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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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) APPLICATION NO. 14-01-002
\$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.)
_____)

**COMMENTS OF APPLE VALLEY RANCHOS WATER COMPANY
TO THE PROPOSED DECISION OF ALJ S. PAT TSEN**

Edward N. Jackson
Representative
Director of Revenue Requirements
Park Water Company
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241
Phone: (562) 923-0711
Fax: (562) 861-5902
E-mail: ed.jackson@parkwater.com

November 5, 2015

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**COMMENTS OF APPLE VALLEY RANCHOS WATER COMPANY
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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, Apple Valley Ranchos Water Company (“AVR”) respectfully submits its comments on the Proposed Decision (“PD”) of Administrative Law Judge (“ALJ”) S. Pat Tsen, which was released for comment on October 16, 2015.

II. COMMENTS

The PD adopts the comprehensive settlement agreement between AVR and the Office of Ratepayer Advocates (“ORA”), the Final Amended Settlement Agreement (“Final Settlement Agreement”), which resolved the majority of the contested issues between the parties. AVR is fully supportive of the PD and provides the following comments, discussed in detail below, which are mostly administrative in nature:

- AVR proposes a minor change to the conservation expenses authorized by the PD to comport with the terms of the Final Settlement Agreement and the record in this proceeding.
- AVR requests that it be authorized to implement a sales adjustment mechanism in the event that the Commission authorizes a similar mechanism in the currently pending Balanced Rates Rulemaking proceeding. AVR requests that the

Commission make various revisions to the PD and Attachment C to the PD, as discussed below and noted in Appendix A hereto.

- AVR requests that the Commission include proposed Attachments D through H attached hereto.

1. The Conservation Expense Estimates Authorized By The PD Should Correspond With The Amounts Contained In The Joint Comparison Exhibit.

The PD authorizes AVR's request for an aggregate conservation budget of \$350,902 for the 2015 – 2017 General Rate Case ("GRC") cycle. The PD authorizes estimated conservation expenses of \$113,528 for 2015, \$116,993 for 2016, and \$120,441 for 2017. These amounts, however, are inconsistent with the conservation expenses reflected in the Amended Joint Comparison Exhibit (Attachment B to the PD) and the rates for service (Attachment C to the PD) authorized by the PD. Specifically, pursuant to Section 5.2, Escalation Factors, of the Final Settlement Agreement, the conservation expenses were revised to account for the settlement on escalation factors. The conservation expenses authorized by the PD should be revised to \$112,425 for 2015, \$114,674 for 2016, and \$116,967 for 2017 to reflect the final escalation factors.

2. If The Commission Adopts A Sales Adjustment Mechanism In The Balanced Rates Rulemaking, AVR Should Be Authorized To Implement It Prior To Its Next GRC.

The PD does not authorize AVR's request to implement a Sales Reconciliation Mechanism ("SRM"). In denying AVR's request, the PD (page 31) states that such a request for changes to the WRAM should occur in an industry-wide proceeding rather than adopted for a single utility. Pursuant to D.14-10-047, the Commission opened a Phase II in the Order Instituting Rulemaking on the Commission's Own Motion into Addressing the Commission's Water Action Plan Objective of Setting Rates that Balance Investment, Conservation, and Affordability for Class A and Class B Water Utilities ("Balanced Rates Rulemaking (R.) 11-11-008"). Among the proposals being considered in that proceeding is a Water Demand Attrition Mechanism which is very similar to the SRM proposed by AVR in this proceeding. If the Commission adopts the Water Demand Attrition Mechanism in the Balance Rates Rulemaking,

AVR should be authorized to implement the mechanism without having to wait to propose it in its next GRC since AVR has already proposed such a mechanism in the current GRC.

3. The PD Should Be Modified To Address Ambiguities, Correct Errors, And To Facilitate Implementation Of The PD.

A. Table 1 Of The PD Should Be Revised To Avoid Any Misunderstanding / Misinterpretation And To Correct Errors.

Table 1 of the PD sets forth the following information for test year 2015: (1) AVR’s proposed revenue requirement; (2) adopted revenue requirement; (3) AVR’s proposed percentage rate increase; and (4) the adopted percentage rate increase:

	Proposed Revenue Requirement	Adopted Revenue Requirement	Proposed Percentage Increase	Adopted Percentage Increase
2015	\$24,151,000	\$22,304,034	35.64%	25.27%

Because the first two columns refer to revenue requirements, Table 1 of the PD creates the potential impression that the last two columns also relate to revenue requirements, which is not the case – compared to the adopted 2014 revenue requirement, the proposed and adopted percentage changes in revenue requirements are 2.03% and -5.5% (a decrease), respectively. To avoid any misunderstanding, AVR respectfully requests that Table 1 be modified to reflect that the headings for the last two columns of the table refer to the increase in rates and not the increase in revenue requirements, as follows:

	Proposed Revenue Requirement	Adopted Revenue Requirement	Proposed Percentage Increase (Rates)	Adopted Percentage Increase (Rates)
--	------------------------------	-----------------------------	--------------------------------------	-------------------------------------

Additionally, the amounts noted in Table 1 for the Adopted Revenue Requirement and the Proposed Percentage Increase are inaccurate and should be corrected. First, the amount shown in Table 1 for the Adopted Revenue Requirement is the amount of the adopted Operating Revenues (Total Revenues less Miscellaneous Revenues) and not the Total Revenues as is shown for the Proposed Revenue Requirement (*see* Final Settlement Agreement, Exhibit A, page 5). Accordingly, the amount for the Adopted Revenue Requirement should be corrected to

reflect the adopted Total Revenue Requirement. Second, the Adopted Percentage Increase in rates correctly reflects the increase based on Operating Revenues (Miscellaneous Revenues are generated from other fees and charges and ratepayer share of NTPS revenues and therefore only the change in Operating Revenues impacts rates). The Proposed Percentage Increase in rates, however, reflects the increase based on Total Revenues. To be consistent with the Final Settlement Agreement, the Proposed Percentage Increase in rates should be corrected to be based on Operating Revenues, not Total Revenues. Both of these corrections are shown below in Appendix A.

