



FILED

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EXHIBIT B 04:59 PM

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)
\$3,896,586 or 20.0% in 2012, \$547,241 or 2.35%)
in 2013, and \$786,254 or 3.32% in 2014.)
_____)

APPLICATION NO. 11-01-001
(Filed January 3, 2011)

JOINT COMPARISON EXHIBIT OF
APPLE VALLEY RANCHOS WATER COMPANY
AND
DIVISION OF RATEPAYER ADVOCATES

Yoke W. Chan
Patricia Ma
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: 415.703.1909
Fax: 415.703.4426
ywc@cpuc.ca.gov
ppm@cpuc.ca.gov

Project Managers for the DIVISION
OF RATEPAYER ADVOCATES

Edward N. Jackson
Representative
Apple Valley Ranchos Water Company
21760 Ottawa Road
Apple Valley, CA 92307
Phone: 562.923.0711
Fax: 562.861.5902
ed.jackson@parkwater.com

Project Manager for APPLE VALLEY
RANCHOS WATER COMPANY

September 15, 2011

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JOINT COMPARISON EXHIBIT
APPLE VALLEY RANCHOS WATER COMPANY &
DIVISION OF RATEPAYER ADVOCATES

INTRODUCTION

This comparison exhibit, sponsored jointly by Apple Valley Ranchos Water Company (AVR) and the Division of Ratepayer Advocates (DRA), sets forth the final estimates (litigation positions) of both Parties as well as the settlement amounts.

Both AVR and DRA have revised their estimates of the 2012 revenue requirements to reflect corrections and stipulations. Estimates of individual items may have been revised up or down but overall AVR's request for the Domestic System has decreased from 20.20% to 14.83% and DRA's has increased from 5.7% to 11.44%.

Included in this comparison exhibit are summary of earnings tables at present rate revenues (2012) and at AVR's and DRA's proposed rate of return (2012) providing the results of AVR's and DRA's revised estimates as well as the differences between AVR and DRA by category. The summary of earnings tables for escalation years 2013 and 2014 are provided for informational purposes as required by the rate case plan (D.07-05-062, page A-12). Income tax tables are similarly provided at present rate revenues (2012) and at AVR's and DRA's proposed rate of return (2012, 2013, and 2014). Rate base tables are provided for years 2012 and 2013. Tables are also provided for customers and water sales for years 2012, 2013, and 2014.

The differences between AVR's and DRA'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 DRA's Results of Operations Report. Details of the settlement estimates are contained in the Joint Motion of AVR and DRA to Approve Settlement Agreement and Settlement Agreement dated September 15, 2011.

The Parties have reached agreement on the majority of revenue, expense, tax, and capital items as described in the 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: payroll; employee benefits; office expansion capital project; Group Pension Balancing Account; Pressure Reducing Valve

Memorandum Account; escalation year increase amounts for healthcare and retiree healthcare; and the contingency should the Carlyle Transaction, the agreed expense impacts of which are incorporated in certain resolved issues, not close by January 1, 2012. Details of the Parties' differences are provided in each Party's respective opening briefs.

The effect on gross revenues at proposed rate of return for the unresolved issues is as follows:

- i. For differences in operating expenses, taxes other than income, and depreciation the effect is approximately equal to the amount at issue.
- ii. For differences in income tax deductions, the effect is approximately equal to the amount at issue.
- iii. For differences in rate base items, the effect is approximately 18-19% (including property tax and depreciation) of the amount at issue.

RESOLVED ISSUES

AVR's final estimates that were accepted by DRA and not identified as issues in DRA's Results of Operation Report are not discussed here but are identified in the Settlement Agreement. For example, the supply costs of purchased power, replenishment charges, leased water rights, and chemicals are not discussed in the Joint Comparison Exhibit.

Customer, Water Sales, and Operating Revenues

1. Number of Customers

The Parties agree to use the estimated number of customers as described in the Settlement Agreement.

Summary of Number of Customers

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	17,476	17,526	17,576
Business	1,345	1,358	1,371
Industrial	2	2	2
Public Authority	42	42	42
Private Fire Service	255	277	299
Irrigation - Public Authority	5	5	5
Irrigation - Pressure	184	199	214
Irrigation - Gravity	1	1	1

Temporary Construction	13	13	13
Apple Valley Country Club	1	1	1
Total Customers	19,324	19,424	19,524

2. Water Sales

The Parties agree to use the estimated sales forecasts as described in the Settlement Agreement.

	<u>Average Ccf per Customer</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	233.2	233.2	233.2
Business	658	658	658
Industrial	706	706	706
Public Authority	7,038	7,038	7,038
Private Fire Service	6	6	6
Irrigation - Public Authority	5,909	5,909	5,909
Irrigation - Pressure	2,290	2,290	2,290
Irrigation - Gravity	540,481	540,481	540,481
Temporary Construction	2,542	2,542	2,542
Apple Valley Country Club	143,748	143,748	143,748

3. Miscellaneous Revenue

The Parties agree to a reconnection charge of \$30 during regular hours and \$60 during other than regular hours and to revise the bad check fee to \$12. The Parties agree to reflect the agreed upon fees in the calculation of the miscellaneous revenues as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
\$87.0	\$50.4	\$77.4

4. Customer Deposit

There is no difference in the Summary of Earnings for this issue. The Parties agree to AVR's recommendation to increase the customer deposit to twice the average customer bill as described in the Settlement Agreement.

5. Unaccounted for Water

The Parties agree to DRA's unaccounted for water percentage of 8.0% for the Domestic system as described in the Settlement Agreement. The Parties agree to an unaccounted for water percentage of 78.6% for the Irrigation system as described in the Settlement Agreement.

Test Year 2012

Unaccounted for Water – Domestic System

Original		Settlement
AVR	DRA	
9%	8%	8%

Test Year 2012

Unaccounted for Water – Irrigation System

Original		Settlement
AVR	DRA	
85.9%	77.2%	78.6%

Expenses

6. Billing Frequency - Monthly vs. Bi-Monthly Billing

The Parties agree that AVR will not implement monthly billing and retain bi-monthly billing as described in the Settlement Agreement. The Parties agree that all increased expenses associated with monthly billing will be adjusted as detailed in Table 26. The Parties agree to calculate the working cash consistent with the revenue lag day of 50.84.

7. Escalation Factors

The Parties agree to use the memorandum published by DRA for May 31, 2011 to update the escalation factors as described in the Settlement Agreement. This results in revised estimates for all of AVR's and DRA's expense estimates that are subject to the use of escalation factors.

Test Year 2012

	Original		Settlement
	AVR	DRA	
Labor	2.0%	1.9%	3.0%
Composite	3.75%	2.2%	2.44%
CPI-U	2.0%	1.9%	3.0%

Escalation Year 2013

	Original		Settlement
	AVR	DRA	
Labor	2.0%	1.7%	1.8%
Composite	3.75%	2.6%	2.56%
CPI-U	2.0%	1.7%	1.8%

Escalation Year 2014

	Original		Settlement
	AVR	DRA	
Labor	2.0%	1.9%	2.0%
Composite	3.75%	3.8%	3.72%
CPI-U	2.0%	1.9%	2.0%

8. Conservation

The Parties agree to estimate the conservation expenses consistent with AVR's Water Use Efficiency Plan as described in the Settlement Agreement. The Parties Agree

that AVR will track the conservation expenses for this rate case cycle (2012 – 2014) in a one-way balancing account as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
78.0	42.20	103.9	42.2	103.9

Escalation Year 2013

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
81.2	43.5	107.0	43.5	107.0

Escalation Year 2014

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
84.6	45.4	110.2	45.4	110.2

9. Dues and Memberships

The Parties agree to use an estimate for the Dues and Membership expense of \$30,000 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
57.6	21.6	30.0

