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BEFORE THE ARIZONA CORPORATION COMMISSION

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2006 JUN 23 P 4: 25

AZ CORP COMMISSION
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IN THE MATTER OF THE COMMISSION'S
GENERIC EVALUATION OF THE
REGULATORY IMPACT FROM THE USE OF
NON-TRADITIONAL FINANCING
ARRANGEMENTS BY WATER UTILITIES AND
THEIR AFFILIATES

Docket No. W-00000C-06-0149

Global's Comments

Santa Cruz Water Company, LLC; Palo Verde Utilities Company, LLC; Global Water – Santa Cruz Water Company; Global Water – Palo Verde Utilities Company; Cave Creek Water Company; and Hassayampa Utility Company (the “Global Utilities”) and Global Water Resources, LLC (“Global Parent”)(collectively “Global”) hereby provide their comments regarding this docket.

I. Introduction.

We appreciate the opportunity to provide comments concerning the important subject of non-traditional financing arrangements. Arizona has rapid growth combined with limited water resources. We have carefully analyzed the issues facing our State – the Colorado River is, according to ADWR, overallocated by millions of acre-feet per year, Arizona is in a very long drought period, ADWR has been stymied by litigation in its efforts to enact meaningful gallons per capita per day regulations, and the twin pressures of growth and arsenic compliance are overwhelming small water companies. In this situation, it is essential that we find ways to maximize the use of our water resources, while minimizing any potential adverse environmental effects. Growth, arsenic compliance and the drought have stretched – sometimes beyond the breaking point – the resources of small water and wastewater providers. These small utilities often

1 lack the financial strength, management capabilities and technical expertise to keep up. And
2 growth all-too-often causes cities, utilities, and residents to squabble as they try to cope with
3 scarcity and increasing costs. These challenges require creative solutions. Non-traditional
4 financing arrangements can play an important role in alleviating these problems. Global Parent
5 welcomes the opportunity to explain how its Infrastructure Coordination and Financing
6 Agreements (“ICFAs”) can help solve these problems.

7 The ICFAs allow Global to implement the “3Cs”: conservation, consolidation, and
8 cooperation. Global believes that the 3C strategy is in the public interest, and that its
9 implementation – by Global and other companies – is critical to the future of our state. The 3Cs
10 can be summarized as:

11 **Conservation.** In a desert, water should not be squandered. As a state, we can – and
12 should do more. Global’s conservation strategy is based on the “water conservation triad”: (1)
13 maximizing use of reclaimed water; (2) using renewable surface water where available; and (3)
14 recharging the aquifer with any available surface or excess reclaimed water. Implementing the
15 triad allows reliance and consumption of non-renewable groundwater supplies to be sharply
16 reduced.

17 **Consolidation.** Arizona has hundreds of small water companies, and many are poorly-
18 capitalized and lack management and technical skills. Through consolidation, well-capitalized
19 companies with experienced management and sophisticated engineering and operations staffs can
20 take the place of these small companies. This results in stable, reliable companies that customers
21 can count on. Consolidated companies also allow economies of scale to be realized. Customers
22 benefit as these lower costs are passed on in the ratemaking process. And consolidation allows
23 companies to access the capital necessary to implement the water conservation triad.

24 **Cooperation.** Effective management of growth occurs when cities, developers, and
25 utilities cooperate. Cities want growth that is sustainable, not reckless. Developers want to make
26 money. Utilities need to be able to manage growth and efficiently utilize available resources.
27 Non-traditional financing methods can align the incentives of developers and utilities to work with

1 the cities. This allows all three to cooperate to achieve truly sustainable, regionally planned
2 growth.

3 Global Parent's ICFAs, along with its Public Private Partnerships (P3s) with cities, allow
4 Global to implement the 3 C strategy. Traditional financing methods were not designed to allow
5 or support the 3 Cs. Experience shows that utilities that use traditional financing methods do not
6 successfully achieve the 3 Cs. For these reasons, it is in the public interest to allow non-traditional
7 methods, including the ICFAs.

8 These comments will first provide an in-depth explanation of the ICFAs and how they
9 allow the 3 Cs to be realized. Second, although the P3 agreements with the cities do not involve
10 financing, we will briefly explain them as well. Specific answers to the questions posed in the
11 letters of Staff, Commissioner Mundell and Chairman Hatch-Miller will follow.

12 **II. The ICFAs are a flexible means of achieving important objectives not allowed by**
13 **traditional methods.**

14 **A. Description of ICFAs.**

15 As the name implies, ICFAs involve the coordination and financing of utility
16 infrastructure. The ICFAs do not provide for utility services, and Global Utilities are not parties to
17 the ICFAs. Instead, the ICFAs provide for the developer to enter into a main extension agreement
18 with the regulated utility. ICFA, Ex. D and E.¹ The ICFA specifically recognizes that the Global
19 Utilities are separate and distinct companies from Global Parent. ICFA, Recital C.

20 Central to the ICFA is the concept of "carrying costs" or the time value of money. The
21 ICFA provides for payments that are "an approximation of the carrying costs associated with
22 interest and capitalized interest associated with the financing of infrastructure." ICFA, Recital G.
23 Global Parent – not developers – provides the equity for the capital projects of the Global Utilities.
24 ICFA, Recital B. The ICFA payments merely allow Global Parent to plan and deploy
25

26 _____
27 ¹ We will use the ICFA attached to Commissioner Mundell's June 7, 2005 letter as the sample
ICFA, and citations refer to that ICFA.

1 infrastructure to meet the triad of water conservation on a regional scale and cover the time value
2 of the equity it invests – and if Global Parent has overestimated growth, Global Parent, not the
3 regulated utility, not the developer, bears the risk.

4 In enacting our 3C approach, Global Parent undertakes significant entrepreneurial risk.
5 The ICFAs allow Global Parent to reduce its financial exposure as it emplaces hundreds of
6 millions of dollars in infrastructure that is far beyond the norm for any water/wastewater provider,
7 public or private. Global Parent is financing and building the infrastructure necessary to address
8 water scarcity in a fast-growing region – if the growth slows, however, that infrastructure will wait
9 a very long time before becoming ‘used and useful’. Such a risk is inappropriate for a regulated
10 utility, such as the Global Utilities, but well within the capability of the Global Parent’s owners.
11 The ICFAs reduce Global Parent’s risk by providing compensation for the carrying costs – not the
12 principal – of Global Parent’s investment. The ICFAs also shields the Global Utilities from these
13 growth-related risks.

14 Another central concept is openness. The ICFAs are recorded, public documents. The
15 ICFAs are negotiated in a transparent process that where each landowner in an area is offered the
16 same terms. In fact, many ICFAs contain “most favored nation” clauses, which provide that if any
17 other landowner in the area is offered better terms, the protected landowner gets the benefit of
18 those terms. The execution of an ICFA is also a voluntary action on the part of the land owner.
19 Traditional financing methodologies are available at the option of the land owner.

20 The ICFA payments provide for payments tied to various events. Typically, all or a large
21 portion of the ICFA carrying costs are payable at the time of plat approval. For example, in the
22 case of the ICFA attached to Commissioner Mundell’s letter, all the fees are payable upon plat
23 approval. ICFA § 4. In other cases, some of the ICFA fees are payable at certain other defined
24 events, such as when certain permits or certificates are approved.

25 The ICFAs carefully avoid infringing on the Commission’s powers. The ICFAs do not
26 cover rates for utility services, and the Commission, as always, has full authority over the rates
27 charged by the Global Utilities. Likewise, the main extension process is respected. In fact, the

1 ICFAs require main extension agreements with the Global Utilities, which must be approved under
2 A.A.C. R14-2-406. In addition, the ICFAs carefully respect the Commission's authority over the
3 CC&N process. Utility service will not be provided to the land until the Commission approves a
4 CC&N, and until a main extension agreement is in place and approved under A.A.C. R14-2-406.
5 If the Commission denies a CC&N for the area, the landowner "may terminate this Agreement
6 without recourse to either party". ICFA § 7.

7 **B. The ICFAs allow conservation, consolidation, and cooperation.**

8 **1. Conservation.**

9 Water conservation is critically important to the future of our state. For example, a recent
10 report from a committee of the Arizona Department of Water Resources finds that Pinal County
11 has limited groundwater. Recent calculations show that the Pinal Active Management Area
12 ("AMA") has a renewable groundwater supply of about 82,000 acre feet per year on an average
13 annual basis¹. This represents real "wet water" that will be physically available and can be safely
14 withdrawn over the long term without depleting the aquifer. Yet more than 272,000 acres of land
15 have been issued Irrigation Grandfathered Rights.² At an extinguishment value of 1.5 AF/acre,
16 this represents a potential draw of 408,000 acre feet of "paper water" that could be allocated for
17 withdrawal. Relying on paper water alone will not be sufficient. The water conservation triad can
18 close this substantial gap between paper water and wet water - but only if it is put into effect.

