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ARIZONA CORPORATION COMMISSION

November 4, 2022

Mr. Timothy J. Sabo, Regulatory Counsel
Global Water Resources, Inc.
21410 North 19th Avenue, Suite 220
Phoenix, Arizona 85027

RE: GLOBAL WATER-SANTA CRUZ WATER COMPANY, INC., GLOBAL WATER-PALO VERDE UTILITIES COMPANY, INC., GLOBAL WATER-BELMONT WATER COMPANY, INC., GLOBAL WATER-HASSAYAMPA UTILITIES COMPANY, INC., GLOBAL WATER-TURNER RANCHES IRRIGATION, INC., AND GLOBAL WATER-RED ROCK WATER COMPANY, INC. (DOCKET NOS. SW-20445A-20-0214, WS-04245A-20-0215, W-03720A-20-0216, W-01677A-20-0217, SW-20403A-20-0218, W-03936A-20-0219, SW-20422A-20-0220, SW-20494A-20-0221, W-02450A-20-0222, W-20446A-20-0223, AND W-20495A-20-0224)
DECISION NO. 78644

Notice of Compliance

Dear Mr. Sabo:

On August 12, 2022, you filed a Tax Expense Adjustor Mechanism ("TEAM") Plan of Administration ("POA") in compliance with the above mentioned Decision. Based upon a review by the analyst(s) assigned, attached is a stamped copy of the approved POA, with an effective date of July 28, 2022.

If you have questions regarding the filing of this POA, please contact me at (602) 542-0754.

Sincerely,


Guadalupe N. Ortiz
Administrative Services Officer II
Utilities Division

GNO:mta

Enclosures

cc: Docket Control

Division Director Elijah O. Abinah
1200 W. Washington Street, Phoenix, AZ 85007 | 602-542-4251 | azcc.gov

ACC - Docket Control - Received 11/4/2022 9:59 AM
ACC - Docket Control - Docketed 11/4/2022 10:05 AM

On this 4th day of November, 2022, the foregoing document was filed with Docket Control as a Partial Memo of Compliance, 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.

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**Tax Expense Adjustor Mechanism
Plan of Administration**

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General Description

This document describes the plan for administering the Tax Expense Adjustor Mechanism (“TEAM”) approved for Global Water—Santa Cruz Water Company, Inc., Global Water—Palo Verde Utilities Company, Inc., Global Water—Belmont Water Company, Inc., Global Water—Hassayampa Utilities Company, Inc., Global Water—Turner Ranches Irrigation, Inc., and Global Water—Red Rock Water Company, Inc. (collectively, the “Global Water Utilities” or the “Company”) by the Arizona Corporation Commission (“ACC” or “Commission”) in Decision No. 78644 (July 27, 2022.) As a result of the mergers authorized by the Commission and described in the Company’s July 29, 2022 Notice of Merger, the Global Water Utilities include all of the utilities subject to Decision No. 78644.

The TEAM enables the pass-through of income tax effects that materially impact the Company's 2019 Test Year revenue requirements to customers resulting from subsequent federal or state income tax legislation. A tax change will be considered material if it changes an affected utility’s revenue by 0.15% or more. The TEAM will be calculated annually on a prospective basis and will terminate upon the effective date of new rates in

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the Global Water Utilities' next General Rate Case ("GRC"), unless extended by the Commission. If the next GRC includes less than all of all of the Global Water Utilities, the TEAM will remain in effect for those utilities not included in the GRC, until the effective date of rates for the next GRC for that utility. The Commission may add additional regulated utility affiliates of the Global Water Utilities to the TEAM and to this POA in a GRC involving such a utility.

Definitions

Annual Tax Expense Adjustment - The Annual Tax Expense Adjustment represents the amount to be passed through to customers in the subsequent twelve-month period and is applied to customer bills via a flat \$ per month adjustment for water and wastewater utilities.

Base Revenue Requirements Change - The change in a utility's Base Revenue Requirements as a result of any Federal Income Tax reform legislation will be measured as the change in:

- a. The Federal Income Tax Rate-Test Year as compared to the Federal Income Tax Rate-Revised as applied to the Company's Adjusted 2019 Test Year revenue requirement;
- b. Annual amortization of any resulting excess deferred income tax regulatory account compared to the Company's Adjusted 2019 Test Year; and
- c. New permanent income tax adjustments (such as interest expense and/or property tax expense deductibility) compared to those taken in the Company' s Adjusted 2019 Test Year.

Federal Income Tax Rate - The Federal income tax rate of 21% as set forth in the Tax Cuts and Jobs Act ("TCJA"), or as revised by subsequent legislation.

Federal Income Tax Rate-Test Year - The Federal income tax rate of 21% in effect and

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utilized in the 2019 Test Year as approved by the Commission in Decision No. 78644 or the state income tax rate in effect for that year.

Federal Income Tax Rate Revised – The Federal income tax or state income tax rate set forth in legislation after the adoption of rates in Decision No. 78644.

Calculation of TEAM

The Annual Tax Expense Adjustment is calculated annually and represents the amount to be passed through to all customers. The adjustment is calculated based on the Company's Base Revenue Requirements Change as defined above.

The Annual Tax Expense Adjustment includes two separate components:

Component I. Component I is the Base Revenue Requirements Change due to the difference between the Federal Income Tax Rate--Revised and the Federal Income Tax Rate--Test Year.

Component I of the Annual Tax Expense Adjustment will be applied to applicable water and wastewater customers' total bill via a flat \$ per month adjustment over the 12-month period beginning with the first billing cycle in January of the year following the Federal income tax rate change, and will remain until the effective date of new rates in the Company's next General Rate Case ("GRC") or until new legislation revises the tax rate again.

