

Decision 15-11-030 November 19, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Apple Valley Ranchos Water Company (U346W) for Authority to Increase Rates Charged for Water Service by \$3,127,463 or 14.88% in 2015, \$2,056,455 or 8.48% in 2016, and \$2,160,731 or 8.19% in 2017.

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

**DECISION APPROVING FINAL SETTLEMENT AGREEMENT, RESOLVING
DISPUTED ISSUES, AND ADOPTING THE 2015, 2016, AND 2017 REVENUE
REQUIREMENTS FOR APPLE VALLEY RANCHOS WATER COMPANY**

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REQUIREMENTS FOR APPLE VALLEY RANCHOS WATER COMPANY**

Summary

This decision authorizes revenue requirements for Apple Valley Ranchos Water Company for the years 2015, 2016, and 2017. Table 1 below illustrates the revenue requirements for test year 2015, as adopted. The substantial rate increase is largely due to a reduced sales forecast in order to comply with the Governor's mandatory reduction executive order. Pursuant to the Governor's Executive Order B-29-15 and the Commission's Resolution W-5421, Apple Valley Ranchos Water Company and its ratepayers must reduce water usage by 28 percent as compared to 2013 levels.

Table 1 - Revenue Requirements

	Proposed Revenue Requirement	Adopted Revenue Requirement	Proposed Percentage Increase (Rates)	Adopted Percentage Increase (Rates)
2015	\$24,151,000	\$ 22,370,000	35.36%	25.27%

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

This decision adopts the Final Settlement Agreement between Apple Valley Ranchos Water Company and the Office of Ratepayer Advocates as filed

on September 14, 2015. This decision also resolves all other disputed matters necessary to adopt the revenue requirement for 2015, 2016, and 2017.

In addition, this decision reviews the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) revenue decoupling mechanisms pursuant to Decision (D.) 12-04-048. This decision finds that the WRAMs/MCBAs are achieving their stated purpose by severing the relationship between sales and revenue and removing most disincentives for Apple Valley Ranchos Water Company to implement conservation rates and conservation programs, and that overall water consumption by its ratepayers has been reduced.

The decision does not adopt any of the WRAM options set forth in D.12-04-048, because large WRAM balances result from inaccurate sales forecasts and none of the WRAM options address inaccurate/inflated forecasts. We anticipate a low risk of under-collections in the WRAM account during this General Rate Case after requiring a reduced sales forecast to comply with the Governor's Executive Order B-29-15.

This proceeding is closed.

1. Procedural History

On January 2, 2014, Apple Valley Ranchos Water Company (Ranchos) filed a General Rate Case (GRC) Application (A.) 14-01-002 requesting authority to increase its revenue requirement by \$3,127,463 or 14.88 percent for 2015, \$2,056,455 or 8.48 percent in 2016, and \$2,160,731 or 8.19 percent in 2017.

Ranchos is a Class A water company subject to the jurisdiction of this Commission and the current requirements of Decision (D.) 07-05-065, which adopted a revised Rate Case Plan for Class A water utilities (Rate Case Plan).

The Office of Ratepayer Advocates (ORA) filed its protest to the Application on

February 10, 2014. The Town of Apple Valley (Town) filed a motion for party status on February 19, 2014, which was granted on February 20, 2014.

The assigned Administrative Law Judge (ALJ) conducted a prehearing conference (PHC) on April 1, 2014. On April 17, 2014, the assigned Commissioner issued a Scoping Memorandum and Ruling. On April 30, 2014, public participation hearings were held in Apple Valley.

Evidentiary hearings (EHs) on the litigated issues were held on June 16 and 17, 2014. Ranchos, ORA and the Town filed timely opening and reply briefs.

On August 8, 2014, ORA and Ranchos filed a joint motion requesting approval of a Settlement Agreement.

A Proposed Decision was mailed on April 1, 2015, which decided litigated issues between the parties, adopted the majority of the Settlement Agreement and modified the Mains Replacement Program settlement.

On May 1, 2015, pursuant to the terms of the Settlement Agreement, Ranchos and ORA rejected the Proposed Decision modifying the proposed Mains Replacement Program in their Settlement Agreement.

On May 4, 2015, Ranchos and ORA notified the Commission of an Amended Settlement Agreement. The Amended Settlement Agreement maintained the terms of the Settlement Agreement as to all issues except the Mains Replacement Program. The Amended Mains Replacement Program is a compromise between the original Settlement Agreement and the Commission proposed modification in the Proposed Decision. While not a party to the Amended Settlement Agreement, the Town was represented by counsel and participated in settlement negotiations.

On May 13, 2015, the assigned ALJ held an EH on the Amended Settlement Agreement concerning the Mains Replacement Program. The Amended Settlement Agreement was admitted into the evidentiary record, Ranchos and ORA presented witnesses in support of the Amended Mains Replacement Program, and the Town was given an opportunity to present witnesses and conduct cross examinations. Ranchos and ORA jointly moved for adoption of the Amended Settlement Agreement. The Town opposed the adoption of the Amended Settlement Agreement on the issue of the Mains Replacement Program only.

The Commission issued an interim decision (D.15-05-038) on May 27, 2015, rejecting the Settlement Agreement, adopting interim rates based on the Proposed Decision mailed on April 1, 2015, and reopened the record to address Governor Brown's Executive Order B-29-15 requiring mandatory water conservation measures.¹ In the interim decision, we declined to adopt the Amended Settlement Agreement to allow comments by the Town. We also held all litigated issues to be resolved in today's decision.

On June 19, 2015, the assigned Commissioner issued an Amended Scoping Memorandum requiring supplemental testimony from the parties and additional comments. We directed Ranchos and ORA to update their testimonies related to water consumption and sales forecast to comply with the Governor's Executive Order B-29-15 and the Commission's Resolution W-5041. We further directed parties to submit comments on the Amended Mains Replacement Program.

¹ The Governor issued Executive Order B-29-15 on April 1, 2015, requiring a statewide 25 percent reduction in water usage as compared to 2013 levels. Pursuant to that Order, we issued Resolution W-5041 specifically directing Ranchos to achieve a 28 percent reduction in its water production from June 1, 2015, to February 15, 2016.

On June 24, 2015, Ranchos submitted its Supplemental Testimony with revised water sales forecast, as well as adjusted testimony on the following subjects to address the flow-through impacts of the changes in the water sales forecast.

- Water Production
- Revenue at Present Rates/Revenue at Proposed Rates
- Purchased Power
- Leased Water Rights
- Replenishment
- Uncollectibles
- Unaccounted for Water
- Franchise Requirements
- Working Cash/Rate Base
- State/Federal Income Taxes

Also on June 24, 2015, the Town filed its comments against adoption of the Amended Settlement Agreement. Ranchos and ORA filed timely reply comments in support of the Amended Settlement Agreement.

On July 3, 2015, ORA submitted its comments on Ranchos' Supplemental Testimony. ORA recommended, and Ranchos agreed to, revision of the sales forecast for private fire sale customers since there is unlikely to be a reduction in usage for that class. Ranchos and ORA agreed to corresponding changes to the forecasts of other customer classes in order to reach the mandated 28 percent reduction. Other than this revision, Ranchos and ORA are in agreement on Ranchos' Supplemental Testimony.

On September 1, 2015, the assigned ALJ issued an e-mail ruling requiring Ranchos and ORA to submit a Final Settlement Agreement and Joint Comparison

Exhibit reflecting changes/updates to both the Mains Replacement Program and the testimonies. Ranchos and ORA submitted their response on September 14, 2015.²

2. Standards of Review

2.1. General Standard of Review

Ranchos, as the applicant, bears the burden of proof to show that the regulatory relief it requests is just and reasonable and the related ratemaking mechanisms are fair.

2.2. The Final Settlement Agreement

The Commission's Rules of Practice and Procedure (Rules) specifically address the standard of review on proposed settlements. Pursuant to Rule 12.1, not all parties to the proceeding need be parties to the settlement,³ and the proposed settlement must be reasonable in light of the whole record, consistent with the law, and in the public interest.⁴

3. The Final Settlement Agreement

The majority of issues in this proceeding were settled between Ranchos and ORA. This decision adopts the Final Settlement Agreement as filed by Ranchos and ORA on September 14, 2015. The Town, while not a party to the

² The Final Settlement Agreement is attached to this decision as Attachment A. The Joint Comparison Exhibit is attached to this decision as Attachment B.