10. Well Maintenance

The Parties agree to use an estimate for Well Maintenance of \$62,500 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
127.6	60.1	127.6	61.7	62.5

11. Water Treatment Expense

The Parties agree to use an estimate for Water Treatment expense of \$55,200 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
\$55.2	\$54.2	\$55.2	\$55.7	\$55.2

12. SCADA

The Parties agree to use an estimate for SCADA expense of \$38,000 for the Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
\$39.0	\$37.3	\$37.7	\$37.6	\$38.0

13. Clearings Other

The Parties agree to use an estimate for License Fees of \$14,700, Fuel Expense of \$90,700, and Vehicle Insurance of \$53,600 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

	Original (\$K)		Revised (\$K)		Settlement (\$K)
	AVR	DRA	AVR	DRA	
License Fees	14.9	10.4	14.9	10.4	14.7
Fuel	92.3	88.0	91.6	89.8	90.7
Vehicle Insurance	52.0	52.0	52.0	53.6	53.6

14. Regulatory Commission Expense

The difference between the Parties original position was due to the use of different escalation factors to estimate Regulatory Commission expense. The Parties agree to calculate the Regulatory Commission expense using the stipulated escalation factors.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
92.9	94.0	98.5

15. Outside Services

The Parties agree to use an estimate for Outside Services of \$259,637 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
268.6	240.5	267.6	241.2	259.6

16. Purchased Power

The Parties agree to use an estimate for Purchased Power of \$939,600 for Test Year 2012 expense using the stipulated water production as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
941.9	918.7	941.9	959.1	939.6

17. Property Tax

The Parties agree on the methodology to calculate Ad Valorem taxes, based on the assessment methodology used by the San Bernardino County Assessor's Office. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Original (\$K)		Settlement (\$K)
	AVR	DRA	
<u>Ad Valorem Tax</u>			
Domestic	414.1	445.3	446.6
G.O. Allocation	6.9	6.8	6.8
Total	421.0	452.1	453.4

<u>Test Year 2013</u>	Original (\$K)		Settlement (\$K)
	AVR	DRA	
<u>Ad Valorem Tax</u>			
Domestic	436.1	449.8	458.2
G.O. Allocation	7.0	6.9	6.9
Total	443.1	456.7	465.1

Plant in Service

18. Utility Plant in Service – Mockingbird BPS

The Parties agree to use AVR's plant additions of \$640,000 for the Mockingbird Booster Pump Station as described in the Settlement Agreement. The Parties agree that the project will be initiated in 2011 but to move the closing of this project from 2011 to Test Year 2012 and to reflect a balance of \$320,000 in Construction Work in Progress as of December 31, 2011 as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
640.0	0	320.0

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
0	0	320.0

19. Utility Plant in Service – Main Replacements

The Parties agree to use revised plant additions of \$1,367,246 in 2011, \$1,453,409 in 2012, and \$1,968,055 in 2013 for Main Replacements as described in the Settlement Agreement.

Estimated Year 2011

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Main Replacement	1,231.0	587.9	994.4
Emergency Main Replacement	373.6	372.8	372.8
Total	1,604.6	960.7	1,367.2

Test Year 2012

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Main Replacement	1,247.1	778.3	1,068.6
Emergency Main Replacement	386.3	384.8	384.8
Total	1,633.4	1,163.1	1,453.4

Test Year 2013

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Main Replacement	1,858.0	889.0	1,570.9
Emergency Main Replacement	399.6	397.2	397.2
Total	2,257.6	1,286.2	1,968.1

20. Utility Plant in Service – Del Oro Main Extension

The Parties agree on AVR's estimate of the amount of plant additions of \$179,000 for the Del Oro Main Extension and agree that the project will be constructed in Test Year 2013, rather than Test Year 2012, as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
179.0	0	0

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
0	0	179.0

21. Utility Plant in Service - AMR

The Parties agree on revised plant additions of \$422,841 in 2011, \$470,933 in 2012 and \$434,445 in 2013 for AMR as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
449.4	406.7	422.8

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
449.2	444.6	470.9

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
464.6	417.3	434.4

22. Utility Plant in Service – Well Site Improvements

The Parties agree on plant additions of \$73,500 in 2011, \$224,600 in 2012, and \$125,400 in 2013 for Well Site Improvements as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
100.0	47.7	73.5

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
300.0	150.8	224.6

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
200.0	50.8	125.4

23. Utility Plant in Service – Air Vacs

The Parties agree on plant additions of \$40,800 in 2011, \$42,195 in 2012, and \$43,638 in 2013 for Air Vacs as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
40.8	13.6	40.8

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
42.2	14.0	42.2

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
43.6	14.5	43.6

24. Utility Plant in Service – Valves

The Parties agree on plant additions of \$31,598 in 2011, \$32,654 in 2012, and \$33,797 in 2013 for Valve Replacements and New Valves as described in the Settlement Agreement.

Estimated Year 2011

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Valve Replacement	24.8	18.6	24.8
New Valves	6.8	6.8	6.8
Total	31.6	25.4	31.6

Test Year 2012

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Valve Replacement	25.7	19.2	25.7
New Valves	7.0	7.0	7.0
Total	32.7	26.2	32.7

Test Year 2013

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Valve Replacement	26.6	19.8	26.6
New Valves	7.3	7.2	7.2
Total	33.8	27.0	33.8

25. Utility Plant in Service – Fire Hydrants

The Parties agree on plant additions of \$37,463 in 2011, \$38,745 in 2012, and \$40,069 in 2013 for Fire Hydrant Replacements and New Fire Hydrants as described in the Settlement Agreement.

Estimated Year 2011

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Fire Hydrant Replacements	\$ 24.6	\$ 24.6	\$ 24.6
New Fire Hydrants	12.8	3.2	12.8
Total	37.4	27.8	37.4

Test Year 2012

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Fire Hydrant Replacements	25.5	25.4	25.5
New Fire Hydrants	13.3	3.3	13.2
Total	38.7	28.7	38.7

Test Year 2013

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Fire Hydrant Replacements	26.4	26.2	26.4
New Fire Hydrants	13.7	3.4	13.7
Total	40.1	29.6	40.1

26. Utility Plant in Service – Service Line

The Parties agree on plant additions of \$192,369 in 2011, \$200,534 in 2012, and \$206,441 in 2013 for Service Line Replacements and New Services as described in the Settlement Agreement.

Estimated Year 2011

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Service Line Replacements	167.0	132.1	167.0
New Services	25.4	25.4	25.4
Total	192.4	157.5	192.4

Test Year 2012

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Service Line Replacements	172.7	136.4	172.7
New Services	28.0	27.8	27.8
Total	200.7	164.2	200.5

Test Year 2013

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Service Line Replacements	178.6	140.8	178.6
New Services	30.6	30.4	27.8
Total	209.2	171.2	206.4

27. Utility Plant in Service – Pump & Motor Replacements

The Parties agree on plant additions of \$173,987 in 2011, \$180,084 in 2012, and \$187,702 in 2013 for Pump & Motor Replacement as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
300.1	125.1	174.0

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
310.3	129.1	180.1

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
321.0	133.3	187.7

28. Utility Plant in Service – SCADA

The Parties agree on plant additions of \$255,350 in 2011, \$190,850 in 2012, and \$173,673 in 2013 for SCADA as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
324.0	186.7	255.4

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
189.0	192.7	190.9

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
148.4	198.9	173.7

29. Utility Plant in Service – Vehicles

The Parties agree on DRA's plant additions of \$81,900 in 2011, \$52,100 in 2012 and \$111,600 in 2013 as described in the Settlement Agreement. The Parties agree to the revised plant addition of \$81,900 in 2011 to reflect the addition of one new Explorer instead of a Ranger truck as described in the Settlement Agreement.

