	31.28%
25	G4M1	Bullhead OPA - 3"	72,000	2	857,125	\$ 31,149.57	\$ 31,082.85	\$ (66.72)	\$ 42,074.64	\$ 10,891.78	35.36%
26	G4M1	Bullhead OPA - 4"	-	1	232,793	\$ 8,562.22	\$ 8,596.36	\$ 34.14	\$ 8,626.29	\$ 2,032.83	30.82%
27	G4M1	Bullhead OPA - 5/8"	0.2066	26	11,222	\$ 7,542.68	\$ 7,562.83	\$ 20.15	\$ 9,930.11	\$ 2,377.46	31.48%
28	G4M1	Bullhead OPA - 6"	-	1	1,237,001	\$ 25,870.23	\$ 25,905.55	\$ 35.33	\$ 34,876.02	\$ 8,770.47	33.86%
31	G6M02	Bullhead Private Fire 2"	21	-	-	\$ 825.94	\$ 841.79	\$ 15.84	\$ 1,252.85	\$ 410.87	48.31%
32	G6M04	Bullhead Private Fire 4"	65	-	-	\$ 1,150.07	\$ 1,245.07	\$ 95.01	\$ 7,516.80	\$ 2,571.73	49.03%
33	G6M05	Bullhead Private Fire 6"	21	-	-	\$ 2,476.81	\$ 2,520.91	\$ 44.10	\$ 3,751.35	\$ 1,230.44	48.81%
34	G6M08	Bullhead Private Fire 8"	6	-	-	\$ 963.14	\$ 983.14	\$ 20.00	\$ 1,453.00	\$ 479.86	48.81%
35	G6M10	Bullhead Private Fire 10"	1	-	-	\$ 197.76	\$ 201.48	\$ 3.72	\$ 300.00	\$ 86.52	48.90%
36	G8M1	Bullhead Public Hydrants	189	-	-	\$ 17,054.46	\$ 17,368.24	\$ 313.78	\$ 24,992.90	\$ 7,624.85	43.90%
37		Total Mohave Water - Billed Revenues		16,213	6,119,443	\$ 4,615,287.11	\$ 4,726,000.42	\$ 110,713.31	\$ 6,538,545.46	\$ 1,812,545.04	38.35%
39		Total Residential		15,017	2,427,333	\$ 3,522,037.86	\$ 3,599,869.57	\$ 78,831.71	\$ 4,837,873.99	\$ 1,238,004.42	34.43%
40		Total Commercial		827	1,211,960	\$ 889,450.29	\$ 922,151.94	\$ 32,701.65	\$ 1,425,829.55	\$ 503,677.81	54.62%
42		Total OPA		86	2,480,150	\$ 177,125.50	\$ 177,818.29	\$ 692.80	\$ 235,265.22	\$ 57,446.83	32.31%
44		Total Private Fire		114	-	\$ 9,619.01	\$ 9,762.38	\$ 143.37	\$ 14,683.80	\$ 4,791.42	48.93%
45		Total Public Fire		189	-	\$ 17,054.46	\$ 17,368.24	\$ 313.78	\$ 24,992.90	\$ 7,624.85	43.90%
47		Total Mohave Water - Billed Revenues		16,213	6,119,443	\$ 4,615,287.11	\$ 4,726,000.42	\$ 110,713.31	\$ 6,538,545.46	\$ 1,812,545.04	38.35%
49											
50											
51						Present Rates	Annualized Present Rates	Annualized Increase Over Present Rates	Proposed Rates		\$ 6,897,801.85
52						Misc. Adjustments			Misc. Adjustments	Cust Annualization	
53						\$ (9,196.18)		\$ 62,901.57	\$ (12,254.44)		
54	G1M1A	Bullhead Residential 5/8" & 3/4"				\$ (25.16)		\$ 1,146.11	\$ (36.86)		
55	G1M1B	Bullhead Residential 1"				\$ (14.40)		\$ 1,511.01	\$ (21.02)		
56	G1M1D	Bullhead Residential 2"						\$ 0.05			
57	G1M1E	Bullhead Residential 3"						\$ 537.26	\$ (27.31)		
58	G1M2A	Bullhead Residential Apt 5/8"						\$ 752.51	\$ (107.62)		
59	G1M2B	Bullhead Residential Apt 1"						\$ 258.27			
60	G1M2C	Bullhead Residential Apt 1-1/2"						\$ 5,990.74	\$ (27.63)		
61	G1M2D	Bullhead Residential Apt 2"						\$ 1,146.95	\$ (1,458.18)		
62	G1M2F	Bullhead Residential Apt 4"						\$ 789.13	\$ 5,269.08		
63	G1M2G	Bullhead Residential Apt 6"						\$ (66.00)			
64	G1M2H	Bullhead Residential Apt 8"						\$ 1,840.26	\$ (113.86)		
65	G1M3A	Rio Utility Residential 5/8"						\$ 23.87			
66	G1M3B	Rio Utility Residential 1"						\$ 386.62			
67		Difference from General Ledger (a)	0.01%			\$ 287.83		\$ -	\$ -		
68						Subtotal	\$ (6,992.06)	\$ -	\$ 76,831.71	\$ (8,391.70)	PMT (Billed Revenue)
69											
70		Residential Billed Revenues				\$ 3,515,045.80		\$ -	\$ 4,829,482.29	\$ 1,314,436.50	
71											

				Cust Annualization	
72					
73	G2M1A Bullhead Commercial 5/8" & 3/4"	\$ (1,326.19)	\$ 2,161.89	\$ (1,939.82)	
74	G2M1B Bullhead Commercial 1"	\$ (330.49)	\$ 3,871.18	\$ (467.59)	
75	G2M1C Bullhead Commercial 1-1/2"	\$ -	\$ 470.39	\$ -	
76	G2M1D Bullhead Commercial 2"	\$ (3,488.92)	\$ 22,564.41	\$ (5,610.22)	
77	G2M1E Bullhead Commercial 3"	\$ (1,938.33)	\$ 955.37	\$ (2,755.58)	
78	G2M1F Bullhead Commercial 4"	\$ (90.42)	\$ 587.18	\$ (124.59)	
79	G2M1G Bullhead Commercial 6"	\$ -	\$ 1,983.05	\$ -	
80	G2M1V BHC Veterans Memorial	\$ -	\$ 128.19	\$ -	
81	Difference from General Ledger [a]	0.00%	\$ 0.25	\$ 0.39	
82			<b>Subtotal</b>		<b>PMT (Booked Revenue)</b>
83			\$ (7,160.10)	\$ -	\$ (10,897.19)
84	Commercial Billed Revenues	\$ 882,270.19	\$ -	\$ 1,414,832.36	\$ 532,562.19
85					
86	G4M1 Bullhead OPA - 1"	\$ (4.50)	\$ 54.76	\$ (6.95)	
87	G4M1 Bullhead OPA - 1-1/2"	\$ -	\$ 34.89	\$ -	
88	G4M1 Bullhead OPA - 2"	\$ (91.18)	\$ 590.45	\$ (142.07)	
89	G4M1 Bullhead OPA - 3"	\$ -	\$ (66.72)	\$ -	
90	G4M1 Bullhead OPA - 4"	\$ -	\$ 34.14	\$ -	
91	G4M1 Bullhead OPA - 5/8"	\$ -	\$ 9.95	\$ -	
92	G4M1 Bullhead OPA - 6"	\$ -	\$ 35.33	\$ -	
93	Difference from General Ledger [a]	0.00%	\$ 1.07	\$ 1.42	
94			<b>Subtotal</b>		<b>PMT (Booked Revenue)</b>
95			\$ (94.61)	\$ -	\$ (147.61)
96	OPA Billed Revenues	\$ 177,030.89	\$ -	\$ 235,117.61	\$ 77,086.89
97					
106					
107	G6M02 Bullhead Private Fire 2"	\$ 431.71	\$ 15.84	\$ 665.38	
108	G6M04 Bullhead Private Fire 4"	\$ 1,764.71	\$ 95.01	\$ 2,749.55	
109	G6M06 Bullhead Private Fire 6"	\$ 3,547.12	\$ 44.10	\$ 4,990.37	
110	G6M08 Bullhead Private Fire 8"	\$ 4,497.36	\$ 14.71	\$ 6,712.07	
111	G6M10 Bullhead Private Fire 10"	\$ -	\$ 3.72	\$ -	
112	Difference from General Ledger [a]	0.00%	\$ (0.02)	\$ (0.03)	
113			<b>Subtotal</b>		<b>PMT (Booked Revenue)</b>
114			\$ 19,859.89	\$ -	\$ 29,701.23
115	Private Fire Billed Revenues	\$ 19,859.89	\$ -	\$ 29,701.23	\$ 10,841.39
116					
117					
118	G8M1 Bullhead Public Hydrants	\$ -	\$ 313.78	\$ -	
119	Difference from General Ledger [a]	0.00%	\$ 0.03	\$ 0.04	
120			<b>Subtotal</b>		<b>PMT (Booked Revenue)</b>
121			\$ 0.03	\$ -	\$ 0.04
122	Public Fire Billed Revenues	\$ 17,054.49	\$ -	\$ 24,992.94	\$ 7,938.45
123					
124	Billed Revenues	\$ 4,611,261.25	\$ 110,713.31	\$ 6,534,228.44	\$ 1,922,564.68
125					
126	Total Booked Revenues Per G.L.-F.Y. Twelve Months ending 8/30/10				\$ 2,123,213.29
127					
128	Difference from General Ledger [a]	0.00%	\$ (0.01)	\$ -	\$ -
129					
130					