³ Rule 12.1(a) states in relevant part: Parties may, by written motion any time after the first PHC and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant.

⁴ Rule 12.1(d) states: The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

Final Settlement Agreement, was represented by counsel, participated in settlement discussions, and filed comments.

The settled issues we approve in this decision are:

- Water consumption and revenues;
- Operations and maintenance expenses;
- Administrative and general expenses;
- Taxes other than income;
- Income taxes;
- Utility plant in service;
- Depreciation rates, reserve, and depreciation expense;
- Rate base;
- Park Water Company general office;⁵
- Affiliate transactions;
- Rate design;
- Water quality;
- Memorandum and Balancing Accounts (without modification);
- Special requests;
- Continuation of WRAM/MCBA mechanism;
- Low-Income Ratepayer Assistance Program;
- Requests to the Commission; and
- Requests as a result of the Settlement.

The Final Settlement Agreement is mostly identical to the Settlement Agreement and the Amended Settlement Agreement. Substantive changes

⁵ Apple Valley Water Company is a wholly owned subsidiary of Park Water Company and is therefore assessed a portion of Park Water Company's general office expenses.

consist of updates to comply with Governor's Executive Order B-29-15 and Commission's Resolution W-5241 and changes to Section 9.6 addressing the Mains Replacement Program. The Mains Replacement Program in the Final Settlement Agreement represents a compromise between the original settlement agreement and the Commission's Proposed Decision mailed on April 1, 2015.

The Town's comments against adoption of the Final Settlement Agreement center around two issues, namely the potential surcharges due to mandatory conservation, and the Mains Replacement Program.

3.1. Water Consumption and Revenues

ORA and Ranchos agreed to Ranchos' number of customers, consumption per customer, unaccounted for water, total water supply, and present rate revenues, as set forth in the table below. Ranchos updated its estimates of consumption per customer, total water supply and revenues to comply with the Governor's mandatory conservation executive order. The reduction in water sales and water production generates a proportional reduction in supply costs, but results in an increase in the tiered rates to achieve Ranchos' authorized revenue requirement.⁶

The Town, in its comments against adoption of the settlement, states that ratepayers would likely see significant surcharges if they are unable to reach the conservation target. While true, this is not a valid reason to reject the Final Settlement Agreement. The intent of conservation rate design is to send timely and effective price signals to the consumer, thereby incentivizing conservation.⁷

⁶ See Amended Supplemental Testimony of Apple Valley Ranchos Water Company at 9.

⁷ See D.08-09-026 and D.12-09-004 authorizing Apple Valley Ranchos Water Company's conservation rate design.

If rates are kept artificially low, it would result in significant over-consumption, under-collections and surcharges being levied at a later date.

Table 2 Water Consumption and Revenues

Test Year 2015	Average Number of Customers	Settlement Agreement Consumption per customer	Final Consumption per Customer (Ccf)	Final Total Water Supply (Ccf)	Final Present Rate Revenues
Residential	18,015	197.42	151.70	2,732,949	\$12,543,218
Commercial	1,364	585.02	476.41	649,824	\$2,963,627
Industrial	2	641.00	485.84	972	\$4,311
Public Authority	45	6,389.00	4,833.88	216,558	\$776,019
Irrigation Pressure	166	1,606.23	1,333.24	221,318	\$809,275
Private Fire Service	239	7.57	8.5	2032	\$306,474
Public Authority Irrigation	5	5,364.92	4,514.97	22,575	\$32,025
Irrigation Gravity	1	456,274.90	456,274.90	456,275	\$196,700
Apple Valley Golf Course	1	126,540.00	117,077.45	117,077	\$107,703
Temporary Construction	11	801.01	801.01	8,811	\$65,564
Unaccounted For Water (Domestic)	N/A	N/A	N/A	253,539	N/A
Unaccounted For Water (Irrigation)	N/A	N/A	N/A	1,636,729	N/A
Miscellaneous Revenue	N/A	N/A	N/A	N/A	\$46,693
Total Revenue					\$17,851,608

We therefore find the updated sales forecast and resulting rate changes, as agreed to by Ranchos and ORA, to be reasonable in light of the record, consistent with the law, and in the public interest.

In order to foster ratepayer awareness, Ranchos is directed to explain the impact of Executive Order B-29-15 and Resolution W-5041 on water rates in its notice of rate increases to its ratepayers. Ranchos' notice must be reviewed and approved by the Commission's Public Advisor's Office.

3.2. Operations and Maintenance

In general, Ranchos' expense estimates were based on a five-year average of recorded expenses (2009–2013) escalated to the test year when such an average methodology was appropriate. The parties agreed that the 2013 data used is to include recorded 2013 updates. The parties also agree to use ORA's recommendation of a labor escalation factor of 1.5 percent for 2014, and 1.9 percent for Test Year 2015. The parties agree to use composite escalation factors of 2 percent for 2014, and 2 percent for Test Year 2015, based on the 60/40 weighting of the Non-Labor Index and the Compensation per Hour.

As for purchased power and replenishment assessments, chemical expenses, leased water rights, uncollectibles, and depreciation clearing, ORA and Ranchos agreed on the same methodologies and reached the same estimates after using updated 2013 recorded data and resolving total water supply and utility plant in service estimates. Moreover, ORA and Ranchos agreed to use Ranchos' five-year average methodology with certain exceptions for estimating operations–other, customer–other (excluding conservation), and maintenance–other. Due to reductions in water consumption and water supply pursuant to the Amended Scoping Memorandum, Ranchos' Supplemental

Testimony made corresponding changes to its operation and maintenance expenses that were reviewed and agreed to by ORA.

ORA and Ranchos agree to calculate payroll using ORA's proposed end-of-year 2014 pay rates with an increase of 2.6 percent for 2015. The payroll expenses for the escalation years 2016 and 2017 will be calculated according to the Escalation Year methodology in the Rate Case Plan. The table below summarizes the compromise.

Table 3 Payroll

Test Year 2015	Ranchos	ORA	Settlement/Final Agreement
Payroll Operations	\$837,851	\$823,965	\$834,443
Payroll Customers	\$506,633	\$498,085	\$504,509
Payroll Maintenance	\$437,181	\$429,856	\$435,255
Payroll Clearings	\$122,904	\$120,856	\$122,404
Total O&M Payroll	\$1,904,569	\$1,872,762	\$1,896,611

With the above payroll compromise and updated 2013 recorded data, ORA and Ranchos reached the same estimate for clearings-other and payroll-clearings.

3.3. Administrative and General Expenses

ORA recommended 17 adjustments to Ranchos' initial administrative and general expense estimates. Two of those adjustments were due to the use of updated 2013 recorded data, while nine of the adjustments arose out of resolutions between Ranchos and ORA concerning the escalation factor, five-year average methodology, payroll estimates, and utility plant in service estimates. The table below summarizes the settlement on the recommended adjustments.

Table 4 Administrative and General Expenses

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

3.4. Taxes

ORA accepts Ranchos' methodology for calculating estimates for Ad Valorem Taxes, Payroll Taxes, Tax Depreciation, Interest Expense Deduction,

and the Qualified Production Activities Deduction. The original variations in estimates between the two parties were due to the use of estimates made prior to resolution.

In regard to ORA's recommendation concerning the American Taxpayer Relief Act of 2012, the parties have resolved this issue by excluding this recommendation because Ranchos does not elect to take the Bonus Depreciation for 2013 and regulatory agencies cannot impute bonus depreciation for ratemaking purposes when a utility has elected not to take it.

We accept income tax expenses as updated by Ranchos' supplemental testimony to reflect the reduction in revenues and expenses due to the projected reduction in its water production.

3.5. Utility Plant in Service

This section of the settlement resolves capital budgets, the construction of a new well, the deferred construction of a storage tank at the Bell Mountain tank site, the Mains Replacement Program, replacement vehicles, implementation of Power Plan software, and Customer Information System related projects.

For the General Office, Ranchos agreed to withdraw its request for the creation of an auto-import tool for new customers. As a result of the settlement, Ranchos withdrew its request to construct a new office building and will instead file a separate application for the new building at a different time. Similarly, Ranchos withdrew its request for the General Office Remodel from this proceeding and instead will request it in the Park Central Basin Test Year 2016 GRC application.

