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ARIZONA CORPORATION COMMISSION

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Executive Secretary

March 23, 2004

Via facsimile and first class mail

Craig A. Marks, Esq.
Corporate Counsel
Arizona-American Water Company
19820 N. Seventh Street, Suite 201
Phoenix, Arizona 85024

Re: Arizona-American Rate Case Compliance Tariffs
Docket Nos. 02-0867 et al.

Dear Mr. Marks:

The Utilities Division ("Staff") of the Arizona Corporation Commission received the tariffs submitted by Arizona-American on December 16, 2004. Staff determined that the rates shown on the tariffs are in compliance with Arizona-American's most recent rate order, Decision No. 67093. However, Arizona-American also submitted voluminous "Rules and Regulations" as part of its tariffs. As discussed in my August 17, 2004 letter, the Commission did not authorize any modification to the terms and conditions of the previous (Citizens) tariff. Accordingly, to the extent there is any change in terms and conditions from the Citizens tariffs, Staff will treat the Citizens tariffs as still being in effect. Subject to this condition, Staff will place Arizona-American's December tariffs in the appropriate tariff books, along with a copy of this letter.

Very truly yours,

Timothy J. Sabo
Attorney, Legal Division

TJS:vk
cc: Steve Olea
Darron Carlson
Lori Miller
Docket Control

Arizona American Water Company
(Name of Company)

Agua Fria Water District
(Name of Service Area)

ORIGINAL

RULES AND REGULATIONS APPLICABLE TO WATER SERVICE OF AGUA FRIA WATER DISTRICT

Legally named and operating in:

Surprise and Vicinity, Maricopa County, Arizona

These rules and regulations have been authorized by the Arizona Corporation Commission and are the effective rules and regulations of this District.

Services will be furnished in accordance with these rules and regulations and no officer, employee, or representative of this Company has any authority to write, alter, or amend these rules and regulations or any parts thereof in any respect.

APPROVED FOR FILING
DECISION #: 67093

ISSUED: July 1, 2004 (Month Day Year) EFFECTIVE: July 1, 2004 (Month Day Year)

ISSUED BY: David Stephenson, Rate Regulation Manager
19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Arizona American Water Company
(Name of Company)

Agua Fria Water District
(Name of Service Area)

RULES AND REGULATIONS APPLICABLE TO WATER SERVICE
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ISSUED BY: David Stephenson, Rate Regulation Manager
19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Decision No. 67093

APPROVED FOR FILING
DECISION #: 67093

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ADMINISTRATIVELY
APPROVED FOR FILING

ISSUED: _____ (Month Day Year)

EFFECTIVE: 4 2 04 (Month Day Year)

ISSUED BY: _____

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ORIGINAL

APPROVED FOR FILING
DECISION #: 67093

PRELIMINARY STATEMENT

Agua Fria Water District (hereinafter the "District") of Arizona-American Water Company (hereinafter the "Company") is engaged in the business of supplying water service in the County or counties previously mentioned.

These Rules and Regulations are designed to govern the supply of water in such manner as will secure to each customer the greatest practicable latitude in the enjoyment of service, consistent with good service to himself and other customers, and with safety to the public and the Company's employees.

These Rules and Regulations are on file with the Arizona Corporation Commission of the State of Arizona, and copies are available at all Company offices. They are a part of every contract for service and govern all classes of service, except where specific provisions in contracts or schedules modify it. All prior rules, customs, or alleged understandings are hereby rescinded. These rules and regulations are available for review by any customer, at any office of the Company.

Rates for metered service and other services rendered are those on file with the Arizona Corporation Commission and are available at the offices of the Company.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 1
DEFINITIONS

For the purpose of these rules and regulations, unless the context otherwise requires, the following definitions shall apply:

Advance in Aid of Construction: Funds provided to the Company by an applicant under the terms of a main extension agreement of service connection tariff, the amount of which may be reasonable.

Applicant: A person requesting the Company to supply water service.

Application: A written request of the Company for water service, as distinguished from an inquiry as to the availability or charges for such service.

Arizona Corporation Commission: The regulatory authority of the State of Arizona having jurisdiction over the public service corporations operating in Arizona.

Billing Month: The period between any two regular readings or estimated readings of the Company's meters at approximately thirty (30) day intervals.

Billing Period: The time interval between two consecutive meter readings or estimates that are taken for billing purposes.
Commission: The Arizona Corporation Commission.

Commodity Charge: The unit of cost per billed usage, as set forth in the Company's tariffs.

Company: Arizona-American Water Company.

Contributions in Aid of Construction: Funds provided to the Company by an applicant under the terms of a main extension agreement and/or service connection tariff, the amount of which is not refundable.

Customer: The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued, regardless of the identity of the actual user of the service.

Customer Charge: The amount the customers must pay the Company for the availability of water service, excluding any water used, as specified in this District's tariffs.

Customer Piping: The pipe that transports water to the customer from the point of delivery to the point of usage by the customer.

Day: Calendar day.

Distribution Main: A water main of the Company from which service connections may be extended to customers.
Interruptible Water Service: Water service that is subject to interruption or curtailment.

District: Agua Fria Water District.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 1 (continued)
DEFINITIONS

Main Extension: The mains and ancillary facilities relevant to providing service to additional customers via the extension of the distribution system.

Master Meter: A meter for measuring or recording the volume or flow of water at a single location where said water is transported through a piping system to several tenants or occupants for their individual consumption.

Meter: The instrument for measuring and indicating or recording the volume of water that has passed through it.

Meter Tampering: A situation where a meter has been illegally altered. Common examples are meter bypassing, use of devices to slow the meter recorder, and broken meter seals.

Minimum Charge: The amount the customer must pay for the availability of water service, including an amount of usage, as specified in this District's tariffs.

Minimum Delivery Pressure: 20 pounds per square inch gauge at the meter or point of delivery.

Permanent Customer: A customer who is a tenant or owner of a service location who applies for and receives permanent water service.

Permanent Service: service which, in the opinion of the Company, is of a permanent and established character. The use of water may be continuous, intermittent, or seasonal in nature.

Person: Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.

Point of Delivery: The point where facilities owned, leased or under license by a customer to connect to the Company's pipes or at the outlet side of the meter.

Premises: All of the real property and apparatus employed in a single enterprise or living unit on an integral parcel or land undivided by public streets, alleys, or railways.

Residential Subdivision Development: Any tract of land which has been divided into four or more contiguous lots for use in the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.

Residential Use: Service to customers using water for domestic purposes such as personal consumption, water heating, cooking, clothes washing, and other residential uses, including use in apartment buildings, mobile home parks, and other multi-unit residential buildings.

Rules: The regulations set forth in the tariffs which apply to the provision of1water service.

Service Area: The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the Commission to provide water service in this District.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 1 (continued)
DEFINITIONS

Service Establishment Charge: The charges specified in this District's tariffs which cover the cost of establishing a new account.

Service Line: A water line that transports water from a common source (normally a distribution main) of supply to the customer's point of delivery.

Service Reconnect Charge: The charge as specified in this District's tariffs which must be paid by the customer prior to reestablishment of water service each time the water is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with this District's filed rules.

