

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

DOCKETED

FROM: Utilities Division

APR 17 2017

2017 APR 17 P 3: 32

DATE: April 17, 2017

DOCKETED BY  
GB

RE: IN THE MATTER OF THE APPLICATION OF GLOBAL WATER RESOURCES, INC., AN ARIZONA CORPORATION, FOR A WAIVER OF AFFILIATED INTERESTS RULES UNDER A.A.C. R14-2-806 (DOCKET NOS. W-03936A-17-0080, W-20446A-17-0080, & SW-20445A-17-0080)

INTRODUCTION

Enclosed are the Arizona Corporation Commission (“Commission”) Staff’s memorandum and proposed order for approval of the waiver of Affiliated Interests Rules under A.A.C. R14-2-806 (Docket Nos. W-03936A-17-0080, W-20446A-17-0080, & SW-20445A-17-0080). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff’s proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission’s Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before **April 30, 2017**.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled **May 9, 2017**, at 10:00 a.m. and **May 10, 2017**, at 10:00 a.m.

If you have any questions about this matter, please contact Brian Smith of our Staff at (602) 542-0148, or Elijah Abinah, Acting Director, at (602) 542-6935.

BACKGROUND

On March 22, 2017, Global Water Resources, Inc. (the “Company”), filed an application with the Arizona Corporation Commission (“Commission”) under its subsidiaries, Global Water-Palo Verde Utilities Company (“Palo Verde”) and Global Water – Santa Cruz Water Company (“Santa Cruz”), for a waiver under Arizona Administrative Code (“A.A.C.”) R14-2-801 *et seq.* (“Affiliated Interests Rules”). The Company requested that the Commission waive the 120-day required notice of intent to purchase Eagletail Water Company, LLC’s (“Eagletail”) ownership interest by the Company’s subsidiary, Eagletail Water Company, L.C.<sup>1</sup>, with the latter being the surviving entity.

Eagletail is a Class “E” public service corporation. It provides water utility services in a portion of Harquahala Valley in western Maricopa County approximately 65 miles west of downtown Phoenix

<sup>1</sup> Eagletail Water Company, L.C. is the legal name of the entity but is filed with the Commission as an L.L.C.

and 16 miles south of Interstate 10. Currently, Eagletail provides water services to approximately 53 customers, of which all are residential customers.

The Company is a publicly traded company and the parent of Global Water, LLC ("Global LLC"). Global LLC is the parent of Santa Cruz and Palo Verde. As Class A public service corporations, Santa Cruz and Palo Verde are subject to the Affiliated Interest Rules as subsidiaries of Global Water LLC and Global Water Resources, Inc.

Eagletail filed a rate application and a financing application in March 2016. On October 28, 2016, the Commission heard the matter at Open Meeting. During the Open Meeting, a discussion commenced regarding a proposed amendment to phase-in the recommended rate increase over four years and to postpone implementation of new rates until a manager/operator is established. After these discussions, Staff had a discussion with Eagletail. Based on its discussions with Eagletail, Staff requested that the matter be pulled until the November 17, 2016 Open Meeting so Staff could develop a comprehensive solution to satisfy the Commission's and the Company's concerns. The Commission approved Staff's request to pull the matter until the November 17, 2016 Open Meeting. On November 14, 2016, Staff was informed that the Company's board of directors had met on November 11, 2016, and authorized its management to proceed at its discretion with the potential acquisition of Eagletail.

The Company filed this application with the Commission on March 22, 2017, seeking a waiver of the Affiliated Interest Rules under A.A.C. R14-2-806. The Company also requests that the Company not be required to file the required 120-day notice of intent as outlined in A.A.C. R14-2-803. The Company is requesting the Commission to allow the waiver to take effect by operation of law.

Lastly, the Commission opened a docket (Docket No. W-00000C-16-0151) that directed Staff to commence a rulemaking to amend A.A.C. R14-2-803, by adding a paragraph that removes the requirement to file a notice of intent when the reorganization is due to the purchase of the shares (or merger of) a Class "D" or "E" water or wastewater utility.

## **STAFF ANALYSIS AND RECOMMENDATIONS**

The application provides that the waiver in this case would be in the public interest for the following reasons:

- The Company possesses managerial, technical, and financial resources whereas Eagletail is run by volunteers.
- The Company is a publicly-traded company with access to equity and debt capital whereas Eagletail has limited access to debt capital and no access to equity capital.

The application further asserts that Eagletail faces numerous challenges including a small customer base, remote location, and a need for significant infrastructure improvements. Additionally,

the application indicates that the customer base is spread out over a large area requiring a larger than normal water system.

Under Rule 806(A), the Commission may waive compliance with any provision of this Article, upon a finding that such a waiver is in the public interest. Rule 806(B) provides that a waiver may be requested by filing a verified application for waiver stating with specificity, the circumstances whereby the public interests justifies a waiver. As outlined in Rule 803(C), the Commission may reject the organization of a public utility holding company if it would impair the financial status of the utility, 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. Staff concludes that the merger of Eagletail with the Company would not impact the financial health of the Eagletail nor impair the ability of the Eagletail to provide safe and reliable service.

Staff concludes that a waiver of Rule 803 in this case would be in the public interest. Staff also finds no reason to reject this application or waiver as outlined in Rule 803(C). Therefore, Staff recommends approving the waiver.