3.5.1. Mains Replacement Program

A major difference between the Settlement Agreement and the Final Settlement Agreement is Section 9.6 addressing the Mains Replacement Program

as shown in Table 5 below. Ranchos and ORA reached an alternative settlement on Ranchos' Main Replacement Program after jointly rejecting the Commission's modification. The final settlement is a compromise between their original settlement and the Commission's proposed modification.

Table 5: Mains Replacement Program

Year	AVR Original	ORA Original	Settlement Agreement	Proposed Decision	Final Settlement Agreement
2014	\$4,985,153	\$1,689,314	\$4,985,153	\$3,057,846	\$3,637,258
2015	\$5,791,591	\$1,729,013	\$5,291,591	\$3,129,705	\$4,095,036
2016	\$6,007,083	\$1,769,645	\$5,507,083	\$3,203,253	\$4,610,396

In its comments, the Town alleges that the Amended Mains Replacement program is against the public interest because: (1) the settled estimate for the mains replacement exceeds Ranchos' historical level of spending; and (2) Ranchos has over-invested in mains replacement.

We find that Ranchos and ORA have provided sufficient evidence in the record to support the adoption of the Amended Mains Replacement Program. Mains replacements are needed to minimize liability, property damage, water loss and to maintain reliable service. When mains are replaced, they are often upsized to comply with local fire district ordinances. In the current GRC, Ranchos seeks to replace existing mains, improve fire flow capacity, fire hydrant spacing, water quality and accommodate work by others such as road construction.⁸ Ranchos has approximately 465 miles of mains in its system and

⁸ Settlement Agreement attached as Attachment A at 52.

has reduced its leak rates from around 750 leaks in 2007 to 511 leaks in 2012.⁹ To reach the industry leak rate goal of 0.15 leaks per mile, per year as recommended by the American Water Works Association, Ranchos needs to reduce its leak rate to 69.75 leaks each year.

At the May 13, 2015 EH on the Mains Replacement Program, Mr. Rick Dalton from Ranchos testified that over the last 15 years, Ranchos replaced an average of 4.8 miles of mains each year. Although more costly than the historical average, the Mains Replacement Program contemplates a reduced main replacement rate of approximately 3.45 miles for 2014 and a slight increase for each succeeding year.¹⁰ The increase in costs is due to the need to replace larger transmission pipes now versus smaller distribution pipes in the past. While the larger transmission pipes account for a lower number of leaks in the system, leaks/bursts in larger pipes results in substantially larger water loss from the system. This replacement rate is less than recommended by Ranchos' Asset Management Report.¹¹ The Mains Replacement Program represents a reasonable compromise of the parties' positions and balances the competing interests of infrastructure maintenance, upgrade, and providing quality water service to Apple Valley residents at affordable rates.

The Mains Replacement Program is also consistent with the law and in the public interest. The Commission has long recognized the importance of a properly maintained infrastructure to a water utility's ability to meet its mandate to deliver "clean, safe and reliable water to their customers at reasonable rates."

⁹ Exhibit A-1 at 63.

¹⁰ See May 13, 2015 Transcript of EH in A.14-01-002.

¹¹ See Exhibit A-21 at 7.

In its 2010 Water Action Plan, we noted that Water infrastructure in California continues to need significant improvement. The CPUC will encourage financial incentives and direction for investment in infrastructure needed to improve water quality.

As such, we find the Mains Replacement Program, as contained in the Final Settlement Agreement to be reasonable in light of the record, consistent with the law, and in the public interest.

3.5.2. Depreciation Rates, Reserve, and Depreciation Expense

Ranchos and ORA's methodology for calculating depreciation reserve and expenses did not differ. Moreover, ORA accepted Ranchos' method for estimating depreciation rates.

3.6. Rate Base

Ranchos and ORA did not have methodological differences for calculating deferred income tax estimates. The actual differences in estimates were resolved once Ranchos corrected errors in its Application and the parties reached a resolution for utility plant estimates. ORA agreed to Ranchos' estimates for materials and supplies using the stipulated number of customers.

ORA and Ranchos had conflicting methodologies for deriving working cash estimates but settled on using a specific revenue lag, including in Operational Cash the unamortized portion of agreed upon rate case costs and studies included in the settlement and the stipulated and adopted expenses and utility plant in service estimates. The Amended Settlement Agreement is updated by the Supplemental Testimony to reflect changes in the sales forecast and associated reductions to the rate base.

3.7. Park Water Company General Office

This section of the settlement resolves estimates concerning Park Water Company General Office, which include payroll, maintenance, insurance, bank fees, outside services, board of directors' fees, taxes, and depreciation, among others. The resolution of each issue was achieved by one party accepting the position of another or by a compromise between the two positions.

3.8. Affiliate Transactions, Rate Design, and Water Quality

ORA does not contest Ranchos' methodology for estimating affiliate transactions and residential and non-residential rate design. ORA also found Ranchos to be in compliance with the State Water Resources Control Board's water quality regulations, federal drinking standards, and the Commission's General Order 103-A.

3.9. Memorandum and Balancing Accounts

ORA and Ranchos agree that Ranchos will continue using its accrual method accounting practice. The parties also agreed to the terms of recovery for seven of Ranchos' memorandum accounts and that five of the memorandum accounts will be closed. Ranchos also agreed to withdraw its request for a Hexavalent Chromium 6 Memorandum Account because the State Water Resources Control Board's regulation for Chromium 6 does not impact Ranchos' groundwater sources.

3.10. Special Requests

Ranchos requested two additional tariff charges for fire flow testing and restoration of service. ORA did not oppose Ranchos' fire flow testing tariff charge but did oppose restoration of service during after-hours and voluntary disconnection for non-emergency, voluntary disconnection after-hours

(non-regular hours). However, after settlement negotiations, the parties agreed that both tariff changes should be adopted and that the costs should be charged to those causing the expense, rather than distributed to all customers.

Ranchos proposed to increase the Supply Facilities Fee and Supplemental Water Acquisition Fee in Section C of its 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 large meter sizes based on the Commission's service charge ratios. Ranchos also proposed to increase the Supplemental Water Acquisition Fee from \$5,000 to \$7,000 per lot. After discussion during settlement negotiations, the parties agreed to updated fees that are reduced from Ranchos' original proposal.

3.11. WRAM/MCBA (without modification)

Ranchos proposed to continue its existing WRAM/MCBA with modifications. These modifications include adding the gravity irrigation system to the WRAM/MCBA mechanism and adding the costs of chemicals to the MCBA. ORA opposed Ranchos' requested modifications to the WRAM/MCBA. Although the parties disagree on Ranchos' proposed modifications to the WRAM/MCBA, they agree that the WRAM/MCBA mechanism is generally achieving its stated purpose of promoting conservation and that the Commission should authorize the continuance of the WRAM/MCBA. They also recommend that the Commission not adopt any of the five options as outlined in D.12-04-048. We resolve the disputed modifications in Section 4.7 of this decision and discuss our review of the WRAM/MCBA mechanism in Section 5 of this decision.

3.12. Low-Income Ratepayer Assistance Program

ORA does not oppose Ranchos' request to continue its existing low-income discount program known as California Alternate Rates for Water (CARW).

Ranchos proposes to continue its program by: (1) increasing the current monthly service charge discount of \$6.69 by the average percent increase to rates authorized in this proceeding; (2) the continuation of a surcharge to offset the CARW discounts provided to qualifying customers; and, (3) recovering 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.

3.13. Discussion

Rule 12.1 requires that we evaluate each proposed settlement to determine whether it is reasonable in light of the whole record, consistent with the law, and in the public interest. The Final Settlement Agreement describes the settling parties' initial and settled positions, the settlement on each issue, and provides references to the evidentiary record addressing the particular issue. In addition, Ranchos and ORA also submitted a Final Joint Comparison Exhibit showing each party's starting positions and the final settlement.

3.13.1. The Final Settlement Agreement is Reasonable in Light of the Record

Ranchos, ORA and the Town began this proceeding with both similar and disparate positions and conclusions about the various issues involved in this GRC. Each party represented their respective interests in reviewing the testimony, reports, Minimum Data Requirements and data request responses and have been involved in discussions of the issues presented in the Application and are knowledgeable and experienced regarding these issues. The Parties conducted arm's length settlement negotiations throughout the proceeding. The Final Settlement Agreement balances the various interests affected in this proceeding and reflects appropriate compromises of the Parties' litigation positions, and is reasonable.