Service Reestablishment Charge: A charge as specified in this District's tariffs, for service at the same location where the customer or a member of the customer's immediate family, had ordered a service disconnection within the preceding twelve month period.

Single Family Dwelling: A house, an apartment, or a mobile home permanently affixed to a lot, or any other permanent residential unit which is used as a home.

Tariffs: The documents filed with the Commission which list the services and products offered by this District and which set forth the terms, conditions, and a schedule of the rates and charges for those services and products.

Temporary service: service to premises or enterprises which is temporary in character, or where it is known in advance that the service will be of limited duration. Service that, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.

Utility: The public service corporation providing water service to the public in compliance with state law.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 2
ESTABLISHMENT OF SERVICE

A. INFORMATION FROM NEW APPLICANTS

The Company may obtain the following minimum information prior to acceptance of the applicant as a customer.

a. Name or names of applicant(s).

b. Service address or location and telephone number.

c. Billing address or location and telephone number, if different than service address.

d. Address where service was provided previously.

e. Date applicant will be ready for service.

f. Indication of whether premises have been supplied with Company service previously.

g. Purpose for which service is to be used.

h. Indication of whether applicant is owner or tenant of or agent for the premises, and written proof of agency.

The Company may require a new applicant for service to appear at the Company's designated place of business to produce proof of identity and sign the Company's application form.

Where service is requested by two or more individuals the Company shall have the right to collect the full amount owed to the Company from any one of the applicants.

B. DEPOSITS

The Company may require a deposit from any new applicant for service.

The Company shall issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt shall in no way impair his right to receive a refund of the deposit which is reflected on the Company's records.

Interest on deposits shall be calculated annually at an interest rate filed by the Company and approved by the Commission in a tariff proceeding. In the absence of such, the interest rate shall be six percent (6%).

Interest shall be computed and accrued to the customers account on an annual basis.

Residential deposits plus accrued interest shall be refunded within thirty (30) days after discontinuance of service when the customer has paid all outstanding amounts due the Company.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 2 (continued)
ESTABLISHMENT OF SERVICE

A separate deposit may be required for each meter installed.

The amount of a deposit required by the Company shall be determined according to the following terms:

Residential customer deposits shall not exceed two times the average residential class bill as evidenced by this District's most recent annual report filed with the Commission.

Nonresidential customer deposits shall not exceed two and one-half (2½) times that customer's estimated maximum monthly bill.

The Company may review the customer's usage after service has been connected and adjust the deposit amount on the basis of the customer's actual usage.

Residential Customer Deposits will automatically be refunded by the Company after twelve (12) consecutive months during which time the customer has not been delinquent more than three (3) times in a twelve (12) month period, or at the discretion of the Company at any time before service is discontinued. Upon final discontinuance of the use of the service and full settlement of all bills by the customer, any deposit, not previously refunded, with accrued interest, if any, in accordance with the provisions of this policy will be returned to the customer or at the Company's election, it may be applied to the payment of any unpaid accounts of the customer and the balance, if any, returned to the customer.

The Company may require a customer to establish or reestablish a deposit if the customer becomes delinquent in the payment of two (2) or more bills within a twelve (12) consecutive month period or has been disconnected for nonpayment during the last twelve (12) months.

Deposits shall not prevent the Company from terminating the agreement for service with a customer or suspending service for any failure in the performance of customer obligations under the agreement for service or any violation of this District's Rules and Regulations.

Upon discontinuance of service, the Company may apply the deposit toward settlement of the customer's bill.

C. GROUNDS FOR REFUSAL OF SERVICE

The Company may refuse to establish service if any of the following conditions exist:

The applicant has an outstanding amount due for the same class of utility service with the Company and the applicant is unwilling to make arrangements with the Company for payment.

A condition exists, or could occur, which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.

Refusal by the applicant to provide the Company with a deposit.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 2 (continued)
ESTABLISHMENT OF SERVICE

Customer is known to be in violation of the Company's tariffs filed with the Commission or of the Commission's Rules and Regulations.

Failure of the customer to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the customer and which have been specified by the Company as a condition for providing service.

Applicant falsifies his or her identity for the purpose of obtaining service.

C. SERVICE ESTABLISHMENTS, REESTABLISHMENTS, OR RECONNECTION CHARGE:

The Company may make a charge as periodically filed with the Commission for establishment, reestablishment, reconnection or disconnection of utility services.

Should service be established or disconnected during a period other than regular working hours at the customer's request or cause, the customer may be required to pay an after hours charge. Where the Company's scheduling will not permit the requested service on the same day requested, the customer can elect to pay the after hours charge for the service that day.

For purposes of this tariff, service establishments are where the customer's facilities are ready and acceptable to the Company and the Company needs only to install a meter, read a meter, or turn the service on.

D. TEMPORARY SERVICE

Applicants for temporary service may be required to pay the Company, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.

Where the duration of service is to be less than one month, the applicant may also be required to advance a sum of money equal to the estimated bill for service.

Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of this District.

If at any time during the term of the agreement for service the character of a temporary customer's operations changes so that in the opinion of the Company the customer is classified as permanent, the terms of this District's main extension rules shall apply.

F. DOUBTFUL PERMANENCY

When in the Company's opinion, the permanent nature of the customer's requirement for water service is doubtful the customer shall be required to enter into an agreement with the Company and shall advance the entire cost of construction, including the mains and associated equipment. The agreement shall include provisions for refund upon proof of permanency to the satisfaction of the Company.

ORIGINAL

RULE NO. 2 (continued)
ESTABLISHMENT OF SERVICE

G. SERVICE LOCATION, INFORMATION

The Company reserves the right to determine the conditions under which extension will be made. Conditions for service and extending service to the customer will be based upon the following:

All such installations-shall be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.

Individual customers may be required to have their property corner pins and/or markers installed.

Where the installation requires more than one meter for service to the premises, each meter pit or box shall be permanently marked (not painted) by the contractor or customer to properly identify the portion of the premises having service. The identification shall be the same as the apartment, office, etc. served by that meter. The identifying marking placed on each meter shall be impressed into or raised from a tag of aluminum, brass or other approved non-ferrous metal with maximum ¼-inch-high letters. This tag must be attached to the meter pit or box. The impression must be deep enough to prevent the identification(s) from being obscured.

H. IDENTIFICATION OF PREMISES

The premises to be served by the Company shall be clearly identified by the customer at the time of application. If the service address is not recognized in terms of a commonly used identification system, the customer may be required to provide specific written directions and/or legal descriptions before the Company shall be required to act upon a request for water service.

I. SERVICE CALLS FOR ESTABLISHMENTS DURING REGULAR HOURS

The customer for establishment of service by this District shall pay a minimum service charge of $30.00. In addition, the Company may charge the customer for time, materials and equipment used by the Company if the establishment of service requires repairs or alterations to the Company facilities as a result of the following:

An interruption caused by the customer's willful act or omission, negligence or failure of customer-owned equipment, even though the Company is unable to perform any work beyond the point of delivery.

A required reconnection of water service to any customer previously disconnected for nonpayment.

Unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effect of customer demands on the Company system, failure to establish credit and/or sign an agreement for service, or any other reason authorizing the Company to make connection.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 2 (continued)
ESTABLISHMENT OF SERVICE

J. SERVICE CALLS FOR ESTABLISHMENTS AFTER REGULAR HOURS

A minimum service charge of $40.00 will be imposed for a service call after regular hours. In addition, the Company may charge the customer for time, materials and equipment used by the Company if the establishment of service requires repairs or alterations to the Company facilities as a result of the following:

An interruption caused by the customer's willful act or omission, negligence or failure of customer-owned equipment, even though the Company is unable to perform any work beyond the point of delivery. The Company shall make reasonable effort to advise the customer about the possibility of such charges before the service call starts.

A required reconnection of water service to any customer previously disconnected for nonpayment.

Unlawful use of service, misrepresentation to the Company, unsafe conditions, threats to Company personnel or property, failure to permit safe access, detrimental effects of customer demands on the Company system, failure to establish credit and/or sign an agreement for service or any other reason authorizing the Company to make such disconnection. Such work will be performed only when requested and agreed to by the customer.

APPROVED FOR FILING
DECISION #: 67093

RULE NO. 3
MINIMUM CUSTOMER INFORMATION REQUIREMENTS

1. INFORMATION FOR RESIDENTIAL CUSTOMERS

The Company shall make available upon customer request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by the customer. The summary shall include the following:

Monthly minimum or customer charge, identifying the amount of the charge and the specified amount of usage included in the minimum charge where applicable.

Rate blocks, where applicable.

Any adjustment factor(s) or tax impositions and methods of calculation.

The Company shall to the extent practical, identify the tariff most advantageous to the customer and notify the customer of such prior to service commencement.

In addition, the Company shall make available upon customer request not later than sixty (60) days from the date of request a copy of this District's Rules and Regulations governing:

1. Deposits
2. Termination of service
3. Billing and collection
4. Complaint handling

The Company, upon written request of a customer, shall not, more than once each calendar year; transmit a concise statement of actual consumption by such customer for each billing period during the prior twelve (12) months, unless such data is not reasonably ascertainable.

The Company shall inform all new customers of their right to obtain the information specified above.

B. INFORMATION REQUIRED DUE TO CHANGES IN TARIFFS

The Company shall transmit, to affected customers, by the most economic means available, a concise summary of any change in the Company's tariffs affecting those customers.

This information shall be transmitted to the affected customer within sixty (60) days of the effective date of the change.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 4
SERVICE CONNECTIOS AND REESTABLISHMENTS

A. PRIORITY AND TIMING OF SERVICE ESTABLISHMENTS

1. After an applicant has complied with the Company's application and deposit requirements and has been accepted for service by the Company, the Company shall schedule that customer for service connection and/or establishment.
2. Service establishments shall be scheduled for completion within five (5) working days of the date the customer has been accepted for service, except in those instances when the customer requests service establishment beyond the five (5) working day limitation.
3. When the Company has made arrangements to meet with a customer for service establishment purposes and the Company or the customer cannot make the appointment during the prearranged time, the Company shall reschedule the service establishment to the satisfaction of both parties.
4. The Company shall schedule service establishment appointments within a maximum range of four (4) hours during normal working hours, unless another time frame is mutually acceptable to the Company and its customer.
5. Service establishments shall be made only by qualified Company service personnel or persons authorized by the Company.
6. For the purpose of this tariff, service establishments are where the customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.

SERVICE LINES

1. An applicant for service shall be responsible for the cost of installing their piping up to the meter.

2. An applicant for service shall pay to the Company as a refundable advance in aid of construction a sum for each meter and service line.

3. Except where the refundable advances in aid of construction for meters and service lines have been included in refundable advances in aid of construction for main extensions and thus are refundable pursuant to main extension contracts approved by the Commission, each advance in aid of construction for a service line or meter shall be repaid by the Company by an annual credit of one-tenth of the amount received, said credit to be applied upon the water bill rendered in November of each year until fully paid, for each service line and meter for which the advance was made, and said credit to commence in the month of November for all such advances received during the preceding calendar year.

4. Where service is being provided for the first time, the customer shall provide and maintain a private cutoff valve within eighteen (18) inches of the meter on the customer's side of the meter, and the Company shall provide a like valve on the Company's side of such meter.

5. The Company may install its meter at the property line or, at the Company's option, on the customer's property in a location mutually agreed upon.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 4 (continued)
MINIMUM CUSTOMER INFORMATION REQUIREMENTS

6. Where the meter or service line location on a customer's premises is changed at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his expense in accordance with Company specifications, all piping necessary for relocating the meter, and the Company may charge the actual cost of moving the meter or service line.

7. The customer's piping must be installed in such a manner as to prevent cross-connection or backflow. Any alteration or repairs done by the customer to his plumbing shall also include bringing his service line up to current Company standards.

8. The Company shall retain the right to specify the location and size of any meter setting or service connection.

C. CUSTOMER PROVIDED EQUIPMENT, SAFETY AND OPERATION

Each customer shall be responsible for maintaining all equipment and facilities used for Company services located on his side of the meter in safe operating condition.

C. EASEMENTS AND RIGHTS-OF-WAY

1. Each customer shall grant adequate easements and rights-of-way satisfactory to the Company to ensure that customer's proper service connection. Failure on the part of the customer to grant adequate easements and rights-of-way shall be grounds for the Company to refuse service.
2. When the Company discovers that a customer or his agent is performing work or has constructed facilities adjacent to or within an easement or right-of-way and such work, construction, or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, rules or regulations, or significantly interfaces with the Company's access to equipment, the Company shall notify the customer or his agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation at the Customer's expense.
3. If it is necessary for the Company to excavate in an easement or right-of-way to extend or repair water facilities, the Company will not be responsible for the cost to replace or repair landscaping, fences, trees, shrubs, structures, etc. Placed within the easement or right-of-way.
4. The Company shall at all times have the right of safe ingress and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 5
MAIN EXTENSION AGREEMENTS

A. EXTENSIONS OF MAINS AND SERVICES; ADVANCES IN AID OFCONSTRUCTION - GENERAL REQUIREMENTS

1. The Company will supply service for temporary purposes, provided that the Company has water available in excess of the Company's regular needs, and provided the Company has available material and equipment necessary to supply said service. Each applicant for such service must pay in advance, to the Company, the Company's estimate of the cost of labor and materials, less salvage value on removal, for installing and removing such service.

2. An applicant for the extension of mains shall be required to pay the Company, as a refundable advance in aid of construction, before construction is commenced, the estimated reasonable cost of all mains, distribution lines and service lines, including all valves, fittings, meters, other costs and reasonable overheads.

   a. Upon request by a potential applicant for a main extension, the Company shall prepare, without charge, a preliminary sketch and rough estimates of the cost of installation to be paid by said applicant.

   b. Any applicant for a main extension requesting the Company to prepare detailed plans, specifications, or cost estimates may be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company shall, upon request, make available within forty-five (45) days after receipt of the deposit referred to above, such plans, specifications, or cost estimates of the proposed main extension. Where the applicant accepts the plans and the Company proceeds with construction of the extension, the deposit shall be credited to the cost of construction; otherwise the deposit shall be nonrefundable. If the extension is to include over-sizing of facilities to be done at the Company's expense, appropriate details shall be set forth in the plans, specifications and cost estimates.

   c. In the event that additional facilities are required to provide or sustain pressure, storage, or water supply for the new service or services requested, or for existing customers as a consequence of the extension of service, and the cost of the additional facilities is disproportionate to anticipated revenues to be derived from the future customers, the estimated reasonable cost of such additional facilities may be included in refundable advances in aid of construction to be paid to the Company.