B. The Monthly Bill Impact Discussion In The Summary Should Be Revised.

The second paragraph of the Summary section on page 2 of the PD includes an incorrect amount for the monthly bill of a residential customer using 16.45 CCF per month. As reflected in the Corrected Amended Supplemental Testimony of AVR, dated July 10, 2015, the bi-monthly bill for a residential customer using 32.9 CCF (twice 16.45) is \$129.35, half of which is \$64.68, not \$63.60. The amount and percentage increase for that customer, continuing to use 16.45 CCF per month, must be re-calculated accordingly.

This paragraph also states that a customer that achieves the conservation goals will see its bill increase by \$3.41. This is the correct amount of increase in the *bi-monthly* bill; however, since the initial discussion refers to *monthly* bill impacts, AVR recommends that the statement be clarified by referring to a *monthly* increase of \$1.71 to be consistent with the beginning of the paragraph.

C. Table 4 Of The PD Contains Errors That Should Be Corrected.

The amounts shown in Table 4 of the PD, in Section 3.3 at page 13, for Administrative & General Transferred Credit and Depreciation Expense are the amounts for those categories included in the original Settlement between AVR and ORA filed on August 8, 2014. The amounts for these categories should be corrected to reflect the amounts for those categories in the parties' Final Settlement Agreement being adopted by the PD.

D. The PD Should Be Modified To Facilitate Implementation Of The PD.

The Appendix A attached hereto includes AVR's proposed modifications to the PD to address the proposed modifications discussed above as well as self-explanatory, non-substantive modifications to facilitate the implementation of the PD adopting the Final Settlement Agreement and the resolving unsettled issues:

- The PD and Attachment C thereto contain a number of minor typographical errors and omissions that should be corrected.
- The attachments to the PD should also include a summary of earnings and adopted quantities for AVR's domestic and irrigation systems (proposed Attachments D-H).¹
- As the PD authorizes expenses and rate base for Park Water Company's General Office, a summary of operating expenses and rate base summary for the General Office (proposed Attachment I) should be included.²

III. CONCLUSION

For all the reasons presented above, AVR respectfully urges the Commission to revise the PD consistent with these comments.

Respectfully submitted,
APPLE VALLEY RANCHOS WATER COMPANY

/s/ Edward N. Jackson

EDWARD N. JACKSON
Representative
Director of Revenue Requirements
Park Water Company
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241

November 5, 2015

¹ Attachment D, p. 1, *see* Amended Joint Comparison Exhibit, pp. 6-7; Attachment F, p. 1, *see* Amended Joint Comparison Exhibit, pp. 7, 16-18; Attachment F, p. 2, *see* Amended Joint Comparison Exhibit, pp. 34-35, 38-39; Attachment F, p. 3, *see* Amended Joint Comparison Exhibit, p. 43; Attachment F, p. 4, *see* Amended Joint Comparison Exhibit, p. 31; Attachment F, p. 5, *see* Amended Joint Comparison Exhibit, pp. 10-18; Attachment G, p. 1, *see* Amended Joint Comparison Exhibit, p. 9; Attachment H, p. 1, *see* Amended Joint Comparison Exhibit pp. 9, 19-21; Attachment H, p. 2, *see* Amended Joint Comparison Exhibit, pp. 36-37; Attachment H, p. 3, *see* Amended Joint Comparison Exhibit, pp. 44-45; Attachment H, p. 4, *see* Amended Joint Comparison Exhibit, p. 33; Attachment H, p. 5, *see* Amended Joint Comparison Exhibit, pp. 10-18.

² Attachment I, p. 1, *see* Amended Joint Comparison Exhibit, pp. 7, 9; Attachment I, p. 2, *see* Amended Joint Comparison Exhibit, pp. 42-45.

APPENDIX A

Proposed Changes to the Proposed Decision, Tariffs, and Attachments

AVR proposes the following modifications to the Proposed Decision, Tariffs, and Attachments. Red text shown as a ~~strikethrough~~ should be deleted and the blue text with a double underline should be added. As proposed Attachments D through I are new attachments proposed to be included with the PD, no formatting (strikethrough or double underline) is reflected in these proposed attachments.

1. Summary, page 2, Table 1 – Revenue Requirements and Rate Increase

	Proposed Revenue Requirement	Adopted Revenue Requirement	Proposed Percentage Increase (<u>Rates</u>)	Adopted Percentage Increase (<u>Rates</u>)
2015	\$24,151,000	\$22,304,034 <u>\$22,370,000</u>	35.64% <u>35.36%</u>	25.27%

2. Page 2, 2nd Paragraph

Based on the adopted revenue requirements, a residential customer maintaining consumption at 16.45 per hundred cubic feet (Ccf) will see its monthly bill go up from ~~\$63.60~~ \$64.68 to \$81.87 each month, which represents a ~~\$18.27~~ \$17.19 difference and a ~~28.7~~ 26.58 percent increase. However, an average residential customer that achieves the conservation goals set by the Governor’s Executive Order will see its monthly bill increase by ~~\$3.41~~ \$1.71 and 2.64 percent only.