19 Each element of the water conservation triad – reclaimed water, surface water, and water
20 recharged into the aquifer – requires substantial capital. Traditional financing methods are
21 designed to fund only the facilities absolutely necessary to meet the minimum regulatory
22 requirements. It is akin to aiming to get a "D minus" and barely pass. Triad-level facilities are
23 simply not built using traditional methods. Conservation requires doing far more than the
24 minimum. Effective conservation requires – and the Commission should expect – "A plus" work.

25

26 ¹ From the Pinal Active Management Area Groundwater User's Advisory Committee "Assured
27 Water Supply Modifications Concepts" draft dated December 29, 2005.

² *Id.*

1 **Reclaimed water** is a good example. ICFA's require developers to use reclaimed water,
2 and they require that reclaimed water facilities be installed. These facilities are not cheap. A basic
3 reclamation system has capital costs of approximately \$5,915 per home.¹ But this investment pays
4 off with a reduction of 30% in potable water consumption, and a 75% reduction in discharges from
5 a wastewater treatment plant – most but not all of the reclaimed water is reused. Installing an
6 advanced reclamation system has capital costs of about \$6,844 per home. An advanced system
7 can expect to reduce potable water usage by 40% and will result in a 100% reduction in
8 wastewater discharges – no reclaimed water will be thrown away, it will all be re-used for some
9 purpose.

10 By covering the carrying costs of these capital investments, the ICFA's enable Global
11 Parent to invest the equity to build reclaimed water facilities. An example is the Belmont master
12 planned community, which is located in western Maricopa County. Belmont will be the largest
13 master planned community with fully integrated water reclamation planning in Arizona. This is
14 only possible because of the ICFA between the developers of Belmont and Global Parent.

15 In addition to preserving groundwater, use of reclaimed water has other benefits. For
16 example, by reducing potable water usage, it also reduces the amount of potable water that must be
17 treated. Why spend money removing arsenic or other “emerging contaminants” from water only to
18 use the expensive treated water to flush toilets or irrigate plants?

19 **Surface water** is another example. Surface water treatment plants are capital intensive and
20 are certainly not cost-effective for smaller individual developments. Because of the ICFA's, Global
21 Parent is currently funding the construction of two regional surface water plants for use by Santa
22 Cruz Water Company.

23 ICFA's also enable Global Parent to pay for other items necessary to surface water use, such
24 as CAP fees prior to usage, water leases or options for leases, and protecting the Maricopa
25 Stanfield Irrigation and Drainage District's canal systems, so that surface water can be delivered to
26

27 ¹ The price per home is computed on a “equivalent dwelling unit” basis.

1 treatment plants. Traditional funding mechanisms, such as main extension agreements and hook-
2 up fees are limited to specific facilities, and cannot be used for such items. In addition, the
3 Commission will typically not allow a utility to recover such items unless they are “used and
4 useful”. But investment in such items must often be made well before they will become used and
5 useful. The ICFAs provide an answer – they bridge between upfront regional construction costs
6 and those facilities becoming “used and useful”.

7 **Recharged water.** The demand for reclaimed water varies by season because in the winter
8 there is less need for irrigation. The availability of surface water can also vary – for example, due
9 to canal repair, seasonal variations in irrigation usage, or unexpected rainfall. Thus, there will be
10 times when excess reclaimed water and surface water are available. This excess water can be
11 recharged into local aquifers, so that it can be used again later, when supplies are tighter.

12 As with the other elements of the triad, there are capital costs for building recharge
13 facilities. By covering the carrying costs of this capital, the ICFAs allow Global Parent to invest in
14 these facilities. Moreover, recharge should be local. “Replenishment” by the CAGR D typically
15 results in recharging water far away from a utility’s wells – creating paper water not wet water.
16 Few utilities take the extra step and build their own recharge facilities to recharge their local
17 supplies.

18 As the saying goes, the proof is in the pudding. Utilities using traditional financing do not
19 utilize the water conservation triad. At most, they may scrape together funds to partly implement
20 one element of the triad. In contrast, Global has been – and will continue to be – at the very
21 forefront of water conservation in Arizona. There is no utility in this state that can match Global’s
22 record, and this record is only possible due to the ICFAs.

23 **2. Consolidation.**

24 Another important use of ICFAs is to help fund consolidation. Consolidation allows the
25 utility to gain (1) economies of scale; (2) better access to debt and equity capital; and (3) more
26 sophisticated, capable management. Unfortunately, the economics of acquisitions often do not
27 work for small companies. They often have little or no rate base, so their rates will be low. Yet

1 the owners are reluctant to sell for a low price. When the buyer pays more than book value, the
2 Commission almost never allows the resulting "acquisition adjustment" into rate base. The buyer
3 thus does not earn a return on this part of their investment. The ICFA's change the situation. For
4 example, developers in the service area of a small, marginally viable utility often fear the results of
5 a failed company on their land values. They are therefore motivated to find a better capitalized,
6 more capable provider. Part of the "acquisition adjustment" can be built into the ICFA costs. The
7 utility, the developer, and most importantly, the customer all benefit. Consolidation is a goal
8 favored by the Commission. ICFA's allow developers to pay to achieve this goal.

9 **3. Cooperation.**

10 The ICFA's allow Global to promote cooperation with cities and others. For example, the
11 Cities of Maricopa and Casa Grande are very concerned about future water supplies. The ICFA's
12 allow Global to carry out the water conservation triad. This allowed Global to address the cities'
13 concerns. Out of this cooperative relationship, the P3 agreements were negotiated, publicly
14 debated at Council meetings and approved by open vote. These relationships provide for yet more
15 cooperation and joint planning.

16 Another example is Global's relationship with our neighbors in the Ak-Chin Indian
17 Community ("Community"). The Community expressed cultural and environmental concerns
18 regarding the possibility of reclaimed water being discharged into certain washes. Although
19 Global is at the forefront of reclamation and re-use, there were still occasions when reclaimed
20 water was not being reused, for example during particularly rainy periods. The Ak-Chin grew
21 concerned over the amount of development planned upstream of their washes. These washes have
22 very significant cultural meaning to the Community. Because of the ICFA's, and the significant
23 financial resources they allow us to deploy, Global was able to address the Ak-Chin's concerns
24 and devise a sophisticated recharge plan that will augment our reuse plans and ensure that no
25 reclaimed water will be discharged into any wash leading into the Ak-Chin Community. This led
26 to an unprecedented letter of understanding between Global Parent and the Ak-Chin Community
27 and a very positive and close working relationship. A copy of this letter is attached as Exhibit A.

1 The ICFA's also allow cooperation with developers. For example, Global Parent has
2 worked with developers to buy troubled systems using ICFA's. In addition, the ICFA's do not
3 require developers to borrow money to make huge upfront payments to the utility, as often
4 happens with main extensions. By restructuring the timing of payments, Global Parent is able to
5 make the ICFA's attractive to developers, who agree to the other aspects of the ICFA – such as
6 promotion of reclaimed water and surrender of groundwater wells – as part of the package.

7 **C. ICFA's are not main extensions.**

8 ICFA's are very different from main extension agreements. The ability to do regional
9 planning, the timing of when facilities are constructed and when developers pay, who actually does
10 the construction, and the functions that can be financed are all sharply different. In addition the
11 parties are different, because utilities are parties to main extension agreements but not ICFA's.

12 A key difference is in regional planning. Main extensions are done on a parcel by parcel
13 basis. A developer pays for the facilities need to serve their development only. A.A.C. R14-2-
14 406(B)(1). This typically results in things like small, highly inefficient “package” treatment
15 plants. In contrast, under the ICFA, Global plans and constructs regional facilities to gain
16 economies of scale. For example, Global puts in large 48 inch collection mains. Under a main
17 extension approach, multiple smaller lines would eventually be constructed instead, often running
18 parallel to each other.

19 The timing of construction is also different. Main extensions must be processed in the
20 “order received.” A.A.C. R14-2-406(J). If a utility gets main extension requests for opposite ends
21 of its service area at the same time, it must build them both, rather than waiting for neighboring
22 development to fill in. This reinforces the tendency to build small, inefficient facilities because
23 the utility can't afford to “upsized” them for future growth. Under the ICFA, Global Parent is able
24 to coordinate the timing of construction. This reinforces Global Parent's ability to plan and build
25 large regional facilities.

26 Moreover, under a main extension approach, the construction is usually done by the
27 developer, who then turns the facilities over to the utility. In contrast, under the ICFA, “off-site”

1 facilities are utility built. This results in developers building homes, and utilities building utility
2 plant.

