



ARIZONA WATER COMPANY

TERMS AND CONDITIONS FOR THE PROVISION OF WATER SERVICE

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The following terms and conditions for the provision of water service (the "Terms and Conditions") which are based on the Arizona Administrative Code, Title 14, Public Service Corporations, Chapter 2, Fixed Utilities, Article 4, Water Utilities, apply to all customers who obtain water service from Arizona Water Company.

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*AAC – Arizona Administrative Code



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I. DEFINITIONS

IN THESE TERMS AND CONDITIONS, UNLESS THE CONTEXT OTHERWISE REQUIRES, THE FOLLOWING DEFINITIONS SHALL APPLY:

1. "Advance for construction". Funds provided to the Company by the applicant under the terms of a main extension agreement, the value of which may be refundable.
2. "Applicant". A person requesting the Company to supply water service.
3. "Application". A request to the Company for water service, as distinguished from an inquiry as to the availability or charges for such service.
4. "Arizona Corporation Commission" or "Commission". The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
5. "Billing month". The period between any two regular readings of the Company's meters at approximately thirty- (30) day intervals.
6. "Billing period". The time interval between two consecutive meter readings that are taken for billing purposes.
7. "Commodity charge ". The unit of cost per billed usage, as set forth in the Company's tariffs.
8. "Company". Arizona Water Company.
9. "Contribution in aid of construction". Funds provided to the Company by the applicant under the terms of a main extension agreement and/or tariff, the value of which is not refundable.
10. "Customer". The person or entity in whose name water service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of water bills regularly issued in his or her name, regardless of the identity of the actual user of the service.
11. "Customer charge". The amount the customers must pay the Company for the availability of water service, excluding water used, as specified in the Company's tariffs.
12. "Day". Calendar day.
13. "Distribution main". A water main of the Company from which service lines may be extended to customers.
14. "Interruptible water service". Water service that is subject to interruption or curtailment.
15. "Main extension". The water mains and ancillary equipment necessary to extend the existing water distribution system to provide water service to additional customers.
16. "Master meter". A meter for measuring or recording the flow of water at a single location where said water is transported through an underground piping system to tenants or occupants for their individual consumption.
17. "Meter". The instrument for measuring and indicating or recording the volume of water that has passed through it.
18. "Meter tampering". A situation where a meter has been illegally altered. Common examples are meter bypassing and broken meter seals.
19. "Minimum charge". The monthly amount the customer must pay for the availability of water service, including an amount of usage, as specified in the Company's tariffs.



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20. "Minimum delivery pressure". Twenty (20) pounds per square inch gauge (psig) at the meter or point of delivery.
21. "Permanent customer". A customer who applies for and receives permanent water service from the Company.
22. "Permanent service". Water 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.
23. "Person". Any individual, partnership, joint venture, corporation, governmental agency or other organization operating as a single entity.
24. "Point of delivery". The point where facilities owned, leased or under license by a customer connect to the Company's pipes or at the outlet side of the meter.
25. "Premises". All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
26. "Residential subdivision development". Any tract of land which has been divided into four or more contiguous lots for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
27. "Residential use". Use of water for domestic purposes such as personal consumption, water heating, cooking, and other residential uses, and includes use in apartment buildings, mobile home parks, and other multi-unit residential buildings.
28. "Service area". The territory in which the Company has been granted a Certificate of Convenience and Necessity or is otherwise authorized by the Commission to provide water service.
29. "Service call out charge". The charge, as specified in the Company's tariffs, which covers the cost of responding to a customer's request for water or other Company service during a period other than regular working hours.
30. "Service establishment charge". The charge, as specified in the Company's tariffs, which covers the cost of establishing a new account.
31. "Service line". A water line that transports water from a common source of supply (normally a distribution main) to the customer's point of delivery.
32. "Service reconnection charge". The charge, as specified in the Company's tariffs, which must be paid by the customer prior to the restoration of water service each time water service is terminated for nonpayment, or whenever water service is terminated for failure to otherwise comply with the Company's tariffs.
33. "Service re-establishment charge". The charge, as specified in the Company's tariffs, for water service at the same location to the same customer or any member of such customer's household where water service had been ordered discontinued or had been discontinued for failure to pay a delinquent bill within the preceding twelve (12) months.
34. "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 permanent home.
35. "Tariffs". The documents filed with the Commission which list the services and products offered by the Company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
36. "Temporary service". Water service to premises or enterprises which, in the opinion of the Company, is temporary in character, or where it is known in advance that the water service will be



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of limited duration. Water service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.

