



Sustainable Water Surcharge

Plan of Administration

1) INTRODUCTION.

This document is the Plan of Administration ("POA") for the Sustainable Water Surcharge ("SWS.") for Global Water – Santa Cruz Water Company, Inc., Global Water – Belmont Water Company, Inc., Global Water—Turner Ranches Irrigation, Inc., and Global Water – Saguaro District Water Company, Inc. (collectively, the "Company") approved by the Arizona Corporation Commission ("Commission") in Decision No. 78644 (July 27, 2022). The SWS allows the Company to pass through to its customers the costs related to the purchase and exchange of sustainable water supplies.

2) GENERAL DESCRIPTION OF SWS.

A. The purpose of the SWS is to recover the costs of purchasing sustainable water supplies, utilizing those sustainable water supplies via exchange, wheeling, or storage and recovery. Recoverable costs include contracting, delivery, legal, and administrative costs paid to Central Arizona Project ("CAP") and others as necessary to allow the Company to deliver the renewable water supplies to the Company's customers via exchange, wheeling, or storage and recovery and thereby reduce the Company's pumping of groundwater in its service areas creating a more resilient and sustainable water future for its customers. For the purposes of this POA, "wheeling" or to "wheel" means to transport water using third party infrastructure, such as a canal or pipeline. Recoverable costs will also include costs associated with maintaining a Member Service Agreement ("MSA") with the Central Arizona Water Conservation District

Effective Date:
Decision No:
Docket No:
ACC Approval:

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



("CAWCD") including annual membership dues and replenishment fees - including the reduction of these fees when sustainable water is put to use. The SWS will include costs for groundwater withdrawal fees paid to the Arizona Department of Water Resources ("ADWR") since these costs may be reduced as the Company increases its use of sustainable water supplies and reduces its use of groundwater.

B. The SWS is applicable to all water sales by the Company, including residential, commercial, construction, and potable sales.

C. The Company will make semi-annual SWS filings (the first being due January 31, 2023, then by January 31 and July 31 of each year thereafter) to adjust the SWS rate. The Company's SWS rate will be billed per thousand gallons sold similar to a commodity rate for all water customers. The SWS will appear on customers' bills as a separate line item labeled "Sustainable Water Surcharge". This rate will be adjusted semi-annually, each March 1st and September 1st of each year to true up the previous six months ("True-Up Period") of activity and recover actual costs incurred in the most recent six months ("Recent Cost Recovery Period"). The chart below delineates examples of filings and timeframes. Within 30 days of each semiannual recovery filing, the Commission's Utilities Division shall docket a Staff Memorandum and Proposed Order for approval, modification, or rejection of the surcharge adjustment. The surcharge adjustment shall not take effect until approved by the Commission.

Filing Due Date	Rate Effective Date	Recent Cost Recovery Period	True-Up Period
1/31/2023	3/1/2023	July 2022 - December 2022	January 2022 - June 2022
7/31/2023	9/1/2023	January 2023 - June 2023	July 2022 - December 2022

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2

A1-61

DECISION NO. 79383



3) COMPONENTS OF SWS.

A. The SWS is implemented via a semi-annual reconciliation which includes: 1) True-Up Period Under/Over Recovery, 2) Recent Cost Recovery Period recovery, and 3) Determination of the surcharge rate, per 1,000 gallons of usage.

1. True-Up Period Under/Over Recovery

This component accounts for the under- or over- recovery of the Company's prior period's sustainable water costs through the surcharge. The computation is:

- a) The Company's actual sustainable water costs for the previous six month True-Up Period ending either June 30, or December 31.
- b) Less actual annual SWS revenues collected by the Company through the end of the previous six month True-Up Period year ending either June 30, or December 31.
- c) Equals the Over / Under Collection Balance.

2. Recent Cost Recovery Period Recovery

This component accounts for the actual incurred expenses of the Company for the immediately prior six month period. The computation is:

- a) Actual sustainable water costs for the prior six months ending either June 30, or December 31.

Effective Date:
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Docket No: .
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21410 N. 19th Ave., Ste. 220
Phoenix, AZ 85027

3

A1-62

DECISION NO. 79383



3. Determination of the surcharge rate, per 1,000 gallons

This Component determines the current year for the Company SWS on a per 1,000 gallon basis. The computation is:

- a) Over / Under Collection Balance as described above.
- b) Plus, actual sustainable water costs for the prior six months.
- c) The sum of 1 and 2 above is divided by sales (1,000 gallons sold by the Company in the previous six month period).
- d) Equals current SWS per 1,000 gallons sold.

4) Allowable components of Sustainable Water Cost

The following costs will be eligible for recovery under the SWS.

Category 1 Costs:

1. Costs paid to the Central Arizona Water Conservation District pursuant to Subcontract No. 07-XX-20-W0475 dated March 26, 2007.
2. Costs paid to wheel the water for use, costs associated with exchange the water to allow for use, and costs paid for the storage and recovery of the water.
3. Groundwater withdrawal fees paid to the Arizona Department of Water Resources. Because groundwater withdrawal fees were included in the 2019 Test Year expenses used in Decision No. 78644, the amount of groundwater withdrawal fees included in the adjustor calculation will be the amount over or under the test year amount (i.e. the difference from the test year amount).

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21410 N. 19th Ave., Ste. 220
Phoenix, AZ 85027

4

A1-63

DECISION NO. 79383



Category 2 Costs:

1. Costs paid to acquire and use sustainable water supplies or stored sustainable water supplies other than CAP water available pursuant to Subcontract No. 07-XX-20-W0475 dated March 26, 2007.
2. Costs paid to wheel the water for use, costs associated with exchange the water to allow for use, and costs paid for the storage and recovery of the water, except for CAP water available pursuant to Subcontract No. 07-XX-20-W0475 dated March 26, 2007.
3. Costs paid to the CAGR for maintaining the MSA including annual membership dues and replenishment fees and reductions to those fees due to the use of sustainable water supplies.

5) SWS RELATED FILINGS.

A. The Company shall file the required semi-annual SWS filing by January 31st and July 31st each year to be effective on March 1st and September 1st of the same year.

B. The Company will provide the Commission with schedules showing:

- i. Its sustainable water supply costs for the True-Up Period and its collections under the SWS that includes a calculation of any under or over recovery for the True-Up Period.
- ii. Its projected sustainable water supply costs for the Recent Cost Recovery Period including a calculation of the current period SWS revenue target.
- iii. Calculation of the current semiannual SWS, per 1,000 gallons of water sold.
- v. An updated sustainable water use projection for the current year and the following 4 years.

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5

A1-64

DECISION NO. 79383



C. A discussion of any significant events affecting the Company's acquisition and use of sustainable water supplies.

Effective Date:
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6

A1-65

DECISION NO. 79383