



**GWR**  
*Global Water Resources*

*Saguaro District Rate Case  
Pre-Filing Application Overview*

As of June 27, 2023

- Executive Summary
- Utility Overview
- Case Overview
- Customer Impacts
- Regulatory Policy Issues
- Customer Outreach

# Executive Summary

- As a follow up to December 2022 Company Update Meetings, Global Water is preparing a rate case filing for its Saguaro District utilities (Pima County)
  - Notice of Intent filed for each utility on May 23, 2023
- The rate case is needed as Global Water acquired 6 troubled utilities that had significant issues. We made important capital investments that enhanced the customer experience and all of these utilities experienced significant inflation since the utilities' last rate case test years (between 7 and 29 years ago.)
- We have prepared a thoughtful approach that balances the customer impacts with our ability to continue providing safe, reliable service
- No change in bills until mid-2024

- Total customer count ~1,600
- We are proposing regional consolidation
- Important policy proposals regarding acquisition premium of non-viable utilities
- Significant customer outreach already completed
- Deferring recovery of largest capital investment (Rincon fluoride project ~\$2.4m), this reduces the rate increase requested by \$285,000 (the rate increase would be \$715,000 compared to \$430,000)
- Proposed phase-in to mitigate customer bill impact

# Executive Summary - Estimated Rate Increase

- Overall Revenue Increase request of \$430,000

Utility	Customer Count	Typical Customer	Median Usage	Median Bill Current	Phase 1 Increase (decrease)	Phase 2 Increase (decrease)	Total Increase (decrease)	Median Bill Proposed	% Increase (decrease)
GW-Lyn Lee	39	5/8"	4,000	26.80	5.64	3.02	8.66	35.46	32%
GW-Tortolita	23	1"	6,500	44.00	2.01	6.50	8.51	52.51	19%
GW-Rincon [1]	80	1"	10,000	70.00	4.24	0	4.24	74.24	6%
GW-LQS	1,263	5/8"	5,500	31.75	2.90	3.02	5.92	37.67	19%
GW-Mirabell	66	5/8"	5,000	38.05	(1.33)	0	(1.33)	36.72	(3%)
GW-Francesca	124	5/8"	4,000	41.54	(6.08)	0	(6.08)	35.46	(15%)
GW-Red Rock	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- [1] GW-Rincon – Significant usage greater than other users
- Values are preliminary estimates, subject to change in final filing