3 Most fundamentally, ICFAs and main extension agreements pay for different things. Main
4 extensions can only pay for facilities. A.A.C. R14-2-406(B)(1). ICFAs only pay the carrying costs
5 associated with the provision of facilities. And they can be used for many things that are not
6 facilities at all. This includes forming new utilities, consolidating existing utilities, paying for
7 CAP reservation fees, and paying for the protection of canal systems.

8 **D. ICFAs are not like hook-up fees.**

9 There are also many differences between ICFAs and hook-up fees. For example, hook-up
10 fees are mandatory, while ICFAs are voluntary. In addition, hook-up fees result in high levels of
11 contributions in aid of construction (“CIAC”), while ICFAs result in equity.

12 Hook-up fees are allowed only for specific future infrastructure.¹ In contrast, the ICFA
13 allows the utility to control the timing of construction. More importantly, hook-up fees are limited
14 to infrastructure.² In contrast, as noted above, ICFAs can be used for many important uses other
15 than physical infrastructure, such as the consolidation of utilities.

16 **III. The P3s are in the public interest.**

17 The P3s are not financing agreements. Instead, they merely provide for cooperation
18 between Global and the cities. The P3s are public documents adopted after open and full
19 deliberation by the Cities of Maricopa and Casa Grande. The P3s with Maricopa and Casa
20 Grande are attached as Exhibits B and C, respectively. The P3s serve many beneficial purposes.
21 They help the cities cope with growth. Indeed, one of the core purposes of the P3s is to help the
22 cities manage growth in accordance with Arizona’s Growing Smarter and Growing Smarter Plus
23 laws. Casa Grande P3, page 1. For example, Global must prepare an annual “Plan for Growth”
24 for the city’s planning area. *Id.* at ¶ 10. Global will also share its Geographical Information
25

26 ¹ See Staff Memorandum filed June 8, 2006 in Docket No. W-01303A-06-0284.

27 ² *Id.*

1 System ("GIS") with the city. *Id.* ¶ 13. Global is also obligated to support the City's annexation
2 efforts. *Id.* ¶ 14. Global will work with the City to manage and coordinate development. *Id.* In
3 addition, the P3s strongly promote the use of reclaimed water and water conservation measures.
4 *Id.* ¶¶ 8, 12.

5 By these measures, the cities and Global establish a close working relationship, so that they
6 can both better serve the public. To that end, the P3s include provisions for extensive
7 communication and cooperation between the cities and Global. *Id.* at ¶¶ 1-3, 6. Global is strongly
8 committed to a close and cooperative relationship with the cities. Global believes that a
9 cooperative, not hostile, approach is in the public interest.

10 Moreover, the P3s in no way grant a right to serve any area. The P3s do not create an
11 exclusive relationship, and other utilities can enter such agreements if they choose.¹ The P3s
12 carefully respect the Commission's authority to designate service areas through the CC&N
13 process. Thus, they only provide for the cities to participate in the CC&N process. *Id.* at ¶ 17(a).

14 The P3s also carefully respect the Commission's ratemaking powers. The P3 with Casa
15 Grande provides for Global Parent to pay a fee of \$100 to the city for each residential home
16 connecting to the regulated subsidiaries. *Id.* at ¶ 10. In addition, Global Parent agreed to pay Casa
17 Grande a fee of 3% (in some cases, 2%) of gross revenues of the regulated subsidiaries within the
18 relevant area. *Id.* at ¶ 4. The P3 does contemplate these fees might be passed on to customers.
19 But the P3 clearly states that this fee cannot be included in the customer's bill unless it is
20 specifically approved by the Commission. *Id.* The Global Utilities have not requested such
21 approval. Accordingly, there is no charge on customer bills. Again, the P3 specifically requires
22 Commission approval before any customer is charged. Global Parent has elected, for the time
23 being, to simply pay the fees itself at the parent company level rather than seek approval for
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27 ¹ The P3s have no provisions for exclusivity. Further, the fact that the P3s are non-exclusive was
made clear at the public hearings on the P3s conducted by the cities of Maricopa and Casa Grande.

1 regulated utility recovery. Under the P3, the fees are simply an operating expense of Global
2 Parent. *Id.*

3 The P3s provide for close cooperation with the cities, while still preserving the
4 Commission's authority in all respects. The P3s are thus in the public interest.

5 **IV. Response to letters in the docket.**

6 **A. Response to Staff's June 2, 2006 Letter.**

7 **Question 1.A:** A developer purchases a non-regulated parent company's non-voting stock.
8 Each of the non-voting shares has a par value of \$1.00, is not eligible for dividends, is partially
9 refundable and can be repurchased (subject to certain conditions) by the non-regulated parent for
10 one cent (\$0.01).... The parent company subsequently contributes the funds to an ACC regulated
11 subsidiary water utility as additional paid-in capital.

12 **Response:** Global has no opinion regarding this scenario.

13
14 **Question 1.B:** A developer purchases a regulated utility's non-voting stock and that utility
15 invests those funds in plant. The utility records equity for the proceeds. Neither refundable
16 advances in aid of construction nor contributions in aid of construction are recorded.

17 **Response:** The sale of preferred or common stock to a developer can be a legitimate
18 source of equity, as long as the transaction is voluntary and not constructed as a "sham" and is not
19 a requirement for getting service within an existing service area. However, Global notes that it
20 does not use this model. Although some of Global Parent's owners are developers, as a matter of
21 policy, Global Parent does not operate in areas being developed by its owners, to avoid any
22 conflicts of interest or appearance of favoritism.

23
24 **Question 1C:** A developer or a Municipal Government pays a fee for services provided by
25 a non-regulated parent company for services typically covered by "Off-site Hook-up Fees"
26 collected by regulated water and wastewater utilities. Then the parent company invests the
27 proceeds in the regulated utility which is recorded as equity by the utility.

1 **Response:** If this question is intended to refer to the ICFAs, Global notes that they are not
2 like hook-up fees for the reasons stated above. Please see Section II above for a description of
3 how the ICFAs actually operate.

4
5 **Question 2:** What is the maximum percentage of refundable “Advances in Aid of
6 Construction” (“AIAC”) appropriate as a percentage of total capital for a private or investor owned
7 water utility?

8 **Response:** The amount of AIAC and CIAC that is appropriate depends on the
9 circumstances. Global generally agrees with Staff that AIAC and CIAC should ideally not exceed
10 30% of total capital.¹ However, this rule of thumb should not be applied inflexibly. For example,
11 if the utility has a high level of equity, it may be able to absorb more AIAC. In addition, the
12 capital structure over time should be considered. For example, it might be appropriate for a utility
13 to start with a higher level of AIAC if it has well-capitalized parent and plans on using equity to
14 fund future capital needs. In addition, the rate of refunds of AIAC should be considered. On one
15 hand, refunds build up rate base because they reduce AIAC (which is a negative element of rate
16 base). On the other hand, refunds require cash flow.

17
18 **Question 3:** What is the maximum percentage of non-refundable “Contributions in Aid of
19 Construction” (“CIAC”) appropriate as a percent of total capital for a private or investor owned
20 water utility?

21 **Response:** See response to question 2.

22
23 **Question 4:** What is the most appropriate and most economical capital structure for a
24 “new” water or wastewater utility?

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¹ See Staff Report filed May 26, 2006 in Docket No. SW-20422A-05-0659 at Ex. 2.

1 **Response:** There is no one best capital structure for a new utility. The appropriate capital
2 structure will be affected by numerous factors, including estimated growth rates, estimated future
3 capital needs, estimated cash flow, and whether the initial rates cover the utility's costs, including
4 capital costs. In general, a capital structure should avoid excessive amounts of AIAC, CIAC, and
5 debt. Excessive amounts of those elements would result in a financially weak utility. As long as
6 this is avoided, though, the utility's capital structure should be a matter of discretion left to the
7 management's financial judgment.

8 **B. Response to Commissioner Mundell's June 7, 2006 letter.**

9 • **Invitation for presentation.**

10 Global looks forward to giving the requested presentation, and is already developing a
11 thorough briefing for the Commissioners.

12 **Question 1 – P3 Agreements.**

13 The P3 Agreements are described in Section III above, and copies of the P3s are attached
14 for your reference.

15 • **Are these [P3] arrangements intended to be municipal operations not**
16 **subjected to the Commission's jurisdiction?**

17 Definitely not. The P3s have no similarity to "management agreements" like the
18 agreement for the former Skyline District. Service is provided by the Global Utilities through their
19 own resources. The Global Utilities remain fully subject to the Commission's jurisdiction in all
20 respects. Global Parent's business model has always been to own regulated utilities. As described
21 in Section III above, the P3s carefully respect the Commission's authority, including its rate and
22 CC&N powers.

