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BEFORE THE ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission

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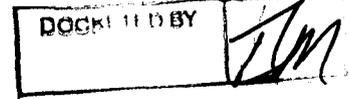
COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2013 FEB 26 P 3: 52

FEB 26 2013

AZ CORP COMMISSION
DOCKET CONTROL



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. The report is due on or before February 28th of each year. Accordingly, Global files the attached status report and

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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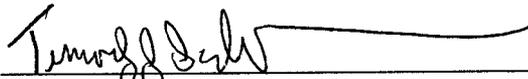
1 updated Equity Improvement Plan.

2 RESPECTFULLY SUBMITTED this 26th day of February, 2013.

3 ROSHKA DEWULF & PATTEN, PLC

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By. 

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Original + 13 copies of the foregoing
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Copies of the foregoing hand-delivered/mailed
this 26th day of February 2013, to:

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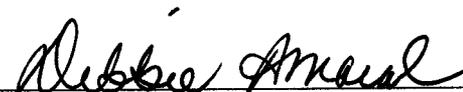
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Global Water Resources, Inc.
Status Report and Updated Equity Improvement Plan
February 26, 2013

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 has undertaken a comprehensive effort to increase market awareness of Global, including numerous meetings with institutional investors and analysts. 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 three investment analysts:

Firm	Analyst	Phone Number
CIBC World Markets Inc.	Ian S. Tharp	(416) 594-7296
Divine Capital Markets	Jeremy Hellman	(212) 344-5867
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 vacant accounts have been reduced, to some extent expenses have returned to more normal levels. Capital Expenditures have remained relatively modest.

In June of 2012, Global refinanced existing debt with lower interest rate Industrial Development Authority (IDA) revenue bonds issued by the Pima County IDA and corporate debt. The lower interest rates have resulted in lower interest costs and improved 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) and imposed an authorized return on equity of only 9%, far below the Commission's historical norm. The rate order resulted in Global taking write-offs of almost \$80 million and caused an \$85 million net loss for 2010. The \$85 million loss recorded in 2010 is comprised primarily of the following:

- a. \$43.1 million for reversal of ICFA's shown as revenue in prior years;

- b. \$12.1 million for write off of intangible assets (in connection with utility acquisitions where amounts recorded had been attributed to the value of the fees expected to be received under ICFA agreements); and
- c. \$24 million for impairment of value of the Water Utility of Greater Tonopah due to Commission decisions that led to negative rate base and reduction of rates.

These aspects of the rate order worked against the Commission's goal of Global achieving at least 30% equity.

In July of 2012, Global filed new rate cases for seven of its regulated utilities (Docket Nos. W-01212A-12-0309 et al.). The applications are the initial step in obtaining rate increases for the six utilities that are currently not achieving their authorized rate of return. A satisfactory resolution of the rate cases is essential to Global's efforts to improve its equity position. There are essentially two sources of equity: outside investment and retained earnings. Adequate revenues are necessary both to attract outside investment and to generate retained earnings. The Global utilities are currently not earning the return on equity authorized in the last rate case and that authorized return is below historical norms in Arizona and elsewhere. Obtaining a reasonable authorized return and the ability to earn it are essential to Global's equity improvement plan. Decision 71878 resulted in a significant portion of used and useful plant being excluded from rate base because of the decision to impute ICFA derived revenue as CIAC. However, Decision 71878 made it clear that the Commission had reservations about that treatment of the ICFA revenue and ordered that workshops be held to further evaluate the ICFAs. Decision 71878 stated explicitly that the Commission may reevaluate its decision regarding ICFAs in a future rate case. In 2011 Global worked with Staff and other parties in the Workshop setting to bring more clarity to the ICFA issue. Global also funded an independent audit of its ICFA revenues, acquisition adjustments, and plant construction in an effort to verify its position that ICFA revenue should not be imputed as CIAC.

Reversing Decision 71878's treatment of ICFA revenues is essential to Global's equity improvement plan. Any utility will have difficulty building equity if significant amounts of used and useful plant are excluded from rate base, or if owner equity is assigned to unrecoverable acquisition costs while funds specifically and implicitly provided to cover acquisition and financing costs are assigned to plant as CIAC.

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. Generating retained earnings requires adequate revenues and thus a satisfactory resolution of the current rate case is essential for this element of the equity improvement plan to be successful.