

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of
Apple Valley Ranchos Water Company
(U 346 W) for Authority to Increase
Rates Charged for Water Service by.
\$3,127,463 or 14.88% in 2015;
\$2,056,455 or 8.48% in 2016; and
\$2,160,731 or 8.19% in 2017.

Application 14-01-002
(Filed January 2, 2014)

**REPLY COMMENTS
OF THE OFFICE OF RATEPAYER ADVOCATES
IN SUPPORT OF AMENDED SETTLEMENT AGREEMENT**

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July 3, 2015

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I. INTRODUCTION

Pursuant to Rule 12.2 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Office of Ratepayer Advocates ("ORA") hereby submits its reply comments in support of the Amended Settlement Agreement in Application ("A.")14-01-002. This Application is Apple Valley Ranchos Water Company's ("Ranchos") most recent General Rate Case ("GRC"). These reply comments will focus on the comments the Town of Apple Valley ("the Town") filed.

II. IT IS INACCURATE AND INCOMPLETE FOR THE TOWN TO ARGUE THE AMENDED SETTLEMENT IS SUBSTANTIALLY DIFFERENT FROM THE HISTORICAL AVERAGE

The Town states: "The Amended Settlement Agreement is a significant departure from the historical average." Town Comments, p. 3. Although, the amended settled budget for 2014, 2015, and 2016, exceeded the historical average from 2009 to 2013, the amount is consistent with the recorded 2013 expenditure. Since Ranchos kept its main replacement program at a lower rate during the economic downturn (2009-2010), it is reasonable to place more weight on the funds utilized in 2013 when the economy significantly recovered. 2013 expenses are more reflective of normal main replacement investments for Ranchos.

III. THE TOWN'S ARGUMENT FOR PROVIDING RATEPAYERS "AT LEAST TEMPORARY RELIEF ON RATES" WILL ESSENTIALLY BE VERY TEMPORARY AND MINIMAL

The Town states: "Therefore, the Commission should deny the Amended Settlement Agreement is unreasonable and not in the public interest, and *ratepayers need at least temporary relief on rates.*" Town Comments, p. 3. Here, the Town argues that the Amended Settlement is unreasonable, not in the public interest, and concludes that ratepayers need minimally temporary rate relief.

Unfortunately, regardless of historical averages and the level of the settled budget, Ranchos can book its overall investment into ratebase and ratepayers are still required to pay for all prudent investments in the next GRC. Thus, denying the amended settled budgets for main replacement, ratepayers receive very minimal relief from rate increases.

Actual expenditures, unless found to be excessive or unreasonable will be included in rates when Ranchos files its next GRC application. Ranchos only foregoes the rate of return on the amount above the authorized expenditures for a limited time. Thus, the Town's argument to

deny approval of the Amended Settlement does not provide any lasting or true rate relief for Ranchos' customers.

IV. IT IS INAPPROPRIATE TO ESTABLISH A MEMORANDUM ACCOUNT TO RECORD EXCESS MAIN EXPENDITURES AS THE TOWN SUGGESTS BECAUSE IT WILL ACTUALLY HARM RATEPAYERS

The Town recommends that the Commission establish a memorandum account to record excess main expenditures. *See* Town Comments, p.4. As ORA pointed out in its original Comments to the Proposed Decision ("PD") on April 21, 2015, allowing Ranchos to establish a memorandum account to record excess expenditures for main replacement is not beneficial to ratepayers because Ranchos can also request recovery for main replacement costs over authorized amounts as well. *See* ORA PD Comments, p. 2.

Lastly, the Town also did not establish a "reasonable" replacement rate and replacement costs for Ranchos. The criteria for replacement rate and replacement costs for mains along with what costs should be recorded should be specified prior to the establishment of any memorandum account.

In addition to recovering and recording the excess expenses, Ranchos is also allowed to recover the interest for that excess amount. Establishing a memorandum account for excess main expenses is not appropriate or helpful for ratepayers.

V. CONCLUSION

For the foregoing reasons, ORA respectfully requests that the Commission reject the Town's comments regarding: 1) the Amended Settlement departing from historical averages for main replacement; 2) the purported benefits of temporary rate relief; and 3) the establishment of a memorandum account for excess main replacement expenditures.

Respectfully submitted,

/s/ SELINA SHEK

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