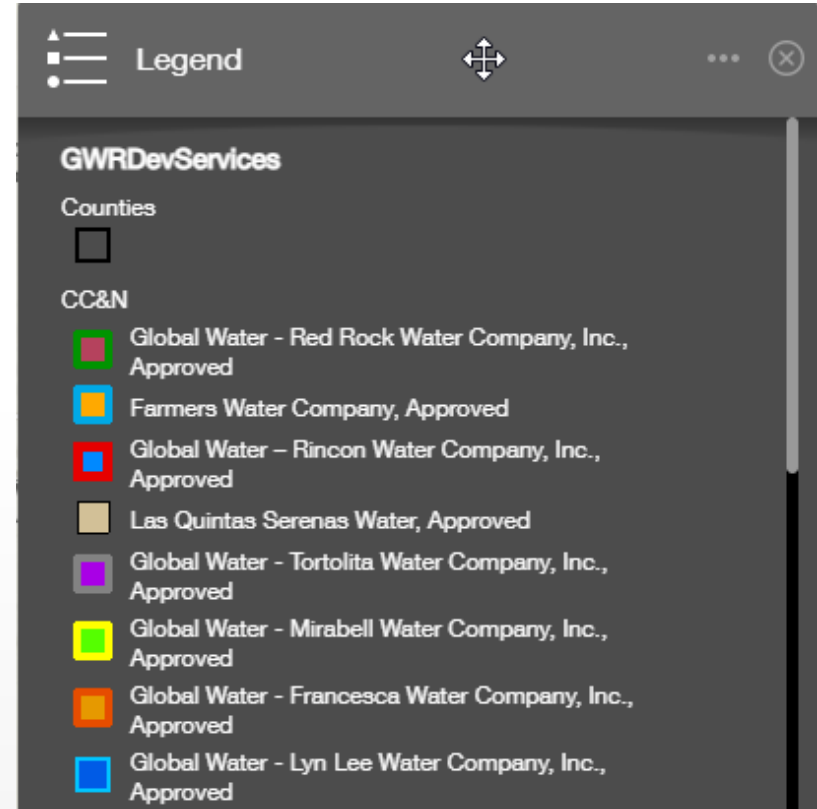
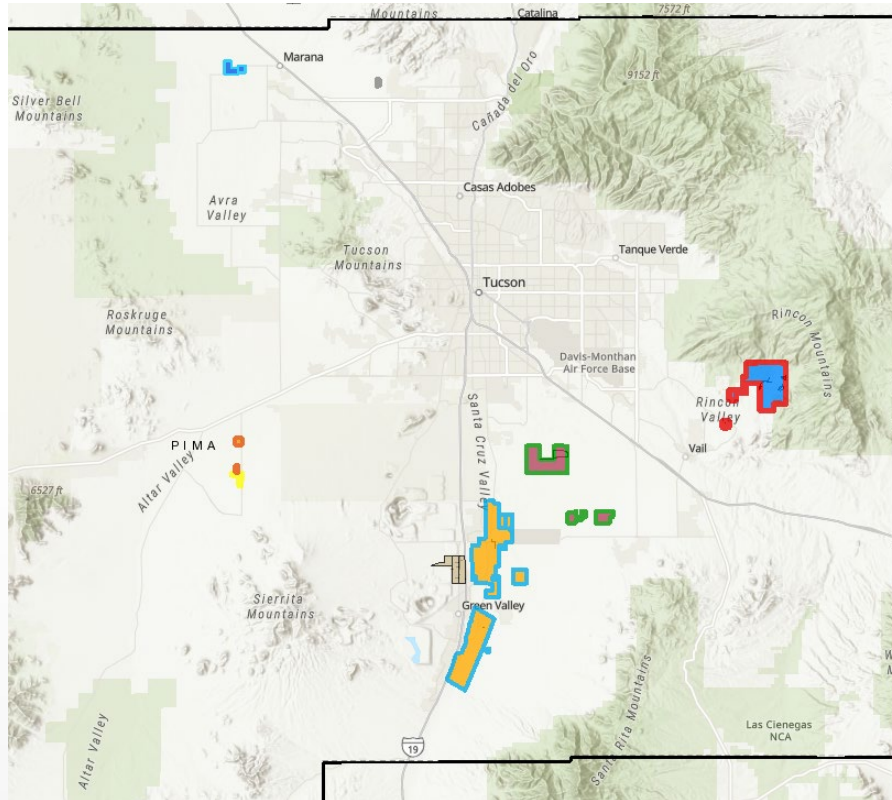
# Utility Overview

# Service Area Background

- ~1,600 customers included in rate case excluding Farmers
- All utilities located in Pima County
- Largest customer base in and around Town of Sahuarita
- Will propose rate consolidation for the region
- GW – Farmers not included in this rate case, will need future rate case

Utility	Number of Customers
Global Water – Las Quintas Serenas Water Company, Inc.	1,263
Global Water – Lyn Lee Water Company, Inc.	39
Global Water – Francesca Water Company, Inc.	124
Global Water – Tortolita Water Company, Inc.	23
Global Water – Rincon Water Company, Inc.	80
Global Water – Mirabell Water Company, Inc.	66
Global Water – Red Rock Water Company, Inc.	0
<b>TOTAL without GW – Farmers</b>	<b>1,595</b>
Global Water – Farmers Water Company, Inc.	3,300
Total with GW – Farmers	4,895






