

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



July 7, 2015

Edward N. Jackson
Director, Revenue Requirements
Apple Valley Ranchos Water Company
P.O. Box 7005
Apple Valley, CA 92307

Dear Mr. Jackson,

The Commission has approved Apple Valley Ranchos Water Company's Advice Letter No. 198-W, filed on May 27, 2015, regarding the termination of the tariff deviation agreement between Apple Valley Ranchos water Company and the Town of Apple Valley for service to the Apple Valley Golf Course.

Enclosed are copies of the following revised tariff sheets for the utility's files:

P.U.C. Sheet No.**Title of Sheet**

812-W
813-W

List of Contracts and Deviations
Table of Contents

Please contact Adam Thaler at (415) 703-3034 if you have any questions.

Thank you,

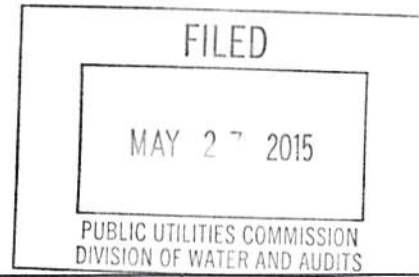
/s/JENNIFER PEREZ

Jennifer Perez
Water & Sewer Advisory Branch
Division of Water and Audits

Enclosures

**CALIFORNIA PUBLIC UTILITIES
COMMISSION
DIVISION OF WATER AND
AUDITS
Advice Letter Cover Sheet**

(Date Filed / Received Stamp by CPUC)



AL # 198-W	Date Mailed to Service List: May 27, 2015	Requested Effective Date: June 26, 2015		Requested Tier: <input type="checkbox"/> Tier 1 <input checked="" type="checkbox"/> Tier 2 <input type="checkbox"/> Tier 3	
Replacing AL#:	Authorization for Filing:	Compliance Filing? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Rate	\$	N/A
			Impact	%	N/A

The public has 20 days from Date Mailed (above) to protest this advice letter. If you chose to protest or respond to the advice letter, send Protest and/or Correspondence within 20 days to:

Director
Division of Water and Audits
505 Van Ness Ave.
San Francisco, CA 94102

and if you have email capability, also email to:

water_division@cpuc.ca.gov

Your protest also must be served on the Utility

(see attached advice letter for more information and grounds for protest)

Company Name: Apple Valley Ranchos Water Company

Address: 21760 Ottawa Road, P.O. Box 7005

City, State, Zip: Apple Valley, CA 92307-7005

CPUC Utility Number:

WTA U-346-W

WTB _____

WTC _____

WTD _____

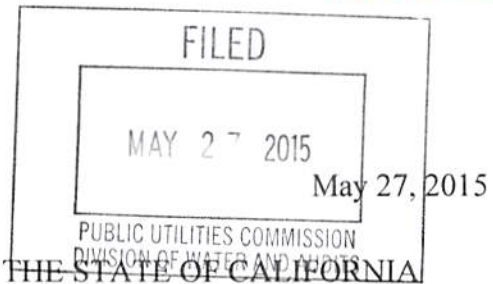
SWR _____

	Contact Name:	Phone No.	Fax No.	Email Address:
Filer	Edward N. Jackson	562.923.0711	562.861.5902	ed.jackson@parkwater.com
Alternate	Ellen M. Zimbalist	562.923.0711	562.861.5902	ezimbalist@parkwater.com

Description: AVR submits this advice letter to revise and delete a condition on the Contract Deviation tariff. The tariffs affected are 812-W, and 813-W.

(FOR CPUC USE ONLY)

WTS Budget/Activity/Type / /		Process as: <input type="checkbox"/> Tier 1 <input type="checkbox"/> Tier 2 <input type="checkbox"/> Tier 3	
		20th Day <input type="text"/>	30th Day <input type="text"/>
Project Manager:	<input type="text"/>	Suspended on:	<input type="text"/>
Analyst:	<input type="text"/>	Extended on:	<input type="text"/>
Due Date:	<input type="text"/>	Resolution No.:	<input type="text"/>
Completion Date:	<input type="text"/>	AL/Tariff Effective Date:	<input type="text"/>



Advice Letter No. 198 -W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Apple Valley Ranchos Water Company (AVR) (U 346 W) hereby transmits for filing revised copies of the following tariff schedules.