23 **Question 2 – ICFAs.**

24 • **GWR's perspective on the role of the Arizona Corporation Commission**
25 **regarding these agreements.**

26 The Commission is not directly involved in the ICFAs because they operate at a holding
27 company level and do not involve the provision of utility services. However, the Commission

1 retains full authority over the CC&N process. If the CC&N is not granted, the ICFA has little
2 value, and the landowner has the option of cancelling it. This means that Global Parent is taking
3 an entrepreneurial risk – a risk not appropriate for any regulated utility, such as the Global
4 Utilities. If growth fails to develop as planned, it is Global Parent that will have sunk large
5 amounts of money into unused infrastructure. In addition, the Commission, through its Staff, will
6 still review the related main extension agreements in accordance with A.A.C. R14-2-406. The
7 Commission also retains full authority over the Global Utilities, including their rates and service
8 quality.

9 • **The nature of the “per dwelling unit” fees charged by GWR.**

10 These fees are based on the carrying costs of the capital necessary to serve the
11 development. In addition, other costs may be factored in, such as the cost of acquiring an existing
12 utility, or the costs of acquiring access to surface water. The fees are negotiated. The developers
13 who sign the ICFAs are typically very sophisticated. The same fees apply to an entire area, so that
14 there is no discrimination. This means that Global Parent is often negotiating with multiple
15 developers at once.

16 • **From afar, they resemble “hook-up” fees? Are they? If so, please explain the
17 legal basis for these fees when GWR is not a Public Service Corporation (PSC).**

18 The ICFA fees are not hook up fees. A key difference is that hook-up fees can only be
19 used for a single purpose - to fund specific future infrastructure, while ICFA fees can be used for
20 many purposes, such as funding consolidation and conservation efforts. In addition, hook-up fees
21 are mandatory, while ICFA fees are entirely voluntary. Inside the existing CC&N area of a Global
22 Utility, the landowner always has the option of signing a traditional main extension agreement.
23 Outside the current CC&N area, the landowner can always request service from another utility, or
24 even form its own utility if allowed by the Commission. Additional differences between ICFAs
25 and hook up fees are discussed in Section II.D above.

1 • **If these fees are not for utility infrastructure, than what are the developers**
2 **receiving for these fees.**

3 The developers are entering into a financing agreement. They only pay carrying costs on
4 the equity deployed by Global Parent. The actual cost of facilities is much greater, especially since
5 Global builds the entire triad of water conservation – facilities for reclaimed water, surface water,
6 and recharge. The timing of the payments is also more favorable than traditional methods. Again,
7 no developer is ever forced to sign an ICFA – it is entirely voluntary.

8 • **Why do customers need a middleman to “coordinate” or even supply services**
9 **that are by law required to be provided by the referenced PSCs... The CC&Ns held by these**
10 **companies seem to be legally sufficient to ensure service. Please explain.**

11 The ICFAs do NOT provide for utility services. A developer does not receive a drop of
12 water under an ICFA. If the developer is outside a CC&N area, they are free to seek service from
13 any other provider, or to form their own provider, if the Commission allows. If the developer is
14 within a current CC&N area, the developer is always free to enter in to a traditional main
15 extension agreement. Either way, the ICFA is entirely voluntary. Developers – including highly
16 sophisticated, nationally prominent developers -- choose to sign these agreements because they
17 find value in the financing and coordination services provided, as compared with traditional
18 models.

19 Often ICFAs involve areas outside of current CC&Ns, or involve land trapped within the
20 service area of utility whose capabilities are subject to question. The Global Utilities have no
21 current obligation to serve such areas, but Global Parent is always happy to explore such
22 possibilities.

23 Global wholeheartedly agrees that within an existing CC&N area, the utility has an
24 obligation to serve. Within the CC&Ns of the Global Utilities, a developer can always sign a
25 traditional main extension agreement.

26 • **“Impact of poorly run operations and lack of available capital”**
27

1 Global agrees that these are very serious problems. The ICFA's are designed, in part, to
2 provide a mechanism to solve these problems, as well as enabling the full triad of water
3 conservation measures to be implemented.

4 **C. Response to Chairman Hatch-Miller's letter dated June 12, 2006.**

5 Global agrees that having "well-capitalized private water/wastewater utilities, with
6 experienced and knowledgeable operational and managerial staff" is vital to our state.

7 **V. Conclusion.**

8 Global appreciates this opportunity to respond to questions and concerns about the ICFA's
9 and the P3s. The ICFA's and the P3s were designed with openness in mind – the ICFA's are
10 publicly recorded documents and the P3s were adopted in open public meetings of the City
11 Councils – and we welcome the spotlight on them. Global looks forward to giving the
12 presentation requested by Commissioner Mundell and Chairman Hatch-Miller. Global is also
13 happy to answer any further questions that Staff or the Commissioners may have about these
14 topics.

15 In the end, the ICFA's results in a direct reduction groundwater consumption in our state.
16 Average per dwelling unit potable water consumption for non-integrated, traditionally financed,
17 Arizona utility service providers is in the order of 13,500 gallons per month. By impressing the
18 3C's into the planning program, Santa Cruz Water Company's monthly average demand in the
19 first phase of development in the City of Maricopa is 8,200 gallons per month per unit.

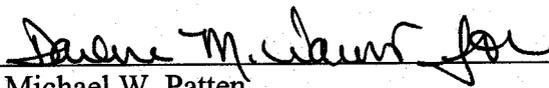
20 Going further, by using the triad of conservation and enforcing re-use and reclamation as
21 policy, subsequent phases in the City of Maricopa have achieved even greater success. There has
22 been a 90% reduction in irrigation meters supplied by potable water. As a result, the actual
23 potable demand in these reclamation-minded areas is 5,700 gallons per month dwelling unit – a
24 30% reduction over Santa Cruz's initial service areas, and a staggering 57% reduction in potable
25 water consumption over traditionally structured Arizona utility services. This is the power of an
26 ICFA-funded conservation strategy – direct, measurable and immediate resource conservation.

27

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 RESPECTFULLY SUBMITTED this 23rd day of June 2006.

2 Roshka DeWulf & Patten, PLC

3
4 By 
5 Michael W. Patten
6 One Arizona Center
7 400 East Van Buren Street, Suite 800
8 Phoenix, Arizona 85004

Attorneys for Global Water Resource

9 Original + 13 copies of the foregoing
10 filed this 23rd day of June 2006, with:

11 Docket Control
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Copies of the foregoing hand-delivered/mailed
16 this 23rd day of June 2006, to:

17 Chairman Jeff Hatch-Miller
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Commissioner Marc Spitzer
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Commissioner William A. Mundell
26 Arizona Corporation Commission
27 1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Mike Gleason
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

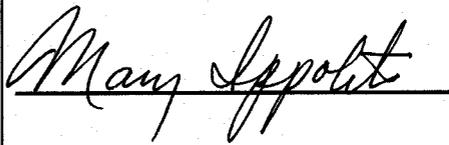
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1 Commissioner Kristin K. Mayes
2 Arizona Corporation Commission
3 1200 West Washington Street
Phoenix, Arizona 85007

4 Lyn Farmer, Esq.
5 Chief Administrative Law Judge
6 Hearing Division
7 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

8 Christopher C. Kempley, Esq.
9 Chief Counsel, Legal Division
10 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

11 Ernest G. Johnson, Esq.
12 Director, Utilities Division
13 Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

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EXHIBIT

"A"



23 May 2006

Delia M. Carlyle, Chairman
Ak-Chin Indian Community
Community Government
42507 W. Peters & Nall Road
Maricopa, AZ 85239

**Re: Letter of Understanding
Palo Verde Utilities Company (PVUC) Consolidated 208 Regional Water Quality
Management Plan Amendment**

Dear Chairman Carlyle:

Palo Verde Utilities Company (PVUC) and its parent Global Water Resources (Global) have been responding to significant growth pressure in the areas around the Cities of Maricopa and Casa Grande, and the Ak-Chin Indian Community (Community). For Global, the pressure to stay ahead of the growth in terms of infrastructure is intense; the consequences of not being ahead in planning, however, are dire.

It was under these circumstances that Global in 2004 began preparing the regional plan for water, wastewater and reclaimed water services. This plan came to be known as the "Consolidated 208 Plan" and provides a responsible, responsive and flexible approach to environmental sustainability in the region. Included in this Consolidated 208 Plan was the provision for re-use, recharge and discharges to washes in the area. Any discharges to Waters of the United States would be permitted by ADEQ under the Arizona Pollutant Discharge Elimination System (AzPDES) program.

Notwithstanding the operational benefits of an "emergency valve" to allow for the delivery of Class A+ Reclaimed Water to Waters of the US in times of prolonged decline in re-use consumption, or the fact that the reclaimed water proposed to be discharged can be scientifically demonstrated to be of better and more consistent quality than storm water, the Community has indicated that the cultural and environmental aspects of the washes simply outweigh any potential operational benefit afforded PVUC.