131 Note [a] This is the amount of difference from the General Ledger, booked revenue to the amount derived by  
 132 using TY billing determinants, times rates, less Misc Adjustments. We also removed the effect  
 133 of annualizing the December 1, 2009 rate increase to match the General Ledger.  
 134  
 135  
 136

Arizona American Water Company - Mohave Water  
Test Year Ended June 30, 2010  
Changes in Representative Rate Schedules

Line No.	Rate Schedule	Description	Block #/VA	Base Charge			Volume Charge						
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Low Income Surcharge	Combined Rate	Change		
					(5.00)	(5.00)							
1	GLICR	Low Income Credit		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2													
3	G1M1A	Bullhead Residential 5/8" & 3/4"	First 3,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4			3,001 to 10,000 gals.										
5			Over 10,000 gals.										
6	G1M1B	Bullhead Residential 1"	First 15,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
7			Over 15,000 gals.										
8			First 30,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
9			Over 30,000 gals.										
10	G1M1D	Bullhead Residential 2"	First 50,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
11			Over 50,000 gals.										
12	G1M1E	Bullhead Residential 3"	First 100,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
13			Over 100,000 gals.										
14			First 150,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
15			Over 150,000 gals.										
16			First 300,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
17			Over 300,000 gals.										
18			First 500,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
19			Over 500,000 gals.										
20			First 750,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
21			Over 750,000 gals.										
22			First 1,400,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
23			Over 1,400,000 gals.										
24	G1M2A	Bullhead Residential Apt 5/8"	First 10,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
25			Over 10,000 gals.										
26	G1M2B	Bullhead Residential Apt 1"	First 15,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
27			Over 15,000 gals.										
28	G1M2C	Bullhead Residential Apt 1-1/2"	First 30,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
29			Over 30,000 gals.										
30	G1M2D	Bullhead Residential Apt 2"	First 50,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
31			Over 50,000 gals.										
32	G1M2F	Bullhead Residential Apt 4"	First 150,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
33			Over 150,000 gals.										
34	G1M2G	Bullhead Residential Apt 6"	First 300,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
35			Over 300,000 gals.										
36	G1M2H	Bullhead Residential Apt 8"	First 500,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
37			Over 500,000 gals.										
38			First 750,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
39			Over 750,000 gals.										
40			First 1,400,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
41			Over 1,400,000 gals.										
42	G1M3A	Rio Utility Residential 5/8"	First 3,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
43			3,001 to 10,000 gals.										
44			Over 10,000 gals.										
45	G1M3B	Rio Utility Residential 1"	First 15,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
46			Over 15,000 gals.										
47	G2M1A	Bullhead Commercial 5/8" & 3/4"	First 10,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
48			Over 10,000 gals.										
49	G2M1B	Bullhead Commercial 1"	First 15,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
50			Over 15,000 gals.										
51	G2M1C	Bullhead Commercial 1-1/2"	First 30,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
52			Over 30,000 gals.										
53	G2M1D	Bullhead Commercial 2"	First 50,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
54			Over 50,000 gals.										
55	G2M1E	Bullhead Commercial 3"	First 100,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
56			Over 100,000 gals.										
57	G2M1F	Bullhead Commercial 4"	First 150,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
58			Over 150,000 gals.										
59	G2M1G	Bullhead Commercial 6"	First 300,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
60			Over 300,000 gals.										
61			First 500,000 gals.	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
62			Over 500,000 gals.										

Arizona American Water Company - Mohave Water  
Test Year Ended June 30, 2010  
Changes in Representative Rate Schedules

