BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Liberty Utilities (Apple Valley Ranchos Water) Corp. (U 346 W) for Authority to Increase Rates Charged for Water Service by $985,822 or 3.96% in 2019, $1,314,325 or 5.06% in 2020, and $987,227 or 3.60% in 2021.

APPLICATION NO. ____________

APPLICATION OF LIBERTY UTILITIES
(APPLE VALLEY RANCHOS WATER) CORP. (U 346 W)

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Attorneys for Liberty Utilities (Apple Valley Ranchos Water) Corp.

January 2, 2018
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I. INTRODUCTION

Liberty Utilities (Apple Valley Ranchos Water) Corp. (U 346 W) (“Liberty Apple Valley” or Applicant), a California corporation, hereby files its application for a General Rate Increase. Liberty Apple Valley is a Class A Public Utility Water Company providing regulated water utility service in and near the Towns of Apple Valley and Yermo in San Bernardino County in the State of California. Liberty Apple Valley is a wholly-owned subsidiary of Liberty Utilities (Park Water) Corp. (“Liberty Park Water”), a California Corporation. Liberty Apple Valley’s Annual Reports to the Commission describe its field of operation, its property and equipment, by class and cost, and the depreciation and amortization reserves applicable to such property and equipment, by class. A certified copy of the amended Articles of Incorporation of Liberty Apple Valley is attached to this application as Exhibit G.

Over the last few years, Liberty Apple Valley has undertaken measures to reduce its overall cost of providing service to its customers by improving operational efficiencies. Some of the efficiencies achieved have been offset by capital improvements and replacements of aging infrastructure dedicated to providing water service. The rates proposed in this application are necessary to recover the costs of providing safe and reliable water service on a sustained basis and to support the health, safety and well-being of the communities we serve.
II. PRELIMINARY MATTERS

A. Test Period

The test period for the rate increase is Test Year 2019 with 2020 and 2021 selected as the Escalation Years. This is consistent with the rate case plan adopted by the Commission in D.07-05-062.

B. SB 960 Scoping Memorandum

This application is a general rate increase proceeding and, therefore, is a “Rate Setting” proceeding. Evidentiary hearings will be necessary because of factual disputes that may arise on material issues such as water sales, operating revenue, operation and maintenance expenses, utility plant, depreciation, taxes, and revenue requirements. A proposed schedule for completing the proceeding is contained in Appendix A.

C. Summary of the Requested Increase and Rate Base Changes

The requested revenue increase for Liberty Apple Valley for 2019 above revenues generated by present rates is $985,822 or 3.96%. At this time, Liberty Apple Valley is only requesting specific rates for Test Year 2019. Pursuant to the escalation year increase methodology adopted by the Rate Case Plan, D.07-05-062 (Appendix A, page A-19), Liberty Apple Valley will file advice letters setting out its calculations and supporting analysis for the escalation year rates 45 days prior to the first day of each escalation year. For the sole purpose of providing customer notification, Liberty Apple Valley has estimated the impact of the escalation methodology for 2020 and 2021. The estimated revenue increase for 2020 is $1,314,325 or 5.06% above the proposed revenue increase for Test Year 2019. The estimated revenue increase for 2021 is $987,227 or 3.60% above the estimated revenue requirement for 2020. Liberty Apple Valley estimates that the

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1 Liberty Apple Valley’s parent — Liberty Utilities (Park Water) Corp. (“Liberty Park Water”) — is concurrently filing its GRC application at the same time Liberty Apple Valley is filing this GRC application. Liberty Park Water and Liberty Apple Valley desire to consolidate the two GRC proceedings to achieve efficiencies and avoid any inconsistent resolutions of similar issues in the two proceedings. In accordance with the recommendations of the Commission’s Water Division, Liberty Park Water and Liberty Apple Valley will be filing a Joint Motion to consolidate the two GRC proceedings and to apply the 20-month multi-district schedule instead of the 14-month schedule that otherwise would apply to each GRC proceeding. In anticipation that the Commission would grant such motion, Liberty Park Water’s proposed schedule attached hereto as Appendix A is based on the 20-month multi-district schedule.
requested increase will produce a rate of return on equity of 9.79% and a return on Liberty Apple Valley’s estimated rate base for Test Year 2019 of 7.41%. The requested return on equity and return on rate base is based on the 2016 cost of capital adopted by the Commission for Liberty Apple Valley by D.13-05-027 (A.12-05-001). As discussed in Exhibit C (Liberty Utilities Apple Valley Ranchos General Office Report), the present authorized rate of return on rate base of 9.07% was lowered to 7.41% to reflect Liberty Apple Valley’s current cost of debt. The requested rate increase is reasonable and necessary because present rates do not generate adequate revenue to yield a fair, just and reasonable return on current and future capital investments in plant, property and other equipment devoted to providing utility service.

