

Anthem Water District
(Name of Service Area)

PRELIMINARY STATEMENT

Anthem 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 All prior rules, customs, or alleged understandings are hereby rescinded.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.

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 Month Day Year Month Day Year
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19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Anthem Water District
(Name of Service Area)

RULE NO. 1 (continued)
DEFINITIONS

16. Interruptible Water Service: Water service that is subject to interruption or curtailment.
17. District: Anthem Water District.
18. Main Extension: The mains and ancillary facilities relevant to providing service to additional customers via the extension of the distribution system.
19. 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.
20. Meter: The instrument for measuring and indicating or recording the volume of water that has passed through it.
21. 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.
22. 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.
23. Minimum Delivery Pressure: Twenty (20) pounds per square inch gauge at the meter or point of delivery.
24. Permanent Customer: A customer who is a tenant or owner of a service location who applies for and receives permanent water service.
25. 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.
26. Person: Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
27. 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.
28. 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.
29. Residential Subdivision Development: Any tract of land which has been divided into four (4) or more contiguous lots for use in the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
30. 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.

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RULE NO. 2 (continued)
ESTABLISHMENT OF SERVICE

5. 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.
6. A separate deposit may be required for each meter installed.
7. The amount of a deposit required by the Company shall be determined according to the following terms.
 - a. 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.
 - b. Nonresidential customer deposits shall not exceed two and one-half (2½) times that customer's estimated maximum monthly bill.
 - c. 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.
8. 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.
10. 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.

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

C. GROUNDS FOR REFUSAL OF SERVICE

1. The Company may refuse to establish service if any of the following conditions exist:
 - a. 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.

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RULE NO. 2 (continued)
ESTABLISHMENT OF 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:

1. 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.
2. A required reconnection of water service to any customer previously disconnected for nonpayment.
3. 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.

J. SERVICE CALLS FOR ESTABLISHMENTS AFTER REGULAR HOURS

A service charge, not to exceed the actual cost of employee's time and the materials and equipment used by the Company, will be imposed for a service call after regular hours for the following:

1. 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.
2. A required reconnection of water service to any customer previously disconnected for nonpayment.
3. 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.

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RULE NO. 5 (continued)
MAIN EXTENSION AGREEMENTS

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.
 - 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 "Pull 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.

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RULE NO. 8 (continued)
BILLING AND COLLECTION

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.
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.

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RULE NO. 8 (continued)
BILLING AND COLLECTION

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.

I. CHANGE OF OCCUPANCY

1. 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.
2. The outgoing party shall be responsible for all utility services provided and/or consumed up to, and including the scheduled turn off date.

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RULE NO. 9 (continued)
TERMINATION OF SERVICE

C. TERMINATION OF SERVICE WITH NOTICE

1. 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.
 - a. Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
 - b. Failure of the customer to pay a delinquent bill for water service.
 - c. Failure to meet or maintain the Company's credit and deposit requirements.
 - d. Failure of the customer to provide the Company reasonable access to its equipment and property.
 - e. Customer breach of a written contract for service between the Company and customer.
 - f. When necessary for the Company to comply with an order of any governmental agency having such jurisdiction.
 - g. The Company may terminate water service to effect sewer service termination when it provides both services to the same customer upon the same premises.
2. 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.

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