

**APPLE VALLEY RANCHOS WATER COMPANY  
NOTICE OF APPLICATION FOR A GENERAL RATE INCREASE  
APPLICATION NO. 14-01-002**

Dear Valued Customer,

On January 2, 2014, Apple Valley Ranchos Water Company (AVR) filed Application 14-01-002 with the California Public Utilities Commission (CPUC). In this application AVR is requesting a general rate increase for 2015, 2016, and 2017. AVR is requesting an increase of \$3,127,463 or 14.88% in 2015, an additional increase of \$2,056,455 or 8.48% in 2016, and an additional increase of \$2,160,731 or 8.19% in 2017.

**REASON FOR REQUEST**

Projected water sales for 2015-2017 are significantly below the projected water sales used to develop the current 2014 rates. The majority of the proposed increase for 2015 is necessary because current rates, when applied to the lower projected sales for 2015, generate revenues that fall below the authorized 2014 revenues. As a consequence the percentage increase in rates necessary to generate the requested 2015 revenues is significantly higher than the 2.03% increase that would have resulted if sales forecasts had remained at 2014 levels. For example, the average annual residential water usage assumed in 2014 for current rates was 233 hundred cubic feet (Ccf) per year. The projected average annual residential water usage for 2015 is 199 Ccf per year, a decrease of 14.59%.

The revenue increases are necessary to recover operating costs and cost of capital on AVR's investments used to provide water service to its customers. AVR continues to promote customers' conservation efforts as a necessary measure for water supply reliability; however AVR must continue to pay the fixed costs of operating the water system regardless of the amount of water sales. The requested increases would allow AVR to meet its goals to ensure a safe and reliable source of supply, improve infrastructure, and promote the efficient use of water.

**CUSTOMER IMPACT**

If the CPUC approves this application, an average **residential** customer with a 5/8" by 3/4" meter who consumes an average water usage of 33.18 Ccf every two months would see an increase in their bi-monthly (every 2 months) water bill. AVR is also proposing the continuation of a three tiered rate structure that is applicable only to single family residential customers. However, AVR proposes that the price differential between the tiers (quantity charge) be increased from 10% to 12%. Additionally, AVR proposes that the monthly Tier 1 allocation be reduced from 13 Ccf to 12 Ccf based on incorporation of more recent data in the tier allocation formula.

In the below table, the 2015 current bill (\$130.15) is based on AVR's current tiered rate structure. **The new bill for 2015 (\$148.10) as well as the current and new bills for 2016 and 2017 are based on AVR's proposed tiered rate structure** as shown in the table labeled Proposed Quantity Rates for Residential Customers.

**The rate comparisons below do not include any applicable surcharges.**

**Rate Impact on Average Residential Customer's Bi-Monthly Bill  
(assuming AVR's proposed rate increase is approved)**

<u>Year</u>	<u>Current Bill</u>	<u>Increase</u>	<u>New Bill</u>	<u>% Increase</u>
2015	\$130.15	\$17.95	\$148.10	13.79%
2016	\$148.10	\$11.74	\$159.84	7.93%
2017	\$158.84	\$12.13	\$171.97	7.59%

**Current Quantity Rates for Residential Customers**

	<u>Monthly Allocation</u>		<u>Quantity Charge (per Ccf)</u>
Tier I	First 13 Ccf	(26 Ccf bi-monthly)	\$ 2.443
Tier II	Over 13 to 26 Ccf	(26 to 52 Ccf bi-monthly)	\$ 2.749
Tier III	Over 26 Ccf	(52 Ccf bi-monthly)	\$ 3.054

The following table shows AVR's proposed conservation tiered rate allocation structure for a residential customer in 2015 – 2017.