II. ESTABLISHMENT OF WATER SERVICE

A. INFORMATION FROM NEW APPLICANTS

1. The Company may obtain the following minimum information from each new applicant for water service:
 - a. Name or names of applicant(s).
 - b. Proof of identification (social security number, driver's license number, or similar identifying information).
 - c. Tax assessor parcel number of premises to be served.
 - d. Service address or location and telephone number.
 - e. Billing address and telephone number, if different than service address.
 - f. Address where water service was provided previously.
 - g. Date applicant will be ready for water service.
 - h. Indication of whether premises have been supplied with water service previously.
 - i. Purpose for which water service is to be used.
 - j. Indication of whether applicant is owner or tenant of or agent for the premises.
2. The Company may require a new applicant for water service to appear at the Company's local office to produce proof of identity and sign the Company's application form.
3. Where water service is requested by two or more individuals, the Company has 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 water service.
2. The Company will issue a nonnegotiable receipt to the applicant for the deposit. The inability of the customer to produce such a receipt will in no way impair his or her right to receive a refund of the deposit which is reflected on the Company's records.
3. Interest on deposits will 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 (6) percent.
4. Interest will be credited to the customer's bill annually.
5. Residential deposits will be refunded within thirty (30) days after:
 - a. Twelve (12) consecutive months of water service without being delinquent in the payment of water bills provided the Company may re-establish the deposit if the customer becomes delinquent in the payment of water bills two or more times within a twelve (12) consecutive month period.
 - b. The discontinuance of water 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 will be determined according to the following terms:
 - a. Residential customer deposits will not exceed two times the average residential class water bill as evidenced by the Company's most recent annual report filed with the Commission.



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- b. Nonresidential customer deposits will not exceed two and one-half times that customer's estimated maximum monthly water bill.
 - c. The Company may review the customer's usage after water service has been connected and adjust the deposit amount based upon the customer's actual usage.
8. Upon discontinuance of water service, the deposit may be applied by the Company toward settlement of the customer's water bill.

C. GROUNDS FOR REFUSAL OF WATER SERVICE

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

1. The applicant has an outstanding amount due for the same class of water service with the Company and the applicant is unwilling to make arrangements with the Company for payment.
2. A condition exists which in the Company's judgment is unsafe or hazardous to the applicant, the general population, or the Company's personnel or facilities.
3. Refusal by the applicant to provide the Company with a deposit.
4. The applicant is known to be in violation of the Company's tariffs filed with the Commission or the Commission's rules and regulations.
5. Failure of the applicant to furnish such funds, service, equipment, and/or rights-of-way necessary to serve the applicant and which have been specified by the Company as a condition for providing water service.
6. The applicant falsifies his or her identity for the purpose of obtaining water service.

D. SERVICE ESTABLISHMENT, RE-ESTABLISHMENT AND RECONNECTION CHARGES

1. The Company will make a non-refundable charge, as approved by the Commission, for the establishment, re-establishment, or reconnection of water service. Billing for the service establishment charge will be rendered as a part of the customer's first water service bill.
2. Should water service be established during a period other than regular working hours at the applicant's request, the applicant will be required to pay a service call out charge for the water service establishment. Where the Company's scheduling will not permit water service establishment during regular working hours on the same day requested, the applicant can elect to pay the service call out charge for water service establishment after regular working hours that day.
3. For the purpose of this section, water service establishment is where a 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.
4. If water service is to be re-established within a twelve (12) month period at the same service location for a customer, or for any member of such customer's household, payment of a nonrefundable service re-establishment charge is required. In addition, if service was terminated by the Company for failure to pay a delinquent balance, then payment of the delinquent balance plus a service reconnection for delinquency charge will also be required. Payment of the applicable charges will be required as a pre-condition to the re-establishment of service and is to be made at the time of application for re-establishment of service.

E. TEMPORARY SERVICE

1. The applicant for temporary service must deposit with the Company, in advance of water service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired water service.



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2. Where the duration of water service is to be less than one (1) month, the applicant will also be required to advance a sum of money equal to the estimated bill for water service.
3. Where the duration of water service is to exceed one (1) month, the applicant will also be required to meet the deposit requirements of the Company.
4. If at any time during the term of the agreement for water 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 the Company's main extension rule shall apply.

F. SERVICE RENDERED UNDER SPECIAL AGREEMENT

Water service will normally be rendered in accord with these Terms and Conditions, and other tariffs and at such rate or rates as may from time to time be authorized by the Commission. However, in the case of the customer whose requirements are of unusual nature or characteristics, special rates and/or contract arrangements may be required.