# Case Overview

# Why the Need for the case?

- Inflation
- Capital investment
- Enhancing customer service



Utility	Last Rate Case Test Year	Years Since Last Test Year	Inflation Since Last Test Year
GW-Lyn Lee	1993	29	107%
GW-Tortolita	2004	18	58%
GW-Rincon	1997	25	87%
GW-LQS	2012	10	31%
GW-Mirabell	2010	12	37%
GW-Francesca	2015	7	27%
GW-Red Rock (No customers)	2019	2	17%

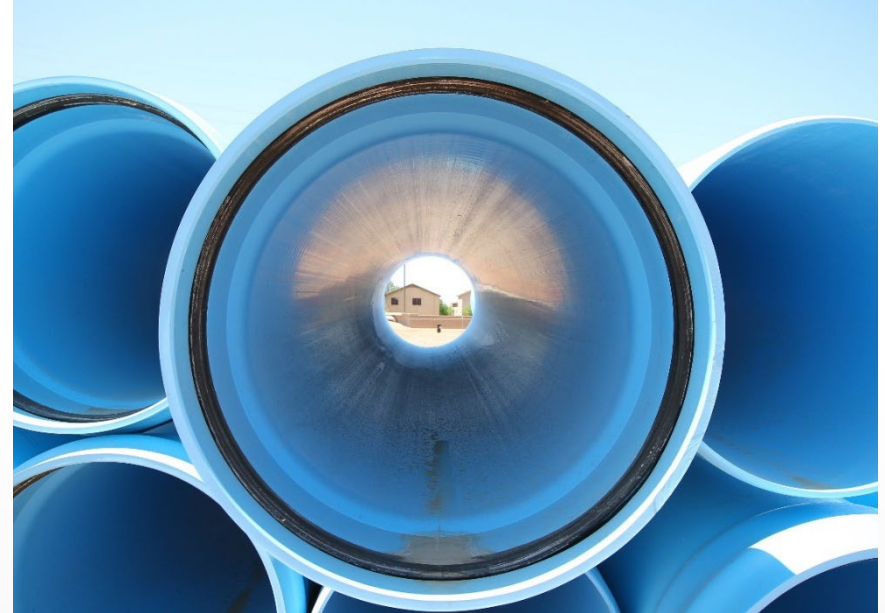
- Test Year Ending December 31, 2022
- Post test year plant through December 31, 2023
- Cost of Capital
  - Use same capital structure from 2022 Global Water Rate Order
  - 55% equity / 45% debt [actual 100% equity in test year]
  - Cost of Equity 9.9%
  - Cost of Debt 4.25%
  - WACC 7.36%
- Consolidated rate base = \$3.5 million
- Rate design based on standard Global Water [6 tiers, plus rebate threshold]



- Proposed phase-in
- Rincon Deferral
  - Forgoing any recovery of largest capital investment in the case ~\$2.4m
  - \$285k reduction in revenue requirement
- Changed amortization of AP from 25 year life to 50 year life
  - \$40k reduction in revenue requirement
- Customer Assistance Program
- Expenses Removals
  - Advertising, lobbying, and charitable
- Rate Case Expense
  - Limited outside attorneys or outside expert witnesses at this stage
- Rincon loan
  - Low cost and significant forgiveness



- Significant work undertaken at utilities:
  - Remediating public health issues and PDEQ consent orders (Rincon and Lyn Lee)
  - 100% meter replacement (in progress)
  - Deployment of asset management, GIS, IT and OT technology
  - SCADA conversion and upgrades
    - Standpipe upgrades
    - Additional chlorine installations
    - Valve maintenance
- See Appendix for detail by utility