As discussed above, the Town filed comments against the settlement on only two issues: (1) Mains Replacement Program; and (2) potential surcharges against Ranchos ratepayers due to Resolution W-5041. Although the Town did not sponsor the proposed settlement, it was represented by counsel and participated in the negotiation process. Pursuant to Rule 12.1, not all parties to the proceeding need be parties to the settlement so long as the proposed settlement meets the Commission's criteria for settlement review. We find the Town's objections to have been sufficiently addressed by Ranchos and ORA in the record. We find the amended Mains Replacement Program to be a reasonable compromise between party positions and the Commission's proposed modification. Furthermore, the conservation rate structure resulting from the updated sales forecasts reflect the true cost of providing safe and reliable water service and serve to incentivize conservation as intended.

3.13.2. The Final Settlement Agreement is Consistent with the Law and Prior Commission Decisions

We are not aware of any statutory provisions or prior Commission decisions that would be contravened or compromised by the Amended Settlement Agreement. The issues resolved in the Final Settlement Agreement are within the scope of the proceeding, and will result in reasonable rates for Ranchos' customers reflecting the true cost of providing water service, thereby reducing the potential for future surcharges. As such, we find the proposed settlement to be consistent with the law.

3.13.3. The Final Settlement Agreement is in the Public Interest

The Final Settlement Agreement results in reasonable rates to Ranchos' customers while providing Ranchos adequate funding for the safe and reliable provision of water service to its customers.

The Commission has issued numerous decisions which endorsed settlements as an "appropriate method of alternative ratemaking" and express a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.¹² Adoptions of reasonable settlements reduce the expense of litigation and conserve Commission resources, and allow parties to reduce the risk that litigation will produce unacceptable results.

In addition to conserving Commission resources and reducing litigation expense, the Commission has also reviewed other factors in assessing whether a settlement is in the public interest. We have looked at the extent to which discovery has been completed, the stage of the proceeding, whether the Parties had undertaken a thorough review of the issues, the experience of counsel, a governmental participant, the overall strength of applicant's case, and the relative risks and complexities of the litigation.¹³ In the present case, prepared testimony has been served, extensive discovery has been completed, two rounds of EHs have been held and the parties have negotiated and re-negotiated their positions based on the Commission's proposed modification to their original settlement positions. The recommended revenue requirement is reasonable in light of the record and current drought conditions.

¹² See D.88-12-083 at 221-223 and D.91-05-029 at 326.

¹³ See D.00-09-037 citing *Officers for Justice v. Civil Service Commission of the City and County of San Francisco* (9th Cir. 1982) 688 F.2d 615, 625.

3.13.4. Conclusion

Based upon the record of this proceeding, we find the parties complied with Rule 12.1(a) by making the appropriate filings and noticing settlement conferences. Based upon our review of the settlement documents, we find that the settlement contains a statement of the factual and legal considerations adequate to advise the Commission of the scope of the settlement and of the grounds for its adoption; that the settlement was limited to the issues in this proceeding; and that the settlement included comparisons indicating the impact of the settlement in relation to the utility's application and issues the other parties contested in their prepared testimony, or would have contested in a hearing. We conclude, pursuant to Rule 12.1(d) that the settlement is reasonable in light of the whole record, consistent with the law and in the public interest.

4. Disputed Issues Resolved by this Decision

This decision also resolves the disputed issues between ORA and Ranchos not contained in the settlement agreement. The disputed items are:

- Conservation estimate;
- Conservation balancing account;
- Solar project memorandum account;
- Office remodel balancing account;
- Use of estimates in balancing accounts;
- Level payment plan;
- Sales reconciliation mechanism;
- Inclusion of gravity irrigation system in the WRAM/MCBA;
and,
- The inclusion of chemicals in the MCBA.

Three issues between the Town, who is not a party to the Settlement Agreement, and Ranchos remain unsettled as well. They relate to 1) WRAM/MCBA Implementation Review; 2) Rate Design; and 3) Water Rate Comparison.

4.1. Conservation Estimates

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

Ranchos requests removal of the one-way balancing account and an aggregate conservation budget of \$350,902 for the three-year GRC cycle (2015-2017) based on its 2011 Water Use Efficiency Business Plan. ORA recommends the continuation of the one-way balancing account and a conservation budget of \$67,817 for 2015, \$69,445 for 2016, and \$71,042 for 2017. ORA points to Ranchos' underspending its conservation budget in 2012 and 2013 as justification for reducing the conservation program budget.

While the Commission authorized an aggregate conservation cap for the 2012-2014 rate case cycle,¹⁴ the cap was based on estimated annual spending in the areas of public information, high efficiency nozzle distribution, high

¹⁴ Settlement Agreement attached as Attachment A to D.12-09-004 at 14.

efficiency toilet install, and the cash for grass turf removal program. The aggregate cap was intended to allow variances in annual spending, rather than an underspending of approximately 40 percent of the authorized amount.¹⁵

California's drought conditions warrant continuation, rather than reduction of conservation programs. The Commission adopts Ranchos recommendation of \$ 344,066 for the three-year GRC cycle as long as Ranchos consistently spends the allotted amount over the three years. To promote efficient and consistent spending, we allow Ranchos an annual 20 percent variance from its estimated conservation expenses of \$ 112,425 for 2015, \$ 114,674 for 2016 and \$ 116,967 for 2017. The 20 percent variance should be subject to carry over throughout the rate case cycle, consistent with accounting practices for balancing accounts. By granting \$ 344,066 to be used consistently over three years, Ranchos is afforded flexibility in its conservation programs so that it can better handle increased customer participation and meet its conservation goals. If Ranchos fails to spend its conservation budget as directed by the Commission, the unspent funds must be refunded to ratepayers and any overspending must be absorbed by Ranchos shareholders.

We adopt ORA's recommendation to cap conservation-related public outreach at \$30,000 annually, and decline Ranchos' request to remove the one-way balancing account subject to refund. Any unspent funds must be refunded to ratepayers via surcredits at the end of this GRC cycle. In consideration of Ranchos' conservation budget, requiring Ranchos to use a one-way balancing account enables the Commission to ensure that Ranchos

¹⁵ Ranchos spent \$129,423 of its estimated \$210,905 conservation budget in 2012 and 2013 and plans to spend all of its \$81,452 underspent in 2014. See Exhibit O-1 at 3-7.

properly balances conservation program investments over the course of the rate case period.

4.2. Solar Project Memorandum Account

The Commission authorizes Ranchos to establish a memorandum account to track the costs associated with investigating the viability of installing an Alternating Current (AC) solar photovoltaic generation system at its office site. Any cost recovery of this memorandum account will be subject to a reasonableness review during Ranchos' next GRC.

Ranchos requests authorization to establish a memorandum account to track the costs, expenses, and capital costs associated with exploring the viability of installing an AC solar photovoltaic generation system on the grounds of its office site.

ORA opposes the authorization of a memorandum account because the details of Ranchos' program remains undefined, Ranchos has not conducted a cost-effectiveness analysis, the costs of such a project may result in significant rate increases to ratepayers, and Ranchos has not met the requirements of establishing a memorandum account under Standard Practice U-27-W.

While ORA's concerns have merit, the purpose of a memorandum account is to allow the company to enter into an action where it bears the full risk of future rate recovery based upon a later reasonableness review. Here, the account would be structured such that Ranchos bears the full risk of recovery because cost recovery is subject to a reasonableness review. Furthermore, Ranchos is only authorized to investigate the viability of solar installation, rather than actual construction. Therefore, the Commission preserves the ability to deny Ranchos recovery of costs when less expensive sources of power are available.

Moreover, the purpose of the account, to explore the viability of solar photovoltaic generation system at Ranchos' site, is consistent with Commission policy of encouraging the use of renewable energy to reduce power costs. Therefore, the Commission grants Ranchos the authority to establish a memorandum account to track the costs and expenses associated with investigating the viability of installing a solar photovoltaic generation system for its office site. To be clear, any actual installation and construction is not authorized by the memorandum account and will be subject to Commission review in another proceeding. Ranchos must file a Tier 2 Advice Letter incorporating the memorandum account into the preliminary statements in its tariff.