G. OPTIONAL RATE SCHEDULE

Certain optional rate schedules applicable to certain classes of service may allow a customer the option to select other applicable rate schedules to be effective initially, or after service under such a schedule has been established, from and after the next meter reading, upon written notice to the Company. However, no further change may be made within the next succeeding twelve (12) months. Rate schedules specifying a specific contract period, or contract periods specified within agreements, are not subject to change prior to termination of the contract period.

III. MINIMUM CUSTOMER INFORMATION REQUIREMENTS

A. INFORMATION FOR RESIDENTIAL CUSTOMERS

1. The Company will 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 such customer. The summary will include the following:
 - a. Monthly minimum or customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable.
 - b. Rate blocks, where applicable.
 - c. Any adjustment factor(s) and method of calculation.
2. The Company will, to the extent practical, identify the tariff most advantageous to the customer and notify the customer of such prior to water service establishment.
3. In addition, the Company will make available, upon customer request, not later than sixty (60) days from the date of request, a copy of these Terms and Conditions, other tariffs, and the Commission's rules and regulations governing:
 - a. Deposits.
 - b. Terminations of water service.
 - c. Billing and collection.
 - d. Complaint handling.
4. The Company, upon written request of a customer, will 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.
5. The Company will inform all new customers of their right to obtain the above-specified information.



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B. INFORMATION REQUIRED DUE TO CHANGES IN TARIFFS

1. The Company will transmit to affected customers by the most economic means available a concise summary of any change in the Company's tariffs affecting those customers.
2. This information will be transmitted to the affected customers within sixty (60) days of the effective date of the change.

IV. SERVICE LINES AND ESTABLISHMENT

A. PRIORITY AND TIMING OF WATER SERVICE ESTABLISHMENT

1. After an applicant has complied with the Company's application and deposit requirements and has been accepted for water service by the Company, the Company will schedule that customer for water service establishment.
2. Water service establishment will be scheduled for completion within five (5) working days of the date the customer has been accepted for water service, except in those instances when the customer requests water service establishment beyond the five (5) working day limitation.
3. When the Company has made arrangements to meet with a customer for water service establishment purposes and the Company or the customer cannot make the appointment during the prearranged time, the Company will reschedule the water service establishment to the satisfaction of both parties.
4. The Company will schedule water 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 the customer.
5. Water service establishment shall be made only by qualified Company service personnel.
6. For the purposes of this section, water service establishment is where a customer's facilities are ready and acceptable to the Company and the Company need only to install a meter, read a meter, or turn the service on.

B. SERVICE LINES

1. An applicant for water service shall be responsible for the cost of installing all customers piping up to the meter.
2. An applicant for water service shall pay to the Company, as a refundable advance for construction, the service line and meter installation charges approved by the Commission. Except where the advances for construction for meters and service lines have been included in advances for construction for main extensions, and thus are refundable pursuant to main extension contracts approved by the Commission, each advance for construction for a service line and meter will be repaid by the Company by an annual credit of one-tenth (1/10) of the amount received (including applicable state and federal income taxes), said credit to be applied upon the water bill rendered in November of each year, until fully paid, for each water service and meter for which the advance was made, said credit to commence the month of November for all such advances received during the preceding calendar year.
3. Where water 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 will provide a like valve on the Company's side of such meter.
4. The Company at its option may install its meter at the property line, on the customer's property or in another location mutually agreed upon.



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5. Where the meter or service line location on the customer's premises is changed, either at the request of the customer or due to alterations on the customer's premises, the customer shall provide and have installed at his or her expense all piping necessary for relocating the meter and the Company will make a non-refundable charge for moving the meter and/or service line.
6. The customer's piping must be installed in such a manner as to prevent cross-connection or backflow into the Company's water system in compliance with the Company's Tariff No. CC-258, "Cross-Connection Control," as approved by the Commission.

C. EASEMENTS AND RIGHTS-OF-WAY

1. Each customer shall grant or secure necessary easement(s) and/or right(s)-of-way satisfactory to the Company, to enable the Company to provide proper water service to the customer. Failure on the part of the customer to grant or secure satisfactory easement(s) and/or right(s)-of-way shall be grounds for the Company to refuse water service. The Company may, but will not be required to, extend or install its facilities in easement(s) or right(s)-of-way where final grades have not been established, or where the street has not been brought to grade as established by public authority or where, in the opinion of the Company, the extension or installation would not allow for the development of an orderly water distribution system.
2. When the Company discovers that a customer or the customer's 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 interferes with the Company's access to its facilities, the Company shall notify the customer or the customer's agent and shall take whatever actions are necessary to eliminate the hazard, obstruction or violation, at the customer's expense.