Calif. P.U.C. <u>Sheet No.</u>	<u>Title of Sheet</u>	Schedule <u>No.</u>	Canceling <u>Sheet No.</u>
812-W	List of Contracts and Deviations		664-W
813-W	Table of Contents		811-W

Summary

The purpose of this filing is to request that the California Public Utilities Commission ("Commission") approve the termination of the tariff deviation agreement between Apple Valley Ranchos Water Company ("AVR") and the Town of Apple Valley ("Town") for service to the Apple Valley Golf Course ("AVGC"). Upon approval of this advice letter, the tariff deviation agreement would terminate, and AVR would continue to provide water service to AVGC under Schedule No. 3-Non-Residential General Metered Service. This advice letter is submitted pursuant to Resolution W-4882, which approved the Tariff Deviation Agreement ("Agreement") between Town and AVR. Section 3 (b) of the Agreement states:

"If Ranchos, or the Town, determines in good faith that any or all of the Deviations are no longer in the best interests of Ranchos and/or its other ratepayers, or of the Town, because of a change in circumstances, Ranchos, or the Town may request that the Commission modify or eliminate any or all Deviations in this Agreement, including termination of this Agreement." (emphasis added)

AVR began providing water service to the Town under a tariff deviation agreement on August 15, 2011 after receiving a credible threat of bypass by the Town. The purpose of the Agreement was to remove the financial incentive for the Town to construct a new well and therefore bypass AVR's system, and also to provide benefit to the AVR's ratepayers in the form of the retention

of revenues from the Town exceeding the incremental cost to AVR of providing service at the AVGC. Recently, AVR received information that the Town intends to bypass the AVR water system despite the tariff deviation agreement in place. Therefore, the Agreement no longer provides incentive for the Town to avoid bypass of AVR's system, and AVR's ratepayers no longer benefit from the retention of revenues from the Town. AVR requests Commission authorization to terminate the Agreement as it no longer meets the original purpose as authorized by the Commission.

Background

Historically, the AVGC owned and operated a well to provide irrigation for the golf course. In 2009, shortly after the Town assumed operational control of the AVGC, the single irrigation well failed and the well casing was compromised. The Town made several attempts to re-establish the production capacity of this well with only limited success. In the interim, the Town was forced to purchase its remaining irrigation water for the AVGC from AVR. In mid-2010 the Town entered into discussions with AVR regarding the possibility of a tariff deviation. Due to the difficulty in implementing a deviation before the end of the irrigation season, the mild and relatively wet summer that year, and issues that had arisen with the process of Town's acquisition of the AVGC, discussions were deferred to the following year.

In 2011, the Town informed AVR that it had determined that it would be more cost effective for the Town to construct a new irrigation well and irrigate the AVGC by pumping its own water than to continue to purchase water service from AVR unless a deviation from AVR's regular tariff could be arranged. Based on discussions between the Town staff and AVR, the Town understood that any deviation from AVR's tariff rate for service to AVGC must be acceptable to the Commission. A deviation rate needs to be set such that it will not only remove the financial incentive for the Town to construct a new well, but it must also provide benefit to the ratepayers of AVR from the retention of a stream of revenues from the Town exceeding the incremental cost to AVR of providing service at the AVGC. AVR proposed to the Town the terms of the Agreement and the Town staff reviewed and accepted the tariff deviation proposed by AVR. AVR and the Town executed the Agreement on March 10, 2011.

The Agreement submitted to the Commission in Advice Letter 165-W-A and approved by the Commission on July 14, 2011, in Resolution No. W-4882, was similar in design to the tariff deviation agreement between Town and AVR for irrigation service to James Woody Park, submitted to the Commission in Advice Letter 126-W and approved by the Commission on September 23, 2004, in Resolution No. W-4499. The rationale for both contract deviations was to avoid bypass. The structure of both contract deviations was the same; a lower commodity rate conditioned upon the provision of the lease of water rights from the Town to AVR at no

charge. Both contract deviations had a provision for future increases in rates if the applicable general metered service commodity rate increased. The lower commodity rate proposed in the Agreement was developed using a cost/benefit analysis that employed the same principles and basic methodology used previously for the contract deviation of James Woody Park.

