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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.)
_____)

FINAL AMENDED SETTLEMENT AGREEMENT
BETWEEN APPLE VALLEY RANCHOS WATER COMPANY
AND THE OFFICE OF RATEPAYER ADVOCATES

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8.48% in 2016, and \$2,160,731 or 8.19% in 2017.)
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FINAL AMENDED SETTLEMENT AGREEMENT

Pursuant to ALJ S. Pat Tsen’s September 1, 2015 “Email Ruling Requiring Additional Information,” directing Apple Valley Ranchos Water Company and the Office of Ratepayer Advocates to file and serve a Final Amended Settlement Agreement and an Amended Joint Comparison Exhibit, Apple Valley Ranchos Water Company and the Office of Ratepayer Advocates hereby file and serve this Final Amended Settlement Agreement and attached Amended Joint Comparison Exhibit (attached hereto as Exhibit A).

I. GENERAL PROVISIONS

1.1 This Final Amended Settlement Agreement (“Final Amended Settlement”) is entered into by and between Apple Valley Ranchos Water Company (“AVR”) and the Office of Ratepayer Advocates (“ORA”) of the California Public Utilities Commission (“Commission”). AVR and ORA are referred to jointly herein as the “Parties” or singularly as a “Party.”

1.2 This Final Amended Settlement shall become effective and binding on the Parties as of the date it is fully executed by all Parties (“Effective Date”). The Final Amended Settlement will not, however, resolve the issues before the Commission in Application 14-01-002 unless, and until, it is adopted by the Commission.

1.3 This Final Amended Settlement resolves most of the outstanding issues raised by ORA that are currently before the Commission in Application 14-01-002, except for the following issues, which the Parties litigated in hearings before the Commission: (1) Conservation expense

proposed by AVR and the Conservation Balancing Account proposed by ORA; (2) the use of estimates in Balancing Accounts; (3) the Office Remodel Balancing Account; (4) the Solar Project Memorandum Account; (5) the Level Payment Plan; (6) the Sales Reconciliation Mechanism; and (7) the inclusion of the irrigation system in the WRAM/MCBA. The unresolved issues are identified in the Parties' Briefs as Conservation Estimates, Conservation Balancing Account, Solar Project Memorandum Account, Office Remodel Balancing Account, Use of Estimates, Level Payment Plan, Sales Reconciliation Mechanism, Irrigation (Commodity Revenues & Production Costs), Incremental Cost Balancing Account, and Chemical Costs. This Final Amended Settlement does not address the issues raised by the Town of Apple Valley ("Town"), including the issues addressed in the Parties' briefs under the headings "Rate Design" and "Water Rate Comparison." The Parties are in agreement on the Rate Design and Water Rate Comparison issues raised by the Town and have briefed their respective positions on these issues.

1.4 The Parties agree that (except as otherwise stated herein) the Parties' adoption of this Final Amended Settlement should not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to the subject of this Final Amended Settlement. In accordance with the Commission's Rules of Practice and Procedure ("Rule"), Rule 12.5, the Parties intend that the Commission's adoption of this Final Amended Settlement be binding on each Party, including its legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Adoption of this Final Amended Settlement does not constitute approval of, or establish precedent regarding, any principle in any future proceeding. Nor does adoption of this Final Amended Settlement bind any Party with respect to a future proceeding except with respect to the terms and conditions set forth herein, including as provided in Sections 1.19 and 1.22.

1.5 The Parties agree that no Party to this Final Amended Settlement, or any Parties' legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees thereof, assumes any personal liability as a result of this Final Amended Settlement.

1.6 The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Final Amended Settlement. No Party may bring an action pertaining to this Final Amended Settlement in any local, State, or Federal court, or administrative agency, without having first exhausted its administrative remedies at the Commission.

1.7 If any Party fails to perform its respective obligations under this Final Amended Settlement, the other Party may come before the Commission to pursue any applicable remedy, including enforcement.

1.8 The Parties agree that this Final Amended Settlement is an integrated agreement and the provisions of the Final Amended Settlement are not severable. Therefore, if the Commission rejects, conditions or purports to modify any term or portion of this Final Amended Settlement, the Parties shall convene a conference within fifteen (15) days thereof and engage in good faith negotiations to determine whether some or all of the remainder of the Final Amended Settlement is acceptable to the Parties. In the event an agreement is reached, all Parties must consent in writing to any changes or the Final Amended Settlement is void. If the Parties cannot agree to resolve any issue raised by the Commission's actions within thirty (30) days of their conference, this Final Amended Settlement shall be deemed to be rescinded, the Parties shall be released from any obligation, representation, or condition set forth in this Final Amended Settlement, including their obligation to support this Final Amended Settlement, and the Parties shall be restored to their positions prior to having entered into this Final Amended Settlement. Following any rescission of this Final Amended Settlement, the Parties may pursue any action they deem appropriate.

1.9 The Parties acknowledge and stipulate that they are agreeing to this Final Amended Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Final Amended Settlement, including each Party's right to discuss this Final Amended Settlement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

1.10 The Parties have determined that this Final Amended Settlement is in their best interests, and more cost-effective than undertaking the expenses, delays, and uncertainties of further litigation. In executing this Final Amended Settlement, each Party declares that the terms and

conditions herein are reasonable, consistent with the law, and in the public interest. Therefore, the Parties jointly request that the Commission accept and adopt this Final Amended Settlement in its entirety and without modification or condition, as reasonable, consistent with the law, and in the public interest.

1.11 The Parties agree to support this Final Amended Settlement and use their best efforts to secure the Commission's approval of this Final Amended Settlement in its entirety and without condition or modification.

1.12 The Parties agree to defend this Final Amended Settlement and its implementation before the Commission if the Commission's adoption or implementation of this Final Amended Settlement is opposed by anyone else.

1.13 Each Party hereto agrees without further consideration to execute and deliver such other documents and take such other actions as may be necessary to achieve the purposes of this Final Amended Settlement, including, without limitation, furnishing such additional information, documents, and/or testimony as the Commission may require (with due regard for confidentiality) in issuing an order adopting this Final Amended Settlement.

1.14 The Parties acknowledge and agree that this Final Amended Settlement has been jointly negotiated and drafted. The language of this Final Amended Settlement shall be construed as a whole according to its fair meaning and not in favor of or against any Party.

1.15 This Final Amended Settlement constitutes the entire agreement and understanding between the Parties as to the subject of this Final Amended Settlement, and supersedes any prior agreements, commitments, representations, or discussions between the Parties.

1.16 This Final Amended Settlement may not be amended or modified without the express written and signed consent of each Party hereto.

1.17 No Party has relied or relies upon any statement, promise, or representation by any other Party, except as specifically set forth in this Final Amended Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

1.18 This Final Amended Settlement and each covenant and condition set forth herein shall be binding upon the respective Parties hereto.

1.19 This Final Amended Settlement may be executed in counterparts by each Party hereto with the same effect as if all Parties had signed one and the same document. Any such

counterpart shall be deemed to be an original and shall together constitute one and the same Settlement.

1.20 This Final Amended Settlement is comprised of this Final Amended Settlement document itself and the Parties' Amended Joint Comparison Exhibit, attached hereto as Exhibit A.

1.21 Each Party to this Final Amended Settlement represents that his or her signature to this Final Amended Settlement binds his or her respective Party to the terms of this Final Amended Settlement.

1.22 This Final Amended Settlement shall be governed by the laws of the State of California as to all matters, including validity, construction, effect, performance, and remedy.

II. FACTUAL BACKGROUND

2.1 AVR, a California corporation, is a Class A Public Utility Water Company regulated by the Commission providing regulated water service in and near the Town of Apple Valley in San Bernardino County, California. AVR is a wholly-owned subsidiary of Park Water Company ("Park"), a California Corporation. AVR's office is located in Apple Valley, California. AVR has two "systems" – the Irrigation system and the Domestic system. The Irrigation System consists of a small gravity irrigation system that serves non-potable (un-treated) water from an irrigation well with return flow to the Mojave River and has a single customer. All other customers are part of the Domestic system, which is a pressurized potable water system.

2.2 On January 2, 2014, AVR filed a General Rate Case ("GRC") Application ("Application") requesting authority to increase its rates 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. Concurrent with the filing of the Application, AVR supported its Application with prepared testimony and exhibits, its Revenue Requirements Report for Test Year 2015, its General Office Report for Test Year 2015, its Urban Water Management Report, and Minimum Data Requirements ("MDR"), all of which were served on January 2, 2014. ORA filed a timely protest to the application on February 10, 2014, and AVR filed a timely response.

2.3 On February 19, 2014, the Town of Apple Valley filed a motion for party status, which was granted on February 20, 2014. A prehearing conference was held on April 1, 2014, by ALJ S. Pat Tsen. In response to ALJ Tsen's April 4, 2014 Ruling for Comments on the Division of

Water and Audits Preliminary Report on AVR's Water Quality, ORA served its comments on April 11, 2014. On April 17, 2014, the Commission issued the Scoping Memo and Ruling in this proceeding. Public Participation Hearings were held on April 30, 2014, at the Town of Apple Valley Conference Center in Apple Valley, California. On May 9, 2014, ORA served its Report on the Results of Operations, and on May 19, 2014, ORA served its Amended Report on the Results of Operations ("ORA Amended Report").

2.4 The Parties engaged in informal settlement negotiations beginning on June 4, 2014. As a result of those negotiations, which continued through June 17, 2014, ORA and AVR reached a settlement on most of the issues raised in ORA's Amended Report and agreed upon the terms and conditions comprising the original Settlement. While the Town participated in the settlement discussions, it was not a party to the settlement.

2.5 Evidentiary hearings on the unresolved issues were held on June 16 and 17, 2014. At the hearings, AVR's, ORA's, and the Town's testimony and reports were marked as exhibits and entered into the record along with additional exhibits introduced at the hearings. Additionally, after the conclusion of the hearings, per the direction of ALJ Tsen, AVR submitted several late filed exhibits and both AVR and ORA filed motions to seal confidential versions of exhibits containing confidential information, which were granted by ALJ Tsen.

2.6 On July 21, 2014 and August 4, 2014, ORA, AVR, and the Town filed their Opening Briefs and Reply Briefs, respectively.

2.7 On August 8, 2014, the Parties filed their Joint Motion to Approve Settlement ("Joint Motion") along with their original Settlement Agreement and Joint Comparison Exhibit. On September 8, 2014, the Town filed its Comments to the Joint Motion. On September 22, 2014, the Parties filed their Joint Reply Comments of Apple Valley Ranchos Company and the Office of the Ratepayer Advocates in Support of Joint Motion to Approve Settlement.

2.8 On January 8, 2015, ALJ Tsen issued an email ruling requiring AVR to submit additional information relating to AVR's main replacement projects. On January 15, 2015, AVR filed its Response to Administrative Law Judge's Ruling.

2.9 On April 1, 2015, ALJ Tsen issued her Proposed Decision ("PD"), in which she decided the disputed/litigated issues and partially approved the original Settlement Agreement. Specifically, the PD proposed to approve the original Settlement Agreement, with the exception

of the Parties' resolution of the Main Replacement Program, for which the PD proposed the following modified amounts: \$3,057,846 in 2014, \$3,129,705 in 2015, and \$3,203,253 in 2016.

2.10 On April 21, 2015 and April 27, 2015, the Parties filed their Comments to the PD and Reply Comments, respectively.

2.11 On April 24, 2015, ALJ Tsen issued the Presiding Officer's Ruling Setting Evidentiary Hearings and Scheduling the Remainder of the Proceeding ("April 24 Ruling"). The April 24 Ruling provided, *inter alia*: (1) by May, 1, 2015, the parties were to notify the Commission as to whether the parties would accept the PD's modification to the original Settlement Agreement; (2) if the parties declined to accept the PD's modification to the original Settlement Agreement, by May 4, 2015, the parties were to file a Joint Case Management Statement updating the Commission on the settled and disputed issues in this proceeding and providing a list of witnesses; (3) Evidentiary hearings were scheduled for May 11-15, 2015; and (4) Opening Briefs and Reply Briefs were to be filed and served on May 29, 2015 and June 12, 2015, respectively.

2.12 On April 30, 2015, in response to a joint request by all parties, ALJ Tsen held a conference call to address the parties' questions regarding the April 24 Ruling. On May 1, 2015, the Parties informed ALJ Tsen that they respectfully declined the modification of the original Settlement Agreement proposed in the PD. On May 4, 2015, the Parties and the Town filed their Joint Case Management Statement informing the Commission that, *inter alia*: (1) ORA and AVR agreed to maintain the terms of the original Settlement Agreement as to all issues other than the Main Replacement Program; (2) ORA and AVR had reached agreement on a revised resolution on the Main Replacement Program; (3) the Town contested the revised resolution of the Main Replacement Program; and (4) all parties waived evidentiary hearings and agreed to brief the Main Replacement Program issue based on the existing record .

2.13 On May 5, 2015, ALJ Tsen issued the Presiding Officer's Ruling Setting a Reasonableness Hearing on the Proposed Amended Settlement Agreement Between Apple Valley Ranchos Water Company and the Office of Ratepayer Advocates. Pursuant to the ruling, the Parties were ordered to submit their amended settlement agreement by May 11, 2015 and a reasonableness hearing was scheduled for May 13-14, 2015.

2.14 On May 11, 2015, the Parties submitted their Amendment to Settlement Agreement Between Apple Valley Ranchos Water Company and the Office of Ratepayer Advocates ("Amendment to Settlement Agreement"), pursuant to which the Parties amended their original

Settlement Agreement by modifying Section 9.16 of the original Settlement Agreement by proposing a revised settlement on the issue of AVR's Main Replacement Program.

2.15 On May 13, 2015, the Parties and the Town participated in a reasonableness hearing during which AVR's and ORA's witnesses were examined by ALJ Tsen and the Town.

2.16 On May 15, 2015, ALJ Tsen issued her Email Ruling Requiring Parties' Joint Response on Water Consumption Forecasts. Per the email ruling, the Parties and the Town were directed to meet and confer and submit a list of testimony topics that would need to be adjusted to meet the 28% reduction in production mandated by the Commission's Resolution W-5041. On May 20, 2015, the Parties and the Town submitted their joint list of testimony topics that would need to be adjusted to address Resolution W-5041.

2.17 On May 27, 2015, the Commission issued its Interim Decision Rejecting Settlement and Adopting Interim Rates for Apple Valley Ranchos Water Company ("Interim Decision"), D. 15-05-038. Pursuant to the Interim Decision, the Commission: (1) rejected the Parties' original Settlement Agreement; (2) authorized AVR to implement interim rates on June 1, 2015 based on the April 1, 2015 PD, which authorized an 11.56% rate increase; and (3) noted that the Commission would issue a new scoping memo to address the Commission's Resolution W-5041, which directed water utilities to achieve the reduction in water use mandated by the Governor's Executive Order B-29-15.

2.18 On June 19, 2015, Commissioner Carla Peterman issued her Ruling Amending Scope and Schedule ("Amended Scoping Memo"). Pursuant to the Amended Scoping Memo: (1) on June 24, 2015, AVR served its Supplemental Testimony setting forth its revised sales forecast and related costs and flow-through effects of the revised sales forecast; (2) on June 30, 2015, AVR served its Amended Supplemental Testimony to correct an error in its original Supplemental Testimony; and (3) on July 3, 2015, ORA served its Supplemental Testimony in which it agreed with AVR's Amended Supplemental Testimony, with one correction to which AVR agreed. The Town did not serve any supplemental testimony.

2.19 On June 29, 2015, ALJ Tsen issued her Email Ruling Requiring Joint Case Management Statement and Cross Examination Schedule pursuant to which the Parties and the Town were directed to submit a Joint Case Management Statement, by close of business on July 6, 2015, on whether evidentiary hearings will be necessary and, if so, a tentative cross-examination schedule. On July 6, 2015, the Parties and the Town submitted their Joint Case Management Statement:

(1) informing the Commission of the parties' conclusion that there was no need for the evidentiary hearings that had been scheduled for July 9-10, 2015; and (2) requesting permission for AVR to serve, on or before July 10, 2015, corrected calculations resulting from the correction noted in ORA's Supplemental Testimony and related flow-through impacts.

2.20 On July 6, 2015, ALJ Tsen issued her Email Ruling Removing Evidentiary Hearing from Calendar: (1) taking off calendar the evidentiary hearings scheduled for July 9-10, 2015; (2) taking off schedule the opening and reply briefs scheduled to be filed on July 21, 2015 and July 28, 2015, respectively; and (3) directing AVR to serve corrected calculations by the close of business on July 10, 2015. On July 10, 2015, pursuant to ALJ Tsen's July 6, 2015 e-mail ruling, AVR served its "Corrected Amended Supplemental Testimony."

2.21 On August 26, 2015, ALJ Tsen directed the Parties to file a joint motion to move the supplemental testimony served by the Parties into the record in this proceeding. On August 27, 2015, the Parties and the Town submitted their Joint Motion for Admission of Supplemental Testimony. On September 1, 2015, ALJ Tsen issued her email ruling granting the Joint Motion for Admission of Supplemental Testimony, pursuant to which ALJ Tsen marked AVR's and ORA's Supplemental Testimony (Exhibits A-31 and O-9, respectively) and admitted the exhibits into the evidentiary record.

2.22 On September 1, 2015, ALJ Tsen issued her Email Ruling Requiring Additional Information, pursuant to which ALJ Tsen directed the Parties to submit a Final Amended Settlement Agreement and Joint Comparison Exhibit to include the amended settlement of the Main Replacement Program (reflected in the Amendment to Settlement Agreement) and the Parties' Supplemental Testimony (Exhibits A-31 and O-9).

2.23 Pursuant to ALJ Tsen's September 1, 2015 Email Ruling, the Parties submit this Final Amended Settlement Agreement and accompanying Amended Joint Comparison Exhibit.

2.24 The Parties' amended settlement on AVR's Main Replacement Program and the Parties' revised positions on consumption per customer based on AVR's and ORA's Supplemental Testimony (Exhibits A-31 and O-9, respectively) are reflected in this agreement in addition to the Parties' original positions and agreements on those issues. The Parties have no disagreements as to the flow-through effects resulting from either the amended settlement on AVR's Main Replacement Program or the revised resolution of consumption per customer arising from the Parties' supplemental testimony. For all other expense or capital-related items

where there is a flow-through effect, those flow-through effects have been incorporated into the amounts reflected in this Final Amended Settlement Agreement.

III. TERMS AND CONDITIONS OF THE FINAL AMENDED SETTLEMENT

3.0 WATER CONSUMPTION AND REVENUES

3.1 Number of Customers

AVR WATER REQUEST:

In accordance with D.04-06-018, AVR forecasted customer growth based on a five-year historical average (2008 – 2012) for Residential, Commercial (Business), Industrial, Public Authority Irrigation, Gravity Irrigation, and Apple Valley Golf Course customers. For Residential customers, in addition to the results of the five-year growth, AVR's estimate reflects 100 additional customers due to a planned development in Jess Ranch.

ORA POSITION:

For Residential and Commercial customers, there were no issues concerning the methodology used to forecast the number of customers except that ORA forecasted customer growth based on the five-year historical average (2009 – 2013) and projected the additional customer growth for the planned development in Jess Ranch beginning in Test Year 2015. There were no issues concerning the number of customers for Industrial, Public Authority, Public Authority – Irrigation, Gravity Irrigation, and Apple Valley Golf Course.

RESOLUTION:

ORA and AVR agree to update the number of customers to reflect the actual number of customers as of year-end 2013 and to adjust the methodology to remove double-counting between the five-year average and the projected additional residential customer growth from planned development. ORA and AVR agree on the number of customers, as set forth in the table below.

Test Year 2015

| Average Number of Customers | AVR Original | ORA Original | Difference | Settlement |
|-----------------------------|-----------------|-----------------|------------|------------|
| | | | | |
| Residential | 17,979 | 18,008 | (29) | 18,015 |
| Commercial | 1,364 | 1,384 | (20) | 1,364 |
| Industrial | 2 | 2 | 0 | 2 |
| Public Authority | 45 | 45 | 0 | 45 |
| Irrigation Pressure | 175 | 166 | 9 | 166 |
| Private Fire Service | 272 | 240 | 32 | 239 |
| Public Authority Irrigation | 5 | 5 | 0 | 5 |
| Irrigation Gravity | 1 | 1 | 0 | 1 |
| Apple Valley Golf Course | 1 | 1 | 0 | 1 |
| Temporary Construction | 5 | 9 | (4) | 11 |
| Total Metered Customers | 19,853 | 19,861 | (8) | 19,849 |

Escalation Year 2016

| Average Number of Customers | AVR Original | ORA Original | Difference | Settlement |
|-----------------------------|-----------------|-----------------|------------|------------|
| | | | | |
| Residential | 18,121 | 18,203 | (82) | 18,165 |
| Commercial | 1,373 | 1,397 | (24) | 1,375 |
| Industrial | 2 | 2 | 0 | 2 |
| Public Authority | 46 | 45 | 1 | 46 |
| Irrigation Pressure | 180 | 169 | 11 | 169 |
| Private Fire Service | 289 | 248 | 41 | 247 |
| Public Authority Irrigation | 5 | 5 | 0 | 5 |
| Irrigation Gravity | 1 | 1 | 0 | 1 |
| Apple Valley Golf Course | 1 | 1 | 0 | 1 |
| Temporary Construction | 9 | 9 | 0 | 11 |
| Total Metered Customers | 20,027 | 20,080 | (53) | 20,032 |

Escalation Year 2017

| Average Number of Customers | AVR Original | ORA Original | Difference | Settlement |
|-----------------------------|-----------------|-----------------|------------|------------|
| Residential | 18,263 | 18,398 | (135) | 18,315 |
| Commercial | 1,382 | 1,410 | (28) | 1,386 |
| Industrial | 2 | 2 | 0 | 2 |
| Public Authority | 46 | 46 | 0 | 46 |
| Irrigation Pressure | 185 | 172 | 13 | 171 |
| Private Fire Service | 306 | 256 | 50 | 255 |
| Public Authority Irrigation | 5 | 5 | 0 | 5 |
| Irrigation Gravity | 1 | 1 | 0 | 1 |
| Apple Valley Golf Course | 1 | 1 | 0 | 1 |
| Temporary Construction | 9 | 9 | 0 | 11 |
| Total Metered Customers | 20,200 | 20,300 | (100) | 20,192 |

REFERENCES: AVR Exh. A-1, p. 20; ORA Exh. O-1, pp. 2-2 – 2-3.

3.2 Consumption Per Customer

AVR WATER ORIGINAL REQUEST:

For the Residential, Commercial, and Gravity Irrigation customers, AVR forecasted sales based on the 2012 recorded consumption per customer with an annual decrease of 1.5% because the New Committee Method sales forecasting methodology overstated the effects of the drastic drop in unit consumption experienced from 2007 – 2011. For the Industrial, Pressure Irrigation, and Temporary Construction customers, AVR forecasted sales based on a recorded five-year average (2008 – 2012) of total sales. For Public Authority and Public Authority-Irrigation customers, AVR forecasted sales based on the New Committee Method. For Private Service customers, AVR forecasted sales based on the three-year average (2010 – 2012). For the Apple Valley Golf Course, AVR forecasted sales based on the four-year average (2009 – 2012) of water sales.

ORA ORIGINAL POSITION:

ORA finds AVR's methodology reasonable based on the circumstances presented in this case and accepted AVR's proposed 1.5% annual decrease for the Residential and Commercial customer classes starting from the 2013 recorded consumption. For the Industrial, Public Authority, Private Fire, Public Authority Irrigation, Pressure Irrigation, Apple Valley Golf Course, and Temporary Construction customer classes, ORA recommends the use of the five-year average unit consumption (2009-2013).

ORIGINAL RESOLUTION:

The Parties agree that the use of the Basic Procedure of the New Committee Method as outlined in the rate case plan for Class A water utilities should not be used for Residential and Commercial customers in this GRC because the methodology provides results that are unreasonably lower than current unit consumption levels. The Parties believe that use of the 1.5% annual reduction provides a reasonable estimate of future water sales. Based on further discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to the customer unit consumption as set forth in the table below.

Test Year 2015 and Escalation Years 2016 and 2017

| Consumption per Customer (Ccf) | AVR Original | ORA Original | Difference | Settlement |
|--------------------------------|-----------------|-----------------|------------|------------|
| Residential | 199.13 | 197.42 | 1.71 | 197.42 |
| Commercial | 592.76 | 581.52 | 11.24 | 585.02 |
| Industrial | 630.60 | 641.00 | (10.40) | 641.00 |
| Public Authority | 6,389.00 | 6,389.00 | 00.00 | 6,389.10 |
| Irrigation Pressure | 1,681.00 | 1,606.00 | 75.00 | 1,606.23 |
| Private Fire Service | 7.99 | 6.84 | 1.15 | 7.57 |
| Public Authority Irrigation | 5,365.00 | 5,365.00 | 00.00 | 5,364.92 |
| Irrigation Gravity | 456,275.00 | 443,715.00 | 12,560.00 | 456,274.90 |
| Apple Valley Golf Course | 122,164.00 | 126,540.00 | (4,376.00) | 126,540.00 |
| Temporary Construction | 991.25 | 784.04 | 207.21 | 801.01 |

REFERENCES: AVR Exh. A-1, p. 22; ORA Exh. O-1, pp. 2-3 – 2-5.

REVISED CONSUMPTION PER CUSTOMER – SUPPLEMENTAL TESTIMONY

AVR REVISED REQUEST – SUPPLEMENTAL TESTIMONY:

AVR, in its Supplemental Testimony (served, amended and corrected as described above in Section 2.19), proposed revised estimates of consumption per customer consistent with the Commission's Resolution W-5041, which directed water utilities to achieve the reduction in water use mandated by the Governor's Executive Order B-29-15 and the 28% reduction in AVR's water production from June 1, 2015 through February 28, 2016, compared to the production for the period June 1, 2013 through February 28, 2014, mandated by the SWRCB's emergency water conservation regulations.

For Test Year 2015, AVR recast sales by applying the target reduction of 28% to the recorded 2013 sales for June – December, to reflect the timing of the implementation of the SWRCB regulation in June 1, 2015, and the expected reduction from the same months in 2013. For 2015, the recorded 2015 sales for January through May were available and were therefore used to determine the total projected sales for Test Year 2015. This methodology was used for all customer classes with the exception of Gravity Irrigation Service (non-potable water), which is exempt from the mandated reductions, and private fire (for which the Parties do not forecast any reductions from recent usage); for these customer classes, no change was proposed from the forecasts in the original settlement. After determination of the water sales by customer class, that amount was divided by the average number of customers to develop the average consumption per customer.

For Escalation Years 2016 and 2017, AVR recast the sales, for all customer classes with the exception of Gravity Irrigation Service (non-potable water) and private fire, by applying the target reduction of 28% to the recorded sales for the period of June 2013–May 2014, to reflect the timing of the implementation of the SWRCB regulation in June 1, 2015, and the expected reduction from the same months in the period from June 2013 – February 2014. The additional three months of March-May of 2014 were added to the base period from which the 28% reduction was measured in order to provide for an estimate for a full year of consumption.

Therefore, the forecasts for 2016 and 2017 are fully reflective of the SWRCB's mandated 28% reduction, resulting in further reduction to sales and production compared to Test Year 2015.

ORA REVISED POSITION – SUPPLEMENTAL TESTIMONY:

ORA, in its supplemental testimony, finds AVR's methodology for its revised consumption per customer estimates reasonable and agrees with AVR's estimates subject to correction of an inadvertent reduction AVR applied to Private Fire Service estimated consumption for 2015, and resultant adjustment of other customer classes to achieve the overall 28% reduction, that was inconsistent with AVR's stated methodology.

REVISED RESOLUTION:

AVR agreed to correct the calculation error pointed out by ORA and incorporated the correction in its Corrected Amended Supplemental Testimony. With this correction, the Parties agree with the consumption per customer estimates as set forth in the tables below.

Test Year 2015

| Consumption per Customer (Ccf) | AVR Original | ORA Original | Difference | Amended Settlement |
|--------------------------------|-----------------|-----------------|------------|-----------------------|
| | | | | |
| Residential | 199.13 | 197.42 | 1.71 | 151.70 |
| Commercial | 592.76 | 581.52 | 11.24 | 476.41 |
| Industrial | 630.60 | 641.00 | (10.40) | 485.84 |
| Public Authority | 6,389.00 | 6,389.00 | 00.00 | 4,833.88 |
| Irrigation Pressure | 1,681.00 | 1,606.00 | 75.00 | 1,333.24 |
| Private Fire Service | 7.99 | 6.84 | 1.15 | 8.50 |
| Public Authority Irrigation | 5,365.00 | 5,365.00 | 00.00 | 4,514.97 |
| Irrigation Gravity | 456,275.00 | 443,715.00 | 12,560.00 | 456,274.90 |
| Apple Valley Golf Course | 122,164.00 | 126,540.00 | (4,376.00) | 117,077.45 |
| Temporary Construction | 991.25 | 784.04 | 207.21 | 801.01 |

Escalation Years 2016 and 2017

| Consumption per Customer (Ccf) | AVR Original | ORA Original | Difference | Amended Settlement |
|--------------------------------|-----------------|-----------------|------------|-----------------------|
| | | | | |
| Residential | 199.13 | 197.42 | 1.71 | 139.84 |
| Commercial | 592.76 | 581.52 | 11.24 | 459.94 |
| Industrial | 630.60 | 641.00 | (10.40) | 394.09 |
| Public Authority | 6,389.00 | 6,389.00 | 00.00 | 4,512.24 |
| Irrigation Pressure | 1,681.00 | 1,606.00 | 75.00 | 1,231.16 |
| Private Fire Service | 7.99 | 6.84 | 1.15 | 8.50 |
| Public Authority Irrigation | 5,365.00 | 5,365.00 | 00.00 | 3,863.03 |
| Irrigation Gravity | 456,275.00 | 443,715.00 | 12,560.00 | 456,274.90 |
| Apple Valley Golf Course | 122,164.00 | 126,540.00 | (4,376.00) | 113,021.15 |
| Temporary Construction | 991.25 | 784.04 | 207.21 | 801.01 |

REFERENCES: AVR Exh. A-31, pp. 4-8; ORA Exh. O-9, pp. 1-3

3.3 Unaccounted for Water (Domestic System)

AVR WATER REQUEST:

AVR requests unaccounted for water of 7.0% based on the latest information available at the time AVR's application was prepared.

ORA POSITION:

ORA recommends unaccounted for water of 5.1% based on the updated, most recent two-year recorded average (2012 – 2013).

RESOLUTION:

ORA and AVR agree that, while AVR's unaccounted for water has decreased from AVR's previous GRC, the annual unaccounted for water continues to vary slightly each year. ORA and AVR agree to use AVR's recommendation in its rebuttal for unaccounted for water estimate of 6.0% as set forth in the tables below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------------|-----------------|-----------------|------------|------------|
| Unaccounted For Water | 7.0% | 5.1% | 1.90% | 6.0% |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------------|-----------------|-----------------|------------|------------|
| Unaccounted For Water | 7.0% | 5.1% | 1.90% | 6.0% |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------------|-----------------|-----------------|------------|------------|
| Unaccounted For Water | 7.0% | 5.1% | 1.90% | 6.0% |

REFERENCES: AVR Exh. A-1, p. 58; ORA Exh. O-1, Ch. 2, Table 2-4.

3.4 Unaccounted for Water (Irrigation System)**AVR WATER REQUEST:**

AVR requests unaccounted for water of 79.6% based on the latest information available at the time AVR's application was prepared.

ORA POSITION:

ORA recommends unaccounted for water of 76.5% based on the updated, most recent two-year recorded average (2012 – 2013).

RESOLUTION:

The Parties agree that the loss of water experienced by the Irrigation system results from evaporation and seepage in the lake and return flow to the river, and is largely weather-related. The Parties agree that a longer-term average would be more appropriate for the estimate for the Irrigation system. ORA and AVR agree to use AVR's recommended 5-year (2009 – 2013)

average in its rebuttal for unaccounted for water estimate of 78.2% as set forth in the tables below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------------|-----------------|-----------------|------------|------------|
| Unaccounted For Water | 79.6% | 76.5% | 3.1% | 78.2% |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------------|-----------------|-----------------|------------|------------|
| Unaccounted For Water | 79.6% | 76.5% | 3.1% | 78.2% |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------------|-----------------|-----------------|------------|------------|
| Unaccounted For Water | 79.6% | 76.5% | 3.1% | 78.2% |

REFERENCES: AVR Exh. A-1, p. 59; ORA Exh. O-1, Ch. 2, Table 2-4.

3.5 Total Water Supply

AVR WATER REQUEST:

The total water supply represents the sum of water sales and unaccounted for water.

ORA RECOMMENDATION:

ORA finds AVR's methodology of total water supply to be reasonable. The original differences between AVR's and ORA's estimates resulted from different estimates of customers, consumption per customer, and unaccounted for water.

RESOLUTION:

With the resolution of customers (Section 3.1), consumption per customer (Section 3.2), and unaccounted for water (Section 3.3), there is no difference in the estimates of total water supply.