4.3. Office Remodel Balancing Account

The Commission denies Ranchos' request to recover at this time the costs tracked in its Office Remodel Balancing Account. D.12-09-004 authorized Ranchos to create a balancing account to track the revenue requirement associated with the office building modification that could be recovered "once the construction was completed," subject to a reasonableness review.¹⁶ Therefore, because Ranchos' office reconfiguration has yet to be completed, Ranchos may not seek recovery of the costs tracked in the Office Remodel Balancing Account. Ranchos will be able to seek recovery of the balancing account when construction/remodel is completed for its office project.

¹⁶ D.12-09-004 at 18.

4.4. Use of Estimates in Ranchos' WRAM/MCBA

The Commission denies ORA's recommendation that Ranchos be required to stop using the accrual method of accounting for recording costs in its WRAM/MCBA. Ranchos may rely on the accrual method of accounting and use estimates in its WRAM/MCBA calculations.

ORA asserts that neither D.08-09-026, which adopted Ranchos' WRAM/MCBA, nor D.08-02-036, which authorized Park Water Company's WRAM/MCBA and which is what Ranchos' WRAM/MCBA is modeled after, authorize the use of estimated costs instead of actual costs.¹⁷ ORA argues that both decisions require the utility to track the difference between actual variable costs and adopted costs. ORA asserts that the appropriate time for Ranchos to file for recovery is after the accrued/estimated costs become actual costs and that by waiting to request recovery, ratepayers bear less risk of over-collection.¹⁸ ORA also suggests that Ranchos' recording method is burdensome to the Commission and points to the California State Auditor's Report, which concluded that the Commission lacks adequate processes to provide sufficient oversight of utility balancing accounts to protect ratepayers from unfair rate increases.¹⁹

Ranchos relies on the accrual method because of the timing of the retroactive calculation methodology used by the Mojave Water Agency to

¹⁷ Reply Brief of the Office of Ratepayer Advocates (ORA Reply Brief), filed August 4, 2014 at 17.

¹⁸ ORA Reply Brief at 18-19.

¹⁹ ORA Reply Brief at 20.

administer leased water rights and the timing of the Mojave Basin water year.²⁰ Since the actual costs are not available when Ranchos is required to file for its WRAM/MCBA recovery, Ranchos necessarily estimates costs incurred. Also, Ranchos must use accrual accounting to comply with Generally Accepted Accounting Principles (GAAP) and with the Commission's Uniform System of Accounts for Water Companies (Class A). Furthermore, through the true-up process, Ranchos places the true-up adjustments in the time period for which they actually occurred, and calculates the interest in the balancing account on that basis.²¹ Thus, ratepayers receive interest on any under- or over-estimating of the accruals that may occur.

4.5. Level Payment Plan

The Commission grants Ranchos and the Town's request for a Level Payment Plan that will give customers the option of paying for water service in equal bi-monthly payments based on their last 12 months average bill. At the end of the 12-month period, customers who elect the Level Payment Option will receive a settlement bill with a payment due or a credit balance. The Level Payment Plan is authorized as a pilot program subject to review during Ranchos' next GRC.

ORA asserts that Ranchos failed to provide costs associated with and mechanics of the plan and therefore failed to meet its burden to prove that costs are reasonable.²² ORA assumes that low income customers have no significant

²⁰ Opening Brief of Apple Valley Ranchos Water Company (Ranchos Opening Brief), filed July 21, 2014 at 17.

²¹ Ranchos Opening Brief at 24.

²² ORA Reply Brief at 21.

outdoor water use, therefore baseline water use should not differ dramatically in the winter versus the summer months. Also, ORA claims that the level payment plan potentially obscures the price signal sent by conservation rate design.²³

The Town recommends the adoption of the plan because it provides customers with budgetary assistance and avoids rate shock associated with fluctuating water bills.²⁴

Ranchos is not seeking any costs to implement the plan, and it points to significant fluctuations in seasonal demand in support of giving its customers the level payment option.²⁵ The Commission grants Ranchos' Level Payment Plan with the caveat that it will be subject to review during Ranchos' next GRC. The purpose of the plan is to assist households in budget planning and was requested by Ranchos' customers. By providing this option, Ranchos is being responsive to customers. Moreover, Ranchos is not requesting to recover costs or to track costs associated with the pilot program.²⁶ ORA's concerns regarding unforeseen amounts due to the end of year true-up can be minimized by the inclusion of actual usage information on each bill.²⁷ Also, the potential for obscuring conservation rate design price signals can be minimized via actual customer usage and cost information on ratepayers' bills. However, because of the valid concerns ORA raises, the Level Payment Plan must be implemented as a trial

²³ ORA Reply Brief at 21.

²⁴ Reply Brief of the Town of Apple Valley (Town Reply Brief), filed on August 4, 2014 at 1.

²⁵ Reply Brief of Apple Valley Ranchos Water Company (Ranchos Reply Brief), filed August 4, 2014 at 19.

²⁶ Ranchos Reply Brief at 19.

²⁷ Ranchos Reply Brief at 21.

program only, subject to review. We also limit enrollment to customers who have had a minimum of 12 months usage history with Ranchos to ensure adequate usage history.

4.6. Sales Reconciliation Mechanism

The Commission denies Ranchos' request to implement a Sales Reconciliation Mechanism (SRM). Ranchos seeks to implement an SRM to decrease the high WRAM surcharges that result from the significant differences between adopted and actual sales forecasts that derive from over-estimated consumption.²⁸ Ranchos proposes that the SRM will adjust the adopted sales forecast in the two escalation years following the test year if total sales for the prior year are more than 5 percent above or below the adopted test year sales.²⁹ The SRM would provide an adjustment of 50 percent of the difference.³⁰

While the proposed SRM would act to reduce the WRAM surcharges associated with a GRC, we agree with ORA and the Town that review and consideration of the proposed changes to the WRAM should occur in an industry-wide proceeding rather than adopted for a single utility.³¹

Furthermore, with an overall reduction of 28 percent in Ranchos' sales forecast/production as compared to 2013 figures, we find it unlikely that consumption would be overestimated in this GRC, or result in high WRAM surcharges.

²⁸ Ranchos Opening Brief at 29.

²⁹ Ranchos Opening Brief at 29.

³⁰ Ranchos Opening Brief at 29.

³¹ ORA Reply Brief at 22; Town Reply Brief at 2.

4.7. Modifications to the WRAM/MCBA Mechanism

Ranchos and ORA disagree on Ranchos' proposed modification to its existing WRAM/MCBA mechanisms, we resolve the disputed modifications to the WRAM/MCBA here.

4.7.1. The Gravity Irrigation System

Ranchos requests that the Commission add the gravity irrigation system to the WRAM/MCBA mechanism and eliminate the current Incremental Cost Balancing Account (ICBA).

ORA recommends denial of the request. According to ORA, commodity revenues and production costs for gravity irrigation should not be tracked in the WRAM/MCBA³² because (1) to do so will not further the State's water conservation goals and (2) fluctuations in price are already tracked in the ICBA.³³ Due to the nature of the system (gravity and non-pressurized), Ranchos does not control the amount of water pumped into, and used by the single customer.

We agree with ORA's recommendation and deny Rancho's request to add the gravity irrigation system to the WRAM/MCBA mechanism. The WRAM/MCBA was created to remove the financial disincentive for utilities to promote conservation. The gravity irrigation system serves one customer, with a water supply contract which grants the right to pump and take from wells at no cost.³⁴ Granting WRAM/MCBA treatment to the system will not promote conservation, and production costs related to the irrigation system are already

³² Opening Brief of the Office of Ratepayer Advocates (ORA Opening Brief), filed July 21, 2014, at 21.

³³ ORA Reply Brief at 23.

³⁴ Apple Valley Ranchos Water Company Application, Exhibit B at 42-43.

being tracked in the ICBA. We see no reason to change the existing system and direct Ranchos to continue the ICBA.

4.7.2. Chemical Costs

We grant Ranchos' requests to add water treatment chemicals to the MCBA. We find water treatment chemicals to be part of the production costs intended to be captured by the MCBA and see no reason they should be excluded.

