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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JAN - 6 2012

GARY PIERCE - Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

DOCKETED BY ne

IN THE MATTER OF THE JOINT NOTICE OF INTENT UNDER A.A.C. R14-2-803 FOR ISSUANCE OF ADDITIONAL PUBLIC EQUITY BY GWR GLOBAL WATER RESOURCES CORP. AND RESTRUCTURING OF GLOBAL WATER RESOURCES, INC. BY GLOBAL WATER - SANTA CRUZ WATER COMPANY, GLOBAL WATER- PALO VERDE UTILITIES COMPANY, HASSAYAMPA UTILITY COMPANY, INC., GLOBAL WATER - PICACHO COVE UTILITIES COMPANY, CP WATER COMPANY, INC., 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. AND BALTERRA SEWER CORP.

DOCKET NO. W-20446A-11-0124  
DOCKET NO. SW-20445A-11-0124  
DOCKET NO. SW-20422A-11-0124  
DOCKET NO. W-02442A-11-0124  
DOCKET NO. W-01732A-11-0124  
DOCKET NO. W-03720A-11-0124  
DOCKET NO. W-01212A-11-0124  
DOCKET NO. W-02451A-11-0124  
DOCKET NO. W-02450A-11-0124  
DOCKET NO. SW-20403A-11-0124  
DOCKET NO. W-20495A-11-0124  
DOCKET NO. SW-20494A-11-0124

DECISION NO. 72730

ORDER

Open Meeting  
December 13 and 14, 2011  
Phoenix, Arizona

**BY THE COMMISSION:**

On March 18, 2011, the Global Utilities<sup>1</sup> and their affiliated holding companies<sup>2</sup> filed with the Arizona Corporation Commission ("Commission") a Joint Notice of Intent under A.A.C. R14-2-803 ("Rule 803")<sup>3</sup> for the issuance of additional equity and any necessary corporate re-organization

<sup>1</sup> Global Water - Santa Cruz Water Company, Inc., Global Water - Palo Verde Utilities Company, Inc., Hassayampa Utility Company, Inc., Global Water - Picacho Cove Water Company, Inc., Global Water - Picacho Cove Utilities Company, Inc., CP Water Company, Willow Valley Water Co., Inc., Water Utility of Northern Scottsdale, Inc., Valencia Water Company, Inc., Water Utility of Greater Buckeye, Inc., Water Utility of Greater Tonopah, Inc. and Balterra Sewer Corp. (collectively, the "Global Utilities").

<sup>2</sup> Global Water Resources, Inc., Global Water, LLC, and West Maricopa Combine, Inc. (together with the Global Utilities, "Global").

<sup>3</sup> The Commission's Public Utility Holding Company and Affiliated Interests Rules are codified in A.A.C. R14-2-801 through 806 ("Affiliated Interests Rules"). A.A.C. R14-2-803.C provides as follows:

At the conclusion of any hearing on the organization or reorganization of a utility holding company, the Commission may reject the proposal if it determines that it would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.

1 (“Notice”). In addition, the Notice requests the elimination of conditions set in Decision No. 70980  
2 (May 5, 2009).

3 \* \* \* \* \*

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

6 **FINDINGS OF FACT**

7 1. The Global Utilities and West Maricopa Combine, Inc. are wholly owned by Global  
8 Water, LLC, a Delaware limited liability company. Global Water LLC is wholly owned by Global  
9 Water Resources, Inc. (“U.S. Global”), a Delaware C Corp. The corporate structure of U.S. Global  
10 and its subsidiaries is depicted in Exhibit A, attached hereto and incorporated herein.

11 2. Decision No. 70980 granted Global’s request for approval of an initial public offering  
12 (“IPO”) or private placement and related corporate reorganization. Subsequent to Decision No.  
13 70980, GWR Global Water Resources Corp., a newly-formed British Columbia corporation  
14 (“Canadian Global”) completed an IPO of 8,754,611 shares, after which it completed a private  
15 placement purchase of 48.1 percent of U.S. Global. Canadian Global’s shares are listed on the  
16 Toronto Stock Exchange under the ticker symbol GWR.

17 3. The Global Utilities are public service corporations operating in various communities  
18 in Arizona pursuant to authority granted by the Commission. Collectively, the Global Utilities  
19 provide water or sewer utility service to approximately 41,000 customers in Maricopa County, Pinal  
20 County, and Pima County, Arizona.