D. ABNORMAL EQUIPMENT CHARACTERISTICS

Certain types of equipment on a customer's premises may have abnormal characteristics which can cause severe fluctuations in volume or pressure or interfere with water service by the Company to its customers. In such cases, the Company may decline to serve or terminate service to such premises until the customer, at his or her expense, has provided suitable apparatus to hold to reasonable limits the effect of such fluctuations on volume or pressure. Circumstances may require that such equipment be supplied separately from another water service, and in such event, the Company may meter and bill such service separately from other water service supplied to the customer's premises.

V. MAIN EXTENSION AGREEMENTS

A. CONDITIONS GOVERNING MAIN EXTENSIONS

1. An applicant for the extension of mains may be required to pay to the Company, as a refundable advance for construction, before construction is commenced, the estimated reasonable cost of all mains, service lines, valves, fittings and meters.
2. In the event that additional facilities are required to provide pressure, storage, or water supply, exclusively for the new water service or services requested, and the cost of the additional facilities is disproportionate to anticipated revenues to be derived from future customers using these facilities, the estimated reasonable cost of such additional facilities may be included in refundable advances for construction.
3. The cost of fire hydrants, fire services and fire mains, and the cost of oversizing mains, service lines or reservoirs for fire service purposes shall be paid by the applicant as a contribution in aid of construction before construction is commenced. Except as provided for in paragraph 6, below, such cost shall not be subject to refund.
4. Upon request by a potential applicant for a main extension, the Company will prepare, without charge, a preliminary sketch and rough estimate of the cost of installation to be paid by said applicant. Any applicant for a main extension requesting the Company to prepare detailed plans,



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specifications, or cost estimates will be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company will, 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 Company construction of the extension, the deposit will be credited to the cost of construction; otherwise the deposit will be non-refundable. If the extension is to include oversizing of facilities to be done at the Company's expense, appropriate details will be set forth in the plans, specifications and cost estimates.

5. Where the Company requires an applicant to advance funds for a main extension, the Company will furnish the applicant a copy of Section V of these Terms and Conditions and the Commission's rules and regulations governing main extension agreements prior to the applicant's acceptance of the Company's extension agreement.
6. The Company will determine and inform the applicant of the actual cost of construction within sixty (60) days after the completion of construction or the Company's receipt of all invoices and charges related to the construction. If the Company's actual cost of construction is less than the total amount paid, the Company will refund the difference (including applicable state and federal income taxes) to the applicant; conversely, if the Company's actual cost of construction is more than the total amount paid, the applicant shall pay the difference (including applicable state and federal income taxes) to the Company within sixty (60) days of receipt of an invoice from the Company. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the applicant will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.
7. The provisions of this section apply only to those applicants who, in the Company's judgment, will be permanent customers of the Company. Applications for temporary service shall be governed by these Terms and Conditions and other Company tariffs concerning temporary service.

B. REFUNDS

Refunds of advances for construction made pursuant to this section will be made in accord with the following method:

1. The Company will each year pay to the party making an advance for construction under a main extension agreement, or that party's assignees or other successors in interest where the Company has received written notice and evidence of such assignment or succession, an amount equal to ten (10) percent of the total gross annual revenue from water sales plus applicable state and federal income taxes to each bona fide customer whose service line is connected to distribution mains covered by the main extension agreement, for a period of ten (10) years.
2. Refunds will 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.
3. A balance remaining at the end of the ten- (10) year period set out shall become non-refundable, in which case the balance not refunded will be entered as a contribution in aid of construction in the accounts of the Company.
4. The aggregate refunds under this section shall in no event exceed the total of the advances for construction plus applicable state and federal income taxes.
5. No interest will be paid by the Company on any amounts advanced for construction.
6. The Company will make no refunds from any revenue received from any other service lines connected to distribution mains leading up to or taking off from the particular main extension covered by the agreement.
7. Amounts advanced for construction of main extensions will be refunded in accord with the Company's tariffs in force and effect on the date the agreement therefor was executed.



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C. ALL AGREEMENTS ARE TO BE IN WRITING

All main extension agreements entered into under this section will be evidenced by a written statement, and signed by the Company and by the parties advancing or contributing the funds under this section, or by the duly authorized agents of each.