4.8. Rate Design

We reject the Town's proposal for a single quantity rate for commercial and residential customers.³⁵ Ranchos' rate design program includes increasing block rates designed to promote water conservation. Tiered rates for residential customers have been thoroughly studied in many Commission proceedings and adopted as part of the Commission's Water Action Plan.³⁶ While we are sympathetic to increasing water costs for Ranchos customers, we do not see single quantity rates as a viable option that would comply with the Commission's Water Action Plan. The Town's proposal is not adopted.

4.9. Water Rate Comparison

The Town presented a water rate comparison comparing Ranchos' rates to surrounding utilities and states that the cost of service for those utilities are significantly lower.³⁷ It recommends that the Commission authorize a study and

³⁵ Exhibit T-2 (Rubin Direct) at 15-16.

³⁶ Water Action Plan (2005 and 2010 update); Conservation OII (Investigation 07-01-022, Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objections for Class A Water Utilities).

³⁷ Exhibit T-1 (Cron Direct) at 5.

report on measures Ranchos can implement ... to become more efficient.”³⁸ The study presented by the Town compared Ranchos’ rates to public agencies which does not include all sources of revenue used by public agencies and municipal owned water systems to fund their water operations.³⁹

The Town has presented insufficient evidence that Ranchos is operating inefficiently, and we deny its recommendation for a new study, which would have to be paid by Ranchos customers.

5. Review of Ranchos’ Conservation Rate Pilot Program and the WRAM/MCBA Mechanisms

D.08-09-026 and D.12-09-004 authorized Ranchos’ conservation rate pilot programs and the WRAM/MCBA decoupling mechanism. The WRAM tracks the difference between adopted and actual quantity revenue and is intended to remove the financial disincentive to promote conservation. The MCBA account captures the difference in production costs due to changes in unit price or in consumption.

Pursuant to the Scoping Memorandum, Ranchos and ORA submitted testimony to determine: (1) whether the WRAMs/MCBAs are achieving their stated purpose (i.e., whether Ranchos and its ratepayers are proportionally affected under conservation rates), and if not, what changes are needed to ensure the WRAMs/MCBAs achieve their stated purpose; (2) whether the WRAMs/MCBAs have removed disincentives for Ranchos to implement conservation rates and conservation programs; (3) whether cost savings resulting

³⁸ Opening Brief of the Town of Apple Valley, filed on July 21, 2014 at 18.

³⁹ Exhibit A-9 (Penna Rebuttal) at 13-14.

from conservation are passed on to ratepayers; and (4) whether overall water consumption by Ranchos ratepayers has been reduced.⁴⁰

We find the WRAM/MCBA to be serving its intended purpose by removing financial disincentives for Ranchos to implement conservation rates and programs.⁴¹ Ranchos adopted a three tier-block conservation rate design in 2009, and has implemented other conservation programs and customer conservation outreach since that time.⁴²

Cost savings from conservation are being passed to ratepayers because savings associated with over-collections in items such as purchased water, purchase power, and taxes are being returned to ratepayers and increases in total costs in these items are also being passed through to the ratepayers.⁴³

Finally, Ranchos customers have reduced overall water consumption since the implementation of conservation pricing and programs.⁴⁴ While it is likely that these programs have contributed to the reduction in consumption, it is unclear whether other factors such as the economy, the current drought, and weather have contributed to the downward trend in consumption.

On April 19, 2012, the Commission adopted D.12-04-048, addressing the schedule and process for Class A water companies with WRAM and MCBAs, to

⁴⁰ See Scoping Memorandum at 3-4.

⁴¹ Historically, the Commission has authorized but not guaranteed the revenues to be collected by rate-regulated utilities. However, the WRAM/MCBA mechanism effectively guarantees Ranchos' revenue requirement because Ranchos' may collect via WRAM surcharges the difference between its actual and authorized revenues.

⁴² See Exhibit O-1 at 19-7.

⁴³ See *Ibid* at 19-8.

⁴⁴ See Exhibit A-5 at 3.

recover from or refund to customers the annual net balance in their WRAMs and MCBAAs. Pursuant to D.12-04-048, Ranchos and ORA submitted testimony in this GRC on the following five WRAM alternatives.⁴⁵

- Option 1:** Should the Commission adopt a Monterey-style WRAM rather than the existing full WRAM?⁴⁶
- Option 2:** Should the Commission adopt a mechanism that bands the level of recovery, or refund, of account balances based on the relative size of the account balance.⁴⁷
- Option 3:** Should the Commission place WRAM/MCBA surcharges only on higher tiered volumes of usage, thereby benefiting customers who have usage only in Tier 1 or have reduced their usage in the higher tier levels?
- Option 4:** Should the Commission eliminate the WRAM mechanism?
- Option 5:** Should the Commission move all customer classes to increasing block rate design and extend the WRAM/MCBA mechanisms to these classes?

D.12-04-048 set forth the five Options as possible ways to address large WRAM balances. From 2009-2012, Ranchos has filed advice letters each year

⁴⁵ See Exhibit A-5 David Morse's testimony on WRAM/MCBA and Exhibit O-1, ORA's Report on the Results of Operations at Chapter 19.

⁴⁶ The Monterey-style WRAM is not a revenue decoupling mechanism as such, it is rather a revenue adjustment mechanism that allows the utility to true-up the revenue it actually recovers under its conservation rate design with the revenue it would have collected if it had an equivalent uniform rate design at actual sales levels.

⁴⁷ For example, an annual WRAM/MCBA under-collection/over-collection less than 5 percent of the last authorized revenue requirement would be amortized to provide 100 percent recovery/refund, balances between 5-10 percent would be amortized to provide only 90 percent recovery/refund, and balances over 10 percent would be amortized to provide only 80 percent recovery/refund.

seeking recovery of substantial WRAM under-collections ranging from 14 percent to 37 percent of the forecasted revenues.⁴⁸ Ranchos believes this to be the result of grossly inflated forecasting,⁴⁹ while ORA believes the cause to be unclear and possibly related to weather, economy, the drought and community participation.⁵⁰ Since none of the five options outlined above address inaccurate sales forecasts (i.e., large differences between actual and forecasted consumption), regardless of the underlying cause, this decision will not adopt any of them at this time.

Options 1, 2, or 4 should not be adopted because they would tie sales to revenues, and, as a result, could discourage Ranchos from continuing its conservation rates and programs.

Option 3 should not be adopted because it would result in even larger surcharges being borne by customers that exceed Tier 1 usage.

Option 5 should not be adopted because non-residential customers of Ranchos do not have discernable consumption patterns that can be used to design increasing block rates. Ranchos' residential sales represent about 71 percent of commodity sales and are already under the three-tiered block rate design. The non-residential class consists of business (15.8 percent), industrial (0.02 percent), public authority (5.3 percent), private fire (0.03 percent), temporary construction (0.3 percent) and other irrigation classes.⁵¹ The

⁴⁸ See Exhibit A-5 at 4.

⁴⁹ See *Ibid.*

⁵⁰ See Exhibit O-1 at 19-6.

⁵¹ See Exhibit A-5 at 16.

non-residential class has a dispersed pattern of usage and an equitable increasing block rate design would be nearly impossible.

We note here Ranchos has been directed to reduce its sales forecast to 75 percent of 2013 consumption to comply with the Governor's Executive Order B-29-15. With such reduction in the forecasted consumption, we do not anticipate further under-collections in the WRAM accounts during this GRC cycle.

6. Comments on Proposed Decision

The proposed decision of ALJ Tsen in this matter was mailed to the parties in accordance with Pub. Util. Code § 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. On November 5, 2015, comments were filed by Ranchos, ORA and Town. Reply comments were filed by Ranchos on November 10, 2015.

Ranchos argues that a sales reconciliation mechanism should be adopted. Ranchos identified errors in certain numbers used in the decision, and recommended that several attachments be included the decision. ORA comments that amounts already recorded in the Office Remodel Balancing Account should be removed and the account should be closed. ORA also identified errors in certain numbers used in the decision. Town commented that the Mains Replacement Program should be rejected.

The comments have been considered and appropriate changes have been made.

7. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and ALJ S. Pat Tsen is the Presiding ALJ in this proceeding.

