

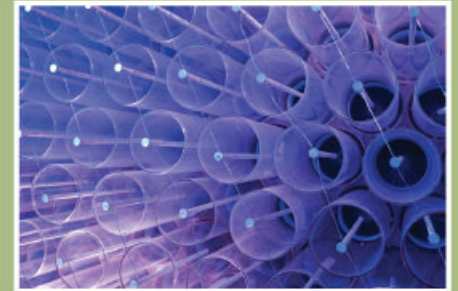
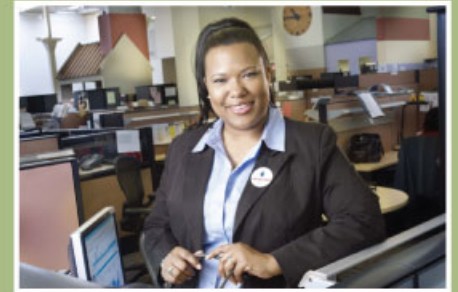


ARIZONA
AMERICAN WATER

Investing in Your Community

Follow-Up Meeting
On Proposed Water Rate Increase

February 10, 2009





Paradise Valley-Scottsdale Water District Facts

- Our company has served parts of Paradise Valley and Scottsdale for more than 40 years, since 1969.
- Until 2002, we were known as Paradise Valley Water Company.
- In 2002, we changed our name to Arizona American Water.
- We are the same company you have known for more than 40 years, and we are committed to providing our Paradise Valley and Scottsdale customers with high-quality, reliable water service!



Scottsdale Water Bill

Customer Account Information

For Service To:

Account Number:
Premise Number:

Billing Period & Meter Information

Billing Date: Dec 17, 2008
Billing Period: Nov 13 to Dec 12 (29 days)

Next reading on/about: Feb 11, 2009
Rate Type: Residential

Meter readings in current billing period:
Meter Number 077956197 is a 5/8-inch meter.
Present-actual 1620
Last-actual 1592
T-gal used 28

Billing Summary

-----Prior Balance-----
Balance from last bill \$91.17
Payments as of Dec 17, 2008. Thanks! -91.17
Total prior balance, Dec 17, 2008 .00

-----Current Water Charges-----
Basic Service 9.50
Water Volume (\$.760 x 25.00) 19.00
(\$ 1.650 x 3.00) 4.95
Total Use Billed 28.00 33.45

-----Other Current Charges-----
Arsenic Recovery (EPA mandate) 31.92
ACC Resid Reg Assmnt Fee .13
Land Sale Credit -.90
Total other charges, Dec 17, 2008 31.15

-----Taxes-----
City Tax - Scottsdale 1.08
County Tax - Maricopa .45
State Tax 3.66
Water Use Tax .18
ADWR Withdrawal Fee .25
Total taxes, Dec 17, 2008 5.62

-----TOTAL AMOUNT DUE-----

\$91.17
-91.17

.00

9.50
19.00
4.95

33.45

31.92
.13
-.90

31.15

1.08
.45
3.66
.18
.25

5.62

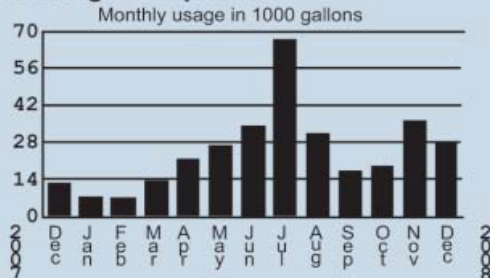
\$70.22

Water Charges cover all costs to deliver high-quality, reliable water service.

Arsenic Recovery Surcharge pays for arsenic removal facility required by EPA.