D. SYSTEM TO BE AS SPECIFIED BY THE COMPANY

1. The size, design, type and quality of materials of the system installed under this section, the location in the ground, and the manner of installation will be specified by the Company, and will be in accord with the requirements of the Commission and/or other public agencies having authority therein. The Company may install main extensions of any diameter meeting the requirements of the Commission and/or other public agencies having authority over the construction and operation of the water system and mains, except individual main extensions shall be a minimum of six (6) inches standard diameter with a working pressure rating of one hundred fifty (150) psig.
2. Single residential customer advances for construction shall not exceed the reasonable cost of construction of a six- (6) inch diameter main extension. For customer advances for other than a single residential customer, the main sizes will conform to the following specifications:
 - a. For mains installed along section lines or their equivalent, a minimum diameter of twelve (12) inches will be required.
 - b. For mains installed along mid-section lines or their equivalent, a minimum diameter of eight (8) inches will be required.
 - c. For all other locations, a minimum diameter of six (6) inches will be required.

E. COMPANY OWNS ALL FACILITIES

All pipelines, valves, fittings, wells, tanks, meters, service lines or other facilities installed under this section shall be the sole property of the Company, and parties making advances for and/or contributions in aid of construction under this section shall have no right, title or interest in any such facilities.

F. MAIN EXTENSIONS WILL BE SCHEDULED PROMPTLY

The Company will schedule all new requests for main extension agreements, and for water service under main extension agreements, promptly and in the order received.

G. APPLICANT MAY REQUEST SPECIFIC CONTRACTOR(S) BE ALLOWED TO BID

An applicant for water service seeking to enter into a main extension agreement may request that the Company include on a list of contractors from whom bids will be solicited, the name(s) of any qualified and bonded contractor(s), provided that all bids shall be submitted by the bid date stipulated by the Company. If a lower bid is thus obtained or if a bid is obtained at an equal price with a more appropriate time of performance, and if such bid contemplates conformity with the Company's requirements and specifications, the Company will meet the terms and conditions of the bid proffered, or enter into a construction contract with the contractor proffering such bid. A performance bond in the total amount of the contract may be required by the Company from the contractor prior to construction.

H. FILING OF AGREEMENTS

All agreements under this section will be filed with and approved by the Utilities Division of the Commission along with a Certificate of Approval to Construct, as issued by the Arizona Department of Environmental Quality or its delegated agent.

1. For main extension agreements with individual residential customers, the approval of the Arizona Department of Environmental Quality or its delegated agent will be obtained by the Company and submitted to the Commission.



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2. For main extension agreements with other than individual residential customers, approval of the Arizona Department of Environmental Quality or its delegated agent must be obtained by the applicant and submitted by the applicant to the Company which, in turn, will submit such approval to the Commission with the agreement.

VI. PROVISION OF WATER SERVICE

A. COMPANY RESPONSIBILITY

The Company will be responsible for providing the type of water service requested to the customer's point of delivery.

B. CUSTOMER RESPONSIBILITY

1. Each customer shall be responsible for installing and maintaining all facilities on the customer's side of the point of delivery in a safe and efficient manner and in accord with the rules of the Arizona Department of Environmental Quality.
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 reasonable care to prevent loss or damage to the Company's 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 Company for the cost of necessary repairs or replacements.
4. Each customer shall be responsible for payment for any damage to Company facilities resulting from that customer's unauthorized breaking of meter seals, or interfering with, tampering with or bypassing the Company meter serving that customer.
5. Water furnished to a customer by the Company shall be used only on the customer's premises and shall not be resold, or diverted to any other premises. During critical water conditions, as determined by the Commission, the customer shall use water only for those purposes specified by the Commission. During emergency water conditions, as determined by the Company (with notice to the Commission as soon as possible), the customer shall use water only for those purposes specified by the Company. Disregard for this section shall be sufficient cause for refusal or termination of water service.

C. CONTINUITY OF WATER SERVICE

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

1. Any cause against which the Company could not have reasonably foreseen or made provision for, i.e., force majeure.
2. Intentional water service interruptions to make repairs or perform routine maintenance.
3. Curtailment.

D. WATER SERVICE INTERRUPTIONS

1. The Company will make reasonable efforts to re-establish water service within the shortest possible time when water service interruptions occur.
2. In the event of a national emergency or local disaster resulting in disruption of normal water service, the Company may, in the public interest, interrupt water service to other customers to



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provide necessary water service to civil defense or other emergency service agencies on a temporary basis until normal water service to these agencies can be restored.

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

E. MINIMUM DELIVERY PRESSURE

The Company will maintain a minimum standard delivery pressure of twenty (20) psig at the customer's meter or point of delivery.

F. CONSTRUCTION STANDARDS

The Company will construct all facilities in accord with the guidelines established by the Arizona Department of Environmental Quality or its designated agent.