Findings of Fact

1. Ranchos is a Class A Water Company subject to the Commission's jurisdiction.
2. There is an adequate record composed of all filed and served documents.
3. On August 8, 2014, Ranchos and ORA filed a motion to adopt a settlement agreement on various issues.
4. On April 1, 2015, the Commission mailed a proposed decision modifying a portion of the settlement agreement.
5. On May 1, 2015, Ranchos and ORA rejected the Commission modification to their settlement agreement.
6. On May 13, 2015, Ranchos and ORA jointly filed an Amended Settlement Agreement.
7. Pursuant to an Amended Scoping Memorandum, Ranchos and ORA submitted supplemental testimony to address the effects of the Governor's Executive Order B-29-15 and Commission Resolution W-5041. Compliance with the Governor's Executive Order B-29-15 and Commission's Resolution W-5041 necessitates further water rate increases to satisfy Ranchos' authorized revenue requirement.
8. On September 14, 2015, Ranchos and ORA submitted a Final Settlement Agreement and Joint Comparison Exhibit. These documents contain the amended Mains Replacement Program and updates made to comply with the Governor's Executive Order B-29-15 and Commission's Resolution W-5041.
9. The Final Settlement Agreement resolves most of the contested issues between Ranchos and ORA including: Water Consumption and Revenues; Customer Service; Operations and Maintenance; Administrative and General Expenses; Taxes Other Than Income; Income Taxes; Utility Plant in Service;

Depreciation Rates; Reserve, and Depreciation Expense; Rate Base; Park Water Company General Office; Affiliate Transactions; Rate Design; Water Quality; Memorandum and Balancing Accounts; Special Requests for New Tariffs; Fire Flow Tests; Interest Rates Applied to Customer Deposits and Recognition of Future Offset; WRAM/MCBA; and The Low Income Program.

10. While the Town of Apple Valley is not a party to the Final Settlement Agreement, it was represented by counsel and participated in the settlement negotiations.

11. The Final Settlement Agreement represents a reasonable compromise of Ranchos and ORA's litigation positions and is supported by the record of the proceeding.

12. The Final Settlement Agreement does not contravene any statutory provisions or prior Commission Decisions.

13. The Final Settlement Agreement, if adopted, will reduce litigation expenses, conserve Commission resources, and provide Ranchos' customers with safe and clean water at reasonable rates.

14. A robust conservation program, with consistent annual spending, would better promote California's conservation goals.

15. A conservation program balancing account protects ratepayers and ensures refund of any unspent funds.

16. A Solar Project Memorandum account allows Ranchos the opportunity to recover costs it spends in exploring the feasibility of solar technology.

17. Ranchos will be able to recover the balance in its Office Remodel Balancing Account if and when construction is complete in a subsequent general rate case.

18. The use of estimates in Ranchos' WRAM/MCBA is in accordance with GAAP and was adopted by the Commission in past decisions.

19. Ranchos should update its WRAM/MCBA account using actual costs as soon as they become available to true-up the estimates.

20. An optional Level Payment Plan pilot, established based on past 12 months' usage would assist Ranchos' customers in household budgeting.

21. The Level Payment Plan Pilot should be reviewed by the Commission at the next GRC.

22. Adding the Gravity Irrigation System to WRAM/MCBA would not promote conservation.

23. Production costs for the Gravity Irrigation System is properly tracked in the Incremental Cost Balancing Account.

24. Water treatment chemicals should reasonably be included in the MCBA as part of production costs.

25. Ranchos customers have reduced overall water consumption under water conservation programs.

26. Since the implementation of its conservation rate pilot program in 2009, Ranchos actual sales have been below the adopted level every year.

27. Large WRAM balances result from inaccurate sales forecasts that over-estimate consumption.

Conclusions of Law

1. Rule 12.1(d) provides that the Commission will not approve settlements, uncontested unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

2. The Final Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest and should be adopted.

3. Ranchos should be required to provide notice of the adopted rate increase to its customers.

4. Ranchos' notice of rate increase should be reviewed and approved by the Commission's Public Advisor's Office.

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

6. Conservation spending on outreach and public information should be capped at \$30,000 annually.

7. Ranchos' conservation expenses should continue to be tracked in a one-way balancing account.

8. Ranchos should be allowed to establish a Solar Project Memorandum Account.

9. Ranchos should not be allowed to recover the costs tracked in its Office Remodel Balancing Account until construction on its office building is complete.

10. Ranchos may be allowed to rely on the accrual method of accounting and use estimates in its WRAM/MCBA calculations.

11. Ranchos should update its WRAM/MCBA to account for actual costs as soon as they become available to true-up the estimates.

12. Ranchos should be allowed to establish a Level Payment Plan for ratepayers with a minimum of 12 months payment history.

13. Ranchos should not be allowed to implement a Sales Reconciliation Mechanism.

14. Ranchos should not be allowed to include its Gravity Irrigation System to the WRAM/MCBA mechanism and eliminate the current Incremental Costs Balancing Account.

15. Ranchos should be allowed to add water treatment chemicals to the MCBA.

16. Tiered block rates should be continued as a part of the Commission's Water Action Plan.

17. The Town's request for a study on how Ranchos can be run more efficiently should be denied.

18. The WRAMs/MCBAs established for Ranchos are functioning as intended because the WRAMs/MCBAs have severed the relationship between sales and revenues and, as a result, have removed financial disincentives for Ranchos to implement conservation rates and conservation programs.

19. The cost savings resulting from conservation are being passed on to ratepayers because cost savings associated with purchased water, purchased power, and pump taxes (i.e. MCBA over-collections) are being properly returned to ratepayers; and increases in total costs associated with these items are passed through to ratepayers.

20. It is not possible at this time to determine how much of the reduction in water consumption is the result of conservation rates and conservation programs, and how much is due to other factors such as weather or economic conditions.

21. Large WRAM under-collections are the result of overestimated sales forecasts but overestimated sales forecasts result from underestimating reductions in consumption from factors such as weather, the economy, drought declarations, or conservation rates.

22. Because the WRAMs/MCBAs established for Ranchos are functioning as intended, none of the WRAM Options set forth in D.12-04-048 should be adopted at this time.

23. None of the WRAM Options address the inaccurate forecasts that are resulting in large WRAM balances.

24. Adoption of WRAM Options 1, 2, or 4 would tie sales to revenues, and, as a result, would discourage Ranchos from offering conservation rates and conservation programs, and undermine efforts to reduce water consumption in the state.

25. WRAM Option 3, the proposal to limit the WRAM surcharge to higher tier usage customers, should not be adopted because they would result in even larger WRAM surcharges on customers that exceed Tier 1 usage.

26. WRAM Option 5 should not be adopted because, except for non-residential customers, all customer classes currently have a WRAM, and non-residential customers have such disparate usage patterns it is not feasible to design an equitable increasing block rate for that class.

O R D E R

IT IS ORDERED that:

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

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

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

4. Within sixty days of the adoption of this decision, Apple Valley Ranchos Water Company is authorized to file a Tier 2 Advice Letter to recover the difference between the interim rates and final rates from its customers in all districts. The difference between the interim and final rates based on the revenue requirement adopted here, shall be recovered over the balance of the rate case cycle.

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

6. Apple Valley Ranchos Water Company is authorized an aggregate conservation budget of \$344,066, with \$112,425 for 2015, \$114,674 for 2016 and \$116,967 for 2017.

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

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

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

10. Within thirty days of the adoption of this decision, Apple Valley Ranchos Water Company shall be authorized to establish a Solar Project Memorandum Account by filing a Tier 2 Advice Letter to add the memorandum account to the Preliminary Statement in its tariff.

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

12. Apple Valley Ranchos Water Company may rely on the accrual method of accounting and use estimates in its Water Revenue Adjustment Mechanism/Modified Cost Balancing Account calculations. Apple Valley Ranchos Water Company must update the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account balance to account for actual costs as soon as they become available to true-up the estimates.

13. Apple Valley Ranchos Water Company shall establish a pilot Level Payment Plan for ratepayers with a minimum of 12 months payment history. Apple Valley Ranchos Water Company shall file a Tier 2 advice letter to add the option of the Level Payment Plan to its Tariff Rule No. 9, Rendering and Payment of Bills, as authorized by this decision no later than 30 days prior to this option being made available to customers.

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

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

16. Application 14-01-002 is closed.

This order is effective today.

