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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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AZ CORP COMMISSION
DOCKET CONTROL

- BOB STUMP, Chairman**
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THE MATTER OF THE APPLICATION OF)
 VALENCIA WATER COMPANY -TOWN DIVISION)
 FOR THE ESTABLISHMENT OF JUST AND)
 REASONABLE RATES AND CHARGES FOR)
 UTILITY SERVICE DESIGNED TO REALIZE A)
 REASONABLE RATE OF RETURN ON THE FAIR)
 VALUE OF ITS PROPERTY THROUGHOUT THE)
 STATE OF ARIZONA.)

DOCKET NO. W-01212A-12-0309

IN THE MATTER OF THE APPLICATION OF)
 GLOBAL WATER - PALO VERDE UTILITIES)
 COMPANY FOR THE ESTABLISHMENT OF JUST)
 AND REASONABLE RATES AND CHARGES FOR)
 UTILITY SERVICE DESIGNED TO REALIZE A)
 REASONABLE RATE OF RETURN ON THE FAIR)
 VALUE OF ITS PROPERTY THROUGHOUT THE)
 STATE OF ARIZONA)

DOCKET NO. SW-20445A-12-0310

Arizona Corporation Commission

DOCKETED

OCT 18 2013

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IN THE MATTER OF THE APPLICATION OF)
 WATER UTILITY OF NORTHERN SCOTTSDALE)
 FOR APPROVAL OF A RATE INCREASE.)

DOCKET NO. W-03720A-12-0311

IN THE MATTER OF APPLICATION OF WATER)
 UTILITY OF GREATER TONOPAH FOR THE)
 ESTABLISHMENT OF JUST AND REASONABLE)
 RATES AND CHARGES FOR UTILITY SERVICE)
 DESIGNED TO REALIZE A REASONABLE RATE)
 OF RETURN ON THE FAIR VALUE OF ITS)
 PROPERTY THROUGHOUT THE STATE OF)
 ARIZONA.)

DOCKET NO. W-02450A-12-0312

IN THE MATTER OF THE APPLICATION OF)
 VALENCIA WATER COMPANY - GREATER)
 BUCKEYE DIVISION FOR THE ESTABLISHMENT)
 OF JUST AND REASONABLE RATES AND)
 CHARGES FOR UTILITY SERVICE DESIGNED TO)
 REALIZE A REASONABLE RATE OF RETURN ON)
 THE FAIR VALUE OF ITS PROPERTY)
 THROUGHOUT THE STATE OF ARIZONA.)

DOCKET NO. W-02451A- 12-0313

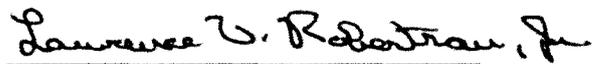
LAWRENCE V. ROBERTSON, JR.
 ATTORNEY AT LAW
 P. O. Box 1448
 Tubac, Arizona 85646

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 IN THE MATTER OF THE APPLICATION OF)
GLOBAL WATER – SANTA CRUZ WATER) DOCKET NO. W-20446A-12-0314
2 COMPANY FOR THE ESTABLISHMENT OF JUST)
AND REASONABLE RATES AND CHARGES FOR)
3 UTILITY SERVICE DESIGNED TO REALIZE A)
REASONABLE RATE OF RETURN ON THE FAIR)
4 VALUE OF ITS PROPERTY THROUGHOUT THE)
STATE OF ARIZONA.)
5 _____)
6 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-01732A-12-0315
WILLOW VALLEY WATER COMPANY FOR THE)
7 ESTABLISHMENT OF JUST AND REASONABLE)
RATES AND CHARGES FOR UTILITY SERVICE) NOTICE OF FILING OF CITY OF
8 DESIGNED TO REALIZE A REASONABLE RATE) MARICOPA, ARIZONA'S POST-
OF RETURN ON THE FAIR VALUE OF ITS) HEARING INITIAL BRIEF
9 PROPERTY THROUGHOUT THE STATE OF)
ARIZONA.)
10 _____)

11 The City of Maricopa, Arizona hereby provides notice of filing of its Post-Hearing Initial
12 Brief.

13
14 Dated this 16th day of October 2013.

15 Respectfully submitted,
16 
17 Lawrence V. Robertson, Jr.
Attorney for City of Maricopa

18 and
19 Denis Fitzgibbons
20 City Attorney for
21 City of Maricopa, Arizona

22 The original and thirteen (13) copies
23 of the foregoing will be filed the 18th
day of October 2013 with:

24 Docket Control Division
25 Arizona Corporation Commission
1200 West Washington Street
26 Phoenix, Arizona 85007

27 A copy of the same served by e-mail
28 or first class mail that same date to:

All Parties of Record

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 Pursuant to Administrative Law Judge Dwight Nodes' oral directive at the conclusion of
2 the evidentiary hearing in the above-captioned and above-docketed proceedings ("Instant
3 Proceeding") on September 12, 2013, the City of Maricopa, Arizona ("City") submits its Post-
4 Hearing Initial Brief ("Initial Brief") in the Instant Proceeding.

