



ARIZONA WATER COMPANY

WATER AVAILABILITY FEE TARIFF

Filed by: Fredrick K. Schneider

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PURPOSE

The State of Arizona's assured water supply ("AWS") program sustains the State's economic health by preserving groundwater resources and promoting long-term water supply planning. Arizona Water Company (the "Company") has obtained a designation of AWS from the Director of the Department of Water Resources for its Pinal Valley water system. This Water Availability Fee Tariff provides the method by which the Company will collect from applicants for service the costs of obtaining and providing non-groundwater supplies for those applicants' developments or properties.

APPLICABILITY

The Water Availability Fee applies to all new metered service connections established after the effective date of this tariff, except that an applicant will not be required to pay the Water Availability Fee to the extent the Arizona Department of Water Resources specifically allocated groundwater for applicant's development or property in the Company's approved Alternative Designation of Assured Water Supply water portfolio. The Water Availability Fee is a one-time charge per metered service connection.

WATER AVAILABILITY FEE

Applicants for service will pay a Water Availability Fee for each metered service connection. The Company will calculate the Water Availability Fee an applicant must pay for each metered service connection by multiplying the water demand in number of acre-feet ("AF") of water per year that will be delivered to the applicant's development or property through each metered service connection multiplied by the per AF cost of water multiplied by 100 (the number of years required for an AWS to be available). For all 1-inch or smaller meters, the assumed water demand the Company will use to calculate the Water Availability Fee is 0.27 AF per year. For all meters larger than 1-inch, the water demand used to calculate the Water Availability Fee will be the actual demand in AF per year as determined mutually by the applicant's and the Company's engineers. In the event of a dispute between the applicant's and the Company's engineers regarding actual demand in AF or the number and size of meters required to serve a property or development, the Company's engineers' determination will prevail.

The cost per AF of water per year is \$330.

The number of AF of water used to calculate the Water Availability Fee for an applicant's development or property will be reduced by the number of AF of Groundwater Savings Credits ("GSC") and/or the number of AF non-groundwater supplies ("Non-GWS") an applicant provides



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WATER AVAILABILITY FEE (continued)

at its own cost or that are otherwise available for the development or property. To reduce the number of AF of water used to calculate the Water Availability Fee, GSC and Applicant-provided other Non-GWS available for the development or property must be applicable and useful for AWS purposes under Arizona law and regulations. Examples of applicant provided or otherwise available Non-GWS include effluent, long-term storage credits, or surface water rights appurtenant to the land.

If the Company owns or controls effluent generated from an applicant's property or development, such effluent will also be considered Non-GWS and will be used to reduce the number of AF of water used to calculate the Water Availability Fee for the applicant's property or development.

CALCULATION OF THE WATER AVAILABILITY FEE

The formula to calculate the Water Availability Fee per metered service connection is as follows.

$$\text{Water Availability Fee} = \left(\frac{\text{AF of water}}{\text{year}} \right) \times \left(\frac{\text{Cost}}{\text{AF of water}} \right) (100 \text{ years})$$

Where an applicant provides GSC or other non-GWS available for the applicant's development or property, the formula to calculate the Water Availability Fee per metered service connection is as follows.

$$\text{Water Availability Fee} = \left[\left(\frac{\text{AF of water}}{\text{year}} \right) - \left(\frac{\text{AF of GSC or Other Non - GWS}}{\text{year}} \right) \right] \times \left(\frac{\text{Cost}}{\text{AF of water}} \right) (100 \text{ years})$$

The following examples illustrate how to calculate the Water Availability Fee.