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge				
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Low Income Surcharge	Combined Rate	Change
63		Bullhead Commercial 10"	First 750,000 gals.	\$ 1,035.00	\$ 1,265.00	\$ 230.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
64			Over 750,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
65		Bullhead Commercial 12"	First 1,400,000 gals.	\$ 1,935.00	\$ 2,365.00	\$ 430.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
66			Over 1,400,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
67	G2M1V	BHC Veterans Memorial	First 10,000 gals.	\$ 9.00	\$ 11.00	\$ 2.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
68			Over 10,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
69		Bullhead Industrial 5/8" & 3/4"	First 10,000 gals.	\$ 9.00	\$ 11.00	\$ 2.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
70			Over 10,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
71		Bullhead Industrial 1"	First 15,000 gals.	\$ 22.50	\$ 27.50	\$ 5.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
72			Over 15,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
73		Bullhead Industrial 1-1/2"	First 30,000 gals.	\$ 45.00	\$ 55.00	\$ 10.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
74			Over 30,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
75		Bullhead Industrial 2"	First 50,000 gals.	\$ 72.00	\$ 88.00	\$ 16.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
76			Over 50,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
77		Bullhead Industrial 3"	First 100,000 gals.	\$ 144.00	\$ 178.00	\$ 32.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
78			Over 100,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
79		Bullhead Industrial 4"	First 150,000 gals.	\$ 225.00	\$ 275.00	\$ 50.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
80			Over 150,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
81		Bullhead Industrial 6"	First 300,000 gals.	\$ 450.00	\$ 550.00	\$ 100.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
82			Over 300,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
83		Bullhead Industrial 8"	First 500,000 gals.	\$ 720.00	\$ 880.00	\$ 160.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
84			Over 500,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
85		Bullhead Industrial 10"	First 750,000 gals.	\$ 1,035.00	\$ 1,265.00	\$ 230.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
86			Over 750,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
87		Bullhead Industrial 12"	First 1,400,000 gals.	\$ 1,935.00	\$ 2,365.00	\$ 430.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
88			Over 1,400,000 gals.				\$ 1.8070	\$ 3.0000	\$ 0.2066	\$ 3.2066	\$ 1.5996
89	G4M1	Bullhead OPA - 1"	All Usage	\$ 22.50	\$ 27.50	\$ 5.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
90	G4M1	Bullhead OPA - 1-1/2"	All Usage	\$ 45.00	\$ 55.00	\$ 10.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
91	G4M1	Bullhead OPA - 2"	All Usage	\$ 72.00	\$ 88.00	\$ 16.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
92	G4M1	Bullhead OPA - 3"	All Usage	\$ 144.00	\$ 178.00	\$ 32.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
93	G4M1	Bullhead OPA - 4"	All Usage	\$ 225.00	\$ 275.00	\$ 50.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
94	G4M1	Bullhead OPA - 5/8"	All Usage	\$ 9.00	\$ 11.00	\$ 2.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
95	G4M1	Bullhead OPA - 6"	All Usage	\$ 450.00	\$ 550.00	\$ 100.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
96	G4M1	Bullhead OPA - 8"	All Usage	\$ 720.00	\$ 880.00	\$ 160.00	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
102	GBM02	Bullhead Private Fire 2"	All Usage	\$ 3.38	\$ 5.00	\$ 1.64	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
103	GBM04	Bullhead Private Fire 4"	All Usage	\$ 6.71	\$ 10.00	\$ 3.29	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
104	GBM06	Bullhead Private Fire 6"	All Usage	\$ 10.08	\$ 16.00	\$ 4.92	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
105	GBM08	Bullhead Private Fire 8"	All Usage	\$ 13.44	\$ 20.00	\$ 6.56	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
106	GBM10	Bullhead Private Fire 10"	All Usage	\$ 16.79	\$ 25.00	\$ 8.21	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
107	GBM1	Bullhead Public Hydrants	All Usage	\$ 8.56	\$ 12.32	\$ 3.76	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
108		Bullhead Private Hydrants	All Usage	\$ 8.56	\$ 12.32	\$ 3.76	\$ 1.3430	\$ 1.8400		\$ 1.8400	\$ 0.4970
109		Public Sprinkler Head	No Blocks	\$ 0.51	\$ 0.73	\$ 0.22	\$ -	\$ 1.8400		\$ 1.8400	\$ 1.8400
110											
111											
112											
113		<b>Service Charges</b>									
114		Establishment or re-establishment of Service:									
115		Including Sewer Service	\$		25.00						
116		No Including Sewer Service	\$		20.00						
117		Reconnection of Service (Delinquent):									
118		Regular Hours	\$		35.00						
119		After Hours	\$		35.00						
120		Water Meter Test (If Correct)	\$		35.00						
121		Meter Re-Read (If Correct)	\$		25.00						
122		NSF Check Charge	\$		25.00						
123		Late Fee Charge			1.5% Per Month						
124		Deferred Payment Finance Charge			1.5% Per Month						
125		Deposit Requirements Residential			-						
126		Deposit Requirements Non-Residential			-						
127		Deposit Interest			-						
128											
129											
130											
131		** Interest per [Per ACC Rule 14-2-403(B)]									
132											
133											
134											
135											
136											
137		<b>Meter and Service Line Installation Charges</b>									
138		5/8 x 3/4-inch Meter	\$	370.00	\$ 130.00	\$ 500.00					
139		3/4-inch Meter	\$	370.00	\$ 205.00	\$ 575.00					
140		1-inch Meter	\$	420.00	\$ 240.00	\$ 660.00					
141		1 1/2-inch Meter	\$	450.00	\$ 450.00	\$ 900.00					
142		2-inch Turbine Meter	\$	580.00	\$ 945.00	\$ 1,525.00					
143		2-inch Compound Meter	\$	580.00	\$ 1,640.00	\$ 2,220.00					
144		3-inch Turbine Meter	\$	745.00	\$ 1,420.00	\$ 2,165.00					
145		3-inch Compound Meter	\$	465.00	\$ 2,195.00	\$ 2,660.00					
146		4-inch Turbine Meter	\$	1,090.00	\$ 2,270.00	\$ 3,360.00					
147		4-inch Compound Meter	\$	1,120.00	\$ 3,145.00	\$ 4,265.00					
148		6-inch Turbine Meter	\$	1,810.00	\$ 4,425.00	\$ 6,035.00					
149		6-inch Compound Meter	\$	1,630.00	\$ 6,120.00	\$ 7,750.00					
150		8-inch or Larger		Actual Cost	Actual Cost	Actual Cost					
151											
152		IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE									
153		OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-409(D).									

Arizona American Water Company - Mohave Water  
 Test Year Ended June 30, 2010  
 Typical Bill Analysis

Exhibit  
 SETTLEMENT H-4  
 Page 1  
 Witness: Kiger

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
G1M1A		Bullhead Residential 5/8" & 3/4"	Average: 7,251	\$16.91	\$21.46	\$ 4.56	26.95%
G1M1B		Bullhead Residential 1"	Average: 22,415	\$52.60	\$77.35	\$ 24.74	47.03%
G1M1D		Bullhead Residential 2"	Average: 54,375	\$145.03	\$193.13	\$ 48.10	33.17%
G1M1E		Bullhead Residential 3"	Average: -	\$144.00	\$176.00	\$ 32.00	22.22%
G1M2A		Bullhead Residential Apt 5/8"	Average: 12,249	\$26.04	\$36.15	\$ 10.10	38.79%
G1M2B		Bullhead Residential Apt 1"	Average: 19,555	\$48.76	\$68.77	\$ 20.00	41.02%
G1M2C		Bullhead Residential Apt 1-1/2"	Average: 62,389	\$132.06	\$207.37	\$ 75.31	57.03%
G1M2D		Bullhead Residential Apt 2"	Average: 42,545	\$129.14	\$166.28	\$ 37.14	28.76%
G1M2F		Bullhead Residential Apt 4"	Average: 50,111	\$292.30	\$367.20	\$ 74.91	25.63%
G1M2G		Bullhead Residential Apt 6"	Average: 958,525	\$1,858.35	\$3,077.58	\$ 1,219.23	65.61%
G1M2H		Bullhead Residential Apt 8"	Average: 1,183,000	\$2,324.08	\$4,371.00	\$ 2,046.92	88.07%
G1M3A		Rio Utility Residential 5/8"	Average: 9,557	\$20.00	\$25.70	\$ 5.70	28.50%
G1M3B		Rio Utility Residential 1"	Average: 5,361	\$29.70	\$37.36	\$ 7.66	25.81%
G2M1A		Bullhead Commercial 5/8" & 3/4"	Average: 8,855	\$20.89	\$27.29	\$ 6.40	30.64%
G2M1B		Bullhead Commercial 1"	Average: 21,123	\$50.87	\$73.47	\$ 22.60	44.43%
G2M1C		Bullhead Commercial 1-1/2"	Average: 58,557	\$125.90	\$195.87	\$ 69.97	55.58%
G2M1D		Bullhead Commercial 2"	Average: 88,587	\$193.24	\$295.76	\$ 102.52	53.05%
G2M1E		Bullhead Commercial 3"	Average: 71,555	\$240.10	\$307.66	\$ 67.56	28.14%
G2M1F		Bullhead Commercial 4"	Average: 217,542	\$517.16	\$753.63	\$ 236.47	45.72%
G2M1G		Bullhead Commercial 6"	Average: 649,500	\$1,361.75	\$2,150.50	\$ 788.75	57.92%
G2M1V		BHC Veterans Memorial	Average: 93,250	\$156.21	\$279.15	\$ 122.94	78.70%
G4M1		Bullhead OPA - 1"	Average: 21,862	\$51.86	\$67.73	\$ 15.87	30.59%
G4M1		Bullhead OPA - 1-1/2"	Average: 35,450	\$92.61	\$120.23	\$ 27.62	29.82%
G4M1		Bullhead OPA - 2"	Average: 84,727	\$185.79	\$243.90	\$ 58.11	31.28%
G4M1		Bullhead OPA - 3"	Average: 857,125	\$1,295.12	\$1,753.11	\$ 457.99	35.36%
G4M1		Bullhead OPA - 4"	Average: 232,763	\$537.60	\$703.28	\$ 165.68	30.82%
G4M1		Bullhead OPA - 5/8"	Average: 11,222	\$24.07	\$31.65	\$ 7.58	31.48%
G4M1		Bullhead OPA - 6"	Average: 1,237,001	\$2,111.29	\$2,826.08	\$ 714.79	33.86%
G6M02		Bullhead Private Fire 2"	Average: 21	\$70.56	\$105.00	\$ 34.44	48.81%
G6M04		Bullhead Private Fire 4"	Average: 65	\$436.15	\$650.00	\$ 213.85	49.03%
G6M06		Bullhead Private Fire 6"	Average: 21	\$211.68	\$315.00	\$ 103.32	48.81%
G6M08		Bullhead Private Fire 8"	Average: 6	\$80.64	\$120.00	\$ 39.36	48.81%
G6M10		Bullhead Private Fire 10"	Average: 1	\$16.79	\$25.00	\$ 8.21	48.90%
G8M1		Bullhead Public Hydrants	Average: 169	\$1,446.64	\$2,081.71	\$ 635.07	43.90%