5 I.

6 INTRODUCTION

7 At the time it filed its Application for Leave to Intervene in Instant Proceeding, City had
8 two (2) principal concerns. First, it believed the proposed increase in revenue requirements and
9 rates for the Santa Cruz and Palo Verde systems was excessive. Second, City wanted to be in a
10 position to ascertain if Global Parent's¹ proposed ratemaking treatment of fees previously
11 collected under Infrastructure Coordination and Finance Agreements ("ICFA") was in
12 accordance with the terms of City's June 23, 2011 Resolution No. 11-40, in which City
13 conditionally supported Global's use of ICFA's in connection with the Santa Cruz and Palo Verde
14 systems.

15 Subsequent to being granted intervention, City conducted pre-hearing discovery and
16 reviewed the pre-settlement prepared testimony filed by other parties in the Instant Proceeding.
17 As a result of such discovery and review, City identified two (2) additional concerns which
18 potentially could impact customers of the Santa Cruz and Palo Verde systems, including
19 residents of the City², and the City itself. One of these concerns was the current financial
20 condition of Global Parent itself as a result of the Commission's determination in its Decision
21 No. 71878 to treat fees previously collected by Global under ICFA's as contributions in-aid-of
22 construction ("CIAC") for ratemaking purposes. It is City's understanding that such ratemaking
23 treatment resulted in adverse effects on Global Parent's Balance Sheet and Income Statement,
24 including a negative equity of approximately \$85 million.³ An additional concern for City was
25

26
27 ¹ As used in this Initial Brief, "Global Parent" means Global Water Resources, Inc., a Delaware corporation, and not
Global Water Resources, Corp., a Canadian corporation. In that regard, see Tr. 611, lines 9 – Tr. 613, line 12
(Walker).

28 ² In that regard, such residents include the members of the Maricopa Area Homeowners Associations ("HOA"), who
are also signatory parties to the Settlement Agreement. Also, see Tr. 400, lines 10-18 (Rowell).

³ Tr. 56, lines 19 – Tr. 58, line 18 (Fleming).

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 whether or not Global Parent's Santa Cruz and Palo Verde utility affiliates would have in their
2 possession and control adequate funds to construct future off-site facilities, in order to maintain
3 ongoing adequate, reliable and safe service to their respective customers, including residents of
4 City and City itself.

5 Accordingly, when settlement discussions commenced in the Instant Proceeding on July
6 18, 2013, City's negotiation objectives included satisfactorily addressing and resolving the
7 aforesaid four (4) concerns. In that regard, representatives of City actively participated
8 throughout the settlement discussion process, and in the drafting of the Settlement Agreement
9 which is now before the Commission. For the reasons discussed in the following section of this
10 Initial Brief, City believes that the Settlement Agreement satisfactorily addresses and resolves
11 City's aforementioned concerns, which City believes are also shared as to their own respective
12 circumstances by other Signatory Parties⁴.

13 II.

14 THE SETTLEMENT AGREEMENT PROVIDES FOR
15 "JUST AND REASONABLE" RATES, AND ALSO
16 FOR APPROPRIATE RATE IMPACT MITIGATION MEASURES

17 A. "Just and Reasonable" Rates

18 As indicated in Table 2 at page 3, lines 18-27 of Global Parent witness Matthew Rowell's
19 August 21, 2013 prepared Testimony in Support of Settlement Agreement [Exhibit A-26] the
20 aggregate increase in revenue requirements requested by Global Parent's utility affiliates has
21 been reduced through settlement discussions from \$8,437,769 to \$4,311,080. This constitutes a
22 reduction of \$4,126,689 or 48.9%. With respect to the Santa Cruz system, Table 2 indicates that
23 the original increase in revenues request has been reduced from \$2,730,367 to \$1,556,046
24 resulting in a reduction of \$1,174,321 or 43.0%. In the case of the Palo Verde system, the
25 difference between the original increase in revenue request of \$3,662,560 and the \$1,889,939
26

27 ⁴ City recognizes that its concern with respect to consistency between Global Parent's proposed ratemaking
28 treatment of ICFA fees and the conditional support of ICFA's set forth in City's Resolution No. 11-40 may on the
face of it appear to be only a "City issue." However, as indicated in that Resolution, City's support was conditional
upon Global Parent's use of ICFA's resulting in "appropriate" rates, and in a manner consistent with Commission
rules and decisions. Thus, in City's view, these conditions or criteria are shared with other Signatory Parties.