As required by D.07-05-062 (Appendix A, page A-22), the following table compares the proposed test year data (Test Year 2019) to the last adopted test year (Test Year 2015) and last recorded year (2016) data.

<table>
<thead>
<tr>
<th>Comparison Between Proposed Test Year and Last Test Year</th>
<th>Adopted and Last Recorded Year</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Last Test Year</td>
</tr>
<tr>
<td>Total Rev Req $</td>
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<td>Rate Base $</td>
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<tr>
<td>Operating Expenses $</td>
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<tr>
<td>Operating Expenses %</td>
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<tr>
<td>Rate of Return</td>
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</table>

D. Results of Operation

At this time, the Applicant’s exhibits consist of attachments entitled:

- "Financial Statements as of September 30, 2017" (Exhibit A);
- "Liberty Utilities (Apple Valley Ranchos Water) Corp. - Revenue Requirements Report" (Exhibit B);
- "Liberty Utilities (Apple Valley Ranchos Water) Corp. – General Office Report" (Exhibit C);
- “Urban Water Management Plan Liberty Utilities (Apple Valley Ranchos Water) Corp.” (Exhibit D);
- "Qualifications and Prepared Testimony" (Exhibit E);

2 Use most recent 12 months of available data; revise with complete calendar year data when available.
The above exhibits describe the utility’s overall results of operation. Exhibit D is the most recent Urban Water Management Plan filed with the California Department of Water Resources. Exhibit H, the Comparison Exhibit, describes the differences between the proposed application and the application.

The above-referenced exhibits, and the accompanying workpapers, contain explanations of all significant changes from last adopted and recorded plant amounts and capital related costs, as well as an explanation of significant changes in circumstances or assumptions affecting the expenses and customer growth. A detailed reconciliation of significant changes between the proposed Test Year 2019 expenses and the last adopted and recorded expenses has not been prepared by Liberty Apple Valley because it would not yield any useful information. Specifically, the adopted expenses for Test Year 2015 were prepared during calendar year 2013 while the expenses proposed in this Application for Test Year 2019 were prepared during calendar year 2017. Liberty Apple Valley does not believe that an analysis of expense estimates that were prepared three years apart for differing test periods is very useful. For a similar reason, Liberty Apple Valley does not believe that an analysis of the recorded expenses for recorded year 2016, which is three years removed from the test period in this Application, is helpful. The workpapers contain a comparison of the proposed Test Year 2019 expenses and the five-year average of recorded expenses (2012 – 2016) escalated to Test Year 2019.

E. **Primary Cost Increases**

The rates for Liberty Apple Valley were last reviewed in Application 14-01-002, a general rate case filed January 2, 2014. That Application requested rates for 2015, 2016, and 2017, and resulted in D.15-11-030 dated November 19, 2015. The rates for Liberty Apple Valley also reflect the cost of capital, last reviewed in Application 12-05-001 filed May 1, 2012. That Application requested cost of capital in rates for 2013, 2014, and 2015, and resulted in D.13-05-027 dated May 23, 2013. This GRC application proposes the rates required for Test Year 2019 including the cost of capital adopted by D.13-05-027. The proposed rates are increased over those presently in effect for the following reasons:
1. Additional revenues to produce a fair rate of return on capital invested in property dedicated to providing utility service;
2. Increased capital-related costs resulting from increased investment;
3. Increases in unit costs of production;
4. Inflationary increases anticipated during 2019 and the Test Year;
5. Increases in payroll expense; and
6. Increases in health and welfare benefits.

Detailed descriptions of the above items are contained in Exhibit B, the Revenue Requirements Report.