3. Refunds of advances shall be made in accord with the following method: the Company shall each year, pay to the party making an advance under a main extension agreement, or that party's assigns or other successors in interest where the Company has received notice and evidence of such assignment or succession, an amount equal to ten percent (10%) of the total gross annual revenue, less any gross receipts or sales taxes and amounts payable to any municipalities or others for treatment and/or transmission of water from each bonafide customer whose service is connected directly to main or extension lines covered by the main extension agreement. Refunds shall not be made for any period after the expiration of ten (10) years from the date of the advance. Refunds shall be made by the Company on or before the 31st day of August of each year, covering any refunds owing from water revenues received during the preceding July 1st to June 30th period. A balance remaining at the end of the ten-year period shall become non-refundable, and the balance not refunded shall be entered as a contribution in aid of construction in the accounts of the Company.

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RULE NO. 5 (continued)
MAIN EXTENSION AGREEMENTS

4. The aggregate refunds shall in no event exceed the total of the refundable advances in aid of construction. No interest shall be paid by the Company on any amount advanced. The Company shall make no refunds from any revenues received from any lines or mains, other than customer service lines, leading up to, or taking off from, the particular main extension covered by the agreement.

5. The Company may, upon approval by the Commission, terminate its obligation to refund a percentage of gross revenues from a main extension by accord and satisfaction of its obligations under the main extension agreement.

6. All agreements entered into shall be evidenced by a written agreement, and signed by the Company and all parties advancing the funds for advances in aid of construction, or the duly authorized agents of each.

7. The size, type and quality of materials and of the system, installed location in the ground, and the manner of installation, shall be specified by the Company, and shall accord with the requirements of the Commission or other public agencies having authority therein. The Company may install main extensions of any diameter meeting the requirements of the Commission or any other public agencies having authority over the construction and operation of the water system.

8. All mains, valves, fittings, wells, meters, tanks, and other facilities installed shall be the sole property of the Company, and parties making advances in aid of construction shall have no right, title or interest in any such facilities.

9. The Company, upon written request, shall furnish to any party seeking to enter into a main extension agreement a schedule of the proposed reasonable contract price for such extension of mains or other facilities. Such schedules show a breakdown of the contract prices of materials and costs of installation. Different sizes and types of mains shall be separately stated. Valves, meters, and fittings shall be separately stated or listed as a percentage of total cost. All advances shall be made without provision for profit to the Company but shall include reasonable overheads.

10. The Company shall schedule, within reason, new requests for main extension agreements, and for service under main extension agreements, promptly and in order received.

11. If an applicant for service seeking to enter into a main extension agreement deems the contract price or the time of performance to be unreasonable, he may solicit bids from bonded contractors, provided that all bids shall be submitted by the bid date stipulated by the Company. If a lower bid is obtained, or if a bid is obtained at an equal price with a more appropriate time of performance, and if such bid contemplates total conformity with the Company's requirements and specifications, the Company shall be required to meet the terms and conditions of the bid preferred, or to enter into a construction contract with the contractor preferring such bid.

12. In the case of disagreement or dispute regarding the application of this rule or any of its several provisions, or where the application of this rule works an injustice or undue hardship upon any party or anticipated party to any agreement hereunder, the party aggrieved may refer the matter to the Commission for hearing and decision in accord with the Rules of Practice and Procedure of the Commission.

APPROVED FOR FILING

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RULE NO. 5 (continued)
MAIN EXTENSION AGREEMENTS

13. All agreements shall be filed with and approved by the Utilities Division of the Commission. Where agreements for extension of service are not filed and approved, all advances in aid of construction shall be immediately due and payable to any person making such an advance.

14. No extension of facilities shall be made without first having received approval of plans and specifications of such extensions or installations from the Arizona State Department of Health Services. A copy of such written approval shall then be filed with the Utilities Division of the Arizona Corporation Commission.

B. WRITTEN AGREEMENT REQUIREMENTS

1. Each main extension agreement shall include the following information:

   a. Name and address of applicant(s).
   b. Proposed service address or location.
   c. Description of requested service.
   d. Description and map of the requested line extension.
   e. Itemized cost estimate to include materials, labor and other costs as necessary.
   f. Payment terms.
   g. A clear and concise explanation of any refunding provisions, if applicable.
   h. Company's estimated start date and completion date for construction of the main extension.

2. Each applicant shall be provided with a copy of the written main extension agreement.

C. FINAL COST

1. In the event the Company's actual completed cost is less than the amount advanced by the customer, the Company shall make a refund to the applicant within thirty (30) days after completion of the construction or Company's receipt of invoices related to that construction.

2. In the event the Company's actual completed cost is more than the amount advanced by the customer the Company shall notify the applicant and the applicant shall remit additional funds within thirty (30) days of notification of the actual completed cost. Should the applicant fail to remit additional funds, service may be discontinued to the extension until the actual completed cost is paid in full.

D. CONSTRUCTION/FACILITIES RELATED INCOME TAXES

1. Definitions:

   a. "Company" or "utility" refers to the entity authorized to provide public utility service in the geographic area involved.

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RULE NO. 5 (continued)
MAIN EXTENSION AGREEMENTS

b. "Rate Basing" – The Company pays federal income tax (FIT) and state income tax (SIT), if any, due on the receipt of an Advance in Aid of Construction (AIAC) or a Contribution in Aid of Construction (CIAC) in accordance with the Tax Reform Act of 1986 (TRA-86), as amended. Tax paid is included in the Deferred Income Tax Account and is used in the calculation of rate base. This amount is reduced by the effect of tax depreciation received for AIAC/CIAC plant and tax deductions resulting from refunds of AIAC.

c. "Full Gross Up" - Utility requires contributor/advancer to pay entire FIT/SIT plus a gross-up to reflect the tax on tax resulting from treating effected AIAC/CIAC payments as taxable income.

2. For construction or proposed construction which, in the judgment of the Company, will be utilized by ultimate customers of the Company in the near future, the Company shall account for the advances and/or contributions required by this Rule by "Rate Basing" them as defined in Paragraph D.1.b. No additional tax related amount should be required with the AIAC or CIAC.

3. For construction or proposed construction costs collected pursuant to tariff provisions, Commission Rules and Regulations, or orders, and which are subject to Paragraph D.4 the Company shall require contributor/advancer to provide funds necessary for Company to pay the state and federal tax obligations associated with the subject construction or proposed construction.

4. In the event the Company determines that the required construction, proposed construction or development fall within certain criteria, some of which are set forth below, Company may petition the Commission to authorize it to collect from the contributor/advancer funds sufficient to pay the "Full Gross Up" of the state and federal income taxes as defined in Paragraph D.1.c. Without intending to limit, examples of events which shall cause Company to require contributor/ advancer to advance the taxes as contemplated herein, are as follows:

   a. The development or build-out of the project is remote or speculative; or

   b. The size of the development, as compared to the size of the Company's customer base, represents undue risk for the Company; or

   c. The size of the advance/contribution or its related cost is extraordinarily large relative to the Company's rate base or revenues; or

   d. The public interest is better served by treating the advance/contribution as other than the "Rate Basing" methodology.