21 4. In Decision No. 67240 (September 15, 2004), and again in Decision No. 67830 (May  
22 5, 2005), the Commission ordered Palo Verde Utilities Company, LLC, Santa Cruz Water Company,  
23 LLC and Global Water Resources, LLC<sup>4</sup> to notify the Commission of any proposed change in the  
24 ownership of their respective membership interests (including transfer or additional memberships),  
25 prior to execution, through a filing of a Notice of Intent indicating that the filing is made pursuant to  
26 those Commission Decisions. Those Decisions ordered that following the filing of such a Notice of

27 <sup>4</sup> Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC are predecessors in interest to Global Water -  
28 Palo Verde Utilities Company, Inc., and Global Water - Santa Cruz Water Company, Inc. Global Water Resources, LLC  
is a predecessor in interest to Global Water Resources, Inc. (referred to herein as U.S. Global).

1 Intent, the Commission may initiate a proceeding within 60 days to determine approval, and that if no  
 2 action is initiated within 60 days after the filing, the proposed transaction is permitted to proceed  
 3 without approval.

4 5. In the Notice, Global waived the 30 day and 60 day time periods in A.A.C. R14-2-  
 5 803.B, the 60 day time period in Decision No. 67240, and the 60 day time period in Decision No.  
 6 67830.

7 6. On October 26, 2011, the Commission's Utilities Division ("Staff") filed its Staff  
 8 Report on the Notice. Staff recommends approval subject to certain conditions.

9 7. On October 28, 2011, Global filed a Notice of Agreement with Staff Report.

#### 10 Requested Relief

11 8. The Notice requests the following relief:

- 12 1) Finding that the requested approvals are in the public interest;
- 13 2) Approving the Notice and requested approvals;
- 14 3) Removing the 49.9 percent limit and other conditions approved in Decision  
 15 No. 70980;<sup>5</sup>

16  
 17 <sup>5</sup> The 12 conditions set in Decision No. 70980 were as follows:

- 18 1) The corporate restructuring, the IPO or private placement, and the reorganization shall take place by April 30, 2011;
- 19 2) The equity issued, transferred or sold by the new Global parent using private placement or an IPO shall not exceed 49.9 percent  
 20 of the voting common stock;
- 21 3) If Global wishes to issue equity exceeding 49.9 percent of the voting common stock, or to issue equity in any manner other than  
 22 the private placement or IPO discussed in the Staff Report or Amended Staff Report, Global shall file a new application. A  
 23 hearing may be required on the new application;
- 24 4) The Global Utilities shall continue to maintain their business headquarters and fully operational field, billing, and complaint  
 25 offices in Arizona;
- 26 5) The Global Utilities shall not recover, in any rate proceeding, the costs incurred to implement the proposed transactions. Such  
 27 costs include rate case cost of capital calculations;
- 28 6) Global shall, within 90 days of the Decision in this matter, produce, file in this docket, and implement an equity improvement  
 plan that results in at least 30 percent equity by December 31, 2015;
- 7) Global shall continue to maintain the location of its books and records in Maricopa County, Arizona;
- 8) Within 60 days of completion of the initial public offering, any private placement and any subsequent series of equity issuances  
 approved in the docket, Global shall file in this docket information regarding the number of shares, the price, and the cost of  
 each issuance;
- 9) Until it has filed for and received Commission approval of a tariff setting forth appropriate customer notification procedures to  
 inform customers about sharing customer information, no Global Utility shall share with affiliates or other entities information  
 made available to the Global Utility solely by virtue of the company/customer relationship, such as billing information and  
 services received by a customer. Customer information prohibited from disclosure does not include a customer's name, address  
 or service location, or telephone number;
- 10) No Global affiliate shall perform services for, receive services from, or use any assets of any other Global Utility without  
 having a written contract in place with the Global Utility concerning such services or assets. The affected Global Utility shall



1 **Staff Recommendations**

2 11. In the Staff Report, Staff recommends approval of Global's proposed equity issuance  
3 authorizations. Staff states that given U.S. Global's highly leveraged capital structure,<sup>6</sup> any  
4 reasonable amount of additional equity infusions will assist it in moving toward and maintaining a  
5 balanced capital structure. Staff notes that an improvement in U.S. Global's equity position would  
6 enhance its ability to provide equity to the Global Utilities.

7 12. Staff recommends approval of Global's request to remove Condition Nos. 1, 2, 3, 4, 5,  
8 8, 9, 10, and 12 imposed under Decision No. 70980, as described in the footnote to Findings of Fact  
9 No. 8 above.

