H2Ours
Reliable. Stable. Local.

THE TOWN OF APPLE VALLEY HAS SUFFICIENT RESOURCES TO PURCHASE AND OPERATE THE APPLE VALLEY WATER SYSTEM

The Town of Apple Valley is pursuing the possibility of purchasing the Apple Valley Ranchos Water Company in order to gain local control over this important community resource and stabilize the ever-rising rates the Town has experienced over the past 10 years.

Feasibility Analysis Supports a Potential Acquisition

The Town Council recently approved release of a feasibility study that shows the town "has the capacity to purchase" Apple Valley Ranchos Water Co. The study can be found through the "H2Ours" Spotlight link on town's website, **www.applevalley.org.**

The study says that in addition to lower operating costs, two other benefits accrue from public ownership:

1. The cost of capital financing will be reduced though the ability of the town to issue tax-exempt bonds to fund new capital improvements.

2. The Town will be eligible for millions of dollars of state and federal grants to help with capital improvements, a funding source not available to private sector companies. Public ownership of the system will also provide greater accountability and transparency.

Methods of Acquisition

The study explores different methods of financing and purchasing AVR. But a number of factors are already clear in terms of the viability of such a purchase. The Town has the capacity to purchase the water company at a fair price without endangering the financial health of the town.

Several methods for determining a fair purchase price as well as financing options would work well for the Town. The savings from eliminating the profit margin and other costs would be sufficient to cover the debt service without raising rates.

Investigation has shown that the operation of the utility under public ownership will be less expensive because of the elimination of profit, a guarantee of 9.70 percent that goes directly to out-of-town, international investors, headquartered in Washington, D.C.), elimination of various federal and state taxes and elimination of significant current corporate overhead costs.

System Operations under Public Ownership

Under Town ownership, the sources of revenue would remain essentially the same as they currently exist, and the report assumes the current rate structure would stay in place. However, there is also the potential the request to the CPUC to increase rates 35% over the next three years could be eliminated.

- Under private ownership, a return on investment is allowed by the CPUC as a cost of service to be recovered with rates and charges. Currently, the CPUC has approved a 9.7% return on investment for AVR. Public agencies do not earn a profit on utility enterprises.

- A public agency does not pay federal income tax, state income tax, property taxes or franchise fees.

While local AVR management has said that the company is not for sale, the Carlyle Group (an investment firm and the current owner based in Washington, D.C.) has said Park Water Company is on the market. In fact, an announcement of a potential sale came in late September from Algonquin Power & Utilities Corp., which said its regulated utility business, Liberty Utilities, agreed to acquire Western Water Holdings LLC — the holding company of Park Water. Park Water Company includes Apple Valley Ranchos Water Company, the Mountain Water Company in Missoula, Montana and Park Water Company in southeast Los Angeles.

The potential sale of Park Water does not alter in the least Apple Valley's intent in acquiring the Apple Valley Ranchos water system. The regulatory process is very lengthy, and in the meantime the Town is moving forward with efforts to bring local control and stability to local water rates.

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