Fees and taxes are collected for state and local government

Water Usage Comparison



Do not send payment. Total Amount Due will be deducted from your bank account on Jan 06, 2009



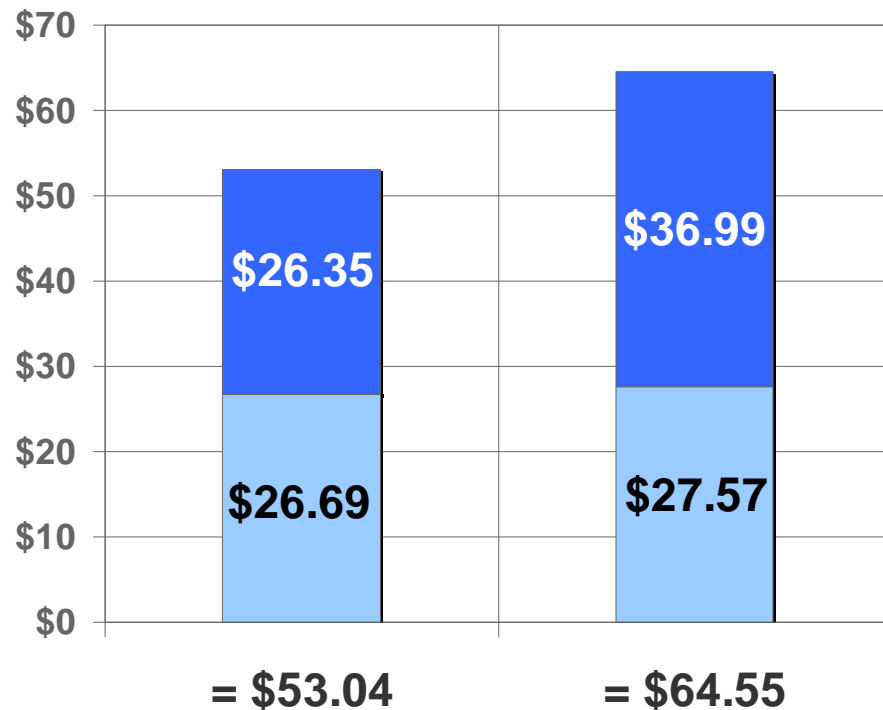
2009 Proposed Water Rate Increase

- Last general rate increase granted by the Arizona Corporation Commission (“ACC”) in 2006 based on expenses and investments made during the years 2002-2004.
- Current rate case filed with the ACC in May 2008 based on operating expenses and capital investments made during the years 2005-2007.
- Open hearing is at the ACC on March 19th at 2:30 p.m. Decision from ACC expected in late summer or fall.



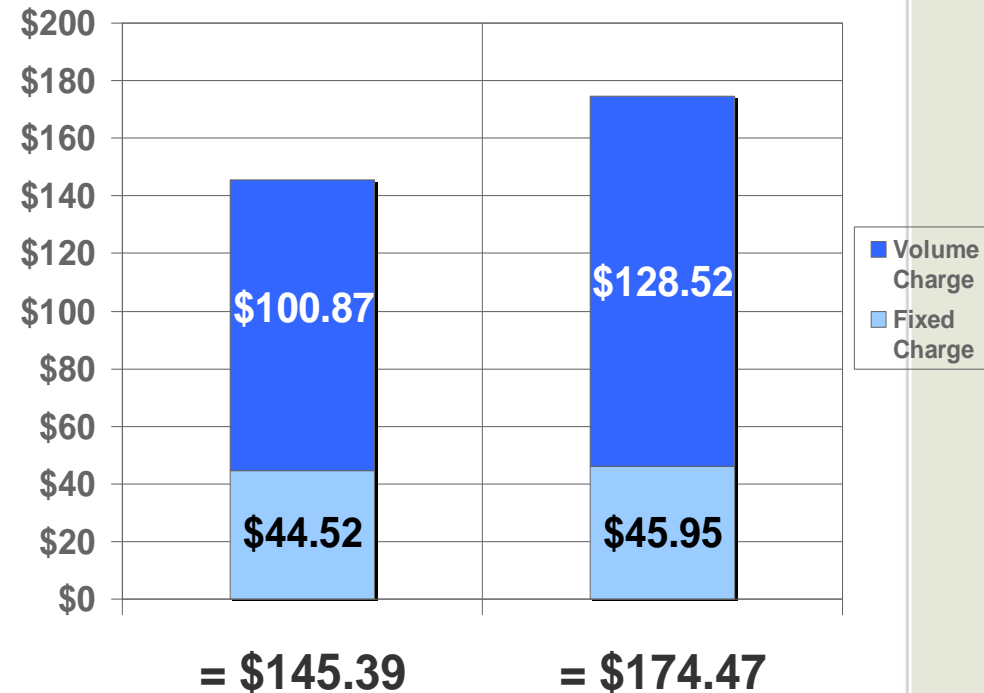
Current Average Residential Bill vs. Proposed Average Residential Bill