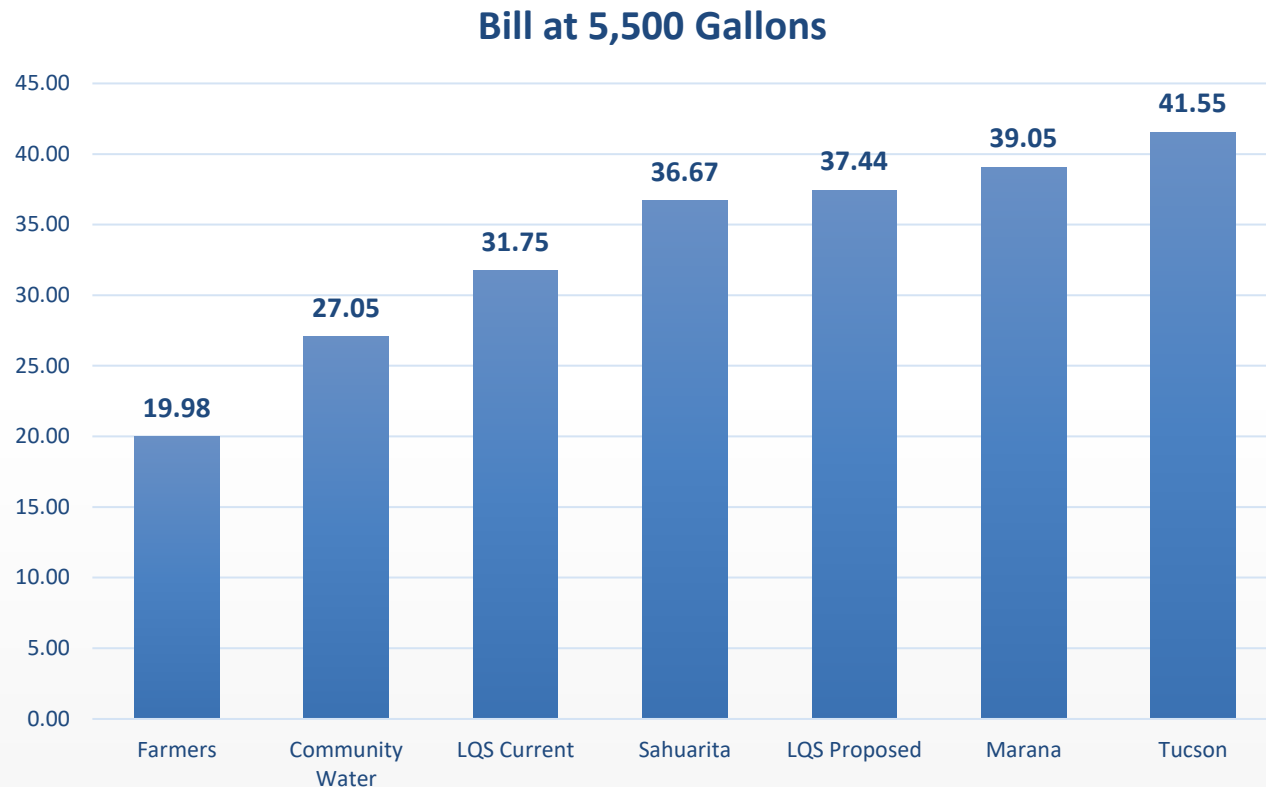
- Integrated customers into Global Water's statewide call center offering additional access and availability to speak with a live team member
- Additional ways to pay
- New software portal to access usage data
- More community participation and engagement
- Implemented a Customer Assistance Program for customers struggling to pay their bill
- Proposal to implement CRT, a financial incentive to use less water



# Customer Impacts



- Compared to other water utilities in the region, Las Quintas (largest customer base) proposed rates very competitive



# Estimated Rate Increase

- Overall Revenue Increase request of \$430,000

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GW-LQS	1,263	5/8"	5,500	31.75	2.73	2.96	5.69	37.44	18%
GW-Mirabell	66	5/8"	5,000	38.05	(1.55)	-	(1.55)	36.51	-4%
GW-Francesca	124	5/8"	4,000	41.54	(6.29)	-	(6.29)	35.26	-15%
GW-Red Rock	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

- [1] GW-Rincon – Significant usage greater than other users
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# Regulatory Policy Issues