1. For a single-family home with a 1-inch meter, the Water Availability Fee would be calculated as follows:

$$\text{Water Availability Fee} = \left(\frac{.27 \text{ AF of water}}{(\text{meter})(\text{year})} \right) \times \left(\frac{\$330}{\text{AF of water}} \right) (100 \text{ years}) = \$8,910$$

2. For a residential development with 200 homes, each of which has a 5/8 x 3/4-inch meter and therefore has an assumed water demand of 54 AF per year (200 multiplied by .27 equals 54), for which the developer provides 18 AF of effluent per year, the Water Availability Fee would be calculated as follows.

$$\text{Water Availability Fee} = \left[\left(\frac{54 \text{ AF of water}}{\text{year}} \right) - \left(\frac{18 \text{ AF of Effluent}}{\text{year}} \right) \right] \times \left(\frac{\$330}{\text{AF of water}} \right) (100 \text{ years})$$

$$\text{Water Availability Fee} = \left(\frac{36 \text{ AF of water}}{\text{year}} \right) \times \left(\frac{\$330}{\text{AF of water}} \right) (100 \text{ years}) = \$1,188,000$$

3. For a commercial restaurant development with a 2-inch meter that requires 2.60 AF of water per year, the Water Availability Fee would be calculated as follows.



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$$\text{Water Availability Fee} = \left(\frac{2.6 \text{ AF of water}}{\text{(year)}} \right) \times \left(\frac{\$330}{\text{AF of water}} \right) (100 \text{ years}) = \$85,800$$

4. For a commercial retail development with a 1-inch meter for domestic use and a 1½-inch meter for landscape that requires .88 AF per year, the Water Availability Fee would be calculated as follows.

For the 1-inch domestic meter:

$$\text{Water Availability Fee} = \left(\frac{.27 \text{ AF of water}}{\text{(year)}} \right) \times \left(\frac{\$330}{\text{AF of water}} \right) (100 \text{ years}) = \$8,910$$

For the 1½-inch landscape meter:

$$\text{Water Availability Fee} = \left(\frac{.88 \text{ AF of water}}{\text{(meter)(year)}} \right) \times \left(\frac{\$330}{\text{AF of water}} \right) (100 \text{ years}) = \$29,040$$

YEARLY UPDATE

The Company will annually update the assumed water demand the Company will use to calculate the Water Availability Fee and the per AF cost of water by filing revised tariff documents with the Commission no later than March 1.

CONDITIONS

1. Payment of the total Water Availability Fee by an applicant is a condition of service.
2. If required, the Company will give an applicant a preliminary written commitment to provide water service to allow the applicant to seek approval of the applicant's lot, parcel, or subdivision. The applicant must pay the Water Availability Fee in full prior to the Company signing the final plat for recordation. If a platting authority does not require the Company to sign the plat before recordation, the applicant must pay the Water Availability Fee prior to recording the plat.
3. For a commercial or industrial customer that receives annual delivery of water through a metered service connection in excess of the volume of water used to calculate the Water Availability Fee for that metered service connection, the Company may require the customer to establish and implement a water use reduction plan to reduce water deliveries to the volume used to calculate the Water Availability Fee. If the customer is unwilling to establish and implement a water use reduction plan or if the water use reduction plan fails to reduce water deliveries to the volume used to calculate the Water Availability Fee, the Company may recalculate the Water Availability Fee for that metered service connection and invoice the customer for the difference between the original Water Availability Fee paid by that customer and the recalculated Water Availability Fee. The invoiced amount will be due and payable by the customer within 30 days.



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4. An applicant must pay the total Water Availability Fee in addition to any advances and contributions the applicant pays to the Company for water infrastructure facilities.
5. The amounts the Company collects as Water Availability Fees will be non-refundable contributions in aid of construction.
6. The Company may expend the Water Availability Fee only on water supplies. The Company may not expend the Water Availability Fee for operating expenses.
7. The amounts the Company collects under this tariff and all amounts the Company expends will be recorded in a segregated, deferred debit account. Expenditures made from this account will be examined during each rate proceeding for the Pinal Valley water system for adherence to the criteria listed in this tariff. When expenditures from this account are capitalized, the Company will record offsetting credits to contributions in aid of construction.
8. No later than April 15th, the Company will submit to Docket Control a Water Availability Fee status report for the previous calendar year. The status report will contain a list of all applicants that have paid the Water Availability Fee, the amount each has paid, the physical location/address of the development or property for which the applicant paid the fee, the amount of money the Company expended from the account during the year, and a list of all water supplies and rights the Company purchased during the year using Water Availability Fees.

OTHER TERMS AND CONDITIONS

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