The Parties agree on the total water supply as set forth in the tables below.

Test Year 2015

| Total Water Supply (Ccf) | AVR Original | ORA Original | Difference | Amended Settlement |
|--|-----------------|-----------------|------------|-----------------------|
| | | | | |
| Residential | 3,580,135 | 3,555,152 | 24,982.6 | 2,732,949 |
| Commercial | 808,526 | 804,828 | 3,698 | 649,824 |
| Industrial | 1,261 | 1,282 | (20.8) | 972 |
| Public Authority | 288,783 | 288,783 | 00.0 | 216,558 |
| Irrigation Pressure | 294,175 | 266,596 | 27,579.0 | 221,318 |
| Private Fire Service | 2,173 | 1,642 | 531 | 2,032 |
| Public Authority Irrigation | 26,825 | 26,825 | 00.0 | 22,575 |
| Apple Valley Golf Course | 122,164 | 126,540 | (4,376.0) | 117,077 |
| Temporary Construction | 8,921 | 7,056 | 1,864.9 | 8,811 |
| Total Domestic Sales | 5,132,964 | 5,078,703 | 54,260 | 3,972,116 |
| Unaccounted for Water (settled) (6%) | 386,352 | 272,933 | 113,418 | 253,539 |
| | | | | |
| Irrigation Gravity | 456,275 | 443,715 | 12,560 | 456,275 |
| Unaccounted for Water (settled) (78.2%) | 1,780,367 | 1,444,433 | 335,933 | 1,636,729 |
| | | | | |
| Total Water Supply | 7,755,957 | 7,239,785 | 516,171 | 6,318,659 |

Escalation Year 2016

| Total Water Supply (Ccf) | AVR Original | ORA Original | Difference | Amended Settlement |
|--|-----------------|-----------------|------------|-----------------------|
| | | | | |
| Residential | 3,608,411 | 3,593,649 | 14,761.8 | 2,540,216 |
| Commercial | 813,861 | 812,387 | 1,473.8 | 632,415 |
| Industrial | 1,261 | 1,282 | (20.8) | 788 |
| Public Authority | 291,338 | 287,505 | 3,833.4 | 203,953 |
| Irrigation Pressure | 302,580 | 271,414 | 31,166.0 | 208,066 |
| Private Fire Service | 2,309 | 1,696 | 612.8 | 2,100 |
| Public Authority Irrigation | 26,825 | 26,825 | 00.00 | 19,315 |
| Apple Valley Golf Course | 122,164 | 126,540 | (4,376.0) | 113,021 |
| Temporary Construction | 8,921 | 7,056 | 1,864.9 | 8,811 |
| Total Domestic Sales | 5,177,671 | 5,128,355 | 49,316 | 3,728,685 |
| Unaccounted for Water (settled) (6%) | 389,717 | 275,602 | 114,115 | 238,001 |
| | | | | |
| Irrigation Gravity | 456,275 | 443,715 | 12,560 | 456,275 |
| Unaccounted for Water (settled) (78.2%) | 1,780,367 | 1,444,434 | 335,933 | 1,636,729 |
| | | | | |
| Total Water Supply | 7,804,030 | 7,292,105. | 511,924 | 6,059,690 |

Escalation Year 2017

| Total Water Supply (Ccf) | AVR Original | ORA Original | Difference | Amended Settlement |
|--------------------------|-----------------|-----------------|------------|-----------------------|
| | | | | |
| Residential | 3,636,687 | 3,632,146 | 4,541.1 | 2,561,192 |
| Commercial | 819,196 | 819,947 | (751.2) | 637,474 |
| Industrial | 1,261 | 1,282 | (20.8) | 788 |
| Public Authority | 293,894 | 291,338 | 2,555 | 205,758 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Irrigation Pressure | 310,985 | 276,232 | 34,753.0 | 210,528 |
| Private Fire Service | 2,445 | 1,751 | 693 | 2,168 |
| Public Authority Irrigation | 26,825 | 26,825 | 00.00 | 19,315 |
| Apple Valley Golf Course | 122,164 | 126,540 | (4,376.0) | 113,021 |
| Temporary Construction | 8,921 | 7,056 | 1,864 | 8,811 |
| Total Domestic Sales | 5,222,379 | 5,183,118 | 39,260 | 3,759,056 |
| Unaccounted for Water (settled) (6%) | 393,082 | 278,545 | 114,537 | 239,940 |
| | | | | |
| Irrigation Gravity | 456,275 | 443,715 | 12,560 | 456,274 |
| Unaccounted for Water (settled) (78.2%) | 1,780,367 | 1,444,434 | 335,933 | 1,636,729 |
| | | | | |
| Total Water Supply | 7,852,103 | 7,349,811 | 502,291 | 6,091,999 |

REFERENCES: AVR Exh A.-1, p. 58 - 59; ORA Exh. O-1, Appendix A-8 – A-9. AVR Exh. A-31, pp. 5-7; ORA Exh. O-9, pp. 2-3.

3.6 Present Rate Revenues

AVR WATER REQUEST:

Revenue at present rates consists of Service Charge Revenue, Commodity Charge Revenue, and Miscellaneous Revenue. Service Charge Revenue is based on the number of customers multiplied by the appropriate tariff. Commodity Charge Revenue is calculated by multiplying the number of customers by their applicable water use and appropriate tariff.

ORA POSITION:

ORA finds AVR's methodology to be reasonable and recommends the use of the methodology to estimate operating revenues at present rates.

RESOLUTION:

With the resolution of the customer issue (Section 3.1) and the resultant change in total water

supply (Section 3.5) the Parties agree on the present rate revenues as set forth in the table below. The Parties further agree to increase the Miscellaneous Revenue to \$17,000 (from \$1,700) consistent with the agreement on Affiliated Transactions (Section 13.0).

Test Year 2015

| Metered Revenues (\$) | AVR Original | ORA Original | Difference | Amended Settlement |
|-----------------------------|-----------------|-----------------|------------|-----------------------|
| Residential | 14,826,176 | 14,767,410 | 58,765.8 | 12,543,218 |
| Commercial | 3,399,105 | 3,406,266 | (7,160) | 2,963,627 |
| Industrial | 5,105 | 5,162 | (57) | 4,311 |
| Public Authority | 975,827 | 967,191 | 8,635.6 | 776,019 |
| Private Fire | 348,790 | 307,756 | 41,034.2 | 306,474 |
| Public Authority Irrigation | 35,268 | 35,268 | 00.00 | 32,025 |
| Irrigation Pressure | 1,020,145 | 933,518 | 86,627 | 809,275 |
| Gravity Irrigation | 196,700 | 192,380 | 4,320 | 196,700 |
| Apple Valley Golf Course | 112,084 | 115,854 | (3,769) | 107,703 |
| Temporary Construction | 57,644 | 52,526 | 5,117 | 65,564 |
| Miscellaneous Revenue | 46,693 | 46,693 | 00.00 | 46,693 |
| | | | | |
| Total Revenue | 21,023,537 | 20,830,023 | 43,353 | 17,851,608 |

REFERENCES: AVR Exh. A-1, Ch. III, Table III-4, p. 35; ORA Exh. O-1, Appendix A-10. AVR Exh. A-31, p. 9; ORA Exh. O-9, p. 4.

4.0 CUSTOMER SERVICE

ORA RECOMMENDATION:

Based upon its review of AVR's application and responses to data requests, ORA finds AVR's customer service to be acceptable.

AVR WATER RESPONSE:

AVR agrees with ORA's findings.

RESOLUTION:

The Parties recommend that the Commission find AVR's customer service to be satisfactory.

REFERENCES: AVR Exh. A-1, pp. 11 -12.; ORA Exh. O-1, Ch. 11.

5.0 OPERATIONS AND MAINTENANCE**5.1 Expense Estimating Methodology****AVR WATER REQUEST:**

In general, AVR's expense estimates were based on a five-year average of recorded expenses (2009 – 2013) escalated to the test year. The 2013 data used by AVR were partially estimated because that was the most current data available to AVR at the time its application was prepared. AVR provided ORA with an update of the recorded 2013 data and an updated five-year average of recorded expense (2009 – 2013) from which ORA's estimates are based.

ORA POSITION:

Where appropriate, ORA's estimates are based on a five-year average of recorded expense (2009 – 2013) that includes recorded year 2013 data.

RESOLUTION:

AVR agrees with ORA's use of the updated averages in those areas where a five-year average is the most reasonable way of estimating costs. The Parties agree to use the updated information for recorded year 2013 when a five-year average methodology is used to estimate expenses.

REFERENCES: AVR Exh. A-1, p. 40; ORA Exh. O-1, pp. 3-1 – 3-2.

5.2 Escalation Factors**AVR WATER REQUEST:**

AVR proposed labor escalation factors of 3.0% for 2014 and 3.0% for Test Year 2015. AVR proposed non-labor escalation factors of 3.0% for 2014 and 3.0% for Test Year 2015.

ORA POSITION:

For labor, ORA used the Labor Index as provided by ORA's ECOS memorandum dated March

25, 2014, resulting in an escalation factor of 1.7% for 2014 and 1.7% for 2015. ORA used a 60/40 weighting of the Non-Labor Index and the Compensation Per Hour Index resulting in a composite escalation factor of 2.0% for 2014 and 2.3% for Test Year 2015.

RESOLUTION:

The Parties agree to use the latest ORA memorandum, which is the June 17, 2014 memorandum. The Parties agree to use a labor escalation factor of 1.5% for 2014 and 1.9% for Test Year 2015. The Parties agree to use composite escalation factors of 2.00% for 2014 and 2.00% for Test Year 2015 based on the 60/40 weighting of the Non-Labor Index and the Compensation Per Hour Index as provided by ORA's ECOS memorandum.

Year 2014

| | AVR Original | ORA Original | Difference | Settlement |
|-----------|--------------|--------------|------------|------------|
| | | | | |
| Labor | 3% | 1.5% | 1.5% | 1.5% |
| Composite | 3% | 2.0% | 1.0% | 2.0% |
| CPI | 3% | 1.5% | 1.5% | 1.5% |

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-----------|--------------|--------------|------------|------------|
| | | | | |
| Labor | 3% | 1.3% | 1.7% | 1.9% |
| Composite | 3% | 2.3% | 0.7% | 2.0% |
| CPI | 3% | 1.3% | 1.7% | 1.9% |

REFERENCES: AVR Exh. A-1, p. 35, p. 40; ORA Exh. O-1, pp. 3-1 – 3-2.

5.3 O&M Payroll Expense

AVR WATER REQUEST:

AVR's payroll estimate for 2014 is based on employees' hourly rates in effect at the end of 2013 with the estimated 2014 COLA increase and estimates of merit and promotional salary

adjustments to be granted and overtime during 2014. The payroll estimate for Test Year 2015 is similarly estimated beginning with the hourly rates expected at the end of year 2014.

ORA POSITION:

ORA used the same methodology as AVR to estimate the payroll expense except that ORA recommends elimination of AVR's proposed merit increase budget for 2015.

RESOLUTION:

ORA and AVR agree to the payroll costs set forth in the tables below. Without reaching any specific agreement on the issues of COLA and merit budget, the Parties agree to calculate payroll using ORA's proposed end-of-year 2014 pay rates with an increase of 2.6% for 2015. The Parties disagree on the issue of merit salary adjustments and agree to the payroll expense as set forth in the table below. The Parties agree that payroll expense for the escalation years 2016 and 2017 will be calculated according to the Escalation Year methodology in the Rate Case Plan.

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------|-----------------|-----------------|------------|-------------|
| | | | | |
| Payroll Operations | \$837,851 | \$823,965 | \$13,886 | \$834,443 |
| Payroll Customers | \$506,633 | \$498,085 | \$8,548 | \$504,509 |
| Payroll Maintenance | \$437,181 | \$429,856 | \$7,325 | \$435,255 |
| Payroll Clearings | \$ 122,904 | \$120,856 | \$2,048 | \$122,404 |
| Total O & M Payroll | \$1,904,569 | \$1,872,762 | \$31,807 | \$1,896,611 |

REFERENCES: AVR Exh. A-1, pp. 35-39, AVR Exh. A-2, pp. 2, AVR Exh. A-17, 5-8,; ORA Exh. O-1, pp. 4-2 – 4-7.

5.4 Purchased Power

AVR WATER REQUEST:

AVR requests \$1,030,017 for Test Year 2015 in purchased power expense based on its proposed production in Test Year 2015 and the unit cost of pumping based on a three-year average (2010 – 2012) of kilowatt hour per cubic foot pumped for each well and booster pump.

ORA POSITION:

ORA finds AVR's purchased power estimating methodology reasonable. Differences in the Parties' original estimates were a function of the Parties' different estimates of total production, which resulted from the difference in customers (Section 3.1), consumption (Section 3.2) and unaccounted for water (Section 3.3).

RESOLUTION:

With the resolution of the total water supply (Section 3.5), ORA and AVR agree on purchased power as set forth below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|-----------------|--------------|--------------|------------|--------------------|
| Purchased Power | \$1,030,017 | \$1,010,269 | \$5,313 | \$877,660 |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|-----------------|--------------|--------------|------------|--------------------|
| | | | | |
| Purchased Power | \$1,035,678 | \$1,016,436 | \$19,242 | \$847,160 |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Amended Settlement |
|-----------------|--------------|--------------|------------|--------------------|
| | | | | |
| Purchased Power | \$1,041,340 | \$1,023,227 | \$18,113 | \$850,965 |

REFERENCES: AVR Exh. A-1, p. 45; ORA Exh. O-1, p 3-3. AVR Exh. A-31, p. 10; ORA Exh. O-9, p. 4.

5.5 Replenishment Assessment**AVR WATER REQUEST:**

AVR requests \$104,984 for Test Year 2015 in replenishment assessments (Administrative

Assessment, Biological Assessment, and the Makeup Assessment) based on its proposed production in Test Year 2015 and the current unit costs per acre-foot rates.

ORA POSITION:

ORA finds AVR's replenishment assessment methodology reasonable. The Parties used the same methodology and the same per acre-foot rates. The difference in the Parties' original estimates were a function of the Parties' different estimates of total water supply (Section 3.5) resulting from the difference in customers, consumption and unaccounted for water.

RESOLUTION:

The Parties agree that the Replenishment Assessment should be based on an estimate of total water production and the uncontested per acre-foot rates. ORA and AVR agree on replenishment assessment as set forth below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Admin/Biological | \$55,244 | \$53,567 | \$1,677 | \$42,295 |
| Makeup | \$49,740 | \$49,740 | \$0 | \$49,740 |
| Total Replenishment | \$104,984 | \$103,307 | \$1,677 | \$92,035 |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Admin/Biological | \$55,725 | \$54,090 | \$1,635 | \$39,703 |
| Makeup | \$49,740 | \$49,740 | \$0 | \$49,740 |
| Total Replenishment | \$105,465 | \$103,830 | \$1,635 | \$89,443 |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Admin/Biological | \$56,206 | \$54,526 | \$1,680 | \$40,027 |
| Makeup | \$49,740 | \$49,740 | \$0 | \$49,740 |
| Total Replenishment | \$105,946 | \$104,226 | \$1,720 | \$89,767 |

REFERENCES: AVR Exh. A-1, pp 46-47, Table IV-C, p. 56; ORA Exh. O-1, p. 33-34. AVR Exh. A-31, p. 11; ORA Exh. O-9, p. 4

5.6 Leased Water Rights**AVR WATER REQUEST:**

AVR requests \$963,849 for Test Year 2015 in leased water rights based on AVR's proposed production of 11,271 acre-feet less the adjusted free production allowance of 8,751 acre-feet and based on the current lease rate of \$382.50 per acre-foot.

ORA POSITION:

ORA found AVR's estimate of leased water rights expense acceptable. The Parties used the same methodology and the same per acre-foot rate to calculate the Leased Water Rights expense.

RESOLUTION:

The Parties agree that the Leased Water Rights expense should be based on an estimate of total water production less the adjusted Free Production Allowance and the uncontested per acre-foot rates. ORA and AVR agree on Leased Water Right expense as set forth below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Leased Water Rights | \$963,849 | \$834,735 | \$29,215 | \$0 |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Leased Water Rights | \$1,007,055 | \$875,663 | \$131,392 | \$0 |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Leased Water Rights | \$1,044,620 | \$908,175 | \$136,445 | \$0 |

REFERENCES: AVR Exh. A-1, pp. 47-48; ORA Exh. 1, pp. 3-3 – 3-4. AVR Exh. A-31, p. 12; ORA Exh. O-9, p. 5

5.7 Chemicals**AVR WATER REQUEST:**

AVR requests chemicals expense of \$21,954 for Test Year 2015 based on the five-year average of recorded expense.

ORA POSITION:

ORA finds AVR's methodology to estimate chemicals reasonable. There are no methodological differences between ORA's and AVR's estimates of chemicals. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded information for 2013.

RESOLUTION:

Based on the agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2) ORA and AVR agree on chemicals, as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-----------|--------------|--------------|------------|------------|
| | | | | |
| Chemicals | \$ 21,954 | \$20,959 | \$995 | \$21,771 |

REFERENCES: AVR Exh. A-1 p 54; ORA Exh. O-1, p. 3-4.

5.8 Operations Other**AVR WATER REQUEST:**

AVR requests \$157,300 for Test Year 2015 for the expense category of Operations – Other based on the five-year average (2009 – 2013) of recorded expenses with the exception of the Groundskeeping-Pump Miscellaneous and Water Treatment Laboratory Costs sub-accounts, where AVR used specific expense estimates. For Groundskeeping-Pump Miscellaneous, AVR’s estimates were based on the recorded 2013 costs escalated to Test Year 2015 to reflect current activity levels. For water quality laboratory expense, AVR’s estimate is based on a three-year average of the required testing requirements for 2015, 2016 and 2017.

ORA POSITION:

ORA’s estimate is based on the five-year average of recorded expenses for all line items in this expense category.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR’s rebuttal testimony, the Parties agree to use AVR’s application amounts for Groundskeeping-Pump Miscellaneous and Water Treatment Laboratory Costs. The other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|----------------------------|-----------------|-----------------|------------|------------|
| Groundskeeping-Pump Misc. | \$6,103 | \$1,765 | \$4,338 | \$6,044 |
| Water Treatment Laboratory | \$54,847 | \$50,497 | \$3,990 | \$54,847 |
| Other | \$96,710 | \$106,731 | (\$10,021) | \$94,271 |
| Total Operations Other | \$157,300 | \$158,993 | (\$3,831) | \$155,162 |

REFERENCES: AVR Exh. A-1, p. 40; ORA Exh. O-1, pp. 3-2 – 3-3.

5.9 Customer Other (excluding conservation)

AVR WATER REQUEST:

AVR requests \$245,009 for Test Year 2015 for the expense category of Customer – Other based on the five-year average (2009 – 2013) of recorded expenses with the exception of the Customer-Billing & Related, Data Services, and Collection Agency sub-accounts, where AVR used specific expense estimates to reflect current activity levels.

ORA POSITION:

ORA's estimate is based on the five-year average of recorded expenses for all line items in this expense category.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use AVR's application amounts for Customer-Billing & Related, Data Services, and Collection Agency. The other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|----------------------------|-----------------|-----------------|------------|------------|
| Customer-Billing & Related | \$80,262 | \$67,636 | \$12,626 | \$79,482 |
| Data Services | \$1,306 | \$991 | \$315 | \$1,293 |
| Collection Agency | \$8,372 | \$6,337 | \$2,035 | \$8,291 |
| Other | \$155,069 | \$130,987 | \$24,082 | \$148,883 |
| Total Customers Other | \$245,009 | \$205,951 | \$39,058 | \$237,949 |

REFERENCES: AVR Exh. A-1, p. 40; ORA Exh. O-1, p. 3-5.

5.10 Uncollectibles**AVR WATER REQUEST:**

AVR's estimate is based on a five-year average of recorded uncollectible expense (2007 – 2012).

ORA POSITION:

ORA finds AVR's methodology reasonable and recommends that the Commission adopt AVR's estimated uncollectible percentage (0.48%). There are no methodological differences between the Parties' estimate of uncollectible expense. The original differences between AVR's and ORA's estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree to calculate the uncollectible expense consistent with the resolution of all issues (e.g., revenue, expense, utility plant).

REFERENCES: AVR Exh. A-1, p. 42; ORA Exh. O-1, p. 3-6.

5.11 Maintenance Other**AVR WATER REQUEST:**

AVR requests \$620,993 for Test Year 2015 for the expense category of Maintenance – Other based on the five-year average (2009 – 2013) of recorded expenses with the exception of the Paint/Coat-Pump Mt Str/Imp, Paint/Coat-T&D Mt Hydrants, and Other-T&D Mt. Meters, where AVR used specific expense estimates to reflect current activity levels.

ORA POSITION:

ORA's estimate is based on the five-year average of recorded expenses for all line items in this expense category and different escalation factors.

RESOLUTION:

The Parties agree to use AVR's application amounts for Paint/Coat-Pump Mt Str/Imp, Paint/Coat-T&D Mt Hydrants, and Other-T&D Mt. Meters. The other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------|-----------------|-----------------|------------|------------|
| Maintenance Other | \$620,993 | \$664,999 | \$44,006 | \$617,036 |

REFERENCE: AVR Exh. A-1, p. 41; ORA Exh. O-1, p. 3-5.

5.12 Depreciation Clearing**AVR WATER REQUEST:**

AVR requests \$264,177 for Test Year 2015 for depreciation clearing based on its proposed depreciation rates (Section 10.1) and projected balances of utility plant in service.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between the Parties' estimates. The original differences between AVR's and ORA's estimates resulted from different estimates of utility plant in service. With the resolution of utility plant in service (Section 9.0), there is no difference between the Parties' estimates.

RESOLUTION:

The Parties agree to the depreciation clearing expense, as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|------------------------|--------------|--------------|------------|------------|
| Depreciation Clearings | \$264,177 | \$239,800 | \$ 24,377 | \$241,905 |

REFERENCES: AVR Exh. A-1, Ch. VII, p. 108; ORA Exh. O-1, p. 3-5.

5.13 Clearings Other**AVR WATER REQUEST:**

AVR requests \$217,979 for Test Year 2015 for Clearings – Other based on its projected payroll costs and the five-year average (2009 – 2013) of recorded expenses.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between ORA and AVR. The original differences between ORA's and AVR's estimates resulted from different estimates of payroll and the use of recorded data from 2013.

RESOLUTION:

With the resolution on escalation factors (Section 5.2), expense estimating methodology (Section 5.1), and payroll (Section 5.3) the Parties agree Clearings Others, as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-----------------|--------------|--------------|------------|------------|
| Clearings Other | \$217,979 | \$207,612 | \$10,367 | \$206,287 |

REFERENCES: AVR Exh. A-1, p. 41; ORA Exh. O-1, pp. 3-5 – 3-6.

5.14 Payroll Clearings**AVR WATER REQUEST:**

AVR requests \$122,904 for Test Year 2015 for Payroll – Clearings based on its projected payroll costs.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between ORA and AVR. The original differences between ORA's and AVR's estimates resulted from different estimates of payroll.

RESOLUTION:

With the resolution on the payroll (Section 5.3) the Parties agree on Clearings Others, as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------|--------------|--------------|------------|------------|
| Payroll Clearings | \$122,904 | \$120,856 | \$2,048 | \$122,404 |

REFERENCES: AVR Exh. A-1, p. 41; ORA Exh. O-1, p. 4-7.

6.0 ADMINISTRATIVE AND GENERAL**6.1 Payroll****AVR WATER REQUEST:**

The contested issues are the same as identified in Section 5.3 above (O&M Payroll). The PTO, Holiday, etc. portions of those employee's payroll is included in A&G payroll. The Parties agreement on A&G payroll is based upon the reasons provided in Section 5.3.

RESOLUTION:

The resolution is the same as identified and explained in Section 5.3. ORA and AVR agree on payroll as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------|--------------|--------------|------------|-------------|
| A & G Payroll | \$1,616,364 | \$1,590,294 | \$26,070 | \$1,609,905 |

REFERENCES: AVR Exh. A-1, pp. 35-39; ORA Exh. O-1, pp. 4-1 – 4-7.

6.2 PBOP

AVR/PARK WATER REQUEST:

AVR requests \$41,547 in Post-retirement Health and Life Benefits (PBOP) for Test Year 2015 based on the allowable tax deductible contributions to the VEBA and 401(h) plans according to the actuarial valuation of AVR's Post-retirement Benefits by its outside actuary. For plan year 2014, AVR has modified the PBOP plan such that the benefit offered to retirees 65 and over will be limited to a Medical Reimbursement Account. The same methodology was used to calculate Park's General Office estimate of \$52,732 for Test Year 2015.

ORA POSITION:

ORA finds AVR's methodology to estimate PBOP acceptable. ORA's estimate reflects corrections to AVR's application request for the key employee component of PBOP provided by AVR in response to discovery requests. ORA recommends \$35,597 for AVR and \$61,301 for Park's General Office.

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use the amounts in ORA's testimony as shown in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------|--------------|--------------|------------|------------|
| PBOP – AVR | \$41,547 | \$35,597 | \$5,950 | \$35,597 |
| PBOP – Park | \$52,732 | \$61,301 | (\$8,569) | \$61,301 |

REFERENCES: AVR Exh A.-1, pp. 51, AVR Exh. A-2,-8, pp. 5-13; ORA Exh.-1, pp. 5-3 – 5-4.

6.3 Medical Insurance

AVR/PARK WATER REQUEST:

AVR requests \$605,868 for Test Year 2015 in Medical insurance premiums based on the projected premiums to be in effect as of January 1, 2014, projected premium increase of 7.25%

for 2015 and the projected payroll for the Test Year. The increase in premium for 2015 is based on the projected increase in medical costs used by AVR's outside actuaries for calculation of AVR's Postretirement Health and Life Benefits 2013 Actuarial Valuation. The same methodology was used to calculate Park's General Office estimate of \$428,136 for Test Year 2015.

ORA POSITION:

ORA recommends \$596,220 in Medical Insurance for AVR and \$421,440 for Park's General Office for Test Year 2015 based on the actual premiums in effect as of January 1, 2014, and escalated that amount using a 5.5% inflation factor from the March 2014 Global Insight U.S. Economic Outlook (Health Insurance Benefits).

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use the amounts below using the agreed to escalation factor of 7.25%.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|--------------------------|--------------|--------------|------------|------------|
| | | | | |
| Medical Insurance - AVR | \$605,868 | \$596,220 | \$12,648 | \$605,964 |
| Medical Insurance - Park | \$428,136 | \$421,440 | \$6,696 | \$428,304 |

REFERENCES: AVR Exh. A-1, pp. 50, AVR Exh. A-2-8, pp. 5-13; ORA Exh.-1, p. 5-4.

6.4 Dental Insurance

AVR/PARK WATER REQUEST:

AVR requests \$47,796 for Test Year 2015 in Dental insurance premiums based on the projected premiums to be in effect as of January 1, 2014, projected premium increase of 5.0% for 2015 and the projected payroll for the Test Year. The increase in premium for 2015 is based on the projected increase in dental costs used by AVR's outside actuaries for calculation of AVR's Postretirement Health and Life Benefits 2013 Actuarial Valuation. The same methodology was used to calculate Park's General Office estimate of \$29,916 for Test Year 2015.

ORA POSITION:

ORA finds the methodology used by AVR to calculate the Dental Insurance reasonable.

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use the amounts below based on ORA's estimates.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------------|--------------|--------------|------------|------------|
| Dental Insurance - AVR | \$47,796 | \$46,332 | \$1,464 | \$46,332 |
| Dental Insurance - Park | \$29,916 | \$28,908 | \$1,008 | \$28,908 |

REFERENCES: AVR Exh. A-1, p. 50, AVR Exh. A-11, pp. 8-3 - 5; ORA Exh.-1, p. 5-4.

6.5 401(K) Plan**AVR/PARK WATER REQUEST:**

AVR requests \$79,261 for Test Year 2015 based on the actual employee's elections to be in effect on January 1, 2014 and the projected payroll for Test Year 2015. The same methodology was used to calculate Park's General Office estimate of \$134,672 for Test Year 2015.

ORA POSITION:

ORA recommends \$69,720 in 401(K) expense for AVR and \$113,421 for Park in Test Year 2015 based on the five-year (2009 – 2013) average of recorded expenses.

RESOLUTION:

As a result of further discussions and settlement negotiations, the Parties agree to recalculate the test year expense using the methodology contained in AVR's application, using AVR's estimated participation levels and incorporating the stipulated payroll.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------|--------------|--------------|------------|------------|
| | | | | |
| 401(K) - AVR | \$79,261 | \$69,720 | \$9,541 | \$78,927 |
| 401(K) – Park | \$134,672 | \$113,421 | \$20,691 | \$134,112 |

REFERENCES: AVR Exh. A-1, pp. 51, AVR Exh. A-11, pp. 5-6; ORA Exh.-1, pp. 5-4 – 5-5.

6.6 EAP/Wellness Program**AVR/PARK WATER REQUEST:**

AVR requests \$22,269 for Test Year 2015 based on its budgeted amount for its new Wellness program. The same methodology was used to calculate Park’s General Office estimate of \$11,495 for Test Year 2015.

ORA POSITION:

ORA recommends \$5,351 in EAP/Wellness expense for AVR and \$4,224 for Park based on the five-year (2009 – 2013) recorded average of expenses.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR’s rebuttal testimony, the Parties agree to the amounts in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------|--------------|--------------|------------|------------|
| | | | | |
| EAP/Wellness - AVR | \$22,269 | \$5,351 | \$16,918 | \$10,702 |
| EAP/Wellness - Park | \$11,495 | \$4,224 | \$7,271 | \$8,448 |

REFERENCES: AVR Exh. A-2, pp. 10-11 AVR Exh. A-19, pp. 5-9; ORA Exh.-1, pp. 5-5 – 5-6.

6.7 Defined Contribution 401(A) Plan**AVR/PARK WATER REQUEST:**

AVR requests \$77,276 for Test Year 2015 for the defined contribution 401(A) plan based on the number of employees eligible for the plan, the projected cost per employee, and the projected increase of 3% for both 2014 and Test Year 2015. The same methodology was used to calculate Park's General Office estimate of \$51,517 for Test Year 2015.

ORA POSITION:

ORA recommends \$56,632 in 401 (A) expense for AVR and \$29,745 for Park based on the five-year (2009 – 2013) recorded average of expenses.

RESOLUTION:

After further discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to recalculate the test year expense using the methodology contained in AVR's application incorporating the stipulated payroll expense.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------|-----------------|-----------------|------------|------------|
| 401(A) – AVR | \$77,276 | \$56,632 | \$20,644 | \$76,789 |
| 401(A) – Park | \$51,517 | \$29,745 | \$21,772 | \$51,193 |

REFERENCES: AVR Exh. A-1, p. 51, AVR Exh. A-11, pp. 7-8; ORA Exh. O-1, p. 5-6.

6.8 Irrigation Net Benefits Adjustment**AVR WATER REQUEST:**

AVR requests \$2,063 for Test Year 2015 of Irrigation Net Benefits Adjustment based on the projected payroll and applicable payroll burden rate for the Irrigation system.

ORA POSITION:

ORA finds AVR's methodology to estimate the Irrigation Net Benefits Adjustment acceptable.

There are no methodological differences between ORA and AVR.

RESOLUTION:

With the resolution of payroll (Section 5.3), the Parties agree to the Irrigation Net Benefits Adjustment as shown below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------------|-----------------|-----------------|------------|------------|
| | | | | |
| Net Benefits Adjustment | \$2,063 | \$2,030 | \$33 | \$2,056 |

REFERENCES: AVR Exh. A-1, p. 49; ORA Exh.-1, p. 5-6.

6.9 Insurance

AVR WATER REQUEST:

AVR requests \$662,982 for Test Year 2015 in total insurance expense based on the projected premiums and projected payroll for the test year.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between ORA and AVR. The original differences between ORA and AVR are due to differences in the estimates of payroll. With the resolution of payroll (Section 5.3) there are no longer any differences in the Parties' position.

RESOLUTION:

Based on settlement discussions and review of AVR's rebuttal testimony, the Parties agree to use AVR's application amounts, adjusted to reflect the settlement on payroll, except that the expense category of Workers' Compensation Insurance will be recalculated using a 10% increase in premium.

Test Year 2013

| | AVR Original | ORA Original | Difference | Settlement |
|-----------|-----------------|-----------------|------------|------------|
| Insurance | \$662,982 | \$644,088 | \$18,894 | \$662,407 |

REFERENCES: AVR Exh. A-1, pp. 49-50, AVR Exh. A-11, pp. 2-3; ORA Exh. O-1, p. 3-11.

6.10 Uninsured Property Damage**AVR WATER REQUEST:**

AVR requests \$8,785 based on the five-year (2009 – 2013) average of recorded expenses.

ORA POSITION:

ORA found AVR's methodology for estimating uninsured property damage expense to be reasonable. There are no methodological differences between the Parties except that ORA used the updated recorded information for 2013.