- Consistent with ACC Policy Statement
- All nonviable
- Material amounts: LQS and Rincon
- Rincon
  - Rincon already found nonviable
  - Rincon Deferred Debit per ACC order,
  - to bring rate base up to \$0 only
- LQS so troubled, Town refused to buy
  - Fire flow / pressure issues
  - Financial weakness
  - Lack of investment

Requested Acquisition Premiums	
GW-Francesca	125,948
GW-LQS	1,083,884
GW-Lyn Lee	22,318
GW-Mirabell	28,067
GW-Rincon	703,199
GW-Tortolita	20,923
GW-Red Rock	-
<b>Total: GW-Saguaro District Water Company</b>	<b>1,984,338</b>

## Search continues for town water

Andrew Paxton [apaxton@sahuaritasun.com](mailto:apaxton@sahuaritasun.com)

Jul 19, 2018

Turns out, Las Quintas would need millions of dollars of improvements "due to observed system deficiencies and apparent deferred maintenance," according to the study, which Town Manager Kelly Udall said the town was not willing to undertake.

- Request approval to defer massive Rincon improvements ~ \$2.4m
- Consistent with Water Policy Order (75626)
- Rather than include in PITYP
- Rincon improvements mandated by PDEQ and ACC
- WIFA loan obtained including principal forgiveness
  - \$2.3 million loan total
  - \$0.7 million forgiven
- Forgiven amount will be treated as CIAC when in service

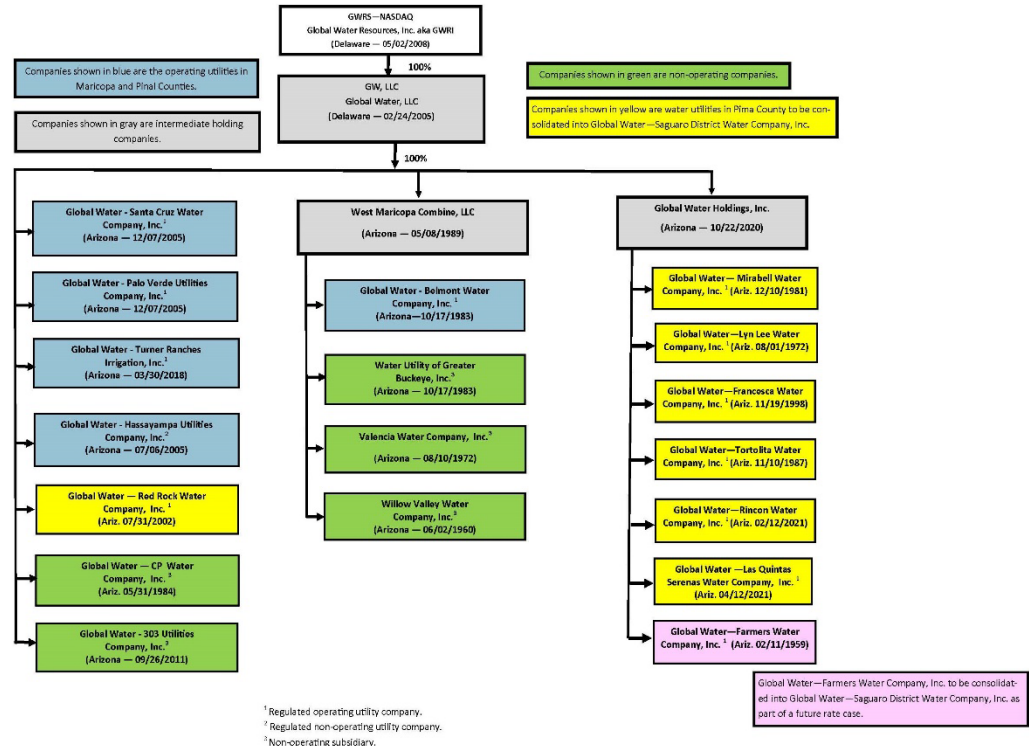


- Deferral request
  - Depreciation Expense on Rincon improvements (not including amount forgiven by WIFA)
  - Interest on the deferred amount (at cost of debt)



