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BEFORE THE ARIZONA CORPORATION

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2012 FEB 28 P 3:34

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 28 2012

DOCKETED BY

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 A RESTRUCTURING OF GLOBAL WATER RESOURCES, INC. BY GLOBAL WATER – SANTA CRUZ WATER COMPANY, GLOBAL WATER – PALO VERDE UTILITIES COMPANY, HASSAYAMPA UTILITY COMPANY, INC., PICACHO COVE WATER COMPANY, INC., 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 Nos. W-20446A-11-0124
SW-20445A-11-0124
SW-20422A-11-0124
W-02442A-11-0124
W-01732A-11-0124
W-03720A-11-0124
W-01212A-11-0124
W-02451A-11-0124
W-02450A-11-0124
SW-20403A-11-0124
W-20495A-11-0124
SW-20494A-11-0124

NOTICE OF FILING

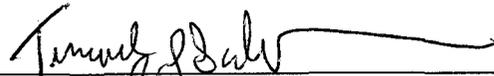
Decision No. 72730 (dated January 6, 2012) requires Global¹ to file on an annual basis, a status report on its Equity Improvement Plan filed in Docket No. W-20446A-08-0247, demonstrating Global's progress toward reaching the goal of attaining at least 30 percent equity in its capital structure by December 31, 2015, and explaining how it intends to accomplish the goal. Global is also required to file an annual update to its Equity Improvement Plan. Accordingly, Global files the attached status report and updated Equity Improvement Plan.

¹ Global Water – Santa Cruz Water Company (“Santa Cruz”), Global Water – Palo Verde Utilities Company (“Palo Verde”), Hassayampa Utility Company, Inc., Global Water – Picacho Cove Water Company, Global Water – Picacho Cove Utilities Company, CP Water Company, Willow Valley Water Co., Inc., Water Utility of Northern Scottsdale, Inc., Valencia Water Company, Inc. – Town Division; Valencia Water Company, Inc. – Greater Buckeye Division, Water Utility of Greater Buckeye, Inc., Water Utility of Greater Tonopah, Inc. and Balterra Sewer Corp. (collectively, the “Global Utilities”); Global Water Resources, Inc., Global Water, Inc., and West Maricopa Combine, Inc. (the “Holding Company Applicants”, and together with the Global Utilities, the “Applicants” or “Global”).

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1 RESPECTFULLY SUBMITTED this 28th day of February, 2012.

2 ROSHKA DEWULF & PATTEN, PLC

3
4 By. 

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10 *Attorneys for Global*

11 Original + 13 copies of the foregoing
12 filed this 28th day of February 2012, with:

13 Docket Control
14 Arizona Corporation Commission
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16 Phoenix, Arizona 85007

17 Copies of the foregoing hand-delivered/mailed
18 this 28th day of February 2012, to:

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23 1200 West Washington
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28 By 

Global Water Resources, Inc.

Status Report and Updated Equity Improvement Plan

Commission Decision No. 72730 (January 6, 2012) requires that Global Water Resources, Inc. ("Global") file a "status report on its equity improvement plan." Global is also required to "update the plan on an annual basis, demonstrating Global's progress toward reaching the goal of attaining at least 30 percent equity in its capital structure by December 31, 2015 and explaining how it intends to accomplish the goal." Global filed its original equity improvement plan on August 3, 2009. Global's 2009 plan included the following elements:

1. Global remains open to an IPO or private placement, as authorized in Decision No. 70890.
2. In light of the current economic situation, Global has aggressively reduced expenses and capital expenditures.
3. Global filed rate cases for six of the Global Utilities in February 2009. As with other utilities, timely and appropriate rate relief is critical to the ability of the Global Utilities to attract capital.
4. Global has worked to convert Global Water Resources, LLC to a "C" corporation, which will eliminate the need to distribute earnings to owners solely to cover associated tax liabilities.
5. As appropriate, Global continues to reinvest retained earnings into the business.

An update to each component of the original plan is provided below.

Plan Element 1, IPO or Private Placement.

