


ARIZONA WATER COMPANY
WATER AVAILABILITY FEE ("WAF") TARIFF

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PURPOSE:

The Arizona Department of Water Resources ("ADWR") requires developers of new subdivisions within Active Management Areas to obtain a Certificate of Assured Water Supply as a condition to approval and platting of their subdivisions when the municipal provider has not been designated as having an assured water supply. A developer must prove that sufficient long-term water supplies will be physically available for its subdivision as one requirement of obtaining a Certificate of Assured Water Supply. The Water Availability Fee enables the Company to contractually, or otherwise, arrange for a portion of its water supply to be physically available on a long-term basis as required by ADWR as a condition to issuing a Certificate of Assured Water Supply for a specific subdivision. The cost of additional, long-term, water supplies will be recovered from developers of new subdivisions rather than current ratepayers.

APPLICABILITY:

The Water Availability Fee applies to all new subdivisions to be served by Arizona Water Company (the "Company") within its Apache Junction service area, excluding only those subdivisions within or to be annexed by the City of Mesa which are excluded from this tariff because they are required to pay a similar fee as part of the City of Mesa's permitting process. The City of Mesa, in consideration of this payment, will provide renewable supplies for these subdivisions by committing a portion of its CAP water and treatment plant capacity to the Company for service to these subdivisions.

FEE:

The current Water Availability Fee is \$14,000 per acre foot.

CONDITIONS:

1. A developer requiring a Certificate of Assured Water Supply will be required to enter into a Water Availability Agreement with the Company and pay the total Water Availability Fee required for the developer's subdivision.
2. The amount of the total Water Availability Fee will be computed by multiplying the Projected Annual Water Demand, in acre feet, for the developer's subdivision, as determined by ADWR, by the per acre foot Water Availability Fee.
3. Payment of the total Water Availability Fee by the developer is a condition of service and is in addition to any advance and contribution required under a Main Extension Agreement.
4. The Water Availability Agreement must be executed, and the total Water Availability Fee paid prior to the Company issuing its Notice of Intent to Serve letter for the developer's subdivision.

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ARIZONA WATER COMPANY
WATER AVAILABILITY FEE ("WAF") TARIFF (continued)

5. The Company will use its best efforts to arrange to have a portion of its water supply physically available on a long-term basis as required by ADWR but does not guarantee that it will be successful in making such arrangements. Should it not be successful, the Company will refund the total Water Availability Fee paid by the developer and the Notice of Intent to Serve letter shall become null and void. In all other instances the Water Availability Fee is non-refundable.

6. The Water Availability Fee may only be expended on capital items intended to increase the long-term physical availability of water for new subdivisions in the applicable service area or for the repayment of expenditures made for such purposes from treasury funds or loans. Expenditures shall include but are not limited to acquiring additional CAP treatment plant capacity or supplies; amortizing a pro rata share of deferred CAP M&I costs on CAP allocations related to increases in physical availability and drilling wells. Expenditures may also include installing transmission lines, pumps or booster stations; acquiring land, easements or water rights; conducting hydrological studies to demonstrate long-term water supplies or establish the feasibility of groundwater recharge proposals; and participating in groundwater recharge projects. The Water Availability Fee shall not be used for Operating Expenses.

7. The amounts collected by the Company under this tariff and the expenditures shall be recorded in a segregated, deferred debit account. Expenditures made from this account will be examined during each rate proceeding for the Apache Junction system for adherence to the criteria listed in paragraph 6. When expenditures made from this account are capitalized, an offsetting credit to contributions in aid of construction will be recorded.

8. After the Apache Junction system is fully built out or there is no longer any need for the Company to make arrangements for additional long term physical availability for new subdivisions or the Water Availability Fee is terminated by order of the Arizona Corporation Commission, any remaining funds in the segregated account shall be either refunded or applied to amortize any remaining deferred CAP M&I costs for the Apache Junction system. The manner of the refund or amortization shall be determined by the Commission at the time a refund becomes necessary.

TERMS AND CONDITIONS:

Subject to the Company's Tariff Schedule TC-243.