3. **Section 3.3 – Administrative and General Expenses, page 13-14, Table 4**

Test Year 2015	Ranchos	ORA	Final Settlement
Administrative & General Payroll	\$1,616,364	\$1,590,294	\$1,609,905
Post-retirement Health and Life Benefit – Ranchos	\$41,547	\$35,597	\$35,597
Medical Insurance - Ranchos	\$605,868	\$596,220	\$605,964
Dental Insurance - Ranchos	\$47,796	\$46,332	\$46,332
401(K) - Ranchos	\$79,261	\$69,720	\$78,921
EAP/Wellness - Ranchos	\$22,269	\$5,351	\$10,702
401(A) – Ranchos	\$77,276	\$56,632	\$76,789
<u>Irrigation</u> Net Benefits Adjustment	\$2,063	\$2,030	\$2,056
Insurance	\$662,982	\$644,088	\$662,407
Uninsured Property Damage	\$ 8,785	\$8,717	\$8,766
Regulatory Commission Expense	\$162,304	\$131,341	\$159,307
Total Estimate for Outside Services	\$261,181	\$230,307	\$244,353
Total Administrative and General – Other Expenses	\$514,452	\$451,471	\$496,013
Administrative and General Transferred Credit	(\$637,345)	(\$184,846)	(\$414,181) <u>\$357,202</u>
Rents	\$17,281	\$16,711	\$16,809
Depreciation Expense	\$3,222,134	\$3,001,600	\$3,205,849 <u>\$3,158,559</u>

4. **Section 3.5 – Utility Plant in Service, page 15, 1st paragraph**

As a result of the settlement, Ranchos withdrew its request to construct a new office building and will instead file a separate application for the new building at a different time. Similarly Ranchos withdrew its request for the [General](#) Office Remodel from this proceeding and instead will request it in the Park Central Basin Test Year 2016 GRC application.

5. **Section 4.1 – Conservation Estimates, page 24, 1st paragraph**

This decision authorizes an aggregate conservation budget of ~~\$350,902~~ [\\$344,066](#) for the three-year GRC cycle. Ranchos will continue tracking its conservation expenses in a one-way balancing account subject to refund at the end of the GRC cycle. To ensure consistent spending while allowing flexibility, we allow Ranchos an annual 20 percent variance from its estimated conservation expenses of ~~\$113,528~~ [\\$112,425](#) for 2015, ~~\$116,933~~ [\\$114,674](#) for 2016 and ~~\$120,441~~ [\\$116,967](#) for 2017. Finally, spending on conservation-related public information and outreach shall continue to be subject to a \$30,000 annual cap.

6. **Section 4.1 – Conservation Estimates, page 25, 2nd paragraph**

California's drought conditions warrants continuation, rather than reduction of conservation programs. The Commission adopts Ranchos recommendation of ~~\$350,902~~ [\\$344,066](#) for the three-year GRC cycle as long as Ranchos consistently spends the allotted amount over the three years. To promote efficient and consistent spending, we allow Ranchos an annual 20 percent variance from its estimated conservation expenses of ~~\$113,528~~ [\\$112,425](#) for 2015, ~~\$116,933~~ [\\$114,674](#) for 2016 and ~~\$120,441~~ [\\$116,967](#) for 2017. The 20 percent variance should be subject to carry over throughout the rate case cycle, consistent with accounting practices for balancing accounts. By granting ~~\$350,902~~ [\\$344,066](#) to be used consistently over three years, Ranchos is afforded flexibility in its conservation programs so that it can better handle increased customer participation and meet its conservation goals.

7. **Conclusions of Law, page 41, Number 5**

Ranchos' request for an aggregate conservation budget of ~~\$350,902~~ \$344,066 should be approved with an annual variance of 20 percent from its estimated conservation expenses of ~~\$113,528~~ \$112,425 for 2015, ~~\$116,933~~ \$114,674 for 2016 and ~~\$120,441~~ \$116,967 for 2017. The 20 percent variance should be subject to carry over throughout the rate case cycle, consistent with accounting practices for balancing accounts.

8. **Order Paragraph Numbers 1, 2, 4, 5, 9, 10, 12, and 13**

1. The Final Settlement Agreement between Apple Valley Ranchos Water Company and the Office of Ratepayer Advocates is adopted without modification. The Final Settlement Agreement is attached as Attachment A to this decision. The Joint Comparison Exhibit is attached as Attachment B to this decision. The resulting tariff schedules are attached as Attachment C to this decision.

2. Apple Valley Ranchos Water Company is authorized to file by Tier 1 advice letter the revised tariff schedules, included in this decision as Attachment C, and to concurrently cancel its present schedules for such service. This filing must be approved by the Commission's Division of Water and Audits. The revised schedules shall be effective no earlier than five days after the effective date of this decision, and shall apply only to service rendered on or after the effective date of all tariff schedules.

~~2.~~ 3. Apple Valley Ranchos Water Company shall provide notice to its customers of the adopted rate increase.

~~3.~~ 4. The Public Advisor's Office shall review Apple Valley Ranchos Water Company's notice to customers to ensure it includes an explanation of the Governor's Executive Order B-29-15 and its effect on the water rates.