Accordingly, Global and PVUC are willing to remove the development of proposed new AzPDES discharge points upstream of the Ak-Chin Community in the Vekol, Santa Rosa, Smith and Santa Cruz washes, including their tributaries and the Santa Rosa Canal that could result in an impact or flow through the sovereign land of the Ak-Chin Community. It is understood and acknowledged that this decision comes with costs with respect to the deployment of recharge and re-use infrastructure and associated operating costs.

Recognizing the importance of the development of a continued working relationship between Global and the Community, the Community's commitment to protect and preserve its cultural, environmental and natural resources, and Global's objective of responding to growth in the area in a planned and managed manner, Global and PVUC agree to:

21410 North 19th Avenue, Suite 201, Phoenix, Arizona 85027

Phn 623.580.9600

Fax 623.580.9659

gwresources.com

1. Amend and re-submit to CAAG the Consolidated 208 Plan and stipulate on the record during the May 24, 2006 Pinal County Board of Supervisor's hearing on case IUP-001-06 to withdraw the upstream discharge points that include the Vekol, Santa Rosa, Smith and Santa Cruz washes, including their tributaries and the Santa Rosa Canal that could result in an impact or flow through the sovereign land of the Ak-Chin Indian Community;
2. Deploy the necessary re-use and recharge infrastructure to preclude a requirement for such discharges to the Waters of the US;
3. Work with the Community to preserve aquifer water quality for the region and provide monitoring and compliance data as agreed to by Global and the Community such data as it relates to recharge activity and water quality and provide for the opportunity to review applications, reports and other relevant regulatory filings;
4. Consult with the Community in connection with Global's water, wastewater, and reclaimed water regional planning activities; and
5. Reiterate the offer to the Community to assist in providing water, wastewater and reclaimed water services as deemed appropriate and agreed to by Global and the Community.

The Community:

1. Recognizes the benefit of Global's re-use and recharge initiatives and offers no objections to the Consolidated 208 Plan (as amended pursuant to this document) including those permits or authorities required to implement the Plan (recharge/re-use permits, aquifer protection permits, underground storage facility permits, recovery permits, industrial use permits and other applicable permits); and
2. Recognizes the benefit of Global's re-use and recharge initiatives and offers no objections to the PVUC Industrial Use Permit application presently under review by Pinal County.

This document provides the framework that allows for the conservation of water resources in the area, the development of the area under a sustainable and managed model and the protection of the area's cultural heritage. As such, it represents a great starting point for further and future cooperation.

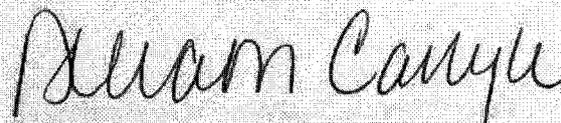
Sincerely,

GLOBAL WATER RESOURCES
PALO VERDE UTILITIES COMPANY



Trevor Hill, P.Eng.
President & CEO

AK-CHIN INDIAN COMMUNITY COUNCIL



Delia M. Carlyle
Chairman, Ak-Chin Indian Community

cc:

Ak-Chin Indian Community Council Members
William R. Rhodes, Governor, Gila River Indian Community (GRIC)
Vivian Juan-Saunders, Chairwoman, Tohono O'odham Nation (TON)
Joni Ramos, President, Salt River Pima-Maricopa Indian Community (SRPMIC)
Raphael Bear, President, Ft. McDowell Yavapai Nation
Janet Napolitano, Governor, State of Arizona
Congressman Raul M. Grijalva, 7th District, Arizona
Vera Phillips, Commission of Indian Affairs
John Lewis, Executive Director, Inter Tribal Council of Arizona, Inc.
Wayne Nastri, Regional Administrator, U.S. Environmental Protection Agency (U.S. EPA), Region IX
Kristin Gullat, Manager, Tribal Office, Water Division, U.S. EPA, Region IX
Clancy Tenley, Manager, Tribal Programs Office, Communities & Ecosystems Division, U.S. EPA, Region IX
Loretta Vanegas, Project Officer, Water Division, U.S. EPA, Region IX
Doug Eberhardt, NPDES Manager, U.S. EPA, Region IX
Dave W. Smith, TMDL Coordinator, U.S. EPA, Region IX
Amy Heuslin, Bureau of Indian Affairs (BIA)
Cecilia Martinez, Acting Superintendent, Pima Agency, BIA
Chairman and Commissioners, Arizona Corporation Commission
Stephen A. Owens, Director, Arizona Department of Environmental Quality (ADEQ)
Herb Guenther, Director, Arizona Department of Water Resources
Joan Card, Division Director, Water Quality, ADEQ
Linda Taunt, Deputy Director, Water Quality, ADEQ
Dave Snider, Supervisor, Pinal County, District 3
Kelly Anderson, Mayor, City of Maricopa
Charles Walton, Mayor, City of Casa Grande
James Thompson, City Manager, City of Casa Grande
Rick Buss, City Manager, City of Maricopa
Terry Doolittle, County Manager, Pinal County
Maxine Leather, Executive Director, Central Arizona Association of Governments
Ak-Chin Indian Community Task Force Committee

EXHIBIT

"B"

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is entered into as of December 6, 2005 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the City of Maricopa, a municipal corporation ("City").

RECITALS

WHEREAS Global is engaged in the business of providing water, wastewater and reclaimed water infrastructure services both inside and outside the jurisdictional boundaries of the City;

WHEREAS Global is the owner of Santa Cruz Water Company, LLC ("SCW") and Palo Verde Utilities Company, LLC ("PVU") (collectively "Utility Companies") and provides utility services through these entities;

WHEREAS SCW and PVU are Arizona public service corporations defined in Article 15, Section 2, of the Arizona Constitution and, as such, are regulated by the Arizona Corporation Commission ("ACC"). SCW and PVU have been issued Certificates of Convenience and Necessity ("CC&N") by the ACC to provide water and waste water services (collectively the "Utility Services"), respectively in designated geographic areas within the State of Arizona;

WHEREAS the City is experiencing rapid growth, and in order to facilitate and manage further growth, the City wishes to strengthen its relationship with Global and its Utility Companies by working with them to generally improve the quality of Utility Services within the City;

WHEREAS the City intends to facilitate and manage further growth in accordance with its obligations under the Growing Smarter legislation and Growing Smarter Plus legislation enacted into law by the Arizona Legislature;

WHEREAS the City is in the process of annexing certain real property, as more fully

described on Exhibit A hereto (the "Subject Territories") and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS the City is supportive of Global's pending application to the ACC for expansion of its CC&N for Utility Services in the areas formerly known as the 387 District Areas and the Parties acknowledge that the expansion of the CC&N over the Subject Territories may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS the Parties wish to form a Public Private Partnership which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS the Parties believe such a Public Private Partnership currently represents the most cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents;

WHEREAS the Parties believe that such a Public Private Partnership will result in the harmonization of rates within Global's service area, thereby mitigating customer confusion regarding rates and utility services;

WHEREAS the City seeks to increase its involvement in the water and wastewater business within its current municipal limits and its entire planning area;

WHEREAS the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur in areas that are outside current municipal limits but within its planning area;

WHEREAS the Parties acknowledge Global's commitment to the City to date, including

Global's material capital expenditures, its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the current rapid growth occurring within the City, and the anticipated continuing future growth;

WHEREAS the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented growth the City is currently experiencing;

WHEREAS the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Acquisition of the Assets of Sonoran Utilities Services LLC. The City of Maricopa will support the acquisition of the assets of Sonoran Utilities Services LLC by Global, the dissolution of the 387 Districts, and Global's submission to the ACC to acquire the CC&Ns required to provide the Utility Services in the areas formerly known as the 387 District Area, and in the future use of the assets and/or rights acquired from Sonoran with respect to those areas within Global's Planning Area as more particularly described on Exhibit C attached hereto and incorporated herein by this reference.

2. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Planning Director, and/or their designees. Global's representatives at these meeting shall normally be the President, the Chief Financial Officer and the Manager of Construction, or their designees. Other meetings with other representatives may be arranged as needed.

3. Annual Report to the City of Maricopa. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

4. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments to the Mayor and City Council for review and comment prior to submission to the ACC. Global shall allow the City thirty days for the Mayor and City Council to conduct a public hearing at the City's next regularly scheduled City Council meeting regarding the proposed rate and/or fee adjustment before submission to the ACC.