F. List of Issues of Controversy

In the previous GRC decision, the Commission approved a settlement agreement between Liberty Apple Valley and the Office of Ratepayer Advocates (“ORA”) that resolved the all issues, with the exception of conservation estimates, balancing and memorandum accounts, and the Level Payment Plan. Liberty Apple Valley has no way of anticipating the positions that ORA will take in opposition to Liberty Apple Valley proposed Test Year 2019 revenue requirement. It has been Liberty Apple Valley’s experience that each GRC is unique with respect to the issues raised by ORA. Based on ORA positions in prior GRCs, Liberty Apple Valley anticipates that ORA may oppose Liberty Apple Valley’s proposed capital projects and payroll budget. Liberty Apple Valley also anticipates that ORA may take issue with Liberty Apple Valley’s requested memorandum accounts (see Memorandum Accounts below) and Liberty Apple Valley’s balancing accounts (see Balancing Accounts below). In prior proceedings, the historical period used for a five-year averaging methodology has been another disputed item. Although both Liberty Apple Valley and ORA have used a five-year averaging methodology to estimate various categories of expense, Liberty Apple Valley has used the same period for all expenses that includes the last recorded year while ORA sometimes recommends using different periods (that may or may not include the last recorded year) to create alternative estimates.

In addition, there is one area where Liberty Apple Valley is proposing a different methodology than in prior GRCs that may be controversial.

1. Sales Forecasts

Although Liberty Apple Valley performed and submitted the basic regression analysis procedure for the New Committee Method of sales forecasting, the consumption estimates for the
residential customer group for Test Year 2019 are based on recorded consumption for 2017 as described in Exhibit B (Chapter III). Given actual sales levels over the last few years, the basic sales forecast methodology does not result in reasonable estimates and, therefore, consistent with the New Committee method, Liberty Apple Valley has proposed an alternate methodology. Alternate methodologies have been adopted by the Commission in the past. As discussed below (see Special Requests), Liberty Apple Valley also proposes a Sales Reconciliation Mechanism (“SRM”) to adjust the adopted consumption in each escalation year if certain conditions are met. Liberty Apple Valley believes that the SRM will: (1) improve the accuracy of the sales forecasts adopted in this proceeding, (2) reduce the potential for large balances in the Water Revenue Adjustment Mechanism (“WRAM”) balancing account, and (3) reduce the temporal inequity associated with customers who receive the surcharge (or sur-credit) associated with the amortization of WRAM balances.
III. SUMMARY OF CONTENTS

A. Basic Information

Testimony describing the basic information required by the rate case plan, D.07-05-062, is contained in Exhibits B, C, and G.

B. Regulated Plant In Service

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s regulated plant in service is provided in Exhibits B (Chapter VI) and C (Chapter V). The workpapers identify and explain all capital additions, including analysis, evaluation and overall budget. A comparison of the forecast capital additions adopted in the last GRC and actual capital additions is contained in the accompanying workpapers. The calculation of the forecast capital additions is based on a five-year average of recorded plant additions and the explanation of significant changes from the last adopted and recorded regulated plant in service is contained in the accompanying workpapers.

C. Revenue Requirement: Operations and Maintenance, Administrative and General, General Office

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s revenue requirement related to Operations and Maintenance, Administrative and General, and General Office expenses is contained in Exhibits B (Chapter IV), C (Chapter III), and G, respectively.

D. Revenue Requirement: Water Sales and Production

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s water sales and production is contained in Exhibits B (Chapter III) and G.

E. Rate Base

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s rate base is contained in Exhibits B (Chapter VIII), C (Chapter V), and G.
F. **Supply and Distribution Infrastructure Status and Planning**

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s supply and distribution infrastructure status and planning is contained in Exhibits B (Chapter II), E and F.

G. **Conservation and Efficiency**

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s conservation and efficiency measures is contained in Exhibits B (Chapter II) and G.

H. **Water Quality**

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s water quality is contained in Exhibits B (Chapter X) and G. Liberty Apple Valley requests a Commission finding that the water service provided meets or exceeds State and Federal drinking water standards and meets the requirements of General Order 103A.

I. **Service Quality**

Testimony describing Liberty Apple Valley’s service quality is contained in Exhibit B (Chapter II).

J. **Transactions with Corporate Affiliates**

Testimony describing Liberty Apple Valley’s transactions with corporate affiliates is contained in Exhibit C (Chapter 1).