~~4.~~ 5. Apple Valley Ranchos Water Company is authorized to file a Tier ~~2-1~~ aAdvice Letter to recover the difference between the interim rates and final rates from its customers in all districts. The difference between the interim and final rates based on the revenue requirement adopted here, shall be recovered over the balance of the rate case cycle.

~~5.~~ 6. For escalation years 2016 and 2017, Apple Valley Ranchos Water Company ~~shall~~ is authorized to file Tier ~~2~~ 1 ~~A~~ advice ~~L~~ letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules for each district. The filing shall include rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities, and shall include appropriate supporting work papers. The revised tariff schedule shall take effect no earlier than January 1, 2016, and January 1, 2017, respectively, and shall apply to service rendered on and after their effective dates. The proposed revisions to revenue requirements and rates shall be reviewed by the Commission's Division of Water and Audits. The Division of Water and Audits shall inform and Commission if it finds that the revised rates to not conform to the Rate Case Plan, this order, or other Commission Decisions, and if so, reject the filing.

~~6.~~ 7. Apple Valley Ranchos Water Company is authorized an aggregate conservation budget of ~~\$350,902~~ \$344,066, with ~~\$113,528~~ \$112,425 for 2015, ~~\$116,933~~ \$114,674 for 2016 and ~~\$120,441~~ \$116,967 for 2017.

~~7.~~ 8. The conservation budget shall be allowed a 20 percent annual variance, subject to carry over throughout the rate case cycle, consistent with accounting practices for balancing accounts.

~~8.~~ 9. Conservation expenses for public information and outreach shall be capped at \$30,000 annually.

~~9.~~ 10. Apple Valley Ranchos Water Company shall continue to track its conservation expenses in a one-way capped balancing account.

11. Apple Valley Ranchos Water Company is authorized to change its tariff fees to reflect that interest on deposits shall be the average monthly 90-day non-financial commercial paper rate.

12. Apple Valley Ranchos Water Company is authorized to change its tariffs to reflect a service reconnection fee of \$150 for reconnections outside of regular business hours.

13. Apple Valley Ranchos Water Company is authorized to change its tariffs to reflect a fire-flow test fee of \$60 per fire-flow test.

14. Apple Valley Ranchos Water Company is authorized to change its existing low-income discount program known as the California Alternative Rates for Water, for qualifying customers, by increasing the current monthly discount of \$7.46 by the average percentage increase authorized by the rates adopted in this proceeding, to \$8.38. Apple Valley Ranchos Water Company is also authorized to increase the surcharge shown in Tariff Schedule No. CARW-SC to \$0.69 per month to offset the increased California Alternative Rates for Water discounts.

~~10.~~ 15. Apple Valley Ranchos Water Company ~~shall be~~ is authorized to establish a Solar Project Memorandum Account by filing a Tier 2 Advice Letter to add the memorandum account to the Preliminary Statement in its tariff.

~~11.~~ 16. Apple Valley Ranchos Water Company shall not be allowed to recover the costs tracked in its Office Remodel Balancing Account until construction on its office building is complete.

~~12.~~ 17. Apple Valley Ranchos Water Company is authorized to continue its Water Revenue Adjustment Mechanism and Modified Cost Balancing Account. Apple Valley Ranchos Water Company shall be allowed to continue to rely on the accrual method of accounting and use estimates in its Water Revenue Adjustment Mechanism/Modified Cost Balancing Account calculations.

~~13.~~ 18. Apple Valley Ranchos Water Company ~~shall~~ is authorized to establish a pilot Level Payment Plan for ratepayers with a minimum of 12 months payment history. Apple Valley Ranchos Water Company is also authorized to file a Tier 1 advice letter to incorporate a description of the pilot Level Payment Plan in its tariffs.

~~13.~~ 19. Apple Valley Ranchos Water Company shall establish a pilot Level Payment Plan for ratepayers with a minimum of 12 months payment history.

~~14.~~ 20. Apple Valley Ranchos Water Company's pilot Level Payment Plan shall be subject to Commission review during the next general rate case.

~~15.~~ 21. Apple Valley Ranchos Water Company is authorized to add the cost of water treatment chemicals to the Modified Cost Balancing Account.

~~16.~~ 22. Application 14-01-002 is closed.

ATTACHMENT C

GRAVITY IRRIGATION SERVICE

APPLICABILITY

Applicable to all water service from the Company's gravity irrigation system.

TERRITORY

Within the entire service area of the Company.

RATES

Quantity Rates:

All water delivered per 100 cu. ft. \$ 0.396

Service Charge:

Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 21.63
For 3/4-inch meter	32.45
For 1-inch meter	54.08
For 1 1/2-inch meter	108.15
For 2-inch meter	173.04
For 3-inch meter	334.45 <u>324.45</u>
For 4-inch meter	540.75
For 6-inch meter	1,081.50
For 8-inch meter	1,730.40
For 10-inch meter	3,136.35

SPECIAL CONDITIONS

1. Service under this schedule is limited to lands not developed for residential use.
2. All outlets for this water shall be protected by signs stating: NON-POTABLE WATER-NOT FOR HUMAN CONSUMPTION.
3. A late charge will be imposed per Schedule LC.
4. All bills are subject to the Public Utilities Commission Reimbursement Fee set for on Schedule No. UF.

