

ORIGINAL
OPEN MEETING



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MEMORANDUM
~~Arizona Corporation Commission~~
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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FEB 25 2008

FROM: Utilities Division

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DATE: February 25, 2008

RE: IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - SANTA CRUZ WATER COMPANY, *ET AL.* FOR A WAIVER UNDER A.A.C. R14-2-806 RELATING TO THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC. OR IN THE ALTERNATIVE NOTICE OF INTENT BY GLOBAL WATER - SANTA CRUZ COMPANY UNDER A.A.C. R14-2-803 FOR THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC. (DOCKET NOS. W-20446A-07-0596, W-03576A-07-0596, SW-03575A-07-0596, SW-20422A-07-0596, W-03528A-07-0596, SW-03709A-07-0596, WS-01775A-07-0596, W-02442A-07-0596, SW-03575A-07-0596, W-03576A-07-0596, W-01732A-07-0596, W-03720A-07-0596, W-01212A-07-0596, W-02451A-07-0596, AND W-02450A-07-0596)

On October 12, 2007, Global Water - Santa Cruz Water Company, ("Santa Cruz" or "Company") filed an application, Docket No. W-20446A-07-0596, with the Arizona Corporation Commission ("Commission") seeking a waiver under Arizona Administrative Code ("A.A.C.") R14-2-806, Section 8; Public Utility Holding Companies and Affiliated Interests, relating to the acquisition of Balterra Sewer Corp. ("Balterra") by Global Water, Inc. ("Global, Inc.") Global, Inc. is a "Public Utility Holding Company" as defined in A.A.C. R14-2-801.4. In the alternative, Santa Cruz seeks a waiver under A.A.C. R14-2-803 for the acquisition of Balterra by Global, Inc. A Procedural Order dated December 12, 2007, declared the application to be "not sufficient" and required the Company to file a "verified amended application." On January 4, 2008, Santa Cruz filed a verified amended application which also named as applicants Global Water - Palo Verde Utilities Company, Hassayampa Utility Company, Inc., Global Water - Picacho Cove Water Company, Global Water - Picacho Cove Utilities Company, CP Water Company, Francisco Grande Utility Company, Willow Valley Water Company, Inc., Water Utility of Northern Scottsdale, Inc., Valencia Water Company, Inc., Water Utility of Greater Buckeye, Inc., Water Utility of Greater Tonopah, Inc. (collectively, the Utility Applicants) and Global Water Resources, LLC, Global Water, Inc., and West Maricopa Combine, Inc. ("Holding Company Applicants" or "Companies").

Two actions are contemplated by the Companies' application: the first action requests that the Commission waive the requirements of A.A.C. R14-2-806; and the second, assuming Commission denial of the first, requests a waiver of A.A.C. R14-2-803. The waiver process created by A.A.C. R14-2-801, *et seq.*, is the consequence of Arizona Revised Statutes Section

THE COMMISSION

February 25, 2008

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§40-285 which establishes that the Commission must approve the acquisition of public service corporations' stock or assets by other public service corporations.

A.A.C. R14-2-806 permits the Commission to waive all of the requirements of A.A.C. R14-2-801, *et seq.* provided it is in the public interest to do so. Given the Commission's responsibility for oversight of utility acquisitions, each event should be reviewed to assure the Commission that the proposed/anticipated event is truly in the public interest. The Holding Company Applicants did not establish that a waiver under A.A.C. R14-2-806 is in the public interest and the Commission should deny this request.

The proposed transaction will result in all of the issued and outstanding shares of the Common Stock of Balterra being owned by the Companies. The Companies' regulated subsidiaries currently serve more than 30,000 customers in Arizona. The Companies' application contained organization charts depicting the current corporate structure and the structure subsequent to the proposed transaction.

Balterra is an Arizona corporation regulated by the Commission, which granted Balterra's Certificate of Convenience and Necessity in Decision No. 68742 on June 5, 2006. Currently, Balterra has no customers and no plant-in-service as of December 31, 2006. Construction work in progress had a cost of \$1,584,746 at the end of 2006. Balterra's service area overlays the service area of the Water Company of Greater Tonopah ("WCGT"), which is also a subsidiary of Global, Inc. by virtue of WCGT having been part of the West Maricopa Combine. When the same company provides both water and sewer service, it is advantageous to all of the parties involved and, thus, is in the public interest. For this reason, the Commission should approve the acquisition of the common stock of Balterra by the Companies.



Ernest G. Johnson
Director
Utilities Division

EGJ:MEM:lhmrRM

Originator: Marvin E. Millsap

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BEFORE THE ARIZONA CORPORATION COMMISSION

- MIKE GLEASON
Chairman
- WILLIAM A. MUNDELL
Commissioner
- JEFF HATCH-MILLER
Commissioner
- KRISTIN K. MAYES
Commissioner
- GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - **SANTA CRUZ WATER COMPANY** FOR A WAIVER UNDER A.A.C. R14-2-806 RELATING TO THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC. OR IN THE ALTERNATIVE NOTICE OF INTENT BY GLOBAL WATER - SANTA CRUZ COMPANY UNDER A.A.C. R14-2-803 FOR THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC.

