



**Tax Expense Adjustor Mechanism
Plan of Administration**

Table of Contents

General Description 1

Definitions 2

Calculation of TEAM 2

TEAM Balancing Account 3

Filing and Procedural Deadlines 4

Compliance Reports 4

Initial Charges 4

General Description

This document describes the plan for administering the Tax Expense Adjustor Mechanism (“TEAM”) approved for Global Water—Saguaro District Water Company, Inc. (“GW-Saguaro” or the “Company”) by the Arizona Corporation Commission (“ACC” or “Commission”) in Decision No. 79383 (June 20, 2024).

The TEAM enables the pass-through of income tax effects that materially impact the Company's 2022 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 the Company's next General Rate Case (“GRC”), unless extended by the Commission. 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.

Effective Date: June 20, 2024
Decision No: 79383
Docket No: W-03945A-23-0130 et al.
ACC Approval:

Global Water Resources, Inc.
Attn: Regulatory Affairs
21410 N. 19th Ave., Ste. 220
Phoenix, AZ 85027

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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.

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 2022 Test Year revenue requirement;
- b. Annual amortization of any resulting excess deferred income tax regulatory account compared to the Company's Adjusted 2022 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 2022 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 utilized in the 2022 Test Year as approved by the Commission in Decision No. XXXXX 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. XXXXX.

Calculation of TEAM

The Annual Tax Expense Adjustment is calculated annually and represents the amount to be

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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 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.

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

TEAM Balancing Account

The Company 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 zero balance.

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Filing and Procedural Deadlines

The Company 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 Company 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 2022 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
 - 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:

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| GW-Saguaro District Water Company, Inc. | | | |
|--|-------------|-------------|-------|
| Meter Size | Component 1 | Component 2 | Total |
| 5/8X3/4 Inch | 0.00 | 0.00 | 0.00 |
| 3/4 Inch | 0.00 | 0.00 | 0.00 |
| 1 Inch | 0.00 | 0.00 | 0.00 |
| 1 1/2 Inch | 0.00 | 0.00 | 0.00 |
| 2 Inch | 0.00 | 0.00 | 0.00 |
| 3 Inch | 0.00 | 0.00 | 0.00 |
| 4 Inch | 0.00 | 0.00 | 0.00 |
| 6 Inch | 0.00 | 0.00 | 0.00 |
| 8 Inch | 0.00 | 0.00 | 0.00 |

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