RESOLUTION:

As a result of the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2), the Parties agree on the uninsured property damage expense as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------------|-----------------|-----------------|------------|------------|
| | | | | |
| Uninsured Property Damage | \$ 8,785 | \$8,717 | \$ 68 | \$8,766 |

6.11 Regulatory Commission Expense**AVR WATER REQUEST:**

AVR requests total regulatory commission expense of \$486,911 amortized over three years, resulting in an annual expense of \$162,304. AVR's estimate of regulatory commission expense

is based on the actual recorded costs of AVR's prior general rate case (Test Year 2012) and one-third of the total costs incurred in the current base year 2013 cost of capital proceeding (D.13-05-027), escalated to current-year dollars. In addition, Park projects \$16,500 of customer notices associated with the low-income data sharing program, \$50,796 for the Asset Management Report associated with main replacements, \$8,765 for WRAM and Sales Adjustment Mechanism testimony and \$15,187 for a total compensation study required by D.12-09-004.

ORA POSITION:

ORA found AVR's methodology for estimating regulatory commission expense to be reasonable except that ORA disallowed the outside consulting costs associated with the WRAM and Sales Adjustment Mechanism, Asset Management Report for main replacements, and the Total Compensation Study.

RESOLUTION:

As a result of additional discussions, settlement negotiations and review of AVR's rebuttal testimony, the Parties agree to recalculate the test year expense using the methodology contained in AVR's application. The Parties agree to the regulatory commission expense as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------------------|-----------------|-----------------|------------|------------|
| | | | | |
| Regulatory Commission Expense | \$162,304 | \$131,341 | \$30,963 | \$159,307 |

REFERENCES: AVR Exh. A-1 p. 52, AVR Exh. A-16, pp. 3-6; ORA Exh. O-1, p. 3-12.

6.12 Franchise Requirements

AVR WATER REQUEST:

AVR's estimate is based on a five-year average of recorded franchise expense (2007 – 2012).

ORA POSITION:

ORA finds AVR's methodology reasonable and recommends that the Commission adopt AVR's estimated franchise requirements (0.97%). There are no methodological differences between the Parties' estimate of franchise expense. The original differences between AVR's and ORA's estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree to calculate the franchise requirements consistent with the resolution of all issues (e.g., revenue, expense, utility plant).

REFERENCES: AVR Exh. A-1, p. 53; ORA Exh. O-1, p. 3-13.

6.13 Outside Services**AVR WATER REQUEST:**

AVR requests \$261,181 for Test Year 2015 for outside – services based on a five-year average of recorded expenses (2009 – 2013) except for the sub-accounts of Safety Consulting and Other General Consulting where specific estimates were added to the five-year average of recorded expenses. For Safety Consulting, AVR requests to conduct an Arc Flash Hazard Assessment, a Vulnerability/Mitigation Study for natural disasters, and a Water Supply Evaluation. For Other General Consulting, AVR requests to utilize Public Relations consultants for the development of customer messaging and also proposed to conduct a 360 Leadership Feedback review for its supervisors and managers to improve performance.

ORA POSITION:

ORA recommends \$230,307 for Test Year 2015 based on the five-year average of recorded expenses (2009 – 2013), with the exception of the expense category of Insurance consulting that was based on the two-year average of recorded expenses (2012 – 2013) and the removal of studies and assessments requested by AVR. ORA disallows the Arc Flash Hazard Assessment, the Vulnerability/Mitigation Study, and the Water Supply Evaluation portions from Safety Consulting and the Public Relations Consulting and 360 degree leadership Feedback from the Other General Consulting.

RESOLUTION:

After further discussions, settlement negotiations and review of AVR's rebuttal testimony, the Parties agree to include AVR's application amount for Safety Consulting with the exception of Water Supply Evaluation (\$7,000), which AVR agrees with ORA's recommendation to remove. For Other General Consulting, AVR agrees with ORA's recommendation to remove the outside services cost associated Public Relations Consulting (\$3,500) and 360 Leadership Feedback (\$12,000). The Parties agree on the outside services expense as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------|-----------------|-----------------|------------|------------|
| Audit/ Income Tax | \$86,820 | \$85,833 | \$987 | \$85,893 |
| Legal | \$49,942 | \$47,707 | \$2,235 | \$47,983 |
| Safety | \$15,667 | \$0 | \$15,667 | \$13,333 |
| Water Quality | \$4,365 | \$2,468 | \$1,897 | \$2,482 |
| Benefits | \$2,102 | \$2,012 | \$0 | \$2,024 |
| Insurance | \$46,972 | \$46,383 | \$589 | \$46,470 |
| Other General | \$55,313 | \$45,903 | \$9,410 | \$46,168 |
| Total | \$261,181 | \$230,307 | \$30,874 | \$244,353 |

REFERENCES: AVR Exh. A-1, pp. 51-52, AVR Exh A.-12, pp. 12-13, AVR Exh. A-19, pp. 2-4, AVR Exh. A-9, pp 4-7; ORA Exh. O-1, pp. 3-13 – 3-15.

6.14 A&G Other**AVR WATER REQUEST:**

AVR requests \$514,452 for Test Year 2015 for the expense category of A&G Other. AVR's estimate is based on five-year average of recorded expenses (2009 – 2013) except for Temporary Labor, Leased Lines, Travel, Lodging and Miscellaneous, Meals and Entertainment, Registration, Other Administrative General, Company Membership, Emergency Preparedness Supplies, and the Corporate A&G Allocation where AVR used budgeted amounts to reflect current activity levels.

ORA POSITION:

ORA's estimate of \$451,471 is based on a five-year average of recorded expense (2009 – 2013) using the updated recorded information for 2013 with the exception of Temporary Labor and Leased Lines where ORA accepts AVR's specific expense estimates. ORA recommends disallowance of the cellular expense of \$2,802 associated with AVR changing carriers from Nextel to Verizon in 2012. ORA recommends disallowance of the company membership of \$4,271 associated with Apple Valley Chamber of Commerce, Costco, High Desert Employer Advisory Council, and the Climate Action Registry. ORA recommends the disallowance of \$25,000 associated with the ESRI Enterprise Advantage Program. ORA recommends disallowance of \$1,498 associated with the Emergency Preparedness Supplies.

ORA finds Park's methodology for the Corporate A&G allocation reasonable. There are no methodological differences between AVR's and ORA's estimates. The original differences between AVR's and ORA's estimates resulted from different estimates of payroll. With the resolution of the payroll there is no longer any difference between the Parties' positions.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to the amounts shown in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------|--------------|--------------|------------|------------|
| Nextel | \$2,886 | \$0 | \$2,886 | \$2,835 |
| Travel | \$24,280 | \$18,280 | \$6,000 | \$23,455 |
| Meals | \$20,801 | \$14,401 | \$6,400 | \$17,842 |
| Registration | \$22,297 | \$19,715 | \$2,582 | \$20,846 |
| Other Admin General | \$69,831 | \$36,755 | \$33,076 | \$65,169 |
| Company Membership | \$61,477 | \$57,206 | \$4,271 | \$57,179 |
| Emergency Kits | \$1,504 | \$0 | \$1,504 | \$1,489 |
| A&G Allocation | \$41,970 | \$41,302 | \$ 668 | \$ 41,827 |

| | AVR Original | ORA Original | Difference | Settlement |
|-------|--------------|--------------|------------|------------|
| Other | 269,406 | 263,812 | 5,594 | \$265,371 |
| Total | \$514,452 | \$451,471 | \$62,981 | \$496,013 |

REFERENCES: AVR Exh. A-1, pp. 52-53, AVR Exh. A-12, pp. 13-17; ORA Exh. O-1, pp. 3-15 – 3-18.

6.15 A&G Transferred

AVR WATER REQUEST:

AVR requests (\$637,345) for Test Year 2015 for the A&G transferred credit based on in its proposed capital expenditures.

ORA POSITION:

ORA accepts the methodology used by AVR in its application. There are no methodological differences between ORA and AVR. The original differences between AVR's and ORA's estimates resulted from different estimates of capital expenditures.

RESOLUTION:

The Parties agree to the amounts shown in the below table incorporating the adopted plant additions as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|------------------------|--------------|--------------|-------------|--------------------|
| | | | | |
| A&G Transferred Credit | (\$637,345) | (\$184,846) | (\$452,499) | (\$357,202) |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|------------------------|--------------|--------------|-------------|--------------------|
| | | | | |
| A&G Transferred Credit | (\$675,196) | (\$184,121) | (\$491,075) | (\$383,602) |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Amended Settlement |
|------------------------|--------------|--------------|-------------|--------------------|
| | | | | |
| A&G Transferred Credit | (\$713,048) | (\$183,397) | (\$529,651) | (\$410,002) |

REFERENCES: AVR Exh A.-1, Ch. IV, Table IV-B; ORA Exh. O-1, p. 3-18.

6.16 Rents**AVR WATER REQUEST:**

AVR requests \$17,281 for Test Year 2015 for rents based on the five-year average of recorded expense.

ORA POSITION:

ORA finds AVR's methodology to estimate rents reasonable. There are no methodological differences between ORA's and AVR's estimates of rents. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded information for 2013.

RESOLUTION:

Based on the agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2) ORA and AVR agree on rents as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------|--------------|--------------|------------|------------|
| | | | | |
| Rents | \$17,281 | \$16,711 | \$570 | \$16,809 |

REFERENCES: AVR Exh. A-1, p. 49; ORA Exh. O-1, p. 3-18.

6.17 Depreciation Expense**AVR WATER REQUEST:**

AVR's estimate of depreciation expense for Test Year 2015 is based on its proposed depreciation rates and capital expenditures.

ORA POSITION:

ORA accepts AVR's proposed depreciation rates in its Application. There are no methodological differences between AVR and ORA. The original differences between AVR's and ORA's estimates of depreciation expense resulted from different estimates of utility plant in service.

RESOLUTION:

The Parties agree to calculate depreciation expense incorporating the adopting plant additions as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|----------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Depreciation Expense | \$3,222,134 | \$3,001,600 | \$220,534 | \$3,158,559 |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|----------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Depreciation Expense | \$3,573,499 | \$3,096,979 | \$476,520 | \$3,355,226 |

REFERENCES: AVR Exh. A-1, Ch. VII, p. 105; ORA Exh. O-1, Appendix A-20.

7.0 TAXES OTHER THAN INCOME**7.1 Ad Valorem Taxes****AVR WATER REQUEST:**

AVR's estimates of ad valorem taxes are based on the methodology used by the San Bernardino County Tax Assessor's Office.

ORA POSITION:

ORA accepts AVR's methodology for estimating ad valorem taxes. The original differences between AVR's and ORA's estimates resulted from differences in estimates of utility plant in service. With the settlement agreement on utility plant in service there is no longer any difference in the Parties' positions.

RESOLUTION:

The Parties agree to estimates of the ad valorem tax as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Ad Valorem Taxes | \$573,538 | \$570,700 | \$2,838 | \$578,256 |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Ad Valorem Taxes | \$674,453 | \$586,300 | \$88,153 | \$633,594 |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Amended Settlement |
|------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Ad Valorem Taxes | \$809,053 | \$601,900 | \$207,153 | \$688,933 |

REFERENCES: AVR Exh. A-1, p. 60, AVR Exh. A-2, p. 8; ORA Exh. O-1, p. 6-2.

7.2 Payroll Taxes**AVR WATER REQUEST:**

AVR requests \$255,673 for Test Year 2015 for payroll taxes based on AVR's projections of payroll tax rates and limits.

ORA POSITION:

ORA accepts AVR's methodology. The original differences between AVR's and ORA's estimates resulted from the differences in the estimates of payroll, and a calculation error in ORA's schedule.

RESOLUTION:

With the settlement on payroll (Section 5.3) there is no longer any difference in the Parties' positions. ORA and AVR agree to the estimates of payroll taxes as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------|--------------|--------------|------------|------------|
| | | | | |
| Payroll Taxes | \$255,673 | \$ 264,600 | \$68,927 | \$254,736 |

REFERENCES: AVR Exh. A-1, p. 60, AVR Exh. A-12, p. 18; ORA Exh. O-1, pp. 6-1 – 6-2.

8.0 INCOME TAXES**8.1 Tax Depreciation****AVR WATER REQUEST:**

AVR estimates Federal Tax Depreciation of \$3,301,715 and State Tax Depreciation of \$3,368,641 for Test Year 2015 based on AVR's actual ratemaking depreciation methodology and AVR's proposed plant additions.

ORA POSITION:

ORA accepts the methodology proposed by AVR in its application. There are no methodological differences between ORA's and AVR's estimates of the ratemaking tax depreciation deduction. The original differences between ORA's and AVR's estimates result from the different estimates of plant additions and corrections to ORA's schedule.

RESOLUTION:

The Parties agree that tax depreciation should be calculated using the methodology used in AVR and ORA's estimates consistent with the adopted utility plant as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Amended Settlement |
|--------------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Federal Tax Depreciation | \$3,301,715 | \$3,261,100 | \$56,592 | \$3,398,090 |
| State Tax Depreciation | \$3,368,641 | \$3,186,500 | \$9,843 | \$3,271,958 |

Test Year 2016

| | AVR Original | ORA Original | Difference | Amended Settlement |
|--------------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Federal Tax Depreciation | \$3,767,375 | \$3,326,262 | \$441,113 | \$3,531,468 |
| State Tax Depreciation | \$3,727,058 | \$3,286,996 | \$440,062 | \$3,451,050 |

REFERENCES: AVR Exh. A-1, pp. 122-123; ORA Exh. O-1, Appendix A-17.

8.2 Interest Expense Deduction

AVR WATER REQUEST:

AVR estimates the interest expense deduction of \$2,052,076 for Test Year 2015 based on AVR's authorized weighted cost of long-term debt multiplied by the projected rate base for the test year.

ORA POSITION:

ORA finds AVR's methodology reasonable. There are no methodological differences between the Parties' estimates of the interest expense deduction. The original differences between ORA's and AVR's estimates result from different estimates of rate base.

RESOLUTION:

The Parties agree that the interest expense deduction should be calculated using the methodology used in AVR's and ORA's estimates consistent with the adopted rate base as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|------------------|--------------|--------------|------------|-------------|
| Interest Expense | \$2,052,076 | \$1,747,600 | \$304,476 | \$1,906,916 |

Escalation Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|------------------|--------------|--------------|------------|-------------|
| | | | | |
| Interest Expense | \$2,436,576 | \$1,835,500 | \$601,076 | \$2,080,432 |

Escalation Year 2017

| | AVR Original | ORA Original | Difference | Settlement |
|------------------|--------------|--------------|------------|-------------|
| | | | | |
| Interest Expense | \$2,821,047 | \$1,923,484 | \$897,563 | \$2,253,918 |

REFERENCES: AVR Exh. A-1, p. 123; ORA Exh. O-1, Appendix A-16.

8.3 Qualified Production Activities Deduction**AVR WATER REQUEST:**

AVR estimates the Qualified Production Activities Deduction based on the methodology prescribed by Internal Revenue Code Section 199.

ORA POSITION:

ORA accepts the methodology used by AVR in its Application. The original differences between AVR's and ORA's estimates resulted from the differences in estimates of revenue requirements.

RESOLUTION:

The Parties agree to calculate this income tax deduction based upon the methodology used for preparing AVR's most recent federal tax return (including percentages to determine applicable revenues and deductions). The Parties agree that the QPD tax deduction should be estimated by

taking 9% of the production-related portion (37.81%) of AVR's Federal Taxable Income ((Fed. Taxable Income) x .3781 x .09).

REFERENCES: AVR Exh. A-1, p. 123; ORA Exh. O-1, p. 7-5

8.4 ORA Recommendation on American Taxpayer Relief Act of 2012

ORA RECOMMENDATION:

ORA recommends that the effects of the American Taxpayer Relief Act of 2012 (2012 ATRA) related to Bonus Depreciation be incorporated into the computation of regulated taxable income and deferred taxes for the years 2012-2015 and that any revenue requirement impact of the Bonus depreciation in 2013 be captured in the Tax Memorandum Account established by Resolution L-411A. ORA states that it understands that AVR does not oppose this methodology.

AVR WATER POSITION:

AVR opposes this methodology because AVR has not elected to take Bonus Depreciation for 2013 pursuant to 2012 ATRA, so there are no impacts to be incorporated, and the language in 2012 ATRA clarifies that it is a violation of the IRS normalization rules for a regulatory agency to impute bonus depreciation for ratemaking purposes when a utility has elected not to take it. AVR also disagrees that impacts of the 2012 ATRA should be tracked in the memorandum account established by Resolution L-411A because that memorandum account was specifically established to track the impacts of the 2010 Tax Act.

RESOLUTION:

ORA concurs that the inclusion of this recommendation in its final report for AVR was inadvertent and unintended.

REFERENCES: ORA Exh. O-1, p. 7-2; AVR Exh. A-16, p. 12.

9.0 UTILITY PLANT IN SERVICE

9.1 Capital Budgets

AVR WATER REQUEST:

AVR requested total capital budgets of \$7,864,013 for 2014, \$13,397,801 for 2015, and \$14,129,120 for 2016.

ORA POSITION:

ORA recommended capital budgets of \$4,319,405 for 2014, \$3,895,335 for 2015, and \$3,816,548 for 2016.

RESOLUTION:

ORA and AVR have resolved their differences regarding plant additions for 2014, 2015, and 2016. ORA and AVR agree to a capital budget of \$7,685,201 for 2014, \$8,597,801 for 2015, and \$8,852,335 for 2016 as described in more detail below.

REFERENCES: AVR Exh. A-1, p. 63; ORA Exh. O-1, p. 8-3.

9.2 New Well #35**AVR REQUEST:**

AVR requests \$1,102,546 in 2015 and \$1,102,546 in 2016 to construct a new well. The necessity for a new well to meet water system demands was documented in the AVR Technical Report 2013 Update—Analysis of Source and Storage Capacity AVR, Exhibit A-20. The report includes documentation of demands and their variations in the past, estimates of future demands, pumping capacities, well down times, and issues associated with the aging wells in the water system and concludes that a new well is required for the Main Pressure Zone prior to summer of 2016.

ORA POSITION:

ORA recommends that AVR defer the construction of this well because customer usage has been declining in recent years due to conservation and economic conditions.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, ORA and AVR agree to AVR's proposal to construct a new well. The construction of this well will

allow AVR to be less dependent on older wells, which are less efficient. AVR estimates annual energy savings of approximately \$24,000 (or 160,000 kwhrs) once Well #35 goes into production. Savings in energy costs due to increased efficiency will be captured in AVR's MCBA. The Parties agree on the costs as set forth in the table below.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|----------|-----------------|-----------------|-------------|-------------|
| Well #35 | \$1,102,546 | \$0 | \$1,102,546 | \$1,102,546 |

Test Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|----------|-----------------|-----------------|-------------|-------------|
| Well #35 | \$1,102,546 | \$0 | \$1,102,546 | \$1,102,546 |

REFERENCES: AVR Exh. A-1, pp. 87-88, AVR Exh. A-18, pp. 2-6, AVR Exh. A-20; ORA Exh. 1, pp. 8-3 – 8-12.

9.3 Storage Tank Bell Mountain Pressure Zone

AVR REQUEST:

AVR requests \$2,300,000 for a new 1.5 million gallon tank at the Bell Mountain tank site in 2015. The project was proposed to solve existing operational issues, seismic concerns over the existing tank, and improve both fire flow capabilities and water quality as discussed in AVR Exhibit A-22, North Apple Valley Water System Improvement Plan (Improvement Plan)..

ORA POSITION:

ORA recommends disallowance of the Storage Tank for the Bell Mountain Pressure Zone because the operational issues identified by AVR's Improvement Plan do not warrant the construction of a new reservoir.

RESOLUTION:

After further discussions and settlement negotiations, AVR agrees to defer construction of the storage tank.

Test Year 2015

| Tank Bell Mountain | AVR Original | ORA Original | Difference | Settlement |
|--------------------|-----------------|-----------------|-------------|------------|
| Total | \$2,300,000 | \$0 | \$2,300,000 | \$0 |

REFERENCES: AVR Exh. A-1, pp. 80-81, AVR Exh. A-18, pp. 6-10; ORA Exh. 1, pp. 8-12 – 8-19

9.4 Storage Tank Stoddard Pressure Zone**AVR REQUEST:**

AVR requests \$2,300,000 for new 1.5 million gallon tank at the Stoddard tank site in 2016. The project was proposed to solve seismic concerns and fire flow capacity with the existing tank and to add greater system reliability in the Stoddard Zone as discussed in AVR Exhibit A-22, North Apple Valley Water System Improvement Plan.

ORA POSITION:

ORA recommends disallowance of the Storage Tank for the Bell Mountain Pressure Zone because the operational issues identified in AVR's Improvement Plan do not warrant the construction of a new reservoir.

RESOLUTION:

After further discussions and settlement negotiations, AVR agrees to defer the construction of the storage tank.

Test Year 2016

| | AVR | ORA | | |
|---------------|-------------|----------|-------------|------------|
| Tank Stoddard | Original | Original | Difference | Settlement |
| Total | \$2,300,000 | \$0 | \$2,300,000 | \$0 |

REFERENCES: AVR Exh. A-1, pp. 80- 81, AVR Exh. A-18, pp. 6 – 11, AVR Exh. A-23; ORA Exh. O-1, pp. 8-19 – 8-25.

9.5 New Office Building**AVR REQUEST:**

AVR requests \$225,890 in 2014, \$2,000,000 in 2015, and \$1,821,753 in 2016 to construct a new office building to expand employee office space, meeting room space, and training space to meet the needs of providing service to its customers.

ORA POSITION:

ORA recommends disallowance of the costs of the new office building including the associated costs of new office furniture and equipment because AVR failed to explore other alternatives for obtaining the additional office space for its employees and perform the necessary cost benefit analyses to justify the construction of a new office building at the existing location.

RESOLUTION:

As a result of further discussions and settlement negotiations, ORA and AVR agree that AVR will withdraw its request for a new office building from this proceeding, without prejudice. The Parties agree that AVR be permitted to file a separate application for the new Office Building project to include the costs of office furniture and equipment for a determination by the Commission of the necessity of building a new building (as opposed to leasing additional office space) with the necessary showing and request that, upon such determination the Commission authorize AVR, after completion of such construction, to file a rate base offset advice letter.

Year 2014

| | AVR | ORA | | |
|---------------------|-----------|----------|------------|------------|
| New Office Building | Original | Original | Difference | Settlement |
| Total | \$225,890 | \$0 | \$225,890 | \$0 |

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------|-----------------|-----------------|-------------|------------|
| New Office Building | | | | |
| Total | \$2,000,000 | \$0 | \$2,000,000 | \$0 |

Test Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------|-----------------|-----------------|-------------|------------|
| New Office Building | | | | |
| Total | \$1,821,753 | \$0 | \$1,821,753 | \$0 |

REFERENCES: AVR Exh A.-1, pp. 94 - 95, AVR Exh. A-9, pp. 7-13; ORA Exh. O-1, pp. 8-25 – 8-30.

9.6 Main Replacement Program**AVR REQUEST:**

AVR requests \$4,985,153 for main replacements in 2014, \$5,791,591 in 2015, and \$6,007,083 in 2016. AVR also requests \$200,000 per year in 2014, 2015, and 2016 for emergency main replacements. AVR's requested replacement of existing aged and undersize mains are based on the needs for transmission and maintaining a reliable water distribution system discussed in the Asset Management Study for Water Mains Report (KANEW analysis), AVR Exhibit A-21 and the Water Transmission Main Study, AVR Exhibit A-23. AVR's main replacement program also takes into consideration the need for improved fire flow capacity, improved fire hydrant spacing, improved water quality and work by others such as road construction.

ORA POSITION:

ORA disagrees with AVR's estimates of main replacements because the data provided by AVR does not substantiate such an aggressive main replacement program. ORA recommends \$1,689,314 in 2014, \$1,729,013 in 2015, and \$1,769,645 in 2016. ORA's estimates are based on a five-year average of recorded expenditures (2009 – 2013) escalated to the test year.

ORIGINAL RESOLUTION:

As a result of further discussions, settlement negotiations, and review of AVR's rebuttal

testimony, ORA and AVR agree to main replacement program in this GRC of \$4,985,153 in 2014, \$5,291,591 in 2015, and \$5,507,083 in 2016. This budget will allow AVR to replace the problematic steel mains which have a higher rate of leak than mains of other materials with the benefits of minimizing liability, property damage, customer complaints, and unaccounted for water; and will allow AVR to improve transmission capacity to minimize pumping costs, meet peak demands and provide adequate fire flow capacity.

Year 2014

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------|-----------------|-----------------|-------------|-------------|
| Main Replacements | \$4,985,153 | \$1,689,314 | \$3,295,839 | \$4,985,153 |

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------|-----------------|-----------------|-------------|-------------|
| Main Replacements | \$5,791,591 | \$1,729,013 | \$4,062,578 | \$5,291,591 |

Test Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|-------------------|-----------------|-----------------|-------------|-------------|
| Main Replacements | \$6,007,083 | \$1,769,645 | \$4,237,438 | \$5,507,083 |

REFERENCES: AVR Exh. A-1, pp. 63-80, Exh. A-18, pp. 11-15, AVR Exh. A-21, AVR Exh. A-23; ORA Exh.O-1, pp. 8-30 – 8-40.

REVISED SETTLEMENT ON MAIN REPLACEMENTS

ORA and AVR (the “Parties”), while continuing to believe their original settlement to be reasonable, propose this alternate revised settlement on the issue of AVR’s Main Replacements to address the concerns in the PD regarding rate impact and the balancing of competing interests.

The Parties do not believe that setting the capital expenditures for main replacements over the test period at the average of the 2012-2013 level – resulting in a decrease in expenditures (in real dollars) – is the appropriate balance between rate impact and the need to replace aging and undersized mains. The Parties believe that maintenance of infrastructure

reliability requires some increase from actual expenditures in 2013 for AVR to make progress in reducing the leaks in its system in a timely manner. The Parties therefore propose that the Commission adopt capital expenditures for main replacements for this test period in the amounts of \$3,637,248 for 2014, \$4,095,036 for 2015, and \$4,610,396 for 2016.¹ The Parties estimate that this will allow for the replacement of approximately 3.45 miles, 3.79 miles, and 4.17 miles of pipelines in 2014-2016 respectively.²

| Year | AVR Original | ORA Original | Original Settlement | Proposed Decision | Rev. Settlement | Rev. Settlement Approx. Miles |
|------|-----------------|-----------------|------------------------|----------------------|--------------------|----------------------------------|
| 2014 | \$4,985,153 | \$1,689,314 | \$4,985,153 | \$3,057,846 | \$3,637,248 | 3.45 miles |
| 2015 | \$5,791,591 | \$1,729,013 | \$5,291,591 | \$3,129,705 | \$4,095,036 | 3.79 miles |
| 2016 | \$6,007,083 | \$1,769,645 | \$5,507,083 | \$3,203,253 | \$4,610,396 | 4.17 miles |

The Parties believe that this more gradual increase in pipeline replacement rate addresses the Commission's desire to moderate the rate impact, while still providing an increase in main replacements to address the high level of leaks and other replacement needs in AVR's system.

BASIS FOR REVISED SETTLEMENT

In agreeing to the foregoing revised settlement, the Parties reviewed and considered the full evidentiary record in this Proceeding, including the following facts and considerations:

A. Asset Management Study on Mains ("AM Study")

1. The issues initially noted in ORA's Report regarding the AM Study were addressed in AVR's Rebuttal Testimony:

- a. The PD (page 15) references an erroneous statement from ORA's Report. ORA's testimony stated that it appeared that the AM Study used service lives for Plastic and Steel pipelines taken from the average figures for the Southern part of

^{1/} Specific expenditures are not adopted for 2017 under the Rate Case Plan since the rate base for 2017 is determined by the attrition-year procedure.

^{2/} These estimates are derived by dividing the proposed expenditures for each of the estimated years by a cost per mile based on the normalized 5-year average (2009-2013) of historic main replacement cost per mile, normalized to that estimated year, using the Engineering News Record Construction Cost Index.

the United States from the AWWA Buried No Longer (“BNL”) Report.³ The AM Study, however, states: “We used those values in the study conducted for AVRWC when data was not sufficient or non-conclusive (for DIP and PLASTIC). Otherwise EULs [Effective Useful Lives] were calculated using the history of leaks (leaks), replacement, and characteristics of the inventory.”⁴ The service lives for Steel pipe used in the AM Study were based entirely on actual AVR data and the AWWA values were used only for Plastic and Ductile Iron pipe (“DIP”).

b. The AM Study’s use of the AWWA service life for the Southern area for Plastic and DIP was based on actual AVR data and actual AVR data best fit the AWWA values for the Southern area.⁵

c. As all of the DIP is of relatively recent vintage (average age of 8 years), the AM Study did not find a need to replace the DIP at this time and AVR is not planning to do so.⁶ With the exception of projects required by the Town for street repair (*see* Other Needs below), all of the projects proposed by AVR in this Proceeding are to replace steel pipe.⁷ Therefore, any uncertainty that may be caused by use of the AWWA service life value for Plastic and DIP is essentially moot for the purpose of this Proceeding.

d. ORA’s concern that the AM Study inflated leak rates by including leaks not associated with any pipelines⁸ was addressed in AVR’s Rebuttal. The AM Study included only pipeline and leak data that had absolutely no anomalies and had a positive correlation between the leak and the pipe. The AM Study included data for leaks that were not positively connected to a specific pipe and the AM Study assigned these leaks to a pipe category based on the actual distribution of

³/ Ex. O-1, at 8-32.

⁴/ Ex. A-21, at 14.

⁵/ Ex. A-18, at 13-14.

⁶/ Ex. A-21, at 6.

⁷/ Ex. A-1, at 64, 68-79.

⁸/ Ex. O-1, at 8-33.

leaks that were positively connected to a pipe. The expert consultant assured AVR this was the appropriate methodology.⁹

2. The AM Study recommends replacements of approximately 10 miles per year until 2018, 8 miles per year through 2025, and then a decline to 6 miles per year by 2043.¹⁰ This recommendation is based on balancing cost considerations against the goal of reducing the leak rate to an industry standard leak rate goal. The recommendation does not achieve that leak rate goal, but brings the system leak rate to about twice the goal leak rate by 2043. To moderate rate impact, in its Application, AVR originally proposed replacements of between 5.17 and 6.6 miles per year and agreed to a further reduction in the original Settlement Agreement.

3. The PD's modification to the settlement provides for main replacements at less than 3 miles per year, assuming a cost per mile based on a normalized 5-year average of historic main replacement cost (2009-2013), normalized to estimated years using the Engineering News Record Construction Cost Index.

4. The AM Study's "raw Needs" scenario recommends 8.5 miles of replacement per year in 2014, gradually decreasing to around 6 miles per year over 30 years. The AM Study notes that this schedule will not result in sufficient reduction in leaks.¹¹

5. The AM Study determines an effective useful life for the Steel6 category of pipe of 50 years, finds that it is at the end of its useful life, and recommends that it be replaced within the next five years. As AVR's system has approximately 20 miles of Steel6 pipe, the Steel6 pipe category alone would require almost 4 miles of replacement per year.¹²

6. AVR's system has 108 miles of Steel5 category pipe, with an average age of 47 years (as of the date of the AM Study) but with portions up to 70 years old. Segments of pipe in this category were found to demonstrably leak at age 45, with the worst leaking in the group installed prior to 1962. The AM Study determined an effective useful life of 80 years for this category of pipe.¹³ This 108 miles of Steel5 pipe should be replaced over

⁹/ Ex. A-18, at 14.

¹⁰/ Ex. A-21, at 7.

¹¹/ Ex. A-21, at 5.

¹²/ Ex. A-21, at 4, 7, 33.

¹³/ Ex. A-21, at 28.

the next 30-40 years and a significant backlog will build up if AVR does not start replacing the worst of this pipe category.

7. AVR has over 460 miles of pipe in its system. Assuming a 100 year useful life, the replacement rate should be 1.0% – or 4.6 miles per year. ORA notes that the national average rate is 0.5%, effectively assuming a life of 200 years.¹⁴ It is also noted that, as result of this national average replacement rate, in 2013, the American Society of Civil Engineers gave water infrastructure a grade of D, down from B- in 1988.¹⁵

B. Other Requirements

1. Street Repair. In 2015, AVR is required to replace pipe due to Town construction projects. These projects, required by the Town, are not replacing old leaky pipe and the money spent on these projects will not accomplish the furtherance of AVR's main replacement program.¹⁶

a. AVR must replace plastic pipe due to a Town storm drain and street reconstruction project (Yucca Loma Road – Storm Drain Conflicts) estimated at \$263,167; and

b. AVR must replace steel pipe that is not the oldest steel pipe (installed in 1969), estimated at \$318,269, because the Town is improving the intersection at Highway 18 and Apple Valley Road by changing the street finish surface grade and adding storm drain facilities.

2. Transmission Capacity. ORA's Report contended that the need for additional transmission capacity was due to growth and that reduced demand should mitigate the need for additional transmission capacity.¹⁷ As AVR explained in its Rebuttal, over the years, due to over-drafting of the basin that led to the adjudication, water quality and quantity away from the Mojave River has declined. This caused AVR to abandon wells in those areas of the system away from the river and to drill new wells fairly close to the river.