   The Company must present sufficient evidence that its request to require "Full Gross Up" of taxes under this paragraph is in the public interest. The Commission may deny, alter, or amend the Company's petition for authorization to require "Full Gross Up".

5. In the event contributor/advancer is required by other tariff, agreement, rule or order to advance Facilities for the subject development, those AIAC/CIAC's shall be subject to the provisions of this Section D.

APPROVED FOR FILING

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RULE NO. 5 (continued)
MAIN EXTENSION AGREEMENTS

6. If, in the judgment of the Company based upon the specific development, tax or regulatory considerations, it is deemed inappropriate to utilize either the "Rate Basing" methodology, or the "Full Gross Up" methodology, the Company shall obtain specific Commission approval authorizing alternative treatment.

7. Paragraphs 1-7 of this Section of the Extension Rule shall apply to all refundable AIAC and CIAC agreements entered into on or after September 1, 1988, as well as to all prior AIAC and CIAC agreements performed in any manner after September 1, 1988.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 6
PROVISION OF SERVICE

A. COMPANY RESPONSIBILITY

1. The Company shall be responsible for providing potable water to the customer's point of delivery.

2. The Company may, at its option, refuse service until the customer has obtained all required permits and/or inspections indicating that the customer's facilities comply with local construction and safety standards.

B. CUSTOMER RESPONSIBILITY

1. Each customer shall be responsible for maintaining all facilities on the customer's side of the point of delivery in a safe and efficient manner and in accordance with the rules of the Arizona Department of Health Services, and the prescribed specifications of the Company.

2. Each customer shall be responsible for safeguarding all Company property installed in or on the customer's premises for the purpose of supplying water to that customer.

3. Each customer shall exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The customer shall be responsible for loss of or damage to Company property on the customer's premises arising from neglect, carelessness, or misuse and shall reimburse the at Company for the cost of necessary repairs and replacements.

4. Each customer shall be responsible for payment for any equipment damage resulting from unauthorized breaking of seals, interfering, tampering, or bypassing the Company meter.

5. The customer shall be responsible for notifying the Company of any failure identified in the Company's equipment.

6. Water furnished by this District shall be used only on the customer's premises and shall not be resold to any other person. During critical water conditions, as determined by the Commission, the customer shall use water only for those purposes specified by the Commission. Disregard of this rule shall be sufficient cause for refusal or discontinuance of service.

7. The customer agrees, when accepting service, that no one except Company employees or persons authorized by the Company shall be allowed to operate, remove or replace any Company owned equipment installed on customer's property.

8. No person, except an employee or persons acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.

9. No meter seal may be broken or removed by anyone other than an employee acting on behalf of the Company. However, the Company may give its prior consent to break the seal by an approved plumber employed by a customer when deemed necessary by the Company.

APPROVED FOR FILING
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ORIGINAL

RULE NO. 6 (continued)
PROVISION OF SERVICE

10. The customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any such tampering, interfering, theft, or service diversion, including the falsification of customer's meter readings, that customer shall be subject to immediate discontinuance of service. The Company shall be entitled to collect from the current customer under the appropriate rate, for all consumption not recorded on the meter as the result of such tampering, or other theft of service, and also any additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs, if necessary.

11. The customer will be held liable for any loss or damage occasioned or caused by the customer's negligence, want of proper care or wrongful act or omission on the part of any customer's agents, employees, licenses, or contractors.

C. CONTINUITY OF SERVICE

The Company shall make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

a. Any cause against which the Company could not have reasonably for seen or made provision for, i.e., force majeure.

b. Intentional service interruptions to make repairs or perform routine maintenance.

c. Curtailment

D. SERVICE INTERRUPTIONS

1. The Company shall make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.

2. The Company shall make reasonable provision to meet emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of service.

3. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

4. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance the Company shall attempt to inform affected customers at least twenty-four (24) hours in advance of the scheduled date and estimated duration of the service interruption. Such repairs shall be completed in the shortest possible time to minimize the inconvenience to the customers.

APPROVED FOR FILING
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RULE NO. 6 (continued)
PROVISION OF SERVICE

5. The Commission shall be notified of interruptions in service affecting the entire system or any major division thereof. The interruption of service and cause shall be reported within four (4) hours after the responsible representative of the Company becomes aware of said interruption, by telephone to the Commission, and followed by a written report to the Commission.

E. MINIMUM DELIVERY PRESSURE

The Company shall maintain a minimum standard delivery pressure of twenty (20) pounds per square inch gauge (PSIG) at the customer's meter or point of delivery.

F. CONSTRUCTION STANDARDS

The Company shall construct or cause to be constructed all facilities in accordance with the guidelines established by the Arizona Department of Health Services or its successors, any other governmental agency having jurisdiction thereof, and the Company. Phase construction is acceptable.

G. ELECTION OF RATE SCHEDULES

The Company shall use its best efforts to select the most favorable rate for which the customer is eligible based on available data at the time of application. The Company shall use its best efforts for notifying the customer of the most favorable rate schedule if the class has changed after initial application, and shall not be required to refund the difference in charge under different rate schedules. Upon written application of any material changes in the customer installation, the Company will assist in determining if a change in rate schedule is desirable.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 7
METER READING

A. FREQUENCY

Each meter shall be read monthly or as close to the same day of each month as practicable unless otherwise approved by the Commission.

B. MEASURING OF SERVICE

1. All water delivered by the Company shall be billed upon the basis of metered volume sales, except that the Company may, at its option, provide a fixed charge for the following:

   a. Temporary service where the water use can be readily estimated.

   b. Public and private fire protection service.

   c. Water used for street sprinkling and sewer flushing, when provided for by contract between the Company and the municipality or other local governmental authority.

   d. Other fixed charge schedules as shall be submitted to and approved by the Commission.

2. When there is more than one meter at a location, the metering equipment shall be so tagged or plainly marked as to indicate tie facilities being metered.

C. CUSTOMER REQUESTED REREADS

1. The Company shall at the request of the customer reread the customer's meter within ten (10) working days after such request by the customer.

2. Any rereads shall be charged to the customer at the rate on file and approved by the Commission, provided that the original reading was not in error. Adjustment for reasonable usage since the original reading was taken shall be considered when determining the original reading.

3. When the original reading is found to be in error, the re read shall be at no charge to the customer, given adjustment for reasonable usage since the original reading was taken.

D. ACCESS TO CUSTOMER PREMISES

The Company shall at all times have the right of safe ingress to and egress from the customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 7 (continued)
METER READING

E. METER TESTING AND MAINTENANCE PROGRAM.

1. The Company shall establish a regular program of meter testing taking into account the following factors:

   a. Size of meter

   b. Age of meter

   c. Consumption

   d. Characteristics of water

F. CUSTOMER REQUESTED METER TESTS

The Company shall test a meter upon customer request, and shall be authorized to charge the customer for such meter test according to the tariff on file and approved by the Commission. However, if the meter is found to over register by more than three percent (3%), no meter-testing fee will be charged to the customer.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 8
BILLING AND COLLECTION

A. FREQUENCY AND ESTIMATED BILLS

1. The Company shall bill monthly for services rendered. Meter readings shall be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days, unless otherwise approved by the Commission.