Component II. Component II of the Annual Tax Expense Adjustment will be applied to customers by adding or subtracting the relevant over and under collections from the TEAM Balancing Account.

Initially, Component II will include the revenue change necessary to true up over and under refunded amounts from the TCJA bill credits from 2020, 2021, and 2022. The amounts of the over and under refunded amounts from 2020 and 2021 are detailed in compliance

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filings made on July 1, 2021 and July 1, 2022 in Dockets W-20446A-18-0202 et al. The amounts of the 2022 over and under refunded amounts along with the calculation of credits/surcharges for each affected utility will be provided with the Annual Tax Expense Adjustment filing on September 1, 2022.

For billing purposes, Components I and II will be combined as one line item.

TEAM Balancing Account

The Global Water Utilities will maintain accounting records that track the difference between the calculated Annual Tax Expense Adjustment and the actual amounts applied to customers' total bills through the total TEAM adjustment during the prior calendar year.

Differences will be recorded to the TEAM Balancing Account. In the event that the annual Tax Expense Adjustment is more or less than the amount passed through to customers as of the last billing cycle of December, the over or under collection will be subtracted from or added to the TEAM calculation in the subsequent period.

The TEAM Balancing Account will start with a non-zero balance for certain companies because of the under and over refunds made through the TCJA bill credits approved in Decision No. 76901. The amount of (over)/under refunded amounts through May 2022 are as follows:

Company	(Over)/Under Refunded Amount
GW-Palo Verde	(259,310)
GW-Santa Cruz	(185,593)
GW-Belmont, Tonopah Division	3,742

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GW-Belmont, North Scottsdale Division	(2,207)
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These amounts accumulated over three years (2020, 2021, and 2022) therefore, recovery/refund of these amounts will also occur over three years.

Filing and Procedural Deadlines

Global Water will file the Annual Tax Expense Adjustment with the Commission for the upcoming year by September 1 of each year, terminating upon the effective date of new rates in Global Water's next rate case.

The Commission Staff and interested parties will have the opportunity to review the TEAM filing and supporting data in the adjustor calculation. Unless the Commission has otherwise acted or Staff has filed an objection by November 15, then the rate proposed by Global Water will go into effect with the first billing cycle in January (Without proration) and will remain in effect for the following 12-month period.

Compliance Reports

Each year until the TEAM is terminated, on or before March 1, the Global Water Utilities will provide an annual report to Staff showing the status of the TEAM Balancing Account described in Section 4 above detailing all calculations related to the TEAM billing adjustments. If the TEAM is or will be utilized to pass through changes in tax rates, the reports will include the following Schedules 1 through 3 as attached to this document:

Schedule 1: Current Year Annual Tax Expense Adjustment

Schedule 2: Current Year TEAM Balancing Account

Schedule 3: Adjusted 2019 Test Year Schedules (for each utility, as follows)

Schedule 3 A1: Computation of Increase in Gross Revenue Requirements

Schedule 3 B1: Summary of Original Cost Rate Base Elements

Schedule 3 B2: Summary of OCRB Pro Forma Adjustments

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Schedule 3 C1: Company Test Year Income Statement
 Schedule 3 C2: Income Statement Pro Forma Adjustments
 Schedule 3 C3: Computation of Gross Revenue Conversion Factor

Initial Charges

The initial Credits and Charges for the TEAM will take effect upon approval of this POA and will be:

GW-Palo Verde			
Meter Size	Component 1	Component 2	Total
5/8X3/4 Inch	0.00	(0.32)	(0.32)
3/4 Inch	0.00	(0.32)	(0.32)
1 Inch	0.00	(0.79)	(0.79)
1 1/2 Inch	0.00	(1.58)	(1.58)
2 Inch	0.00	(2.53)	(2.53)
3 Inch	0.00	(4.74)	(4.74)
4 Inch	0.00	(7.89)	(7.89)
6 Inch	0.00	(15.79)	(15.79)
8 Inch	0.00	(25.26)	(25.26)

GW-Santa Cruz			
Meter Size	Component 1	Component 2	Total
5/8X3/4 Inch	0.00	(0.21)	(0.21)
3/4 Inch	0.00	(0.21)	(0.21)
1 Inch	0.00	(0.53)	(0.53)
1 1/2 Inch	0.00	(1.05)	(1.05)

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2 Inch	0.00	(1.69)	(1.69)
3 Inch	0.00	(3.16)	(3.16)
4 Inch	0.00	(5.27)	(5.27)
6 Inch	0.00	(10.55)	(10.55)
8 Inch	0.00	(16.87)	(16.87)

GW-Belmont, Tonopah Division			
Meter Size	Component 1	Component 2	Total
5/8X3/4 Inch	0.00	0.17	0.17
3/4 Inch	0.00	0.17	0.17
1 Inch	0.00	0.44	0.44
1 1/2 Inch	0.00	0.87	0.87
2 Inch	0.00	1.40	1.40
3 Inch	0.00	2.62	2.62
4 Inch	0.00	4.37	4.37
6 Inch	0.00	8.73	8.73
8 Inch	0.00	13.97	13.97

GW-Belmont, North Scottsdale Division			
Meter Size	Component 1	Component 2	Total
5/8X3/4 Inch	0.00	(0.24)	(0.24)
3/4 Inch	0.00	(0.24)	(0.24)
1 Inch	0.00	(0.60)	(0.60)

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1 1/2 Inch	0.00	(1.20)	(1.20)
2 Inch	0.00	(1.92)	(1.92)
3 Inch	0.00	(3.59)	(3.59)
4 Inch	0.00	(5.99)	(5.99)
6 Inch	0.00	(11.97)	(11.97)
8 Inch	0.00	(19.15)	(19.15)

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