G. SERVICE COMPLAINTS

The Company will:

1. Make a full and prompt investigation of all service complaints made to, either the Company or the Commission by a customer.
2. Respond to the complainant and/or the Commission representative within five (5) working days as to the status of the Company's investigation of the complaint.
3. 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 will report the findings of its investigation in writing.
4. Inform the customer of his or her right of appeal to the Commission.

VII. METER READING

A. FREQUENCY

Each meter will be read monthly on as close to the same date as practical.

B. MEASURING OF WATER SERVICE

1. All water delivered by the Company will be billed on the basis of metered volume sales except that the Company may, at its option, provide a fixed charge schedule for the following:
 - a. Temporary service where the water use can be readily estimated.
 - b. Public fire hydrant service and private fire 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 submitted to and approved by the Commission.
2. Where there is more than one meter at a location, each meter will be tagged or plainly marked as to indicate the facilities being metered.

C. CUSTOMER REQUESTED REREADS

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



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2. Any rereads will be charged to the customer at a rate on file and approved by the Commission, provided that the original reading was not in error.
3. When a reading is found to be in error, the reread will be at no charge to the customer.

D. ACCESS TO CUSTOMER PREMISES

The Company shall 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 facilities and property used in furnishing water service and the exercise of any and all rights secured to it by law, the Company's tariffs, or the Commission's rules and regulations.

E. CUSTOMER REQUESTED METER TESTS

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

VIII. BILLING AND COLLECTION

A. FREQUENCY OF WATER BILLS, METER READING SCHEDULES, ESTIMATED WATER BILLS

1. The Company will bill monthly for services rendered. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days, except in the case of an emergency or rerouting of the billing district.
2. If the Company is unable to read the meter on the scheduled meter read date, the Company will estimate the consumption for the billing period, giving consideration to the following factors where 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 water bill for reasons other than severe weather, the Company will attempt to secure an accurate reading of the meter.
4. Estimated water bills will be issued only under the following conditions:
 - a. Severe weather conditions which prevent the Company from reading the meter.
 - b. Circumstances that make it dangerous or impossible to read the meter, i.e., locked gates, blocked meters, vicious or dangerous animals, etc.
5. Each water bill based on estimated usage will indicate that it is an estimated bill.

B. COMBINING METERS

Each metered service at a customer's premises will be considered separately for billing purposes, and the readings of two (2) or more metered services will not be combined.

C. BILLING TERMS

1. All bills for water service are due and payable when rendered. Any payment not received within fifteen (15) days from the date the water bill was rendered shall be considered delinquent.
2. For the purposes of this section, the date a water bill is rendered is the date the bill is mailed as evidenced by the postmark date.



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3. All delinquent water bills are subject to the provisions of the Company's termination procedures, as set forth in Section IX of these Terms and Conditions.
4. All payments shall be mailed to the address shown on the remittance envelope or made at an office of the Company.

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

1. Each customer will be billed under the applicable tariff indicated in the customer's application for service.
2. The Company will accept advance payment for water service.
3. Failure to receive water bills or notices which have been properly placed in the United States mail shall not prevent such water bills from becoming delinquent nor relieve the customer of his or her obligations therein.
4. Charges for water service commence when the water service is installed and service is made available, whether used or not.
5. In addition to the collection of regular rates and charges, the Company will collect from customers a proportionate share of any applicable privilege, sales or use tax.

E. METER ERROR CORRECTIONS

1. If any meter after testing is found to be more than three (3) percent in error, either fast or slow, proper correction between three (3) percent and the amount of the error will be made of previous readings, and adjusted water bills will 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. No adjustment will be made by the Company except to the customer last served by the meter tested.

F. INSUFFICIENT FUNDS CHECKS

1. The Company is allowed to recover a fee, at a rate on file and approved by the Commission, for each instance where a customer tenders payment for water service with an insufficient funds ("NSF") check.
2. When the Company is notified by the customer's bank that there are insufficient funds to cover the check tendered for water service, the Company will require the customer to make payment in cash, by money order, certified check, or other means which guarantee the customer's payment to the Company.
3. A customer who tenders an NSF check shall in no way be relieved of the obligation to render payment to the Company under the original terms of the water bill nor defer the Company's provision for termination of water service for nonpayment of water bills.