K. **Unregulated Transactions**

Liberty Apple Valley has two contracts that are subject to the Excess Capacity Decision, D.00-07-018. Both are contracts with HomeServe, a provider of service line emergency repairs insurance. One contract is for use of Liberty Apple Valley’s marks in HomeServe’s marketing communications, designated as a passive activity, and the other is for billing Homeserve’s service to Liberty Apple Valley customers who participate in HomeServe’s program, designated as an active activity. Liberty Apple Valley does not anticipate renewing the HomeServe contracts when they expire in 2018.
L. Real Property Subject to Water Infrastructure Improvement Act of 1996

Since the last GRC application, there has been no real property that has been determined to be no longer necessary or useful. There is no real property to report that is subject to the Water Infrastructure Improvement Act of 1996.

M. Rate Design

To promote water conservation, Liberty Apple Valley requests Commission authorization to continue its existing conservation rate design. For residential customers, the proposed conservation rate design consists of increasing block rates of three tiers. Liberty Apple Valley requests that the Commission consider a minor adjustment to the residential rate design for the redistribution of the tier breakpoint. Due to the different characteristics of its non-residential customers, Liberty Apple Valley recommends retaining the single quantity conservation rate for non-residential customers. An increasing block rate design for non-residential classes, which encourages conservation but is not punitive to the business, industrial, and public authority customer classes, is not feasible. Liberty Apple Valley proposes to continue the implementation of other measures to promote conservation to non-residential customers.

Liberty Apple Valley provides irrigation water through a gravity irrigation water system that is separate from its domestic water system. In the prior rate case, the Commission established rates for the gravity irrigation system that were based on a cost of service study submitted by Liberty Apple Valley. Liberty Apple Valley is submitting a new cost of service study for its gravity irrigation system for this rate case.

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s proposed rate design is contained in Exhibit B (Chapter XII).

N. Low-Income Assistance Program

In D.15-11-030, the Commission authorized the establishment of a low-income ratepayer assistance program, known as California Alternative Rates for Water (CARW). Liberty Apple Valley proposes to continue its existing CARW program. This CARW program consists of an $8.38 per month service charge discount for customers meeting the income eligibility requirements established annually by the Commission. Liberty Apple Valley proposes to increase the current monthly service charge discount by the average percentage increase to rates authorized in this proceeding. In addition, Liberty Apple Valley proposes to increase the existing surcharge of $0.69
per month by the average percentage increase to rates authorized in this proceeding. The surcharge offsets the increase in CARW discounts provided to qualifying customers and the CARW program costs.

Testimony, with supporting analysis and documentation, describing Liberty Apple Valley’s proposed low-income assistance program is contained in Exhibit B (Chapter II).

O. Balancing Accounts
In accordance with the Water Action Plan (WAP), Liberty Apple Valley requests Commission authorization to continue its existing Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA). The WRAM and MCBA are the decoupling mechanisms authorized by the Commission in D.08-09-026, D.12-09-004 and D.15-11-030. These mechanisms are essentially identical to the mechanisms agreed to by Liberty Utilities (Park Water) Corp. (“Park”) and ORA in their June 15, 2007 settlement agreement filed in the Conservation OII (I.07-01-022) for Park’s Central Basin Division and authorized by the Commission in D.08-02-036, D.09-12-001, and D.16-01-009.

As referenced in the WAP, the Commission’s ratemaking mechanisms have traditionally included financial disincentives for water conservation programs. The purpose of the WRAM is to remove the financial disincentives to water conservation by decoupling water sales from revenues. Liberty Apple Valley’s WRAM tracks the full difference between actual and adopted commodity rate revenue, in conjunction with the MCBA as discussed below.

Liberty Apple Valley proposes to continue the MCBA as part of its conservation rate design program. The MCBA captures variations in production costs (purchased power, pumping or replenishment assessments, and leased water rights) due to either changes in unit price or changes in consumption and serves to refund production cost savings from conservation back to customers.

Liberty Apple Valley’s gravity irrigation system is not covered by its WRAM/MCBA, but is covered by an Incremental Cost Balancing Account. The Incremental Cost Balancing Account tracks incremental changes to production costs for the gravity irrigation system. Liberty Apple Valley requests that the Commission review the Incremental Cost Balancing Account for approval and amortization through a surcharge to gravity irrigation customers.