Estimated Year 2011

Original (\$K)		Settlement (\$K)
AVR	DRA	
107.1	75.6	81.9

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
78.2	52.1	52.1

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
150.5	111.6	111.6

30. Utility Plant in Service - Vactor Trailer

The Parties agree to DRA's plant addition of \$52,000 in 2012 for the Vactor Trailer as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
82.7	52.2	52.0

31. Escalation Factor - Capital

The Parties agree to use DRA's recommended capital escalation factor of 3.2% as described in the Settlement Agreement.

32. Main Replacement Program Description

There is no difference in the Summary of Earnings for this issue. The Parties agree that AVR will provide a description of its Asset Management Program for mains in the next GRC as described in the Settlement Agreement.

General Office

33. General Office Payroll - Bonus

The Parties agree to use an estimate for the General Office Payroll Bonus expense of \$36,967 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
66.0	0	37.0

34. General Office Payroll - Co-CEO Payroll

The Parties agree to use a payroll expense estimate of \$416,000 for the Co-CEO position for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
494.5	334.9	416.0

35. General Office Maintenance Other Expense - Other than SICC

The Parties agree to use an estimate for the General Office Maintenance Other Expense, excluding the services provided by Park's affiliate SICC, of \$91,100 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
94.8	93.3	91.1

36. General Office Maintenance Other Expense - SICC

The Parties agree to use an estimate for the General Office Maintenance Expense for the services provided by Park's affiliate SICC of \$39,700 for Test Year 2012 as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
53.2	52.4	39.7

37. General Office Pool Car

The Parties agree to DRA's disallowance of the plant addition of \$31,500 in Test Year 2012 for the General Office pool car as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
31.5	0	0

38. General Office Information Technology Capital Budget

The Parties agree to use capital expenditures of \$121,460 in Test Year 2012 and \$125,230 in Test Year 2013 for the General Office Information Technology capital budget as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
141.5	0	121.5

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
145.2	0	125.2

39. General Office Document Retention Project

The Parties agree to use Park's recommended capital expenditures of \$70,000 in Test Year 2012 and \$100,000 in Test Year 2013 for the General Office Document Retention Project as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
70.0	25.0	70.0

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
100.0	25.0	100.0

40. General Office CIS Enhancement Project

The Parties agree to use capital expenditures of \$16,500 in Test Year 2012 and \$16,500 in Test Year 2013 estimate for the General Office Customer Information System (CIS) Enhancement Project as described in the Settlement Agreement.

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
17.5	7.5	16.5

Test Year 2013

Original (\$K)		Settlement (\$K)
AVR	DRA	
17.5	5.0	16.5

41. General Office Affiliate Transactions

There is no difference in the Summary of Earnings for this issue. The Parties agree that Park, for any recurring affiliate provided service or capital project, (e.g. landscaping, janitorial service, tank coatings, etc.) will be priced at the lower of fully loaded cost or fair market value. The Parties agree that Park will identify in future rate cases all affiliate provided services or capital projects and will maintain documentation of competitive bidding for these services as described in the Settlement Agreement.

42. General Office President and Assistant Secretary Payroll

The Parties agree to exclude the associated payroll, payroll taxes, employee benefits, and workers' compensation insurance for the President and Assistant Secretary as described in the Settlement Agreement (see section on Carlyle Transaction).

	Original (\$K)		Settlement (\$K)
	AVR	DRA	
Payroll	317.7	0	0
Payroll Taxes	13.2	7.5	0
Employee Benefits	18.2	0	0
Workers' Compensation	1.6	1.6	0

43. General Office Board of Director Fees

The Parties agree to use an estimate for Director Fees of \$100,000 for Test Year 2012 as described in the Settlement Agreement (see section on Carlyle Transaction).

Test Year 2012

Original (\$K)		Settlement (\$K)
AVR	DRA	
41.5	40.9	100.0

44. General Office Transaction Costs

There is no difference in the Summary of Earnings for this position. The Parties agree that Park will record the Carlyle transaction costs as non-operating expenses to ensure these costs are not recoverable for ratemaking purposes as described in the Settlement Agreement (see section on Carlyle Transaction).

45. General Office Outside Services

The Parties agree to use an estimate for Outside Services of \$684,918 for Test Year 2012 as described in the Settlement Agreement (see section on Carlyle Transaction).

Test Year 2012

Original (\$K)		Revised (\$K)		Settlement (\$K)
AVR	DRA	AVR	DRA	
613.6	586.0	591.8	588.4	684.9

46. New Tax Law

The Parties agree that the impact of the new tax law will not be incorporated into the estimates adopted in this proceeding but will instead be tracked in AVR's 2010 Tax Act Memorandum Account established pursuant to Resolution L-411A as described in the Settlement Agreement.

47. Net to Gross Multiplier

There is no difference in the summary of earnings for this issue. The Parties agree to calculate the net to gross multiplier as described in the Settlement Agreement.

Original		Settlement
AVR	DRA	
1.77324	1.60124	1.72717

Regulatory Accounts

48. Memorandum Accounts – Existing

There is no difference in the summary of earnings for this issue. The Parties agree that AVR should be authorized to file Tier 1 advice letters for the balances recorded through December 31, 2010 in the Conservation, Conservation Proceeding, and Outside Services Memorandum Accounts. AVR should file Tier 3 advice letters to request recovery of the balances recorded during 2011 as described in the Settlement Agreement.

49. Health Care Memorandum Account

There is no difference in the summary of earnings for this issue. The Parties agree to DRA's recommendation that AVR is not authorized to implement a Health Care Memorandum Account in this proceeding.

Low-Income Assistance Program

50. Low-Income Program

There is no difference in summary of earnings for this issue. AVR's low-income program is known as California Alternative Rates for Water ("CARW"). The Parties agree to DRA's recommendation to increase both the discount and surcharge by the overall percentage increase granted in this proceeding. The Parties agree that AVR should be authorized to file a Tier 1 advice letter to recover the under-collected balance recorded through December 31, 2010 in the CARW Revenue Reallocation Balancing Account. The Parties agree that AVR will include a low-income participation estimate in its next GRC pursuant to the requirements of Commission Decision 11-05-020.

RESOLVED ISSUES – Agreed Upon Methodology with Differences Remaining in the Parties' Final Estimates due to the Impact of the Unresolved Issues

As discussed in the Introduction, there are issues where the Parties have agreed to a methodology but have remaining differences solely due to the impact of the unresolved issues.

The Parties have agreed on the appropriate methodology to calculate the following expense, tax, and rate base items using the adopted balances of Utility Plant in Service and Advances for Construction.

1. General Office Payroll - New Positions

The Parties agree to Park's recommendation for the new positions of Network/Field Systems Support Specialist and Sr. Tax Accountant as described in the Settlement Agreement. The Parties agree to DRA's disallowance of the Document Retention position as described in the Settlement Agreement. The remaining difference between the Parties' proposed payroll expenses associated with new positions is due to the unresolved payroll merit issue.

Test Year 2012

Original (\$K)		Proposed (\$K)	
AVR	DRA	AVR	DRA
242.6	0.0	163.0	161.7

2. Payroll - Direct Charged Payroll to AVR

This payroll category consists of direct charged payroll expense from General Office and Central Basin Division. The Parties agree on the methodology to estimate direct charged payroll to AVR as described in the Settlement Agreement. The difference between the Parties' proposed associated payroll expenses is due to the unresolved payroll merit issue.

Test Year 2012

Original (\$K)		Proposed (\$K)	
AVR	DRA	AVR	DRA
297.2	0	275.0	266.8

3. Operations – Other

The Parties agree on the methodology to estimate the expenses within this category of expense. The difference between the Parties' positions is due to the unresolved staffing issue.