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 provided for in the Settlement Agreement is \$1,773,621 or a reduction of 48.4%. Clearly, these
2 reductions are significant and conducive to the Commission's establishment of "just and
3 reasonable" rates in the Instant Proceeding.

4 In connection with the foregoing, significant factors in producing the aforesaid reductions
5 in revenue requirement increase were the following: (i) use of the Commission Staff's proposed
6 consolidated capital structure comprised of 57.8% long term debt and 42.2% common equity, as
7 provided for at Section 4.1 of the Settlement Agreement; (ii) use of a return of 9.5% on common
8 equity instead of Global Parent's utility affiliates' original request of 11.4%, as provided for in
9 Section 4.2; (iii) an embedded cost of debt of 6.1%, as provided for in Section 4.3; (iv) a fair
10 value rate of return of 7.5%, as provided for in Section 4.4; (v) adoption of the depreciation and
11 amortization rates proposed by the Commission's Staff; as provided for in Section 5.1; and (vi)
12 adoption of the test period expense levels recommended by the Commission's Staff as provided
13 for in Section 2.5, except as modified by Section 5.1.

14 From the perspective of City, the willingness of Global Parent and its utility affiliates to
15 agree to the foregoing, with the resulting aforementioned reductions in requested revenue
16 requirements for the Santa Cruz and Palo Verde systems, was an important factor in the August
17 20, 2013 decision to adopt City Resolution No. 13-30 authorizing City's Mayor to execute the
18 Settlement Agreement. In that regard, City concluded that the rates resulting from such
19 reductions in revenue requirements would be "just and reasonable" for Santa Cruz and Palo
20 Verde ratepayers, and City itself, when coupled with the rate impact mitigation measures
21 discussed in Section II(B) below.

22 **B. Rate Impact Mitigation Measures**

23 As noted in Section II(A) above, the willingness of City's Mayor and Council to
24 authorize execution of the Settlement Agreement was also influenced by and conditioned upon
25 several provisions in the Settlement Agreement which significantly mitigate the impact of the
26 agreed upon increase in rates as to Santa Cruz and Palo Verde ratepayers, including City. Absent
27 those mitigating provisions, City would have not signed the Settlement Agreement. As
28 discussed below, those provisions were the following: (i) no rate increase during 2014; (ii) an 8-

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 year phase-in of that portion of the increase in revenue requirement and rates resulting from de-
2 imputation of CIAC ratemaking treatment of fees previously obtained by Global Parent under
3 existing ICFAs; (iii) a 3-year phase-in of that portion of the increase in revenue requirement and
4 rates related to adjusted test year operating expenses; (iv) the waiver of Global Parent's affiliate
5 utilities' right to recover revenues foregone or lost and carrying costs incurred under the
6 aforesaid phase-in periods; (v) addition of 1 year to the "stay out" provision for the Santa Cruz
7 and Palo Verde systems; and (vi) an 8-year phase-in and "capping" of the increase in rate for
8 effluent and recycled water service.

9
10
11 ***1. No Increase in Rates
During 2014***

12 Section 1.5 of the Settlement Agreement provides that there will be no increase in rates
13 for any of Global Parent's water or wastewater affiliate utilities during the first year of the phase-
14 in periods provided for in the Settlement Agreement, namely, 2014. In that regard, and as noted
15 in Section 2.2.1, the revenue requirements and rate increase for all years of the applicable phase-
16 in for each of the affiliate utilities are shown on Attachment "A" to the Settlement Agreement.
17 Clearly, this provision mitigates the impact of the agreed upon rate increase(s) for customers on
18 each of the affiliate utilities' systems, including Santa Cruz and Palo Verde, and provides them
19 with time to plan for the increases that will begin to take effect in January of 2015.

20
21
22 ***2. 8-Year Phase-In of Portion
Of Revenue Requirement and Rate Increase
Resulting from De-Imputation
of CIAC Ratemaking Treatment of Previously
23 Collected ICFA fees***

24 As stated in the prefatory text of Section 1.5, the Settlement Agreement is intended to
25 balance the interests of both the Global Parent's water and wastewater affiliate utilities and their
26 customers. In this instance, and with reference to the Santa Cruz and Palo Verde systems, the
27 impact of ratemaking recognition in the Instant Proceeding of previously collected ICFA fees
28 attributable to those systems is mitigated by providing that the impact of such ratemaking

1 recognition will be phased-in over an 8-year period (2014-2021).⁵

2 In that regard, such mitigation is most appropriate inasmuch as Santa Cruz and Palo
3 Verde are the only Global Parent affiliate utility systems with respect to which the CIAC de-
4 imputation and restoration of ICFA fees to rate base will have a rate impact within the context of
5 the Instant Proceeding.⁶ Given that Santa Cruz and Palo Verde ratepayers are anticipated to pay
6 for approximately 79.9% of the total increase in revenues provided for under the settlement,⁷ the
7 mitigation role represented by this 8-year phase-in was an important consideration in the
8 decision of City's Mayor and Council to authorize execution of the Settlement Agreement.