The need for additional transmission capacity to transmit water from the wells

¹⁴/ Ex. O-1, at 8-34.

¹⁵/ Ex. A-21, at 10.

¹⁶/ Ex. A-1, at 74-75.

¹⁷/ Ex. O-1, at 8-36 to 8-38.

concentrated along the river to other parts of the system is due to the fact that the mains installed in past years near the river were sized to meet localized needs for transmission capacity but do not meet current needs to transmit water from a concentration of wells in one area to the rest of the system. Transmission capacity is still necessary, despite reduced customer demand, to fill tanks in a timely manner after peak demands and to address the need for improved fire flow capacity.¹⁸

3. Balancing: As explained in its Rebuttal, AVR needs to incorporate and balance these other requirements into its plans for main replacements. AVR cannot focus entirely and exclusively on replacement of the mains that are leaking the most. Severity of leaks, consequences of failure, damage to others, safety, and criticality of service interruption must also be taken into account, as well as opportunities to address both leaks and the need for improved transmission capacity and fire flow capacity in a cost-effective manner.¹⁹

9.7 Vehicle 08-06 and Dump Truck

AVR REQUEST:

AVR requests \$40,023 in 2016 for a replacement vehicle due to the age of the vehicle (10 years old) the projected mileage (over 120,000 miles). AVR also requests \$137,115 in 2016 to replace a dump truck due to age (20 years old) and mileage (over 120,000 miles).

ORA POSITION:

ORA recommends disallowance of the replacement vehicle for unit 08-06. ORA found AVR's request for a replacement dump truck reasonable but removed it in error.

RESOLUTION:

After discussion and review of AVR's rebuttal testimony ORA agrees to use AVR's recommendation for a new replacement vehicle.

^{18/} Ex. A-18, at 15.

^{19/} Ex. A-18, at 15.

Test Year 2016

| Vehicles | AVR Original | ORA Original | Difference | Settlement |
|------------|-----------------|-----------------|------------|------------|
| Unit 08-06 | \$40,023 | \$0 | \$40,023 | \$40,023 |
| Dump Truck | \$137,115 | \$0 | \$137,115 | \$137,115 |

REFERENCES: AVR Exh.A-1, pp. 97-98, AVR Exh. A-9, pp. 12 -13; ORA Exh.-1, p. 8-40.

9.8 General Office Building Renovation**PARK WATER REQUEST:**

Park requests \$1,510,000 in 2014 and \$1,772,739 in 2015 to renovate and remodel its office building that is shared by Park's General Office and Park's Central Basin Operating Division to meet current fire and building codes, current seismic requirements, current American with Disabilities Act requirements, and develop better spatial working relationships for employees to promote collaboration, interdepartmental communications, and maximize daily operations.

ORA POSITION:

ORA recommends disallowance of the Main Office Remodel Project because AVR failed to provide adequate justification in its request to remodel the office. Specifically AVR's showing did not include a cost benefit analysis of the options available for reorganizing its office space .

RESOLUTION:

As a result of further discussion and settlement negotiations, ORA and Park agree that Park will withdraw its request for the Office Remodel from this proceeding, without prejudice. The Parties agree that Park may request the Office Remodel project in the Park Central Basin Test Year 2016 GRC application. The Parties further agree that Park be permitted to request a General Office rate base allocation to Central Basin that reflects the proposed Office Remodel project in the Park Central Basin Test Year 2016 GRC application.

REFERENCES: AVR Exh. A-2, p. 23-28, AVR Exh. A-14; ORA Exh. O-1, pp. 8-47 – 8-51.

9.9 General Office PowerPlan Software**PARK WATER REQUEST:**

Park proposes implementation of Power Plan software in the amount of \$1,400,000 in 2014 in order to address the following issues faced by the Company:

1. The capital intensive nature of the business requires a more sophisticated capability than is available within the current software used by the Company.
2. Migration of a portion of income tax return related activities from an outside accounting firm to being performed in-house.
3. Expansion of the company's capabilities for calculating the income tax provision for financial statement purposes.
4. Expansion and improvement of the Company's capability to prepare and track financial forecasts.

ORA POSITION:

ORA recommended disallowance of this project because AVR did not provide the information to show that PowerPlan is an economically feasible software available to the company. ORA instead recommended an additional position be added to General Office staff.

RESOLUTION:

After further discussions, settlement discussions, and review of AVR's rebuttal testimony, ORA agrees to AVR's request for Power Plan as shown in the table below.

Year 2014

| | AVR Original | ORA Original | Difference | Settlement |
|---------------------|-----------------|-----------------|-------------|-------------|
| Power Plan Software | \$1,400,000 | 0 | \$1,400,000 | \$1,400,000 |

REFERENCES: AVR Exh. A-2, pp. 20-29, AVR Exh. A-11, pp. 11-16; ORA Exh.-1, pp. 8-43 – 8-47.

9.10 General Office CIS/JDE Software**PARK WATER REQUEST:**

Park requests \$96,000 in 2014, \$77,000 in 2015, and \$135,000 in 2016 for CIS (Customer Information System) related projects to improve customer service including CIS Infinity Mobile, CIS Data Sharing, CIS E-Billing, and JD Edwards (JDE) projects to improve operational efficiencies including JDE Requisition Self Service, JDE Sourcing JDE Core Tools and JDE One View, and JDE Safety Module.

ORA POSITION:

ORA recommends disallowance of Park's proposed projects based on Park's lack of showing of the benefits of these projects.

RESOLUTION:

Based on further discussion and settlement negotiations and review of Park's rebuttal testimony, ORA and Park agree to Park's estimates for CIS/JDE software.

Year 2014

| | AVR Original | ORA Original | Difference | Settlement |
|------------------|-----------------|-----------------|------------|------------|
| CIS/JDE Software | \$106,00 | \$96,000 | \$10,000 | \$96,000 |

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|------------------|-----------------|-----------------|------------|------------|
| CIS/JDE Software | \$77,000 | \$0 | \$77,000 | \$77,000 |

Test Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|------------------|-----------------|-----------------|------------|------------|
| CIS/JDE Software | \$135,000 | \$113,000 | \$22,000 | \$135,000 |

REFERENCES: AVR Exh. A-2 pp. 31 - 34, AVR Exh. A-17, pp. 8-11; ORA Exh.-1, p. 8-43.

9.11 General Office Import Tool**PARK WATER REQUEST:**

Park requests \$10,000 in 2014 for the creation of auto-import tool for new customers.

ORA POSITION:

ORA recommends disallowance of the project because AVR failed to show that the project provides a benefit to existing customers.

RESOLUTION:

Based on further discussion and settlement negotiations, Park agrees to ORA's recommendation.

Year 2014

| | AVR Original | ORA Original | Difference | Settlement |
|-------------|-----------------|-----------------|------------|------------|
| Import Tool | \$10,000 | \$0 | \$10,000 | \$0 |

REFERENCES: AVR Exh. A-21, pp. 30 - 31; ORA Exh.O-1, pp. 8-42 – 8-43.

10.0 DEPRECIATION RATES, RESERVE, AND DEPRECIATION EXPENSE**10.1 Depreciation Rates****AVR WATER REQUEST:**

AVR proposed new depreciation rates based on a remaining life study completed in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2012.

ORA POSITION:

ORA finds the depreciation rates proposed by AVR reasonable and recommends the Commission adopt AVR's proposed depreciation rates.

RESOLUTION:

The Parties' agree to use the depreciation rates as set forth in the tables below.

| | Depreciation Rates - Domestic | Present | Proposed |
|-----|-------------------------------|---------|----------|
| 311 | Structures & Improvement | 1.71% | 1.19% |
| 315 | Wells | 2.67% | 2.62% |
| 317 | Source Of Supply - Other | 2.55% | 2.48% |
| 321 | Pumping - Struct. & Improv. | 3.33% | 3.31% |
| 324 | Other Pumping Equip. | 3.80% | 3.75% |
| 332 | Water Treatment Equip. | 4.20% | 3.28% |
| 342 | T&D Reservoirs & Tanks | 1.97% | 1.97% |
| 343 | T & D Mains | 2.41% | 2.40% |
| 345 | Services | 2.59% | 2.57% |
| 346 | Meters | 2.82% | 2.83% |
| 348 | Hydrants | 2.29% | 2.28% |
| 371 | Gen. Plant Struct. & Improv. | 2.88% | 2.83% |
| 372 | Office Furniture & Equip. | 7.96% | 8.01% |
| 373 | Transportation Equipment | 14.83% | 11.10% |
| 375 | Tools & Shop Equipment | 5.94% | 5.91% |
| 376 | Laboratory Equipment | 1.17% | 0.00% |
| 377 | Power Operated Equipment | 5.41% | 4.73% |
| 378 | Communication Equipment | 8.41% | 8.35% |
| 372 | Computer Equipment-Pc | 13.16% | 12.41% |
| 372 | Computer Equipment-Mis/Sftwr | 9.95% | 10.47% |
| 372 | Other Tangible Property | 4.00% | 4.00% |

| Depreciation Rates - Irrigation | | Present | Proposed |
|---------------------------------|--|---------|----------|
| 315 | Wells & Springs | 1.26% | 1.61% |
| | <i>Pumping Plant</i> | | |
| 321 | Pumping Struct/Improve. | 2.97% | 2.78% |
| 324 | Pumping Equipment | 4.09% | 3.95% |
| | <i>Transmission & Distribution Plant</i> | | |

| | | | |
|-----|----------------|-------|-------|
| 343 | T & D Mains | 2.38% | 2.31% |
| 345 | T & D Services | 2.48% | 2.48% |
| 346 | T & D Meters | 3.26% | 3.22% |

REFERENCES: AVR Exh.-1, Ch. VII, Table VII.-A, p. 110; ORA Exh. O-1, p. 8-1.

10.2 Depreciation Reserve and Depreciation Expense

AVR WATER REQUEST:

AVR requested depreciation expense and reserve based on its proposed depreciation rates and proposed utility plant.

ORA POSITION:

There are no methodological differences between AVR and ORA. There was no issue regarding the depreciation rates proposed by AVR. Differences in the Parties' original depreciation reserve and depreciation expense estimates resulted from differences in the utility plant estimates.

RESOLUTION:

The Parties agree that the depreciation expense and depreciation reserve should be calculated using the depreciation rates proposed in AVR's application and the stipulated balances of plant in service incorporating stipulated adjustment and additions as set forth in the table below.

Test Year 2015 – Domestic

| Depreciation Reserve & Expense | AVR | ORA | Difference | Amended Settlement |
|--------------------------------|--------------|--------------|------------|--------------------|
| | | | | |
| Beginning Year Balance | \$33,273,910 | \$33,318,434 | 44,524) | 33,345,096 |
| | | | | |
| Annual Accrual Charged To: | | | | |
| | | | | |
| Clearing Accounts | \$264,177 | \$239,834 | \$24,343 | \$241,905 |
| Contributions | \$143,499 | \$143,163 | \$336 | \$143,163 |

| Depreciation Reserve & Expense | AVR | ORA | Difference | Amended Settlement |
|--------------------------------------|---------------|---------------|-------------|--------------------|
| Depreciation Expense | \$3,167,947 | \$3,001,583 | \$166,364 | \$3,104,313 |
| Other | | | | |
| | | | | |
| Total | \$3,575,623 | \$3,384,580 | \$191,043 | \$3,489,381 |
| | | | | |
| <u>Retirements & Adjustments</u> | | | | |
| | | | | |
| Net Retirements | \$783,420 | \$739,318 | \$44,102 | \$785,963 |
| Adjustments | \$0 | \$0 | \$0 | \$0 |
| | | | | |
| Total | \$783,420 | \$739,318 | \$44,102 | \$785,963 |
| | | | | |
| Net Additions | \$2,792,202 | \$2,645,262 | \$146,940 | \$2,703,418 |
| End Of Year Balance | \$36,066,112 | \$35,963,696 | \$102,416 | \$36,048,514 |
| Average Balance | \$34,670,011 | \$34,641,065 | \$28,946 | \$34,696,805 |
| | | | | |
| <u>Statistics</u> | | | | |
| | | | | |
| Average Depreciable Plant | \$121,242,787 | \$113,918,270 | \$7,324,517 | \$117,921,338 |
| Accrual As % Of Plant | 2.95% | 2.79% | 0.16% | 2.96% |

Test Year 2016 – Domestic

| Depreciation Reserve & Expense | AVR | ORA | Difference | Amended Settlement |
|--------------------------------|--------------|--------------|---------------|--------------------|
| | | | | |
| Beginning Year Balance | \$30,066,112 | \$35,963,695 | (\$5,897,583) | 36,048,514 |
| | | | | |
| Annual Accrual Charged To: | | | | |
| | | | | |

| | | | | |
|--------------------------------------|---------------|---------------|--------------|-------------|
| Clearing Accounts | \$272,769 | \$238,748 | \$34,021 | 250,497 |
| Contributions | \$142,856 | \$142,520 | \$336 | 142,520 |
| Depreciation Expense | \$3,519,595 | \$3,095,980 | \$423,615 | 3,301,063 |
| Other | | | | |
| | | | | |
| Total | \$3,935,220 | \$3,477,248 | \$457,972 | 3,694,081 |
| | | | | |
| <u>Retirements & Adjustments</u> | | | | |
| | | | | |
| Net Retirements | \$1,749,324 | \$1,445,787 | \$303,537 | 1,505,831 |
| Adjustments | \$0 | \$0 | \$0 | 0 |
| | | | | |
| Total | \$1,749,324 | \$1,445,787 | \$303,537 | 1,505,831 |
| | | | | |
| Net Additions | \$2,185,897 | \$2,031,460 | \$154,437 | 2,188,250 |
| | | | | |
| End Of Year Balance | \$38,252,009 | \$37,995,156 | \$256,853 | 38,236,764 |
| Average Balance | \$37,159,061 | \$36,979,425 | \$179,636 | 37,142,639 |
| | | | | |
| <u>Statistics</u> | | | | |
| | | | | |
| Average Depreciable Plant | \$134,003,294 | \$116,735,224 | \$17,268,070 | 124,589,237 |
| Accrual As % Of Plant | 2.94 % | 2.98% | (0.04)% | 2.97% |

Test Year 2015 – Irrigation

| Depreciation Reserve & Expense | AVR | ORA | Difference | Settlement |
|--------------------------------------|-----------|-----------|------------|------------|
| | | | | |
| Beginning Year Balance | \$228,491 | \$228,490 | \$1 | \$228,490 |
| | | | | |
| Annual Accrual Charged To: | | | | |
| | | | | |
| Clearing Accounts | \$0 | \$0 | \$0 | \$0 |
| Contributions | \$1,231 | \$1,231 | \$0 | \$1,231 |
| Depreciation Expense | \$11,958 | \$11,958 | \$0 | \$11,958 |
| Other | | | | |
| | | | | |
| Total | \$13,189 | \$13,189 | \$0 | \$13,189 |
| | | | | |
| <u>Retirements & Adjustments</u> | | | | |
| | | | | |
| Net Retirements | \$0 | \$0 | \$0 | \$0 |
| Adjustments | \$0 | \$0 | \$0 | \$0 |
| | | | | |
| Total | \$0 | \$0 | \$0 | \$0 |
| | | | | |
| Net Additions | \$13,189 | \$13,189 | \$0 | \$13,189 |
| | | | | |
| End Of Year Balance | \$241,680 | \$241,679 | \$1 | \$241,679 |
| Average Balance | \$235,085 | \$235,085 | \$0 | \$235,085 |
| | | | | |
| <u>Statistics</u> | | | | |
| | | | | |
| Average Depreciable Plant | \$524,308 | \$524,308 | \$0 | \$524,308 |
| Accrual As % Of Plant | 2.52% | 2.52% | 0% | 2.52% |

Test Year 2016 – Irrigation

| Depreciation Reserve & Expense | AVR | ORA | Difference | Settlement |
|--------------------------------------|-----------|-----------|------------|------------|
| Beginning Year Balance | \$241,680 | \$241,679 | \$1 | \$241,679 |
| | | | | |
| Annual Accrual Charged To: | | | | |
| | | | | |
| Clearing Accounts | \$0 | \$0 | \$0 | \$0 |
| Contributions | \$1,231 | \$1,231 | \$0 | \$1,231 |
| Depreciation Expense | \$11,958 | \$13,189 | \$0 | \$11,958 |
| Other | | | | |
| | | | | |
| Total | \$13,189 | \$13,189 | \$0 | \$13,189 |
| | | | | |
| <u>Retirements & Adjustments</u> | | | | |
| | | | | |
| Net Retirements | \$0 | \$0 | \$0 | 0 |
| Adjustments | \$0 | \$0 | \$0 | 0 |
| | | | | |
| Total | \$0 | \$0 | \$0 | 0 |
| | | | | |
| Net Additions | \$13,189 | \$13,189 | \$0 | \$13,189 |
| | | | | |
| End Of Year Balance | \$254,869 | \$254,868 | \$1 | \$254,868 |
| Average Balance | \$248,274 | \$248,274 | \$0 | \$248,274 |
| | | | | |
| <u>Statistics</u> | | | | |
| | | | | |
| Average Depreciable Plant | \$524,308 | \$524,308 | \$0 | \$524,308 |
| Accrual As % Of Plant | 2.52 % | 2.52 % | 0% | 2.52% |

REFERENCES: AVR Exh. A-1 pp 113-114.; ORA Exh. O-1 Appendix A-20 – A21.

11.0 RATE BASE

11.1 Materials and Supplies

AVR WATER REQUEST:

AVR requests \$336,749 in materials and supplies based on the percentage of average customers estimated for Test Year 2015. The percentage applied to the customer estimates is calculated from the recorded relationship between materials and supplies and customers and is the five-year recorded average (2008 – 2012).

ORA POSITION: ORA agrees with AVR's estimates.

RESOLUTION:

The Parties agree to use the methodology used in AVR and ORA's estimates for materials and supplies. The Parties further agree that materials and supplies should be calculated using the stipulated number of customers and agree to the amounts shown in the below table.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|--------------------|--------------|--------------|------------|------------|
| Materials/Supplies | \$336,749 | \$336,749 | \$0.00 | \$336,674 |

Test Year 2016

| | AVR Original | ORA Original | Difference | Settlement |
|--------------------|--------------|--------------|------------|------------|
| Materials/Supplies | \$339,690 | \$339,696 | \$0.00 | \$339,598 |

REFERENCES: AVR Exh. A-1, p. 113; ORA Exh. O-1, p. 10-1.

11.2 Deferred Income Tax

AVR WATER REQUEST:

AVR estimated \$11,429,252 in deferred income taxes for Test Year 2015 based on the normalization of tax benefits derived from accelerated depreciation, ACRS and MACRS,

allowed for Federal Income Tax calculation and incorporating AVR's estimates of utility plant in service.

ORA POSITION:

There are no methodological differences between AVR and ORA. There was no issue regarding the tax rates proposed by AVR. Differences in the Parties' original deferred income tax estimates resulted from ORA's use of the deferred income taxes from AVR's recorded 2013 Update, which included correction of an error for 2013 in AVR's application, and differences in the utility plant estimates.

RESOLUTION:

The Parties agree to use AVR's methodology to calculate the deferred taxes. The Parties further agree that deferred taxes will incorporate the settlement on utility plant issues and agree to the amounts shown in the below table.

Test Year 2015 – Domestic

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|-------------|--------------------|
| Deferred Income Tax | \$11,429,252 | \$10,416,222 | \$1,013,030 | \$10,450,795 |

Test Year 2016 – Domestic

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|-------------|--------------------|
| Deferred Income Tax | \$11,425,944 | \$10,350,935 | \$1,075,009 | \$10,409,852 |

Test Year 2015 – Irrigation

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| Deferred Income Tax | \$69,609 | \$68,794 | \$812 | \$68,621 |

Test Year 2016 – Irrigation

| | AVR Original | ORA Original | Difference | Amended Settlement |
|---------------------|--------------|--------------|------------|--------------------|
| Deferred Income Tax | \$66,433 | \$65,652 | \$782 | \$65,467 |

REFERENCES: AVR Exh. A-1, p. 116; ORA Exh. O-1, p. 10-1.

11.3 Working Cash

AVR WATER REQUEST:

AVR requests working cash estimates of \$2,675,990 for Test Year 2015 and \$2,740,588 for Test Year 2016 based on the methodology prescribed in Standard Practice U-16.

ORA POSITION:

ORA recommends working cash estimates of \$2,389,807 for Test year 2015 and \$2,406,861 for Test Year 2016 based on adjustments to AVR's application amounts to remove the average unamortized balance of various study costs from the operational cash, and exclusion of the WRAM adjustment for revenue lag.

RESOLUTION:

Aside from the methodological differences described above, the differences in the Parties' original working cash estimates resulted from differences in revenues, expense and utility plant used in the total working cash calculation. The Parties agree to remove the WRAM adjustment for revenue lag proposed by AVR and use a revenue lag of 56.34 days for 2015 and 2016. The Parties agree to include in Operational Cash the unamortized portion of agreed upon rate case costs (the regulatory commission expense, excluding the low-income customer notices) and the unamortized portions of studies include in the settlement (Arc Flash and Vulnerability /Mitigation studies). The Parties agree that working cash should be calculated using the stipulated and adopted expenses and utility plant in service consistent with the Commission's Standard Practice U-16.

REFERENCES: AVR Exh. A-1, pp. 113 - 115, AVR Exh A-16, pp. 7-8; ORA Exh. O-1 pp. 10-1 –10-4.

12.0 PARK WATER COMPANY (“PARK”) GENERAL OFFICE

All dollar amounts provided in Section 12 of this Settlement are prior to allocation to AVR – Domestic or AVR – Irrigation. Pensions and Benefits expenses for Park are discussed in Section 6.0.

12.1 Payroll**PARK REQUEST:**

Park’s payroll estimate for 2014 is based on employees’ hourly rates in effect at the end of 2013 with the estimated 2014 COLA increase and estimates of merit and promotional salary adjustments to be granted and overtime during 2014. The payroll estimate for Test Year 2015 is similarly estimated beginning with the hourly rates expected at the end of year 2014.

ORA POSITION:

ORA used the same methodology as Park to estimate the payroll expense. ORA further recommends to eliminate Park’s proposed merit increase budget for 2015. In addition, ORA proposed that an additional staffing position in lieu of Park’s acquisition of Power Plan.

RESOLUTION:

The issue of the merit increase that is identical to the comments in Section 4.3, the basis for the settlement will not be repeated as the Settlement provides for a consistent resolution on those issues in this category as well. With the settlement of the issue on Power Plan, the settlement of General Office payroll does not include an additional staffing position. The Parties agree to calculate the stipulated payroll expense as set forth in the table below.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|---------|---------------|--------------|------------|-------------|
| | | | | |
| Payroll | \$4,120,781 | \$4,191,647 | \$70,866 | \$4,103,420 |

REFERENCES: AVR Exh. A-2, pp. 5 – 8; ORA Exh. O-1, pp. 4-7 – 4-10.

12.2 Maintenance Other Expense**PARK REQUEST:**

Park requests \$576,768 for the expense category of maintenance other expense for Test Year 2015. This category of expense includes both hardware and software related maintenance contracts. Park requests \$374,538 for Test Year 2015 for software maintenance within this category of expenses based on planned maintenance contracts associated with the software utilized by Park's computer system. Additionally Park's requested amount includes the maintenance contracts associated with the proposed software applications for Power Plan in the amount of \$76,234 and for JD Edwards modules totaling \$26,749.

ORA POSITION:

ORA recommends \$431,089 based on the five-year (2009 – 2013) average of recorded expenses. For the hardware maintenance expense and General Plant P/R Burden & other, ORA agrees with Park's estimation for Test Year 2015. For the software maintenance contracts ORA recommends \$231,298 which includes a disallowance of the maintenance contracts associated with Park's proposed new software applications, Power Plan and JD Edwards modules.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to \$561,206 for Maintenance-Other expense for Test Year 2015 based on Park's updated estimate of \$356,361 in annual maintenance expenses for computer software, including proposed computer software maintenance expenses for Powerplan and JD Edwards modules provided in response to ORA's discovery request and consistent with the settlement reached on the utility plant in service on the Power Plan and JD Edwards modules.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|-------------------|---------------|--------------|------------|------------|
| Maintenance-Other | \$576,768 | \$431,089 | \$145,679 | \$561,206 |

REFERENCES: AVR Exh. A-1, p. 10, AVR Exh. A-12, p. 20; ORA Exh. O-1, pp. 12-4 -12-5.

12.3 Clearings-Other Expense**PARK REQUEST:**

Park requests \$31,646 for Test Year 2015 for Clearings Other expense based on the five-year average (2009 – 2013) of recorded costs.

ORA POSITION:

ORA finds AVR's methodology to estimate Clearings Other reasonable. There are no methodological differences between ORA's and AVR's estimates. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded expense for 2013.

RESOLUTION:

Based on the agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2) ORA and AVR agree on Clearings-Other, as set forth in the table below.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|-----------------|---------------|--------------|------------|------------|
| Clearings Other | \$31,646 | \$30,497 | \$1,149 | \$30,617 |

REFERENCES: AVR Exh. A-1, p. A-2, p. 10, AVR Exh. A-12, p. 20; ORA Exh. O-1, p. 12-5.

12.4 Insurance**PARK REQUEST:**

Park requests \$172,547 for Test Year 2015 for Insurance expense based on the actual premiums in effect for the 2013 – 2014 policy year and projected increases of 3% for policy years 2014 – 2015 and 2015 – 2016.

ORA POSITION:

ORA finds AVR's methodology to estimate Insurance reasonable. There are no methodological differences between ORA's and AVR's estimates. The original differences between ORA and

AVR's estimates result from ORA's use of the updated recorded expense for 2013.

RESOLUTION:

After further discussion, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to Insurance of \$176,376 for Test Year 2015, which incorporates a 10% increase in workers' compensation insurance.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|-----------|---------------|--------------|------------|------------|
| | | | | |
| Insurance | \$172,547 | \$171,843 | \$704 | \$176,376 |

REFERENCES: AVR Exh. A-1, p. 13; ORA Exh. O-1, p. 12-5

12.5 Outside Services

PARK REQUEST:

Park requests \$723,559 for the expense category of Outside Services for Test Year 2015 based on the five-year average (2009 – 2013) of recorded expenses and the projected cost of a operational efficiency study.

ORA POSITION:

ORA recommends \$581,407 based on the five-year average (2009 – 2013) of recorded expenses but used the updated 2013 expenses and removes consulting fee incurred in 2012 for W.H. Wheeler. ORA also removes the estimated expense of \$100,000 associated with AVR's proposed Operational Efficiency Study because the project was not supported with detailed documentation.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree on the amounts for Outside Services as reflected in the table below. Park agrees to

ORA's recommended disallowance of the Operational Efficiency Study and ORA agrees to include all the recorded expenses in the estimation of Test Year 2015.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|-----------------------|---------------|--------------|------------|------------|
| Audit and Income Tax | \$130,048 | \$114,172 | \$15,876 | \$128,659 |
| Legal | \$135,008 | \$131,551 | \$3,457 | \$132,762 |
| Safety | \$3,100 | \$3,005 | \$95 | \$3,022 |
| Benefits Consulting | \$114,901 | \$116,106 | (\$1,205) | \$116,794 |
| Actuarial Consulting | \$121,981 | \$112,444 | \$9,537 | \$113,110 |
| Insurance | \$11,536 | \$11,346 | \$190 | \$11,413 |
| Other General | \$206,985 | \$92,783 | \$114,202 | \$106,985 |
| Total Outside Service | \$723,559 | \$581,407 | \$142,152 | \$612,745 |

REFERENCES: AVR Exh. A-1, pp. 11 – 12, AVR Exh. A-12, pp. 20 – 22; ORA Exh. O-1, pp. 12-5 – 12-8.

12.6 Corporate A&G Allocation

PARK REQUEST:

Park estimates the Corporate A&G Allocation, a deduction to the General Office expenses, as a percentage of the of the General Office payroll charged to other divisions on selected A&G expense accounts.

ORA POSITION:

ORA finds Park's methodology to estimate the Corporate A&G Allocation reasonable. There are no differences between ORA's and Park's estimates.

RESOLUTION:

With the resolution of the payroll issue, there is no longer any different in the Parties' positions. The Parties agree to use the Corporate A&G Allocation as shown in the table below.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|----------------------|---------------|--------------|------------|-------------|
| | | | | |
| Corporate A&G Alloc. | (\$136,272) | (\$136,272) | \$0.00 | (\$135,770) |

REFERENCES: AVR Exh. A-1, p. 10; ORA Exh. O-1, p. 12-9.

12.7 Bank Fees**PARK REQUEST:**

Park requests Bank Fees of \$22,017 based on the five-year (2009 – 2013) average of recorded expenses.

ORA POSITION:

ORA accepts Park's methodology except that ORA made adjustments to the recorded 2012 historical expenses to remove the costs associated with a credit limit renewal fee of \$25,000.

RESOLUTION:

After further discussion and settlement negotiations, the Parties agree on \$21,689 for Bank Fees which is based on the unadjusted five-year average of recorded expenses and incorporates the settlement agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2).

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|-----------|---------------|--------------|------------|------------|
| | | | | |
| Bank Fees | \$22,017 | \$16,532 | \$5,485 | \$21,689 |

REFERENCES: AVR Exh. A-2, p. 10, AVR Exh. A-12, p. 23; ORA Exh. O-1, p. 12-9.

12.8 Board of Directors Fees**PARK REQUEST:**

Park requests Board of Director Fees of \$111,240 for Test Year 2015 based on the settlement agreement adopted by the Commission in A.11-01-001 (\$100,000 in 2012 dollars) and adjusted for inflation to Test Year 2015.

ORA POSITION:

ORA recommends \$100,000 for Test Year 2015 based on ORA's interpretation of the settlement agreement in A.11-01-001.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to Board of Director Fees of \$108,000 for Test Year 2015.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|------------------------|--------------|--------------|------------|------------|
| | | | | |
| Board of Director Fees | \$111,240 | \$100,000 | \$11,240 | \$108,000 |

REFERENCES: AVR Exh. A-1, p. 12, AVR Exh. A-12, p. 23; ORA Exh. O-1, p. 12-9.

12.9 Travel, Lodging & Miscellaneous**PARK REQUEST:**

Park requests \$100,466 for Travel, Lodging & Miscellaneous based on the two-year average of recorded expenses (2012 – 2013) to reflect current activity levels commensurate with the change in ownership of Park. This expense category is reflective of the change in activity resulting from increased travel to Park's Board of Director meetings and company participation in the National Association of Water Companies and California Water Association.

ORA POSITION:

ORA recommends \$50,233 (50% of Park's estimate) for an equal sharing of Park's forecasted expense between Park and ratepayers on the basis that the expenses in this category is increased more substantially after the acquisition of Park Water Company by the Western Water Holdings.

RESOLUTION:

After further discussion and settlement negotiations, the Parties agree to \$75,350 for Travel, Lodging & Miscellaneous for Test Year 2015.

Test Year 2015

| | AVR Original | ORA Original | Difference | Settlement |
|------------------------|--------------|--------------|------------|------------|
| | | | | |
| Travel, Lodging, Misc. | \$100,466 | \$50,233 | \$50,233 | \$75,350 |

REFERENCES: AVR Exh. A-2, p. 11, AVR Exh. A-12, pp. 23 – 24; ORA Exh. O-1, pp. 12-10 – 12-12.

12.10 Allocation Factors**PARK REQUEST:**

Park used the most current allocation factors available at the time the application was prepared. The allocation factors were calculated pursuant to the Commission's four-factor allocation methodology.

ORA POSITION:

ORA used the updated allocation factors in use during 2014.

RESOLUTION:

Park accepts ORA's recommendation to use the allocation factors in use during 2014. The basis for the settlement is identical to the comments in Section 4.01.12 and will not be repeated here.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|---------------------------------------|---------------|--------------|------------|------------|
| | | | | |
| Allocation Factor AVR – Domestic | 29.52% | 29.29% | 0.23% | 29.29% |
| Allocation Factor AVR – Irrigation | 0.17% | 0.19% | (0.02%) | 0.19% |

REFERENCES: AVR Exh. A-2, p. 3; ORA Exh. O-1, p. 12-3.

12.11 Administrative Expense Transferred**PARK REQUEST:**

Park estimates the Administrative Expenses Transferred, credit to the General Office A&G expenses, as a percentage of capital expenditures.

ORA POSITION:

ORA finds Park's methodology to estimate the administrative expense transferred reasonable. There are no differences between ORA's and Park's estimates.

RESOLUTION:

The Parties agree to calculate the administrative expense transferred based on the stipulated balances of plant in service incorporating stipulated adjustments, additions, and retirements.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|---------------------------------------|---------------|--------------|------------|------------|
| | | | | |
| Administrative Expense Transferred | \$17,639 | \$17,639 | \$0 | \$17,639 |

REFERENCES: AVR Exh. A-12, p. 17; ORA Exh. O-1, p. 12-13.

12.12 Payroll Taxes**PARK REQUEST:**

Park requests \$226,584 for payroll taxes based on Park's projections of payroll tax rates and limits.