Proposed (\$K)	
AVR	DRA
193.8	191.0

4. Clearings – Other

The Parties agree on the methodology to estimate the expenses within this category of expense. The difference between the Parties' positions is due to the unresolved payroll merit and staffing issues.

Proposed (\$K)	
AVR	DRA
270.7	268.9

5. Insurance

The Parties agree on the methodology to estimate the expenses within this category of expense. The difference between the Parties' proposed positions is due to the unresolved payroll merit and staffing issues.

Proposed (\$K)	
AVR	DRA
769.2	730.2

6. A & G – Other

The Parties agree on the methodology to estimate the expenses within this category of expense. The difference between the Parties’ proposed positions is due to the unresolved staffing issues (see item 2 under Unresolved Issues).

Proposed (\$K)	
AVR	DRA
486.1	479.4

7. Benefits – 401(a)

The Parties agree on the methodology to estimate the 401(a) expense. The difference between the Parties’ positions is due to the unresolved staffing issue.

Proposed (\$K)	
AVR	DRA
62.5	53.6

8. Payroll Taxes – Domestic

The Parties agree on the methodology to estimate the payroll taxes expense. The difference between the Parties’ proposed positions is due to the unresolved staffing and payroll merit issues.

	Proposed (\$K)	
	AVR	DRA
Payroll Taxes-Domestic	282.2	267.8
Payroll Taxes – G.O. (Allocated)	69.8	68.9
Total	352.0	336.7

9. Payroll Taxes – Irrigation

The Parties agree on the methodology to estimate the payroll taxes expense. The difference between the Parties’ proposed positions is due to the unresolved staffing and payroll merit issues.

	Proposed (\$K)	
	AVR	DRA
Payroll Taxes-Domestic	0.4	0.4
Payroll Taxes – G.O. (Allocated)	0.6	0.5
Total	1.0	0.9

10. General Office Allocation-Domestic

The Parties agree on the methodology to allocate General Office expenses. The Parties agree to use DRA’s recommendation to use the updated 4-Factor allocation factor of 30.28% that is based on recorded year 2010. The difference between the Parties’ proposed positions results from the remaining difference in General Office Expense due to the unresolved payroll merit increase issue.

Proposed (\$K)	
AVR	DRA
2,113.2	2,022.3

11. General Office Allocation-Irrigation

The Parties agree on the methodology to allocate General Office expenses. The Parties agree to use DRA’s recommendation to use the updated 4-Factor allocation factor of 0.24% that is based on recorded year 2010. The difference between the Parties’ proposed positions results from the remaining difference in General Office Expense due to the unresolved payroll merit increase issue.

Proposed (\$K)	
AVR	DRA
16.7	16.0

12. Administrative Expense Transferred

This expense category is a reduction of A&G expenses directly attributable to capital projects. The Parties agree on the methodology to calculate the Administrative Expense Transferred as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's current plant estimates.

Test Year 2012

	Proposed (\$K)	
	AVR	DRA
Admin		
Exp Transferred	-225.1	-209.7

Test Year 2013

	Proposed (\$K)	
	AVR	DRA
Admin		
Exp Transferred	-252.8	-235.8

13. Franchise Requirements

The Parties agree to use DRA's franchise fee rate of 0.95% applied to operating revenues as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's estimated revenue requirement.

Test Year 2012

	Proposed (\$K)	
	AVR	DRA
Franchise Requirements	213.8	207.5

14. Uncollectible Expense

The Parties agree on the methodology to calculate the uncollectible expense. The Parties agree to use AVR's uncollectible percentage (0.34%) to calculate test year uncollectible expenses based upon the adopted 2012 revenue requirement. The current estimates of the Parties reflect each Party's estimated revenue requirement.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Uncollectible Expense	76.8	74.5

15. Tax Depreciation Deduction

The Parties agree on the methodology to calculate the tax depreciation deduction. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Federal Tax Depreciation	2,576.1	2,576.1
State Tax Depreciation	2,697.8	2,697.8

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
Federal Tax Depreciation	2,790.0	2,745.3
State Tax Depreciation	2,843.1	2,832.6

16. Qualified Production Deduction

The Parties agree on the methodology to calculate the qualified production deduction as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's total revenue and expenses that reflect the differences in each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Qualified Production Deduction (FIT)	188.0	185.6

17. Irrigation System Utility Plant

The Parties have a difference in total utility plant that is caused by differences in the general plant allocation from the Domestic system. The Parties agree on the general plant allocation methodology as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
<u>Utility Plant Balances</u>		
Irrigation	568.6	568.6
General Plant Allocation	68.1	68.2
Total	<u>636.7</u>	<u>636.8</u>

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
<u>Utility Plant Balances</u>		
Irrigation	568.6	568.6
General Plant Allocation	74.7	72.0
Total	<u>643.3</u>	<u>640.6</u>

18. Depreciation Expense - Domestic System

The Parties agree on the methodology to calculate the depreciation expense as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
<u>Domestic System</u>		
Depreciation Expense (Excludes clearings)	2,647.5	2,647.5
General Plant Allocation	-5.4	-5.4
G.O. Allocation	95.6	95.6
Amortization	56.3	56.3
Total	<u>2,794.0</u>	<u>2,794.0</u>

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
<u>Domestic System</u>		
Depreciation Expense (Excludes clearings)	2,792.2	2,781.6
General Plant Allocation	-5.9	-5.8
G.O. Allocation	100.5	100.5
Amortization	56.3	56.3
Total	<u>2,943.1</u>	<u>2,932.6</u>

19. Depreciation Expense - Irrigation System

The Parties agree on the methodology to calculate the depreciation expense. The Parties have a difference in the total depreciation expense caused by differences in the general plant allocation from the Domestic system. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
<u>Irrigation System</u>		
Depreciation Expense		
Irrigation	11.6	11.6
General Plant Allocation	5.6	5.6
G.O. Allocation	.8	.7
Amortization	.7	.7
Total	<u>18.7</u>	<u>18.6</u>

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
<u>Irrigation System</u>		
Depreciation Expense		
Irrigation	11.6	11.6
General Plant Allocation	6.0	6.0
G.O. Allocation	.8	.8
Amortization	.7	.7
Total	19.1	19.1

20. Depreciation Reserve - Domestic System

The Parties agree on the methodology to calculate the depreciation reserve as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Depreciation Reserve		
Domestic	27,287.4	27,287.4

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
Depreciation Reserve		
Domestic	30,117.8	30,112.5

21. Depreciation Reserve - Irrigation System

The Parties agree on the methodology to calculate the depreciation reserve as described in the Settlement Agreement. The Parties have a difference in the total depreciation expense caused by differences in the general plant allocation from the Domestic system. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Depreciation Reserve		
Irrigation	237.2	237.1

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
Depreciation Reserve		
Irrigation	255.4	255.3

22. Working Cash – Domestic System

The Parties agree on the methodology to calculate working cash as described in the Settlement Agreement. The current estimates of the Parties incorporate the effects of all settled positions including revenue, expense, and plant.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Working Cash	934.1	913.2

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
Working Cash	772.0	747.6

23. Working Cash – Irrigation System

The Parties agree on the methodology to allocate a portion (0.77%) of the total working cash to the Irrigation System as described in the Settlement Agreement. The current estimates of the Parties incorporate the effects of all settled issues including revenue, expense, and plant.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Working Cash	7.2	7.1

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
Working Cash	6.0	5.8

24. Deferred Taxes – Domestic System

The Parties agree on the methodology to calculate deferred taxes as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
Deferred Taxes	8,541.1	8,541.1

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
Deferred Taxes	8,609.5	8,614.1

24. Deferred Taxes – Irrigation System

The Parties agree on the methodology to calculate deferred taxes as described in the Settlement Agreement. The current estimates of the Parties reflect each Party's current plant estimates.