Liberty Apple Valley requests that the Commission review its California Alternative Rates for Water (“CARW”) Revenue Reallocation Balancing Account for approval and amortization
through a surcharge to customers (excluding those customers enrolled in the CARW program). Liberty Apple Valley requests that the Commission authorize continuation of the CARW Revenue Reallocation Balancing Account. This account remains necessary to track the difference between the recorded discounts provided by the CARW program and the surcharge collected to fund the CARW program.

Liberty Apple Valley requests that the Commission review the Employee and Retiree Healthcare Balancing Account for approval and refund to customers through a surcredit. Liberty Apple Valley requests Commission authorization to continue the Employee and Retiree Health Care Balancing Account to track differences between authorized employee and retiree healthcare expenses included in rates and the actual expenses incurred by the Company. Liberty Apple Valley seeks such an account because of the large size of the expense, the volatility of the expenses and the fact that it is outside of Liberty Apple Valley’s control.

Liberty Apple Valley requests that the Commission review its Pension Expense Balancing Account for approval and refund to customers through a surcredit. Liberty Apple Valley requests Commission authorization to continue the Pension Expense Balancing Account to track the difference between the adopted pension expense included in rates and the actual expenses incurred by the Company. Liberty Apple Valley seeks such an account because of the large size of the expense, the volatility of the expenses and the fact that it is outside of Liberty Apple Valley’s control.

Liberty Apple Valley requests that the Commission authorize a new Consolidated Expense Balancing Account. The purpose of the Consolidated Expense Balancing Account is to consolidate the amortization of Commission approved balancing account and memorandum account balances for refund or recovery. This account is also need for the residual balances that exist after Commission approved surcharges or surcredits expire.

Testimony, with supporting analysis and documentation, on Liberty Apple Valley’s balancing accounts is provided in Exhibit B (Chapter XI).

P. Memorandum Accounts

Liberty Apple Valley requests that the Commission review the residual balance contained in the 2012 Interim Rates Memorandum Account. Liberty Apple Valley requests Commission authorization to transfer the residual balance to the Consolidated Expense Balancing Account and to amortize the remaining balance recorded in the account through a surcharge to customers.
Liberty Apple Valley requests that the Commission review the residual balance contained in the 2015 Interim Rates Memorandum Account. Liberty Apple Valley requests Commission authorization to transfer the residual balance to the Consolidated Expense Balancing Account and to amortize the remaining balance recorded in the account through a surcharge to customers.

Liberty Apple Valley requests that the Commission review the residual balance contained in the Cost of Capital Memorandum Account. Liberty Apple Valley requests Commission authorization to transfer the residual balance to the Consolidated Expense Balancing Account and to amortize the remaining balance recorded in the account through a surcharge to customers.

Liberty Apple Valley requests that the Commission review the residual balance resulting from Advice Letter No. 177-W. Commission approval of Advice Letter No. 177-W authorized a temporary surcharge to recover the balance recorded in the Incremental Cost Balancing Account, Conservation Memorandum Account, Conservation BMP Memorandum Account, and Outside Services Memorandum Account. The surcharge has expired and Liberty Apple Valley requests Commission authorization to transfer the residual balance to the Consolidated Expense Balancing Account and to amortize the remaining balance recorded in the account through a surcharge to customers.

Liberty Apple Valley requests that the Commission review the Low-Income Customer Data Sharing Cost Memorandum Account for approval and amortization through a surcharge to customers. Liberty Apple Valley requests that the account be closed after disposition.

Liberty Apple Valley requests that the Commission review the 2014 Water Conservation Memorandum Account for approval and amortization through a surcharge to customers. Resolution W-4976 authorized Liberty Apple Valley to track the incremental costs associated with compliance with the drought mitigation measures and procedures ordered by the Commission and the State of California Governor’s office through this account.

Liberty Apple Valley requests that the Commission review the Income Tax Repair Regulations Implementation Memorandum Account for approval and amortization through a surcharge to customers. Based on approval of Advice Letter 187-W, the Commission authorized Liberty Apple Valley to record the costs of initial implementation of the Repair Regulations, including outside service fees and other costs to comply with U.S. Treasury Department Regulations. Liberty Apple Valley requests that the account be closed after disposition.

Liberty Apple Valley requests that the Commission review the Tangible Property Regulations Consequences Memorandum Account for approval and refund to customers through
a surcredit. Liberty Apple Valley requests Commission authorization to close the account, as the impact of these regulations on Liberty Apple Valley’s revenue requirement has been incorporated into the calculation of Liberty Apple Valley’s requested revenue requirement in this Application.