Docket Nos. W-20446A-07-0596
W-03576A-07-0596

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - **PALO VERDE UTILITIES COMPANY** FOR A WAIVER UNDER A.A.C. R14-2-806 RELATING TO THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC. OR IN THE ALTERNATIVE NOTICE OF INTENT BY GLOBAL WATER - SANTA CRUZ COMPANY UNDER A.A.C. R14-2-803 FOR THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC.

Docket No. SW-03575A-07-0596

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - **HASSAYAMPA UTILITY COMPANY, INC.** FOR A WAIVER UNDER A.A.C. R14-2-806 RELATING TO THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC. OR IN THE ALTERNATIVE NOTICE OF INTENT BY GLOBAL WATER - SANTA CRUZ COMPANY UNDER A.A.C. R14-2-803 FOR THE ACQUISITION OF

Docket No. SW-20422A-07-0596

BALTERRA SEWER CORP. BY GLOBAL WATER, INC.

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - **PICACHO COVE WATER COMPANY, INC.** and **PICACHO COVE UTILITIES COMPANY** FOR A WAIVER UNDER A.A.C. R14-2-806 RELATING TO THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL

Docket Nos. W-03528A-07-0596
SW-03709A-07-0596

1 WATER, INC. OR IN THE ALTERNATIVE
2 NOTICE OF INTENT BY GLOBAL WATER
3 – SANTA CRUZ COMPANY UNDER A.A.C.
4 R14-2-803 FOR THE ACQUISITION OF
5 BALTERRA SEWER CORP. BY GLOBAL
6 WATER, INC.

7 IN THE MATTER OF THE APPLICATION
8 OF GLOBAL WATER – **CP WATER**
9 **COMPANY, INC.** and **FRANCISCO**
10 **GRANDE WATER COMPANY** FOR A
11 WAIVER UNDER A.A.C. R14-2-806
12 RELATING TO THE ACQUISITION OF
13 BALTERRA SEWER CORP. BY GLOBAL
14 WATER, INC. OR IN THE ALTERNATIVE
15 NOTICE OF INTENT BY GLOBAL WATER
16 – SANTA CRUZ COMPANY UNDER A.A.C.
17 R14-2-803 FOR THE ACQUISITION OF
18 BALTERRA SEWER CORP. BY GLOBAL
19 WATER, INC.

20 IN THE MATTER OF THE APPLICATION
21 OF GLOBAL WATER – **WILLOW VALLEY**
22 **WATER COMPANY, INC.** FOR A WAIVER
23 UNDER A.A.C. R14-2-806 RELATING TO
24 THE ACQUISITION OF BALTERRA SEWER
25 CORP. BY GLOBAL WATER, INC. OR IN
26 THE ALTERNATIVE NOTICE OF INTENT
27 BY GLOBAL WATER – SANTA CRUZ
28 COMPANY UNDER A.A.C. R14-2-803 FOR
THE ACQUISITION OF BALTERRA SEWER
CORP. BY GLOBAL WATER, INC.

IN THE MATTER OF THE APPLICATION
OF GLOBAL WATER – **WATER UTILITY**
OF NORTHERN SCOTTSDALE, INC.
FOR A WAIVER UNDER A.A.C. R14-2-806
RELATING TO THE ACQUISITION OF
BALTERRA SEWER CORP. BY GLOBAL
WATER, INC. OR IN THE ALTERNATIVE
NOTICE OF INTENT BY GLOBAL WATER
– SANTA CRUZ COMPANY UNDER A.A.C.
R14-2-803 FOR THE ACQUISITION OF
BALTERRA SEWER CORP. BY GLOBAL
WATER, INC.

IN THE MATTER OF THE APPLICATION
OF GLOBAL WATER – **VALENCIA**
WATER COMPANY FOR A WAIVER
UNDER A.A.C. R14-2-806 RELATING TO
THE ACQUISITION OF BALTERRA SEWER
CORP. BY GLOBAL WATER, INC. OR IN
THE ALTERNATIVE NOTICE OF INTENT
BY GLOBAL WATER – SANTA CRUZ
COMPANY UNDER A.A.C. R14-2-803 FOR
THE ACQUISITION OF BALTERRA SEWER
CORP. BY GLOBAL WATER, INC.