2. If the Company is unable to read the meter on a scheduled meter read date, it will estimate the consumption for the billing period giving consideration to the following factors when applicable:

   a. The customer's usage during the same month of the previous year.

   b. The amount of usage during the preceding month.

3. After the second consecutive month of estimating the customer's bill for reasons other than severe weather or standard billing practice as approved by the Commission, the Company will attempt to secure an accurate reading of the meter.

4. Failure on the part of the customer to comply with a reasonable request by the Company for access to its meter may lead to the termination of service.

5. Estimated bills will be issued only under the following conditions:

   a. Failure of a customer who reads his own meter to deliver his meter reading card to the Company in accordance with the requirements of the Company's billing cycle.

   b. Severe weather conditions that prevent the Company from reading the meter.

   c. Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.

   d. Other billing cycles as approved by the Commission.

6. Each bill based on estimated usage will indicate that it is an estimated bill.

B. COMBINING METERS, MINIMUM BILL INFORMATION

1. Each meter at a customer's premises will be considered separately for billing purposes, and the readings of two or more meters will not be combined.

2. Each bill for residential service will contain the following minimum information:

   a. Date and meter reading at the end of the actual or estimated billing period.

   b. Previous month's actual or estimated meter reading and date.

APPROVED FOR FILING
DECISION #: 67093

ORIGINAL

RULE NO. 8 (continued)
BILLING AND COLLECTION

c. Billing usage.

d. Company telephone number.

e. Customer's name.

f. Service account number.

g. Amount due and terms of payment.

h. Past due amount where appropriate.

i. Adjustment factor, where applicable.

j. Privilege, sales or use tax, or any regulatory assessment applicable.

k. Other approved tariff charges.

C. BILLING TERMS

All bills for services are due and payable when rendered. All bills not paid within fifteen (15) days shall be considered delinquent.

For purposes of this rule, the date a bill is rendered may be evidenced by:

The postmark date.

The mailing date.

All delinquent bills shall be subject to the provisions of the Company's termination procedures.

All payments shall be made at offices of the Company or designated payment stations, or to the address shown on the bill form.

D. APPLICABLE TARIFFS, PREPAYMENT, FAILURE TO RECEIVE, COMMENCEMENT DATE, TAXES

1. Each customer shall be billed under the applicable tariff indicated in the customer's application for service.

2. The Company shall make provisions for advance payment for services.

3. Failure to receive bills or notices that have been properly placed in the United States mail shall not prevent such bills from becoming delinquent nor relieve the customer of his obligations therein.

4. Charges for service commence when the service is installed and connection made, whether used or not.

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RULE NO. 8 (continued)
BILLING AND COLLECTION

5. In addition to the collection of regular rates, the Company may collect from its customers a proportionate share of any privilege, sales or use tax, or other imposts based on the gross revenues received by the Company.

E. METER ERROR CORRECTIONS

1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction between three percent (3%) and the amount of the error shall be made of previous readings, and adjusted bills shall be rendered according to the following terms:

   a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter shall have been shown to be in error by such test, or

   b. From the date the error occurred, if the date of the cause can be definitely fixed.

2. The Company will make no adjustment, except to the customer last served by the meter tested.

F. INSUFFICIENT FUNDS (NSF) CHECKS

1. The Company shall be allowed to recover a fee, as approved by the Commission for each instance where the customer tenders payment for service with an insufficient funds check, and require a security deposit equal to that prescribed in Section B, provision 7 of Rule No. 2.

2. When the Company is notified by the customer's bank that there are insufficient funds to cover the check tendered for service, the Company may require the customer to make payment in cash, money order, certified check, or other means which guarantee the customer's payment to the Company.

3. A customer who tenders an insufficient funds check shall in no way be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.

4. The Company will not accept personal checks if two (2) NSF checks have been received within a twelve-month period in payment of any billing.

G. DEFERRED PAYMENT PLAN

1. The Company may, prior to termination, offer to qualifying residential customers a deferred payment plan for the customer to retire unpaid bills for service.

2. Each deferred payment agreement, entered into in writing by the customer and the Company, due to the customer's inability to pay an outstanding bill in full shall provide that service will not be discontinued if:

   a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment plan.

ORIGINAL

RULE NO. 8 (continued)
BILLING AND COLLECTION

b. Customer agrees to pay all future bills for service in accordance with the billing and collection tariffs of the Company.

c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.

3. For the purpose of determining a reasonable installment payment schedule under these rules, the Company and the customer shall give consideration to the following conditions:

a. Size of the delinquent account.

b. Customer's ability to pay.

c. Customer's payment history.

d. Length of time that the debt has been outstanding.

e. Circumstances that resulted in the debt being outstanding.

f. Any other relevant factors related to the circumstances of the customer.

4. Any customer who desires to enter into a deferred payment agreement shall establish such agreement prior to the Company's scheduled termination date for nonpayment of bills. A customer's failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the Company from terminating service for nonpayment.

5. Deferred payment agreements shall be in writing and signed by the customer and an authorized Company representative.

6. A deferred payment agreement may include a finance charge as approved by the Commission in a tariff proceeding,

7. If a customer has not fulfilled the terms of a deferred payment agreement, the Company shall have the right to disconnect service pursuant to this District's termination of service rules and, under such circumstances, it shall not be required to offer subsequent negotiation of a deferred payment agreement prior to termination.

H. LATE PAYMENT PENALTY

1) The Company may include in its tariffs a late payment penalty that may be applied to delinquent bills.

2) The amount of the late payment penalty shall be indicated upon the customer's bill when rendered by the Company.

3) In the absence of an approved tariff, the amount of the late payment penalty shall not exceed 1½% per month of the delinquent bill, applied on a monthly basis.

ORIGINAL

RULE NO. 8 (continued)
BILLING AND COLLECTION

I. CHANGE OF OCCUPANCY

A. Not less than three (3) working days advance notice must be given in person, in writing, or by telephone at the Company office to discontinue service or to change occupancy.

B. The outgoing party shall be responsible for all utility services provided and/or consumed up to, and including the scheduled turn off date.

APPROVED FOR FILING
DECISION #: 67093

Arizona American Water Company
(Name of Company)

Aqua Fria Water District
(Name of Service Area)

ORIGINAL

RULE NO. 9
TERMINATION OF SERVICE

A. NONPERMISSIBLE TERMINATION OF SERVICE

The Company may not disconnect service for any of the reasons stated below:

1. Delinquency in payment for services rendered to a prior customer at the premises where service is being provided, except in the instance where the prior customer continues to reside on the premises.
2. Failure of the customer to pay for services or equipment not regulated by the Commission.
3. Nonpayment of a bill related to another class of water service.
4. Failure to pay for a bill to correct a previous under billing due to a billing error, inaccurate meter reading or meter failure, if the customer and Company agree in writing to payment terms over a reasonable period of time.
5. Disputed bills where the customer has complied with the Commission's rules and regulations.

