

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 6, 2015

Dennis Cron, Assistant Town Manager
Town of Apple Valley
Apple Valley, CA 92307

RE: Disposition of Apple Valley Ranchos Water Company's Advice Letter 198-W

Dear Mr. Cron:

Please be advised that the Division of Water and Audits, pursuant to General Order 96-B, Water Industry Rules 7.3.2(2) and 8.3, is rejecting the Town of Apple Valley's (Town) protest to Apple Valley Ranchos Water Company's (AVR) Advice Letter 198-W filed on June 16, 2015. AVR requests approval for termination of the Tariff Deviation Agreement (Agreement) between AVR and Town for service to the Apple Valley Golf Course (AVGC). Upon approval of this advice letter, the tariff deviation would terminate, and AVR would continue to provide water service to AVGC under Schedule No. 3-Non-Residential General Metered Service. This advice letter was submitted pursuant to Resolution W-4882, which approved the Agreement between Town and AVR.

The Agreement was approved as justified and reasonable as irrigation service to the Town at AVGC contained a "bypass avoidance" agreement, entered into and approved by the Commission because it provided a net benefit to ratepayers. Resolution W-4882 states the following:

"If the Town constructs its own well and bypasses AVR water system, the portion of AVR's fixed costs recovered from the sales to the golf course under the Agreement must be recovered from AVR's remaining customers"

In addition, Resolution W-4882 states:

"A deviation rate needs to be set such that it will not only remove the financial incentive for the Town to construct a new well, but it also must provide benefit to the ratepayers of AVR in the form of a retention of a stream of revenues from the Town exceeding the incremental cost to AVR of providing service at the AVGC".

Since the Town is in the process of constructing a well at the AVGC with the intent of bypassing AVR, the Town is in violation of the Agreement. Therefore, the Town must pay the regular tariff rate.

Apple Valley Ranchos Water Company AL 198-W
July 3, 2015
Page 2

For the reasons set forth above, AVR's request to terminate the Tariff Deviation Agreement between AVR and the town for service to AVGC due to the change in circumstances described above is reasonable, and Apple Valley Ranchos Water Company's Advice Letter 198-W is approved.

Sincerely,

A handwritten signature in blue ink that reads "Terence Shia". The signature is written in a cursive, flowing style.

Terence Shia
Division of Water and Audits

Cc: Leigh Jordan, Apple Valley Ranchos Water Company