Liberty Apple Valley requests that the Commission authorize a new memorandum account for tracking the costs of treatment of its wells to comply with new regulations associated with hexavalent chromium (chrome-6). Liberty Apple Valley anticipates that the California Department of Public Health will finalize and promulgate the maximum contaminant level for chrome-6 during this rate case cycle.

Liberty Apple Valley requests that the Commission authorize the closing of the Military Family Relief Program Memorandum Account and the Solar Project Memorandum Account due to inactivity.

Testimony, with supporting analysis and documentation, on Liberty Apple Valley’s memorandum accounts is provided in Exhibit B (Chapter XI).

**Q. Cost of Capital**

Pursuant to D.07-05-062, the cost of capital is determined in separate proceedings, not in applications for general rate increase. Accordingly, Liberty Apple Valley has not included testimony regarding its cost of capital with this Application. For purposes of determining the revenue requirement, Liberty Apple Valley has based its capital structure and cost of capital on the most recent cost of capital proceeding for Liberty Apple Valley, D.13-05-027, with one exception. Liberty Apple Valley has lowered the authorized rate of return on rate base to reflect its reduced cost of debt. Pursuant to the Rate Case Processing Plan (RCP), as modified by the Commission’s Executive Director, Liberty Apple Valley is scheduled to file a cost of capital application on May 1, 2018 for the 2019-2021 period.

**R. Special Requests**

Liberty Apple Valley proposes that the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC. A final decision in this proceeding should reflect the change in revenue requirement caused by any expense offset advice letters. Offset-able expense price changes are not forecast in a GRC. Liberty Apple Valley’s proposal would alleviate any potential customer confusion from repeated customer notices and additional workload for Commission and Liberty Apple Valley staff arising from repeat advice letter filings to implement the expense offset increases.
Liberty Apple Valley proposes that the Commission authorize a Sales Reconciliation Mechanism ("SRM") for the escalation years of the rate case cycle. The SRM would adjust the adopted sales forecast for escalation years in the event that recorded sales for the previous year are more than 5% different (higher or lower) than the forecast sales. The mechanism would make a 50% adjustment to the entire adopted sales forecast for the escalation year. The SRM would help minimize any over- or under-collections of revenue tracked in the WRAM/MCBAs. By re-setting rates if forecast and actual sales diverge significantly, this approach better effectuates the goals enumerated in the WAP by providing clearer conservation rate signals to customers and more definitely decoupling sales and revenues. This request is made pursuant to Ordering Paragraph No. 4 of Commission Decision 16-12-026 authorizing Class A and B water companies to request an SRM in their next General Rate Case.
IV. PROCEDURAL MATTERS

A. Filings
A signed original and four copies of the Application and supporting testimony, as well as one full hardcopy set of workpapers, have been served on ORA. In addition, a copy of the Application and supporting testimony has been provided to the Commission’s Legal Division and the Water Division.

B. Proposed Schedule
The proposed Schedule is attached hereto as Appendix A. This timetable corresponds the schedule for multi-district filings in the RCPP, because it is anticipated that the Commission will consolidate this application with Park Water’s GRC application.

C. Proposed Notice to Customers
A Proposed Notice to Customers is attached hereto as Appendix B. The proposed notice to customers describes the reasons for the requested increase and estimates the average bill increase for a typical customer by customer class. The proposed notice has been submitted for review to the Commission’s Public Advisor office.

D. Inquiries
Inquiries for clarification or additional data should be addressed to:

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Director, Rates and Regulatory Affairs  
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Email: Edward.Jackson@LibertyUtilities.com
with a copy to Tiffany Thong
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E-mail: syang@lkpgl.com
V. CONCLUSION

Applicant Liberty Utilities (Apple Valley Ranchos Water) Corp. respectfully requests that the Commission approve this application for a general rate increase.

Dated at Downey, California, January 2, 2018.

Respectfully submitted,

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.

By: /s/ Edward N. Jackson
Edward N. Jackson
Director, Rates and Regulatory Affairs
Liberty Utilities (California)
VERIFICATION

STATE OF CALIFORNIA  )  ss.
COUNTY OF LOS ANGELES  )

I, Christopher Alario, am Vice President, Finance and Administration and am authorized to make this verification on its behalf. The statements in the foregoing document are true to my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the above is true and correct.