5. Operating/License Agreement and Fees. The parties shall enter into an operating/license agreement for utility services provided within the City's current and existing incorporated limits, and for utility services provided within Global's Planning Area (as set forth on Exhibit C attached hereto which relates to areas outside of the City's current and existing incorporated limits), with the understanding that the City will endeavor in good faith to promptly replace the operating/license agreement with a franchise agreement on or before October 15, 2007 in the event that the ACC Order provided for below has not been entered by April 14, 2006. Pursuant to the operating/license agreement, and subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) April 14, 2006, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Global to the City of Maricopa. If the ACC Order has not been entered by April 14, 2006 following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% as provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within Global's Planning Area;

however, if any property located outside the City's jurisdictional limits becomes a part of the City's jurisdictional limits through an annexation, then the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's cost) seeking approval of the fees provided for in this Section 5 and to grant Global a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or October 15, 2007. Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 5 are flow through fees to PVU and SCW and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense.

6. Financing Options. The City of Maricopa shall explore potential financing options for Global to finance its projects within the City. Global and City will commit to jointly funding the formation of the necessary structures required to access Industrial Development Authority finances. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

7. Local Office. Global shall maintain an office at the City of Maricopa's new City Hall primarily for customer service or in the alternative at its Maricopa headquarters facilities to be located at the Palo Verde Water Reclamation Campus. Global will make this decision with input from the City. If Global elects to maintain an office at the new City Hall, the Parties will enter into a separate lease agreement for that office.

8. Conservation Efforts. The City will assist Global in promoting community and school water conservation programs. Assistance may include distribution of educational materials and access to making presentations at City and school functions.

9. Reclamation Projects. The City and Global will explore water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. If financially feasible, as determined by the City, the City will install dual plumbing in all future City owned buildings such that reclaimed water can be used to flush toilets and serve other non-potable water demands, per Global's guidelines and State and Federal law. The City shall bear the cost of this infrastructure, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

10. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. Global will augment the City's economic development efforts with its corporate network wherever possible. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s).

11. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Maricopa's planning area. The City staff shall provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

12. Fee. *Effective January 1, 2006* Global shall pay a voluntary fee totaling Fifty Dollars (\$50.00) for each residential home connecting to Global's water and wastewater system within the jurisdictional limits of the City, as amended from time to time. The fee will assist the City in defraying administrative costs for water and wastewater services. The voluntary fee shall be increased to One Hundred Dollars (\$100.00) for all other areas within Global's Planning Area (attached hereto as Exhibit C, exclusive of the Ak-Chin Indian Reservation). The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

13. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal functions and events.

14. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative items. The City and Global shall share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

15. Annexation. Global shall support the annexation efforts of the City. Global shall support the City's efforts to manage and coordinate development in Global's Planning Areas. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

16. Permits. The City will endeavor to streamline permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to treat Global's permitting submissions as a priority and shall provide the highest priority review the City can produce in order to return permits promptly. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territories. If the City cannot provide a prompt review of

Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans.

17. Maricopa Domestic Water District. The City and Global will consider and cooperate in achieving operational integration efforts and the potential sale of water to Global by the Maricopa Domestic Water District.

18. Designated Management Area. The City and Global shall work together to facilitate the designation of the City of Maricopa as a Designated Management Agency to implement and enforce the portions of the area wide Water Quality Management Plan within its designated area, which will be the City's current planning area, as illustrated by the City of Maricopa General Plan.

19. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of SCW and PVU's proposed expansion of the CC&N over Global's Planning Area;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within Global's Planning Area;
- c. ACC approval of the operating/license agreement described in Section 5 and Section 19(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 5 above in the monthly consumptive billings of the Utility Companies.

e. If necessary, the franchise election provided for in Section 5 above.

20. Effective Date. Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Maricopa City Council.

21. Entire Agreement. This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

22. Construction. This MOU shall be construed in accordance with the laws of the State of Arizona.

23. Modification or Amendment. This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

24. Jurisdiction, Venue and Attorneys' Fees and Costs. Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona.

25. Mediation/Arbitration. In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute,

exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, et seq., and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

26. Assignment. The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

27. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

28. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

29. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

30. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when

personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

31. Time of Essence. Time is of the essence for all purposes of this MOU.

32. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

CITY OF MARICOPA

GLOBAL WATER RESOURCES, LLC

By:  _____

By:  _____

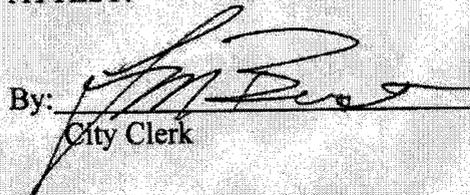
Title: Mayor _____

Title: PRESIDENT CEO _____

Address: _____

Address: 22501 N. 19TH AVE, SUITE 210
PHOENIX, AZ 85027

ATTEST:

By:  _____
City Clerk

APPROVED AS TO FORM:

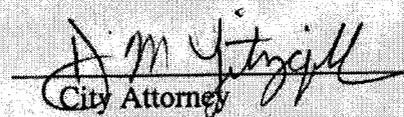
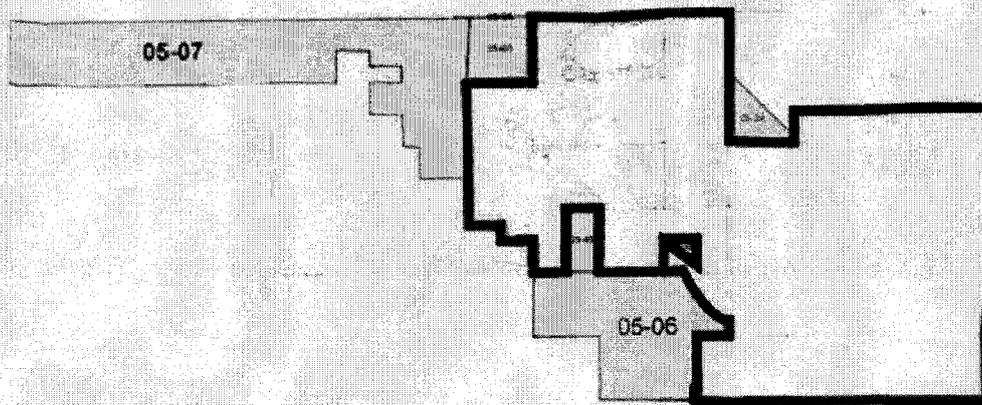
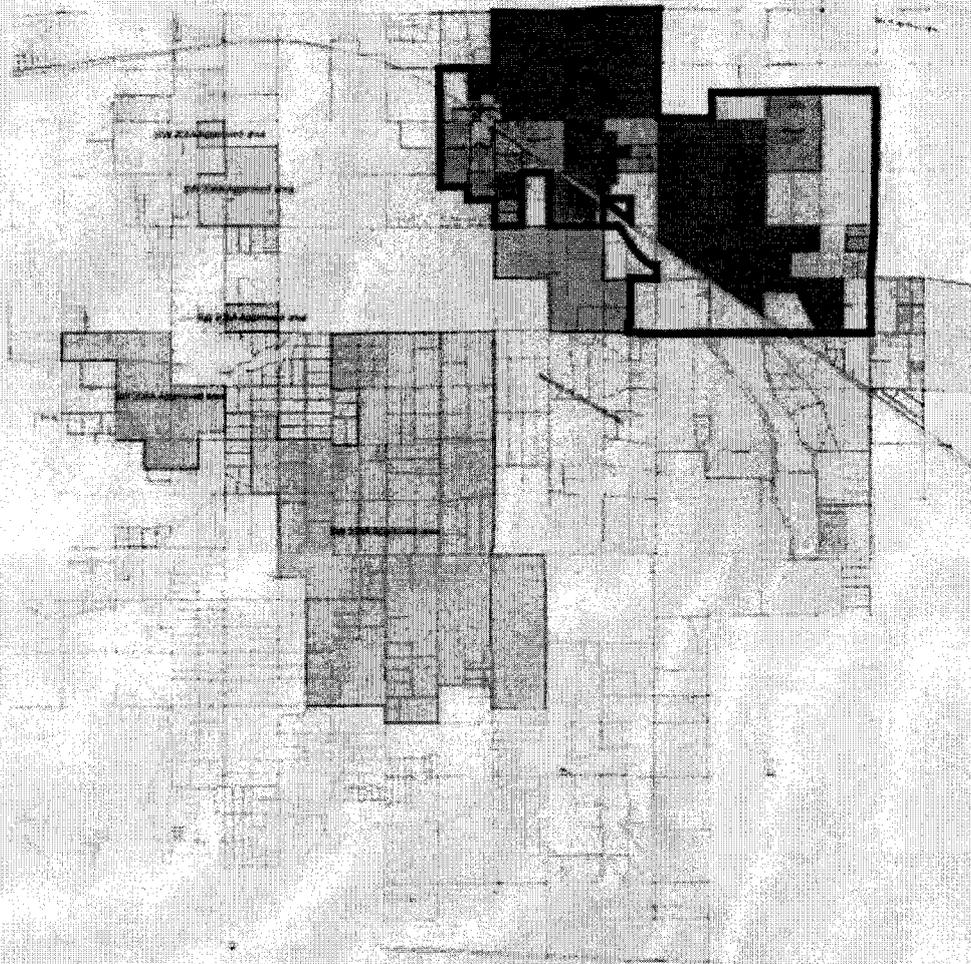
 _____
City Attorney