Schedule No. 4

NON-METERED FIRE SERVICE

APPLICABILITY

Applicable only for water service to privately-owned fire-hydrant and fire-sprinkler systems where water is to be used only for the purpose of fire suppression or for periodic system testing.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES

<u>Size of Service</u>	<u>Per Service Per Month</u>
2-inch	\$44.60
3-inch	66.93 <u>66.94</u>
4-inch	89.10 <u>89.12</u>
6-inch	133.43 <u>133.44</u>
8-inch	178.02 <u>178.05</u>
10-inch	214.88 <u>214.91</u>
12-inch	250.94 <u>250.97</u>

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility with the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be two (2) inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire systems which are regularly inspected by the local fire protection agency having jurisdiction and to which no connection for other than fire suppression purposes shall be made. Service shall be installed according to specifications of the utility and shall be maintained to the satisfaction of the utility. The utility will install the detector meter listed by the Underwriters Laboratories, Inc. or other device to indicate unauthorized use, leakage, or waste of water. The cost of such installation and the cost of the meter or other device shall be paid by the applicant.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

ATTACHMENT D

Page 1 of 1
APPLE VALLEY RANCHOS WATER COMPANY - DOMESTIC
TEST YEAR 2015
SUMMARY OF EARNINGS
(Dollars In Thousands)

	ADOPTED	
	AT PRESENT RATES	AT AUTHORIZED ROR
OPERATING REVENUES	17,608.2	22,085.8
DEFERRED REVENUES		
MISCELLANEOUS REVENUES	46.7	66.0
TOTAL REVENUES	17,654.9	22,151.7
OPERATIONS & MAINTENANCE		
PAYROLL-OPERATIONS	834.4	834.4
OPERATIONS-OTHER	155.2	155.2
PURCHASED WATER	0.0	0.0
PURCHASED POWER	877.7	877.7
LEASED WATER RIGHTS	0.0	0.0
REPLENISHMENT CHARGES	92.0	92.0
CHEMICALS	21.8	21.8
PAYROLL-CUSTOMER	504.5	504.5
CUSTOMERS-OTHER	350.4	350.4
UNCOLLECTIBLES	84.7	106.3
PAYROLL-MAINTENANCE	435.3	435.3
MAINTENANCE-OTHER	617.0	617.0
PAYROLL-CLEARINGS	122.4	122.4
DEPRECIATION-CLEARINGS	241.9	241.9
CLEARINGS-OTHER	206.3	206.3
SUBTOTAL O & M	4,543.6	4,565.2
ADMINISTRATIVE & GENERAL		
A & G PAYROLL	1,609.9	1,609.9
EMPLOYEE BENEFITS	1,340.8	1,340.8
INSURANCE	662.4	662.4
UNINSURED PROP. DAMAGE	8.8	8.8
REG. COMM. EXPENSE	159.3	159.3
FRANCHISE REQUIREMENTS	171.3	214.9
OUTSIDE SERVICES	244.4	244.4
A & G - OTHER	496.0	496.0
A & G TRANSFERRED CREDIT	(357.2)	(357.2)
RENTS	16.8	16.8
GENERAL OFFICE ALLOCATION	2,115.6	2,115.6
AVR ALLOCATION	(27.6)	(27.6)
SUBTOTAL A & G	6,440.4	6,484.0
OTHER TAXES		
¹ PROPERTY TAXES	586.6	586.6
¹ PAYROLL TAXES	320.9	320.9
SUBTOTAL OTHER TAXES	907.6	907.6
¹ DEPRECIATION	3,247.0	3,247.0
CA INCOME TAXES	52.7	444.4
FEDERAL INCOME TAXES	137.0	1,592.5
TOTAL EXPENSE	15,328.3	17,240.7
NET REVENUES	2,326.6	4,911.0
RATE BASE	54,134.8	54,134.8
RATE OF RETURN	4.30%	9.07%

¹ DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM PARK'S MAIN OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

ATTACHMENT E

Page 1 of 1
APPLE VALLEY RANCHOS WATER COMPANY
COMPARISON OF RATES
TEST YEAR 2015

USAGE	PRESENT	ADOPTED	INCREASE	PERCENT
0	22.84	21.63	-1.21	-5.30%
10	47.62	56.75	9.13	19.17%
12.64 (Adopted AVG)	54.16	66.38	12.21	22.55%
16.45 (Prior AVG)	64.68	81.87	17.19	26.57%
20	74.57	96.30	21.73	29.14%
30	103.69	140.29	36.60	35.30%
40	134.67	186.50	51.83	38.49%

Note: Based on Monthly Charges According to Schedule No. 1
Residential Metered Comparison based on 5/8 x 3/4-inch meter
Rates do not include CPUC fees or surcharges that may appear on customer bills