5/8" Meter & 20,000 Gal/Month



An increase of 38¢ / day

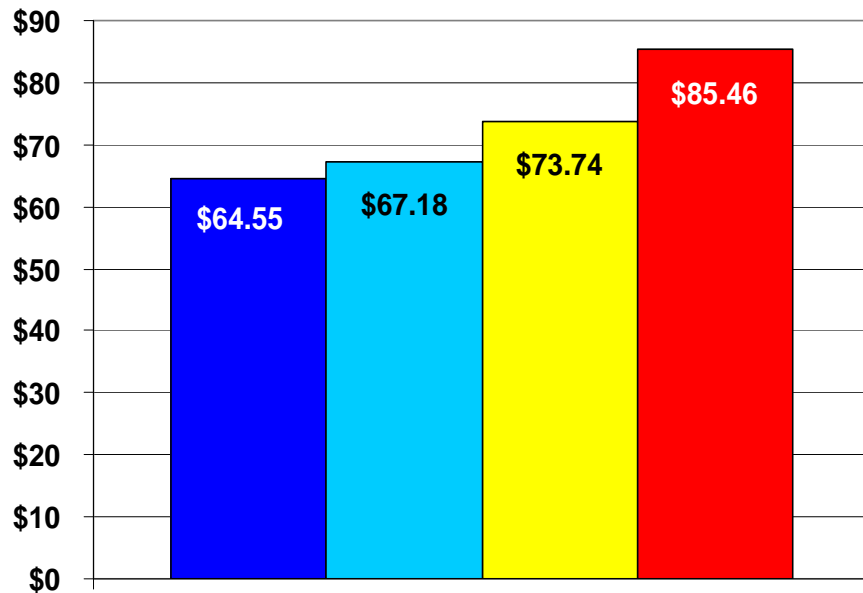
1" Meter & 57,000 Gal/Month



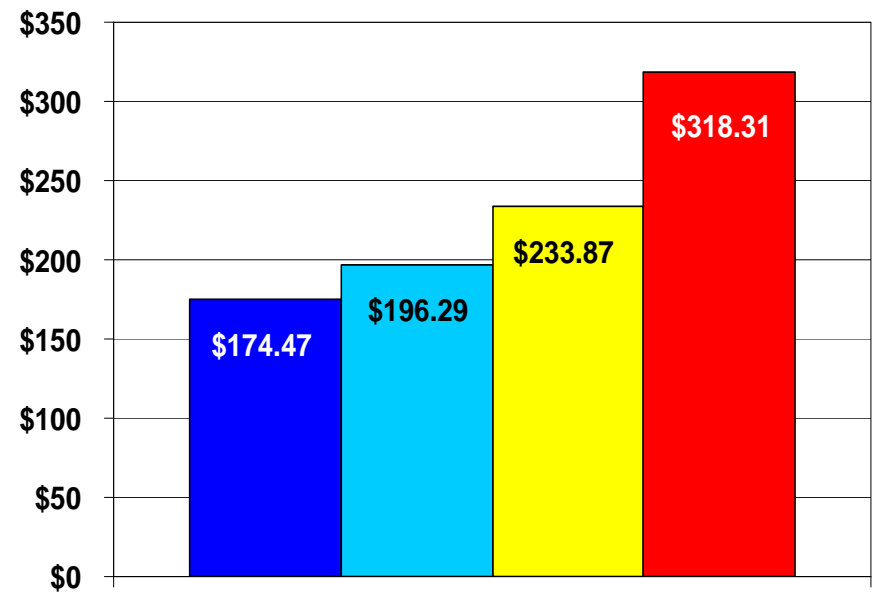
An increase of 97¢ / day





Proposed Rates Are Lower than Scottsdale and Phoenix





Based on a 5/8" meter and 20,000 gallons per month



Based on a 1" meter and 57,000 gallons per month

-  Proposed Arizona American
-  City of Phoenix Winter Months

-  City of Scottsdale
-  City of Phoenix Summer Months



Expenses Have Increased \$1.4 Million Since 2004

1. Depreciation & Amortization	\$190,000
2. Chemicals	\$145,000
3. Water Quality Laboratory, Customer Service Center and other Shared Services	\$450,000
4. Labor, Health Insurance, Pensions	\$275,000
5. Maintenance Expenses & Taxes	\$380,000

