

WATER RATES

ARIZONA WATER COMPANY

Phoenix, Arizona

Filed by: William M. Garfield

Title: President

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A.C.C. No. 481

Cancelling A.C.C. No. 410

Tariff or Schedule No. AM-253

Filed: November 30, 2005

Effective: For all service rendered on or after December 1, 2005

System: **All Services Areas EXCEPT Apache Junction, Bisbee, Sierra Vista, San Manuel, Oracle, Winkelman, Miami, Superior, Casa Grande, Coolidge, White Tank, Stanfield. Aio**

PURCHASED POWER ADJUSTMENT MECHANISM ("PPAM") TARIFF

Whenever Arizona Water Company's purchased power (electric and/or natural gas) expense in any of its water systems increases or decreases, or will increase or decrease, from the amount adopted by the Arizona Corporation Commission in the Company's last general rate proceeding for that system, the Company may, in accordance with the provisions of this PPAM, file a new schedule with the Commission for that system, setting forth an adjustment per 100 gallons designed to recover such increased or decreased purchased power expense, provided that:

1. The total amount of the increase or decrease in the purchased power expense will be calculated by comparing the Company's normalized cost for power during the test year utilized in its last general rate case with the Company's normalized cost of power for that test year computed at the Company's new increased or decreased cost for power.

2. The total change in power cost will be divided by the total gallonage pumped during the test year to determine the adjusted increase or decrease per 100 gallons.

3. The calculated increase or decrease in rates for the system must amount to at least \$0.001 per 100 gallons (rounded up or down from five) before an adjustment can be made.

4. All revised schedules filed with the Arizona Corporation Commission pursuant to the provisions of this PPAM will be accompanied by workpapers prepared by the Company in a format approved by the Utilities Division Staff of the Commission and will be in sufficient detail to enable the Commission to test the accuracy of the Company's calculations.

5. The new schedules filed by the Company under the provisions of this PPAM will become effective either on the date the schedules are approved for filing, if the purchased power expense has already increased, or decreased, or on the date the increased or decreased purchased power expense becomes effective, if it has not yet changed.

6. Illustration of application of the above PPAM, assuming the following test year data:

- A) 4,000,000 H Gallons Pumped
- B) 3,300,000 H Gallons Sold (82.5%)
- C) 700,000 H Gallons Unaccounted For (17.5%)
- D) \$100,000 Purchased Power Expense
- E) 1,250,000 KWH

Should Purchased Power Rates increase at a future date such that the new Power Rates x (E) = \$125,000, a Purchased Power Expense pass thru calculation would be initiated.

Pass Thru Calculation Steps:

- 1) $\$125,000 - \$100,000 = \$25,000$ Total Purchased Power Increase
- 2) $\$25,000 \div 4,000,000 \text{ H Gallons Pumped} = \$0.00625/\text{H Gallon}$
- 3) Step (2) Rounded Per Provisions of Tariff = $\$0.006/\text{H Gallon}$
- 4) $\$0.006/\text{H Gallon} \times \text{Actual Gallons Used Including Gallons In Minimum} = \text{PPAM Charge on Bill}$

APPROVED FOR FILING

DECISION #: 68352