ATTACHMENT F

Page 1 of 5
**APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES**

Net-to-Gross Multiplier		1.73949		
Uncollectible Rate		0.48%		
Franchise Fee		0.97%		
Federal Tax Rate		34.00%		
State Tax Rate		8.84%		
		2015	2016	2017
Water Consumption (KCcf)				
Domestic Water Sales		3,972.1	3,728.7	3,759.1
Unaccounted Water	6%	253.5	238.0	239.9
Total Water Production		4,225.7	3,966.7	3,999.0
Replenishment Charges				
Administrative/Biological Assessment (A.F.)		9,701	9,106	9,180
Cost per A.F.		\$4.36	\$4.36	\$4.36
Total Admin./Bio. Cost (\$)		\$42,295	\$39,703	\$40,027
Make-Up Assessment (A.F.)		829	829	829
Cost per A.F.		\$60.00	\$60.00	\$60.00
Total Make-Up Cost (\$)		\$49,740	\$49,740	\$49,740
Total Replenishment Cost		\$92,035	\$89,443	\$89,767
Leased Water Rights				
Leased Water Rights (A.F.)		0	0	0
Cost per A.F.		\$382.50	\$382.50	\$382.50
Total Leased Water Rights Cost		\$0	\$0	\$0
Purchased Power				
Electric				
Total Cost (\$)		\$875,203	\$844,854	\$848,641
Total Kilowatts (kWhs)		6,864,882	6,444,165	6,496,654
Cost/Kilowatt Hour		\$0.12749	\$0.13110	\$0.13063
Gas				
Total Cost (\$)		\$2,456	\$2,306	\$2,325
Total Therms		2,144	2,012	2,029
Cost/Therm		\$1.14577	\$1.14577	\$1.14577
Group Pension Expense*				
AVR		\$522,678		
GO (Non-Allocated)		\$837,160		
Medical Insurance*				
AVR		\$605,964		
GO (Non-Allocated)		\$428,304		
Dental Insurance*				
AVR		\$46,332		
GO (Non-Allocated)		\$28,908		
PBOP Expense*				
AVR		\$35,597		
GO (Non-Allocated)		\$61,301		
Conservation Expense				
AVR		\$112,425	\$114,674	\$116,967

*2016 & 2017 are subject to Escalation Year Increase.

Page 2 of 5
APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES
(Dollars in Thousands)

	2015	2016
<u>Utility Plant In Service</u>		
Beginning Of Year Balance	122,845.2	129,645.9
Additions	7,541.2	8,142.7
Retirements	740.6	1,607.6
End Of Year Balance	129,645.9	136,181.0
Average Balance	126,245.6	132,913.5
<u>Depreciation Reserve</u>		
Beginning Of Year Balance	33,345.1	36,048.5
Annual Accrual	3,489.4	3,694.1
Net Retirements	786.0	1,505.8
End Of Year Balance	36,048.5	38,236.8
Average Balance	34,696.8	37,142.6

Note: Unadjusted for General Plant Adjustments.

Page 3 of 5
**APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES**
(Dollars in Thousands)

<u>RATE BASE SUMMARY</u>	2015	2016
AVERAGE BALANCES		
PLANT IN SERVICE	126,217.7	132,885.2
WORK IN PROGRESS	47.1	23.5
MATERIALS & SUPPLIES	336.7	339.6
WORKING CASH	1,866.5	1,824.9
SUBTOTAL	128,467.9	135,073.2
LESS:		
DEPRECIATION RESERVE	34,681.2	37,126.5
ADVANCES	28,171.3	27,550.6
CONTRIBUTIONS	2,051.7	1,948.9
UNAMORTIZED ITC	44.5	39.7
DEFERRED INCOME TAX	10,450.8	10,409.9
SUBTOTAL	75,399.4	77,075.4
PLUS:		
METHOD 5 ADJUSTMENT	0.8	0.7
NET DISTRICT RATE BASE	53,069.3	57,998.5
MAIN OFFICE ALLOCATION	1,065.5	1,057.7
TOTAL RATE BASE	54,134.8	59,056.3

Page 4 of 5
APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES
TEST YEAR 2015
(Dollars in Thousands)

<u>INCOME TAX CALCULATIONS</u>	<u>PRESENT RATES</u>	<u>AT AUTHORIZED RATE OF RETURN</u>
OPERATING REVENUES	17,654.9	22,151.7
EXPENSES		
OPERATIONS & MAINTENANCE	4,458.8	4,458.8
UNCOLLECTIBLES	84.7	106.3
ADMINISTRATIVE & GENERAL	6,269.1	6,269.1
FRANCHISE FEES	171.3	214.9
AD VALOREM TAXES	586.6	586.6
PAYROLL TAXES	320.9	320.9
MEALS ADJUSTMENT	-11.5	-11.5
SUBTOTAL	<u>11,880.0</u>	<u>11,945.2</u>
INCOME BEFORE TAXES	5,774.9	10,206.5
DEDUCTIONS		
CA TAX DEPRECIATION	3,272.0	3,272.0
INTEREST	1,906.9	1,906.9
TOTAL	<u>5,178.9</u>	<u>5,178.9</u>
TAXABLE INCOME FOR CCFT	596.0	5,027.6
CCFT RATE	<u>8.84%</u>	<u>8.84%</u>
CCFT	52.7	444.4
DEDUCTIONS		
FED. TAX DEPRECIATION	3,398.1	3,398.1
INTEREST	52.7	52.7
CA TAX	1,906.9	1,906.9
QUALIFIED PROD. DEDUCTION	14.2	165.0
TOTAL	<u>5,371.9</u>	<u>5,522.7</u>
FIT TAXABLE INCOME	403.0	4,683.8
FIT RATE	<u>34.00%</u>	<u>34.00%</u>
FIT (BEFORE ADJUSTMENT)	137.0	1,592.5
PRORATED ADJUSTMENT		
INVESTMENT TAX CREDIT	0.0	0.0
NET FEDERAL INCOME TAX	137.0	1,592.5

Page 5 of 5
**APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES**

	2015	2016	2017
<u>Number of Customers</u>			
Residential	18,015	18,165	18,315
Commercial	1,364	1,375	1,386
Industrial	2	2	2
Public Authority	45	45	46
Private Fire Service	239	247	255
Irrigation - Public Authority	5	5	5
Irrigation - Pressure	166	169	171
Temporary Construction	11	11	11
Apple Valley Golf Course	1	1	1
Total	19,848	20,020	20,192