ORA POSITION:

ORA accepts Park's methodology. The original differences between Park's and ORA's estimates resulted from the issues and the differences in the estimates of payroll.

RESOLUTION:

With the settlement on payroll (Section 5.3), there is no longer any difference in the Parties' positions. ORA and Park agree to the estimates of payroll taxes as set forth in the table below.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|-------------|---------------|--------------|------------|------------|
| | | | | |
| Payroll Tax | \$226,584 | \$224,731 | \$1,853 | \$226,132 |

REFERENCES: AVR Exh. A-2, p. 15; ORA-1, p. 12-12.

12.13 Ad Valorem Tax**PARK REQUEST:**

Park's estimate for ad valorem taxes are based on the methodology used by the Los Angeles County Tax Assessor's Office.

ORA POSITION:

ORA accepts AVR's methodology for estimating ad valorem taxes.

RESOLUTION:

There are no methodological differences between ORA and Park. The Parties agree to use the uncontested methodology used in Park's application.

Test Year 2015

| | Park Original | ORA Original | Difference | Settlement |
|----------------|---------------|--------------|------------|------------|
| | | | | |
| Ad Valorem Tax | \$28,591 | \$28,591 | \$0 | \$28,591 |

REFERENCES: AVR Exh. A-2, p. 13; ORA Exh. O-1, p. 12-12.

12.14 Depreciation Rates**PARK REQUEST:**

Park proposed new depreciation rates based on a remaining life study completed in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2012.

ORA POSITION:

ORA finds the depreciation rates proposed by Park reasonable and recommends the Commission adopt Park's proposed depreciation rates.

RESOLUTION:

The Parties agree to use the depreciation rates as set forth in the table below.

| | Description | Present | Proposed |
|-----|----------------------------|---------|----------|
| 372 | Office Furniture and Equip | 5.72% | 20.17% |
| 373 | Transportation Equip | 14.95% | 5.51% |
| 375 | Laboratory Equip | 0.00% | 0.00% |
| 376 | Communication Equip | 10.83% | 12.04% |
| 372 | Computer Equip – System | 11.35% | 11.59% |
| 372 | Computer Equip – Desktops | 10.07% | 10.96% |
| 372 | Computer Equip – Software | 1.77% | 0.95% |

REFERENCES: AVR Exh. A-2, p. 19; ORA Exh. O-1, p. 9-5.

12.15 Depreciation Reserve and Depreciation Expense**PARK REQUEST:**

Park requested depreciation expense and reserve based on its proposed depreciation rates and proposed utility plant.

ORA POSITION:

There are no methodological differences between Park and ORA. There was no issue regarding the depreciation rates proposed by Park. Differences in the Parties' original depreciation reserve and depreciation expense estimates resulted from differences in the utility plant estimates.

RESOLUTION:

The Parties agree that the depreciation expense and depreciation reserve should be calculated using the depreciation rates proposed in AVR's application and the stipulated balances of plant in service incorporating stipulated adjustment and additions as set forth in the table below.

Test Year 2015-General Office

| Depreciation Reserve & Expense | AVR | ORA | Difference | Settlement |
|--------------------------------------|-------------|-------------|------------|-------------|
| | | | | |
| Beginning Year Balance | \$6,441,003 | \$6,353,655 | \$87,348 | \$6,366,067 |
| | | | | |
| Annual Accrual Charged To: | | | | |
| | | | | |
| Clearing Accounts | \$0 | \$0 | \$0 | \$0 |
| Contributions | \$0 | \$0 | \$0 | \$0 |
| Depreciation Expense | \$306,254 | \$288,411 | \$17,843 | \$302,077 |
| Other | | | | |
| | | | | |
| Total | \$306,254 | \$288,411 | \$17,843 | \$302,077 |
| | | | | |
| <u>Retirements & Adjustments</u> | | | | |

| Depreciation Reserve & Expense | AVR | ORA | Difference | Settlement |
|--------------------------------|-------------|-------------|------------|-------------|
| | | | | |
| Net Retirements | \$74,976 | \$74,976 | \$0 | \$74,976 |
| Adjustments | \$12,525 | \$12,525 | \$0 | \$0 |
| | | | | |
| Total | \$87,501 | \$87,501 | \$0 | \$74,976 |
| | | | | |
| Net Additions | \$218,753 | \$200,910 | \$17,843 | \$227,101 |
| | | | | |
| End Of Year Balance | \$6,659,471 | \$6,554,565 | \$104,906 | \$6,593,168 |
| Average Balance | \$6,550,237 | \$6,454,110 | \$96,127 | \$6,479,618 |

Test Year 2016 – General Office

| Depreciation Reserve & Expense | AVR | ORA | Difference | Settlement |
|--------------------------------------|-------------|-------------|------------|-------------|
| | | | | |
| Beginning Year Balance | \$6,659,471 | \$6,554,565 | \$104,906 | \$6,593,168 |
| | | | | |
| Annual Accrual Charged To: | | | | |
| | | | | |
| Clearing Accounts | \$0 | \$0 | \$0 | \$0 |
| Contributions | \$0 | \$0 | \$0 | \$0 |
| Depreciation Expense | \$343,535 | \$306,729 | \$36,806 | 320,864 |
| Other | | | | |
| | | | | |
| Total | \$343,535 | \$306,729 | \$36,806 | \$320,864 |
| | | | | |
| <u>Retirements & Adjustments</u> | | | | |
| | | | | |
| Net Retirements | \$74,976 | \$74,976 | \$0 | \$74,976 |

| | | | | |
|---------------------|-------------|-------------|-----------|-------------|
| Adjustments | \$501 | \$501 | \$0 | \$501 |
| | | | | |
| Total | \$75,477 | \$75,477 | \$0 | \$75,477 |
| | | | | |
| Net Additions | \$268,058 | \$231,252 | \$36,806 | \$245,387 |
| | | | | |
| End Of Year Balance | \$6,927,183 | \$6,785,817 | \$141,366 | \$6,838,556 |
| Average Balance | \$6,793,327 | \$6,670,191 | \$123,136 | \$6,715,862 |

REFERENCES: AVR Exh. A-2, p. 38; ORA Exh. O-1, p. 9-1.

13.0 AFFILIATE TRANSACTIONS

ORA RECOMMENDATION:

Based upon its review of AVR's application, and responses to data requests, ORA finds AVR's affiliated transactions to be reasonable and acceptable. AVR should allocate all revenues from contracts with HomeServe pursuant to D.12-01-042. ORA finds that the contract with Nextel is in the process of being terminated and will not be in effect during Test Year 2015.

AVR RESPONSE:

AVR agrees with ORA's findings.

RESOLUTION:

The Parties agree to incorporate \$17,000, rather than \$1,700, associated with the HomeServe contract in the Miscellaneous Revenues (Section 3.6).

REFERENCES: AVR Application, pp. 7 – 8; ORA Exh. O-1, p. 13-3.

14.0 RATE DESIGN

14.1 Residential and Non-Residential

AVR WATER REQUEST:

AVR requests continuation of the current conservation rate design program that includes

increasing block rates of three tiers for residential customers. AVR requests that the breakpoints be adjusted to reflect more recent consumption patterns. Due to the different characteristics of its non-residential customers, AVR recommends retaining the single quantity conservation rate for non-residential customers. The rate design uses the California Urban Water Conservation Council (“CUWCC”) BMP 11 on conservation rates by using the threshold guideline of having more than 70% of its revenue generated by the commodity charge.

ORA POSITION:

ORA finds AVR’s methodology acceptable and recommends that the Commission adopt the rate design contained in AVR’s application.

RESOLUTION:

The Parties agree that the rate design described above should be applied to the adopted revenue requirement to determine the adopted rates. The Parties agree to correct the referencing error in AVR’s bill tabulation used for the residential rate design. The Parties agree that this agreement is contingent upon AVR being authorized a full decoupling WRAM/MCBA over the period that this rate design is in effect.

REFERENCES: AVR Exh.-1; ORA Exh. O-1, Chapter 12.

14.2 Gravity Irrigation

AVR WATER REQUEST:

AVR prepared a new cost of service study from which to base rates for Gravity Irrigation service.

ORA POSITION:

ORA finds AVR’s methodology acceptable and recommends AVR continue to submit updated cost of service study and that the Commission adopt the rate design contained in AVR’s application.

RESOLUTION:

The Parties agree for the Gravity Irrigation customer to use the same service charges adopted for potable water service and a single quantity rate design. The quantity charge will be based on a cost of service study performed for this single customer based on the finalized consumption and expenses for the Gravity Irrigation customer.

REFERENCES: AVR Exh.-1; ORA Exh. O-1, Chapter 16.

15.0 WATER QUALITY**ORA RECOMMENDATION:**

Based on review of information provided by AVR and the California Department of Public Health (“CDPH”), ORA recommends that the Commission find that AVR is in compliance with CDPH water quality regulations, federal drinking water standards, and the Commission’s General Order 103-A.

AVR RESPONSE:

AVR agrees with ORA’s recommendation.

RESOLUTION:

The Parties recommend that the Commission find AVR is in compliance with all applicable federal and state drinking water standards including General Order 103-A.

REFERENCES: AVR Exh. A-1, Chapter X; ORA Exh. O-1, Chapter 17.

16.0 MEMORANDUM AND BALANCING ACCOUNTS**16.1 Booking Recovery to Memorandum Accounts****ORA RECOMMENDATION:**

ORA recommends that AVR change its actual accounting methods to avoid recording memorandum account balances on its balance sheet until those amounts are approved for recovery by the Commission.

AVR RESPONSE:

AVR's accounting treatment of memorandum accounts is in compliance with generally accepted accounting principles (GAAP).

RESOLUTION:

After further discussion and settlement negotiations, the Parties agree that no change is necessary in AVR's actual accounting practices, and the Parties agree that AVR will not use this accounting treatment as justification in favor of a particular disposition of the given amounts in an informal or formal Commission proceeding. This is not intended to prohibit AVR from referencing the regulatory treatment that has been applied to an amount.

REFERENCES: AVR Exh. A-11, pp. 8 - 11 ; ORA Exh. O-1, pp. 14-5 – 14-6.

16.2 Incremental Cost Balancing Account (ICBA) – Irrigation System**ORA RECOMMENDATION:**

ORA recommends that AVR not be permitted to recover the balance recorded in the ICBA at this time because the account balances are estimated.

AVR RESPONSE:

AVR is not requesting recovery of the balance recorded in the ICBA – Irrigation system at this time.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that AVR is not requesting recovery of the balance recorded in the ICBA for the Irrigation system.

REFERENCES: AVR Exh. A-1; ORA Exh. O-1, pp. 14-9 – 14-10.

16.3 Employee and Retiree Health Care Balancing Account

AVR WATER REQUEST:

AVR requests that it be permitted to file an advice letter requesting to refund the balance recorded in the Employee and Retiree Health Care Balancing Account after 2014 recorded data becomes available and a final balance at December 31, 2014 is calculated and recorded in the account.

ORA POSITION:

ORA recommends that the over-collected balance of \$285,653 recorded in the Employee and Retiree Health Care Balancing Account as of December 31, 2013, be refunded through a sur-credit authorized in this proceeding.

RESOLUTION:

After discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that AVR will file an advice letter no later than March 31, 2015 to refund the balance recorded in the account as of December 31, 2014. The Parties also agree that the account should continue to the next general rate case.

REFERENCES: AVR Exh. A-1, p. 134; ORA Exh. O-1, pp. 14-11 – 14-12.

16.4 Pension Expense Balancing Account**AVR WATER REQUEST:**

AVR requests that it be permitted to file an advice letter requesting to refund the balance recorded in the Pension Expense Balancing Account after 2014 recorded data becomes available and a final balance at December 31, 2014 is calculated and recorded in the account.

ORA POSITION:

ORA recommends that the over-collected balance of \$22,427 recorded in the Pension Expense Balancing Account as of December 31, 2013 be refunded through a surcredit authorized in this proceeding.

RESOLUTION:

After discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that AVR will file an advice letter no later than March 31, 2015 to refund the balance recorded in the account as of December 31, 2014. The Parties also agree that the account should continue to the next general rate case.

REFERENCES: AVR Exh. A-1, pp. 134 - 135; ORA Exh. O-1, pp. 14-12 – 14-13.

16.5 Conservation Memorandum Account**AVR WATER REQUEST:**

AVR requests that the Commission authorize the recovery of the balance recorded in the Conservation (BMP) Memorandum Account for the period of January 1, 2011 through December 31, 2011 in the amount of \$77,384.

ORA POSITION:

ORA finds AVR's request for recovery of the balance recorded in the Conservation Memorandum Account to be reasonable.

RESOLUTION:

The Parties agree that the Commission should authorize the recovery of the under-collection recorded in the Conservation Memorandum Account in the amount of \$77,384. The Parties further agree that this account be closed.

REFERENCES: AVR Exh. A-1, p. 135; ORA Exh. O-1, pp. 14-13 – 14-14.

16.6 Outside Services Memorandum Account**AVR WATER REQUEST:**

AVR requests that the Commission authorize the recovery of the balance recorded in the Outside Services Memorandum Account for the period of January 1, 2011 through December 31, 2011 in the amount of \$2,006.

ORA POSITION:

ORA finds AVR's request for recovery of the balance recorded in the Outside Services Memorandum Account to be reasonable.

RESOLUTION:

The Parties agree that the Commission should authorize the recovery of the under-collection recorded in the Outside Services Memorandum Account in the amount of \$2,006. The Parties further agree that the account be closed.

REFERENCES: AVR Exh. A-1, p. 135; ORA Exh. O-1, pp. 14-14 – 14-15.

16.7 Pressure Reducing Memorandum Account**AVR WATER REQUEST:**

AVR requests that the Commission close the Pressure Reducing Valve Memorandum Account because it has not recorded any costs in the account since its inception. AVR has determined that because of the water system's operational characteristics, pressure reducing valve technology will not work in the AVR service area.

ORA POSITION:

ORA finds AVR's request to be reasonable.

RESOLUTION:

The Parties agree that the Commission should authorize the closing of the Pressure Reducing Valve Memorandum Account.

REFERENCES: AVR Exh. A-1, p 136; ORA Exh. O-1, pp. 14-15 – 14-16.

16.8 Credit Card Memorandum Account**AVR WATER REQUEST:**

AVR requests that the Commission authorize the refund of the over-collected balance recorded in the Credit Card Memorandum Account estimated at December 31, 2014.

ORA POSITION:

ORA finds AVR's request to be reasonable.

RESOLUTION:

Based on discussion, review of AVR's rebuttal testimony, and review of workpapers, the Parties agree that the Commission authorize the refund of the over-collected balance recorded in the Credit Card Memorandum Account in the amount of \$4,148.42. The Parties further agree that this account be closed.

REFERENCES: AVR Exh. A-1, p. 136; ORA Exh. O-1, pp. 14-20 – 14-21.

16.9 2010 Tax Memorandum Account**AVR WATER REQUEST:**

AVR requests authorization to file an advice letter to refund the balance recorded in the 2010 Tax Act Memorandum Account from April 14, 2011 through December 31, 2014 after the account is terminated at the conclusion of this rate case cycle (December 31, 2014) and the final balance has been determined.

ORA POSITION:

ORA recommends that the Commission order an audit of the 2010 Tax Act Memorandum Account and AVR would file a subsequent advice letter requesting refund of the balance recorded in the account based on the results of the audit.

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that the impacts of the 2010 Tax Act on 2015 and subsequent years are incorporated into rates in this proceeding, that the 2010 Tax Act Memorandum Account should terminate at the end of December 31, 2014 (or whatever other time that rates from this proceeding become effective, and that AVR will file an advice letter by April 30, 2015 to refund the over-collected balance recorded in the 2010 Tax Memorandum Account. The Parties further agree than an audit separate from the audit conducted in associated with the advice letter filing is unnecessary.

REFERENCES: AVR Exh. A-1, p. 136; ORA Exh. O-1, pp. 14-21 – 14-23.

16.10 Chromium 6 Memorandum Account

AVR WATER REQUEST:

AVR requests Commission authorization to establish a Hexavalent Chromium (Chromium 6) Memorandum Account to track the unknown costs of water treatment or remediation costs associated with the loss of groundwater sources that would result from a new MCL for Chromium 6.

ORA POSITION:

ORA recommends that AVR's request to establish a Chromium 6 Memorandum Account be denied based on its review of the impacts of the MCL on AVR's groundwater sources.

RESOLUTION:

The Parties agree that as a result of the California Department of Public Health setting the MCL for Chromium 6 at 10 ppb, there is no impact on AVR's groundwater sources. The Parties agree to ORA's recommendation and AVR will withdraw its request for a Chromium 6 Memorandum Account.

REFERENCES: AVR Exh. A-1, p. 136; ORA Exh. O-1, pp. 14-24 – 14-26.

17.0 SPECIAL REQUESTS

17.1 New Tariff Charges

17.2 Fire Flow Test

AVR WATER REQUEST:

AVR requests a tariff for fire flow testing, which includes the entire process of scheduling, physical testing, modeling, and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.

ORA POSITION:

ORA supports this request.

RESOLUTION:

ORA and AVR agree that fire flow testing is a cost that should be charged to those causing the expense, rather than distributed to all customers. ORA and AVR agree that AVR will implement a tariff for fire flow testing of \$60 per fire flow test, which includes the entire process of scheduling, physical testing, modeling, and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.

REFERENCES: AVR Exh. A-1,p. 145, AVR Exh. A-2, pp. 15-16; ORA Exh. O-1, pp. 15-2 – 15-3.

17.3 Restoration of Service**AVR WATER REQUEST:**

AVR proposes a new tariff charge for restoration of service during after-hours and voluntary disconnection for non-emergency, voluntary disconnection after-hours (non-regular hours).

ORA POSITION:

ORA opposes this request.

RESOLUTION:

After further discussion during settlement negotiations, AVR and ORA agree that a tariff charge for restoration of service applicable to non-emergency, after-hours is a cost that should be charged to those customers causing the expense, rather than distributed to all customers. ORA and AVR agree that AVR will implement such a tariff charge for restoration of service of \$150.

REFERENCES: AVR Exh. A-1, p. 144; ORA Exh. O-1, pp. 15-3 – 15-4.

17.4 Other Rates and Fees (Advances)**AVR WATER REQUEST:**

AVR proposes to update the Supply Facilities Fee and Supplemental Water Acquisition Fee charged as advances in Section C of AVR's Rule No. 15, Main Extensions. The Supply

Facilities Fee would increase from \$900 to \$1,000 for a 5/8-inch meter, with increases to larger meter sizes based on the Commission's service charge ratios. AVR proposes to update the Supplemental Water Acquisition Fee from \$5,000 to \$7,000 per lot.

ORA POSITION:

ORA did not comment on this request.

RESOLUTION:

After further discussion during settlement negotiations, the Parties agree to the updated fees facilities and supplemental water acquisition as shown below.

11.02.4 Other Rates and Fees (advances) Proposed:

Supply Facilities Fees

| <u>Service Size</u> | <u>Facilities Fee</u> |
|---------------------|-----------------------|
| 5/8-inch | \$ 1,000.00 |
| 3/4-inch | \$ 1,500.00 |
| 1-inch | \$ 2,500.00 |
| 1 1/2-inch | \$ 5,000.00 |
| 2-inch | \$ 8,000.00 |
| 3-inch | \$ 15,000.00 |
| 4-inch | \$ 25,000.00 |
| 6-inch | \$ 50,000.00 |
| <u>Service Size</u> | <u>Facilities Fee</u> |
| 8-inch | \$ 80,000.00 |
| 10-inch | \$145,000.00 |

Supplemental Water Acquisition Fees

| | |
|---|--|
| Residential developments | \$5,500 per lot |
| Commercial, Industrial, or other developments | \$5,500 per equivalent average residential water use based on the water use of similar business or facility. |

REFERENCES: AVR Exh. A-1, p. 144.

17.5 Interest Rates Applied to Customer Deposits**AVR WATER REQUEST:**

AVR requests to change the interest on customer deposits in Rule No. 7 from seven percent per annum to the average monthly 90-day commercial paper rate per month.

ORA POSITION:

ORA supports this request because customer deposits and the interest earned on the deposits have no impact on ratemaking and the current seven percent rate does not reflect current market conditions.

RESOLUTION:

ORA and AVR agree that AVR will revise the interest earned on customer deposits from 7% to the 90-day commercial paper rate. ORA and AVR recognize that the Commission previously authorized a similar treatment for Park Water Company in D.13-09-005.

REFERENCES: AVR Exh. A-1, p. 145; ORA Exh. O-1, pp. 15-5 – 15-6.

17.6 Recognition of Future Offset**AVR WATER REQUEST:**

AVR anticipates the filing of leased water and purchased power expense offset advice letters subsequent to the filing of this GRC application but prior to the Test Year. AVR requests that the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC.

ORA POSITION:

ORA supports this request.

RESOLUTION:

The Parties agree that any expense offsets be recognized prior to the issuance of a final decision in the proceeding.

REFERENCES: AVR Application, p. 13; ORA Exh. O-1, p.15-6.

18.0 WRAM/MCBA

AVR WATER REQUEST:

AVR requests Commission authorization to continue its existing Water Revenue Adjustment Mechanism (“WRAM”)/Modified Production Cost Balancing Account (“MCBA”) with some minor modifications. AVR proposes to add the commodity revenues for the irrigation system to the WRAM balancing account. AVR’s MCBA captures variations in production costs (purchased power, replenishment assessments, and leased water rights) due to either changes in unit price or changes in the consumption. AVR requests that the production costs of chemicals be included in the supply cost captured by the MCBA. AVR also requests to add the irrigation system water production costs in the MCBA.

ORA POSITION:

ORA opposes AVR’s requests to modify the WRAM/MCBA.

RESOLUTION:

The Parties agree that the Commission should authorize the continuance of the WRAM/MCBA. The Parties disagree on AVR’s proposed modifications to the WRAM/MCBA, which are outlined in Section 1.3. The Parties further believe that the resolution of the consumption per customer issue will result in reasonable estimate of water sales during the rate case cycle (2015 – 2017). This will minimize and eliminate the potential for large WRAM surcharges that result from significant difference between actual and adopted sales forecasts.

REFERENCES: AVR Exh. A-1 pp. 133 – 134; ORA Exh. O-1, pp.19-1 – 19-2.

19.0 LOW INCOME PROGRAM (CARW)

AVR WATER REQUEST:

AVR proposes to continue its existing low-income discount program known as California Alternate Rates for Water (“CARW”). AVR requests continuing this program by increasing the current monthly service charge discount of \$6.69 by the average percentage increase to rates

authorized in this proceeding. AVR also proposes the continuation of a surcharge to offset the CARW discounts provided to qualifying customers. AVR requests the Commission authorize the recovery of the under-collection recorded in the CARW Balancing Account as of December 31, 2013 in the amount of \$425,758 through a 12-month temporary surcharge.

ORA POSITION:

ORA finds AVR's request acceptable and recommends that the Commission adopt AVR's requested changes to the CARW program identified in AVR's application.

RESOLUTION:

The Parties agree that qualifying customers would receive a monthly CARW discount using the methodology described above. Non-qualifying customers, excluding customers receiving non-metered fire sprinkler service, reclaimed water service, construction and other temporary meter service and customers that receive a CARW credit, would be subject to a monthly surcharge using the methodology described above.

The Parties agree that the Commission should authorize the recovery of the under-collection recorded in the CARW Revenue Reallocation Balancing Account in the amount of \$425,758.

The Parties further agree that the CARW Balancing Account continues to be necessary to track the balance of collected surcharges and discounts.

REFERENCES: AVR Exh. A-1, pp. 15-16; ORA Exh. O-1, pp. 18-1 – 18-5.

20.0 REQUESTS TO THE COMMISSION

As a result of this Settlement, the Commission should act to resolve AVR's requests in this proceeding. The Parties are providing a list of these requests under paragraph 21.0 below in an effort to ensure the Commission takes notice of necessary findings and orders arising from this proceeding.

21.0 REQUESTS AS A RESULT OF THE SETTLEMENT

21.1 The Parties request that the Commission authorize a change in AVR's tariff fees pursuant to Sections 16.1.1, 16.1.2, and 16.1.3 effective January 1, 2015. AVR's interest on deposits would be the average monthly 90-day commercial paper rate. AVR's reconnection fee (outside of regular business hours) and voluntary disconnection charge (outside of regular business hours) would be \$150. AVR's fee for requested fire-flow tests would be \$60 per fire-flow test.

21.2 The Parties request that the Commission authorize a change in AVR's CARW discount (for qualifying customers) and the surcharge (for non-qualifying customers) pursuant to Section 19.0.

21.3 The Parties request that the Commission authorize the continuance of the existing Water Revenue Adjustment Mechanism and Modified Cost Balancing Accounts pursuant to Section 18.

21.4 The Parties request that the Commission authorize recovery of the under-collected balance in AVR's Conservation (BMP) Memorandum Account (\$77,384 as of December 31, 2013) pursuant to Section 16.5.

21.5 The Parties request that the Commission authorize recovery of the under-collected balance in AVR's Outside Services Memorandum Account (\$2,006 as of December 31, 2013) pursuant to Section 16.6.

21.6 The Parties request that the Commission authorize the refund of the over-collected balance in the AVR's Credit Card Balancing Account (\$4,148.42 as of December 31, 2014) pursuant to Section 16.8.

21.7 The Parties request that the Commission authorize recovery of the under-collected balance in AVR's CARW Revenue Reallocation Balancing Account (\$425,758 as of December 31, 2013) pursuant to Section 19.0.

21.8 The Parties request that the Commission make a finding that AVR meets all applicable water quality standards. This finding would be based upon ORA's review of water quality testimony and information provided by AVR.

21.9 The Parties request that the Commission make a finding that AVR is in compliance with the Real Property Subject to the Water Infrastructure Improvement Act of 1996.

21.10 The Parties request that the Commission order the filing of advice letters to implement increases for escalation years 2016 and 2017.

21.11 The Parties request that the Commission find that AVR's contract with HomeServe, that is subject to the Excess Capacity Decision (D.00-07-018) and Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X) for unregulated transactions is properly reflected in AVR's revenue requirement.

21.12 The Parties request that the Commission authorize and implement all other agreements of the Parties contained in the Final Amended Settlement.

22.0 FURTHER TERMS AND CONDITIONS OF THE SETTLEMENT

22.0 Rule 12.1(d) requires that a Settlement be "reasonable in light of the whole record, consistent with the law, and in the public interest." The Final Amended Settlement between the Parties in this proceeding satisfies the criteria in Rule 12.1(d). The Commission should approve, and adopt this Final Amended Settlement, which is supported by ORA and AVR.

22.1 The Final Amended Settlement is Reasonable

The Final Amended Settlement, taken as a whole, provides a reasonable resolution of the issues settled in this Proceeding. The reasonableness of the Final Amended Settlement is supported by ORA's reports and testimony, and by the testimony, reports, and rebuttal testimony of AVR. In addition, the parties considered the affordability of the rates, letters to the Commission, the financial health of AVR and the Commission's Water Action Plan. The parties fully reached a reasonable compromise on the various issues that were in contention. The settlement negotiations were accomplished at arm's length over the course of numerous weeks.

22.2 The Final Amended Settlement is Lawful

The Parties are aware of no statutory provisions or prior Commission decision that would be

contravened or compromised by the Final Amended Settlement. The issues resolved in the Settlement are clearly within the scope of the proceeding. Moreover, the Settlement, if adopted, would result in just and reasonable rates to AVR's customers.

22.3 The Final Amended Settlement Serves the Public Interest

The Final Amended Settlement is in the public interest. The Commission has explained that a settlement which "commands broad support among participants fairly reflective of the affected interest" and "does not contain terms which contravene statutory provisions or prior Commission decisions" well serves the public interest. *Re San Diego Gas & Elec.*, D.92-12-019, 46 CPUC 2d at 552. In this proceeding, the Parties fairly represent the affected parties' interests. AVR provides water service to the customers in its service territory in San Bernardino County, and ORA is statutorily mandated with representing ratepayers in California, including those ratepayers not directly at issue in this proceeding.

The principal public interest affected in this proceeding is the delivery of safe, reliable water service at reasonable rates. The Final Amended Settlement advances these interests. In addition, Commission approval of the Final Amended Settlement will provide speedy resolution of contested issues, which will conserve Commission resources.


22.4 The Final Amended Settlement Conveys Sufficient Information

The Parties believe that the Final Amended Settlement conveys sufficient information for the Commission to discharge its future regulatory obligations. Thus, taken as a whole, the Final Amended Settlement will satisfy the Commission's standards for approving a settlement presented to it.

23.0 CONCLUSION

The Parties mutually believe that, based on the terms and conditions set forth above, this Final Amended Settlement is reasonable, consistent with the law, and in the public interest.

OFFICE OF RATEPAYER ADVOCATES

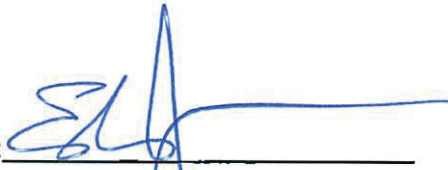
By: 

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505 Van Ness Avenue
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Dated: September 10, 2015

APPLE VALLEY RANCHOS WATER
COMPANY

By: 

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Project Manager

Representative for
Apple Valley Ranchos Water Company
21760 Ottawa Road
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Dated: September 10, 2015

(END OF ATTACHMENT A)

EXHIBIT A

**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
\$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.

A.14-01-002
(Filed January 2, 2014)

**AMENDED JOINT COMPARISON EXHIBIT
OF THE APPLE VALLEY RANCHOS WATER COMPANY
AND THE OFFICE OF RATEPAYER ADVOCATES**

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September 10, 2015

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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 \$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.

A.14-01-002
(Filed January 2, 2014)

**AMENDED JOINT COMPARISON EXHIBIT
OF THE APPLE VALLEY RANCHOS WATER COMPANY
AND THE OFFICE OF RATEPAYER ADVOCATES**

INTRODUCTION

This comparison exhibit, sponsored jointly by Apple Valley Ranchos Water Company (“AVR”) and the Office of Ratepayer Advocates (“ORA”) (collectively, the “Parties”), sets forth the original estimates of both Parties as well as the settlement amounts.

Both AVR and ORA have revised their estimates of the 2015 revenue requirements to reflect corrections and stipulations. Estimates of individual items may have been revised up or down but, overall, the revised positions of both parties represent a \$1,781,000 decrease to the 2015 revenue requirement of \$24,151,000 requested in AVR’s Application.

As a result of the Parties’ initial settlement (filed August 8, 2014), AVR’s requested 2015 revenue requirement was reduced to \$23,599,000; and AVR’s requested rate increase decreased from 14.88% to 13.53% while ORA’s increased from 7.97% to 13.29% (the difference was due to the unresolved Conservation Expense issue).

The Parties’ amended settlement on AVR’s Main Replacement Program resulted in a further decrease of AVR’s requested 2015 revenue requirement to \$23,330,000, resulting in a further decrease to AVR’s requested rate increase to 12.24%. In response to Commissioner Carla Peterman’s June 19, 2015 Ruling Amending Scope and Schedule, the Parties submitted supplemental testimony consistent with the Commission’s Resolution W-5041, the Governor’s Executive Order B-29-15, and the 28% reduction in AVR’s water production mandated by the State Water Resource Control Board’s (“SWRCB”) emergency water conservation regulations. Incorporation of the revised consumption per customer estimates and flow-through effects, based

on the Parties' agreements in their filed supplemental testimony, results in a significant further decrease to the 2015 revenue requirement: \$22,370,000 requested by AVR and \$22,325,000 proposed by ORA. The significant reduction in sales, however, causes an increase to the resulting rate increase necessary to generate the revenue requirement: 25.31% requested by AVR and 25.06% proposed by ORA.

Included in this comparison exhibit are summary of earnings tables at present rate revenues (2015) and at AVR's and ORA's proposed rate of return (2015) providing the results of AVR's and ORA's revised estimates as well as the differences between AVR and ORA by category. Income tax tables are similarly provided at present rate revenues (2015) and at AVR's and ORA's proposed rate of return (2015). Rate base tables are provided for years 2015 and 2016. Tables are also provided for customers and water sales for years 2015, 2016, and 2017.

The differences between AVR's and ORA's original and final estimates are due to the Parties' corrections, stipulations, and resolution of customers, sales, revenues, expense, tax and capital items through additional discussions held after the issuance of ORA's Amended Report on the Results of Operations, the amended resolution of AVR's Main Replacement Program, as well as consideration of the Parties' respective Supplemental Testimony.