Docket Nos. WS-01775A-07-0596
W-02442A-07-0596
SW-03575A-07-0596
W-03576A-07-0596

Docket No. W-01732A-07-0596

Docket No. W-03720A-07-0596

Docket No. W-01212A-07-0596

1 IN THE MATTER OF THE APPLICATION
2 OF GLOBAL WATER – **WATER UTILITY**
3 **OF GREATER BUCKEYE, INC.** FOR A
4 WAIVER UNDER A.A.C. R14-2-806
5 RELATING TO THE ACQUISITION OF
6 BALTERRA SEWER CORP. BY GLOBAL
7 WATER, INC. OR IN THE ALTERNATIVE
8 NOTICE OF INTENT BY GLOBAL WATER
9 – SANTA CRUZ COMPANY UNDER A.A.C.
10 R14-2-803 FOR THE ACQUISITION OF
11 BALTERRA SEWER CORP. BY GLOBAL
12 WATER, INC.

Docket No. W-02451A-07-0596

7 IN THE MATTER OF THE APPLICATION
8 OF GLOBAL WATER – **WATER UTILITY**
9 **OF GREATER TONOPAH, INC.** FOR A
10 WAIVER UNDER A.A.C. R14-2-806
11 RELATING TO THE ACQUISITION OF
12 BALTERRA SEWER CORP. BY GLOBAL
13 WATER, INC. OR IN THE ALTERNATIVE
14 NOTICE OF INTENT BY GLOBAL WATER
15 – SANTA CRUZ COMPANY UNDER A.A.C.
16 R14-2-803 FOR THE ACQUISITION OF
17 BALTERRA SEWER CORP. BY GLOBAL
18 WATER, INC.

Docket No. W-02450A-07-0596

DECISION NO. _____

ORDER

14 Open Meeting
15 March 11 and 12, 2008
16 Phoenix, Arizona

16 BY THE COMMISSION:

17 On October 12, 2007, Global Water – Santa Cruz Water Company, (“Santa Cruz” or
18 “Company”) filed an application, Docket No. W-20446A-07-0596, with the Arizona Corporation
19 Commission (“Commission”) seeking a waiver under Arizona Administrative Code (“A.A.C.”)
20 R14-2-806, Section 8; Public Utility Holding Companies and Affiliated Interests, relating to the
21 acquisition of Balterra Sewer Corp. (“Balterra”) by Global Water, Inc. (“Global, Inc.”), Global,
22 Inc. is a “Public Utility Holding Company” as defined in A.A.C. R14-2-801.4. In the alternative,
23 Santa Cruz seeks a waiver under A.A.C. R14-2-803 for the acquisition of Balterra by Global, Inc.
24 ~~A Procedural Order dated December 12, 2007, declared the application to be “not sufficient” and~~
25 ~~required the Company to file a “verified amended application.”~~ On January 4, 2008, Santa Cruz
26 filed a verified amended application which also named as applicants Global Water – Palo Verde
27 Utilities Company, Hassayampa Utility Company, Inc., Global Water – Picacho Cove Water
28 Company, Global Water – Picacho Cove Utilities Company, CP Water Company, Francisco

1 Grande Utility Company, Willow Valley Water Company, Inc., Water Utility of Northern
2 Scottsdale, Inc., Valencia Water Company, Inc., Water Utility of Greater Buckeye, Inc., Water
3 Utility of Greater Tonopah, Inc. (collectively, the Utility Applicants) and Global Water Resources,
4 LLC, Global Water, Inc., and West Maricopa Combine, Inc. (“Holding Company Applicants” or
5 “Companies”).

6 * * * * *

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

9 FINDINGS OF FACT

10 1. The Holding Company Applicants and Balterra are public service corporations
11 within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-285.

12 2. The Commission has jurisdiction over the Companies and Balterra and the subject
13 matter of the application.

14 3. Notice of the application was provided in accordance with the law.

15 4. Pursuant to A.R.S. § 40-285, public service corporations are required to seek
16 Commission approval prior to changing their corporate structure. A.A.C R14-2-806 provides for
17 the Commission to waive this requirement. Under the facts and circumstances presented in this
18 docket, it is not reasonable for the Commission to vacate its responsibility for determining whether
19 the acquisition of Balterra by the Companies is in the public interest, thus the Commission should
20 not approve the request to waive A.A.C R14-2-806.

21 5. Having the same company provide both water and wastewater service in the same
22 service area is advantageous to all parties and the Commission should approve the acquisition of
23 Balterra by the Companies per A.A.C R14-2-803.

24 CONCLUSIONS OF LAW

25 1. The Holding Company Applicants are public water service corporations within the
26 meaning of Article XV of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

27 2. The Commission has jurisdiction over the Holding Company Applicants and of the
28 subject matter of the application.

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IT IS FURTHER ORDERED that the application by the Companies for a waiver of A.A.C R14-2-806 is denied.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2008.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:MEM:lhm\RM

1 SERVICE LIST FOR: Global Water-Santa Cruz Water Company, et al.
2 DOCKET NOS. W-20446A-07-0596, et al.

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