In December 2010, Global completed a transaction by which GWR Global Water Resources Corp. (Canadian Global), a newly-formed corporation incorporated under the laws of British Columbia, completed an initial public offering (IPO) on the Toronto Stock Exchange. Canadian Global used the net proceeds of the IPO to acquire 48.1% of Global's equity. Global received USD \$55,655,275.76 from Canadian Global in exchange for the 48.1% equity stake in Global. Further details regarding this transaction were provided to the Commission in the compliance filing made on February 17, 2011 in Docket No. W20446A-08-0247 et al.

Decision No. 72730 (January 6, 2012) authorized Global to issue additional equity and to complete any corporate reorganization necessary to obtain the additional equity. Global

continues to monitor market conditions and Global will pursue obtaining additional equity when favorable market conditions occur or when additional equity is necessary for Global. Global is undertaking steps to be prepared to issue equity quickly to take advantage of market opportunities. Those steps include preparing a “shelf registration” on the Toronto Stock Exchange, which would put in place the necessary securities approvals to issue additional common or preferred equity. In addition, Global has undertaken a comprehensive effort to increase market awareness of Global, including numerous meetings with institutional investors. As a further part of its plan to increase market awareness of Global, Global has worked with various investment firms to increase market analyst coverage of Canadian Global. As a result, Global is now covered by five investment analysts:

Firm	Analyst	Phone Number
CIBC World Markets Inc.	Ian S. Tharp	(416) 594-7296
Clarus Securities, Inc.	Brock Winterton	(416) 343-2793
Divine Capital Markets	Jeremy Hellman	(212) 344-5867
GMP Securities L.P.	Marko Pencak	(416) 943-6677
Jacob Securities, Inc.	Khurram Malik	(416) 866-8314

Coverage by institutional investment analysts should increase Global’s access to capital by increasing market knowledge regarding Global.

Plan Element 2, Reduce Expenses and Capital Expenditures.

Global’s original equity improvement plan was filed during the bottom of the market downturn in 2009. During that time period, growth essentially stopped, and Global saw a surge in vacant properties with inactive accounts. Accordingly, Global undertook an aggressive plan to cut expenses and capital expenditures.

Global remains focused on cost containment. However, as growth has returned to Global’s service area and as vacant accounts have been reduced, to some extent expenses have returned to more normal levels. Capital Expenditures have remained relatively modest.

Global is also pursuing an opportunity to refinance existing debt into lower-interest Industrial Development Authority (IDA) bonds. The Pinal County IDA granted preliminary approval to the new IDA bonds in February 2012. Global continues to pursue this opportunity. The lower interest rate will result in improved earnings and cash flow.

Plan Element 3, Rate Cases.

In February 2009, six of the Global Utilities filed general rate cases (Docket Nos. SW-20445A-09-0077 et al). In those dockets, the Global Utilities requested increased revenue (aggregated across the utilities in the application) of approximately \$14.5 million. As noted in Global's 2009 equity improvement plan, "rate increases are a vital component in achieving the Commission's goal of 30% equity by 31 December 2015." The Commission's rate decision, Decision No. 71878 (Sept. 15, 2010), contained both positive and negative elements. On a positive note, the Commission approved a rate increase of approximately \$9.6 million in annual revenue (phased in over three years). However, the rate decision treated fees Global received from Infrastructure Coordination and Finance Agreements (ICFA) as Contributions in Aid of Construction (CIAC). The rate order resulted in Global taking write-offs of almost \$80 million and caused an \$85 million net loss for 2010. These aspects of the rate order worked against the Commission's goal of Global achieving at least 30% equity.

Global plans to file a new rate cases for its regulated utilities in April 2012. The rate cases should result in increased revenues and income to the regulated utilities, which will improve Global's balance sheet.

Plan Element 4, Conversion to "C" Corp.

The previous parent entity of the Global Utilities was a LLC. As the parent entity generated tax liabilities, this required the parent to make "tax distributions" to owners to cover the tax liability associated with Global's earnings. A part of Global's 2009 equity improvement plan was to convert the parent entity into a "C" corporation, which would be separately taxed, thus eliminating the need to make "tax distributions." The conversion to a C corporation was completed as part of the IPO process described above.

Plan Element 5, Retained Earnings.

The final element of the equity improvement plan involves reinvesting retained earnings into Global. This component of the plan remains in place.