The Parties have reached agreement on the majority of revenue, expense, tax, and capital items as described in the Final Amended Settlement Agreement. There are, however, a number of categories where agreement was reached on methodology but the Parties have remaining differences in their respective estimates due to the impact of the unresolved issues. The Parties were unable to reach agreement on the issues of: (1) Conservation expense proposed by AVR and the Conservation Balancing Account proposed by ORA; (2) the use of estimates in Balancing Accounts; (3) the Office Remodel Balancing Account; (4) the Solar Project Memorandum Account; (5) the Level Payment Plan; (6) the Sales Reconciliation Mechanism; and (7) the inclusion of the irrigation system in the WRAM/MCBA. The unresolved issues are identified in the Parties' Briefs as Conservation Estimates, Conservation Balancing Account, Solar Project Memorandum Account, Office Remodel Balancing Account, Use of Estimates, Level Payment Plan, Sales Reconciliation Mechanism, Irrigation (Commodity Revenues & Production Costs), Incremental Cost Balancing Account, and Chemical Costs. The comparison exhibit does not address the issues raised by the Town of Apple Valley ("Town"), including the issues addressed in the Parties' briefs under the headings "Rate Design" and "Water Rate

Comparison.” The Parties are in agreement on the Rate Design and Water Rate Comparison issues raised by the Town and have briefed their respective positions on these issues.

TABLE A-1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC & IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PRESENT RATES
2015 @ PRESENT RATES
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-----------------------------|----------|----------|------------|----------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 20,783.4 | 17,804.9 | 0.0 | 17,804.9 | 20,976.8 |
| DEFERRED REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS REVENUE | 46.7 | 46.7 | 0.0 | 46.7 | 46.7 |
| TOTAL REVENUES | 20,830.1 | 17,851.6 | 0.0 | 17,851.6 | 21,023.5 |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 827.0 | 837.5 | 0.0 | 837.5 | 840.9 |
| OPERATIONS-OTHER | 159.0 | 155.2 | 0.0 | 155.2 | 157.3 |
| PURCHASED WATER-POTABLE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 1,097.5 | 971.9 | 0.0 | 971.9 | 1,125.6 |
| LEASED WATER RIGHTS | 834.7 | 0.0 | 0.0 | 0.0 | 963.8 |
| REPLENISHMENT | 109.8 | 101.6 | 0.0 | 101.6 | 114.9 |
| CHEMICALS | 21.9 | 21.8 | 0.0 | 21.8 | 22.0 |
| PAYROLL-CUSTOMERS | 498.1 | 504.5 | 0.0 | 504.5 | 506.6 |
| CUSTOMERS-OTHER | 273.8 | 305.8 | 44.6 | 350.4 | 358.5 |
| UNCOLLECTIBLES | 99.1 | 84.7 | 0.0 | 84.7 | 100.0 |
| PAYROLL-MAINTENANCE | 429.9 | 435.3 | 0.0 | 435.3 | 437.2 |
| MAINTENANCE-OTHER | 667.2 | 619.2 | 0.0 | 619.2 | 623.1 |
| PAYROLL-CLEARINGS | 120.9 | 122.4 | 0.0 | 122.4 | 122.9 |
| DEPRECIATION-CLEARINGS | 239.8 | 241.9 | 0.0 | 241.9 | 264.2 |
| CLEARINGS-OTHER | 210.7 | 209.4 | 0.0 | 209.4 | 221.1 |
| SUB-TOTAL O & M | 5,589.4 | 4,611.1 | 44.6 | 4,655.7 | 5,858.1 |
| ADMINISTRATIVE & GENERAL | | | | | |
| A & G PAYROLL | 1,590.3 | 1,609.9 | 0.0 | 1,609.9 | 1,616.4 |
| EMPLOYEE BENEFITS | 1,299.2 | 1,342.9 | 0.0 | 1,342.9 | 1,361.8 |
| INSURANCE | 645.4 | 663.7 | 0.0 | 663.7 | 664.3 |
| UNINSURED PROPERTY DAMAGE | 8.7 | 8.8 | 0.0 | 8.8 | 8.8 |
| REG. COMM. EXPENSE | 131.3 | 159.3 | 0.0 | 159.3 | 162.3 |
| FRANCHISE REQUIREMENTS | 200.2 | 171.3 | 0.0 | 171.3 | 202.0 |
| OUTSIDE SERVICES | 234.9 | 248.9 | 0.0 | 248.9 | 265.3 |
| A & G - OTHER | 451.7 | 496.3 | 0.0 | 496.3 | 514.7 |
| A & G TRANSFERRED CREDIT | (184.8) | (357.2) | 0.0 | (357.2) | (637.3) |
| RENTS | 16.7 | 16.8 | 0.0 | 16.8 | 17.3 |
| GENERAL OFFICE ALLOCATION | 2,102.7 | 2,129.3 | 0.0 | 2,129.3 | 2,196.2 |
| AVR ALLOCATION | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| SUB-TOTAL A & G | 6,496.3 | 6,489.9 | 0.0 | 6,489.9 | 6,371.8 |
| OTHER TAXES | | | | | |
| ¹ PROPERTY TAXES | 582.6 | 590.1 | 0.0 | 590.1 | 585.4 |
| ¹ PAYROLL TAXES | 331.1 | 321.6 | 0.0 | 321.6 | 323.2 |
| SUB-TOTAL OTHER TAXES | 913.6 | 911.7 | 0.0 | 911.7 | 908.7 |
| ¹ DEPRECIATION | 3,169.4 | 3,262.3 | 0.0 | 3,262.3 | 3,399.1 |
| CA INCOME TAXES | 255.0 | 52.7 | 0.0 | 52.7 | 216.3 |
| FEDERAL INCOME TAXES | 839.3 | 152.3 | (13.4) | 138.9 | 756.2 |
| TOTAL EXPENSES | 17,262.9 | 15,480.0 | 31.2 | 15,511.2 | 17,510.1 |
| NET REVENUE | 3,567.1 | 2,371.6 | (31.2) | 2,340.4 | 3,513.4 |
| TOTAL RATE BASE | 49,851.7 | 54,418.5 | 1.0 | 54,419.5 | 58,578.3 |
| RATE OF RETURN | 7.16% | 4.36% | -0.1% | 4.30% | 6.00% |

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

TABLE A-2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC & IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PROPOSED RATES
2015 @ PROPOSED RATES
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-----------------------------|----------|----------|------------|----------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 22,439.4 | 22,259.0 | 45.0 | 22,304.0 | 24,100.3 |
| DEFERRED REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS REVENUE | 50.7 | 66.0 | 0.0 | 66.0 | 50.7 |
| TOTAL REVENUES | 22,490.1 | 22,325.0 | 45.0 | 22,370.0 | 24,151.0 |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 827.0 | 837.5 | 0.0 | 837.5 | 840.9 |
| OPERATIONS-OTHER | 159.0 | 155.2 | 0.0 | 155.2 | 157.3 |
| PURCHASED WATER-POTABLE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 1,097.5 | 971.9 | 0.0 | 971.9 | 1,125.6 |
| LEASED WATER RIGHTS | 834.7 | 0.0 | 0.0 | 0.0 | 963.8 |
| REPLENISHMENT | 109.8 | 101.6 | 0.0 | 101.6 | 114.9 |
| CHEMICALS | 21.9 | 21.8 | 0.0 | 21.8 | 22.0 |
| PAYROLL-CUSTOMERS | 498.1 | 504.5 | 0.0 | 504.5 | 506.6 |
| CUSTOMERS-OTHER | 273.8 | 305.8 | 44.6 | 350.4 | 358.5 |
| UNCOLLECTIBLES | 114.1 | 106.1 | 0.2 | 106.3 | 114.9 |
| PAYROLL-MAINTENANCE | 429.9 | 435.3 | 0.0 | 435.3 | 437.2 |
| MAINTENANCE-OTHER | 667.2 | 619.2 | 0.0 | 619.2 | 623.1 |
| PAYROLL-CLEARINGS | 120.9 | 122.4 | 0.0 | 122.4 | 122.9 |
| DEPRECIATION-CLEARINGS | 239.8 | 241.9 | 0.0 | 241.9 | 264.2 |
| CLEARINGS-OTHER | 210.7 | 209.4 | 0.0 | 209.4 | 221.1 |
| SUB-TOTAL O & M | 5,604.4 | 4,632.5 | 44.8 | 4,677.3 | 5,873.0 |
| ADMINISTRATIVE & GENERAL | | | | | |
| A & G PAYROLL | 1,590.3 | 1,609.9 | 0.0 | 1,609.9 | 1,616.4 |
| EMPLOYEE BENEFITS | 1,299.2 | 1,342.9 | 0.0 | 1,342.9 | 1,361.8 |
| INSURANCE | 645.4 | 663.7 | 0.0 | 663.7 | 664.3 |
| UNINSURED PROPERTY DAMAGE | 8.7 | 8.8 | 0.0 | 8.8 | 8.8 |
| REG. COMM. EXPENSE | 131.3 | 159.3 | 0.0 | 159.3 | 162.3 |
| FRANCHISE REQUIREMENTS | 230.7 | 214.4 | 0.4 | 214.9 | 232.1 |
| OUTSIDE SERVICES | 234.9 | 248.9 | 0.0 | 248.9 | 265.3 |
| A & G - OTHER | 451.7 | 496.3 | 0.0 | 496.3 | 514.7 |
| A & G TRANSFERRED CREDIT | (184.8) | (357.2) | 0.0 | (357.2) | (637.3) |
| RENTS | 16.7 | 16.8 | 0.0 | 16.8 | 17.3 |
| GENERAL OFFICE ALLOCATION | 2,102.7 | 2,129.3 | 0.0 | 2,129.3 | 2,196.2 |
| AVR ALLOCATION | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| SUB-TOTAL A & G | 6,526.8 | 6,533.1 | 0.4 | 6,533.5 | 6,401.9 |
| OTHER TAXES | | | | | |
| ¹ PROPERTY TAXES | 582.6 | 590.1 | 0.0 | 590.1 | 585.4 |
| ¹ PAYROLL TAXES | 331.1 | 321.6 | 0.0 | 321.6 | 323.2 |
| SUB-TOTAL OTHER TAXES | 913.6 | 911.7 | 0.0 | 911.7 | 908.7 |
| ¹ DEPRECIATION | 3,169.4 | 3,262.3 | 0.0 | 3,262.3 | 3,399.1 |
| CA INCOME TAXES | 399.6 | 446.9 | (0.0) | 446.9 | 489.3 |
| FEDERAL INCOME TAXES | 1,376.5 | 1,600.3 | 1.2 | 1,601.5 | 1,768.6 |
| ² TOTAL EXPENSES | 17,968.4 | 17,386.7 | 46.4 | 17,433.2 | 18,840.5 |
| NET REVENUE | 4,521.7 | 4,938.3 | (1.4) | 4,936.8 | 5,310.5 |
| TOTAL RATE BASE | 49,851.7 | 54,418.5 | 1.0 | 54,419.5 | 58,578.3 |
| RATE OF RETURN | 9.07% | 9.07% | 0.0% | 9.07% | 9.07% |
| DOLLAR INCREASE | 1,660.0 | 4,473.4 | 45.0 | 4,518.4 | 3,127.5 |
| % INCREASE | 7.97% | 25.06% | 0.3% | 25.31% | 14.88% |

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

² ORA'S ORIGINAL TOTAL EXPENSES IS ADJUSTED TO REFLECT ORA'S REPORT.

TABLE A-3
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PRESENT RATES
2015 @ PRESENT RATES
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-----------------------------|----------|----------|------------|----------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 20,591.0 | 17,608.2 | 0.0 | 17,608.2 | 20,780.1 |
| DEFERRED REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS REVENUE | 46.7 | 46.7 | 0.0 | 46.7 | 46.7 |
| TOTAL REVENUES | 20,637.7 | 17,654.9 | 0.0 | 17,654.9 | 20,826.8 |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 824.0 | 834.4 | 0.0 | 834.4 | 837.9 |
| OPERATIONS-OTHER | 159.0 | 155.2 | 0.0 | 155.2 | 157.3 |
| PURCHASED WATER-POTABLE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 1,010.3 | 877.7 | 0.0 | 877.7 | 1,030.0 |
| LEASED WATER RIGHTS | 834.7 | 0.0 | 0.0 | 0.0 | 963.8 |
| REPLENISHMENT | 103.3 | 92.0 | 0.0 | 92.0 | 105.0 |
| CHEMICALS | 21.9 | 21.8 | 0.0 | 21.8 | 22.0 |
| PAYROLL-CUSTOMERS | 498.1 | 504.5 | 0.0 | 504.5 | 506.6 |
| CUSTOMERS-OTHER | 273.8 | 305.8 | 44.6 | 350.4 | 358.5 |
| UNCOLLECTIBLES | 99.1 | 84.7 | 0.0 | 84.7 | 100.0 |
| PAYROLL-MAINTENANCE | 429.9 | 435.3 | 0.0 | 435.3 | 437.2 |
| MAINTENANCE-OTHER | 665.0 | 617.0 | 0.0 | 617.0 | 621.0 |
| PAYROLL-CLEARINGS | 120.9 | 122.4 | 0.0 | 122.4 | 122.9 |
| DEPRECIATION-CLEARINGS | 239.8 | 241.9 | 0.0 | 241.9 | 264.2 |
| CLEARINGS-OTHER | 207.6 | 206.3 | 0.0 | 206.3 | 218.0 |
| SUB-TOTAL O & M | 5,487.2 | 4,499.0 | 44.6 | 4,543.6 | 5,744.3 |
| ADMINISTRATIVE & GENERAL | | | | | |
| A & G PAYROLL | 1,590.3 | 1,609.9 | 0.0 | 1,609.9 | 1,616.4 |
| EMPLOYEE BENEFITS | 1,297.2 | 1,340.8 | 0.0 | 1,340.8 | 1,359.8 |
| INSURANCE | 644.1 | 662.4 | 0.0 | 662.4 | 663.0 |
| UNINSURED PROPERTY DAMAGE | 8.7 | 8.8 | 0.0 | 8.8 | 8.8 |
| REG. COMM. EXPENSE | 131.3 | 159.3 | 0.0 | 159.3 | 162.3 |
| FRANCHISE REQUIREMENTS | 200.2 | 171.3 | 0.0 | 171.3 | 202.0 |
| OUTSIDE SERVICES | 230.3 | 244.4 | 0.0 | 244.4 | 261.2 |
| A & G - OTHER | 451.5 | 496.0 | 0.0 | 496.0 | 514.5 |
| A & G TRANSFERRED CREDIT | (184.8) | (357.2) | 0.0 | (357.2) | (637.3) |
| RENTS | 16.7 | 16.8 | 0.0 | 16.8 | 17.3 |
| GENERAL OFFICE ALLOCATION | 2,089.2 | 2,115.6 | 0.0 | 2,115.6 | 2,183.7 |
| AVR ALLOCATION | (26.7) | (27.6) | 0.0 | (27.6) | (27.9) |
| SUB-TOTAL A & G | 6,447.9 | 6,440.4 | 0.0 | 6,440.4 | 6,323.6 |
| OTHER TAXES | | | | | |
| ¹ PROPERTY TAXES | 579.1 | 586.6 | 0.0 | 586.6 | 582.0 |
| ¹ PAYROLL TAXES | 330.4 | 320.9 | 0.0 | 320.9 | 322.6 |
| SUB-TOTAL OTHER TAXES | 909.5 | 907.6 | 0.0 | 907.6 | 904.5 |
| ¹ DEPRECIATION | 3,154.2 | 3,247.0 | 0.0 | 3,247.0 | 3,383.4 |
| CA INCOME TAXES | 253.9 | 56.6 | (3.9) | 52.7 | 216.3 |
| FEDERAL INCOME TAXES | 835.3 | 150.4 | (13.4) | 137.0 | 754.5 |
| TOTAL EXPENSES | 17,088.1 | 15,301.0 | 27.3 | 15,328.3 | 17,326.6 |
| NET REVENUE | 3,549.6 | 2,353.9 | (27.3) | 2,326.6 | 3,500.3 |
| TOTAL RATE BASE | 49,568.7 | 54,133.7 | 1.0 | 54,134.8 | 58,294.1 |
| RATE OF RETURN | 7.16% | 4.35% | -0.1% | 4.30% | 6.00% |

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

TABLE A-4
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PROPOSED RATES
2015 @ PROPOSED RATES
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-----------------------------|----------|----------|------------|----------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 22,232.9 | 22,040.8 | 45.0 | 22,085.8 | 23,881.2 |
| DEFERRED REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS REVENUE | 50.7 | 66.0 | 0.0 | 66.0 | 50.7 |
| TOTAL REVENUES | 22,283.5 | 22,106.7 | 45.0 | 22,151.7 | 23,931.9 |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 824.0 | 834.4 | 0.0 | 834.4 | 837.9 |
| OPERATIONS-OTHER | 159.0 | 155.2 | 0.0 | 155.2 | 157.3 |
| PURCHASED WATER-POTABLE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 1,010.3 | 877.7 | 0.0 | 877.7 | 1,030.0 |
| LEASED WATER RIGHTS | 834.7 | 0.0 | 0.0 | 0.0 | 963.8 |
| REPLENISHMENT | 103.3 | 92.0 | 0.0 | 92.0 | 105.0 |
| CHEMICALS | 21.9 | 21.8 | 0.0 | 21.8 | 22.0 |
| PAYROLL-CUSTOMERS | 498.1 | 504.5 | 0.0 | 504.5 | 506.6 |
| CUSTOMERS-OTHER | 273.8 | 305.8 | 44.6 | 350.4 | 358.5 |
| UNCOLLECTIBLES | 114.1 | 106.1 | 0.2 | 106.3 | 114.9 |
| PAYROLL-MAINTENANCE | 429.9 | 435.3 | 0.0 | 435.3 | 437.2 |
| MAINTENANCE-OTHER | 665.0 | 617.0 | 0.0 | 617.0 | 621.0 |
| PAYROLL-CLEARINGS | 120.9 | 122.4 | 0.0 | 122.4 | 122.9 |
| DEPRECIATION-CLEARINGS | 239.8 | 241.9 | 0.0 | 241.9 | 264.2 |
| CLEARINGS-OTHER | 207.6 | 206.3 | 0.0 | 206.3 | 218.0 |
| SUB-TOTAL O & M | 5,502.2 | 4,520.3 | 44.8 | 4,565.2 | 5,759.2 |
| ADMINISTRATIVE & GENERAL | | | | | |
| A & G PAYROLL | 1,590.3 | 1,609.9 | 0.0 | 1,609.9 | 1,616.4 |
| EMPLOYEE BENEFITS | 1,297.2 | 1,340.8 | 0.0 | 1,340.8 | 1,359.8 |
| INSURANCE | 644.1 | 662.4 | 0.0 | 662.4 | 663.0 |
| UNINSURED PROPERTY DAMAGE | 8.7 | 8.8 | 0.0 | 8.8 | 8.8 |
| REG. COMM. EXPENSE | 131.3 | 159.3 | 0.0 | 159.3 | 162.3 |
| FRANCHISE REQUIREMENTS | 230.7 | 214.4 | 0.4 | 214.9 | 232.1 |
| OUTSIDE SERVICES | 230.3 | 244.4 | 0.0 | 244.4 | 261.2 |
| A & G - OTHER | 451.5 | 496.0 | 0.0 | 496.0 | 514.5 |
| A & G TRANSFERRED CREDIT | (184.8) | (357.2) | 0.0 | (357.2) | (637.3) |
| RENTS | 16.7 | 16.8 | 0.0 | 16.8 | 17.3 |
| GENERAL OFFICE ALLOCATION | 2,089.2 | 2,115.6 | 0.0 | 2,115.6 | 2,183.7 |
| AVR ALLOCATION | (26.7) | (27.6) | 0.0 | (27.6) | (27.9) |
| SUB-TOTAL A & G | 6,478.4 | 6,483.6 | 0.4 | 6,484.0 | 6,353.7 |
| OTHER TAXES | | | | | |
| ¹ PROPERTY TAXES | 579.1 | 586.6 | 0.0 | 586.6 | 582.0 |
| ¹ PAYROLL TAXES | 330.4 | 320.9 | 0.0 | 320.9 | 322.6 |
| SUB-TOTAL OTHER TAXES | 909.5 | 907.6 | 0.0 | 907.6 | 904.5 |
| ¹ DEPRECIATION | 3,154.2 | 3,247.0 | 0.0 | 3,247.0 | 3,383.4 |
| CA INCOME TAXES | 397.2 | 444.5 | (0.0) | 444.4 | 486.8 |
| FEDERAL INCOME TAXES | 1,368.0 | 1,591.3 | 1.2 | 1,592.5 | 1,759.5 |
| ² TOTAL EXPENSES | 17,787.7 | 17,194.3 | 46.4 | 17,240.7 | 18,647.1 |
| NET REVENUE | 4,495.8 | 4,912.5 | (1.4) | 4,911.0 | 5,284.7 |
| TOTAL RATE BASE | 49,568.7 | 54,133.7 | 1.0 | 54,134.8 | 58,294.1 |
| RATE OF RETURN | 9.07% | 9.07% | 0.0% | 9.07% | 9.07% |
| DOLLAR INCREASE | 1,645.8 | 4,451.8 | 45.0 | 4,496.8 | 3,105.0 |
| % INCREASE | 7.97% | 25.22% | 0.3% | 25.47% | 14.91% |

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

² ORA'S ORIGINAL TOTAL EXPENSES IS ADJUSTED TO REFLECT ORA'S REPORT.

TABLE A-5
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PRESENT RATES
2015 @ PRESENT RATES
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-----------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 192.4 | 196.7 | 0.0 | 196.7 | 196.7 |
| DEFERRED REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS REVENUE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL REVENUES | 192.4 | 196.7 | 0.0 | 196.7 | 196.7 |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 3.0 | 3.0 | 0.0 | 3.0 | 3.0 |
| OPERATIONS-OTHER | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 87.2 | 94.3 | 0.0 | 94.3 | 95.6 |
| REPLENISHMENT CHARGES | 6.5 | 9.6 | 0.0 | 9.6 | 9.9 |
| CHEMICALS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| UNCOLLECTIBLES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PAYROLL-MAINTENANCE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MAINTENANCE-OTHER | 2.2 | 2.2 | 0.0 | 2.2 | 2.1 |
| PAYROLL-CLEARINGS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CLEARINGS-OTHER | 3.1 | 3.1 | 0.0 | 3.1 | 3.2 |
| SUB-TOTAL O & M | 102.1 | 112.2 | 0.0 | 112.2 | 113.8 |
| ADMINISTRATIVE & GENERAL | | | | | |
| PAYROLL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EMPLOYEE BENEFITS | 2.0 | 2.1 | 0.0 | 2.1 | 2.1 |
| INSURANCE | 1.3 | 1.3 | 0.0 | 1.3 | 1.3 |
| FRANCHISE REQUIREMENTS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OUTSIDE SERVICES | 4.6 | 4.6 | 0.0 | 4.6 | 4.1 |
| OFFICE SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| A & G - OTHER | 0.2 | 0.2 | 0.0 | 0.2 | 0.2 |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RENTS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| GENERAL OFFICE ALLOCATION | 13.6 | 13.7 | 0.0 | 13.7 | 12.6 |
| AVR ALLOCATION | 26.7 | 27.6 | 0.0 | 27.6 | 27.9 |
| SUB-TOTAL A & G | 48.3 | 49.5 | 0.0 | 49.5 | 48.2 |
| OTHER TAXES | | | | | |
| ¹ PROPERTY TAXES | 3.5 | 3.5 | 0.0 | 3.5 | 3.5 |
| ¹ PAYROLL TAXES | 0.7 | 0.7 | 0.0 | 0.7 | 0.7 |
| SUB-TOTAL OTHER TAXES | 4.1 | 4.2 | 0.0 | 4.2 | 4.1 |
| ¹ DEPRECIATION | 15.2 | 15.2 | 0.0 | 15.2 | 15.6 |
| CA INCOME TAXES | 1.1 | 0.5 | (0.0) | 0.5 | 0.5 |
| FEDERAL INCOME TAXES | 4.0 | 1.9 | (0.0) | 1.9 | 1.8 |
| TOTAL EXPENSES | 174.8 | 183.5 | (0.0) | 183.5 | 184.0 |
| NET REVENUE | 17.5 | 13.2 | 0.0 | 13.2 | 12.7 |
| TOTAL RATE BASE | 283.0 | 284.8 | 0.0 | 284.8 | 284.2 |
| RATE OF RETURN | 6.20% | 4.65% | 0.0% | 4.65% | 4.46% |

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

TABLE A-6
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PROPOSED RATES
2015 @ PROPOSED RATES
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-----------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 206.5 | 218.3 | 0.0 | 218.3 | 219.2 |
| DEFERRED REVENUES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MISCELLANEOUS REVENUE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL REVENUES | 206.5 | 218.3 | 0.0 | 218.3 | 219.2 |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 3.0 | 3.0 | 0.0 | 3.0 | 3.0 |
| OPERATIONS-OTHER | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED WATER | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 87.2 | 94.3 | 0.0 | 94.3 | 95.6 |
| REPLENISHMENT CHARGES | 6.5 | 9.6 | 0.0 | 9.6 | 9.9 |
| CHEMICALS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| UNCOLLECTIBLES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PAYROLL-MAINTENANCE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MAINTENANCE-OTHER | 2.2 | 2.2 | 0.0 | 2.2 | 2.1 |
| PAYROLL-CLEARINGS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CLEARINGS-OTHER | 3.1 | 3.1 | 0.0 | 3.1 | 3.2 |
| SUB-TOTAL O & M | 102.1 | 112.2 | 0.0 | 112.2 | 113.8 |
| ADMINISTRATIVE & GENERAL | | | | | |
| PAYROLL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EMPLOYEE BENEFITS | 2.0 | 2.1 | 0.0 | 2.1 | 2.1 |
| INSURANCE | 1.3 | 1.3 | 0.0 | 1.3 | 1.3 |
| FRANCHISE REQUIREMENTS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OUTSIDE SERVICES | 4.6 | 4.6 | 0.0 | 4.6 | 4.1 |
| OFFICE SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| A & G - OTHER | 0.2 | 0.2 | 0.0 | 0.2 | 0.2 |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RENTS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| GENERAL OFFICE ALLOCATION | 13.6 | 13.7 | 0.0 | 13.7 | 12.6 |
| AVR ALLOCATION | 26.7 | 27.6 | 0.0 | 27.6 | 27.9 |
| SUB-TOTAL A & G | 48.3 | 49.5 | 0.0 | 49.5 | 48.2 |
| OTHER TAXES | | | | | |
| ¹ PROPERTY TAXES | 3.5 | 3.5 | 0.0 | 3.5 | 3.5 |
| ¹ PAYROLL TAXES | 0.7 | 0.7 | 0.0 | 0.7 | 0.7 |
| SUB-TOTAL OTHER TAXES | 4.1 | 4.2 | 0.0 | 4.2 | 4.1 |
| ¹ DEPRECIATION | 15.2 | 15.2 | 0.0 | 15.2 | 15.6 |
| CA INCOME TAXES | 2.4 | 2.4 | (0.0) | 2.4 | 2.5 |
| FEDERAL INCOME TAXES | 8.5 | 9.0 | (0.0) | 9.0 | 9.2 |
| TOTAL EXPENSES | 180.9 | 192.5 | (0.0) | 192.5 | 193.4 |
| NET REVENUE | 25.7 | 25.8 | 0.0 | 25.8 | 25.8 |
| TOTAL RATE BASE | 283.0 | 284.8 | 0.0 | 284.8 | 284.2 |
| RATE OF RETURN | 9.07% | 9.07% | 0.0% | 9.07% | 9.07% |
| DOLLAR INCREASE | 14.2 | 21.6 | 0.0 | 21.6 | 22.5 |
| % INCREASE | 7.36% | 10.97% | 0.0% | 10.97% | 11.41% |

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

TABLE B - 1
APPLE VALLEY RANCHOS WATER CO.
WATER SALES PER AVERAGE CUSTOMER
TEST YEAR 2015
(CCF/ CUSTOMER)

| Description | ORA | | AVR | | DIFFERENCE |
|-------------------------------|------------|------------|------------|------------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Residential | 197.42 | 151.70 | 151.70 | 199.13 | 0.0 |
| Commercial | 581.52 | 476.41 | 476.41 | 592.76 | 0.0 |
| Industrial | 641.00 | 485.84 | 485.84 | 630.60 | 0.0 |
| Public Authority | 6,389.00 | 4,833.88 | 4,833.88 | 6,389.00 | 0.0 |
| Private Fire Service | 6.84 | 8.50 | 8.50 | 7.99 | 0.0 |
| Irrigation - Public Authority | 5,365.00 | 4,514.97 | 4,514.97 | 5,365.00 | 0.0 |
| Irrigation - Pressure | 1,606.00 | 1,333.24 | 1,333.24 | 1,681.00 | 0.0 |
| Irrigation - Gravity | 443,715.00 | 456,274.90 | 456,274.90 | 456,275.00 | 0.0 |
| Apple Valley Golf Course | 126,540.00 | 117,077.45 | 117,077.45 | 122,164.00 | 0.0 |
| Temporary Construction | 784.04 | 801.01 | 801.01 | 991.25 | 0.0 |

TABLE B - 2
APPLE VALLEY RANCHOS WATER CO.
WATER SALES PER AVERAGE CUSTOMER
ESCALATION YEAR 2016
(CCF/CUSTOMER)

| Description | ORA | | DIFFERENCE | AVR | |
|-------------------------------|------------|------------|------------|------------|------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Residential | 197.42 | 139.84 | 0.0 | 139.84 | 199.13 |
| Commercial | 581.52 | 459.94 | 0.0 | 459.94 | 592.76 |
| Industrial | 641.00 | 394.09 | 0.0 | 394.09 | 630.60 |
| Public Authority | 6,389.00 | 4,512.24 | 0.0 | 4,512.24 | 6,389.00 |
| Private Fire Service | 6.84 | 8.50 | 0.0 | 8.50 | 7.99 |
| Irrigation - Public Authority | 5,365.00 | 3,863.03 | 0.0 | 3,863.03 | 5,365.00 |
| Irrigation - Pressure | 1,606.00 | 1,231.16 | 0.0 | 1,231.16 | 1,681.00 |
| Irrigation - Gravity | 443,715.00 | 456,274.90 | 0.0 | 456,274.90 | 456,275.00 |
| Apple Valley Golf Course | 126,540.00 | 113,021.15 | 0.0 | 113,021.15 | 122,164.00 |
| Temporary Construction | 784.04 | 801.01 | 0.0 | 801.01 | 991.25 |

TABLE B - 3
APPLE VALLEY RANCHOS WATER CO.
WATER SALES PER AVERAGE CUSTOMER
ESCALATION YEAR 2017
(CCF/CUSTOMER)

| Description | ORA | | DIFFERENCE | AVR | |
|-------------------------------|------------|------------|------------|------------|------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Residential | 197.42 | 139.84 | 0.0 | 139.84 | 199.13 |
| Commercial | 581.52 | 459.94 | 0.0 | 459.94 | 592.76 |
| Industrial | 641.00 | 394.09 | 0.0 | 394.09 | 630.60 |
| Public Authority | 6,389.00 | 4,512.24 | 0.0 | 4,512.24 | 6,389.00 |
| Private Fire Service | 6.84 | 8.50 | 0.0 | 8.50 | 7.99 |
| Irrigation - Public Authority | 5,365.00 | 3,863.03 | 0.0 | 3,863.03 | 5,365.00 |
| Irrigation - Pressure | 1,606.00 | 1,231.16 | 0.0 | 1,231.16 | 1,681.00 |
| Irrigation - Gravity | 443,715.00 | 456,274.90 | 0.0 | 456,274.90 | 456,275.00 |
| Apple Valley Golf Course | 126,540.00 | 113,021.15 | 0.0 | 113,021.15 | 122,164.00 |
| Temporary Construction | 784.04 | 801.01 | 0.0 | 801.01 | 991.25 |

TABLE C - 1
APPLE VALLEY RANCHOS WATER CO.
AVERAGE NUMBER OF CUSTOMERS
TEST YEAR 2015

| NUMBER OF CUSTOMERS | ORA | | AVR | | DIFFERENCE |
|-------------------------------|----------|---------|---------|----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 18,008 | 18,015 | 18,015 | 17,979 | 0.0 |
| Commercial | 1,384 | 1,364 | 1,364 | 1,364 | 0.0 |
| Industrial | 2 | 2 | 2 | 2 | 0.0 |
| Public Authority | 45 | 45 | 45 | 45 | 0.0 |
| Private Fire Service | 240 | 239 | 239 | 272 | 0.0 |
| Irrigation - Public Authority | 5 | 5 | 5 | 5 | 0.0 |
| Irrigation - Pressure | 166 | 166 | 166 | 175 | 0.0 |
| Irrigation - Gravity | 1 | 1 | 1 | 1 | 0.0 |
| Apple Valley Golf Course | 1 | 1 | 1 | 1 | 0.0 |
| Temporary Construction | 9 | 11 | 11 | 9 | 0.0 |

TABLE C - 2
APPLE VALLEY RANCHOS WATER CO.
AVERAGE NUMBER OF CUSTOMERS
ESCALATION YEAR 2016

| NUMBER OF CUSTOMERS | ORA | | AVR | | DIFFERENCE |
|-------------------------------|----------|---------|---------|----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 18,203 | 18,165 | 18,165 | 18,121 | 0.0 |
| Commercial | 1,397 | 1,375 | 1,375 | 1,373 | 0.0 |
| Industrial | 2 | 2 | 2 | 2 | 0.0 |
| Public Authority | 45 | 45 | 45 | 46 | 0.0 |
| Private Fire Service | 248 | 247 | 247 | 289 | 0.0 |
| Irrigation - Public Authority | 5 | 5 | 5 | 5 | 0.0 |
| Irrigation - Pressure | 169 | 169 | 169 | 180 | 0.0 |
| Irrigation - Gravity | 1 | 1 | 1 | 1 | 0.0 |
| Apple Valley Golf Course | 1 | 1 | 1 | 1 | 0.0 |
| Temporary Construction | 9 | 11 | 11 | 9 | 0.0 |