Arizona American Water Company - Havasu Water  
Test Year Ended June 30, 2010  
Summary of Revenues by Customer Classification - Present & Proposed Rates

Line No.	Customer Classification	Revenues in Test Year		Proposed Rates	Proposed Increase	
		Present Rates	Annualized Present Rates		Amount	%
1						
2	Residential	\$ 813,840.00	\$ 1,083,632.51	\$ 1,569,271.26	\$ 485,638.75	44.82%
3						
4	Commercial	\$ 134,515.18	\$ 191,261.49	\$ 291,774.08	\$ 100,512.59	52.55%
5						
6	Private Fire	\$ -	\$ -	\$ 540.00	\$ 540.00	0.00%
7						
8	Public Fire	\$ -	\$ -	\$ 5,100.00	\$ 5,100.00	0.00%
9						
10						
11	Total Revenues	\$ 948,355.15	\$ 1,274,894.00	\$ 1,866,685.34	\$ 591,791.35	46.42%
12	LOI TY Adj Rev	\$ -	\$ 1,271,706.00	\$ 1,866,373.00	\$ 16,171.00	Other
13	Diff				\$ 607,962.35	
14					\$ 607,962.35	
15						
16						
17						
18	Residential	\$ 1,086,389.43	(\$2,757)	\$ 1,083,632.51		
19	Commercial	\$ 188,527.65	\$2,734	\$ 191,261.49		
20	Private Fire	\$ -		\$ -		
21	Public Fire	\$ -		\$ -		
22		\$ 1,274,917.08	\$ (23.08)	\$ 1,274,894.00		
23						
24						
25	Increase in Gross Revenue from Sch A-1	\$ 591,789.35	\$ 2.00	\$ 609,838		
26	Percentage Increase				47.8%	
27						
28						
29						
30						
31						
32	Residential	\$ 1,572,027.18	(\$2,756)	\$ 1,569,271.26		
33	Commercial	\$ 289,039.24	\$2,735	\$ 291,774.08		
34	Private Fire	\$ 540.00		\$ 540.00		
35	Public Fire	\$ 5,100.00		\$ 5,100.00		
36		\$ 1,866,706.42	\$ (21.08)	\$ 1,866,685.34		
37						
38						
39						
40						
41						
42						
43						
44						

Arizona American Water Company - Havasu Water  
Test Year Ended June 30, 2010  
Analysis of Revenue by Detailed Class

Line No.	Rate Schedule	Description	Last Block Consumption	Average Number of Customers	Average Consumption	Revenues			Proposed		Increase
						Present Rates	Annualized Present Rates	Annualized Increase Over Present Rates	Proposed Rates	Increase Amount	
1	H1M1A	Havasu Residential 5/8" & 3/4"	62,341	1,562	\$ 8,334	\$ 675,701.5	\$ 896,800.2	\$ 223,098.7	\$ 1,290,322.9	\$ 391,522.7	43.56%
2	H1M1B	Havasu Residential 1"	823	1	\$ 70,826	\$ 2,872.6	\$ 3,581.4	\$ 688.7	\$ 5,887.7	\$ 2,326.4	85.32%
3	H1M1D	Havasu Residential 2"	2,582	2	\$ 143,914	\$ 12,984.0	\$ 16,360.2	\$ 3,396.2	\$ 26,001.1	\$ 9,640.9	58.93%
4	H1M1F	Havasu Residential 4"	3,916	1	\$ 476,333	\$ 19,817.5	\$ 26,542.2	\$ 6,824.7	\$ 41,573.7	\$ 14,831.5	58.04%
5	H1M3H	Havasu Residential Apartment 4" Valley Manor	3,052	67	\$ 6,035	\$ 19,850.1	\$ 26,977.0	\$ 7,126.9	\$ 41,822.3	\$ 14,945.3	55.40%
6	H1M3J	Havasu Residential Apartment 4" Kenjen RV	123	102	\$ 1,488	\$ 16,377.8	\$ 21,677.0	\$ 5,299.2	\$ 30,206.9	\$ 8,529.9	39.35%
7	H1M3K	Havasu Residential Apartment 4" Falls RV	-	129	\$ 1	\$ 15,182.3	\$ 20,130.0	\$ 4,947.7	\$ 28,182.0	\$ 8,052.0	40.00%
8	H1M3L	Havasu Residential Apartment 1" LH RV	2,251	89	\$ 2,276	\$ 16,485.5	\$ 22,323.3	\$ 5,837.8	\$ 34,742.7	\$ 12,419.4	55.83%
9	H1M3M	Havasu Residential Apartment 1" D Hills RV	2,704	44	\$ 5,462	\$ 12,749.3	\$ 16,911.4	\$ 4,162.1	\$ 27,842.5	\$ 10,931.1	64.64%
10	H1M3N	Havasu Residential Apartment 4" Riv Vly D	1,364	153	\$ 1,486	\$ 23,709.4	\$ 33,006.8	\$ 9,297.4	\$ 48,038.3	\$ 15,031.5	45.64%
11	H2M1A	Havasu Commercial 5/8" & 3/4"	2,852	27	\$ 13,860	\$ 16,806.3	\$ 22,671.3	\$ 5,865.0	\$ 35,796.3	\$ 13,125.1	57.88%
12	H2M1B	Havasu Commercial 1"	1,748	9	\$ 63,026	\$ 17,986.2	\$ 23,943.0	\$ 5,956.7	\$ 40,280.9	\$ 18,337.9	68.24%
13	H2M1D	Havasu Commercial 2"	2,801	17	\$ 54,199	\$ 50,389.4	\$ 75,096.8	\$ 24,697.4	\$ 107,786.8	\$ 32,692.0	43.53%
14	H2M1E	Havasu Commercial 3"	1,336	1	\$ 116,564	\$ 7,264.2	\$ 13,719.6	\$ 6,455.5	\$ 20,424.0	\$ 6,704.3	48.87%
15	H2M1G	Havasu Commercial 6"	7,081	1.00	\$ 990,083	\$ 42,412.2	\$ 53,097.0	\$ 10,684.8	\$ 85,343.5	\$ 32,246.5	60.73%
16	H6M02	Havasu Private Fire 2"	-	-	-	-	-	-	\$ 60.00	\$ 60.00	0.00%
17	H6M04	Havasu Private Fire 4"	94,784	2	-	-	-	-	\$ 240.00	\$ 240.00	0.00%
18	H6M06	Havasu Private Fire 6"	-	-	-	-	-	-	-	-	0.00%
19	H6M08	Havasu Private Fire 8"	-	1	-	-	-	-	\$ 240.00	\$ 240.00	0.00%
20	H6M10	Havasu Private Fire 10"	-	-	-	-	-	-	-	-	0.00%
21	H8M1	Havasu Public Hydrants	\$ 0.15192	34	-	-	-	-	\$ 5,100.00	\$ 5,100.00	0.00%
22											
23		Total Havasu Water - Billed Revenues		2,208	1,943,897	\$ 950,578	\$ 1,274,917	\$ 324,339	\$ 1,864,654	\$ 588,736	46.26%
24											
25		Total Residential		2,150	716,165	\$ 815,710	\$ 1,086,369	\$ 270,680	\$ 1,574,720	\$ 488,331	44.95%
26		Total Commercial		55	1,227,732	\$ 134,868	\$ 188,528	\$ 53,859	\$ 289,633	\$ 101,108	53.53%
27		Total Private Fire		4	-	-	-	-	\$ 540.00	\$ 540.00	0.00%
28		Total Public Fire		34	-	-	-	-	\$ 5,100.00	\$ 5,100.00	0.00%
29		Total Havasu Water - Billed Revenues		2,243	1,943,897	\$ 950,578	\$ 1,274,917	\$ 324,339	\$ 1,869,994	\$ 595,076	46.88%
30		Less: Miscellaneous Adjustments									
31											
32											
33											
34											
35											
36											
37		H1M1A				\$ -	\$ -	\$ 223,088.72	\$ -	\$ -	
38		H1M1B				\$ -	\$ -	\$ 688.73	\$ -	\$ -	
39		H1M1D				\$ -	\$ -	\$ 3,396.23	\$ -	\$ -	
40		H1M1F				\$ -	\$ -	\$ 6,824.74	\$ -	\$ -	
41		H1M3H				\$ -	\$ -	\$ 7,126.91	\$ -	\$ -	
42		H1M3J				\$ -	\$ -	\$ 5,299.19	\$ -	\$ -	
43		H1M3K				\$ -	\$ -	\$ 4,947.74	\$ -	\$ -	
44		H1M3L				\$ -	\$ -	\$ 5,837.78	\$ -	\$ -	
45		H1M3M				\$ -	\$ -	\$ 4,162.14	\$ -	\$ -	
46		H1M3N				\$ -	\$ -	\$ 9,297.44	\$ -	\$ -	
47		Difference from General Ledger [a]	0.00%			\$ -	\$ -	\$ (445.02)	\$ -	\$ (647.68)	
48						\$ -	\$ -	\$ 14.39	\$ -	\$ 20.86	
49		Subtotal				\$ (1,869.81)	\$ -	\$ 270,679.62	\$ (2,692.92)	\$ -	PMT (Booked Revenue)
50											
51		Residential Billed Revenues				\$ 813,840.00	\$ -	\$ -	\$ 1,572,027.18	\$ 551,840.00	
52											
53											
54											
55											
56											
57											
58											
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Note [a] This is the amount of difference from the General Ledger, booked revenue to the amount derived by using TY billing determinants, times rates, less Misc Adjustments. We also removed the effect of annualizing the December 1, 2009 rate increase to match the General Ledger.

