



City of Maricopa Rate Case Presentation
July 21, 2020

NASDAQ: GWRS
TSX: GWR

- Rate Case Backdrop and Process Overview
- Global Water's Key Assumptions and Measures to Reduce Customer Bill Impact
- Estimated Rate Increase and Customer Bill Impact

NOTE THAT ALL NUMBERS ARE NOT FINAL AND ARE SUBJECT TO MINOR CHANGES

- Important Takeaways
- Q&A

- The Arizona Corporation Commission (ACC) required Global Water to file a rate case
- We worked with the City and requested that the ACC delay this filing multiple times
- We have voluntarily committed that any rate increase will be “phased-in” so that bills (average user) will not increase by more than 5% in any year (or ~\$5.51 per month)
- We requested to not increase rates (pursuant to this rate case) prior to January 2022

Rate Case Process Overview

- Regulated by the ACC: “The corporation commission shall have **full power to, and shall, prescribe just and reasonable classifications to be used and just and reasonable rates and charges to be made and collected, by public service corporations....**”
- Detailed process determines the Revenue Requirement and rates required to achieve this Revenue Requirement
 - Rate Base (Invested Capital)
 - X Allowed Rate of Return on Rate Base
 - = Required Return
 - + Operating Expenses
 - = **Revenue Requirement**

Sufficiency (30 Days)

- ACC Staff Reviews
- Company responds to inquiries
- Obtain sufficiency

Review (180 Days +)

- Data requests issued
- Staff/RUCO/Intervenors file direct testimony
- Utility rebuttal testimony
- Staff/RUCO/Intervenors file surrebuttal testimony

Hearing & Decision (180 Days +)

- Pre-hearing Conference
- Formal hearing (a few weeks)
- Closing briefs
- Reply briefs
- Administrative Law Judge considers, drafts
- Parties may file exceptions
- Commission issues decision
- Rates go into effect

Rate Case Process Timeline

Results in ~8 Years Between Rate Orders

- Last rate decision occurred in 2014, based on a 2011 Test Year
 - In that rate case, Global Water and the City (and all the HOAs, RUCO and ACC Staff) reached consensus on nearly every issue – our intent is to do the same in this rate case
- Current rate case will use a 2019 Test Year, as ordered to file by the ACC
- Current rate case schedule
 - 7.21.2020 – Maricopa City Council Meeting
 - 8.28.2020 – File rate case
 - 9.30.2021 – Expect decision and order from ACC
 - 1.1.2022 – Implement new rates pursuant to ACC decision (as per Global Water's request)

Notable Operational & Customer Service Improvements

- **Customer and Employee Safety**

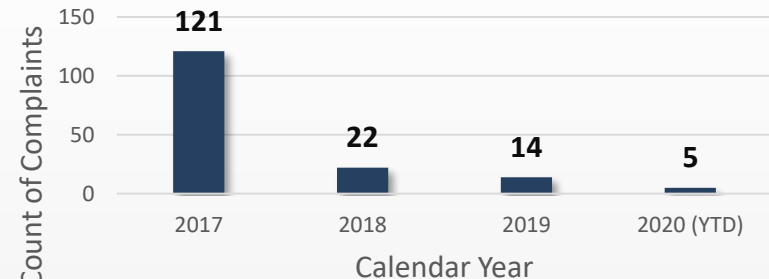
- Two minor safety incidents in the past two years and eleven months
- Four years and four months since last significant ADEQ compliance event

- **Customer Service Focus**

- Customer satisfaction increasing
- Portal - 66% of customers registered (Top 3 of utilities using portal)
- 10,000+ house related leak alerts sent to homeowners in 2019 (8Mgal of saved water)
- Brought billing and customer service functions in house reducing costs over the long run.
- Increased customer assistance program benefit
 - Benefit increased from \$250 to \$700 annually
 - Added furloughed workers, medical hardship, disabled vets, and deployed vets to eligible customers



Maricopa Customer Complaints



A Financially Healthy Partner Benefits City & Customers

- Invested **~\$60 million** of capital into City of Maricopa utilities since our last rate case. Utilities are safe, compliant, and well positioned for sustainable growth
- Listed on NASDAQ in 2016, allowing us to trade similar to other U.S. publicly traded pure-play water companies. We have since raised **~\$37 million** of equity capital
- Refinanced debt at more favorable rates (going from 6.5% to 4.5%) reducing interest expense of over **\$2 million per year**, all to the benefit of customers



