



LIBERTY UTILITIES APPLE VALLEY RANCHOS WATER CUSTOMER NOTICE OF INCREASING RATES PER DECISION D.15-11-030

After a 22-Month Process, the CPUC Sets Apple Valley Ranchos Water's Rates for 2015 and 2016.

On January 12, 2016, Apple Valley Ranchos Water Company changed its name to Liberty Utilities (Apple Valley Ranchos Water) Corp. (Liberty Apple Valley).

On November 19, 2015, the California Public Utilities Commission (CPUC) issued a final decision (D.15-11-030) for its 2015 review of Liberty Apple Valley's General Rate Case (GRC) for water service. The decision is the result of the CPUC's review and analysis of Liberty Apple Valley's operations, finances, costs, and proposed water system improvements. The CPUC requires Liberty Apple Valley to file a GRC every three years to ensure water rates accurately reflect the cost of providing service.

The final decision authorized a 25.27 % increase in rates for 2015, over 2014 rates. The final 2015 rate increase includes, and is not in addition to, the previously approved interim rate increase of 11.56%. The interim rate increase became effective in June of 2015. That means a portion of the 2015 rate increase has already been implemented. On January 1, 2016, rates for water service increased 8.56% on top of the 25.27% that was approved for 2015. The authorized rate increases for 2015 and 2016 have taken into account the state mandated 28% reduction in water use.

The Governor's Executive Order for a statewide 25% reduction in water use compared to 2013 has led to a reduction in water sales. The Executive Order directed the CPUC and the State Water Resource Control Board (SWRCB) to impose restrictions to achieve statewide reductions in water use. In May 2015, the CPUC adopted a Resolution which required Liberty Apple Valley to reduce water usage by 28% compared to 2013 levels to meet the conservation target set by the SWRCB. In order to still receive authorized revenue, Liberty Apple Valley was authorized by the CPUC to increase rates. Had there been no mandatory reduction in water use, the authorized rate increases for 2015 and 2016 would have been significantly lower.

While rates have increased, the total revenues authorized by the CPUC for Liberty Apple Valley in 2015 decreased by 5.5% compared to the revenues authorized for 2014. The rate increases were necessary to enable Liberty Apple Valley to pay the fixed costs of operating the water system, regardless of the amount of water sales. The majority of Liberty Apple Valley's operating costs (70%) are fixed. Reductions in revenue due to lower water use mean rate increases are necessary to allow Liberty Apple Valley to recover the costs of providing safe and reliable water service.

New Service & Quantity Rates for Residential Customers

The table below shows the meter service charges and the quantity rates for residential customers authorized for 2015 and 2016. The service charge is a fixed monthly charge based on the size of your water meter. The quantity charge is a variable monthly charge based on the amount of water used. It is broken into tiers and designed to reward conservation so each tier increases 10% from the tier below it. The cost per unit of water increases the more you use.

RATES FOR RESIDENTIAL CUSTOMERS		
Monthly Service Charge	2015 Per Meter Per Month	2016 Per Meter Per Month
5/8 x 3/4 inch water meter	\$21.63	\$22.21
3/4 inch meter	\$32.45	\$33.32
1 inch meter	\$54.08	\$55.53
1 1/2 inch meter	\$108.15	\$111.05
2 inch meter	\$173.04	\$177.68
3 inch meter	\$324.45	\$333.15
4 inch meter	\$540.75	\$555.25
6 inch meter	\$1,081.50	\$1,110.50
8 inch meter	\$1,730.40	\$1,776.80
10 inch meter	\$3,136.35	\$3,220.45
Monthly Allocation	2015 Quantity Charge (per Ccf)	2016 Quantity Charge (per Ccf)
Tier 1 (1-12 Ccf)	\$3.512	\$3.876
Tier 2 (13-24 Ccf)	\$4.066	\$4.488
Tier 3 (25+ Ccf)	\$4.621	\$5.100
	* Non-Residential Monthly Service Charges are the same as above. ** Non-Residential Quantity Rate per Ccf is \$3.928.	* Non-Residential Monthly Service Charges are the same as above. ** Non-Residential Quantity Rate per Ccf is \$4.336.

Rate Impact on Average Residential Customer's Bi-Monthly Bill for 2015 (With a 5/8 x 3/4 Inch Meter)

Due to the approved increases in service and quantity charges, an average residential customer using 12,305 gallons (16.45 Ccf) of water, would see a monthly bill increase of \$17.19 or 26.58% compared to 2014, from \$64.68 to \$81.87 (\$163.74 for a bi-monthly bill).

In contrast, the average residential customer who reduces their usage to the amount mandated by the Governor's Executive Order would see a monthly bill increase of only \$1.70 or 2.63% compared to 2014, from \$64.68 to \$66.38 (\$132.75 for a bi-monthly bill).

Rate Impact on Average Residential Customer's Bi-Monthly Bill for 2016 (With a 5/8 x 3/4 Inch Meter)

For 2016, an average residential customer using 12,305 gallons (16.45 Ccf) of water, would see a monthly bill increase of \$6.83 or 8.34% compared to 2015, from \$81.87 to \$88.70 (\$177.40 for a bi-monthly bill).

In contrast, the average residential customer who reduces their usage to the amount mandated by the Governor's Executive Order would see a monthly bill increase of only \$1.00 or 1.51% compared to 2015, from \$66.38 to \$67.38 (\$134.76 for a bi-monthly bill).

SAMPLE RESIDENTIAL BILL CHARGES

Customers Choosing Not to Reduce Use	2015 (16.45 Ccf per Month)	2016 (16.45 Ccf per Month)	Customer Choosing to Reduce Use	2015 (12.64 Ccf per Month)	2016 (11.65 Ccf per Month)
Service Charge 5/8 x 3/4 inch water meter	\$43.26	\$44.42	Service Charge 5/8 x 3/4 inch water meter	\$43.26	\$44.42
Quantity Rate - Tier 1*	\$84.29	\$93.02	Quantity Rate - Tier 1*	\$84.29	\$90.34
Quantity Rate - Tier 2*	\$36.19	\$39.96	Quantity Rate - Tier 2*	\$5.20	\$0.00
Quantity Rate - Tier 3*	\$0.00	\$0.00	Quantity Rate - Tier 3*	\$0.00	\$0.00
Total Bi-Monthly Bill**	\$163.74	\$177.40	Total Bi-Monthly Bill**	\$132.75	\$134.76

* These charges will vary based on a customer's actual monthly water use.

** Total bill excludes surcharges, surcredits and other fees.

Additional Information

Because the CPUC's decision was delayed, Liberty Apple Valley has been authorized to recover the difference between the rates paid from January 1, 2015, to the time when the new rates became effective (November 27, 2015). This difference will be recovered via a temporary surcharge beginning in March 2016. More information about this will accompany your next bill.

If you have any further questions, please call 760.247.6484, email avrcustomerservice@avrwater.com or visit www.avrwater.com