EXHIBIT A- SUBJECT TERRITORIES *(As defined in this MOU includes the current jurisdictional limits for the City of Maricopa and the Annexation Petitions that are currently pending with the City of Maricopa)*



Legend	
	City Limits
	Gila River Reservation
	Maricopa (Ak-Chin) Reservation
	Annex 05-07
	Annex 05-04
	Annex 05-05
	Annex 05-06

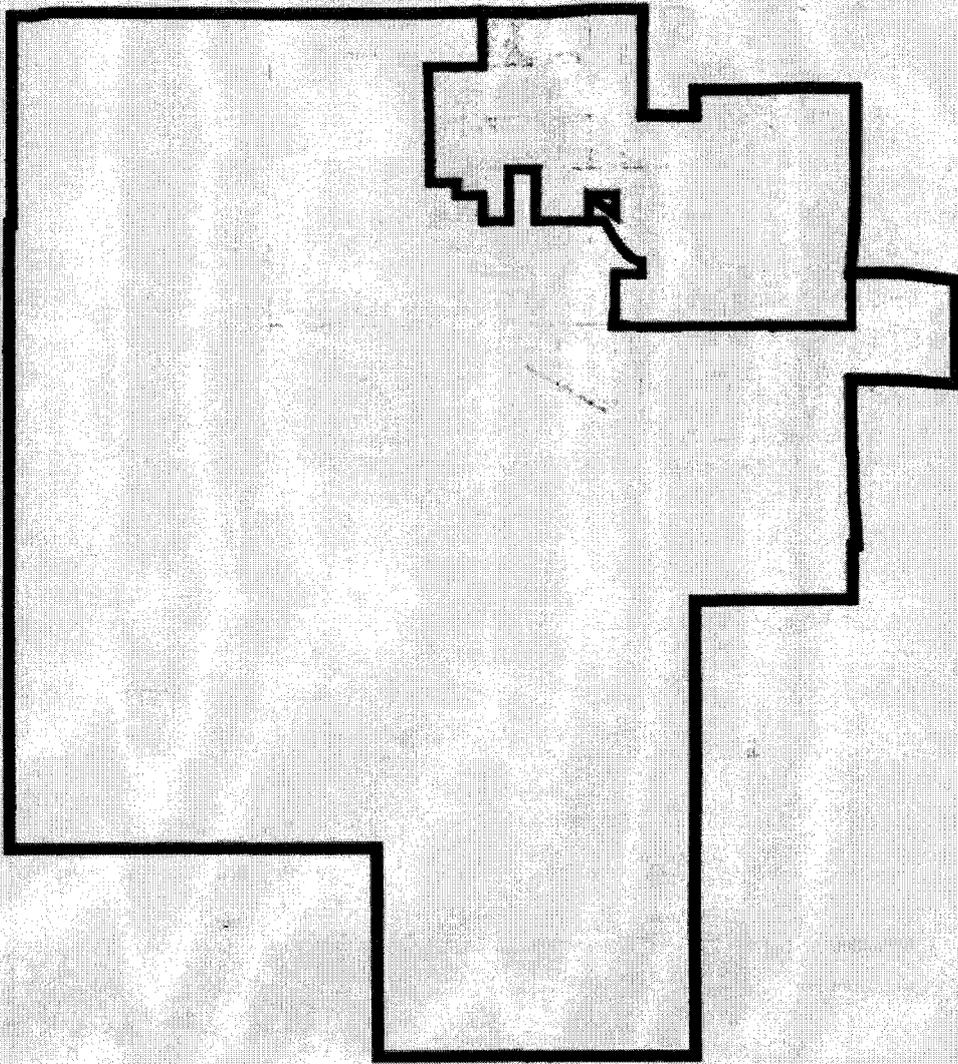
EXHIBIT B – GLOBAL SERVICE AREA



Legend

	City Limits		Global_Water		Gila River Reservation
			SW208_Aproved		Maricopa (Ak-Chin) Reservation
			Sonoran 387 acuisition		

EXHIBIT C – GLOBAL'S PLANNING AREA



Legend	
	City Limits
	Planning
	Gila River Reservation
	Maricopa (Ak-Chin) Reservation

EXHIBIT

"C"

MEMORANDUM OF UNDERSTANDING

CITY CONTRACT NO. 1205-9

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is entered into as of December 9, 2005 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the City of Casa Grande, a municipal corporation ("City").

RECITALS

WHEREAS Global is engaged in the business of providing water, wastewater and reclaimed water infrastructure services both inside and outside the jurisdictional boundaries of the City;

WHEREAS Global is the owner of Santa Cruz Water Company, LLC ("SCW") and Palo Verde Utilities Company, LLC ("PVU") (collectively "Utility Companies") and provides utility services through these entities;

WHEREAS SCW and PVU are Arizona public service corporations defined in Article 15, Section 2, of the Arizona Constitution and, as such, are regulated by the Arizona Corporation Commission ("ACC"). SCW and PVU have been issued Certificates of Convenience and Necessity ("CC&N") by the ACC to provide water and waste water services (collectively the "Utility Services"), respectively in designated geographic areas within the State of Arizona;

WHEREAS the City is experiencing rapid growth, and in order to facilitate and manage further growth, the City wishes to strengthen its relationship with Global and its Utility Companies by working with them to generally improve the quality of Utility Services within the City;

WHEREAS the City intends to facilitate and manage further growth in accordance with its obligations under the Growing Smarter legislation and Growing Smarter Plus legislation enacted into law by the Arizona Legislature;

WHEREAS the City is in the process of annexing certain real property, as more fully described on Exhibit A hereto (the "Subject Territories") and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS the City is supportive of Global's pending application to the ACC for expansion of its CC&N for Utility Services in the City's General Planning Area and the Parties acknowledge that the expansion of the CC&N over the Subject Territories may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS the Parties wish to form a Public Private Partnership which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS the Parties believe such a Public Private Partnership currently represents the most cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents;

WHEREAS the Parties believe that such a Public Private Partnership will result in the harmonization of rates within Global's service area, thereby mitigating customer confusion regarding rates and utility services;

WHEREAS the City seeks to increase its involvement in the water and wastewater business within its current municipal limits and its entire planning area;

WHEREAS the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur in areas that are outside current municipal

limits but within its planning area;

WHEREAS the Parties acknowledge Global's commitment to the City to date, including Global's material capital expenditures, its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the current rapid growth occurring within the City, and the anticipated continuing future growth;

WHEREAS the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented growth the City is currently experiencing;

WHEREAS the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Planning Director, and/or their designees. Global's representatives at these meeting shall normally be the President, the Chief Financial Officer and the Manager of Construction, or their designees. Other meetings with other representatives may be arranged as needed.

2. Annual Report to the City of Casa Grande. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st

each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

3. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments to the Mayor and City Council for review and comment prior to submission to the ACC. Global shall allow the City thirty days for the Mayor and City Council to conduct a public hearing at the City's next properly noticeable regularly scheduled City Council meeting regarding the proposed rate and/or fee adjustment before submission to the ACC.

4. Operating/License Agreement and Fees. The parties shall enter into an operating/license agreement for utility services provided within the City's current and existing incorporated limits, and for utility services provided within Global's Planning Area (as set forth on Exhibit A attached hereto which relates to areas outside of the City's current and existing incorporated limits), with the understanding that the City will endeavor in good faith to promptly replace the operating/license agreement with a franchise agreement on or before October 15, 2007 in the event that the ACC Order provided for below has not been entered by April 14, 2006. Pursuant to the operating/license agreement, and subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) April 14, 2006, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Global to the City of Casa Grande. If the ACC Order has not been entered by April 14, 2006 following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% as provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within Global's Planning Area; however, if any property located outside the City's jurisdictional limits becomes a part of the

City's jurisdictional limits through an annexation, then the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's cost) seeking approval of the fees provided for in this Section 5 and to grant Global a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or October 15, 2007. Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 5 are flow through fees to PVU and SCW and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense.

5. Financing Options. The City of Casa Grande and Global shall jointly explore potential financing options for Global to finance its projects within the City. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

6. Local Office. Global shall maintain an office at its Casa Grande headquarters facilities to be located at the Palo Verde South East Water Reclamation Campus or in an alternative location within Global's Planning Area until such time as sufficient customers are in place so as to warrant the office being in another location which will be established by Global with input from the City.