Arizona American Water Company - Havasu Water  
Test Year Ended June 30, 2010  
Changes in Representative Rate Schedules

Line No.	Rate Schedule	Description	Block	Base Charge			Volume Charge					
				Present Rate	Proposed Rate	Change	Present Rate	Proposed Rate	Low Income Surcharge	Combined Rate	Change	
1	HLICR	Havasu Low Income Credit	N/A	\$ -	\$ (10.00)	\$ (10.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2												
3	H1M1A	Havasu Residential 5/8" & 3/4"	First 3,000 gals. 3,001 to 9,000 gals. Over 9,000 gals.	\$23.50	\$ 29.00	\$ 5.50	\$ 2.340000 \$ 3.020000 \$ 3.550000	\$ 3.1300 \$ 4.3300 \$ 6.6600	\$ -	\$ 3.1300 \$ 4.3300 \$ 6.8119	\$ 0.7900 \$ 1.3100 \$ 3.2619	
4												
5	H1M1B	Havasu Residential 1"	First 15,000 gals. Over 15,000 gals.	\$58.75	\$ 72.50	\$ 13.75	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
6												
7	H1M1C	Havasu Residential 1-1/2"	N/A	\$117.50	\$ 145.00	\$ 27.50	\$ 3.020000	\$ 4.3300	\$ -	\$ 4.3300	\$ 1.3100	
8												
9	H1M1D	Havasu Residential 2"	First 60,000 gals. Over 60,000 gals.	\$188.00	\$ 232.00	\$ 44.00	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
10												
11	H1M1E	Havasu Residential 3"	First 90,000 gals. Over 90,000 gals.	\$376.10	\$ 464.00	\$ 87.90	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
12												
13	H1M1F	Havasu Residential 4"	First 150,000 gals. Over 150,000 gals.	\$587.50	\$ 725.00	\$ 137.50	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
14												
15	H1M1G	Havasu Residential 6"	First 400,000 gals. Over 400,000 gals.	\$1,174.95	\$ 1,450.00	\$ 275.05	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
16												
17	H1M1H	Havasu Residential 8"	N/A	\$1,879.91	\$ 2,320.00	\$ 440.09	\$ 3.020000	\$ 4.3300	\$ -	\$ 4.3300	\$ 1.3100	
18												
19	H1M1I	Havasu Residential 10"	N/A	\$2,702.37	\$ 3,335.00	\$ 632.63	\$ 3.550000	\$ 6.6600	\$ 0.1519	\$ 6.8119	\$ 3.2619	
20												
21	H1M1J	Havasu Residential Apartment 12"	N/A	\$5,052.26	\$ 6,235.00	\$ 1,182.74	\$ 3.550000	\$ 6.6600	\$ 0.1519	\$ 6.8119	\$ 3.2619	
22												
23	H1M3H	Havasu Residential Apartment 4" Valley Manor	First 150,000 gals. Over 150,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
24												
25	H1M3J	Havasu Residential Apartment 4" Kenjan RV	First 150,000 gals. Over 150,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
26												
27	H1M3K	Havasu Residential Apartment 4" Falls RV	First 150,000 gals. Over 150,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
28												
29	H1M3L	Havasu Residential Apartment 1" LH RV	First 15,000 gals. Over 15,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
30												
31	H1M3M	Havasu Residential Apartment 1" D Hill RV	First 15,000 gals. Over 15,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
32												
33	H1M3N	Havasu Residential Apartment 4" Riv Vily D	First 150,000 gals. Over 150,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
34												
35	H1M3O	Havasu Residential Apartment 2"	First 60,000 gals. Over 60,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
36												
37	H1M3P	Havasu Residential Apartment 3"	First 90,000 gals. Over 90,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
38												
39	H1M3Q	Havasu Residential Apartment 6"	First 400,000 gals. Over 400,000 gals.	\$13.00	\$ 18.20	\$ 5.20	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
40												
41	H2M1A	Havasu Commercial 5/8" & 3/4"	First 9,000 gals. Over 9,000 gals.	\$23.50	\$ 29.00	\$ 5.50	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
42												
43	H2M1B	Havasu Commercial 1"	First 15,000 gals. Over 15,000 gals.	\$58.75	\$ 72.50	\$ 13.75	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
44												
45	H2M1C	Havasu Commercial 1-1/2"	N/A	\$117.50	\$ 145.00	\$ 27.50	\$ 3.020000	\$ 4.3300	\$ -	\$ 4.3300	\$ 1.3100	
46												
47	H2M1D	Havasu Commercial 2"	First 60,000 gals. Over 60,000 gals.	\$188.00	\$ 232.00	\$ 44.00	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
48												
49	H2M1E	Havasu Commercial 3"	First 90,000 gals. Over 90,000 gals.	\$376.10	\$ 464.00	\$ 87.90	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
50												
51	H2M1F	Havasu Commercial 4"	First 150,000 gals. Over 150,000 gals.	\$587.50	\$ 725.00	\$ 137.50	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
52												
53	H2M1G	Havasu Commercial 6"	First 400,000 gals. Over 400,000 gals.	\$1,174.95	\$ 1,450.00	\$ 275.05	\$ 3.020000 \$ 3.550000	\$ 4.3300 \$ 6.6600	\$ 0.1519	\$ 4.3300 \$ 6.8119	\$ 1.3100 \$ 3.2619	
54												
55	H2M1H	Havasu Commercial 8"	N/A	\$1,879.91	\$ 2,320.00	\$ 440.09	\$ 3.020000	\$ 4.3300	\$ -	\$ 4.3300	\$ 1.3100	
56												
57	H2M1I	Havasu Commercial 10"	N/A	\$2,702.37	\$ 3,335.00	\$ 632.63	\$ 3.550000	\$ 6.6600	\$ 0.1519	\$ 6.8119	\$ 3.2619	
58												
59	H2M1J	Havasu Commercial 12"	N/A	\$5,052.26	\$ 6,235.00	\$ 1,182.74	\$ 3.020000	\$ 4.3300	\$ -	\$ 4.3300	\$ 1.3100	
60												
61												