9 **3. 3-Year Phase-In of**

10 ***Adjusted Test Year***

11 ***Operating Expenses***

12 As noted in Section II(A) above of this Initial Brief, Section 2.5 of the Settlement
13 Agreement adopts the test year operating expenses recommended by the Commission's Staff,
14 and not those proposed by the affiliate utilities, which were higher. In addition, Section 1.5
15 (Fourth Bullet Point) contemplates that that portion of the rate increase for each of the affiliate
16 utilities attributable to adjusted test year operating expenses will be phased-in over three (3)
17 years, with no rate increase in year one, or 2014. Such phase-in was also intended as a
18 mitigation measure, and was another important factor in the decision of City's Mayor and
19 Council to authorize execution of the Settlement Agreement.

20 **4. *Affiliate Utilities' Waiver of***

21 ***Right to Recover Revenues Foregone***

22 ***Or Lost and Carrying Costs***

23 ***Under the Phase-Ins***

24 Another important feature for City and ratepayers on the Santa Cruz and Palo Verde
25 systems is that portion of Section 3.4 of the Settlement Agreement under which Global Parent
26

27 ⁵ See Section 1.5 (Second Bullet Point), Section 3.4 and Section 6.3.2.3 of the Settlement Agreement.

28 ⁶ See Section 6.3.2 (inclusive of Sections 6.3.2.1 through 6.3.2.3) of the Settlement Agreement. Also, see Tr. 58,
line 19 – Tr. 59, line 1 (Fleming).

⁷ Tr. 399, line 23 – Tr. 400, line 9 (Rowell).

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 and its affiliate utilities “waive their right to recover the revenues foregone or lost and carrying
2 costs under the phase-ins.” As of this juncture no one knows if in fact any such foregone or lost
3 revenues or carrying costs will be experienced. However, given that (i) ratepayers on the Santa
4 Cruz and Palo Verde systems represent approximately 80% of the affiliate utilities’ total
5 connection count,⁸ and (ii) the Settlement Agreement contemplates approximately 79.9% of the
6 recommended increase in revenue requirements will be provided through rates paid by Santa
7 Cruz and Palo Verde ratepayers,⁹ this waiver by Global Parent and its affiliate utilities represents
8 a further material consideration in the decision of City to execute the Settlement Agreement.

9
10 **5. Addition of 1-Year to**
11 **“Stay Out” Provision for Santa Cruz**
12 **And Palo Verde Affiliate Utilities**

13 Another material consideration in the willingness of City’s Mayor and Council to
14 authorize execution of the Settlement Agreement was the willingness of the other Signatory
15 Parties to agree to a 1-year extension of the “stay out” provision provided for in Section 2.1 for
16 the Santa Cruz and Palo Verde systems. As so extended, the Santa Cruz and Palo Verde systems
17 will not file a rate application before May 31, 2017, and the test year for their next rate case(s)
18 may not end before December 31, 2016.¹⁰ Coupled with the 8-year phase-in of that portion of
19 the rate increase for the Santa Cruz and Palo Verde systems related to the de-imputation of
20 CIAC, and the affiliate utilities’ waiver of any right to recover foregone or lost revenues and
21 carrying costs incurred under the phase-ins, this 1-year extension of the “stay out” provision for
22 the Santa Cruz and Palo Verde systems also was an important means of rate impact mitigation
23 for City and its residents who are served by those systems.

24
25 ⁸ Tr. 59, line 2 – Tr. 60, line 5 (Fleming).

26 ⁹ Tr. 399, line 23 – Tr. 400, line 9 (Rowell).

27 ¹⁰ Both Section 1.5 (Sixth Bullet Point) and Section 2.1 reflect this 1-year extension for these two (2) affiliate
28 utilities. Through inadvertence, Section 6.3.3.3 did not reflect such extension as of the date the Settlement
Agreement was filed. However, in the August 21, 2013 prepared testimony of City witness Paul Jepson he
commented upon this inadvertent drafting oversight, and stated that the reference to 2016 in Section 6.3.3.3 should
be changed to 2017. In that regard, Mr. Jepson’s observation and suggestion was confirmed by Global Parent’s
witness Paul Walker (Tr. 460, line 20 – Tr. 461, line 7) and Commission Staff’s witness Steve Olea (Tr. 689, lines
19-22) during the evidentiary hearing.