“A Rising Tide Lifts All Boats”

Financial health allows us to do more for the City **AND** the greater region, which benefits **ALL** stakeholders

- Global Water uniquely envisioned and provided an assured water supply to allow for growth in the City of Maricopa and surrounding region
 - We have a designation of assured water supply (DAWS) for ~23,000 acre feet per year while we are only pumping ~7,000 acre feet per year (this allows us to triple our current water demands within the existing DAWS)

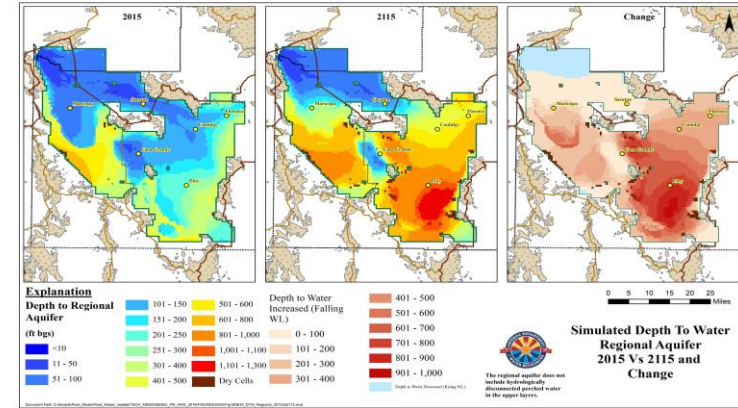


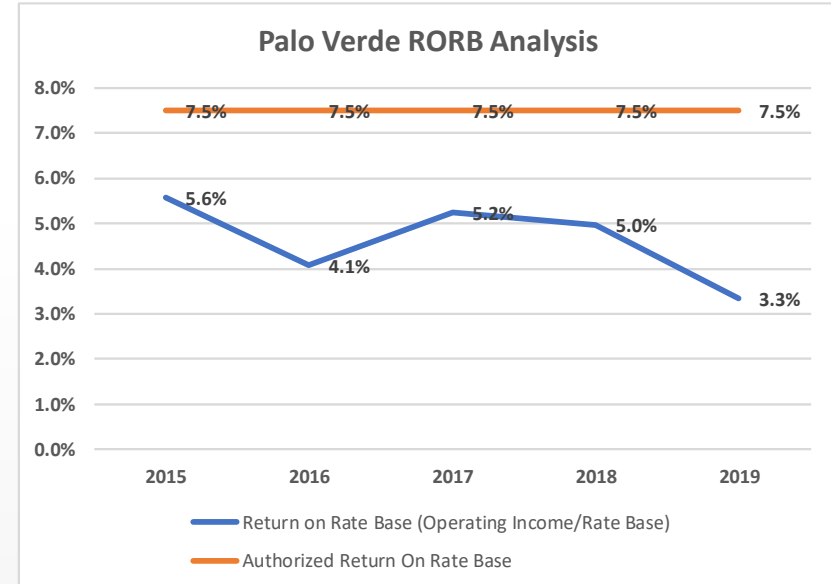
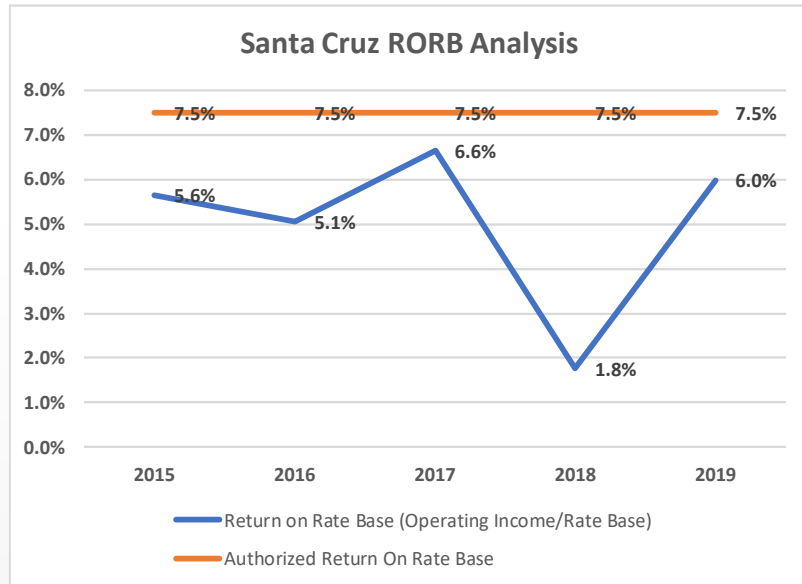
Figure 35. Simulated Depth to Water 2015 and 2015 and Change in Depth to Water