### Proposed Quantity Rates for Residential Customers

<u>Monthly Allocation</u>			<u>Quantity Charge (per Ccf)</u>		
			<u>2015</u>	<u>2016</u>	<u>2017</u>
Tier I	First 12 Ccf	(24 Ccf bi-monthly)	\$ 2.921	\$3.152	\$3.390
Tier II	Over 12 to 21 Ccf	(24 to 42 Ccf bi-monthly)	\$ 3.382	\$3.649	\$3.923
Tier III	Over 21 Ccf	(42 Ccf bi-monthly)	\$ 3.843	\$4.147	\$4.461

The following table shows the increase in estimated revenues at the rates proposed:

### Requested Revenue Rate Increase for AVR in Years 2015-2017 (Dollars in Thousands)

<u>Customer Class</u>	<u>2015 Increase</u>		<u>2016 Increase</u>		<u>2017 Increase</u>	
Residential	\$2,250.5	15.18%	1,522.3	8.93%	1,593.8	8.59%
Business	\$463.0	13.62%	308.1	7.92%	321.1	7.60%
Industrial	\$0.7	14.04%	.5	7.92%	.5	7.60%
Public Authority	\$158.9	16.28%	90.6	7.91%	94.6	7.59%
Private Fire Service	\$52.1	14.92%	38.2	8.98%	42.6	8.66%
Public Authority Irrigation	\$4.4	12.41%	3.1	7.93%	3.3	7.61%
Irrigation Pressure	\$162.6	15.94%	96.3	7.92%	102.5	7.59%
Irrigation Gravity	\$22.5	11.45%	1.0	0.44%	2.5	1.12%
Temporary Construction	\$5.7	9.81%	5.0	7.94%	5.2	7.62%
Apple Valley Golf Course	\$20.6	18.40%	10.5	7.91%	10.9	7.58%
<b>Total Water Revenues</b>	<b>\$3,140.9</b>	<b>14.97%</b>	<b>2,075.6</b>	<b>8.58%</b>	<b>2,176.9</b>	<b>8.26%</b>

### ADDITIONAL INFORMATION

Further information regarding AVR's proposed General Rate Case Application and related exhibits are available for review at the Apple Valley Ranchos Water Company Office, 21760 Ottawa Road, Apple Valley, CA 92307. For information please call **760-247-6484**. Copies are also available for review at the CPUC's Central Files Office daily from the hours of 8:00 a.m. to noon p.m. at 505 Van Ness Avenue, San Francisco, California 94102.

### CPUC DECISION MAKING PROCESS

The application will be reviewed through the CPUC formal administrative law process. The application will be assigned to a CPUC Administrative Law Judge (ALJ). The ALJ presides over the proceeding, which develops a formal record that the ALJ relies upon in drafting a proposed decision.

### EVIDENTIARY HEARINGS

The CPUC **may** schedule formal Evidentiary Hearings (EHs) whereby the formal parties of record provide testimony and are subject to cross-examination before the CPUC's ALJ. These hearings are open to the public, but only those who are formal parties of record can participate. AVR will provide testimony at the hearings. The Office of Ratepayer Advocates (ORA), an independent arm of the CPUC that evaluates the proposals of utilities and advocates for all customers, will present their analyses and recommendations at the evidentiary hearings. Once hearings are completed, the ALJ will consider all of the evidence presented and draft a proposed decision to be presented to the five deciding Commissioners. The Commissioners will issue a final decision that may adopt, amend, or modify all or part of the ALJ's proposed decision. The final decision may differ from AVR's original proposed request.

### **GET INVOLVED**

If you would like to get involved in the CPUC's administrative law process you can visit the CPUC's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov) and click on the Practitioner's Page link for helpful information. If you have further questions on how to get involved you may contact the CPUC's Public Advisor's Office (PAO) using the contact information below.

If you would like to follow this proceeding or any other issue before the CPUC, you may utilize the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov>.

### **PUBLIC COMMENTS**

The CPUC would like to hear from you!

Public input in these proceedings is highly desired and you are encouraged to participate. If you wish to comment on, or informally protest this application, you may do so by contacting the PAO. Written public comments may be submitted via email to: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov), or sent regular mail to the Public Advisor's Office at 505 Van Ness Avenue, Room 2103, San Francisco, California 94102. You may also call the PAO toll free at 1-866-849-8390, TTY 1-866-836-7825, or locally at 415-703-2074, TTY 415-703-5282.

Please reference the **Apple Valley Ranchos General Rate Case Application A.14-01-002** when sending any written correspondence regarding this application to the CPUC. All public comments become part of the public correspondence file and public record. Public comments are circulated to the assigned ALJ, the Commissioners, and appropriate internal CPUC staff for review.

**Apple Valley Ranchos Water Company**