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 additional \$32,391,318 at this point in time presumably would have a further beneficial effect on
2 its current financial condition.

3 Third, Section 6.3.4 provides that \$7,085,645 of ICFA fees previously imputed as CIAC
4 against the active rate base of the Water Utility of Greater Tonopah ("Tonopah") pursuant to
5 Decision No. 71878 will be reversed and restored to Tonopah's active rate base upon the
6 effective date of a Commission decision in the Instant Proceeding approving the Settlement
7 Agreement. Net of amortization, this amount is \$6,784,409. However, pursuant to Section
8 6.3.4.2, there is no ratemaking recognition of this reversal of CIAC treatment until Tonopah's
9 next rate case, and then only if rate of return ratemaking would result in a lower rate increase
10 than use of an operating margin; and, pursuant to Section 6.3.4.4, subsequent rate base
11 recognition for rate of return ratemaking purposes would be phased-in at no more than 12.5% per
12 annum. But, as noted in the preceding paragraph, presumably this reversal or de-imputation of
13 previous CIAC treatment would also have a beneficial effect upon Global Parent's present
14 financial condition.

15 Fourth, Section 6.3.5 provides that \$2,140,455 of ICFA funds previously allocated to
16 Hassayampa Utilities Company, Inc. ("Hassayampa") and accounted for as "CIAC reserve" by
17 Decision No. 71878 will be reversed upon the effective date of the Commission's decision in the
18 Instant Proceeding. In that regard, as provided for in Section 6.3.5.2, there will be no ratemaking
19 recognition of such reversal in the Instant Proceeding because Hassayampa currently has no
20 customers or rate base. However, such reversal of CIAC treatment is further intended to
21 beneficially affect Global Parent's current financial condition.

22 Fifth, Section 6.3.6 provides that the \$8,897,600 in ICFA funds received by Global
23 Parent from December 31, 2008 through December 31, 2012 will not be imputed or treated as
24 CIAC, thus allowing Global Parent to avoid from the outset the negative financial effect of
25 Decision No. 71878's CIAC imputation as to those funds.

26 Finally, and as provided for in Section 6.4.1, Global Parent may retain for use pursuant to
27 the provisions of the applicable ICFA(s) any future payments under existing ICFAs which are in
28 excess of the associated affiliate utility(ies) Hook-Up Fee(s) ("HUF") to be established pursuant

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85946

1 to Section 6.4.1 and Sections 7.1 through 7.3.

2 In summary, each of the provisions discussed above in Section III of this Initial Brief is
3 intended to beneficially affect Global Parent's current financial condition. Presumably Global
4 shares that viewpoint, given its execution and support of the Settlement Agreement.¹⁵

5 IV.

6 **THE SETTLEMENT AGREEMENT IS DESIGNED**
7 **TO PROVIDE GLOBAL PARENT'S AFFILIATE UTILITIES**
8 **(INCLUDING SANTA CRUZ AND PALO VERDE) WITH**
9 **POSSESSION AND CONTROL OF ADEQUATE FUNDS**
10 **TO CONSTRUCT FUTURE OFF-SITE FACILITIES, IN**
11 **ORDER TO MAINTAIN ONGOING ADEQUATE, RELIABLE**
12 **AND SAFE WATER AND WASTEWATER SERVICE**

13 As previously noted, Section 6.4.1 provides that a portion of each future fee payment
14 made under existing ICFAs is to be applied towards satisfaction of the HUF which is to be
15 established for the affiliate utility(ies) that will be providing service to and within the geographic
16 area(s) which is (are) the subject of the ICFA in question. The amount of the HUFs to be
17 established for each Global Parent affiliate utility is set forth at Section 7.1.1 through 7.1.10; and,
18 the purpose of the same is to provide the affiliate utility in question with possession and control
19 of funds to construct future off-site facilities, in order to enable it to provide ongoing adequate,
20 reliable and safe service in the future. In that regard, Section 7.2 provides that tariffs
21 incorporating the HUFs listed in Section 7.1 will become effective upon the date of a
22 Commission decision in the Instant Proceeding. In addition, Section 7.3 provides that HUF
23 payments received by such utility are to be placed into a separately segregated account; and, such
24 funds may be used by such affiliate utility only for the purpose specified in its Commission-
25 approved HUF tariff.

26 _____
27 ¹⁵ See, for example, Tr. 56, line 19 – Tr. 58, line 18 (Fleming); and, Tr. 479, line 19 – Tr. 480, line 5 (Walker). In
28 that regard, the above-discussed provisions of Article VI of the Settlement Agreement, and Section 6.2.1's provision
that Global Parent (and any and all affiliates of Global Parent) will not enter into any new ICFAs or ICFA type
agreements, also satisfactorily addresses and resolves City's aforementioned concern in Section I above as to
whether Global Parent had used ICFA fees in a manner consistent with City's Resolution No. 11-40.