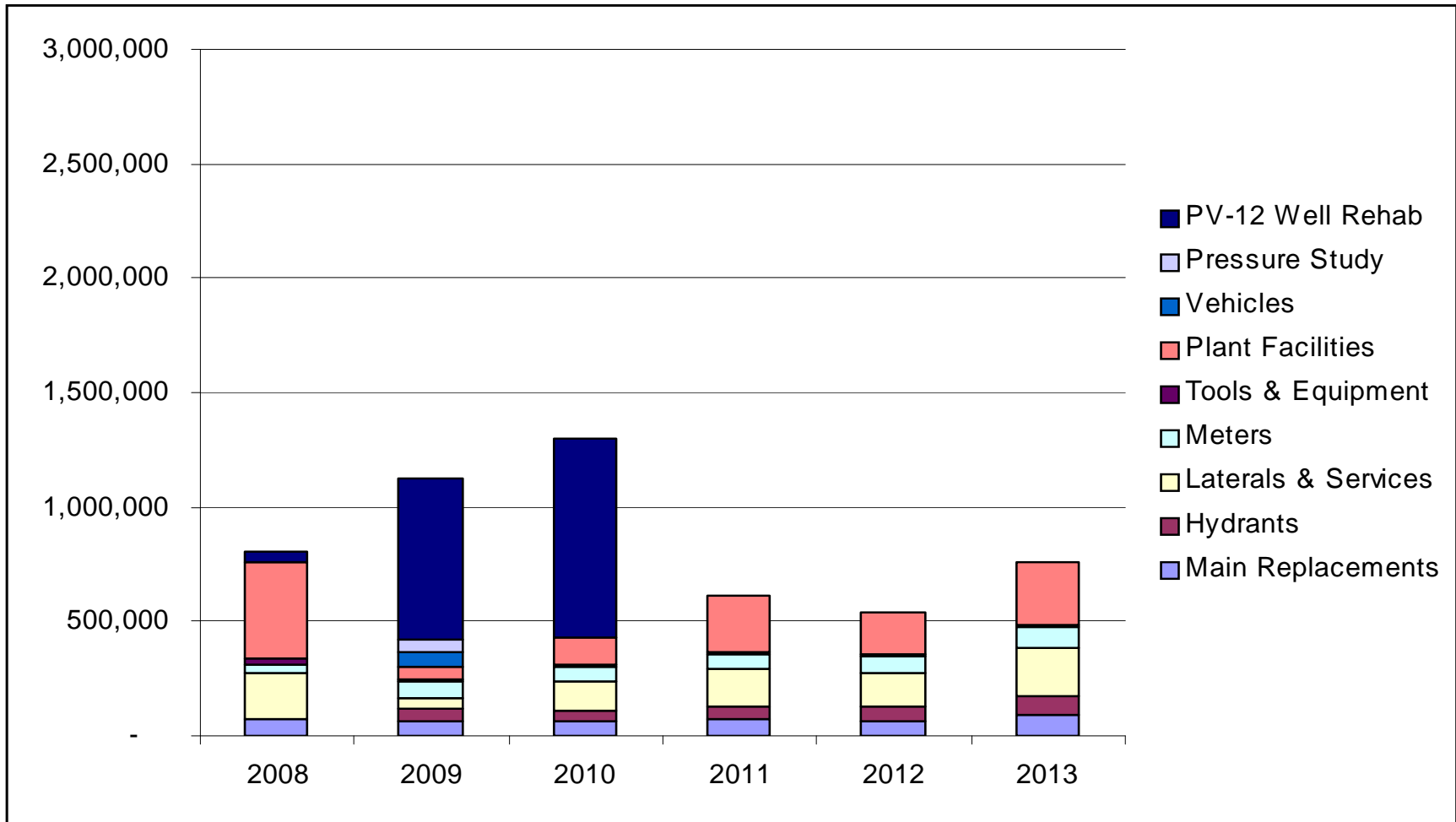


2005-2007 Investments in the Paradise Valley-Scottsdale System

Arsenic Treatment Facility	\$23 million
Fire Flow Improvements	\$ 7 million
Water Mains and Pipes	\$260,000
Wells, Pumps & Equipment	\$280,000
New Service Line Installations	\$490,000
Total	\$31 million



2008-2013 Planned Capital Investments Will Be Lower Than 2005-2007





Summary

- **Primary drivers for the rate increase are capital investments made in the Paradise Valley-Scottsdale service area and increases in operating expenses since 2004.**
- **Planned capital investments through 2013 will be lower than recent levels, which should help moderate future rate increase requests.**
- **Even with the proposed increase, Arizona American Water's average residential rates are lower than both Scottsdale and Phoenix.**



How to Contact Us

We are located at:

6215 Cattle Track Rd.
Scottsdale, Arizona

Steve Lutringer, Paradise Valley Network Supervisor
Phone: (480) 445-2462

24-hour Customer Service Center: (800) 383-0834
Joni McGlothlin, External Affairs Manager (623) 238-0671

Or you can email us at: azrates@amwater.com
for a calculation of the impact of the rate proposal on your account.



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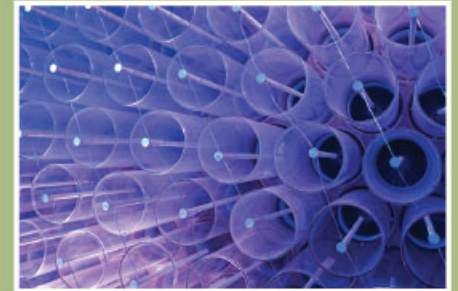
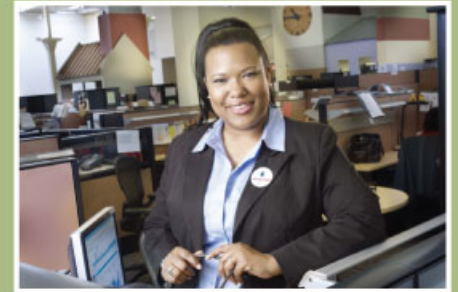
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Thank You For Coming!





Efforts to Address Water Pressure Concerns

- Hilly topography causes both low pressure and high pressure problems in different parts of Paradise Valley/Scottsdale system
- Older design of piping system makes global efforts to moderate pressures at all elevations very expensive
- Some specific areas have been addressed but our success is limited
- Fire flow improvement project would have addressed some pressure problems due to installation of larger and newer piping
- Company is currently performing an update to its comprehensive planning (engineering) study of the system this year
- Depending on study results, some funding has been identified over the next few years for possible solutions in some areas
- Arizona-American will host community meetings to share the results of the study and seek customer input.



Status on Fire Flow Projects

- Based on community involvement, Arizona-American embarked on construction of “Fire Flow Improvement Projects” beginning in 2003.
- Over \$7 million was invested in these projects between 2003 and 2008.
- Most of the fire flow projects were to be funded by a Public Safety Surcharge (PSS) and a High Block Surcharge (HBS) on customer bills.
- Last September the Arizona Corporation Commission terminated the PSS and reduced the HBS from \$2.15 to \$1.00 per 1,000 gallons.
- As a result of the loss of funding the Company was forced to suspend the remaining fire flow projects that had not yet been completed.
- The last project – the pipeline on McDonald Drive between Miller and Scottsdale Roads - was not fully paid off before the Commission decision in September.
- To date, the fire flow improvement projects have been paid off and the HBS will be terminated upon completion of the company’s current rate case.