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- Working collaboratively with developer partners and community partners to improve quality of life by bringing people, resources and businesses to the City of Maricopa and Pinal County (see appendix)
- Acquired a few smaller/troubled systems over the past few years (Eagletail, Turner Ranches, and Red Rock)
- Signed Agreements to bring utility solution to Inland Port Arizona in Coolidge, AZ, which will bring a significant employment center to Pinal County and is anticipated to provide substantial economic benefits to Maricopa

Level of Investment into Maricopa and Costs to Improve Service Levels Has Resulted in Lower Returns

- **Approved Return on Rate Base (RORB)** in last rate case was 7.5% yet in our Maricopa utilities over the past 5 years we have averaged only 5.0% and 4.6% in Santa Cruz and Palo Verde respectively
- On a combined basis this results in lower returns than what would be authorized on average of \$2.5 million per year or \$12.6 million over the 5 year period



Reasonable Approach to the Rate Case

The impact to customers will be less than the rate of inflation since our last Test Year of 2011.

- Important to maintain key terms of the prior settlement agreement
- Not requesting to include the Southwest Plant (Wastewater and Water Facilities south of Ak-Chin Indian Community)
- Include ~ \$5.9 million of improvements made in Santa Cruz and Palo Verde in 2020
- Consolidate Santa Cruz Water and Palo Verde Utilities with the water and wastewater utilities in Red Rock to achieve efficiency and economies of scale
- Voluntarily excluded recovery of certain other expenses and return on certain investments
- Proposing a phase-in of any rate increase over a period of years; requesting the first change to be implemented January 1, 2022

Voluntarily leaving out Southwest Plant for the 3rd Time: History and Rate Case Treatment

- Although Global Water was required to build the Southwest Plant pursuant to an ACC order, we have elected **NOT** to include a recovery on any portion of our \$32.8 million investment
- Global Water has carried the unprecedented financial burden of the Southwest Plant since 2005. By the end of the upcoming rate case, we will have:

1. Carried over \$29 million in interest costs
2. Lost out on over \$56 million of earnings
3. Lost out on over \$72 million of cash flow



- We are instead pursuing “Allowance for Funds Used During Construction” (AFUDC). This adds the annual interest carry cost of ~\$1.5M to rate base each year for future recovery -- **does not impact rates today**
- We have also included 4 years of historic interest expense into rate base for future recovery (this request is only for 25% of time in which we carried the burden) -- **does not impact rates today**

Improvements continue in 2020

- Included ~\$5.9 million of Post Test Year Plant (PTYP) into rate base
- **The following projects are in service benefitting customers now**



PLANT ADDITIONS- PALO VERDE UTILITIES COMPANY			
NAME & DESCRIPTION			
YEAR	PROJECT #		IN SERVICE
2018	20218006	PVUC's Campus 1 ASD Conversion	Apr-20
2019	20219009	PVUC Main Lift Station Pump Addition	Mar-20
2020	20220002	Groves Recycled Water Management Facility	May-20
PLANT ADDITIONS- SANTA CRUZ WATER COMPANY			
DESCRIPTION			
YEAR	PROJECT #		IN SERVICE
2015	60215001	Rancho El Dorado (RED) WDC West Tank Rehab	Mar-20
2019	60219003	RM 0 Well Completion	Jun-20
2019	60219006	Global Water Center Update	May-20
2019	60219007	238 and Loma Road Waterline Loop	May-20
2019	60219004	Fuqua Wash Liner	Mar-20
2019	60219008	Glennwilde Well Rehab	May-20