	2015	2016	2017
<u>Water Sales (Ccfs)</u>			
Residential	2,732,949	2,540,216	2,561,192
Commercial	649,824	632,415	637,474
Industrial	972	788	788
Public Authority	216,558	203,953	205,758
Private Fire Service	2,032	2,100	2,168
Irrigation - Public Authority	22,575	19,315	19,315
Irrigation - Pressure	221,318	208,066	210,528
Temporary Construction	8,811	8,811	8,811
Apple Valley Golf Course	117,077	113,021	113,021
Total	3,972,116	3,728,685	3,759,056
	253,539	238,001	239,940

	2015	2016	2017
<u>Consumption per Customer (Ccf per Customer)</u>			
Residential	151.70	139.84	139.84
Commercial	476.41	459.94	459.94
Industrial	485.84	394.09	394.09
Public Authority	4,833.88	4,512.24	4,512.24
Private Fire Service	8.50	8.50	8.50
Irrigation - Public Authority	4,514.97	3,863.03	3,863.03
Irrigation - Pressure	1,333.24	1,231.16	1,231.16
Temporary Construction	801.01	801.01	801.01
Apple Valley Golf Course	117,077.45	113,021.15	113,021.15

ATTACHMENT G

1 of 1
APPLE VALLEY RANCHOS WATER COMPANY - IRRIGATION
TEST YEAR 2015
SUMMARY OF EARNINGS
(Dollars In Thousands)

	ADOPTED	
	AT PRESENT RATES	AT AUTHORIZED ROR
OPERATING REVENUES	196.7	218.3
DEFERRED REVENUES	0.0	0.0
TOTAL REVENUES	196.7	218.3
OPERATIONS & MAINTENANCE		
PAYROLL-OPERATIONS	3.0	3.0
OPERATIONS-OTHER	0.0	0.0
PURCHASED POWER	94.3	94.3
LEASED WATER RIGHTS	0.0	0.0
REPLENISHMENT CHARGES	9.6	9.6
UNCOLLECTIBLES	0.0	0.0
PAYROLL-MAINTENANCE	0.0	0.0
MAINTENANCE-OTHER	2.2	2.2
CLEARINGS-OTHER	3.1	3.1
SUBTOTAL O & M	112.2	112.2
ADMINISTRATIVE & GENERAL		
A & G PAYROLL	0.0	0.0
EMPLOYEE BENEFITS	2.1	2.1
INSURANCE	1.3	1.3
REG. COMM. EXPENSE	0.0	0.0
FRANCHISE REQUIREMENTS	0.0	0.0
OUTSIDE SERVICES	4.6	4.6
A & G - OTHER	0.2	0.2
GENERAL OFFICE ALLOCATION	13.7	13.7
AVR ALLOCATION	27.6	27.6
SUBTOTAL A & G	49.5	49.5
OTHER TAXES		
¹ PROPERTY TAXES	3.5	3.5
¹ PAYROLL TAXES	0.7	0.7
SUB-TOTAL OTHER TAXES	4.2	4.2
¹ DEPRECIATION	15.2	15.2
CA INCOME TAXES	0.5	2.4
FEDERAL INCOME TAXES	1.9	9.0
TOTAL EXPENSE	183.5	192.5
NET REVENUES	13.2	25.8
RATE BASE	284.8	284.8
RATE OF RETURN	4.65%	9.07%

¹ DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM PARK'S MAIN OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

ATTACHMENT H

Page 1 of 5
APPLE VALLEY RANCHOS WATER COMPANY - IRRIGATION
ADOPTED QUANTITIES

Net-to-Gross Multiplier		1.71476		
Uncollectible Rate		0.00%		
Franchise Fee		0.00%		
Federal Tax Rate		34.00%		
State Tax Rate		8.84%		
		2015	2016	2017
<u>Water Consumption (Ccf)</u>				
Water Sales		456.3	456.3	456.3
Unaccounted Water	78.2%	1,636.7	1,636.7	1,636.7
Total Water Production		2,093.0	2,093.0	2,093.0
<u>Replenishment Charges</u>				
Biological Assessment (A.F.)		4,805	4,805	4,805
Cost per A.F.		\$0.81	\$0.81	\$0.81
Total Biological Assessment Cost		\$3,892	\$3,892	\$3,892
Make-Up Assessment				
Make-Up Assessment (A.F.)		95	95	95
Cost per A.F.		\$60.00	\$60.00	\$60.00
Total Make-Up Assessment Cost		\$5,700	\$5,700	\$5,700
Total Replenishment Charges		\$9,592	\$9,592	\$9,592
<u>Purchased Power</u>				
Electric				
Total Cost		\$94,280	\$94,280	\$94,280
Kilowatt Hours		1,092,233	1,092,233	1,092,233
Cost/Kilowatt Hour		\$0.08632	\$0.08632	\$0.08632

Page 2 of 5
APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES
(Dollars in Thousands)

<u>Utility Plant In Service</u>	2015	2016
Beginning Of Year Balance	595.8	595.8
Additions	0	0
Retirements	0	0
End Of Year Balance	595.8	595.8
Average Balance	595.8	595.8
<u>Depreciation Reserve</u>		
Beginning Of Year Balance	228.5	241.7
Annual Accrual	13.2	13.2
Net Retirements	0.0	0.0
End Of Year Balance	241.7	254.9
Average Balance	235.1	248.3

Note: Unadjusted for General Plant Adjustments.