62	HSM02	Havasu Private Fire 2"	All Usage	\$ -	\$ 5.00	\$ 5.00	\$ -	\$ 4.3300	\$ 4.3300	\$ 4.3300
63	HSM04	Havasu Private Fire 4"	All Usage	\$ -	\$ 10.00	\$ 10.00	\$ -	\$ 4.3300	\$ 4.3300	\$ 4.3300
64	HSM06	Havasu Private Fire 6"	All Usage	\$ -	\$ 15.00	\$ 15.00	\$ -	\$ 4.3300	\$ 4.3300	\$ 4.3300
65	HSM08	Havasu Private Fire 8"	All Usage	\$ -	\$ 20.00	\$ 20.00	\$ -	\$ 4.3300	\$ 4.3300	\$ 4.3300
66	HSM10	Havasu Private Fire 10"	All Usage	\$ -	\$ 25.00	\$ 25.00	\$ -	\$ 4.3300	\$ 4.3300	\$ 4.3300
67	HSM11	Havasu Public Hydrants	All Usage	\$ -	\$ 12.50	\$ 12.50	\$ -	\$ 4.3300	\$ 4.3300	\$ 4.3300

68  
69  
70

71 **Service Charges**

72	Establishment Re-establishment and/or reconnection of Service:	
73	Regular Hours	\$ 25.00
74	After Hours	\$ 35.00
75	Water Meter Test (If Correct)	\$ 10.00
76	Meter Re-Read (If Correct)	\$ 5.00
77	NSF Check Charge	\$ 25.00
78	Late Fee Charge	1.5% Per Month
79	Deferred Payment Finance Charge	1.5% Per Month
80	Deposit Requirements Residential	**
81	Deposit Requirements Non-Residential	**
82	Deposit Interest	***

83  
84 \*\* Residential - two times the average bill. Non-residential - two and one-half times the estimated maximum bill.  
85  
86 \*\*\* Interest per [Per ACC Rule 14-2-403(B)]  
87  
88

	Meter Installation Charge	Total Charge
89		
90		
91		
92		
93	<b>Meter and Service Line Installation Charges</b>	
94	5/8 x 3/4-inch Meter	\$ 155.00 \$ 600.00
95	3/4-inch Meter	\$ 255.00 \$ 700.00
96	1-inch Meter	\$ 315.00 \$ 810.00
97	1 1/2-inch Meter	\$ 525.00 \$ 1,075.00
98	2-inch Turbine Meter	\$ 1,045.00 \$ 1,875.00
99	2-inch Compound Meter	\$ 1,890.00 \$ 2,720.00
100	3-inch Turbine Meter	Actual Cost Actual Cost
101	3-inch Compound Meter	Actual Cost Actual Cost
102	4-inch Turbine Meter	Actual Cost Actual Cost
103	4-inch Compound Meter	Actual Cost Actual Cost
104	6-inch Turbine Meter	Actual Cost Actual Cost
105	6-inch Compound Meter	Actual Cost Actual Cost
106	8-inch or Larger	Actual Cost Actual Cost

107  
108 An applicant for water service shall pay to the Company, as a refundable advance in aid of construction the full cost to provide the new service line and meter.  
109  
110 IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM IT CUSTOMERS A PROPORTIONATE SHARE  
111 OF ANY PRIVILEGE, SALES, USE, AND FRANCHISE TAX. PER COMMISSION RULE 14-2-408D(5).

Arizona American Water Company - Havasu Water  
 Test Year Ended June 30, 2010  
 Typical Bill Analysis

Exhibit  
 SETTLEMENT H-4  
 Page 1  
 Witness: Kiger

Line No.	Rate Schedule	Description	Consumption	Typical Bills		Proposed Increase	
				Present Rates	Proposed Rates	Amount	%
H1M1A		Havasu Residential 5/8" & 3/4"	Average: 8,334	\$45.95	\$61.49	\$ 15.54	33.81%
H1M1B		Havasu Residential 1"	Average: 70,826	\$294.28	\$509.25	\$ 214.97	73.05%
H1M1D		Havasu Residential 2"	Average: 143,914	\$667.09	\$1,050.67	\$ 383.57	57.50%
H1M1F		Havasu Residential 4"	Average: 476,333	\$2,220.18	\$3,547.88	\$ 1,327.70	59.80%
H1M3H		Havasu Residential Apartment 4" Valley Manor	Average: 6,035	\$31.23	\$44.33	\$ 13.11	41.97%
H1M3J		Havasu Residential Apartment 4" Kenjen RV	Average: 1,488	\$17.49	\$24.64	\$ 7.15	40.87%
H1M3K		Havasu Residential Apartment 4" Falls RV	Average: 1	\$13.00	\$18.20	\$ 5.20	40.00%
H1M3L		Havasu Residential Apartment 1" LH RV	Average: 2,276	\$19.87	\$28.06	\$ 8.18	41.17%
H1M3M		Havasu Residential Apartment 1" D Hills RV	Average: 5,462	\$29.50	\$41.85	\$ 12.36	41.89%
H1M3N		Havasu Residential Apartment 4" Riv Vly D	Average: 1,496	\$17.52	\$24.68	\$ 7.16	40.87%
H2M1A		Havasu Commercial 5/8" & 3/4"	Average: 13,860	\$65.81	\$100.34	\$ 34.52	52.46%
H2M1B		Havasu Commercial 1"	Average: 53,026	\$231.09	\$390.70	\$ 159.61	69.07%
H2M1D		Havasu Commercial 2"	Average: 54,199	\$351.68	\$466.68	\$ 115.00	32.70%
H2M1E		Havasu Commercial 3"	Average: 116,564	\$742.20	\$1,030.62	\$ 288.41	38.86%
H2M1G		Havasu Commercial 6"	Average: 990,083	\$4,424.74	\$6,878.95	\$ 2,454.21	55.47%

## ATTACHMENT B

## Settlement Agreement Addenda

**Rate Administration Details: Revenue credits of the Revenue Requirement Equivalent of non-refundable White Tanks hook-up fees & Non-firm Treatment Services as per the Settlement Agreement.**