10 13. In regard to Condition No. 6 imposed by Decision No. 70980, Staff notes in the Staff  
11 Report that in compliance with Decision No. 70980, Global has filed an equity improvement plan to  
12 attain at least 30 percent equity by December 31, 2015. Staff notes that the plan has not yet resulted  
13 in a capital structure with at least 30 percent equity. Staff recommends that as a condition of  
14 approval of the Notice, Global be required to file an equity improvement status and update plan on an  
15 annual basis, demonstrating Global's progress toward reaching the goal of attaining at least 30  
16 percent equity in its capital structure by December 31, 2015, and explaining how it intends to  
17 accomplish the goal. Staff recommends that this annual requirement remain in place until U.S.  
18 Global attains 30 percent equity in its capital structure.

19 14. In regard to Condition No. 7 imposed by Decision No. 70980, Staff agrees with Global  
20 that maintaining the books in Maricopa County is unnecessary. However, Staff recommends  
21 requiring Global to make all books and records available to Staff within Maricopa County, Arizona,  
22 at Staff's request.

23 15. In regard to Condition No. 11 imposed by Decision No. 70980, Staff recommends  
24 retaining this condition its entirety.

25 16. Staff states that Global's requested authorization for equity issuances is within its  
26 corporate powers, is compatible with the public interest, will not impair its ability to provide services

27 <sup>6</sup> Staff indicates in the Staff Report that U.S. Global's capital structure as of December 31, 2010 consists of approximately  
28 3.8 percent short-term debt, 38.1 percent long-term debt, 3.8 percent equity, 33.8 percent Advances in Aid of  
Construction, and 20.6 percent Contributions in Aid of Construction.

1 and is consistent with sound financial practices.

2 17. Staff recommends that the Commission grant approval for any corporate  
3 reorganization, limited to the formation of holding companies or affiliates that may be necessary or  
4 appropriate in conjunction with the issuance of additional equity, subject to U.S. Global remaining as  
5 a holding company with effective oversight and control over the Global Utilities.

6 18. Staff recommends authorizing Global to engage in any transactions and to execute any  
7 documents necessary to effectuate the authorizations granted.

8 19. Staff recommends that Global be required to file with Docket Control, as a compliance  
9 item in this matter, copies of any documents related to the issuance of stock as outlined in the Notice  
10 within 60 days of the execution of any transaction authorized herein.

#### 11 **Conclusions**

12 20. Staff's recommendations are reasonable and should be adopted.

13 21. Based on the record in this proceeding, we find that it is in the public interest to  
14 release Global from compliance with the 12 conditions imposed on Global in Decision No. 70980,  
15 including the 49.9 percent limit on equity issuance, and to impose conditions on approval of this  
16 Notice as set forth below.

17 22. Based on the record in this proceeding, we find that the Notice should be approved,  
18 with the corporate reorganization limited to the formation of holding companies or affiliates  
19 necessary or appropriate in conjunction with the issuance of additional equity, subject to U.S. Global  
20 remaining as a holding company with effective oversight and control over the Global Utilities, and  
21 subject to the following conditions:

- 22 1) Global shall file, no later than February 28, 2012, as a compliance item in this  
23 docket, a status report on its equity improvement plan filed in Docket No. W-  
24 20446A-08-0247 et al. Global shall update the plan on an annual basis,  
25 demonstrating Global's progress toward reaching the goal of attaining at least  
26 30 percent equity in its capital structure by December 31, 2015, and explaining  
27 how it intends to accomplish the goal. This annual February 28 filing  
28

1 requirement shall remain in place until U.S. Global attains 30 percent equity in  
2 its capital structure.

3 2) Global shall make all Global affiliate books and records available to Staff  
4 within Maricopa County, Arizona, at the Commission's or Staff's request.

5 3) All Global affiliates shall charge the lower of fully allocated cost or market  
6 price whenever goods, products or services are sold or provided to a Global  
7 Utility. The Global Utilities shall charge the higher of fully allocated cost or  
8 market price whenever goods, products or services are sold or provided by a  
9 Global Utility to an affiliate. Further, the Global Utilities and Global affiliates  
10 shall, on a continuing basis, retain market research information used to  
11 determine the market price for goods or services until the completion of the  
12 subsequent Global Utilities rate case involving all affected affiliates.

13 **CONCLUSIONS OF LAW**

14 1. The Global Utilities are public service corporations within the meaning of Article 15,  
15 Section 3 of the Arizona Constitution and Title 40 of the Arizona Revised Statutes.