G. DEFERRED PAYMENT PLAN

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



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2. Each deferred payment agreement entered into by the Company and the customer due to the customer's inability to pay an outstanding water bill in full will provide that water service will not be terminated if the customer agrees to pay:
 - a. A reasonable amount of the outstanding water bill at the time of entering into the deferred payment agreement.
 - b. All future bills for water service in accord with the billing and collection tariffs of the Company.
 - c. 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 this section, the Company and the customer will give consideration to the following conditions:
 - a. The size of the delinquent account.
 - b. The customer's ability to pay.
 - c. The customer's payment history.
 - d. The length of time that the debt has been outstanding.
 - e. The circumstances which resulted in the debt being outstanding.
 - f. Any other relevant factors related to the circumstances of the customer.
 4. A customer who desires to enter into a deferred payment agreement must establish such agreement prior to the Company's scheduled termination date for nonpayment of that customer's water bill(s); customer failure to execute a deferred payment agreement prior to the scheduled termination date shall not prevent the Company from terminating water service for nonpayment.
 5. Deferred payment agreements must be in writing and must be signed by the customer and an authorized Company representative.
 6. A deferred payment agreement will 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 terminate water service pursuant to Section IX of these Terms and Conditions, and, under such circumstances, the Company shall not be required to offer subsequent negotiation of a deferred payment agreement prior to termination of water service.
- H. CUSTOMER'S REQUEST FOR DISCONTINUANCE OF WATER SERVICE
1. A customer may have service discontinued by giving not less than three (3) days advance notice thereof to the Company. Charges for service may be required to be paid until the requested date of discontinuance or such later date as will provide not less than the required three (3) days advanced notice.
 2. The outgoing party shall be responsible for all water service provided up to the scheduled turn-off date.

IX. TERMINATION OF WATER SERVICE

A. NONPERMISSIBLE REASONS TO TERMINATE WATER SERVICE

The Company will not terminate water service for any of the reasons stated below:

1. Delinquency in payment for water service rendered to a prior customer at the premises where water 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 which are not regulated by the Commission.



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3. Nonpayment by the customer of a bill related to another class of water service.
4. Failure of the Customer to pay a water bill correcting a previous underbilling due to an inaccurate meter or meter failure, if the customer agrees to pay over a reasonable period of time.

B. TERMINATION OF WATER SERVICE WITHOUT NOTICE

1. Water service may be terminated without advance written notice under the following conditions:
 - a. The existence of an obvious hazard to the safety or health of the customer or the general population.
 - b. The Company has evidence of meter tampering or fraud.
 - c. Unauthorized resale or use of water service.
 - d. Failure of a customer to comply with the curtailment procedures imposed by the Company during supply shortages.
2. The Company will not restore water service until the conditions which resulted in the termination of water service have been corrected to the satisfaction of the Company.

C. TERMINATION OF WATER SERVICE WITH NOTICE

The Company may terminate water service to any customer for any reason stated below, provided the Company has met the notice requirements set forth in Section D, below:

1. Customer violation of any of the Company's tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
2. Failure of the customer to pay a delinquent bill for water service.
3. Failure of the customer to meet or maintain the Company's credit and deposit requirements.
4. Failure of the customer to provide the Company reasonable access to its facilities and property.
5. Customer breach of a written contract for water service between the Company and the customer.
6. When necessary for the Company to comply with an order of any governmental agency having jurisdiction over the Company concerning water service termination.

D. TERMINATION NOTICE REQUIREMENTS

1. The Company will not terminate water service to any of its customers without providing advance written notice to the customer of the Company's intent to terminate water service, except under those conditions specified where advance written notice is not required.
2. Such advance written notice will contain, at a minimum, the following information:
 - a. The name of the person whose water service is to be terminated and the address where water service is being rendered.
 - b. The provision of the Company's tariffs or the Commission's rules and regulations that was violated and explanation thereof, or the amount of the water bill which the customer has failed to pay in accord with the payment policy of the Company.
 - c. The date on or after which water 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 services may be disputed by contacting the Company at a specific address or phone



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number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible 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 water service.

E. TIMING OF TERMINATIONS WITH NOTICE

1. The Company will give at least ten (10) days' advance written notice prior to the 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 tariffs or the Commission's rules and regulations, the customer has not satisfied the Company that such violation has ceased, the Company may then terminate water service on or after the date specified in the notice without giving further notice.
4. Water service will only be terminated in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company has the right (but not the obligation) to remove any or all of its property installed on the customer's premises upon the termination of water service.

F. LANDLORD/TENANT RULE

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

1. Where it is feasible to so provide water service, the Company, after providing notice as required in this section, shall offer the occupant the opportunity to subscribe for water service in his or her own name. If the occupant then declines to so subscribe, the Company may terminate water service pursuant to this section.
2. The Company shall not attempt to recover from a tenant or condition water service to a tenant with the payment of any outstanding water bills or other charges due upon the outstanding account of the landlord.