Elijah O. Abinah  
Acting Director  
Utilities Division

EOA:BES:nr\RRM

ORIGINATOR: Brian X. Smith

THE COMMISSION

April 17, 2017

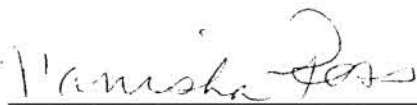
Page 4

On this 17th day of April, 2017, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

Mr. Timothy Sabo  
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By:



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Administrative Support Specialist

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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE  
Chairman  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
ANDY TOBIN  
Commissioner  
BOYD DUNN  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF GLOBAL WATER-SANTA CRUZ )  
WATER COMPANY, LLC AND GLOBAL )  
WATER-PALO VERDE UTILITIES )  
COMPANY, LLC FOR A WAIVER UNDER )  
A.A.C. R14-2-806 FOR A WAIVER )  
RELATED TO THE MERGER BETWEEN )  
EAGLETAIL WATER COMPANY, L.L.C. )  
AND WATER UTILITY OF EAGLETAIL, )  
LLC. )

DOCKET NO. W-03936A-17-0080  
W-20446A-17-0080  
SW-20445A-17-0080

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
May 9, 2017  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On March 22, 2017, Global Water Resources, Inc. (the "Company"), filed an application with the Arizona Corporation Commission ("Commission") under its subsidiaries, Global Water-Palo Verde Utilities Company ("Palo Verde") and Global Water - Santa Cruz Water Company ("Santa Cruz"), for a waiver under Arizona Administrative Code ("A.A.C.") R14-2-801 et seq. ("Affiliated Interests Rules"). The Company requested that the Commission waive the 120-day required notice of intent to purchase Eagletail Water Company, LLC's ("Eagletail") ownership interest by the Company's subsidiary, Eagletail Water Company, L.C., with the latter being the surviving entity.

2. Eagletail is a Class "E" public service corporation. It provides water utility services in a portion of Harquahala Valley in western Maricopa County approximately 65 miles west of downtown

1 Phoenix and 16 miles south of Interstate 10. Currently, Eagletail provides water services to  
2 approximately 53 customers, of which all are residential customers.

3 3. The Company is a publicly traded company and the parent of Global Water LLC  
4 (“Global LLC”). Global LLC is the parent of Santa Cruz and Palo Verde. As Class A public service  
5 corporations, Santa Cruz and Palo Verde are subject to the Affiliated Interest Rules as subsidiaries of  
6 Global Water LLC and Global Water Resources, Inc.

7 4. Eagletail filed a rate application and a financing application in March 2016. On October  
8 28, 2016, the Commission heard the matter at Open Meeting. During the Open Meeting, a discussion  
9 commenced regarding a proposed amendment to phase-in the recommended rate increase over four  
10 years and to postpone implementation of new rates until a manager/operator is established. After these  
11 discussions, Staff had a discussion with Eagletail. Based on its discussions with Eagletail, Staff requested  
12 that the matter be pulled until the November 17, 2016 Open Meeting so Staff could develop a  
13 comprehensive solution to satisfy the Commission's and the Company's concerns. The Commission  
14 approved Staff's request to pull the matter until the November 17, 2016 Open Meeting. On November  
15 14, 2016, Staff was informed that the Company's board of directors had met on November 11, 2016,  
16 and authorized its management to proceed at its discretion with the potential acquisition of Eagletail.

17 5. The Company filed this application with the Commission on March 22, 2017, seeking a  
18 waiver of the Affiliated Interest Rules under A.A.C. R14-2-806. The Company also requests that the  
19 Company not be required to file the required 120-day notice of intent as outlined in A.A.C. R14-2-803.  
20 The Company is requesting the Commission to allow the waiver to take effect by operation of law.

21 6. Lastly, the Commission opened a docket (Docket No. W-00000C-16-0151) that directed  
22 Staff to commence a rulemaking to amend A.A.C. R14-2-803 by adding a paragraph that removes the  
23 requirement to file a notice of intent when the reorganization is due to the purchase of the shares (or  
24 merger of) a Class “D” or “E” water or wastewater utility.

25 7. The application provides that the waiver in this case would be in the public interest for  
26 the following reasons:

- 27 a. The Company possesses managerial, technical, and financial resources whereas Eagletail  
28 is run by volunteers.

b. The Company is a publicly-traded company with access to equity and debt capital whereas Eagletail has limited access to debt capital and no access to equity capital.

9. The application further asserts that Eagletail faces numerous challenges including a small customer base, remote location, and a need for significant infrastructure improvements. Additionally, the application indicates that the customer base is spread out over a large area requiring a larger than normal water system.

10. Under Rule 806(A), the Commission may waive compliance with any provision of this Article, upon a finding that such a waiver is in the public interest. Rule 806(B) provides that a waiver may be requested by filing a verified application for waiver, stating with specificity the circumstances whereby the public interests justifies a waiver. As outlined in Rule 803(C), the Commission may reject the organization of a public utility holding company if it would impair the financial status of the utility, 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. Staff concludes that the merger of Eagletail with the Company would not impact the financial health of the Eagletail nor impair the ability of the Eagletail to provide safe and reliable service.

11. Staff concludes that a waiver of Rule 803 in this case would be in the public interest. Staff also finds no reason to reject this application or waiver as outlined in Rule 803(C). Therefore, Staff recommends approving the waiver.

CONCLUSIONS OF LAW

1. The Company and Eagletail are public service corporations within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over the Company and Eagletail, and the subject matter of this filing.

3. It is in the public interest to allow the Company the waiver as outlined in Rule 803(C).

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ORDER

IT IS THEREFORE ORDERED that the waiver as outlined in Rule 803(C) is approved.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN FORESE

COMMISSIONER DUNN

COMMISSIONER TOBIN

COMMISSIONER LITTLE

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, TED VOGT, 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 \_\_\_\_\_, 2017.

\_\_\_\_\_  
TED VOGT  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EOA:BES:nr/RRM



1 Eagletail Water Company, LLC  
Docket Nos. W-03936A-17-0080, W-20446A-17-0080, SW-20445A-17-0080

2  
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10 **Consented to Service by Email**

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