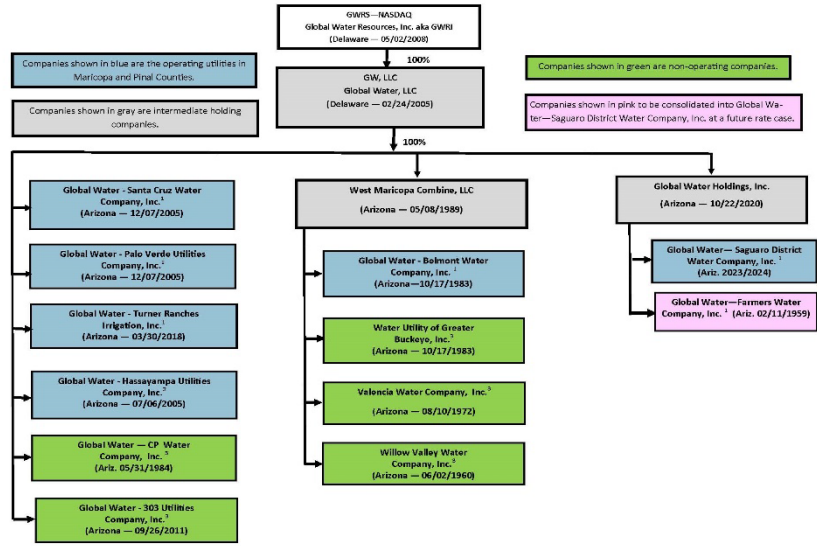
# Consolidation - Organization Charts - Before

- Similar to 2022 rate case, we are proposing regional consolidation
- Rate and legal entity consolidation
- The Companies shown in yellow are all of Global Water’s water utilities which are located in Pima county. They will be consolidated into one company during the rate case (Global Water – Saguaro District Water Company, Inc.) which you will see on the next slide.



# Consolidation - Organization Charts - After

- Organization chart once all Pima County Utilities have been consolidated into one company (Global Water – Saguaro District Water Company, Inc.)
- Global Water – Farmers Water Company, Inc. (Pink) will not become part of Saguaro District Water Company, Inc. entity until the next rate case.



<sup>1</sup> Regulated operating utility company.  
<sup>2</sup> Regulated non-operating utility company.  
<sup>3</sup> Non-operating subsidiary.



# Customer Outreach

- Presented to Sahuarita Town Council on January 9, 2023 and May 22, 2023 discussing forthcoming rate case (amongst other updates)
- Press coverage in local papers
- Global Water attended the La Canada Norte II HOA for Las Quintas Serenas and HOA meetings for Rincon (Mountain Creek) and Tortolita in December/January.
- Virtual Town Halls offered for Lyn Lee, Francesca, and Mirabell in May 2023



Thank You

# Appendix

Witness	Testimony
Christopher D. Krygier, CFA, CMA	<ol style="list-style-type: none"><li>1. Global Water philosophy and achievements</li><li>2. Overview of rate case</li><li>3. History of buying troubled utilities including targeted acquisitions in Pima County</li><li>4. Regional Plan</li><li>5. Legal entity consolidation</li></ol>
Jon Corwin	<ol style="list-style-type: none"><li>1. Environmental and Safety Results</li><li>2. Improvements at acquired utilities</li><li>3. Community engagement including rate case communication and outreach</li></ol>
Jake Lenderking	<ol style="list-style-type: none"><li>1. Water Resources update including Global Water's water resource philosophy and approach</li><li>2. Sustainable Water Surcharge</li><li>3. Best Management Practices (BMP) tariffs</li></ol>
Michael Liebman, CPA, CIRA	<ol style="list-style-type: none"><li>1. Financial performance</li><li>2. Advantages of public company status</li><li>3. WIFA loan for GW-Rincon</li></ol>
Steven Brill, CISM, CCSP	<ol style="list-style-type: none"><li>1. Global Water IT security</li><li>2. IT situation of acquired utilities upon purchase</li><li>3. New cybersecurity requirements for Sanitary Surveys</li></ol>

