

Arizona American Water Company
(Name of Company)

Sun City Water District
(Name of Service Area)

RULES AND REGULATIONS APPLICABLE TO WATER SERVICE
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19820 N. 7th St., Suite 201, Phoenix, Arizona 85024

Arizona American Water Company
(Name of Company)Sun City Water District
(Name of Service Area)**RULE NO. 1**
DEFINITIONS

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

1. 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.
2. Applicant: A person requesting the Company to supply water service.
3. Application: A written request of the Company for water service, as distinguished from an inquiry as to the availability or charges for such service.
4. Arizona Corporation Commission: The regulatory authority of the State of Arizona having jurisdiction over the public service corporations operating in Arizona.
5. Billing Month: The period between any two regular readings or estimated readings of the Company's meters at approximately thirty (30) day intervals.
6. Billing Period: The time interval between two consecutive meter readings or estimates that are taken for billing purposes.
7. Commission: The Arizona Corporation Commission.
8. Commodity Charge: The unit of cost per billed usage, as set forth in the Company's tariffs.
9. Company: Arizona-American Water Company.
10. 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.
11. 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.
12. 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.
13. Customer Piping: The pipe that transports water to the customer from the point of delivery to the point of usage by the customer.
14. Day: Calendar day.
15. Distribution Main: A water main of the Company from which service connections may be extended to customers.
16. Interruptible Water Service: Water service that is subject to interruption or curtailment.
17. District: Sun City Water District.

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RULE NO. 1 (continued)
DEFINITIONS

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: 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 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.
31. Rules: The regulations set forth in the tariffs which apply to the provision of water service.
32. 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.
33. Service Establishment Charge: The charges specified in this District's tariffs which cover the cost of establishing a new account.

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Arizona American Water Company
(Name of Company)Sun City Water District
(Name of Service Area)**RULE NO. 1 (continued)**
DEFINITIONS

34. 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.
35. 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.
36. 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.
37. 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.
38. 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.
39. 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.
40. Utility: The public service corporation providing water service to the public in compliance with state law.

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Arizona American Water Company
(Name of Company)Sun City Water District
(Name of Service Area)**RULE NO. 2**
ESTABLISHMENT OF SERVICE**A. INFORMATION FROM NEW APPLICANTS**

1. 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.
2. 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.
3. 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

1. The Company may require a deposit from any new applicant for service.
2. 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.
3. 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%).
4. Interest shall be computed and accrued to the customers account on an annual basis.
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.

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RULE NO. 2 (continued)
ESTABLISHMENT OF SERVICE

D. SERVICE ESTABLISHMENTS, REESTABLISHMENTS, OR RECONNECTION CHARGE:

1. The Company may make a charge as periodically filed with the Commission for establishment, reestablishment, reconnection or disconnection of utility services.
2. 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.
3. 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.

E. TEMPORARY SERVICE

1. 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.
2. 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.
3. Where the duration of service is to exceed one month, the applicant may also be required to meet the deposit requirements of this District.
4. 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.

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:

- a. All such installations shall be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
- b. Individual customers may be required to have their property corner pins and/or markers installed.

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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.

D. 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 ours for any purpose reasonably connected with the Company's property used in furnishing service.

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MAIN EXTENSION AGREEMENTS

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.
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.

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