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

1 Sections 6.4.2.1 and 6.4.4 contemplate the possibility of single ICFA payments being
2 made to Global, which include the applicable HUFs and additional funds for Global Parent, with
3 Global thereafter remitting the HUF portion to the affected affiliate utility(ies). However, during
4 the evidentiary hearings in the Instant Proceeding, Global Parent indicated that it would not
5 object to a modification of ICFAs confirming Global Parent's belief that the Settlement
6 Agreement itself also provides that HUF payments may be made directly to the affiliate
7 utility(ies) in question.¹⁶

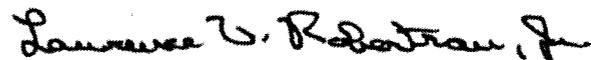
8 V.

9 CONCLUSION

10 Based upon the preceding discussion in Sections II through IV of this Post-Hearing Initial
11 Brief, City believes that the Settlement Agreement adequately addresses and resolves the four (4)
12 pre-settlement discussion concerns identified by City in Section I above. In addition, as to City
13 and as previously noted, the Settlement Agreement provides additional benefits as itemized in
14 City Resolution No. 13-30, which authorized City's execution of the Settlement Agreement.
15 Further, City believes that Commission approval of the Settlement Agreement would be
16 consistent with and in the overall public interest, and therefore requests that the Commission
17 issue a decision approving the same without material change.¹⁷

18
19 Dated this 16th day of October 2013.

20 Respectfully submitted,

21 

22 Lawrence V. Robertson, Jr.
23 Of Counsel to Munger Chadwick, PLC
24 Attorney for City of Maricopa

25 and

26 Denis Fitzgibbons
27 City Attorney for
28 City of Maricopa, Arizona

¹⁶ Tr. 467, line 10 – Tr. 468, line 16 (Walker); and, Tr. 696, lines 1-9 (Olea).

¹⁷ In that regard, also see Tr. 689, line 3 – Tr. 692, line 22 (Olea).

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

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4 Docket Control Division
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 A copy of the same served by e-mail
9 or first class mail that same date to:

10 Timothy Sabo
11 Michael Patten
12 ROSHKA, DeWULF & PATTEN PLC
13 400 E. Van Buren, Suite 800
14 Phoenix, Arizona 85004
15 Attorneys for Valencia Water Company, Inc., Global
16 Water - Palo Verde Utilities Company; Water Utility of
17 Northern Scottsdale; Water Utility of Greater Tonopah, Inc.;
18 Valencia Water Company - Greater Buckeye Division; Global
19 Water - Santa Cruz Water Company and Willow Valley
20 Water Co., Inc.; Global Water Resources, Inc.; Hassayampa Utilities Comanay;
21 Picacho Cove Water Company; and Picacho Cove Utilities Company

22 Garry D. Hays
23 The Law Offices of Garry D. Hays, PC
24 1702 East Highland Ave., Suite 204
25 Phoenix, Arizona 85016
26 Attorneys for New World Properties, LLC

27 Jeffrey W. Crockett
28 Brownstein Hyatt Farber Schreck, LLP
One East Washington Street, Suite 2400
Phoenix, Arizona 85004
Attorneys for New World Properties, LLC

Daniel W. Pozefsky, Chief Counsel
Michelle Wood, Counsel
Residential Utility Consumer Office
1110 West Washington Street, Suite 200
Phoenix, Arizona 85007

LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

- 1 Michele Van Quathem
Sheryl A. Sweeney
- 2 Ryley Carlock & Applewhite
One N. Central Ave., Suite 1200
- 3 Phoenix, Arizona 85004-4417
- 4 Attorneys for Maricopa Area
Homeowners Associations
- 5
- 6 Robert J. Metli
Munger Chadwick, PLC
2398 E. Camelback Road, Suite 240
- 7 Phoenix, Arizona 85016
- 8 Attorneys for Sierra Negra Ranch
- 9
- 10 Barry W. Becker
Bryan O'Reilly
50 S. Jones Blvd., Ste 101
- 11 Las Vegas, Nevada 89107
- 12
- 13 Steven P. Tardiff
44840 W. Paitilla Lane
Maricopa, Arizona 85 139
- 14
- 15 Willow Valley Club Association
C/o Gary McDonald, Chairman
1240 Avalon Avenue
- 16 Havasu City, Arizona 86404
- 17
- 18 Dana L. Jennings
42842 W. Morning Dove Lane
Maricopa, Arizona 85138
- 19
- 20 Andy and Marilyn Mausser
20828 N. Madison Dr
Maricopa, Arizona 85138
- 21
- 22 William Sullivan
Curtis, Goodwin Sullivan Udall & Schwab, PLC
501 E. Thomas Road
- 23 Phoenix, Arizona 85012-3205
- 24 Attorneys for Willow Valley Club Assn.
- 25
- 26 Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
- 27 Phoenix, Arizona 85007
- 28