<b>Witness</b>	<b>Testimony</b>
Suzanne “Shelly” Kitts, CPA	<ol style="list-style-type: none"><li>1. Financial statements</li><li>2. Public company status and requirements</li></ol>
Scott Lee, P.E.	<ol style="list-style-type: none"><li>1. Post Test Year Plant</li></ol>
Matt Rowell	<ol style="list-style-type: none"><li>1. Rate schedules and pro forma adjustments</li><li>2. Rate Design</li><li>3. Regulatory Policy – acquisitions</li><li>4. Rate consolidation</li><li>5. Adjustor mechanisms (except SWS)</li><li>6. Post Test Year Plant policy</li><li>7. Tariff standardization</li><li>8. Cost of capital</li></ol>

## Saguaro District Plant Investments

### GW - Tortolita

- Rehabilitated Well
- Replaced two of three Booster Pump due to failure
- Registered as Public Water System as required by law
- Painted the entire site
- Installed chlorination
- Installed new air compressor for hydro tank
- Installed SCADA for better remote monitoring
- Replaced meter with AMR meters
- Installed ladder guards to be OSHA compliant

## Saguaro District Plant Investments

GW - Lyn Lee

- Installed storage tanks to resolve Consent Order Issue given to previous owner (Project almost complete)
- Installed booster pumps
- Installed chlorination
- Replaced the entire electrical and control system
- Replaced meter with AMR meters



## Saguaro District Plant Investments

### GW - Francesca

- Rehabilitated Well – Prior ownership had to send out requests to conserve water each summer because the well could not keep up with demand. This issues has been resolved.
- Replaced meter with AMR meters

### GW - Mirabell

- Painted the entire site
- New air compressor for hydro tank.
- Replaced meter with AMR meters

## Saguaro District Plant Investments

### GW - Rincon

- \$2 million investment needed for fluoride treatment and electrical, storage tank and chlorination
- Replaced tank level indicators (tank was repeatedly overflowing due to failing equipment)

### GW - LQS

- Installed full AMI metering solution
- Transitioning SCADA to our platform and making some upgrades to existing system
- Replace WDC chlorine pumps due to failure

Integrated approach of “Total Water Management” to promote sustainable communities and conserve water resources.

Global Water Resources uses best practices and follows the customer outreach plan integrated in the prior rate case (Decision 78644)

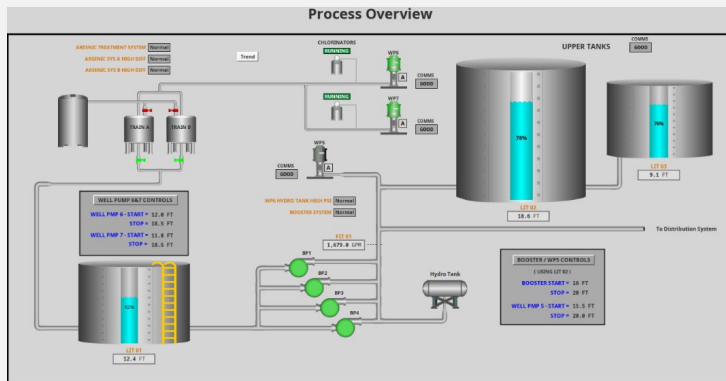


Examples of the poor condition of utility infrastructure at Lyn Lee and Rincon



## SCADA Conversion

- Transitioned to our Company-wide SCADA Platform
- Increased Levels of Security and Reduced Vulnerabilities
- Added System Alarms for Failure Conditions



## Las Quintas Serenas Meter Exchange

- Replaced 1,095 meters
- Obtain reads at 15-minute intervals and data presented to customers in hourly intervals
- Meter reading hours reduce ~90%