G. RESTORATION OF TERMINATED WATER SERVICE

Water service terminated for nonpayment of water bills will be restored only after all bills are paid in full, a deposit or re-deposit is made, if required, and a water service reconnection charge has been paid.

X. PRIVATE FIRE SERVICE AND PUBLIC FIRE HYDRANT SERVICE

A. SERVICE RENDERED UNDER TARIFFS

Private fire service and public fire hydrant service will be furnished under the terms of the Company's applicable tariff schedules (Tariff Nos. PF-242 and FH-241, respectively) and in accord with the provisions of these Terms and Conditions for the Provisions of Water Service.

B. WATER PRESSURE

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company does not guarantee a specific water pressure or gallons per minute flow rate at any public fire hydrant or private fire service. In the event service



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is interrupted or irregular or defective or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

XI. LIMITATION OF COMPANY'S RESPONSIBILITY AND LIABILITY

A. COMPANY RESPONSIBILITY

The Company does not assume the responsibility of inspecting or maintaining any customer's piping or apparatus and will not be responsible therefor; however, the Company reserves the right to refuse water service unless the customer's piping or apparatus is installed in such manner as to prevent cross connections or backflow into the Company's system in compliance with the Company's Tariff No. CC-258, "Cross-Connection Control," as approved by the Commission.

B. INDEMNIFICATION FROM CLAIMS AND/OR INJURIES

The customer shall indemnify the Company and hold it harmless from and against all claims, loss, expense or liability except that caused solely by the Company's gross negligence or willful misconduct.

XII. MODIFICATION OF TERMS AND CONDITIONS

These Terms and Conditions can be modified only upon the written approval of the Arizona Corporation Commission, acting in response to an application for modification filed by the Company, or upon the Commission's own motion. Except as noted above, no employee or agent of the Company is authorized to modify any of the aforementioned Terms and Conditions.

XIII. CONFLICTS

In the case of conflict between the Commission's rules and regulations and these Terms and Conditions, the provisions of these Terms and Conditions shall apply.

XIV. COLLECTION OF APPLICABLE FEDERAL AND STATE INCOME TAXES

A. GROSS UP FOR APPLICABLE INCOME TAXES

The Tax Cuts and Jobs Act of 2017 requires the Company to pay income tax on all money and other property the Company receives after December 22, 2017 to design and construct water infrastructure facilities to provide, or encourage the provision of, water service to or for the benefit of any Applicant. Therefore, in addition to paying all costs to design and construct such water infrastructure facilities, all Applicants will pay to the Company an amount of money equal to 55% of the federal and state income taxes applicable to such costs ("Gross Up"), pursuant to the following formula.

$$\text{Income Tax Gross Up Factor \%} = \frac{1}{(1 - \text{composite income tax rate \%})} - 1 = \text{Income Tax Gross Up Factor \%}$$

$$\text{Income Tax \% Payable by Developers} = \text{Income Tax Gross Up Factor \%} * \text{Developer Share on Income Taxes (55\%)} = \text{Income Tax \% Payable by Developers}$$

For example, the cost to design and construct the water infrastructure facilities is \$100,000. If the federal income tax rate is 21% and the Arizona income tax rate is 4.9% yields a combined effective federal and state income tax rate of 24.87% (21%+4.9%-[21% * 4.9%]). The Applicant will pay the Company 55% of the Gross Up, calculated using the income tax gross up factor, as follows:

$$\text{Income Tax Gross Up Factor} = \frac{1}{(1 - 24.87\%)} - 1 = 33.10\%$$

$$\text{Gross Up} = \$100,000 \times (33.10\% * 55\%) = \$18,205$$



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In this example, Applicant pays the Company the income tax Gross Up amount of \$18,205. The total payment by Applicant to the Company is \$118,205 (\$100,000 + \$18,205).

B. REFUNDS

1. Any amount received by the Company for payment of the applicable federal and state income taxes pursuant to Section XIV.A will be subject to refund in the event the Internal Revenue Service determines, in a manner binding upon the Company, that money and property received by the Company pursuant to Section XIV.A is not taxable income to the Company; and provided further that the Company will be obligated to refund only such refunds, together with any applicable interest received thereon, which the Company receives from the Internal Revenue Service or State of Arizona related to the Company's payment of the applicable federal and state income taxes.

2. Any refund the Company makes to Applicant toward an advance for construction, will also include a corresponding refund of the applicable federal and state income taxes, which Applicant paid to Company.