1 Steve Olea, Director
2 Utilities Division
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, Arizona 85007

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LAWRENCE V. ROBERTSON, JR.
ATTORNEY AT LAW
P. O. Box 1448
Tubac, Arizona 85646

Appendix “A”

**October 16, 2013 Post-Hearing Initial Brief
City of Maricopa
Global Water Rate Case
Docket Nos. W-01212A-12-0309 et al**

RESOLUTION NO. 13-30

A RESOLUTION OF THE MAYOR AND CITY COUNCIL FOR THE CITY OF MARICOPA, ARIZONA, AUTHORIZING THE CITY OF MARICOPA TO EXECUTE THE PROPOSED SETTLEMENT AGREEMENT OF THE RATE ADJUSTMENT APPLICATIONS OF GLOBAL WATER RESOURCES, INC. ("GLOBAL"), INCLUDING THE INDIVIDUAL APPLICATIONS OF GLOBAL WATER - SANTA CRUZ WATER COMPANY ("SANTA CRUZ") AND GLOBAL WATER - PALO VERDE UTILITIES COMPANY ("PALO VERDE")

RECITALS

WHEREAS, on July 9, 2012, Global Water filed rate increase Applications with the Arizona Corporation Commission ("Commission") for several of its water and wastewater utility affiliates, including its Santa Cruz and Palo Verde affiliates, which respectively provide water and wastewater public utility services to individuals and businesses located within the municipal boundaries of the City of Maricopa, Arizona; and,

WHEREAS, in such Applications Santa Cruz proposed an aggregate increase in its rates of 26.1% and Palo Verde proposed an aggregate increase in its rates of 27.9%; and

WHEREAS, the City of Maricopa recognizes the importance of Global, Santa Cruz and Palo Verde being financially sound in order that Santa Cruz and Palo Verde may be in a position to provide ongoing adequate and reliable service to their respective ratepayers; and,

WHEREAS, the City of Maricopa nevertheless concluded that the aforesaid increase in revenues requested by Santa Cruz and Palo Verde was too high; and,

WHEREAS, on February 22, 2013, the City of Maricopa, Arizona, filed its Application for Leave to Intervene in the aforesaid rate proceeding, as the same pertains to Global Water's Santa Cruz and Palo Verde systems, because of a concern upon the part of the City of Maricopa, Arizona, as to the magnitude of the rate increases Global Water was proposing for ratepayers served by its Santa Cruz and Palo Verde systems; and,

WHEREAS, the City of Maricopa's request for intervention was granted by the Commission on March 12, 2013; and,

WHEREAS, a Procedural Order also issued by the Commission prescribed a series of procedural events and dates which would precede an evidentiary hearing on the aforesaid rate increase Applications, including those of Santa Cruz and Palo Verde; and,

WHEREAS, such Procedural Order provided for the possibility of settlement discussions in addition to and in advance of commencement of the evidentiary hearing upon said applications; and,

WHEREAS, settlement discussions did in fact occur, in person and by email and telephonic communications among representatives of Global and its utility affiliates,

Commission Staff, RUCO, the City of Maricopa, the Maricopa Area HOAs, New World Properties, Inc., Sierra Negra Ranch, L.L.C. and Willow Valley Club Association from July 18, 2013 to August 12, 2013; and,

WHEREAS, a Settlement Agreement resulting from such settlement discussions was filed with the Commission's Docket Control on August 13, 2013; and,

WHEREAS, the City of Maricopa was an active participant throughout such settlement discussions; and,

WHEREAS, similar to the last rate case involving Global and its Santa Cruz and Palo Verde utility affiliates, the City of Maricopa shared a number of negotiating objectives with the Commission's Staff and RUCO, and also in the current rate proceeding with the Maricopa Area HOAs; and,

WHEREAS, the following benefits have been negotiated for Santa Cruz and Palo Verde ratepayers and the City of Maricopa under the Settlement Agreement:

1. Under the Settlement Agreement Santa Cruz's original revenue requirement request of \$2,730,367 has been reduced to \$1,556,046, representing a reduction of \$1,174,321 or 44% of the original request. In addition, Palo Verde's original revenue requirement request of \$3,662,560 has been reduced to \$1,888,939, representing a reduction of \$1,778,621 or 51% of the original request.