TABLE C - 3
APPLE VALLEY RANCHOS WATER CO.
AVERAGE NUMBER OF CUSTOMERS
ESCALATION YEAR 2017

| NUMBER OF CUSTOMERS | ORA | | AVR | | DIFFERENCE |
|-------------------------------|----------|---------|---------|----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 18,398 | 18,315 | 18,315 | 18,263 | 0.0 |
| Commercial | 1,410 | 1,386 | 1,386 | 1,382 | 0.0 |
| Industrial | 2 | 2 | 2 | 2 | 0.0 |
| Public Authority | 46 | 46 | 46 | 46 | 0.0 |
| Private Fire Service | 256 | 255 | 255 | 306 | 0.0 |
| Irrigation - Public Authority | 5 | 5 | 5 | 5 | 0.0 |
| Irrigation - Pressure | 172 | 171 | 171 | 185 | 0.0 |
| Irrigation - Gravity | 1 | 1 | 1 | 1 | 0.0 |
| Apple Valley Golf Course | 1 | 1 | 1 | 1 | 0.0 |
| Temporary Construction | 9 | 11 | 11 | 9 | 0.0 |

TABLE D - 1
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TOTAL SALES & SUPPLY
TEST YEAR 2015

| METER SALES (CCF) | ORA | | AVR | | DIFFERENCE |
|-------------------------------|-----------|-----------|-----------|-----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 3,555,152 | 2,732,949 | 2,732,949 | 3,580,135 | 0.0 |
| Commercial | 804,828 | 649,824 | 649,824 | 808,526 | 0.0 |
| Industrial | 1,282 | 972 | 972 | 1,261 | 0.0 |
| Public Authority | 288,783 | 216,558 | 216,558 | 288,783 | 0.0 |
| Private Fire Service | 1,642 | 2,032 | 2,032 | 2,173 | 0.0 |
| Irrigation - Public Authority | 26,825 | 22,575 | 22,575 | 26,825 | 0.0 |
| Irrigation - Pressure | 266,596 | 221,318 | 221,318 | 294,175 | 0.0 |
| Apple Valley Golf Course | 126,540 | 117,077 | 117,077 | 122,164 | 0.0 |
| Temporary Construction | 7,056 | 8,811 | 8,811 | 8,921 | 0.0 |
| TOTAL SALES | 5,078,703 | 3,972,116 | 3,972,116 | 5,132,964 | 0.0 |
| TOTAL PRODUCTION (CCF) | 5,351,637 | 5,395,167 | 5,395,167 | 5,518,049 | 0.0 |
| TOTAL PRODUCTION (AF) | 12,288 | 12,388 | 12,388 | 12,671 | 0.0 |

TABLE D - 2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TOTAL SALES & SUPPLY
ESCALATION YEAR 2016

| METER SALES (CCF) | ORA | | AVR | | DIFFERENCE |
|-------------------------------|-----------|-----------|-----------|-----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 3,593,649 | 2,540,216 | 2,540,216 | 3,608,411 | 0.0 |
| Commercial | 812,387 | 632,415 | 632,415 | 813,861 | 0.0 |
| Industrial | 1,282 | 788 | 788 | 1,261 | 0.0 |
| Public Authority | 287,505 | 203,953 | 203,953 | 291,338 | 0.0 |
| Private Fire Service | 1,696 | 2,100 | 2,100 | 2,309 | 0.0 |
| Irrigation - Public Authority | 26,825 | 19,315 | 19,315 | 26,825 | 0.0 |
| Irrigation - Pressure | 271,414 | 208,066 | 208,066 | 302,580 | 0.0 |
| Apple Valley Golf Course | 126,540 | 113,021 | 113,021 | 122,164 | 0.0 |
| Temporary Construction | 7,056 | 8,811 | 8,811 | 8,921 | 0.0 |
| TOTAL SALES | 5,128,355 | 3,728,685 | 3,728,685 | 5,177,671 | 0.0 |
| TOTAL PRODUCTION (CCF) | 5,403,957 | 5,441,415 | 5,441,415 | 5,566,110 | 0.0 |
| TOTAL PRODUCTION (AF) | 12,409 | 12,495 | 12,495 | 12,781 | 0.0 |

TABLE D - 3
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TOTAL SALES & SUPPLY
ESCALATION YEAR 2017

| METER SALES (CCF) | ORA | | AVR | | DIFFERENCE |
|-------------------------------|-----------|-----------|-----------|-----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 3,632,146 | 2,561,192 | 2,561,192 | 3,636,687 | 0.0 |
| Commercial | 819,947 | 637,474 | 637,474 | 819,196 | 0.0 |
| Industrial | 1,282 | 788 | 788 | 1,261 | 0.0 |
| Public Authority | 291,338 | 205,758 | 205,758 | 293,894 | 0.0 |
| Private Fire Service | 1,751 | 2,168 | 2,168 | 2,445 | 0.0 |
| Irrigation - Public Authority | 26,825 | 19,315 | 19,315 | 26,825 | 0.0 |
| Irrigation - Pressure | 276,232 | 210,528 | 210,528 | 310,985 | 0.0 |
| Apple Valley Golf Course | 126,540 | 113,021 | 113,021 | 122,164 | 0.0 |
| Temporary Construction | 7,056 | 8,811 | 8,811 | 8,921 | 0.0 |
| TOTAL SALES | 5,183,118 | 3,759,056 | 3,759,056 | 5,222,379 | 0.0 |
| TOTAL PRODUCTION (CCF) | 5,512,690 | 5,485,955 | 5,485,955 | 5,554,447 | 0.0 |
| TOTAL PRODUCTION (AF) | 12,658 | 12,597 | 12,597 | 12,754 | 0.0 |

TABLE D - 4
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
TEST YEAR 2015

| METER SALES (CCF) Description | ORA | | AVR | | DIFFERENCE |
|-----------------------------------|-----------|-----------|-----------|-----------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Irrigation - Gravity | 443,715 | 456,275 | 456,275 | 456,275 | 0.0 |
| TOTAL SALES | 443,715 | 456,275 | 456,275 | 456,275 | 0.0 |
| TOTAL PRODUCTION (CCF) | 1,888,149 | 2,092,524 | 2,092,524 | 2,240,522 | 0.0 |
| TOTAL PRODUCTION (AF) | 4,336 | 4,805 | 4,805 | 5,145 | 0.0 |

TABLE D - 5
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
ESCALATION YEAR 2016

| METER SALES (CCF) | | ORA | | AVR | |
|------------------------|--|------------|-----------|-----------|-----------|
| Description | | ORIGINAL | REVISED | REVISED | ORIGINAL |
| Irrigation - Gravity | | 443,715 | 456,275 | 456,275 | 456,275 |
| TOTAL SALES | | 443,715 | 456,275 | 456,275 | 456,275 |
| TOTAL PRODUCTION (CCF) | | 1,888,149 | 2,092,524 | 2,092,524 | 2,240,522 |
| TOTAL PRODUCTION (AF) | | 4,336 | 4,805 | 4,805 | 5,145 |
| | | DIFFERENCE | | | |
| | | 0.0 | | | |
| | | 0.0 | | | |
| | | 0.0 | | | |
| | | 0.0 | | | |

TABLE D - 6
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
ESCALATION YEAR 2017

| METER SALES (CCF) Description | ORA | | AVR | |
|----------------------------------|----------|-----------|-----------|-----------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL |
| Irrigation - Gravity | 443,715 | 456,275 | 456,275 | 456,275 |
| TOTAL SALES | 443,715 | 456,275 | 456,275 | 456,275 |
| TOTAL PRODUCTION (CCF) | 471,929 | 2,092,524 | 2,092,524 | 2,240,522 |
| TOTAL PRODUCTION (AF) | 1,084 | 4,805 | 4,805 | 5,145 |
| | | | | |

| DIFFERENCE |
|------------|
| 0.0 |
| 0.0 |
| 0.0 |
| 0.0 |

TABLE E - 1
APPLE VALLEY RANCHOS
OPERATING REVENUES AT PRESENT RATES
TEST YEAR 2015

| METERED REVENUES (\$) | ORA | | AVR | | DIFFERENCE |
|-------------------------------|------------|------------|------------|------------|------------|
| | ORIGINAL | REVISED | REVISED | ORIGINAL | |
| Description | | | | | |
| Residential | 14,767,410 | 12,543,218 | 12,543,218 | 14,826,176 | 0.0 |
| Commercial | 3,406,266 | 2,963,627 | 2,963,627 | 3,399,105 | 0.0 |
| Industrial | 5,162 | 4,311 | 4,311 | 5,105 | 0.0 |
| Public Authority | 967,191 | 776,019 | 776,019 | 975,827 | 0.0 |
| Private Fire Service | 307,756 | 306,474 | 306,474 | 348,790 | 0.0 |
| Irrigation - Public Authority | 35,268 | 32,025 | 32,025 | 35,268 | 0.0 |
| Irrigation - Pressure | 933,518 | 809,275 | 809,275 | 1,020,145 | 0.0 |
| Irrigation - Gravity | 192,380 | 196,700 | 196,700 | 196,700 | 0.0 |
| Apple Valley Golf Course | 115,854 | 107,703 | 107,703 | 112,084 | 0.0 |
| Temporary Construction | 52,526 | 65,564 | 65,564 | 57,644 | 0.0 |
| Miscellaneous Revenue | 46,693 | 46,693 | 46,693 | 46,693 | 0.0 |
| TOTAL REVENUE | 20,830,023 | 17,851,607 | 17,851,607 | 21,023,537 | 0.0 |

TABLE E - 2
APPLE VALLEY RANCHOS
OPERATING REVENUES AT PROPOSED RATES
TEST YEAR 2015

| METERED REVENUES (\$) | ORA | | DIFFERENCE | AVR | |
|-------------------------------|------------|------------|------------|------------|------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Description | | | | | |
| Residential | 15,944,950 | 15,672,447 | 0.0 | 15,672,447 | 17,076,657 |
| Commercial | 3,677,878 | 3,670,478 | 0.0 | 3,670,478 | 3,862,095 |
| Industrial | 5,574 | 5,374 | 0.0 | 5,374 | 5,822 |
| Public Authority | 1,044,314 | 1,022,793 | 0.0 | 1,022,793 | 1,134,727 |
| Private Fire Service | 332,297 | 384,406 | 0.0 | 384,406 | 400,841 |
| Irrigation - Public Authority | 38,080 | 38,673 | 0.0 | 38,673 | 39,645 |
| Irrigation - Pressure | 1,007,956 | 1,060,615 | 0.0 | 1,060,615 | 1,182,720 |
| Irrigation - Gravity | 206,530 | 218,321 | 0.0 | 218,321 | 219,224 |
| Apple Valley Golf Course | 125,092 | 150,855 | 0.0 | 150,855 | 132,711 |
| Temporary Construction | 56,715 | 73,804 | 0.0 | 73,804 | 63,299 |
| Miscellaneous Revenue | 50,666 | 65,966 | 0.0 | 65,966 | 50,666 |
| TOTAL REVENUE | 22,490,051 | 22,363,733 | 0.0 | 22,363,733 | 24,168,407 |

TABLE F-1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
OPERATION & MAINTENANCE EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|--------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 824.0 | 834.4 | 0.0 | 834.4 | 837.9 |
| OPERATIONS-OTHER | 159.0 | 155.2 | 0.0 | 155.2 | 157.3 |
| PURCHASED WATER-POTABLE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 1,010.3 | 877.7 | 0.0 | 877.7 | 1,030.0 |
| LEASED WATER RIGHTS | 834.7 | 0.0 | 0.0 | 0.0 | 963.8 |
| REPLENISHMENT | 103.3 | 92.0 | 0.0 | 92.0 | 105.0 |
| CHEMICALS | 21.9 | 21.8 | 0.0 | 21.8 | 22.0 |
| PAYROLL-CUSTOMERS | 498.1 | 504.5 | 0.0 | 504.5 | 506.6 |
| CUSTOMERS-OTHER | 273.8 | 305.8 | 44.6 | 350.4 | 358.5 |
| UNCOLLECTIBLES | 114.1 | 106.1 | 0.2 | 106.3 | 114.9 |
| PAYROLL-MAINTENANCE | 429.9 | 435.3 | 0.0 | 435.3 | 437.2 |
| MAINTENANCE-OTHER | 665.0 | 617.0 | 0.0 | 617.0 | 621.0 |
| PAYROLL-CLEARINGS | 120.9 | 122.4 | 0.0 | 122.4 | 122.9 |
| DEPRECIATION-CLEARINGS | 239.8 | 241.9 | 0.0 | 241.9 | 264.2 |
| CLEARINGS-OTHER | 207.6 | 206.3 | 0.0 | 206.3 | 218.0 |
| TOTAL O & M EXPENSES | 5,502.2 | 4,520.3 | 44.8 | 4,565.2 | 5,759.2 |

TABLE F-2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
OPERATION & MAINTENANCE EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|--------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATIONS & MAINTENANCE | | | | | |
| PAYROLL-OPERATIONS | 3.0 | 3.0 | 0.0 | 3.0 | 3.0 |
| OPERATIONS-OTHER | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED WATER | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PURCHASED POWER | 87.2 | 94.3 | 0.0 | 94.3 | 95.6 |
| REPLENISHMENT CHARGES | 6.5 | 9.6 | 0.0 | 9.6 | 9.9 |
| CHEMICALS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| UNCOLLECTIBLES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PAYROLL-MAINTENANCE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MAINTENANCE-OTHER | 2.2 | 2.2 | 0.0 | 2.2 | 2.1 |
| PAYROLL-CLEARINGS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CLEARINGS-OTHER | 3.1 | 3.1 | 0.0 | 3.1 | 3.2 |
| TOTAL O & M EXPENSES | 102.1 | 112.2 | 0.0 | 112.2 | 113.8 |

TABLE G-1
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
ADMINISTRATIVE & GENERAL EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|--|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| ADMINISTRATIVE & GENERAL | | | | | |
| A & G PAYROLL | 1,590.3 | 1,609.9 | 0.0 | 1,609.9 | 1,616.4 |
| EMPLOYEE BENEFITS | 1,297.2 | 1,340.8 | 0.0 | 1,340.8 | 1,359.8 |
| INSURANCE | 644.1 | 662.4 | 0.0 | 662.4 | 663.0 |
| UNINSURED PROPERTY DAMAGE | 8.7 | 8.8 | 0.0 | 8.8 | 8.8 |
| REG. COMM. EXPENSE | 131.3 | 159.3 | 0.0 | 159.3 | 162.3 |
| FRANCHISE REQUIREMENTS | 230.7 | 214.4 | 0.4 | 214.9 | 232.1 |
| OUTSIDE SERVICES | 230.3 | 244.4 | 0.0 | 244.4 | 261.2 |
| A & G - OTHER | 451.5 | 496.0 | 0.0 | 496.0 | 514.5 |
| A & G TRANSFERRED CREDIT | (184.8) | (357.2) | 0.0 | (357.2) | (637.3) |
| RENTS | 16.7 | 16.8 | 0.0 | 16.8 | 17.3 |
| ¹ GENERAL OFFICE ALLOCATION | 2,089.2 | 2,115.6 | 0.0 | 2,115.6 | 2,183.7 |
| AVR ALLOCATION | (26.7) | (27.6) | 0.0 | (27.6) | (27.9) |
| TOTAL A & G EXPENSES | 6,478.4 | 6,483.6 | 0.4 | 6,484.0 | 6,353.7 |

¹ Excludes G.O. allocated payroll taxes, ad valorem tax, and depreciation expense.

TABLE G-2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
ADMINISTRATIVE & GENERAL EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|--|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| ADMINISTRATIVE & GENERAL | | | | | |
| PAYROLL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PAYROLL-BENEFITS | 2.0 | 2.1 | 0.0 | 2.1 | 2.1 |
| INSURANCE | 1.3 | 1.3 | 0.0 | 1.3 | 1.3 |
| FRANCISE REQTS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OUTSIDE SERVICES | 4.6 | 4.6 | 0.0 | 4.6 | 4.1 |
| OFFICE SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| A & G - OTHER | 0.2 | 0.2 | 0.0 | 0.2 | 0.2 |
| MISCELLANEOUS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| RENTS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ¹ GENERAL OFFICE ALLOCATION | 13.6 | 13.7 | 0.0 | 13.7 | 12.6 |
| AVR ALLOCATION | 26.7 | 27.6 | 0.0 | 27.6 | 27.9 |
| TOTAL A & G EXPENSES | 48.3 | 49.5 | 0.0 | 49.5 | 48.2 |

¹ Excludes G.O. allocated payroll taxes, ad valorem tax, and depreciation expense.

TABLE H-1
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TAXES OTHER THAN INCOME
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-------------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| PAYROLL TAXES | | | | | |
| APPLE VALLEY RANCHOS | 264.6 | 254.7 | 0.0 | 254.7 | 255.7 |
| G.O. ALLOCATION | 65.8 | 66.2 | 0.0 | 66.2 | 66.9 |
| TOTAL | 330.4 | 320.9 | 0.0 | 320.9 | 322.6 |
| AD VALOREM TAXES | | | | | |
| APPLE VALLEY RANCHOS | 570.7 | 578.3 | 0.0 | 578.3 | 573.5 |
| G.O. ALLOCATION | 8.4 | 8.4 | 0.0 | 8.4 | 8.4 |
| TOTAL | 579.1 | 586.6 | 0.0 | 586.6 | 582.0 |
| TOTAL TAXES OTHER THAN INCOME | 909.5 | 907.6 | 0.0 | 907.6 | 904.5 |

TABLE H-2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TAXES OTHER THAN INCOME
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|-------------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| PAYROLL TAXES | | | | | |
| APPLE VALLEY-IRRIGATION | 0.3 | 0.3 | 0.0 | 0.3 | 0.3 |
| G.O. ALLOCATION | 0.4 | 0.4 | 0.0 | 0.4 | 0.4 |
| TOTAL | 0.7 | 0.7 | 0.0 | 0.7 | 0.7 |
| AD VALOREM TAXES | | | | | |
| APPLE VALLEY-IRRIGATION | 3.5 | 3.4 | 0.0 | 3.4 | 3.4 |
| G.O. ALLOCATION | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 |
| TOTAL | 3.5 | 3.5 | 0.0 | 3.5 | 3.5 |
| TOTAL TAXES OTHER THAN INCOME | 4.2 | 4.2 | 0.0 | 4.2 | 4.1 |

TABLE I-1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
INCOME TAXES @ PRESENT RATES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|------------------------------|----------|----------|------------|----------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 20,637.7 | 17,654.9 | 0 | 17,654.9 | 20,826.8 |
| EXPENSE | | | | | |
| OPERATIONS & MAINTENANCE | 5,388.1 | 4,414.2 | 45 | 4,458.8 | 5,644.4 |
| UNCOLLECTIBLES | 99.1 | 84.7 | 0 | 84.7 | 100.0 |
| ADMINISTRATIVE & GENERAL | 6,247.7 | 6,269.1 | 0 | 6,269.1 | 6,121.5 |
| FRANCHISE REQUIREMENTS | 200.2 | 171.3 | 0 | 171.3 | 202.0 |
| PROPERTY TAXES | 579.1 | 586.6 | 0 | 586.6 | 582.0 |
| PAYROLL TAXES | 330.4 | 320.9 | 0 | 320.9 | 322.6 |
| MEALS ADJUSTMENT | (12.8) | (11.5) | 0 | (11.5) | (12.8) |
| TOTAL | 12,831.9 | 11,835.4 | 45 | 11,880.0 | 12,959.6 |
| INCOME BEFORE TAXES | 7,805.8 | 5,819.5 | (45) | 5,774.9 | 7,867.2 |
| CA CORP-FRANCHISE TAX (CCFT) | | | | | |
| CA TAX DEPRECIATION | 3,186.5 | 3,272.0 | 0 | 3,272.0 | 3,368.6 |
| INTEREST | 1,747.6 | 1,906.9 | 0 | 1,906.9 | 2,052.1 |
| TOTAL | 4,934.1 | 5,178.8 | 0 | 5,178.9 | 5,420.7 |
| TAXABLE INCOME FOR CCFT | 2,871.8 | 640.7 | (45) | 596.0 | 2,446.5 |
| CCFT RATE | 8.84% | 8.84% | 0.00% | 8.84% | 8.84% |
| CALIFORNIA INCOME TAX | 253.9 | 56.6 | (4) | 52.7 | 216.3 |
| FEDERAL INCOME TAX | | | | | |
| FED. TAX DEPRECIATION | 3,261.1 | 3,398.1 | 0 | 3,398.1 | 3,301.7 |
| CA TAX | 253.9 | 56.6 | (4) | 52.7 | 216.3 |
| INTEREST | 1,747.6 | 1,906.9 | 0 | 1,906.9 | 2,052.1 |
| QUALIFIED PROD. DEDUCTION | 86.5 | 15.6 | (1) | 14.2 | 78.2 |
| TOTAL | 5,349.1 | 5,377.2 | (5) | 5,371.9 | 5,648.2 |
| FIT TAXABLE INCOME | 2,456.8 | 442.3 | (39) | 403.0 | 2,219.0 |
| FIT RATE | 34.00% | 34.00% | 0.00% | 34.00% | 34.00% |
| FEDERAL INCOME TAX | 835.3 | 150.4 | (13) | 137.0 | 754.5 |
| INVESTMENT TAX CREDIT | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| NET FEDERAL INCOME TAX | 835.3 | 150.4 | (13) | 137.0 | 754.5 |

TABLE I-2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
INCOME TAXES @ PROPOSED RATES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|------------------------------|----------|----------|------------|----------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 22,283.5 | 22,106.7 | 45 | 22,151.7 | 23,931.9 |
| EXPENSE | | | | | |
| OPERATIONS & MAINTENANCE | 5,381.0 | 4,414.2 | 45 | 4,458.8 | 5,644.4 |
| UNCOLLECTIBLES | 114.1 | 106.1 | 0 | 106.3 | 114.9 |
| ADMINISTRATIVE & GENERAL | 6,233.2 | 6,269.1 | 0 | 6,269.1 | 6,121.5 |
| FRANCHISE REQUIREMENTS | 230.7 | 214.4 | 0 | 214.9 | 232.1 |
| PROPERTY TAXES | 579.1 | 586.6 | 0 | 586.6 | 582.0 |
| PAYROLL TAXES | 330.4 | 320.9 | 0 | 320.9 | 322.6 |
| MEALS ADJUSTMENT | (12.8) | (11.5) | 0 | (11.5) | (12.8) |
| TOTAL | 12,855.7 | 11,900.0 | 45 | 11,945.2 | 13,004.6 |
| INCOME BEFORE TAXES | 9,427.8 | 10,206.8 | (0) | 10,206.5 | 10,927.2 |
| CA CORP-FRANCHISE TAX (CCFT) | | | | | |
| CA TAX DEPRECIATION | 3,186.5 | 3,272.0 | 0 | 3,272.0 | 3,368.6 |
| INTEREST | 1,747.6 | 1,906.9 | 0 | 1,906.9 | 2,052.1 |
| TOTAL | 4,934.1 | 5,178.8 | 0 | 5,178.9 | 5,420.7 |
| TAXABLE INCOME FOR CCFT | 4,493.8 | 5,027.9 | (0) | 5,027.6 | 5,506.5 |
| CCFT RATE | 8.84% | 8.84% | 0.00% | 8.84% | 8.84% |
| CALIFORNIA INCOME TAX | 397.2 | 444.5 | (0) | 444.4 | 486.8 |
| FEDERAL INCOME TAX | | | | | |
| FED. TAX DEPRECIATION | 3,261.1 | 3,398.1 | 0 | 3,398.1 | 3,301.7 |
| CA TAX | 253.9 | 56.6 | (4) | 52.7 | 216.3 |
| INTEREST | 1,747.6 | 1,906.9 | 0 | 1,906.9 | 2,052.1 |
| QUALIFIED PROD. DEDUCTION | 141.7 | 164.9 | 0 | 165.0 | 182.3 |
| TOTAL | 5,404.3 | 5,526.5 | (4) | 5,522.7 | 5,752.4 |
| FIT TAXABLE INCOME | 4,023.6 | 4,680.3 | 4 | 4,683.8 | 5,174.9 |
| FIT RATE | 34.00% | 34.00% | 0.00% | 34.00% | 34.00% |
| FEDERAL INCOME TAX | 1,368.0 | 1,591.3 | 1 | 1,592.5 | 1,759.5 |
| INVESTMENT TAX CREDIT | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| NET FEDERAL INCOME TAX | 1,368.0 | 1,591.3 | 1 | 1,592.5 | 1,759.5 |

TABLE I-3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
INCOME TAXES @ PRESENT RATES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|------------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 192.4 | 196.7 | 0 | 196.7 | 196.7 |
| EXPENSE | | | | | |
| OPERATIONS & MAINTENANCE | 102.1 | 112.2 | 0 | 112.2 | 113.8 |
| UNCOLLECTIBLES | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| ADMINISTRATIVE & GENERAL | 48.3 | 49.5 | 0 | 49.5 | 48.2 |
| FRANCHISE REQUIREMENTS | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| PROPERTY TAXES | 3.5 | 3.5 | 0 | 3.5 | 3.5 |
| PAYROLL TAXES | 0.7 | 0.7 | 0 | 0.7 | 0.7 |
| MEALS ADJUSTMENT | (0.1) | (0.1) | 0 | (0.1) | (0.1) |
| TOTAL | 154.5 | 165.8 | 0 | 165.8 | 166.0 |
| INCOME BEFORE TAXES | 37.9 | 30.9 | 0 | 30.9 | 30.7 |
| CA CORP-FRANCHISE TAX (CCFT) | | | | | |
| CA TAX DEPRECIATION | 15.2 | 15.1 | 0 | 15.1 | 15.2 |
| INTEREST | 9.9 | 9.9 | 0 | 9.9 | 9.9 |
| TOTAL | 25.1 | 25.0 | 0 | 25.0 | 25.1 |
| TAXABLE INCOME FOR CCFT | 12.8 | 5.9 | (0) | 5.9 | 5.6 |
| CCFT RATE | 8.84% | 8.84% | 0.00% | 8.84% | 8.84% |
| CALIFORNIA INCOME TAX | 1.1 | 0.5 | (0) | 0.5 | 0.5 |
| FEDERAL INCOME TAX | | | | | |
| FED. TAX DEPRECIATION | 14.9 | 14.8 | 0 | 14.8 | 14.9 |
| CA TAX | 1.1 | 0.5 | (0) | 0.5 | 0.5 |
| INTEREST | 9.9 | 9.9 | 0 | 9.9 | 9.9 |
| QUALIFIED PROD. DEDUCTION | 0.4 | 0.2 | (0) | 0.2 | 0.2 |
| TOTAL | 26.3 | 25.4 | 0 | 25.4 | 25.5 |
| FIT TAXABLE INCOME | 11.6 | 5.5 | (0) | 5.5 | 5.2 |
| FIT RATE | 34.00% | 34.00% | 0.00% | 34.00% | 34.00% |
| FEDERAL INCOME TAX | 4.0 | 1.9 | (0) | 1.9 | 1.8 |
| INVESTMENT TAX CREDIT | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| NET FEDERAL INCOME TAX | 4.0 | 1.9 | (0) | 1.9 | 1.8 |

TABLE I-4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
INCOME TAXES @ PROPOSED RATES
TEST YEAR 2015
(Dollars in Thousands)

| | ORA | | DIFFERENCE | AVR | |
|------------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| OPERATING REVENUES | 206.5 | 218.3 | 0 | 218.3 | 219.2 |
| EXPENSE | | | | | |
| OPERATIONS & MAINTENANCE | 102.2 | 112.2 | 0 | 112.2 | 113.8 |
| UNCOLLECTIBLES | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| ADMINISTRATIVE & GENERAL | 48.5 | 49.5 | 0 | 49.5 | 48.2 |
| FRANCHISE REQUIREMENTS | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| PROPERTY TAXES | 3.5 | 3.5 | 0 | 3.5 | 3.5 |
| PAYROLL TAXES | 0.7 | 0.7 | 0 | 0.7 | 0.7 |
| MEALS ADJUSTMENT | (0.1) | (0.1) | 0 | (0.1) | (0.1) |
| TOTAL | 154.7 | 165.8 | 0 | 165.8 | 166.0 |
| INCOME BEFORE TAXES | 51.8 | 52.5 | 0 | 52.5 | 53.1 |
| CA CORP-FRANCHISE TAX (CCFT) | | | | | |
| CA TAX DEPRECIATION | 15.2 | 15.1 | 0 | 15.1 | 15.2 |
| INTEREST | 9.9 | 9.9 | 0 | 9.9 | 9.9 |
| TOTAL | 25.1 | 25.0 | 0 | 25.0 | 25.1 |
| TAXABLE INCOME FOR CCFT | 26.7 | 27.5 | (0) | 27.5 | 28.0 |
| CCFT RATE | 8.84% | 8.84% | 0.00% | 8.84% | 8.84% |
| CALIFORNIA INCOME TAX | 2.4 | 2.4 | (0) | 2.4 | 2.5 |
| FEDERAL INCOME TAX | | | | | |
| FED. TAX DEPRECIATION | 14.9 | 14.8 | 0 | 14.8 | 14.9 |
| CA TAX | 1.1 | 0.5 | (0) | 0.5 | 0.5 |
| INTEREST | 9.9 | 9.9 | 0 | 9.9 | 9.9 |
| QUALIFIED PROD. DEDUCTION | 0.9 | 0.9 | (0) | 0.9 | 0.9 |
| TOTAL | 26.8 | 26.2 | 0 | 26.2 | 26.2 |
| FIT TAXABLE INCOME | 25.0 | 26.3 | (0) | 26.3 | 26.9 |
| FIT RATE | 34.00% | 34.00% | 0.00% | 34.00% | 34.00% |
| FEDERAL INCOME TAX | 8.5 | 9.0 | (0) | 9.0 | 9.2 |
| INVESTMENT TAX CREDIT | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| NET FEDERAL INCOME TAX | 8.5 | 9.0 | (0) | 9.0 | 9.2 |

TABLE J - 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC

PLANT IN SERVICE
TEST YEAR 2015

| PLANT IN SERVICE (\$) Description | ORA | | <u>DIFFERENCE</u> | AVR | |
|--------------------------------------|-------------|-------------|-------------------|-------------|-------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Plant in Service - BOY | 120,628,589 | 122,845,240 | 0.0 | 122,845,240 | 124,134,371 |
| <u>Additions</u> | | | | | |
| Gross Additions | 3,921,768 | 7,541,247 | 0.0 | 7,541,247 | 11,424,235 |
| Retirements of Plant | 693,918 | 740,562 | 0.0 | 740,562 | 738,019 |
| Net Additions | 3,227,850 | 6,800,684 | 0.0 | 6,800,684 | 10,686,215 |
| CWIP - BOY | 47,078 | 47,078 | 0.0 | 47,078 | 490,837 |
| CWIP - EOY | 47,078 | 47,078 | 0.0 | 47,078 | 2,490,837 |
| AVERAGE- CWIP | 47,078 | 47,078 | 0.0 | 47,078 | 1,490,837 |
| Plant in Service - EOY | 123,856,440 | 129,645,924 | 0.0 | 129,645,924 | 134,820,587 |
| Average Utility Plant | 122,242,514 | 126,245,582 | 0.0 | 126,245,582 | 129,477,479 |

TABLE J - 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
PLANT IN SERVICE
ESCALATION YEAR 2016

| PLANT IN SERVICE (\$) Description | ORA | | DIFFERENCE | AVR | |
|--------------------------------------|-------------|-------------|------------|-------------|-------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Plant in Service - BOY | 123,856,440 | 129,645,924 | 0.0 | 129,645,924 | 134,820,587 |
| <u>Additions</u> | | | | | |
| Gross Additions | 3,953,626 | 8,142,726 | 0.0 | 8,142,726 | 16,709,958 |
| Retirements of Plant | 1,547,568 | 1,607,612 | 0.0 | 1,607,612 | 1,875,159 |
| Net Additions | 2,406,058 | 6,535,114 | 0.0 | 6,535,114 | 14,834,798 |
| CWIP - BOY | 47,078 | 47,078 | 0.0 | 47,078 | 2,490,837 |
| CWIP - EOY | 0 | 0 | 0.0 | 0 | 0 |
| AVERAGE- CWIP | 23,539 | 23,539 | 0.0 | 23,539 | 1,245,419 |
| Plant in Service - EOY | 126,262,497 | 136,181,038 | 0.0 | 136,181,038 | 149,655,385 |
| Average Utility Plant | 125,059,468 | 132,913,481 | 0.0 | 132,913,481 | 142,237,986 |