As stated previously, the tariff deviation for AVGC became effective August 15, 2011 and is currently being billed under those conditions. Recently, AVR became aware of two Town Council Staff Reports from the Town. The first, dated February 17, 2015 adopts a Town Council resolution approving the submittal of a federal grant application for a recycled water feasibility study.

The second, dated February 24, 2015, approves a budget amendment and expenditure authorization in an amount not to exceed \$45,000 to complete the work necessary to refurbish an existing well at Apple Valley Golf Course. That Staff report also notes that in June of 2014 the Town Council awarded a professional services contract to Hall & Foreman, Inc. ("HFI") in the amount of \$80,000 for the design of a new irrigation well at the AVGC. During the investigative phase, the Town staff located an existing, previously drilled well within the AVGC property, in close proximity to the existing irrigation well. HFI is currently preparing specifications, bid documents, and construction drawings to complete work necessary to bring the refurbished well on line for use by the AVGC. On page 2-2 of the Staff Report, Town Staff states "It is no longer in the Town's best interest to purchase water under the deviated rate schedule for the AVGC."

The Town Councils' decision to award a contract for the design of a new irrigation well at the AVGC in June of 2014 was reached in closed session. AVR was not aware of the Town's decision at that time and was not informed by the Town. After the Town's action on February 24, 2015, in April of 2015, AVR sent a letter to the Town, stating its belief that the Town's actions constituted a change in circumstances and offering the Town the opportunity to discuss its tariff deviation agreements with AVR. The Town did not avail itself of the opportunity.

Request

AVR requests termination of the Tariff Deviation Agreement between AVR and the Town for service to AVGC due to the change in circumstances described above. The Agreement no longer serves to remove the credible threat of bypass, and it no longer benefits AVR's ratepayers.

Workpapers including the Agreement, Town Council Staff Reports, and Resolution W-4882 have been provided to the Commission Staff.

Tier Designation

Pursuant to D.07-01-024, this advice letter is submitted with Tier 2 designation.

Requested Effective Date

Pursuant to General Order 96-B, and General Rule 7.3.1, AVR requests this filing become effective on June 26, 2015.

Notice and Service

In accordance with General Order 96-B, General Rules 4.3 and 7.2 and Water Industry Rule 4.1, a copy of this advice letter will be mailed or electronically transmitted on May 27, 2015 to competing and adjacent utilities and other utilities or interested parties having requested such notification.

Response or Protest

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require re-litigating a prior order of the Commission).

A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue
San Francisco, CA 94102
Email: water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

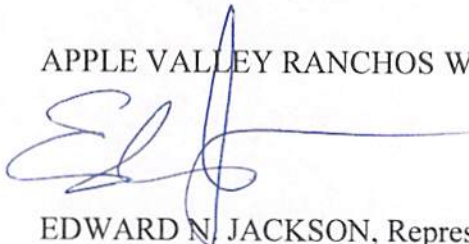
Edward N. Jackson, Representative
Director of Revenue Requirements
Park Water Company
9750 Washburn Road, P. O. Box 7002
Downey, CA 90241
Phone: (562) 923.0711, ext. 1212
Fax: (562) 861-5902
E-Mail: regulatoryaffairs@parkwater.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division within the 20-day protest period so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

If you have not received a reply to your protest within 10 business days, contact Edward Jackson at (562) 923-0711, ext. 1212.

Very truly yours,

APPLE VALLEY RANCHOS WATER COMPANY

A handwritten signature in blue ink, appearing to be 'Ed Jackson', written over the printed name of Edward N. Jackson.

EDWARD N. JACKSON, Representative
Director of Revenue Requirements
Park Water Company
P.O. Box 7002
Downey, CA 90241
regulatoryaffairs@parkwater.com

APPLE VALLEY RANCHOS WATER COMPANY

ADVICE LETTER 198-W DISTRIBUTION LIST

Jim Hansen
Navajo Mutual Water Company
P. O. Box 392
Apple Valley, CA 92307
jhansenjr@email.com

Town of Apple Valley
Attention: Dennis Cron
14955 Dale Evans Parkway
Apple Valley, CA 92307
dcron@applevalley.org

Manuel Benitez
County of San Bernardino
Special Districts Department
Water and Sanitation Division
12402 Industrial Blvd.
Bldg. D, Ste. 6
Victorville, CA 92392

California Public Utilities Commission
Attention Ting-Pong Yuen
Division of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102
tpy@cpuc.ca.gov