<u>Test Year 2012</u>	Proposed (\$K)	
	AVR	DRA
<u>Irrigation System</u>		
Deferred Taxes		
Irrigation	65.9	65.9
General Plant Allocation	18.0	18.0
Total	<u>83.9</u>	<u>83.9</u>

<u>Test Year 2013</u>	Proposed (\$K)	
	AVR	DRA
<u>Irrigation System</u>		
Deferred Taxes		
Irrigation	68.9	68.9
General Plant Allocation	18.2	18.2
Total	<u>87.1</u>	<u>87.1</u>

UNRESOLVED ISSUES

As discussed in the Introduction, there are six issues where the Parties were unable to reach agreement. Each Party's position is fully explained in their respective briefs.

1. Office Expansion

The Parties disagree over AVR's proposal to add office space to its existing building. AVR proposes that the project would start in 2012, have a CWIP balance of \$325,000 at the end of 2012, and be completed in 2013 at a total cost of \$651,000. DRA does not recommend approval of this project. The amounts shown below are the capital expenditures for each year.

<u>Test Year 2012</u>	
Original (\$K)	
AVR	DRA
325.0	0

<u>Test Year 2013</u>	
Original (\$K)	
AVR	DRA
326.0	0

2. Payroll

There are three contested issues in this category of expense: staffing additions; merit increase; and bonuses.

While the parties have reached agreement on General Office staffing additions, the Parties disagree over AVR's proposed staffing additions for the positions of Water Audit Conservation Specialist, Water Quality Specialist, and Asset Management Project Coordinator. DRA does not recommend approval of these positions.

The Parties disagree over AVR's inclusion of a 2.0% merit increase for employees. This issue is also applicable to the General Office payroll. DRA does not recommend the inclusion of merit increases in the determination of payroll expense for either AVR or the General Office.

While the Parties have reached agreement on General Office bonuses, the Parties disagree over the methodology used to estimate the payroll bonus included in the payroll expense for AVR. AVR recommends the use of a five-year recorded average (2006 – 2010). DRA recommends the use of recorded year 2010.

Since the amounts at issue due to the issues of New Positions and Merit Increase are interdependent, the amounts in the table below have been calculated in order to approximate the impact. The "New Positions" amount includes the impacts of the merit increase for the proposed staffing additions. The "Merit" amount includes the impact of the merit increase for all employees excluding the proposed staffing additions. The "Other" amount reflects the difference in the Parties' original position due to the use of different escalation factors which has been resolved.

<u>Test Year 2012 – AVR</u>	Original (\$K)		Proposed (\$K)	
	AVR	DRA	AVR	DRA
Bonus	47.0	10.5	21.7	10.5
New Positions	129.2	0.0	130.5	0.0
Merit	113.3	0.0	113.9	0.0
Other	3,208.3	3,182.2	3,229.0	3,229.0
Total	3,497.8	3,192.7	3,495.1	3,239.5

Test Year 2012 – G.O. (Difference due only to Merit Increase issue)

Original (\$K)		Proposed (\$K)	
AVR	DRA	AVR	DRA
5,029.2	4,092.2	4,547.2	4,412.4

3. Employee Benefits

There are five contested issues in this category. The Parties disagree over the appropriate amounts for the employee benefits of medical, dental insurance, 401(k), group pension, and EAP/wellness. AVR and DRA used different methodologies to determine the estimates of various components of employee benefits. These methodologies will be discussed by the Parties in their briefs. The issues related to employee benefits are applicable to both AVR and the General Office.

Test Year 2012 – AVR

	Original (\$K)		Proposed (\$K)	
	AVR	DRA	AVR	DRA
Medical	550.8	471.7	558.5	476.2
Dental Insurance	40.2	35.5	41.1	36.6
401(k)	87.4	67.4	87.2	68.0
Group Pension	503.0	416.1	503.0	420.6
EAP/Wellness	4.8	3.3	4.8	3.4

Test Year 2012 – G.O.

	Original (\$K)		Proposed (\$K)	
	AVR	DRA	AVR	DRA
Medical	397.6	310.4	363.2	344.9
Dental Insurance	28.5	23.3	26.3	25.7
401(k)	137.0	89.3	132.9	96.2
Group Pension	734.5	566.3	734.5	605.2
EAP/Wellness	6.7	5.1	6.7	4.6

4. Regulatory Accounts

There are two contested issues in this category. There is no difference in the summary of earnings over these issues.

AVR recommends the establishment of a new Group Pension Balancing Account. DRA recommends a Group Pension Memorandum Account. This issue is applicable to AVR and the General Office.

AVR proposes the establishment of a new Pressure Reducing Valve Memorandum Account. DRA does not recommend approval of the Pressure Reducing Valve Memorandum Account.

5. Escalation Methodology

The contested issues in this category are applicable to both AVR and the General Office. AVR recommends that healthcare expense and retiree healthcare expense be removed from the calculations of revenue requirement changes for AVR's 2013 and 2014 escalation year filings and, in lieu of escalation, AVR recommends that specific employee and retiree healthcare expense estimates be used in the 2013 and 2014 escalation year filings. DRA opposes AVR's request and recommends that the standard escalation methodology, CPI, be used for employee and retiree healthcare expense in the 2013 and 2014 escalation year filings. The differences for this issue are reflected in 2013 and 2014 summary of earnings. In the tables below DRA proposed expenses for these categories are estimated using current forecasts of CPI for 2013 and 2014. The actual amounts resulting from the standard escalation year methodology will incorporate the CPI forecast for 2013 as of October 2012 and CPI forecast for 2014 as of October 2013.

Escalation Year 2013 - AVR

	Proposed (\$K)	
	AVR	DRA
Medical	600.4	487.2
Dental	43.3	37.4
PBOP	184.7	176.1

Escalation Year 2014 - AVR

	Proposed (\$K)	
	AVR	DRA
Medical	639.4	499.5
Dental	45.4	38.4
PBOP	196.5	180.5

Escalation Year 2013 – G.O.

	Proposed (\$K)	
	AVR	DRA
Medical	390.4	352.9
Dental	27.7	26.3
PBOP	150.9	143.9

Escalation Year 2014 – G.O.

	Proposed (\$K)	
	AVR	DRA
Medical	415.8	361.8
Dental	29.0	27.0
PBOP	160.5	147.5

6. Carlyle Transaction - Contingency for Timing of Expense Impacts

While DRA and AVR agree on the impacts of the Carlyle Transaction on the expenses for 2012 – 2014 (see Section 16.02.16, Carlyle Transaction, of the Settlement Agreement), and those impacts have been incorporated in Resolved Issues numbers 42-45 of this exhibit (pages 20-21), the Parties do not agree on the appropriate way to deal with the contingency that the transaction will not close by January 1, 2012. Given that the closing date of the transaction is currently unknown, AVR proposes the Commission address this contingency. DRA proposes the Commission not take any action given that the Parties have already settled the Carlyle Transaction in proceeding A.11-01-019.