2. Only an aggregate or total increase of 10.4% shall be allowed for the Santa Cruz median residential customer and an aggregate or total increase of 10.5% for the Palo Verde median residential customer versus the original aggregate or total proposed rate increases of 29.0% and 24.0% for such customers, respectively, proposed by Santa Cruz and Palo Verde. In that regard, Santa Cruz median residential customer rates will not be increased until 2015, and the increase in that year will be 2.0%. Palo Verde median residential rates also will not be increased until 2015, and the increase in that year will be 5.0%.

3. The aforesaid rate increases to Santa Cruz and Palo Verde ratepayers shall be phased in over an 8-year period (2014-2021), with no increase in the first year of the phase-in period, and the phase-in shall apply to all classes of customers on the Santa Cruz and Palo Verde systems.

4. The average annual increase over the 8-year (2014-2021) phase-in period to Santa Cruz and Palo Verde median residential customers will be approximately 1.30%.

5. As a special negotiated concession for Santa Cruz and Palo Verde system ratepayers and the City of Maricopa, Santa Cruz and Palo Verde will not file another rate increase application before May 31, 2017, and will not use a rate case test period ending before December 31, 2016, which means any rate increase resulting from Santa Cruz's or Palo Verde's next rate case would not take effect until mid 2018 or later, with rates between now and then being based upon Santa Cruz's and Palo Verde's 2009-2011 expenses, as adjusted downward by the Commission Staff in the current rate case.

6. Santa Cruz and Palo Verde shall not seek to recover any revenues authorized by the Commission in this rate case, or related carrying charges, which are not recovered during the 8-year (2014-2021) phase-in period.

7. Recycled water or effluent rate increases to Santa Cruz and Palo Verde ratepayers will also be phased-in over the 8-year (2014-2021) phase-in period and "capped" at \$1.64 per 1,000 gallons.

8. By reason of inclusion in rate base of the Palo Verde Lagoon Clean Closure and Conversion Project and revenues resulting under the Settlement Agreement that Global and Palo Verde intend to devote to completion of said project, ratepayers and residents living in the area intended to be benefited by that project will benefit from such completion, which Global and Palo Verde represent will allow better control of the water released in the Santa Rosa Wash, among other benefits.

9. Global will not enter into any new Infrastructure Coordination and Financing Agreements ("ICFA") from the effective date of a Commission decision approving the Settlement Agreement.

10. With respect to future fees to be paid by parties to existing ICFAs, \$1,250 shall be paid to Santa Cruz and Palo Verde, respectively, as Hook-Up Fees ("HUF"), to be placed into a segregated bank account reserved solely for use by each utility in connection with construction of future infrastructure to meet future demand, thereby contributing to the financial stability of each utility to provide adequate and reliable service to their respective ratepayers.

WHEREAS, the City of Maricopa believes it could not improve upon the aforesaid benefits available to Santa Cruz and Palo Verde ratepayers and the City of Maricopa under the Settlement Agreement by declining to sign the Settlement Agreement, but rather proceeding to a hearing with the City of Maricopa in opposition to the same; and,

WHEREAS, the benefits to be achieved under the Settlement Agreement for Global utility affiliates and their respective ratepayers as a whole would appear to be confirmed by the fact that several parties to the currently pending rate proceeding have already signed the Settlement Agreement, including Global and its utility affiliates, the Commission's Staff, RUCO and various Maricopa Area HOAs; and,

WHEREAS, the language of the Settlement Agreement provides that the extension of the "stay out provision" (benefit no. 5 above), which represents a special negotiated concession for Santa Cruz and Palo Verde system ratepayers and the City of Maricopa, will in effect be deleted from the Settlement Agreement if the City of Maricopa does not become a party thereto.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council for the City of Maricopa, Arizona, that the City of Maricopa, Arizona believes that its execution of the aforesaid Settlement Agreement would be in the best interest of ratepayers of the Santa Cruz and Palo Verde systems and the residents of the City of Maricopa.

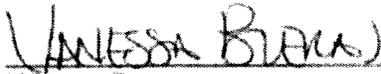
NOW, THEREFORE, BE IT FURTHER RESOLVED that the Mayor of the City of Maricopa is hereby authorized to execute on behalf of the City of Maricopa a signature page to the aforesaid Settlement Agreement and cause the same to be filed with the Commission's Docket Control in Phoenix, Arizona.

PASSED AND ADOPTED by the Mayor and Council of the City of Maricopa, Arizona, this 20th day of August, 2013.



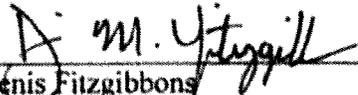
Christian Price
Mayor

ATTEST:



Vanessa Bueras
City Clerk

APPROVED AS TO FORM:



Denis Fitzgibbons
City Attorney