Kathleen Rollings-McDonald
Executive Officer
Local Agency Formation Commission
175 West Fifth St., Second Floor
San Bernardino, CA 92415-0490
lafco@lafco.sbcounty.gov

Paeter Garcia, Esq.
Best Best & Krieger
P.O. Box 1028
Riverside, CA 92502
Paeter.Garcia@bbklaw.com

Patrick Scanlon
Vice President Operations
Golden State Water Company
1920 West Corporate Way
Anaheim, CA 92801
Patrick.Scanlon@gswater.com

John Garon
Regulatory Affairs Manager
Golden State Water Company
630 E. Foothill Boulevard
San Dimas, CA 91773
John.Garon@gswater.com

Perry Dahlstrom
District Manager
Mountain Desert
Golden State Water Company
13608 Hitt Road
Apple Valley, CA 92308
Perry.Dahlstrom@gswater.com

Ronald Moore
Senior Regulatory Analyst
Golden State Water Company
630 East Foothill Blvd
San Dimas, California 91773
rkmoore@gswater.com

APPLE VALLEY RANCHOS WATER COMPANY
21760 OTTAWA ROAD
P. O. BOX 7005
APPLE VALLEY, CALIFORNIA 92307

Canceling

REVISED

Cal. P.U.C. Sheet No.

812-W

REVISED

Cal. P.U.C. Sheet No.

664-W

LIST OF CONTRACTS AND DEVIATIONS

Name & Location Of Customer	Type or Class Of Service	Execution & Expiration	Commission Authorization	Most Comparable Schedule No.	Regular Tariff Contract	Commodity rate determined by contract rate
Town of Apple Valley James Woody Park Apple Valley	Public Authority	April, 2004 Indeterminate term With 90 day Cancellation	W-4499	1		

(D)

Advice No. AL 198-W

LEIGH K. JORDAN

Date Filed

MAY 27 2015

Decision No.

Name
EXECUTIVE VICE PRESIDENT
Title

Effective
Resolution No.

JUN 26 2015

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

Subject Matter of Sheet:

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Rate Schedules:

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Schedule No. 2	Gravity Irrigation Service	794-W, 802-W
Schedule No. 3	Non-Residential General Metered Service	795-W, 779-W
Schedule No. 4	Non-Metered Fire Service	796-W, 787-W
Schedule No. LC	Late Payment Charge	460-W
Schedule 14.1	Water Shortage Contingency Plan	804-W Through 810-W
Schedule UF	Surcharge to Fund PUC Reimbursement Fee	578-W
Schedule CARW	California Alternative Rates for Water	708-W, 527-W
Schedule No. CARW-SC	California Alternative Rates for Water Sur-Charge	709-W

LIST OF CONTRACTS AND DEVIATIONS:

812-W (C)

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No. 3	Application for Service	13-W, 553-W
No. 4	Contracts	361-W
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No. 6	Establishment and Re-establishment of Credit	362-W
No. 7	Deposits	711-W, 230-W
No. 8	Notices	760-W, 427-W
No. 9	Rendering and Payment of Bills	689-W Through 692-W
No. 10	Disputed Bills	240-W, 241-W
No. 11	Discontinuance and Restoration of Service	428-W thru 433-W, 713-W, 435-W
No. 12	Information Available to Public	366-W, 367-W
No. 13	Temporary Service	368-W, 369-W
No. 14	Continuity of Service	370-W
No. 14.1	Water Conservation and Rationing Plan	593-W thru 596-W
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No. 16	Service Connections, Meters, and Customer Facilities	399-W thru 405-W
No. 17	Standards for Measurement of Service	273-W
No. 18	Meter Tests and Adjustment of Bills for Meter Error	34-W thru 36-W
No. 19	Service to Separate Premises and Multiple Units, and Resale of Water	252-W, 253-W
No. 20	Water Conservation	371-W
No. 21	Military Family Relief Program	543-W, 544-W
No. 22	Fire Protection	716-W

(continued)

(To be inserted by utility)

Issued By:

(To be inserted by Cal. P.U.C.)

Advice No. 198-W

LEIGH K. JORDAN

Date Filed

MAY 27 2015

Decision No.

EXECUTIVE VICE PRESIDENT

Effective

JUN 26 2015

Title

Resolution No.