TABLE 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2012
SUMMARY OF EARNINGS
AT PRESENT RATES

	AVR	DRA	DIFF
OPERATING REVENUES	19,612,528	19,612,528	0
DEFERRED REVENUES	(25)	(25)	0
MISCELLANEOUS REVENUE	(55,828)	(55,828)	0
TOTAL REVENUES	19,668,381	19,668,381	0
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	791,454	724,358	67,096
OPERATIONS-OTHER	193,831	191,041	2,790
PURCHASED WATER-POTABLE	0	0	0
PURCHASED POWER	939,646	939,646	0
LEASED WATER RIGHTS	1,621,006	1,621,006	0
REPLENISHMENT	209,617	209,617	0
CHEMICALS	27,312	27,312	0
PAYROLL-CUSTOMERS	629,665	608,179	21,486
CUSTOMERS-OTHER	274,814	274,814	0
UNCOLLECTIBLES	66,872	66,872	0
PAYROLL-MAINTENANCE	419,775	405,529	14,246
MAINTENANCE-OTHER	700,111	700,111	0
PAYROLL-CLEARINGS	122,293	118,129	4,164
DEPRECIATION-CLEARINGS	271,314	271,314	0
CLEARINGS-OTHER	270,705	268,927	1,778
SUB-TOTAL O & M	6,538,415	6,426,855	111,560
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	1,690,026	1,537,199	152,827
EMPLOYEE BENEFITS	1,476,479	1,274,343	202,136
INSURANCE	769,216	730,190	39,026
UNINSURED PROPERTY DAMAGE	11,490	11,490	0
REG. COMM. EXPENSE	98,468	98,468	0
FRANCHISE REQUIREMENTS	186,319	186,319	0
OUTSIDE SERVICES	259,637	259,637	0
A & G - OTHER	486,137	479,430	6,706
A & G TRANSFERRED CREDIT	(225,136)	(209,660)	(15,476)
RENTS	17,564	17,564	0
¹ GENERAL OFFICE ALLOCATION	2,113,194	2,022,263	90,931
AVR ALLOCATION	(32,087)	(29,842)	(2,245)
SUB-TOTAL A & G	6,851,306	6,377,401	473,905
OTHER TAXES			
¹ PROPERTY TAXES	453,453	453,453	0
¹ PAYROLL TAXES	352,058	336,690	15,368
SUBTOTAL OTHER TAXES	805,511	790,143	15,368
¹ DEPRECIATION	2,793,941	2,793,941	0
CA INCOME TAXES	117,659	171,302	(53,643)
FEDERAL INCOME TAXES	432,491	611,617	(179,125)
TOTAL EXPENSE	17,539,323	17,171,258	368,065
NET REVENUES	2,129,058	2,497,123	(368,065)
TOTAL RATE BASE	40,501,331	40,317,992	183,339
RATE OF RETURN	5.26%	6.19%	-0.94%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2012
SUMMARY OF EARNINGS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	22,507,250	21,840,550	666,700
DEFERRED REVENUES	(25)	(25)	0
MISCELLANEOUS REVENUE	(77,425)	(77,425)	0
TOTAL REVENUES	22,584,700	21,918,000	666,700
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	791,454	724,358	67,096
OPERATIONS-OTHER	193,831	191,041	2,790
PURCHASED WATER-POTABLE	0	0	0
PURCHASED POWER	939,646	939,646	0
LEASED WATER RIGHTS	1,621,006	1,621,006	0
REPLENISHMENT	209,617	209,617	0
CHEMICALS	27,312	27,312	0
PAYROLL-CUSTOMERS	629,665	608,179	21,486
CUSTOMERS-OTHER	274,814	274,814	0
UNCOLLECTIBLES	76,788	74,521	2,267
PAYROLL-MAINTENANCE	419,775	405,529	14,246
MAINTENANCE-OTHER	700,111	700,111	0
PAYROLL-CLEARINGS	122,293	118,129	4,164
DEPRECIATION-CLEARINGS	271,314	271,314	0
CLEARINGS-OTHER	270,705	268,927	1,778
SUB-TOTAL O & M	6,548,330	6,434,503	113,827
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	1,690,026	1,537,199	152,827
EMPLOYEE BENEFITS	1,476,479	1,274,343	202,136
INSURANCE	769,216	730,190	39,026
UNINSURED PROPERTY DAMAGE	11,490	11,490	0
REG. COMM. EXPENSE	98,468	98,468	0
FRANCHISE REQUIREMENTS	213,819	207,485	6,334
OUTSIDE SERVICES	259,637	259,637	0
A & G - OTHER	486,137	479,430	6,706
A & G TRANSFERRED CREDIT	(225,136)	(209,660)	(15,476)
RENTS	17,564	17,564	0
¹ GENERAL OFFICE ALLOCATION	2,113,194	2,022,263	90,931
AVR ALLOCATION	(32,087)	(29,842)	(2,245)
SUB-TOTAL A & G	6,878,806	6,398,567	480,238
OTHER TAXES			
¹ PROPERTY TAXES	453,453	453,453	0
¹ PAYROLL TAXES	352,058	336,690	15,368
SUBTOTAL OTHER TAXES	805,511	790,143	15,368
¹ DEPRECIATION	2,793,941	2,793,941	0
CA INCOME TAXES	372,154	367,621	4,533
FEDERAL INCOME TAXES	1,368,839	1,333,921	34,918
TOTAL EXPENSE	18,767,581	18,118,697	648,885
NET REVENUES	3,817,119	3,799,303	17,815
TOTAL RATE BASE	40,501,331	40,317,992	183,339
RATE OF RETURN	9.42%	9.42%	0.00%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 3
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2013
SUMMARY OF EARNINGS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	23,049,520	22,319,100	730,420
DEFERRED REVENUES	(25)	(25)	0
MISCELLANEOUS REVENUE	(77,425)	(77,425)	0
TOTAL REVENUES	23,126,970	22,396,550	730,420
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	809,808	741,157	68,651
OPERATIONS-OTHER	198,074	195,198	2,876
PURCHASED WATER-POTABLE	0	0	0
PURCHASED POWER	944,407	944,407	0
LEASED WATER RIGHTS	1,661,855	1,661,855	0
REPLENISHMENT	210,206	210,206	0
CHEMICALS	28,154	28,154	0
PAYROLL-CUSTOMERS	644,269	622,283	21,986
CUSTOMERS-OTHER	283,200	283,200	0
UNCOLLECTIBLES	78,632	76,148	2,483
PAYROLL-MAINTENANCE	429,510	414,934	14,576
MAINTENANCE-OTHER	721,695	721,695	0
PAYROLL-CLEARINGS	125,130	120,869	4,261
DEPRECIATION-CLEARINGS	289,607	289,607	0
CLEARINGS-OTHER	279,049	277,216	1,833
 SUB-TOTAL O & M	 6,703,596	 6,586,930	 116,666
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	1,729,221	1,572,848	156,373
EMPLOYEE BENEFITS	1,549,436	1,303,896	245,540
INSURANCE	787,056	747,126	39,930
UNINSURED PROPERTY DAMAGE	11,756	11,756	0
REG. COMM. EXPENSE	98,468	98,468	0
FRANCHISE REQUIREMENTS	218,970	212,031	6,939
OUTSIDE SERVICES	265,658	265,658	0
A & G - OTHER	501,122	494,210	6,912
A & G TRANSFERRED CREDIT	(252,763)	(235,809)	(16,954)
RENTS	17,971	17,971	0
¹ GENERAL OFFICE ALLOCATION	2,171,025	2,069,938	101,087
AVR ALLOCATION	(33,076)	(30,762)	(2,314)
 SUB-TOTAL A & G	 7,064,844	 6,527,330	 537,514
OTHER TAXES			
¹ PROPERTY TAXES	465,102	465,101	1
¹ PAYROLL TAXES	360,225	344,499	15,726
 SUBTOTAL OTHER TAXES	 825,327	 809,600	 15,727
 ¹ DEPRECIATION	 2,943,101	 2,932,576	 10,526
CA INCOME TAXES	370,279	367,473	2,807
FEDERAL INCOME TAXES	1,253,079	1,255,416	(2,337)
 TOTAL EXPENSE	 19,160,226	 18,479,323	 680,903
 NET REVENUES	 3,966,744	 3,917,227	 49,517
 TOTAL RATE BASE	 42,098,201	 41,573,928	 524,273
 RATE OF RETURN	 9.42%	 9.42%	 0.00%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 4
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2014
SUMMARY OF EARNINGS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	23,765,550	22,940,550	825,000
DEFERRED REVENUES	(25)	(25)	0
MISCELLANEOUS REVENUE	(77,425)	(77,425)	0
TOTAL REVENUES	23,843,000	23,018,000	825,000
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	830,216	759,835	70,381
OPERATIONS-OTHER	206,491	203,493	2,998
PURCHASED WATER-POTABLE	0	0	0
PURCHASED POWER	949,159	949,159	0
LEASED WATER RIGHTS	1,700,206	1,700,206	0
REPLENISHMENT	210,796	210,796	0
CHEMICALS	29,350	29,350	0
PAYROLL-CUSTOMERS	660,506	637,966	22,540
CUSTOMERS-OTHER	293,897	293,897	0
UNCOLLECTIBLES	81,066	78,261	2,805
PAYROLL-MAINTENANCE	440,335	425,392	14,943
MAINTENANCE-OTHER	752,360	752,360	0
PAYROLL-CLEARINGS	128,283	123,914	4,369
DEPRECIATION-CLEARINGS	307,901	307,901	0
CLEARINGS-OTHER	290,907	288,996	1,911
 SUB-TOTAL O & M	 6,881,473	 6,761,526	 119,947
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	1,772,801	1,612,486	160,315
EMPLOYEE BENEFITS	1,620,618	1,336,757	283,861
INSURANCE	806,890	765,953	40,937
UNINSURED PROPERTY DAMAGE	12,052	12,052	0
REG. COMM. EXPENSE	98,468	98,468	0
FRANCHISE REQUIREMENTS	225,773	217,935	7,838
OUTSIDE SERVICES	272,353	272,353	0
A & G - OTHER	522,415	515,208	7,207
A & G TRANSFERRED CREDIT	(280,390)	(261,959)	(18,431)
RENTS	18,424	18,424	0
¹ GENERAL OFFICE ALLOCATION	2,216,559	2,106,248	110,310
AVR ALLOCATION	(34,481)	(32,069)	(2,412)
 SUB-TOTAL A & G	 7,251,480	 6,661,855	 589,625
OTHER TAXES			
¹ PROPERTY TAXES	476,753	476,750	3
¹ PAYROLL TAXES	369,303	353,181	16,122
 SUBTOTAL OTHER TAXES	 846,056	 829,931	 16,125
 ¹ DEPRECIATION	 3,092,262	 3,071,211	 21,051
CA INCOME TAXES	381,648	377,426	4,223
FEDERAL INCOME TAXES	1,273,211	1,280,872	(7,661)
TOTAL EXPENSE	19,726,130	18,982,820	743,310
NET REVENUES	4,116,870	4,035,180	81,690
TOTAL RATE BASE	43,695,071	42,829,863	865,208
RATE OF RETURN	9.42%	9.42%	0.00%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 5
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2012
SUMMARY OF EARNINGS
AT PRESENT RATES