1. Revenue credits for White Tanks hook-up fees and non-firm treatment services shall be determined pursuant to the provisions in the Settlement Agreement and displayed separately on eligible customer monthly bills.
2. Agua Fria water district customers eligible for revenue credits are Residential, Commercial, Other Public Authority<sup>1</sup> and Potable Irrigation. Customers ineligible include those jurisdictional customers receiving a rate reduction under the Settlement Agreement, plus off-system entities.<sup>2</sup>
3. The Company shall file its proposed monthly revenue credit rate design not later than the anniversary of the effective date of new rates in the Settlement Agreement using the most recently available actual customer count and water commodity volumes.<sup>3</sup>
4. The proposed monthly revenue credit rates shall automatically become effective on the anniversary date. If Staff files any objection, the proposed credit shall be timely updated based on the resolution of Staff's concern and as addressed further below as regards a true-up.
5. The calculated revenue credits for each annual period shall be true-up in each subsequent annual filing so as to ultimately provide customers as close as possible the exact total revenue credits calculated pursuant to Exhibits B & C of the Settlement Agreement. For example, if the revenue credits provided to customers at the end of any annual period are less than as determined pursuant to Exhibits B & C, customers shall receive the additional amount in the next annual period and vice versa for an over credit. (A true-up is necessary because the actual customer counts and water commodity volumes during refund periods will differ somewhat from customer counts and volumes used to design the revenue credit rates.) Any true-up from the final period of the credits shall be provided in the first month after the credits terminate.
6. In order to closely match the underlying rate design proportion of basic service services and commodity rates, the rate design of the revenue credits shall allocate credits as 45% in a monthly reduction of the basic service charge and 55% in a single commodity rate reduction. Please see the attached *illustrative* rate designs based on the *illustrative* revenue requirement credits displayed on the last page of Exhibit B of the Settlement Agreement. The illustrative rate designs are based on

<sup>1</sup> Presently only the State of Arizona Prison comprises the Other Public Authority class.

<sup>2</sup> Ineligible are Private Fire class customers, Misc Fee Commercial Water Sales customers (ie., rate schedule CRAC2), non-potable DMB White Tank and non-potable Corte Bella Golf. There were no test year water sales to off-system entities; however, the intention is to exclude entities outside of the Company's Agua Fria service area including to any nearby private (e.g., AZ Water Company) or municipal (eg., City of Goodyear) or similar entities.

<sup>3</sup> The Settlement Agreement is based on an effective date of new rates of July 1, 2012.

6/30/2010 test year customer counts and water commodity volumes. The actual rate designs will depend on various actual data for future periods which are not known at this time. Any new eligible customers in future periods shall receive the commodity credit as well as the basic service credit for their meter size.

Arizona American Water Company  
 Agua Fria Water District  
 Docket No. W-01303A-10-0448  
 White Tanks Hook-Up Fee Surcredit Tariff

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

Line No.	Rate Schedule	Description	Block	Basic Service Surcredit						Commodity Surcredit					
				Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	C1M1A	Agua Fria Residential 5/8" & 3/4"	All Usage	\$ 0.10	\$ 0.19	\$ 0.28	\$ 0.37	\$ 0.46	\$ 0.54	\$ 0.0129	\$ 0.0254	\$ 0.0376	\$ 0.0494	\$ 0.0609	\$ 0.0721
2	C1MTB	Agua Fria Residential 1"	All Usage	0.24	0.48	0.71	0.93	1.14	1.35	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
3	C1M1C	Agua Fria Residential 1-1/2"	All Usage	0.48	0.95	1.41	1.85	2.29	2.71	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
4	C1MTD	Agua Fria Residential 2"	All Usage	0.77	1.52	2.26	2.97	3.66	4.33	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
5		Agua Fria Residential 3"	All Usage	1.55	3.05	4.51	5.94	7.32	8.67	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
6		Agua Fria Residential 4"	All Usage	2.42	4.76	7.05	9.27	11.44	13.54	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
7		Agua Fria Residential 6"	All Usage	4.83	9.53	14.10	18.55	22.87	27.08	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
8		Agua Fria Residential 8"	All Usage	7.73	15.25	22.56	29.68	36.60	43.33	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
9		Agua Fria Residential 10"	All Usage	11.11	21.92	32.43	42.66	52.81	62.29	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
10		Agua Fria Residential 12"	All Usage	20.77	40.98	60.63	79.75	98.35	116.45	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
11	C2M1A	Agua Fria Commercial 5/8" & 3/4"	All Usage	0.10	0.19	0.28	0.37	0.46	0.54	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
12	C2MTB	Agua Fria Commercial 1"	All Usage	0.24	0.48	0.71	0.93	1.14	1.35	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
13	C2M1C	Agua Fria Commercial 1-1/2"	All Usage	0.48	0.95	1.41	1.85	2.29	2.71	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
14	C2MTD	Agua Fria Commercial 2"	All Usage	0.77	1.52	2.26	2.97	3.66	4.33	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
15	C2M1E	Agua Fria Commercial 3"	All Usage	1.55	3.05	4.51	5.94	7.32	8.67	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
16		Agua Fria Commercial 4"	All Usage	2.42	4.76	7.05	9.27	11.44	13.54	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
17	C2M1G	Agua Fria Commercial 6"	All Usage	4.83	9.53	14.10	18.55	22.87	27.08	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
18	C2M1H	Agua Fria Commercial 8"	All Usage	7.73	15.25	22.56	29.68	36.60	43.33	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
19		Agua Fria Commercial 10"	All Usage	11.11	21.92	32.43	42.66	52.81	62.29	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
20		Agua Fria Commercial 12"	All Usage	20.77	40.98	60.63	79.75	98.35	116.45	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
21	C4M2	Agua Fria OPA - State Prison	All Usage	1.55	3.05	4.51	5.94	7.32	8.67	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721
22	C7M2	Agua Fria Irrigation	All Usage	0.77	1.52	2.26	2.97	3.66	4.33	0.0129	0.0254	0.0376	0.0494	0.0609	0.0721

Agua Fria White Tanks  
Hook-up Fee Surcredit  
YEAR 1

Arizona American Water Company  
Agua Fria Water District  
Docket No. W-01303A-10-0448  
White Tanks Hook-Up Fee Surcredit Calculation

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

	[A]	[B]	[C]	[D]
	Avg. No. of Customers 30-Jun-10	Meter Multiples	Equivalent Meters	Monthly Basic Service Surcredit
1	29,413	1.0	29,413	\$ 0.10
2	5,515	2.5	13,788	0.24
3	80	5.0	400	0.48
4	71	8.0	568	0.77
5	35	1.0	35	0.10
6	62	2.5	155	0.24
7	137	5.0	685	0.48
8	258	8.0	2,064	0.77
9	36	16.0	576	1.55
10	6	50.0	300	4.83
11	2	80.0	160	7.73
12	4	8.0	32	0.77
13	1	16.0	16	1.55
14	35,620		48,192	
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				

	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
Calculation of Surcredit		
Current period revenue requirement equivalent hook-up fees	\$ 124,151	
Basic Service Revenue	\$ 55,868	\$ 68,283
Commodity Revenue		
Monthly Surcredit Per Equivalent Meter		
Annual Equivalent Meters	578,298	
Basic Service Surcredit for 5/8" & 3/4"	\$ 0.10	
Total Consumption, kgals (6/30/2010)		5,307,019
Commodity Surcredit per kgal		\$ 0.0129

Arizona American Water Company  
 Agua Fria Water District  
 Docket No. W-01303A-10-0448  
 White Tanks Hook-Up Fee Surcredit Calculation

Agua Fria White Tanks  
 Hook-up Fee Surcredit  
 YEAR 2

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

Line No.	[A] Avg. No. of Customers 30-Jun-10	[B] Meter Multiples	[C] Equivalent Meters	[D] Monthly Basic Service Surcredit
1	29,413	1.0	29,413	\$ 0.19
2	5,515	2.5	13,788	0.48
3	80	5.0	400	0.95
4	71	8.0	568	1.52
5	35	1.0	35	0.19
6	62	2.5	155	0.48
7	137	5.0	685	0.95
8	258	8.0	2,064	1.52
9	36	16.0	576	3.05
10	6	50.0	300	9.53
11	2	80.0	160	15.25
12	4	8.0	32	1.52
13	1	16.0	16	3.05
14	35,620		48,192	

