

OPEN MEETING ITEM



0000061930

ORIGINAL



COMMISSIONERS  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

22

ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission  
**DOCKETED**

OCT - 3 2006

DATE: October 3, 2006  
DOCKET NOS: W-03576A-06-0103 and SW-03575A-06-0103  
TO ALL PARTIES:

DOCKETED BY	nr
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Enclosed please find the recommendation of Assistant Chief Administrative Law Judge Dwight D. Nodes. The recommendation has been filed in the form of an Order on:

SANTA CRUZ WATER COMPANY AND PALO VERDE UTILITIES COMPANY  
(NOTICE OF INTENT)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

OCTOBER 12, 2006

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Open Meeting to be held on:

OCTOBER 17 AND 18, 2006

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931

BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG

IN THE MATTER OF THE NOTICE OF INTENT  
OF SANTA CRUZ WATER COMPANY AND  
PALO VERDE UTILITIES COMPANY TO  
TRANSFER A PORTION OF THE MEMBERSHIP  
INTERESTS IN GLOBAL WATER RESOURCES,  
LLC.

DOCKET NO. W-03576A-06-0103  
DOCKET NO. SW-03575A-06-0103

**ORDER**

Open Meeting  
October 17 and 18, 2006  
Phoenix, Arizona

**BY THE COMMISSION:**

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

**FINDINGS OF FACT**

1. In Decision Nos. 67240 (September 23, 2004) and 67830 (May 5, 2005), the Arizona Corporation Commission ("Commission") directed Santa Cruz Water Company, LLC ("Santa Cruz"), Palo Verde Utilities Company, LLC ("Palo Verde"), and Global Water Resources, LLC ("Global Water") (collectively "Global Water Companies") to, among other things, "notify the Commission of any proposed change in the ownership of their respective membership interests (including transfer or additional memberships), prior to execution, through filing of a Notice of Intent...." Those Decisions stated that "[o]nce the Notice of Intent has been filed, the Commission may initiate a proceeding within 60 days to determine approval. If no action is initiated within 60 days after filing, the proposed transaction is permitted to proceed without approval." (Decision No. 67240, at 16; Decision No. 67830, at 12)

2. On February 17, 2006, the Global Water Companies filed in the above-captioned docket a Notice of Intent to transfer a small portion of the membership interests in Global Water

1 Resources, LLC, to existing Global Water officers or key management personnel. Although labeled  
2 as a Notice of Intent, the filing indicates that the transfer occurred prior to filing with the Commission  
3 and further states that "Global apologizes for this oversight" (*i.e.*, failing to obtain approval prior to  
4 making the transfer). Because the transfer was completed prior to filing, the Global Water  
5 Companies request that the Commission "take no action on this Notice" or, alternatively,  
6 "retroactively approve the Transfer."

7 3. According to the Notice of Intent, the transfer would vest membership interests in  
8 Global Water Resources, LLC, to the following individuals:

- 9 a. 12.5 percent - Andrew Cohn (General Manager, Levine  
10 Investments, LLP)
- 11 b. 2.5 percent - Graham Symmonds (Vice President of Operations  
12 and Compliance)
- 13 c. 1.5 percent - Cindy Liles (Vice President for Growth  
14 Management/Chief Financial Officer)

15 4. The Notice of Intent states that the transfers did not involve the new members buying  
16 membership interests but, rather, reflect the other members rewarding the new members for their  
17 contributions to Global Water. The filing claims that the transfer strengthens the membership of  
18 Global Water and its subsidiaries by combining experienced utility management with successful and  
19 respected investors. Global Water asserts that Mr. Symmonds and Ms. Liles are directly involved in  
20 the operations of the regulated utility companies, while Mr. Cohn is a longtime associate of Bill  
21 Levine, the owner of the largest interest in Global Water.

22 5. On April 19, 2006, the Commission's Utilities Division Staff ("Staff") filed a  
23 Memorandum indicating Staff's intent to conduct a thorough review of "the timing of the ownership  
24 transfer, the conditions under which Global failed to report the ownership change, and the fitness of  
25 the new members." Staff also stated that the Memorandum "should be considered the Commission's  
26 action to prevent the ownership change from taking place 'without approval'."

27 6. On September 15, 2006, Staff filed its Staff Report regarding Global Water's filing in  
28 this docket. The Staff Report states that, based on Staff's evaluation of the information provided,

1 "Staff has no objections to the proposed transfers of ownership interests." Staff indicates that, to the  
2 extent the officers overseeing the regulated subsidiaries have a vested interest in the success of those  
3 operations, the transfer is in the public interest. Staff agrees that the transfer should be retroactively  
4 approved and that, in this instance, the untimeliness of the filing was unintentional. However, the  
5 Staff Report states that the Global Water Companies are put on notice that future transfers of  
6 ownership interests must be submitted in a timely manner to the Commission.

7 7. We agree with Staff's analysis of the transfer of ownership interests in this  
8 proceeding. Although it is unclear what impact, if any, the transfer to Mr. Cohn will have on Global  
9 Water's operations, the vested ownership interests of Mr. Symmonds and Ms. Liles, who are  
10 involved in the day-to-day operations of the regulated Global Water subsidiaries, should enhance the  
11 overall operations of the utility companies. We also admonish Global Water to seek timely approval  
12 regarding all future transfers, in accordance with the directives set forth in Decision Nos. 67240 and  
13 67830.

14 **CONCLUSIONS OF LAW**

15 1. Palo Verde and Santa Cruz are public service corporations within the meaning of  
16 Article XV of the Arizona Constitution and A.R.S. §§40-281, 40-282 and 40-285.

17 2. The Commission has jurisdiction over Palo Verde and Santa Cruz and the subject  
18 matter of the application.

19 3. Staff's recommendation as described herein is reasonable and shall be adopted.

20 **ORDER**

21 IT IS THEREFORE ORDERED that the transfer of ownership interests for Global Water  
22 Resources, LLC, as described herein, is in the public interest and shall be approved retroactively.

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1 IT IS FURTHER ORDERED that Global Water Resources, LLC, Santa Cruz Water  
2 Company, LLC, and Palo Verde Utilities Company, LLC, shall for all future transfers of ownership  
3 interests timely comply with the requirements set forth in Decision Nos. 67240 and 67830. Failure to  
4 file in a timely manner regarding future transactions may result in penalties for failure to comply with  
5 Commission Orders.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
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10 CHAIRMAN

COMMISSIONER

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13 COMMISSIONER

COMMISSIONER

COMMISSIONER

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15 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
16 Director of the Arizona Corporation Commission, have  
17 hereunto set my hand and caused the official seal of the  
18 Commission to be affixed at the Capitol, in the City of Phoenix,  
19 this \_\_\_\_ day of \_\_\_\_\_, 2006.

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22 BRIAN C. McNEIL  
23 EXECUTIVE DIRECTOR

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21 DISSENT \_\_\_\_\_

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23 DISSENT \_\_\_\_\_

1 SERVICE LIST FOR:

SANTA CRUZ WATER COMPANY, LLC, and PALO  
VERDE UTILITIES COMPANY, LLC

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3 DOCKET NOS.:

W-03576A-06-0103; and SW-3575A-06-0103

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