Executed at Downey, California, this 2nd day of January 2018.

/s/ Christopher Alario

Christopher Alario
Vice President, Finance and Administration
Liberty Utilities (West Region)
**LIBERTY UTILITIES (APPLE VALLEY) Corp.**  
Rate Case Processing Plan (RCPP) Timetable  
Test Year 2019

**Formal RCPP Activities:**

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<th>Activity</th>
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<td>Proposed Application Tendered</td>
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<td>December 1, 2017</td>
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<td>Appeal to Executive Director</td>
<td>December 7, 2017</td>
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<td>Update of Applicant’s Showing</td>
<td>April 12, 2018</td>
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<td>PPH, if any, Held</td>
<td>January 12 – July 11, 2018</td>
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<td>DRA &amp; Intervener(s) distribute Reports</td>
<td>July 25, 2018</td>
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<td>Other Parties Serve Testimony</td>
<td>August 8, 2018</td>
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<td>Utility Distributes Rebuttal to DRA and Intervener Reports</td>
<td>September 24, 2018&lt;sup&gt;1&lt;/sup&gt;</td>
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<tr>
<td>Evidentiary Hearings</td>
<td>October 22-November 12, 2018&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Opening Briefs Filed and Served</td>
<td>December 12, 2018</td>
</tr>
<tr>
<td>Motion for Interim Rates</td>
<td>December 12, 2018</td>
</tr>
<tr>
<td>Mandatory Status Conference</td>
<td>December 13, 2018</td>
</tr>
<tr>
<td>Reply Briefs Filed and Served</td>
<td>December 24, 2018&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Water Division Technical Conference</td>
<td>January 14, 2019&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>ALJ’s Proposed Decision Mailed</td>
<td>April 15, 2019</td>
</tr>
<tr>
<td>Comments on Proposed Decision</td>
<td>May 6, 2019&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Reply Comments</td>
<td>May 13, 2019&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Commission Meeting</td>
<td>May 28, 2019</td>
</tr>
</tbody>
</table>

<sup>1</sup> Adjusted not to fall on weekend or holiday

<sup>2</sup> The detailed and complete joint comparison exhibit showing all parties’ final positions shall also be filed at this time.

SUMMARY
Liberty Apple Valley’s application requests to increase revenues by $700,647 or 2.79% in 2019 over current revenues, by $1,271,564 or 4.92% in 2020, and by $1,036,242 or 3.81% in 2021.

The following table shows the requested increase in revenues per customer class:

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>2019 Increase</th>
<th>2020 Increase</th>
<th>2021 Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>4.26%</td>
<td>5.12%</td>
<td>3.69%</td>
</tr>
<tr>
<td>Business</td>
<td>0.84%</td>
<td>4.62%</td>
<td>3.22%</td>
</tr>
<tr>
<td>Industrial</td>
<td>1.20%</td>
<td>4.74%</td>
<td>3.34%</td>
</tr>
<tr>
<td>Public Authority</td>
<td>0.56%</td>
<td>4.77%</td>
<td>3.36%</td>
</tr>
<tr>
<td>Private Fire Service</td>
<td>5.80%</td>
<td>4.32%</td>
<td>3.13%</td>
</tr>
<tr>
<td>Public Authority Irrigation</td>
<td>0.26%</td>
<td>4.78%</td>
<td>3.36%</td>
</tr>
<tr>
<td>Irrigation Pressure</td>
<td>0.31%</td>
<td>4.73%</td>
<td>3.31%</td>
</tr>
<tr>
<td>Irrigation Gravity</td>
<td>-7.38%</td>
<td>1.35%</td>
<td>0.65%</td>
</tr>
<tr>
<td>Temporary Construction</td>
<td>-0.74%</td>
<td>3.77%</td>
<td>2.43%</td>
</tr>
</tbody>
</table>

CUSTOMER IMPACT
If the increases in rates are approved by the CPUC as proposed, the impact on the average residential customer with a 5/8 x 3/4 inch meter using 23.11 Ccf every two months will be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Present (every 2 months)</th>
<th>2019 (every 2 months)</th>
<th>2020 (every 2 months)</th>
<th>2021 (every 2 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount of Bill $139.57</td>
<td>$145.74</td>
<td>$152.65</td>
<td>$157.73</td>
</tr>
<tr>
<td></td>
<td>Amount of Increase $6.17</td>
<td>$6.92</td>
<td>$5.08</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Percentage Increase 4.42%</td>
<td>4.75%</td>
<td>3.33%</td>
<td></td>
</tr>
</tbody>
</table>