B. TERMINATION OF SERVICE WITHOUT NOTICE

Company service may be disconnected without advance written notice under the following conditions:

1. The existence of an obvious hazard to the safety or health of the consumer, the general population, Company personnel or facilities.
2. The Company has evidence of meter fraud.
3. Unauthorized resale or use of utility services.
4. Failure of a customer to comply with the curtailment of procedures imposed by a utility during supply shortages.
5. The Company shall not be required to restore service until the conditions that resulted in the termination have been corrected to the satisfaction of the Company
6. The Company shall maintain a record of all terminations of service without notice. This record shall be maintained for a minimum of one (1) year and shall be available for inspection by the Commission.

C. TERMINATION OF SERVICE WITH NOTICE

The Company may disconnect service to any customer for any reason stated below, provided the Company has met the notice requirements established by the Commission.

Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.

APPROVED FOR FILING
DECISION #: 67093

ISSUED: July 1, 2004 (Month Day Year) EFFECTIVE: July 1, 2004 (Month Day Year)
ISSUED BY: David Stephenson, Rate Regulation Manager
19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

ORIGINAL

RULE NO. 9 (continued)
TERMINATION OF SERVICE

Failure of the customer to pay a delinquent bill for water service.

Failure to meet or maintain the Company's credit and deposit requirements.

Failure of the customer to provide the Company reasonable access to its equipment and property.

Customer breach of a written contract for service between the Company and customer.

When necessary for the Company to comply with an order of any governmental agency having such jurisdiction.

The Company may terminate water service to effect sewer service termination when it provides both services to the same customer upon the same premises.

The Company shall maintain a record of all terminations of service with notice. This record shall be maintained for one (1) year and be available for Commission inspection.

D. TERMINATION NOTICE REQUIREMENTS

1. The Company shall not terminate service to any of its customers without providing advance written notice to the customer of the Company's intent to disconnect service, except under those conditions specified where advance written notice is not required.

2. Such advance written notice shall contain, at a minimum, the following information:

   a. The name of the person whose service is to be terminated and the address where service is being rendered.

   b. The Commission rule or regulation that was violated and explanation thereof or the amount of the bill which the customer has failed to pay in accordance with the payment policy of this District, if applicable.

   c. The date on or after which service may be terminated.

   d. A statement advising the customer to contact the Company at a specific address or phone number for information regarding any deferred payment or other procedures which the Company may offer or to work out some other mutually agreeable solution to avoid termination of the customer's service.

   e. A statement advising the customer that the Company's stated reason for the termination of service may be disputed by contacting the Company at a specified address and phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a reasonable employee of the Company in advance of the scheduled date of termination. The responsible employee shall be empowered to resolve the dispute and the Company shall retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the customer of his right to file a complaint with the Commission.

ORIGINAL

RULE NO. 9 (continued)
TERMINATION OF SERVICE

E. TIMING OF TERMINATION WITH NOTICE

1. The Company shall be required to give at least ten (10) days advance notice prior to termination date.

2. Such notice shall be considered to be given to the customer when a copy thereof is left with the customer or posted first class in the United States mail, addressed to the customer's last known address.

3. If after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment thereof or in the case of a violation of the Company's rules the customer has not satisfied the Company that such violation has ceased, the Company may then terminate service on or after the day specified in the notice without giving further notice.

4. An authorized representative of the Company may only disconnect Service in conjunction with a personal visit to the premises.

5. The Company shall have the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of service.

F. LANDLORD/TENANT RULE

1. In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is a customer of the Company, and where the landlord as customer would otherwise be subject to disconnection of service, the Company may not disconnect service until the following actions have been taken:

   a. Where it is feasible to so provide service, the Company, after providing notice as required in these rules, shall offer the occupant the opportunity to subscribe for service in his or her own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.

   b. The Company shall not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charge due upon the outstanding account of the landlord.

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RULE NO. 10
ADMINISTRATIVE AND HEARING REQUIREMENTS

A. CUSTOMER SERVICE COMPLAINTS

1. The Company shall make full and prompt investigation of all service complaints made by its customers, either directly or through the Commission.

2. The Company shall respond to the complaint and/or the Commission representative within five (5) working days as to the status of the Company investigation of the complaint.

3. The Company shall notify the complainant and/or the Commission representative of the final disposition of each complaint. Upon request of the complainant or the Commission representative, the Company shall report the findings of its investigation in writing.

4. The Company shall inform the customer of his right of appeal to the Commission should the results of the Company's investigation prove unsatisfactory to the customer.

5. The Company shall keep a record of all written service complaints received which shall contain, at a minimum, the following data:

   a. Name and address of complainant.

   b. Date and nature of complaint.

   c. Disposition of the complaint.

   d. A copy of any correspondence between the Company, the customer, and/or the Commission.

This record shall be maintained for a minimum period of one (1) year and shall be available for inspection by the Commission.

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Arizona American Water Company
(Name of Company)

Agua Fria Water District
(Name of Service Area)

ORIGINAL

Rule No. 11

CROSS-CONNECTION & BACKFLOW

PURPOSE:

The purpose of this tariff is to protect Arizona-American Water Company (Company) water from the possibility of contamination caused by the backflow of contaminants that may be present on the customer's premises by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code ("A.A.C.") R14-2-405.B.6 and A.A.C. R18-4-115.

REQUIREMENTS:

In compliance with the Rules of the Arizona Corporation Commission ("Commission") and the Arizona Department of Environmental Quality ("ADEQ"), specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-115 relating to backflow prevention:

1. The Company may require a customer to pay for and to have installed a backflow-prevention assembly if A.A.C. R18-4-115.B or C applies;

2. A backflow-prevention assembly, required to be installed by the customer, under paragraph 1 of this tariff shall comply with the requirements set forth in A.A.C. R18-4-115.D and E.

3. Subject to the provisions of A.A.C. R14-2-407 and 410, and in accordance with paragraphs 1 and 7 of this tariff, the Company may terminate service or may deny service to a customer who fails to install a backflow-prevention assembly as required by this tariff.

4. The Company shall give any existing customer who is required to install a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a is **not** applicable, the customer shall be given thirty (30) days from the time such written notice is received in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, the Company or Commission Staff may suspend this requirement for a reasonable period of time.

5. Testing shall be in conformance with the requirements of A.A.C. R18-4-115.F. The Company may require the customer to pay to have the backflow-prevention assembly tested as long as the Company does not require an unreasonable number of tests.

6. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:

   a. assembly identification number and description;
   b. location;
   c. date(s) of test(s);
   d. description of repairs and recommendations for repairs made by tester; and
   e. the tester's name and certificate number.

7. In the event the backflow-prevention assembly does not function properly or fails any test, and a hazard as contemplated under A.A.C. R14-2-410.B.1.a exists, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be repaired or replaced by the customer and retested.

8. In the event the backflow-prevention assembly does not function properly or fails any test, or in the event that a customer fails to comply with the testing requirement, and A.A.C. R14-2-410.B.1.a is **not** applicable, the backflow assembly shall be repaired or replaced within fourteen (14) days of the initial discovery of the deficiency in the assembly or its function. Failure to remedy the deficiency or dysfunction of the assembly, or failure to retest, shall be grounds for termination of water service in accordance with A.A.C. R14-2-410.