Calculation of Surcredit	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
Current period revenue requirement equivalent hook-up fees		
Prior Period True-up	\$ 244,924	
Amount to be refunded in current period	\$ -	
Basic Service Revenue	\$ 110,216	\$ 134,708
Commodity Revenue		
<u>Monthly Surcredit Per Equivalent Meter Annual Equivalent Meters</u>	578,298	
Basic Service Surcredit for 5/8" & 3/4"	<u>\$ 0.19</u>	
Total Consumption, kgals (6/30/2010)		5,307,019
Commodity Surcredit per kgal		<u>\$ 0.0254</u>

Arizona American Water Company  
 Agua Fria Water District  
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 White Tanks Hook-Up Fee Surcredit Calculation

Agua Fria White Tanks  
 Hook-up Fee Surcredit  
 YEAR 3

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

Line No.	[A] Avg. No. of Customers 30-Jun-10	[B] Meter Multiples	[C] Equivalent Meters	[D] Monthly Basic Service Surcredit
1	29,413	1.0	29,413	\$ 0.28
2	5,515	2.5	13,788	0.71
3	80	5.0	400	1.41
4	71	8.0	568	2.26
5	35	1.0	35	0.28
6	62	2.5	155	0.71
7	137	5.0	685	1.41
8	258	8.0	2,064	2.26
9	36	16.0	576	4.51
10	6	50.0	300	14.10
11	2	80.0	160	22.56
12	4	8.0	32	2.26
13	1	16.0	16	4.51
14	35,620		48,192	

Line No.	Calculation of Surcredit	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
17	Current period revenue requirement equivalent hook-up fees		
18	Prior Period True-up	\$ 362,413	
19	Amount to be refunded in current period	\$ -	
20	Basic Service Revenue	\$ 163,086	\$ 199,327
21	Commodity Revenue		
22			
23			
24	Monthly Surcredit Per Equivalent Meter		
25	Annual Equivalent Meters	578,298	
26			
27	Basic Service Surcredit for 5/8" & 3/4"	\$ 0.28	
28			
29	Total Consumption, kgals (6/30/2010)		5,307,019
30			
31	Commodity Surcredit per kgal		\$ 0.0376
32			
33			



Arizona American Water Company  
 Agua Fria Water District  
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Agua Fria White Tanks  
 Hook-up Fee Surcredit  
 YEAR 4

White Tanks Hook-Up Fee Surcredit Calculation

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

Line No.	Meter Size	Avg. No. of Customers 30-Jun-10	Meter Multiples	Equivalent Meters	Monthly Basic Service Surcredit
[A]	[B]	[C]	[D]		
1	Agua Fria Residential 5/8" & 3/4"	29,413	1.0	29,413	\$ 0.37
2	Agua Fria Residential 1"	5,515	2.5	13,788	0.93
3	Agua Fria Residential 1-1/2"	80	5.0	400	1.85
4	Agua Fria Residential 2"	71	8.0	568	2.97
5	Agua Fria Commercial 5/8" & 3/4"	35	1.0	35	0.37
6	Agua Fria Commercial 1"	62	2.5	155	0.93
7	Agua Fria Commercial 1-1/2"	137	5.0	685	1.85
8	Agua Fria Commercial 2"	258	8.0	2,064	2.97
9	Agua Fria Commercial 3"	36	16.0	576	5.94
10	Agua Fria Commercial 6"	6	50.0	300	18.55
11	Agua Fria Commercial 8"	2	80.0	160	29.68
12	Agua Fria Irrigation	4	8.0	32	2.97
13	Agua Fria OPA - State Prison	1	16.0	16	5.94
14	Total	35,620		48,192	

Line No.	Calculation of Surcredit	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
17	Current period revenue requirement equivalent hook-up fees		
18	Prior Period True-up	\$ 476,706	
19	Amount to be refunded in current period		
20	Basic Service Revenue	\$ 476,706	
21	Commodity Revenue	\$ 214,518	\$ 262,188
22	Monthly Surcredit Per Equivalent Meter		
23	Annual Equivalent Meters	578,298	
24	Basic Service Surcredit for 5/8" & 3/4"	\$ 0.37	
25	Total Consumption, kgals (6/30/2010)		5,307,019
26	Commodity Surcredit per kgal		\$ 0.0494

Arizona American Water Company  
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 White Tanks Hook-Up Fee Surcredit Calculation

Agua Fria White Tanks  
 Hook-up Fee Surcredit  
 YEAR 5

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

	[A]	[B]	[C]	[D]
Line No.	Avg. No. of Customers 30-Jun-10	Meter Multiples	Equivalent Meters	Monthly Basic Service Surcredit
1	29,413	1.0	29,413	\$ 0.46
2	5,515	2.5	13,788	1.14
3	80	5.0	400	2.29
4	71	8.0	568	3.66
5	35	1.0	35	0.46
6	62	2.5	155	1.14
7	137	5.0	685	2.29
8	258	8.0	2,064	3.66
9	36	16.0	576	7.32
10	6	50.0	300	22.87
11	2	80.0	160	36.60
12	4	8.0	32	3.66
13	1	16.0	16	7.32
14	35,620		48,192	

	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
18	\$ 587,891	
19	\$ -	
20	\$ 587,891	
21	\$ 264,551	\$ 323,340
22		
23		
24		
25	578,298	
26		
27	\$ 0.46	
28		
29		5,307,019
30		
31		\$ 0.0609
32		
33		

Arizona American Water Company  
 Agua Fria Water District  
 Docket No. W-01303A-10-0448  
 White Tanks Hook-up Fee Surcredit Calculation

Agua Fria White Tanks  
 Hook-up Fee Surcredit  
 YEAR 6

**\*FOR ILLUSTRATIVE PURPOSES ONLY\***

[A]	[B]	[C]	[D]
Avg. No. of Customers 30-Jun-10	Meter Multiples	Equivalent Meters	Monthly Basic Service Surcredit
29,413	1.0	29,413	\$ 0.54
5,515	2.5	13,788	1.35
80	5.0	400	2.71
71	8.0	568	4.33
35	1.0	35	0.54
62	2.5	155	1.35
137	5.0	685	2.71
258	8.0	2,064	4.33
36	16.0	576	8.67
6	50.0	300	27.08
2	80.0	160	43.33
4	8.0	32	4.33
1	16.0	16	8.67
35,620		48,192	

Line No.	Meter Size	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
17	Agua Fria Residential 5/8" & 3/4"	\$ 696,051	
18	Agua Fria Residential 1"	\$ -	
19	Agua Fria Residential 1-1/2"	\$ 696,051	
20	Agua Fria Residential 2"	\$ -	
21	Agua Fria Commercial 5/8" & 3/4"	\$ 313,223	\$ 382,828
22	Agua Fria Commercial 1"	\$ -	\$ -
23	Agua Fria Commercial 1-1/2"	\$ -	\$ -
24	Agua Fria Commercial 2"	\$ -	\$ -
25	Agua Fria Commercial 3"	\$ -	\$ -
26	Agua Fria Commercial 6"	\$ -	\$ -
27	Agua Fria Commercial 8"	\$ -	\$ -
28	Agua Fria Irrigation	\$ -	\$ -
29	Agua Fria OPA - State Prison	\$ -	\$ -
30	Total	\$ 578,298	\$ 5,307,019
31	Calculation of Surcredit		
32	Current period revenue requirement equivalent hook-up fees		
33	Prior Period True-up		
34	Amount to be refunded in current period		
35	Basic Service Revenue		
36	Commodity Revenue		
37	Monthly Surcredit Per Equivalent Meter		
38	Annual Equivalent Meters		
39	Basic Service Surcredit for 5/8" & 3/4"		
40	Total Consumption, kgals (6/30/2010)		
41	Commodity Surcredit per kgal		
42			\$ 0.0721