	AVR	DRA	DIFF
OPERATING REVENUES	255,000	255,000	0
DEFERRED REVENUES	0	0	0
TOTAL REVENUES	255,000	255,000	0
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	4,038	3,963	75
OPERATIONS-OTHER	0	0	0
PURCHASED POWER	75,568	75,568	0
LEASED WATER RIGHTS	0	0	0
REPLENISHMENT	23,784	23,784	0
UNCOLLECTIBLES	0	0	0
PAYROLL-MAINTENANCE	0	0	0
MAINTENANCE-OTHER	1,231	1,231	0
CLEARINGS-OTHER	2,938	2,938	0
SUB-TOTAL O & M	107,560	107,485	75
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	0	0	0
EMPLOYEE BENEFITS	2,332	2,289	43
INSURANCE	1,621	1,615	7
REG. COMM. EXPENSE	0	0	0
FRANCHISE REQUIREMENTS	0	0	0
OUTSIDE SERVICES	5,235	5,235	0
A & G - OTHER	56	56	0
¹ GENERAL OFFICE ALLOCATION	16,749	16,029	721
AVR ALLOCATION	32,087	29,842	2,245
SUB-TOTAL A & G	58,081	55,066	3,015
OTHER TAXES			
¹ PROPERTY TAXES	3,817	3,817	0
¹ PAYROLL TAXES	915	901	14
SUB-TOTAL OTHER TAXES	4,732	4,718	14
¹ DEPRECIATION	18,586	18,586	0
CA INCOME TAXES	5,042	5,316	(274)
FEDERAL INCOME TAXES	16,725	17,641	(917)
TOTAL EXPENSE	210,725	208,812	1,913
NET REVENUES	44,275	46,188	(1,913)
RATE BASE	285,085	284,923	162
RATE OF RETURN	15.53%	16.21%	-0.68%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 6
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2012
SUMMARY OF EARNINGS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	225,300	222,000	3,300
DEFERRED REVENUES	0	0	0
TOTAL REVENUES	225,300	222,000	3,300
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	4,038	3,963	75
OPERATIONS-OTHER	0	0	0
PURCHASED POWER	75,568	75,568	0
LEASED WATER RIGHTS	0	0	0
REPLENISHMENT	23,784	23,784	0
UNCOLLECTIBLES	0	0	0
PAYROLL-MAINTENANCE	0	0	0
MAINTENANCE-OTHER	1,231	1,231	0
CLEARINGS-OTHER	2,938	2,938	0
SUB-TOTAL O & M	107,560	107,485	75
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	0	0	0
EMPLOYEE BENEFITS	2,332	2,289	43
INSURANCE	1,621	1,615	7
REG. COMM. EXPENSE	0	0	0
FRANCHISE REQUIREMENTS	0	0	0
OUTSIDE SERVICES	5,235	5,235	0
A & G - OTHER	56	56	0
¹ GENERAL OFFICE ALLOCATION	16,749	16,029	721
AVR ALLOCATION	32,087	29,842	2,245
SUB-TOTAL A & G	58,081	55,066	3,015
OTHER TAXES			
¹ PROPERTY TAXES	3,817	3,817	0
¹ PAYROLL TAXES	915	901	14
SUB-TOTAL OTHER TAXES	4,732	4,718	14
¹ DEPRECIATION	18,586	18,586	0
CA INCOME TAXES	2,417	2,399	17
FEDERAL INCOME TAXES	7,065	6,908	157
TOTAL EXPENSE	198,440	195,162	3,278
NET REVENUES	26,860	26,838	22
RATE BASE	285,085	284,923	162
RATE OF RETURN	9.42%	9.42%	0.00%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 7
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2013
SUMMARY OF EARNINGS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	227,030	223,450	3,580
DEFERRED REVENUES	0	0	0
TOTAL REVENUES	227,030	223,450	3,580
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	4,132	4,055	77
OPERATIONS-OTHER	0	0	0
PURCHASED POWER	75,568	75,568	0
LEASED WATER RIGHTS	0	0	0
REPLENISHMENT	23,784	23,784	0
UNCOLLECTIBLES	0	0	0
PAYROLL-MAINTENANCE	0	0	0
MAINTENANCE-OTHER	1,269	1,269	0
CLEARINGS-OTHER	3,028	3,028	0
SUB-TOTAL O & M	107,782	107,705	77
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	0	0	0
EMPLOYEE BENEFITS	2,386	2,342	44
INSURANCE	1,660	1,654	6
REG. COMM. EXPENSE	0	0	0
FRANCHISE REQUIREMENTS	0	0	0
OUTSIDE SERVICES	5,356	5,356	0
A & G - OTHER	57	57	0
¹ GENERAL OFFICE ALLOCATION	17,208	16,406	801
AVR ALLOCATION	33,076	30,762	2,314
SUB-TOTAL A & G	59,743	56,578	3,165
OTHER TAXES			
¹ PROPERTY TAXES	3,633	3,633	0
¹ PAYROLL TAXES	936	922	14
SUB-TOTAL OTHER TAXES	4,570	4,555	14
¹ DEPRECIATION	19,090	19,090	0
CA INCOME TAXES	2,423	2,410	13
FEDERAL INCOME TAXES	7,990	7,948	41
TOTAL EXPENSE	201,596	198,286	3,311
NET REVENUES	25,434	25,164	269
RATE BASE	270,050	267,228	2,821
RATE OF RETURN	9.42%	9.42%	0.0%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 8
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2014
SUMMARY OF EARNINGS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	227,660	223,600	4,060
DEFERRED REVENUES	0	0	0
TOTAL REVENUES	227,660	223,600	4,060
OPERATIONS & MAINTENANCE			
PAYROLL-OPERATIONS	4,236	4,157	79
OPERATIONS-OTHER	0	0	0
PURCHASED POWER	75,568	75,568	0
LEASED WATER RIGHTS	0	0	0
REPLENISHMENT	23,784	23,784	0
UNCOLLECTIBLES	0	0	0
PAYROLL-MAINTENANCE	0	0	0
MAINTENANCE-OTHER	1,323	1,323	0
CLEARINGS-OTHER	3,156	3,156	0
 SUB-TOTAL O & M	108,068	107,989	79
ADMINISTRATIVE & GENERAL			
A & G PAYROLL	0	0	0
EMPLOYEE BENEFITS	2,446	2,401	45
INSURANCE	1,700	1,694	6
REG. COMM. EXPENSE	0	0	0
FRANCHISE REQUIREMENTS	0	0	0
OUTSIDE SERVICES	5,491	5,491	0
A & G - OTHER	60	60	0
¹ GENERAL OFFICE ALLOCATION	17,568	16,694	874
AVR ALLOCATION	34,481	32,069	2,412
 SUB-TOTAL A & G	61,747	58,410	3,337
OTHER TAXES			
¹ PROPERTY TAXES	3,449	3,449	0
¹ PAYROLL TAXES	960	945	15
 SUB-TOTAL OTHER TAXES	4,409	4,394	15
¹ DEPRECIATION	19,594	19,594	0
CA INCOME TAXES	2,296	2,272	24
FEDERAL INCOME TAXES	7,529	7,445	85
TOTAL EXPENSE	203,643	200,103	3,540
NET REVENUES	24,017	23,497	520
RATE BASE	255,014	249,533	5,481
RATE OF RETURN	9.42%	9.42%	0.0%