Page 3 of 5
APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES
(Dollars in Thousands)

<u>RATE BASE SUMMARY</u>	2015	2016
AVERAGE BALANCES		
PLANT IN SERVICE	623.7	624.1
WORK IN PROGRESS	0.0	0.0
WORKING CASH	12.4	12.1
SUBTOTAL	636.1	636.2
LESS:		
DEPRECIATION RESERVE	250.7	264.4
ADVANCES	0.0	0.0
CONTRIBUTIONS	39.0	37.7
UNAMORTIZED ITC	0.0	0.0
DEFERRED INCOME TAX	68.6	65.5
SUBTOTAL	358.3	367.6
PLUS:		
METHOD 5 ADJUSTMENT		
NET DISTRICT RATE BASE	277.9	268.6
MAIN OFFICE ALLOCATION	6.9	6.9
TOTAL RATE BASE	284.8	275.5

Page 4 of 5
APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES
TEST YEAR 2015
(Dollars in Thousands)

<u>INCOME TAX CALCULATIONS</u>	<u>PRESENT RATES</u>	<u>AT AUTHORIZED RATE OF RETURN</u>
OPERATING REVENUES	196.7	218.3
EXPENSES		
OPERATIONS & MAINTENANCE	112.2	112.2
UNCOLLECTIBLES	0.0	0.0
ADMINISTRATIVE & GENERAL	49.5	49.5
FRANCHISE FEES	0.0	0.0
AD VALOREM TAXES	3.5	3.5
PAYROLL TAXES	0.7	0.7
MEALS ADJUSTMENT	(0.1)	(0.1)
SUBTOTAL	165.8	165.8
INCOME BEFORE TAXES	30.9	52.5
CA. CORP - FRANCHISE TAX (CCFT)		
CA TAX DEPRECIATION	15.1	15.1
INTEREST	9.9	9.9
	<hr/> 25.0	<hr/> 25.0
TAXABLE INCOME FOR CCFT	5.9	27.5
CCFT RATE	<hr/> 8.84%	<hr/> 8.84%
CA INCOME TAX	0.5	2.4
FEDERAL INCOME TAX (FIT)		
FED. TAX DEPRECIATION	14.8	14.8
CA TAX	0.5	0.5
INTEREST	9.9	9.9
QUALIFIED PROD. DEDUCTION	0.2	0.9
TOTAL	<hr/> 25.4	<hr/> 26.2
FIT TAXABLE INCOME	5.5	26.3
FIT RATE	<hr/> 34.00%	<hr/> 34.00%
FIT (BEFORE ADJUSTMENT)	1.9	9.0
INVESTMENT TAX CREDIT	0.0	0.0
NET FEDERAL INCOME TAX	1.9	9.0

Page 5 of 5
APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES

	2015	2016	2017
<u>Number of Customers</u>			
Gravity Irrigation	1	1	1
<u>Water Sales (Ccfs)</u>			
Gravity Irrigation	456,275	456,275	456,275
<u>Consumption per Customer (Ccf per Customer)</u>			
Gravity Irrigation	456,275	456,275	456,275

ATTACHMENT I

1 of 2
GENERAL OFFICE
TEST YEAR 2015
SUMMARY OF OPERATING EXPENSES
(Dollars In Thousands)

	2015
PAYROLL-CUSTOMERS	4.6
PAYROLL-MAINTENANCE	34.0
MAINTENANCE-OTHER	561.2
PAYROLL-CLEARINGS	20.4
DEPRECIATION-CLEARINGS	8.7
CLEARINGS-OTHER	30.6
A & G PAYROLL	4,044.5
EMPLOYEE BENEFITS	1,225.9
INSURANCE	176.4
UNINSURED PROPERTY DAMAGE	0.0
REG. COMM. EXPENSE	0.0
OUTSIDE SERVICES	612.7
A & G - OTHER	529.4
A & G TRANSFERRED CREDIT	(17.6)
PROPERTY TAXES	28.6
PAYROLL TAXES	226.1
DEPRECIATION	302.1
WWH ADJ	(4.0)
 GRAND TOTAL	 7,783.5
 <u>ALLOCATION TO AVR - DOMESTIC</u>	 29.29%
 PROPERTY TAXES	 8.4
PAYROLL TAXES	66.2
DEPRECIATION	88.5
A & G EXPENSES	2,115.6
	2,278.6
 <u>ALLOCATION TO AVR - IRRIGATION (.19%)</u>	 0.19%
 PROPERTY TAXES	 0.1
PAYROLL TAXES	0.4
DEPRECIATION	0.6
A & G EXPENSES	13.7
	14.8

PAGE 2 OF 2
GENERAL OFFICE
RATE BASE SUMMARY

	2015	2016	
END-OF-YEAR BALANCES			
PLANT IN SERVICE	11,206.6	11,521.0	
CWIP	0.0	0.0	
SUBTOTAL	11,206.6	11,521.0	
LESS:			
DEPRECIATION RESERVE	6,593.2	6,838.6	
DEFERRED INCOME TAX	1,000.9	1,072.5	
SUBTOTAL	7,594.1	7,911.1	
NET MAIN OFFICE RATE BASE	3,663.1	3,612.5	3,609.9
WEIGHTED AVERAGE RATEBASE		3,637.8	3,611.2
<u>FOUR FACTOR ALLOCATION</u>			
DOMESTIC	29.29%	1,065.5	1,057.7
IRRIGATION	0.19%	6.9	6.9