ADMINISTRATIVELY
APPROVED FOR FILING

ISSUED: _____ (Month Day Year) EFFECTIVE: 4 2 06 (Month Day Year)

ISSUED BY: _____

ORIGINAL

Rule No. 12
Nonpotable Water Use

A. PURPOSE AND POLICY

This Rule sets forth-uniform requirements for use of Nonpotable Water and establishes a Nonpotable Water Service Agreement requirement. Implementation of this Rule is consistent with the Clean Water Act and the Arizona regulations pertaining to reuse of wastewater contained in Arizona Administrative Code (A.A.C.) R1 8-9-702, et seq. This Rule is implemented by Company in order to comply with applicable regulations and promote consistent application of Nonpotable Water, including treated wastewater, among its customers. This Rule supplements previous Rules by adding additional requirements for use of nonpotable water in addition to those required by previous Rules. The provisions of Rule 6, however, shall not apply to Nonpotable Water service. The provision of this Rule 12 will instead govern.

B. DEFINITIONS

The following definitions are supplemental to Rule No. 1:

1. Nonpotable Water: Water that contains objectionable pollution, contamination, minerals, or infectious agents and is considered unsatisfactory for human consumption. Nonpotable Water may include any combination of treated sewage effluent, untreated surface water supplies or untreated groundwater.

2. Nonpotable Water Service Agreement: A contract for Nonpotable Water service, substantially in the form attached to this Rule as Appendix A.

3. Reuse Facility: Any establishment or land owned, operated or otherwise controlled by a Customer using Nonpotable Water for irrigation, construction or other uses.

C. ESTABLISHMENT OF NONPOTABLE SERVICE

1. In addition to the requirements of Rule 2, an applicant for Nonpotable Water service shall enter into a Nonpotable Water Service Agreement with the Company prior to the establishment of service.

2. In addition to the provisions of Rule 2, an applicant may be refused service for failure to enter into a Nonpotable Water Service Agreement with the Company.

D. COMPANY RESPONSIBILITY

The Company shall deliver Nonpotable Water to the Point(s) Of Delivery specified in the Nonpotable Water Service Agreement, except that the Company may, at its option, refuse service until the Customer has obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction and safety standards.

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Rule No. 12 (continued)
Nonpotable Water Use

The Company shall provide Nonpotable Water that meets the standard(s) contained in A.A.C. R1 8-9-703 for the reuse(s) specified in the Nonpotable Water Service Agreement, in accordance with applicable Arizona Department of Environmental Quality Wastewater Reuse Permit.

E. CUSTOMER'S RESPONSIBILITY

1. Each Customer shall maintain all facilities on the Customer's side of the Point Of Delivery in a safe and efficient manner and in accordance with Arizona Department of Environmental Quality rules and the prescribed specifications of the Company.

2. Each Customer shall exercise reasonable care to prevent loss or damage to any Company property installed in or on the Customer's premises, excluding ordinary wear and tear. The Customer shall be responsible for loss of or damage to Company property on the Customer's premises arising from neglect, carelessness, or misuse and shall reimburse the Company for the cost of necessary repairs and replacements.

3. Each Customer shall pay for any equipment damaged as a result of unauthorized breaking of seals, interfering, tampering, or bypassing the Company's equipment. In cases of tampering, interfering with the proper working of the Company's equipment, interfering with theft; or service diversion, the Customer shall be subject to immediate discontinuance of service. The Company shall be entitled to collect from the Customer at the appropriate rate for all consumption not recorded as the result of such tampering or other theft of service, as well as any additional expenses incurred by the Company for property damage, investigation of the illegal act, and all legal expenses and court costs if necessary.

4. The Customer shall notify the Company of any failure identified in the Company's equipment.

5. Nonpotable Water furnished by the Company shall be used only on the Customer's premises and shall not be resold or provided to any other person.

6. The Customer agrees, when accepting service, that no one except Company employees or persons authorized by the Company shall be allowed to alter, operate, remove, replace or make any connection to any Company property or equipment installed on the Customer" property.

F. CONTINUITY OF SERVICE

1. The Company shall make reasonable efforts to supply a satisfactory level of service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

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Rule No. 12 (continued)
Nonpotable Water Use

ORIGINAL

a. Any cause against which the Company could not have reasonably foreseen or made provision for, i.e., force majeure;

b. Intentional service interruptions to make repairs or perform routine maintenance

2. Deliveries of Nonpotable Water under a restricted source tariff are subject to interruption, curtailment, or scheduling as necessary to match demands with available Nonpotable Water supplies. With respect to customers receiving service under a restricted source tariff, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from interuptions, curtailments, or scheduling as necessary to match demands with available Nonpotable Water supplies.

G. SERVICE INTERRUPTIONS

1. In the event of a service interruption, the Company shall make reasonable efforts to reestablish service within the shortest possible time.

2. The Company shall make reasonable provision to address emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of an emergency to prevent or mitigate interruption or impairment of service.

MANAGEMENT PRACTICES

The Customer shall ensure that the following management practices are observed at the Reuse Facility:

1. All irrigation, construction and other uses shall be considered reuse of wastewater and shall comply with A.A.C. R1 8-9-703C. The Reuse Facility shall maintain an operations and maintenance manual that contains sufficient information to assure compliance with this Rule.

2. Signage and other public information practices shall comply with A.A.C. R1 8-9-703C.

3. All Customer's Reuse Facility operators must be made aware of and understand the requirements of this Rule and the Nonpotable Water Service Agreement.

4. No full or partial body contact shall be allowed in Nonpotable Water. Accidental contact with Nonpotable Water is not considered to be a violation of this Rule.

5. A color coding system shall be used on all new piping and outlets to meet standards set forth by the Maricopa County Health Department and A.A.C. R18-9-703, for distinguishing potable water supply lines from Nonpotable Water lines. Plans for consideration of new or modified facilities to deliver Nonpotable Water to the Reuse Facilities shall be approved and operated pursuant to applicable regulations. Schematic plans for the location of sprinkler heads, valves, back-flow devices, and any other ancillary equipment shall be maintained in accordance with the Company's standards.

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Rule No. 12 (continued)
Nonpotable Water Use

6. The Customer shall apply Nonpotable Water at times to minimize contact with pedestrians.

7. The Customer shall utilize sprinkler head patterns to minimize overspray and runoff.

8. The Customer shall not apply Nonpotable Water in excess of consumptive use rates, in order to prevent ponding and runoff.

9. The Customer shall notify Arizona Department of Environmental Quality within five (5) working days of an unauthorized discharge to the land surface or to the aquifer. This notice shall include:

   a. A description of the discharge
   b. A description of the cause of the discharge
   c. The location of the discharge
   d. A plan of work which addresses remedial or mitigative action

   A contingency plan must be submitted to Arizona Department of Environmental Quality for review within thirty (30) days of the violation.

I. COMPANY ACCESS TO REUSE FACILITY

The Customer shall provide the Company with free access to the Reuse Facility in order to monitor compliance with the requirements of this Rule and the Nonpotable Water Service Agreement. The Company may, in furtherance of the stated purpose and policy of this Rule:

1. Enter the Customer's premises at reasonable times

2. Inspect generally for compliance

3. Take independent samples

4. Inspect and copy records

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