Rate Consolidation is Beneficial for ALL

- Reasonable and logical approach to rate consolidation
 - Located within regional geographic areas (**Example – Pinal County**)
 - Located within same watersheds, sub-basins, or regulated areas (**Example – Pinal AMA**)
- Resulting pooled resources work together to overcome challenges
 - Troubled utilities in the way of Economic Development (**Example – Water Districts**)
 - Water scarcity & quality (**Example – Pinal AMA Assured Water Supply Program**)
- Resulting economies of scale reduce future financial impacts and risks
 - Overhead costs are streamlined, and get allocated across larger customer base (**Example – Standardized Rates**)
 - Capital Investments get spread across larger customer base (**Example - Southwest Plant**)
- All stakeholders ultimately benefit....again think “Rising tide lifts all boats”
 - Proven and successful (**Example – SRP**)
 - Better service with lower, less variable costs
 - Improved ability to support “clean-up” of troubled utilities and provide assistance in economic development
 - Solving regional challenges

Good Faith Measures to Keep Rates Lower

- Excluded from rate base the \$32.8 million investment into the Southwest Plant, resulting in NO impact to current rates
 - This eliminates an additional \$4.8 million of ratepayer cost per year (or \$8.99 per customer per month)
 - Recovery on the interest carry alone would have increased ratepayer cost by \$1.5 million per year (or \$2.71 per customer per month)
- Excluded certain costs, including a portion of Post-Test Year Plant and expenses related to incentive compensation
- We maintain support for our agreement to Phase-In any rate increase per our MOU, which results in no annual increase greater than 5% or ~\$5.51 per month (for average customer)
- Maintain our existing Rate Design and our current Conservation Rebate Threshold (6,000 gallons per month)
- Small increase to recycled water rates
- Agree to delay rate increase from this rate case until 2022

NOT INCLUDING THE SOUTHWEST PLANT - The financial benefits of agreeing to Phase-In rates and excluding certain expenses and investments eliminates \$5 million of costs to the ratepayers over the first 3 years (or \$1.7 million per year on average).

Our approach was to find a common ground between the need to earn closer to our authorized rate of return while also being mindful of the impact these rates will have on our customers. Given our good faith effort to balance all the interests involved and by taking the measures above, we are hopeful the City Council will support our filing.

Impact to Customers is Less than Inflation

- If the Corporation Commission were to approve our Rate Case Filing “as is” below is the outcome:
- Customer rates increases will be **phased in over 3 years** and the estimated average monthly residential bill will increase each year as follows:

Average Residential Customer Revenue Phase In (Monthly Bill Increase)			
	2022	2023	2024
Santa Cruz_RRW	\$2.17	\$2.17	\$1.91
Palo Verde_RRS	\$3.34	\$3.34	\$1.41
Combined SC & PV	\$5.51	\$5.51	\$3.32

» NOTE - THESE NUMBERS ARE SUBJECT TO MINOR CHANGES

- Impact of consolidating Red Rock Water and Red Rock Sewer increases rates to City of Maricopa average residential customers by \$1.43 per month in total for water and wastewater
- **It's important to note that the total revenue increase of ~12.2%, and 13% for the average user, is less than the 13.4% inflation (as measured by Consumer Price Index) since our last rate case.**

- Approximate 12.2% increase, which is less than inflation cumulative since our last rate case....
- And rates that don't take effect until 2022 and are phased-in over several years....
- You have utilities that:
 - Have exceptional safety and compliance track records
 - Are positioned to allow for rapid growth – including physical plant, water, and regional permits
 - Utilize sophisticated and customer focused Automated Meter Reading, Leak Detection, and Account Management tools
 - Maximize conservation through programs, and rate structures with incentives
 - Lead the industry in recycled water beneficial reuse and water resource planning
 - Actively support community partners with economic development and other quality of life goals
 - And finally, are using the proven and established platform beyond the City to improve the Region as a whole

www.gwresources.com

Select the Rate Case tab under
Customer Resources



Appendix

We Are Part of the Community – Recent Sponsorships / Partnerships



- Copa Cares 2020 (Covid-19) - \$20,000 Contribution
- \$20,000 per year sponsorship
 - Safe in the Water Program at Copper Sky
 - 5th Quarters Program (Friday night youth hangout program at Copper Sky)
 - Lead sponsor for many City events
- Donated pallets of bottled water to the F.O.R. Maricopa food bank - ongoing
- MUSD Bond Initiative
- State of the City Gold Sponsor (3 consecutive years)
- MEDA Sponsor and Board Representation
- Maricopa Chamber of Commerce Sponsor and Board Representation (Assists Maricopa businesses)
- CAC Foundation Sponsor and Board Representation (CAC Scholarship program which benefits Maricopa Youth)
- Pinal Partnership Sponsorship and Board Representation