7. Conservation Efforts. The City will assist Global in promoting community and school water conservation programs. Assistance may include distribution of educational materials and access to making presentations at City and school functions.

8. Reclaimed Water and Reclamation Projects. The parties acknowledge the City's interest in long term access to reclaimed water. The parties further acknowledge Global Water's leadership in the field of water reuse in the region and the critical nature of reclaimed water to the Global Water business and regional conservation plan. Accordingly, Global Water agrees to use reasonable best commercial efforts to use and utilize reclaimed water in the region to the extent permissible under existing and future Arizona Department of Environmental Quality ("ADEQ") policy for all residential, commercial and industrial applications within Global's service area. The City and Global will explore water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. Additionally, for that water which cannot be beneficially used within the service area, Global will either recharge for its benefit that certain volume of water or make that certain volume of water available to the City for recharge on a long term basis. If financially feasible, as determined in the sole discretion of the City, the City will install dual plumbing in all future City owned buildings serviced by Global such that reclaimed water can be used to flush toilets and serve other non-potable water demands, per Global's guidelines and State and Federal law. The City shall bear the cost of this infrastructure, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

9. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. Global will augment the City's economic development efforts with its corporate network wherever possible. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s).

10. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Casa Grande's planning area. The City staff shall

provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

11. Fee. Effective January 1, 2006 Global shall pay a voluntary fee totaling One Hundred Dollars (\$100.00) for each residential home connecting to Global's water and wastewater system within the jurisdictions of the City, as amended from time to time, or outside the jurisdictions of the City but within Global's Planning Area (attached hereto as Exhibit A). To the extent a home connects to only one service, the fee shall be reduced to fifty dollars (\$50.00). The fee will assist the City in defraying administrative costs for water and wastewater services, including regional planning. The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

12. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal functions and events.

13. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative items. The City and Global shall share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

14. Annexation. Global shall support the annexation efforts of the City. Global shall support the City's efforts to manage and coordinate development in Global's Planning Areas. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

15. Permits. The City will endeavor to streamline permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to treat Global's permitting submissions as a priority and shall provide the highest priority review the City can produce in order to return permits promptly. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territories. If the City cannot provide a prompt review of Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans. Any such consultants shall report directly to the City and take direction only therefrom.

16. Designated Management Area. The City and Global shall work together to facilitate the designation of the City of Casa Grande as a Designated Management Agency to implement and enforce the portions of the area wide Water Quality Management Plan within its designated area, which will be the City's current planning area, as illustrated by the City of Casa Grande General Plan.

17. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of SCW and PVU's proposed expansion of the CC&N over Global's Planning Area;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within Global's Planning Area;
- c. ACC approval of the operating/license agreement described in Section 5 and Section 19(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 5 above in the monthly consumptive billings of the Utility Companies.
- e. If necessary, the franchise election provided for in Section 5 above.

18. Effective Date. Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Casa Grande City Council.

19. Entire Agreement. This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

20. Construction. This MOU shall be construed in accordance with the laws of the State of Arizona.

21. Modification or Amendment. This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

22. Jurisdiction, Venue and Attorneys' Fees and Costs. Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona.

23. Mediation/Arbitration. In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute, exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, et seq., and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

24. Assignment. The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

25. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

26. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

27. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

28. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

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29. Time of Essence. Time is of the essence for all purposes of this MOU.

30. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

CITY OF CASA GRANDE

GLOBAL WATER RESOURCES, LLC

By: [Signature]

By: [Signature]

Title: Acting City Manager

Title: PRESIDENT & CEO

Address: 510 E. Florence Blvd
CASA GRANDE, AZ
85222

Address: 22601 N. 19th Ave
Phoenix, AZ, 85022

ATTEST:

By: [Signature]
City Clerk

APPROVED AS TO FORM:

[Signature]
City Attorney

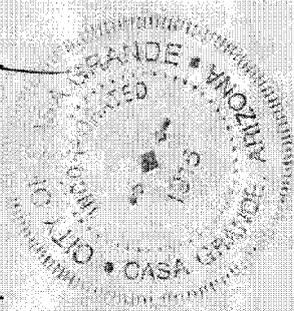
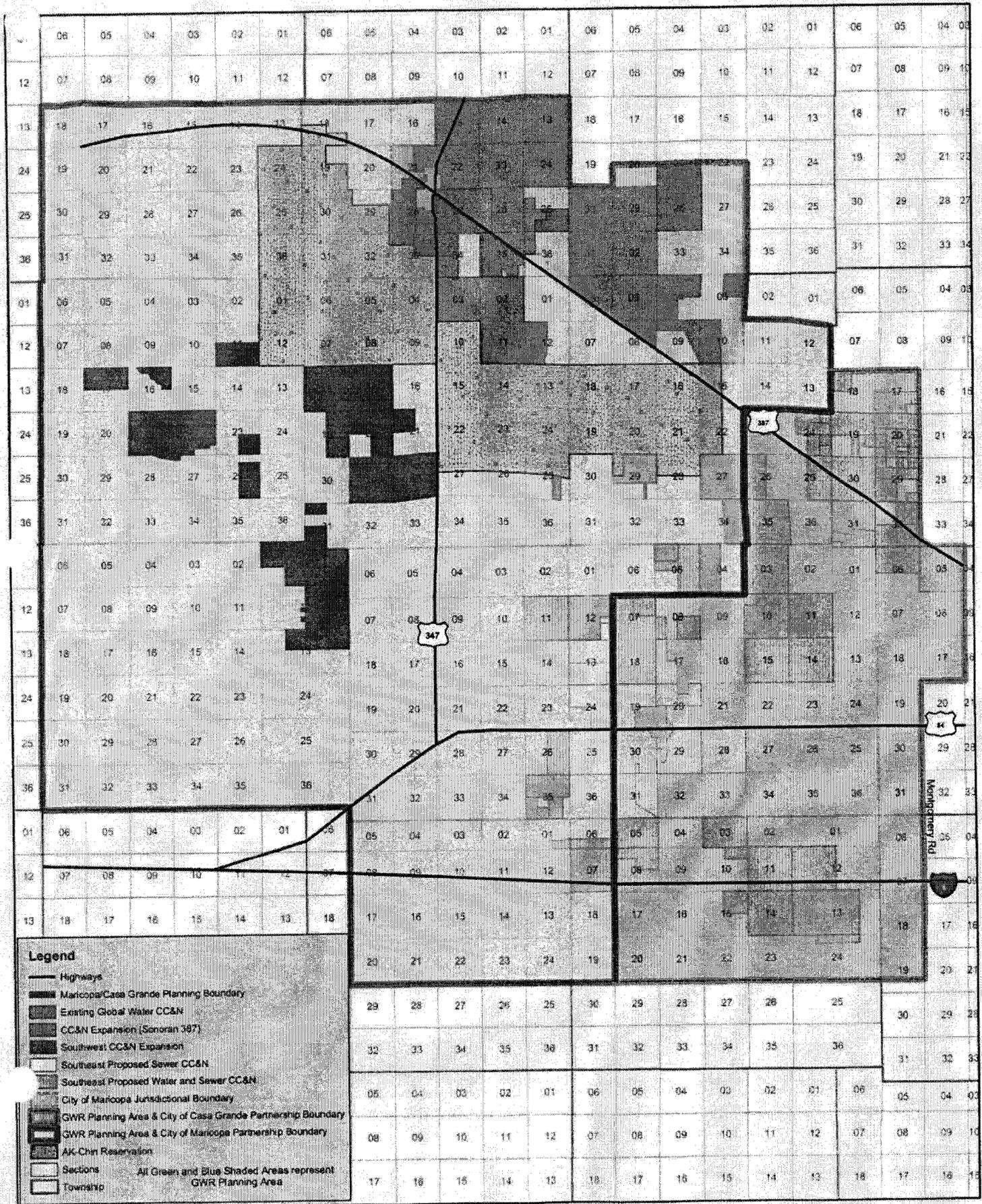


EXHIBIT A

Exhibit A - Subject Territories



- Highways
 - █ Marcopa/Casa Grande Planning Boundary
 - █ Existing Global Water CC&N
 - █ CC&N Expansion (Sonoran 187)
 - █ Southwest CC&N Expansion
 - █ Southeast Proposed Sewer CC&N
 - █ Southeast Proposed Water and Sewer CC&N
 - City of Maricopa Jurisdictional Boundary
 - █ GWR Planning Area & City of Casa Grande Partnership Boundary
 - █ GWR Planning Area & City of Maricopa Partnership Boundary
 - █ AK-Chin Reservation
 - Sections
 - Township
- All Green and Blue Shaded Areas represent GWR Planning Area