16 2. U.S. Global, Global Water, LLC, and West Maricopa Combine, Inc., are utility  
17 holding companies as defined in A.A.C. R14-2-801.

18 3. The Commission has jurisdiction over the transactions described in the Notice  
19 pursuant to Article 15, Section 3 of the Arizona Constitution and the Commission's Affiliated  
20 Interests Rules, A.A.C. R14-2-801 through -806.

21 4. The public interest requires that the Commission apply the Affiliated Interests Rules in  
22 a manner that will maximize protection to ratepayers.

23 5. Utility rates can be impacted by holding company structure and capitalization.

24 6. Utility ratepayers should not be required to bear the burden of financial risk resulting  
25 from holding company diversification.

26 7. Global's requested authorization for equity issuances is within its corporate powers, is  
27 compatible with the public interest, will not impair its ability to provide services, and is consistent  
28 with sound financial practices, subject to the conditions imposed herein.



1 determine the market price for goods or services until the completion of the  
2 subsequent Global Utilities rate case involving all affected affiliates.

3 IT IS FURTHER ORDERED that in conjunction with the imposition of the conditions set  
4 forth in the preceding Ordering Paragraph, Global is hereby released from compliance with the 12  
5 conditions imposed on Global in Decision No. 70980, including the 49.9 percent limit on equity  
6 issuance.

7 IT IS FURTHER ORDERED that Global is hereby authorized to engage in any transactions  
8 and to execute any documents necessary to effectuate the authorizations granted herein.

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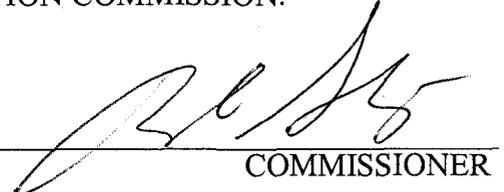
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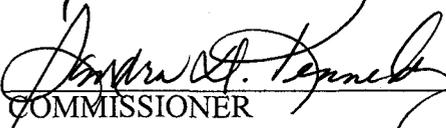
IT IS FURTHER ORDERED that Global shall file with Docket Control, as a compliance item in this matter, copies of any documents related to the issuance of stock as outlined in the Notice of Intent within 60 days of the execution of any transaction authorized herein.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

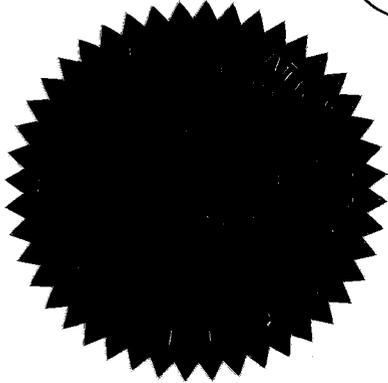
  
CHAIRMAN

  
COMMISSIONER

  
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COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 6th day of JANUARY 2012.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

1 SERVICE LIST FOR:

GLOBAL WATER RESOURCES, INC. BY GLOBAL WATER - SANTA CRUZ WATER COMPANY, GLOBAL WATER- PALO VERDE UTILITIES COMPANY, HASSAYAMPA UTILITY COMPANY, INC., GLOBAL WATER - PICACHO COVE UTILITIES COMPANY, CP WATER COMPANY, INC., 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. AND BALTERRA SEWER CORP.

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8 DOCKET NOS.:

W-20446A-11-0124, SW-20445A-11-0124, SW-20422A-11-0124, W-02442A-11-0124, W-01732A-11-0124, W-3720A-11-0124, W-01212A-11-0124, W-02451A-11-0124, W-02450A-11-0124, SW-20403A-11-0124, W-20495A-11-0124 and SW-20494A-11-0124.

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11 Timothy Sabo  
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17 Resources, Inc. By Global  
18 Water - Santa Cruz Water  
19 Company, Global Water -  
20 Palo Verde Utilities Company,  
21 Hassayampa Utility Company,  
22 Inc., Global Water - Picacho  
23 Cove Utilities Company, CP  
24 Water Company, Inc., Willow  
25 Valley Water Company, Inc.  
26 Water Utility of Northern  
27 Scottsdale, Inc., Valencia  
28 Water Company, Inc., Water  
Utility of Greater Buckeye,  
Inc., Water Utility of Greater  
Tonopah, Inc. and Balterra Sewer Corp.

22 Janice Alward, Chief Counsel  
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25 Ernest Johnson, Director  
26 Utilities Division  
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28 1200 W. Washington Street  
Phoenix, AZ 85007

EXHIBIT A



Corporate Structure