REASON FOR REQUEST
Projected water sales for 2019-2021 are significantly below the rates presently in effect for 2018 and would generate revenues that fall below the authorized 2018 revenues. The revenue increases would in part pay to:

- Recover operating costs and cost of capital,
- fixed costs of operating the water system (regardless of the amount of water sales),
- improve infrastructure,
- promote the efficient use of water, and
- allow Liberty Apple Valley to meet its goals to ensure a safe and reliable source of supply.

The rate comparisons above do not include any applicable surcharges.
OBTAINING A COPY OF THE APPLICATION
A copy of Liberty Apple Valley’s Application No. 18-01-00X and related exhibits are available for review at the Liberty Apple Valley Office, 9750 Washburn Road, Downey, CA 90241. If you need additional information, you may visit https://libertyutilities.com or call toll free 1-800-727-5987, TTY 562-299-5158. The application may also be reviewed at the CPUC’s Central Files Office by appointment. For more information, contact aljcentralfilesid@cpuc.ca.gov or 1-415-703-2045.

CPUC PROCESS
This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which to base its decision. Evidentiary hearings may be held where parties of record will present their testimony and may be subject to cross-examination before the Judge. These hearings are open to the public, but only those who are parties of record may present evidence or cross-examine witnesses. After considering all proposals and all evidence presented during the formal hearing process, the Judge will issue a draft decision which may adopt all or part of Liberty Apple Valley’s request, modify, or deny the application. Any of the five CPUC Commissioners may sponsor an alternate decision and the issue will be voted on at a scheduled CPUC Voting Meeting.

The Office of Ratepayer Advocates (ORA) may review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers. For more information about ORA, please call (415) 703-1584, email ora@cpuc.ca.gov or visit ORA’s website at http://ora.ca.gov/default.aspx.

STAY INFORMED
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Write: CPUC Public Advisor’s Office
505 Van Ness Avenue
San Francisco, CA 94102
Email: public.advisor@cpuc.ca.gov
Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074

1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please refer to Liberty Apple Valley’s GRC Application No. 18-01-00X in any communications with the CPUC regarding this matter. These comments will become part of the public correspondence file for this proceeding and made available for review to the assigned Judge, the Commissioners, and appropriate CPUC staff.

LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.

**SUMMARY**

Liberty Apple Valley’s application requests to increase revenues by $42,440 or 15.00% in 2019 over current revenues, by $48,806 or 15.00% in 2020, and by $56,127 15.00% in 2021.

The following table shows the requested increase in revenues per customer class:

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>2019 Increase</th>
<th>2020 Increase</th>
<th>2021 Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$24,911</td>
<td>14.22%</td>
<td>14.65%</td>
</tr>
<tr>
<td>Business</td>
<td>$7,915</td>
<td>15.72%</td>
<td>15.53%</td>
</tr>
<tr>
<td>Public Authority</td>
<td>$9,592</td>
<td>16.72%</td>
<td>15.61%</td>
</tr>
<tr>
<td>Total Water Revenues</td>
<td>$42,418</td>
<td>14.99%</td>
<td>15.01%</td>
</tr>
</tbody>
</table>

**CUSTOMER IMPACT**

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<th>2020 (every 2 months)</th>
<th>2021 (every 2 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount of Bill</td>
<td>$109.15</td>
<td>$125.33</td>
<td>$144.41</td>
</tr>
<tr>
<td></td>
<td>Amount of Increase</td>
<td>$16.18</td>
<td>$19.08</td>
<td>$21.95</td>
</tr>
<tr>
<td></td>
<td>Percentage Increase</td>
<td>14.82%</td>
<td>15.22%</td>
<td>15.20%</td>
</tr>
</tbody>
</table>

**REASON FOR REQUEST**

Projected water sales for 2019-2021 are significantly below the rates presently in effect for 2018 and would generate revenues that fall below the authorized 2018 revenues. The revenue increases would in part pay to:

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**LIBERTY UTILITIES (APPLE VALLEY RANCHOS WATER) CORP.**