TABLE J - 3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION

PLANT IN SERVICE
TEST YEAR 2015

| PLANT IN SERVICE (\$) Description | ORA | | <u>DIFFERENCE</u> | AVR | |
|--------------------------------------|----------|---------|-------------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Plant in Service - BOY | 595,813 | 595,813 | 0.0 | 595,813 | 595,813 |
| <u>Additions</u> | | | | | |
| Gross Additions | 0 | 0 | 0.0 | 0 | 0 |
| Retirements of Plant | 0 | 0 | 0.0 | 0 | 0 |
| Net Additions | 0 | 0 | 0.0 | 0 | 0 |
| CWIP - BOY | 0 | 0 | 0.0 | 0 | 0 |
| CWIP - EOY | 0 | 0 | 0.0 | 0 | 0 |
| AVERAGE- CWIP | 0 | 0 | 0.0 | 0 | 0 |
| Plant in Service - EOY | 595,813 | 595,813 | 0.0 | 595,813 | 595,813 |
| Average Utility Plant | 595,813 | 595,813 | 0.0 | 595,813 | 595,813 |

TABLE J - 4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
PLANT IN SERVICE
ESCALATION YEAR 2016

| PLANT IN SERVICE (\$) Description | ORA | | <u>DIFFERENCE</u> | AVR | |
|--------------------------------------|----------|---------|-------------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| Plant in Service - BOY | 595,813 | 595,813 | 0.0 | 595,813 | 595,813 |
| <u>Additions</u> | | | | | |
| Gross Additions | 0 | 0 | 0.0 | 0 | 0 |
| Retirements of Plant | 0 | 0 | 0.0 | 0 | 0 |
| Net Additions | 0 | 0 | 0.0 | 0 | 0 |
| CWIP - BOY | 0 | 0 | 0.0 | 0 | 0 |
| CWIP - EOY | 0 | 0 | 0.0 | 0 | 0 |
| AVERAGE- CWIP | 0 | 0 | 0.0 | 0 | 0 |
| Plant in Service - EOY | 595,813 | 595,813 | 0.0 | 595,813 | 595,813 |
| Average Utility Plant | 595,813 | 595,813 | 0.0 | 595,813 | 595,813 |

TABLE K - 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
DEPRECIATION RESERVE & EXPENSE
TEST YEAR 2015

| DEPRECIATION RESERVE (\$) Description | ORA | | <u>DIFFERENCE</u> | AVR | |
|--|------------|------------|-------------------|------------|------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| BEGINNING YEAR BALANCE | 33,318,435 | 33,345,097 | 0.0 | 33,345,097 | 33,273,911 |
| ANNUAL ACCRUAL CHARGED TO: | | | | | |
| CLEARING ACCOUNTS | 239,834 | 241,905 | 0.0 | 241,905 | 264,177 |
| CONTRIBUTIONS | 143,163 | 143,163 | 0.0 | 143,163 | 143,499 |
| DEPRECIATION EXPENSE | 3,001,583 | 3,104,313 | 0.0 | 3,104,313 | 3,167,947 |
| OTHER | | | | | |
| TOTAL | 3,384,580 | 3,489,381 | 0.0 | 3,489,381 | 3,575,623 |
| <u>RETIREMENTS & ADJUSTMENTS</u> | | | | | |
| NET RETIREMENTS | 693,918 | 740,562 | 0.0 | 740,562 | 738,019 |
| ADJUSTMENTS | 45,401 | 45,401 | 0.0 | 45,401 | 45,401 |
| TOTAL | 739,318 | 785,963 | 0.0 | 785,963 | 783,420 |
| NET ADDITIONS | 2,645,261 | 2,703,418 | 0.0 | 2,703,418 | 2,792,202 |
| END OF YEAR BALANCE | 35,963,696 | 36,048,515 | 0.0 | 36,048,515 | 36,066,114 |
| AVERAGE BALANCE | 34,641,066 | 34,696,806 | 0.0 | 34,696,806 | 34,670,012 |

TABLE K - 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
DEPRECIATION RESERVE & EXPENSE
ESCALATION YEAR 2016

| DEPRECIATION RESERVE (\$) Description | ORA | | DIFFERENCE | AVR | |
|--|------------|------------|------------|------------|------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| BEGINNING YEAR BALANCE | 35,963,696 | 36,048,515 | 0.0 | 36,048,515 | 36,066,114 |
| ANNUAL ACCRUAL CHARGED TO: | | | | | |
| CLEARING ACCOUNTS | 238,748 | 250,497 | 0.0 | 250,497 | 272,769 |
| CONTRIBUTIONS | 142,520 | 142,520 | 0.0 | 142,520 | 142,856 |
| DEPRECIATION EXPENSE | 3,095,980 | 3,301,063 | 0.0 | 3,301,063 | 3,519,595 |
| OTHER | | | | | |
| TOTAL | 3,477,248 | 3,694,081 | 0.0 | 3,694,081 | 3,935,220 |
| RETIREMENTS & ADJUSTMENTS | | | | | |
| NET RETIREMENTS | 1,547,568 | 1,607,612 | 0.0 | 1,607,612 | 1,875,159 |
| ADJUSTMENTS | -101,781 | -101,781 | 0.0 | -101,781 | -125,836 |
| TOTAL | 1,445,787 | 1,505,831 | 0.0 | 1,505,831 | 1,749,324 |
| NET ADDITIONS | 2,031,460 | 2,188,250 | 0.0 | 2,188,250 | 2,185,897 |
| END OF YEAR BALANCE | 37,995,157 | 38,236,765 | 0.0 | 38,236,765 | 38,252,010 |
| AVERAGE BALANCE | 36,979,427 | 37,142,640 | 0.0 | 37,142,640 | 37,159,062 |

TABLE K - 3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
DEPRECIATION RESERVE & EXPENSE
TEST YEAR 2015

| DEPRECIATION RESERVE (\$) Description | ORA | | <u>DIFFERENCE</u> | AVR | |
|--|----------|---------|-------------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| BEGINNING YEAR BALANCE | 228,490 | 228,490 | 0.0 | 228,490 | 228,491 |
| ANNUAL ACCRUAL CHARGED TO: | | | | | |
| CLEARING ACCOUNTS | 0 | 0 | 0.0 | 0 | 0 |
| CONTRIBUTIONS | 1,231 | 1,231 | 0.0 | 1,231 | 1,231 |
| DEPRECIATION EXPENSE | 11,958 | 11,958 | 0.0 | 11,958 | 11,958 |
| OTHER | | | | | |
| TOTAL | 13,189 | 13,189 | 0.0 | 13,189 | 13,189 |
| <u>RETIREMENTS & ADJUSTMENTS</u> | | | | | |
| NET RETIREMENTS | 0 | 0 | 0.0 | 0 | 0 |
| ADJUSTMENTS | 0 | 0 | 0.0 | 0 | 0 |
| TOTAL | 0 | 0 | 0.0 | 0 | 0 |
| NET ADDITIONS | 13,189 | 13,189 | 0.0 | 13,189 | 13,189 |
| END OF YEAR BALANCE | 241,679 | 241,679 | 0.0 | 241,679 | 241,680 |
| AVERAGE BALANCE | 235,085 | 235,085 | 0.0 | 235,085 | 235,085 |

TABLE K - 4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
DEPRECIATION RESERVE & EXPENSE
ESCALATION YEAR 2016

| DEPRECIATION RESERVE (\$) | ORA | | DIFFERENCE | AVR | |
|----------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| DESCRIPTION | | | | | |
| BEGINNING YEAR BALANCE | 241,679 | 241,679 | 0.0 | 241,679 | 241,680 |
| ANNUAL ACCRUAL CHARGED TO: | | | | | |
| CLEARING ACCOUNTS | 0 | 0 | 0.0 | 0 | 0 |
| CONTRIBUTIONS | 1,231 | 1,231 | 0.0 | 1,231 | 1,231 |
| DEPRECIATION EXPENSE | 11,958 | 11,958 | 0.0 | 11,958 | 11,958 |
| OTHER | | | | | |
| TOTAL | 13,189 | 13,189 | 0.0 | 13,189 | 13,189 |
| RETIREMENTS & ADJUSTMENTS | | | | | |
| NET RETIREMENTS | 0 | 0 | 0.0 | 0 | 0 |
| ADJUSTMENTS | 0 | 0 | 0.0 | 0 | 0 |
| TOTAL | 0 | 0 | 0.0 | 0 | 0 |
| NET ADDITIONS | 13,189 | 13,189 | 0.0 | 13,189 | 13,189 |
| END OF YEAR BALANCE | 254,868 | 254,868 | 0.0 | 254,868 | 254,869 |
| AVERAGE BALANCE | 248,274 | 248,274 | 0.0 | 248,274 | 248,274 |

TABLE L - 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
AVERAGE RATE BASE SUMMARY
TEST YEAR 2015

| AVERAGE RATEBASE (\$) DESCRIPTION | ORA | | DIFFERENCE | AVR | |
|--------------------------------------|-------------|-------------|------------|-------------|-------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| PLANT IN SERVICE | 122,215,200 | 126,217,676 | 0.0 | 126,217,676 | 129,448,308 |
| WORK IN PROGRESS | 47,078 | 47,078 | 0.0 | 47,078 | 1,490,837 |
| MATERIALS & SUPPLIES | 336,657 | 336,674 | 0.0 | 336,674 | 336,749 |
| WORKING CASH | 1,572,453 | 1,865,479 | 1,017.3 | 1,866,497 | 2,137,173 |
| SUBTOTAL | 124,171,388 | 128,466,907 | 1,017.3 | 128,467,924 | 133,413,067 |
| LESS: | | | | | |
| DEPRECIATION RESERVE | 34,625,500 | 34,681,200 | 0.0 | 34,681,200 | 34,654,995 |
| ADVANCES | 28,171,300 | 28,171,263 | 0.0 | 28,171,263 | 28,265,767 |
| CONTRIBUTIONS | 2,051,703 | 2,051,703 | 0.0 | 2,051,703 | 2,045,801 |
| UNAMORTIZED ITC | 44,488 | 44,488 | 0.0 | 44,488 | 44,488 |
| DEFERRED INCOME TAX | 10,416,222 | 10,450,795 | 0.0 | 10,450,795 | 11,429,252 |
| SUBTOTAL | 75,309,213 | 75,399,449 | 0.0 | 75,399,449 | 76,440,304 |
| PLUS: | | | | | |
| METHOD 5 ADJUSTMENT | 777 | 777 | 0.0 | 777 | 777 |
| RESOURCES ADJUSTMENT | | | | | |
| NET DISTRICT RATE BASE | 48,862,952 | 53,068,235 | 1,017.3 | 53,069,252 | 56,973,540 |
| GENERAL OFFICE ALLOCATION | 705,719 | 1,065,506 | 0.0 | 1,065,506 | 1,355,965 |
| TOTAL RATE BASE | 49,568,672 | 54,133,741 | 1,017.3 | 54,134,758 | 58,329,505 |
| INTEREST CALCULATION | | | | | |
| AVG RATE BASE | 49,568,672 | 54,133,741 | 1,017.3 | 54,134,758 | 58,329,505 |
| X WEIGHTED COST OF DEBT | 3.49% | 3.49% | 0.00% | 3.49% | 3.49% |
| INTEREST EXPENSE | 1,729,947 | 1,889,268 | 35.5 | 1,889,303 | 2,035,700 |
| ADD INTEREST FOR ADVANCES | 17,613 | 17,613 | 0.0 | 17,613 | 17,613 |
| TOTAL INTEREST DEDUCTION | 1,747,560 | 1,906,881 | 35.5 | 1,906,916 | 2,053,313 |

TABLE L - 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
AVERAGE RATE BASE SUMMARY
TEST YEAR 2016

| AVERAGE RATE BASE (\$) | ORA | | DIFFERENCE | AVR | |
|------------------------------|-------------|-------------|------------|-------------|-------------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| PLANT IN SERVICE | 125,032,072 | 132,885,202 | 0.0 | 132,885,202 | 142,202,208 |
| WORK IN PROGRESS | 23,539 | 23,539 | 0.0 | 23,539 | 1,245,419 |
| MATERIALS & SUPPLIES | 339,598 | 339,598 | 0.0 | 339,598 | 339,690 |
| WORKING CASH | 1,555,466 | 1,823,909 | 977.3 | 1,824,886 | 2,290,660 |
| SUBTOTAL | 126,950,676 | 135,072,249 | 977.3 | 135,073,226 | 146,077,976 |
| LESS: | | | | | |
| DEPRECIATION RESERVE | 36,963,324 | 37,126,505 | 0.0 | 37,126,505 | 37,143,688 |
| ADVANCES | 27,550,551 | 27,550,551 | 0.0 | 27,550,551 | 27,641,847 |
| CONTRIBUTIONS | 1,948,861 | 1,948,861 | 0.0 | 1,948,861 | 1,942,623 |
| UNAMORTIZED ITC | 39,650 | 39,650 | 0.0 | 39,650 | 39,650 |
| DEFERRED INCOME TAX | 10,350,935 | 10,409,852 | 0.0 | 10,409,852 | 11,425,944 |
| SUBTOTAL | 76,853,321 | 77,075,420 | 0.0 | 77,075,420 | 78,193,752 |
| PLUS: | | | | | |
| METHOD 5 ADJUSTMENT | 732 | 732 | 0.0 | 732 | 732 |
| RESOURCES ADJUSTMENT | | | | | |
| NET DISTRICT RATE BASE | 50,098,086 | 57,997,561 | 977.3 | 57,998,538 | 67,884,956 |
| GENERAL OFFICE ALLOCATION | 719,184 | 1,057,721 | 0.0 | 1,057,721 | 1,483,021 |
| ¹ TOTAL RATE BASE | 52,039,200 | 59,055,282 | 977.3 | 59,056,259 | 69,367,977 |
| INTEREST CALCULATION | | | | | |
| AVG RATE BASE | 52,039,200 | 59,055,282 | 0.0 | 59,055,282 | 69,367,977 |
| X WEIGHTED COST OF DEBT | 3.49% | 3.49% | 0.00% | 3.49% | 3.49% |
| INTEREST EXPENSE | 1,816,168 | 2,061,029 | 0.0 | 2,061,029 | 2,420,942 |
| ADD INTEREST FOR ADVANCES | 19,368 | 19,368 | 0.0 | 19,368 | 19,368 |
| TOTAL INTEREST DEDUCTION | 1,835,536 | 2,080,398 | 0.0 | 2,080,398 | 2,440,311 |

¹ ORA'S ORIGINAL TOTAL RATE BASE IS ADJUSTED TO REFLECT ORA'S REPORT.

TABLE L - 3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
AVERAGE RATE BASE SUMMARY
TEST YEAR 2015

| AVERAGE RATE BASE (\$) | ORA | | DIFFERENCE | AVR | |
|---------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| PLANT IN SERVICE | 623,133 | 623,720 | 0.0 | 623,720 | 624,984 |
| WORK IN PROGRESS | 0 | 0 | 0.0 | 0 | 0 |
| MATERIALS & SUPPLIES | 0 | 0 | 0.0 | 0 | 0 |
| WORKING CASH | 14,199 | 12,394 | 6.8 | 12,401 | 14,199 |
| SUBTOTAL | 637,332 | 636,114 | 6.8 | 636,121 | 639,183 |
| LESS: | | | | | |
| DEPRECIATION RESERVE | 250,671 | 250,689 | 0.0 | 250,689 | 250,101 |
| ADVANCES | 0 | 0 | 0.0 | 0 | 0 |
| CONTRIBUTIONS | 38,954 | 38,954 | 0.0 | 38,954 | 38,938 |
| UNAMORTIZED ITC | 0 | 0 | 0.0 | 0 | 0 |
| DEFERRED INCOME TAX | 68,794 | 68,621 | 0.0 | 68,621 | 69,606 |
| SUBTOTAL | 358,420 | 358,264 | 0.0 | 358,264 | 358,645 |
| PLUS: | | | | | |
| METHOD 5 ADJUSTMENT | | | | | |
| RESOURCES ADJUSTMENT | | | | | |
| NET DISTRICT RATE BASE | 278,912 | 277,849 | 6.8 | 277,856 | 280,539 |
| GENERAL OFFICE ALLOCATION | 4,064 | 6,912 | 0.0 | 6,912 | 3,654 |
| TOTAL RATE BASE | 282,976 | 284,761 | 6.8 | 284,768 | 284,193 |
| INTEREST CALCULATION | | | | | |
| AVG RATE BASE | 282,976 | 284,761 | 6.8 | 284,768 | 284,193 |
| X WEIGHTED COST OF DEBT | 3.49% | 3.49% | 0.00% | 3.49% | 3.49% |
| INTEREST EXPENSE | 9,876 | 9,938 | 0.2 | 9,938 | 9,918 |
| ADD INTEREST FOR ADVANCES | 0 | 0 | 0.0 | 0 | 0 |
| TOTAL INTEREST DEDUCTION | 9,876 | 9,938 | 0.2 | 9,938 | 9,918 |

TABLE L - 4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
AVERAGE RATE BASE SUMMARY
TEST YEAR 2016

| AVERAGE RATE BASE (\$) | ORA | | DIFFERENCE | AVR | |
|---------------------------|----------|---------|------------|---------|----------|
| | ORIGINAL | REVISED | | REVISED | ORIGINAL |
| PLANT IN SERVICE | 623,209 | 624,092 | 0.0 | 624,092 | 631,592 |
| WORK IN PROGRESS | 0 | 0 | 0.0 | 0 | 0 |
| MATERIALS & SUPPLIES | 0 | 0 | 0.0 | 0 | 0 |
| WORKING CASH | 15,219 | 12,118 | 6.5 | 12,124 | 15,219 |
| SUBTOTAL | 638,428 | 636,210 | 6.5 | 636,217 | 646,811 |
| LESS: | | | | | |
| DEPRECIATION RESERVE | 264,375 | 264,408 | 0.0 | 264,408 | 263,647 |
| ADVANCES | 0 | 0 | 0.0 | 0 | 0 |
| CONTRIBUTIONS | 37,723 | 37,723 | 0.0 | 37,723 | 37,706 |
| UNAMORTIZED ITC | 0 | 0 | 0.0 | 0 | 0 |
| DEFERRED INCOME TAX | 65,652 | 65,467 | 0.0 | 65,467 | 66,433 |
| SUBTOTAL | 367,750 | 367,598 | 0.0 | 367,598 | 367,786 |
| PLUS: | | | | | |
| METHOD 5 ADJUSTMENT | | | | | |
| RESOURCES ADJUSTMENT | | | | | |
| NET DISTRICT RATE BASE | 270,678 | 268,612 | 6.5 | 268,618 | 279,024 |
| GENERAL OFFICE ALLOCATION | 4,142 | 6,861 | 0.0 | 6,861 | 3,654 |
| TOTAL RATE BASE | 274,820 | 275,473 | 6.5 | 275,480 | 282,678 |
| INTEREST CALCULATION | | | | | |
| AVG RATE BASE | 274,820 | 275,473 | 0.0 | 275,473 | 282,678 |
| X WEIGHTED COST OF DEBT | 3.49% | 3.49% | 0.00% | 3.49% | 3.49% |
| INTEREST EXPENSE | 9,591 | 9,614 | 0.0 | 9,614 | 9,865 |
| ADD INTEREST FOR ADVANCES | 0 | 0 | 0.0 | 0 | 0 |
| TOTAL INTEREST DEDUCTION | 9,591 | 9,614 | 0.0 | 9,614 | 9,865 |

(END OF ATTACHMENT B)

ATTACHMENT C

SCHEDULE NO. 1**RESIDENTIAL GENERAL METERED SERVICE****APPLICABILITY**

Applicable to residential metered water service.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES

Quantity Rates:

| | |
|---------------------------------------|----------|
| Tier 1 First 12 100 cu. ft. | \$ 3.512 |
| Tier 2 Over 12 through 24 100 cu. ft. | \$ 4.066 |
| Tier 3 All over 24 100 cu. ft. | \$ 4.621 |

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 | 324.45 |
| 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 |

This Service Charge is a readiness-to-serve charge which is applicable to all metered services and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. A late charge will be imposed per Schedule No. LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the Company, service to subsequent tenants in that unit will, at the Company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. As authorized by the California Public Utility Commission, an amount of \$0.245 per Ccf is to be added to the quantity rate for a period of 18 months, beginning on the effective date of Advice Letter 190-W-A. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2013.
5. As authorized by the California Public Utilities Commission, an amount of \$0.287 per Ccf is to be added to the quantity rate for a period of 18 months, beginning on the effective date of Advice Letter 196-W. This surcharge will recover the under-collection in the WRAM and MCBA Balancing Accounts as of December 31, 2014.

SCHEDULE NO. 2**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 |
| 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. 3**NON-RESIDENTIAL GENERAL METERED SERVICE****APPLICABILITY**

Applicable to all non-residential metered water service.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES

Quantity Rates:

| | |
|--|-----------|
| All water delivered per 100 cu. ft. | \$ 3.928 |
| | Per Meter |

| | |
|-----------------|------------------|
| Service Charge: | <u>Per Month</u> |
|-----------------|------------------|

| | |
|--------------------------------|----------|
| 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 | 324.45 |
| 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. A late charge will be imposed per Schedule No. LC.
2. In accordance with Section 2714 of the Public Utilities Code, if a tenant in a rental unit leaves owing the Company, service to subsequent tenants in that unit will, at the Company's option, be furnished on the account of the landlord or property owner.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. As authorized by the California Public Utility Commission, an amount of \$0.245 per Ccf is to be added to the quantity rate for a period of 18 months, beginning on the effective date of Advice Letter 190-W-A. This surcharge will recover the under-collection in the WRAM and MCBA as of December 31, 2013.
5. As authorized by the California Public Utilities Commission, an amount of \$0.287 per Ccf is to be added to the quantity rate for a period of 18 months, beginning on the effective date of Advice Letter 196-W. This surcharge will recover the under-collection in the WRAM and MCBA Balancing Accounts as of December 31, 2014.

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 |
| 4-inch | 89.10 |
| 6-inch | 133.43 |
| 8-inch | 178.02 |
| 10-inch | 214.88 |
| 12-inch | 250.94 |

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.

SCHEDULE NO. 5

FIRE FLOW TESTING CHARGE

APPLICABILITY

Applicable to all fire flow tests performed or witnessed using utility personnel.

TERRITORY

This fee applies to tests performed within all service areas of Town of Apple Valley and vicinity, San Bernardino County as delineated in the service area maps included in the tariff schedules.

RATES

| | |
|------------------------------|---------|
| Per Fire Flow Test Performed | \$60.00 |
|------------------------------|---------|

SPECIAL CONDITIONS

1. Applicants must complete and submit Apple Valley Ranchos Water Company's Fire Flow Test Application.

SCHEDULE NO. CARW

CALIFORNIA ALTERNATIVE RATES FOR WATER

APPLICABILITY

Applicable to residential domestic service to CARW households accommodation with a 1-inch or smaller meter, where the customer meets all the Special Conditions of this rate schedule.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES

Quantity Rate:

Customers will be charged per 100 cubic feet of water delivered at the quantity rate reflected in Schedule No. 1, Residential General Metered Service.

Service Charge

Customers will be charged a monthly service charge at the applicable mere size rate reflected in Schedule No. 1, Residential General Metered Service. Customers will receive a monthly CARW Credit of \$8.38 prorated based on days of service, if service is not provided for a full month.

SPECIAL CONDITIONS

1. CARW Household: A CARW Household is a household where the total gross income from all sources is less than or equal to the maximum household income levels for the CARE programs approved by the Commission as reflected on Form No. 13, California Alternative Rates for Water (CARW) Application. Total gross income shall include income from all sources, both taxable and non-taxable. Persons who are claimed as a dependent on another person's income tax return (other than your spouse) are not eligible for this program.

SCHEDULE NO. CARW-SC

CALIFORNIA ALTERNATIVE RATES FOR WATER

APPLICABILITY

Applicable to all metered water service, excluding Non-Metered Fire Service, Gravity Irrigation Service and customers that receive a CARW credit.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

SPECIAL CONDITIONS

1. A surcharge of \$0.69 per month is applicable to all metered customers, excluding customers receiving Non-Metered Fire Sprinkler Service, Gravity Irrigation Service, and customers that receive a CARW credit. The surcharge offsets CARW credits and CARW program costs and will be applied to each customer's bill.

RULE NO. 7

(continued)

DEPOSITS

E. Interest on Deposits

1. Interest on deposits held will be paid by the utility at the average monthly 90-day commercial paper rate during which the customer has paid bills for service within an average period of 15 days after presentation, and for additional time thereafter up to the date of refund; provided, however, that no interest shall accrue after mailing to the customer or the customer's last known address the refund or a notice that the refund is payable.
2. No interest will be paid if service is discontinued within the initial 12-month period.

RULE NO. 11

(Continued)

DISCONTINUANCE AND RESTORATION OF SERVICE

- B. 4. For Unsafe Apparatus of Where Service is Detrimental or Damaging to the Utility or its Customers

If an unsafe or hazardous condition is found to exist on the customer's premises, or if the use of water thereon by apparatus, appliances, equipment or otherwise is found to be detrimental or damaging to the utility or its customers, the service may be shut off without notice. The utility will notify the customer immediately of the reasons for the discontinuance and the corrective action to be taken by the customer before service can be restored.

5. For Fraudulent Use of Service

When the utility has discovered that a customer has obtained service by fraudulent means, or has diverted the water service for unauthorized use, the service to that customer may be discontinued without notice. The utility will not restore service to such customer until that customer has complied with all filed rules and reasonable requirements of the utility and the utility has been reimbursed for the full amount of the service rendered and the actual cost to the utility incurred by reason of the fraudulent use.

- C. Restoration of Service

1. Reconnection Charge

Where service has been discontinued for violation of these rules or for Nonpayment of bills, the utility may charge \$30.00 for reconnection of service during regular working hours or \$150.00 for reconnection of service at other than regular working hours when the customer has requested that the reconnection be made at other than regular working hours.

2. To Be Made During Regular Working Hours

The utility will endeavor to make reconnections during regular working hours on the day of the request, if conditions permit, otherwise reconnection will be made on the regular working day following the day the request is made.

RULE NO. 11

(Continued)

DISCONTINUANCE AND RESTORATION OF SERVICE

C. 3. To Be Made At Other Than Regular Working Hours

When a customer has requested that the reconnection be made at other than regular working hours, the utility will reasonably endeavor to so make the reconnection if practicable under the circumstances upon payment of a fee of \$150.00 per reconnection.

4. Wrongful Discontinuance

A service wrongfully discontinued by the utility must be restored without charge for the restoration to the customer within 24 hours.

D. Refusal to Serve

1. Conditions for Refusal

The utility may refuse to serve an applicant for service under the following conditions:

- a. If the applicant fails to comply with any of the rules as filed with the Public Utilities Commission.
- b. If the intended use of the service is of such a nature that it will be detrimental or injurious to existing customers.
- c. If, in the judgment of the utility, the applicant's installation for utilizing the service is unsafe or hazardous, or of such nature that satisfactory service cannot be rendered.
- d. Where service has been discontinued for fraudulent use, the utility will not serve an applicant until it has determined that all conditions of fraudulent use or practice has been corrected.

2. Notification to Customers

When an applicant is refused service under the provisions of this rule, the utility will notify the applicant promptly of the reason for the refusal to service and of the right of applicant to appeal the utility's decision to the Public Utilities Commission.

RULE NO. 15

(continued)

MAIN EXTENSIONS

- C. 1. c. In lieu of providing the advances in accordance with Sections C.1.a. and C.1.b., the applicant for a main extension shall be permitted, if qualified in the judgment of the utility, to construct and install the facilities himself, or arrange for their installation pursuant to competitive bidding procedures initiated by him and limited to the qualified bidders. The cost, including the cost of inspection and supervision by the utility, shall be paid directly by applicant. The applicant shall provide the utility with a statement of actual construction cost in reasonable detail. The amount to be treated as an advance subject to refund shall be the lesser of (1) the actual cost, or (2) the price quoted in the utility's detailed cost estimate. The installation shall be in accordance with the plans and specifications submitted by the utility pursuant to Section A.5.b.
- d. If, in the opinion of the utility it appears that a proposed main extension will not, within a reasonable period, develop sufficient revenue to make the extension self-supporting, or if for some other reason it appears to the utility that a main extension contract would place an excessive burden on customers, the utility may require nonrefundable contributions of plant facilities from developers in lieu of a main extension contract.
- If an applicant for a main extension contract who is asked to contribute the facilities believes such request to be unreasonable, such applicant may refer the matter to the Commission for determination, as provided for in Section A.8. of this rule.
- e. A special facilities fee for water supply will be included in the advance in lieu of any domestic water supply requirement covered under Section C.1.b. The fees are shown below.

| <u>Service Size</u> | <u>Facilities Fee</u> |
|---------------------|-----------------------|
| 5/8-inch | \$ 1,000.00 |
| 3/4-inch | \$ 1,500.00 |
| 1-inch | \$ 2,500.00 |
| 1 1/2-inch | \$ 5,000.00 |
| 2-inch | \$ 8,000.00 |
| 3-inch | \$ 15,000.00 |
| 4-inch | \$ 25,000.00 |
| 6-inch | \$ 50,000.00 |
| 8-inch | \$ 80,000.00 |
| 10-inch | \$ 145,000.00 |

This fee is applicable to all subdivisions requiring a main extension except those extensions serving four or fewer residential lots or equivalent single-family dwelling units. The fee shall apply to every connection by all individuals or entities that apply for more than five connections in an 18-month period.

RULE NO. 15
(continued)**MAIN EXTENSIONS**

- C 1. f. A Supplemental Water Acquisition Fee will be charged to all applicants for a main extension to serve a new subdivision, tract, housing project, industrial development, commercial building, or shopping center as a refundable advance in order to address issues of long-term availability and cost of water supply. The purpose of the Supplemental Water Acquisition Fee will be to fund AVR's pre-purchase of Replacement Water from the Mojave Water Agency (MWA), or for AVR to acquire water rights should they become readily available. Pre-purchased Replacement Water purchased from MWA will be capitalized by AVR and amortized to expense over a 40-year period consistent with the life of the advance contract. The Supplemental Water Acquisition Fee will be calculated as follows:*

| | |
|--|---|
| Residential developments | \$5,500 per lot |
| Commercial, Industrial, or other developments | \$5,500 per equivalent average residential water use based on the water use of a similar business or facility. |

Applicants will have the option to either: 1) pay the entire fee at the time of completion of the main extension at the current rate; or 2) pay the fee for each lot, or equivalent, at the time the meter is set, subject to whatever changes to the rate or nature of the fee are in effect at that time.

*Development for which use of water rights is provided for under the Water Supply Agreement between AVR and Jess Ranch Water Company are exempt from this fee.

FORM NO. 14
Fire Flow Test Application

| APPLE VALLEY RANCHOS WATER COMPANY FIRE FLOW TEST APPLICATION | | | | | | | | | |
|---|-----------------|----------------------------|----------------------------|----------------------------|--|--|--|--|--|
| Apple Valley Ranchos Water Company (AVR) charges \$60.00 for each fire flow test that is performed or witnessed by AVR personnel. Discounts for multiple tests being requested are not available. The \$60.00 is due in advance of AVR performing or witnessing the fire flow test. | | | | | | | | | |
| This section is to be completed by the Applicant. | | | | | | | | | |
| Print Applicant or Contact First and Last Name, include Company Name if Applicable. | | | | | | | | | |
| Print Applicant or Contact Mailing Address: Street or P.O. Box. | | | | | | | | | |
| Print Applicant or Contact City, State, and Zip Code. | | | | | | | | | |
| Print Applicant or Contact Phone Number. | | | | | | | | | |
| Print Address/Location where Fire Flow Test is Requested. | | | | | | | | | |
| Check the appropriate box below and provide the information needed to indicate how the test results are to be sent by AVR. Please note that some local fire agencies require original signed forms, in which case the test results will be sent in the mail. | | | | | | | | | |
| <input type="checkbox"/> | Mailing Address | | | | | | | | |
| <input type="checkbox"/> | Email Address | | | | | | | | |
| <input type="checkbox"/> | Fax Number | | | | | | | | |
| Signature | | | | | Date | | | | |
| <u>Return the completed form and fee to:</u> | | | | | Apple Valley Ranchos Water Company 21760 Ottawa Road Apple Valley, CA 92307 | | | | |
| Please make check or money order payable to Apple Valley Ranchos Water Company. | | | | | | | | | |
| <u>This section to be completed by Apple Valley Ranchos Water Company</u> | | | | | | | | | |
| Number of Fire Flow Tests: | | <input type="checkbox"/> 1 | <input type="checkbox"/> 2 | <input type="checkbox"/> 3 | <input type="checkbox"/> Other | | | | |
| Amount and date received: | | | | | | | | | |
| AVR personnel receiving the fire flow test fee: | | | | | | | | | |
| Date completed documents sent to applicant: | | | | | | | | | |
| AVR personnel sending completed documents: | | | | | | | | | |
| Other: | | | | | | | | | |
| | | | | | | | | | |
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