Dated November 19, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners

ATTACHMENT 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) 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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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) 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

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.

A.14-01-002 ALJ/SPT/dc3**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.

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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)

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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.

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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

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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

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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

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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

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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.

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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

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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%

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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

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	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

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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

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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.

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	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>		

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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

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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:				

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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>				

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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

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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

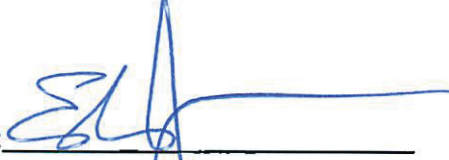
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Dated: September 10, 2015

APPLE VALLEY RANCHOS WATER
COMPANY

By: 

Edward N. Jackson
Project Manager

Representative for
Apple Valley Ranchos Water Company
21760 Ottawa Road
Apple Valley, CA 92307

Dated: September 10, 2015

(END OF ATTACHMENT A)

ATTACHMENT B

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.

A.14-01-002 ALJ/SPT/dc3

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		AVR		DIFFERENCE
	ORIGINAL	REVISED	REVISED	ORIGINAL	
Residential	197.42	139.84	139.84	199.13	0.0
Commercial	581.52	459.94	459.94	592.76	0.0
Industrial	641.00	394.09	394.09	630.60	0.0
Public Authority	6,389.00	4,512.24	4,512.24	6,389.00	0.0
Private Fire Service	6.84	8.50	8.50	7.99	0.0
Irrigation - Public Authority	5,365.00	3,863.03	3,863.03	5,365.00	0.0
Irrigation - Pressure	1,606.00	1,231.16	1,231.16	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	113,021.15	113,021.15	122,164.00	0.0
Temporary Construction	784.04	801.01	801.01	991.25	0.0

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

Description	ORA		AVR		DIFFERENCE
	ORIGINAL	REVISED	REVISED	ORIGINAL	
Residential	197.42	139.84	139.84	199.13	0.0
Commercial	581.52	459.94	459.94	592.76	0.0
Industrial	641.00	394.09	394.09	630.60	0.0
Public Authority	6,389.00	4,512.24	4,512.24	6,389.00	0.0
Private Fire Service	6.84	8.50	8.50	7.99	0.0
Irrigation - Public Authority	5,365.00	3,863.03	3,863.03	5,365.00	0.0
Irrigation - Pressure	1,606.00	1,231.16	1,231.16	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	113,021.15	113,021.15	122,164.00	0.0
Temporary Construction	784.04	801.01	801.01	991.25	0.0

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) Description	ORA		AVR		DIFFERENCE
	ORIGINAL	REVISED	REVISED	ORIGINAL	
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)		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 - 5
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
ESCALATION YEAR 2016

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)	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)		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)		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		<u>DIFFERENCE</u>	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		DIFFERENCE	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
RETIREMENTS & ADJUSTMENTS					
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 (\$)	ORA		DIFFERENCE	AVR	
	ORIGINAL	REVISED		REVISED	ORIGINAL
DESCRIPTION					
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
DESCRIPTION					
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

	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

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

	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. 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
	Per Month

Service Charge:

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	66.94
4-inch	89.12
6-inch	133.44
8-inch	178.05
10-inch	214.91
12-inch	250.97

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
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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>
3/8-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.

☐

Mailing Address

☐

Email Address

☐

Fax Number

Signature

Date

Return the completed form and fee to:

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.

This section to be completed by Apple Valley Ranchos Water Company

Number of Fire Flow Tests:

☐ 1

☐ 2

☐ 3

☐ 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:

ATTACHMENT D

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

	ADOPTED	
	AT PRESENT RATES	AT AUTHORIZED ROR
OPERATING REVENUES	17,808.2	22,085.8
DEFERRED REVENUES		
MISCELLANEOUS REVENUES	46.7	66.0
TOTAL REVENUES	17,654.9	22,151.7
OPERATIONS & MAINTENANCE		
PAYROLL-OPERATIONS	834.4	834.4
OPERATIONS-OTHER	155.2	155.2
PURCHASED WATER	0.0	0.0
PURCHASED POWER	877.7	877.7
LEASED WATER RIGHTS	0.0	0.0
REPLENISHMENT CHARGES	92.0	92.0
CHEMICALS	21.8	21.8
PAYROLL-CUSTOMER	504.5	504.5
CUSTOMERS-OTHER	350.4	350.4
UNCOLLECTIBLES	84.7	106.3
PAYROLL-MAINTENANCE	435.3	435.3
MAINTENANCE-OTHER	617.0	617.0
PAYROLL-CLEARINGS	122.4	122.4
DEPRECIATION-CLEARINGS	241.9	241.9
CLEARINGS-OTHER	206.3	206.3
SUBTOTAL O & M	4,543.6	4,565.2
ADMINISTRATIVE & GENERAL		
A & G PAYROLL	1,609.9	1,609.9
EMPLOYEE BENEFITS	1,340.8	1,340.8
INSURANCE	662.4	662.4
UNINSURED PROP. DAMAGE	8.8	8.8
REG. COMM. EXPENSE	159.3	159.3
FRANCHISE REQUIREMENTS	171.3	214.9
OUTSIDE SERVICES	244.4	244.4
A & G - OTHER	496.0	496.0
A & G TRANSFERRED CREDIT	(357.2)	(357.2)
RENTS	16.8	16.8
GENERAL OFFICE ALLOCATION	2,115.6	2,115.6
AVR ALLOCATION	(27.6)	(27.6)
SUBTOTAL A & G	6,440.4	6,484.0
OTHER TAXES		
¹ PROPERTY TAXES	586.6	586.6
¹ PAYROLL TAXES	320.9	320.9
SUBTOTAL OTHER TAXES	907.6	907.6
¹ DEPRECIATION	3,247.0	3,247.0
CA INCOME TAXES	52.7	444.4
FEDERAL INCOME TAXES	137.0	1,592.5
TOTAL EXPENSE	15,328.3	17,240.7
NET REVENUES	2,326.6	4,911.0
RATE BASE	54,134.8	54,134.8
RATE OF RETURN	4.30%	9.07%

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

ATTACHMENT E

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

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

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

ATTACHMENT F

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

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

*2016 & 2017 are subject to Escalation Year Increase.

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

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

Note: Unadjusted for General Plant Adjustments.

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

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

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

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

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

	2015	2016	2017
<u>Number of Customers</u>			
Residential	18,015	18,165	18,315
Commercial	1,364	1,375	1,386
Industrial	2	2	2
Public Authority	45	45	46
Private Fire Service	239	247	255
Irrigation - Public Authority	5	5	5
Irrigation - Pressure	166	169	171
Temporary Construction	11	11	11
Apple Valley Golf Course	1	1	1
Total	19,848	20,020	20,192
<u>Water Sales (Ccfs)</u>			
	2015	2016	2017
Residential	2,732,949	2,540,216	2,561,192
Commercial	649,824	632,415	637,474
Industrial	972	788	788
Public Authority	216,558	203,953	205,758
Private Fire Service	2,032	2,100	2,168
Irrigation - Public Authority	22,575	19,315	19,315
Irrigation - Pressure	221,318	208,066	210,528
Temporary Construction	8,811	8,811	8,811
Apple Valley Golf Course	117,077	113,021	113,021
Total	3,972,116	3,728,685	3,759,056
	253,539	238,001	239,940
<u>Consumption per Customer (Ccf per Customer)</u>			
	2015	2016	2017
Residential	151.70	139.84	139.84
Commercial	476.41	459.94	459.94
Industrial	485.84	394.09	394.09
Public Authority	4,833.88	4,512.24	4,512.24
Private Fire Service	8.50	8.50	8.50
Irrigation - Public Authority	4,514.97	3,863.03	3,863.03
Irrigation - Pressure	1,333.24	1,231.16	1,231.16
Temporary Construction	801.01	801.01	801.01
Apple Valley Golf Course	117,077.45	113,021.15	113,021.15

(END OF ATTACHMENT F)

ATTACHMENT G

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

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

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

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

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

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

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

Note: Unadjusted for General Plant Adjustments.

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

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

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

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

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

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

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

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

PAGE 2 OF 2
GENERAL OFFICE
RATE BASE SUMMARY

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

(END OF ATTACHMENT H)