¹ DEPRECIATION, PROPERTY TAX AND PAYROLL TAXES FROM PARK'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE 9
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2012
INCOME TAX CALCULATIONS
AT PRESENT RATES

	AVR	DRA	DIFF
OPERATING REVENUES	19,668,381	19,668,381	0
EXPENSE			
OPERATIONS & MAINTENANCE	6,471,542	6,359,982	111,560
UNCOLLECTIBLES	66,872	66,872	0
ADMINISTRATIVE & GENERAL	6,664,987	6,191,082	473,905
FRANCHISE REQUIREMENTS	186,319	186,319	0
PROPERTY TAXES	453,453	453,453	0
PAYROLL TAXES	352,058	336,690	15,368
MEALS ADJUSTMENT	(13,699)	(13,083)	(616)
TOTAL	14,181,533	13,581,316	600,217
INCOME BEFORE TAXES	5,486,848	6,087,065	
CA CORP-FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	2,697,816	2,697,816	0
INTEREST	1,458,048	1,451,448	6,600
TOTAL	4,155,864	4,149,264	6,600
TAXABLE INCOME FOR CCFT	1,330,984	1,937,801	(606,817)
CCFT RATE	8.84%	8.84%	8.84%
CALIFORNIA INCOME TAX	117,659	171,302	(53,643)
FEDERAL INCOME TAX			
FED. TAX DEPRECIATION	2,576,062	2,576,062	0
CA TAX	117,659	171,302	(53,643)
INTEREST	1,458,048	1,451,448	6,600
QUALIFIED PROD. DEDUCTION	63,046	89,381	(26,335)
TOTAL	4,214,815	4,288,192	(73,377)
FIT TAXABLE INCOME	1,272,033	1,798,872	(526,840)
FIT RATE	34.00%	34.00%	34.00%
FEDERAL INCOME TAX	432,491	611,617	(179,125)
INVESTMENT TAX CREDIT	0	0	
NET FEDERAL INCOME TAX	432,491	611,617	(179,125)

TABLE 10
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2012
INCOME TAX CALCULATIONS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	22,584,700	21,918,000	666,700
EXPENSE			
OPERATIONS & MAINTENANCE	6,471,542	6,359,982	111,560
UNCOLLECTIBLES	76,788	74,521	2,267
ADMINISTRATIVE & GENERAL	6,664,987	6,191,082	473,905
FRANCHISE REQUIREMENTS	213,819	207,485	6,334
PROPERTY TAXES	453,453	453,453	0
PAYROLL TAXES	352,058	336,690	15,368
MEALS ADJUSTMENT	(13,699)	(13,083)	(616)
TOTAL	14,218,948	13,610,131	608,817
INCOME BEFORE TAXES	8,365,752	8,307,869	
CA CORP-FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	2,697,816	2,697,816	0
INTEREST	1,458,048	1,451,448	6,600
TOTAL	4,155,864	4,149,264	6,600
TAXABLE INCOME FOR CCFT	4,209,888	4,158,605	51,283
CCFT RATE	8.84%	8.84%	8.84%
CALIFORNIA INCOME TAX	372,154	367,621	4,533
FEDERAL INCOME TAX			
FED. TAX DEPRECIATION	2,576,062	2,576,062	0
CA TAX	117,659	171,302	(53,643)
INTEREST	1,458,048	1,451,448	6,600
⁶ QUALIFIED PROD. DEDUCTION	187,985	185,759	2,226
TOTAL	4,339,754	4,384,571	(44,817)
FIT TAXABLE INCOME	4,025,998	3,923,298	102,700
FIT RATE	34.00%	34.00%	34.00%
FEDERAL INCOME TAX	1,368,839	1,333,921	34,918
INVESTMENT TAX CREDIT	0	0	
NET FEDERAL INCOME TAX	1,368,839	1,333,921	34,918

TABLE 11
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2013
INCOME TAX CALCULATIONS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	23,126,970	22,396,550	730,420
EXPENSE			
OPERATIONS & MAINTENANCE	6,624,964	6,510,781	114,183
UNCOLLECTIBLES	78,632	76,148	2,483
ADMINISTRATIVE & GENERAL	6,845,873	6,315,299	530,575
FRANCHISE REQUIREMENTS	218,970	212,031	6,939
PROPERTY TAXES	465,102	465,101	1
PAYROLL TAXES	360,225	344,499	15,726
MEALS ADJUSTMENT	(14,121)	(13,486)	(635)
TOTAL	14,579,646	13,910,373	669,272
INCOME BEFORE TAXES	8,547,324	8,486,177	
CA CORP-FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	2,843,110	2,832,584	10,526
INTEREST	1,515,535	1,496,661	18,874
TOTAL	4,358,645	4,329,245	29,400
TAXABLE INCOME FOR CCFT	4,188,680	4,156,932	31,748
CCFT RATE	8.84%	8.84%	8.84%
CALIFORNIA INCOME TAX	370,279	367,473	2,807
FEDERAL INCOME TAX			
FED. TAX DEPRECIATION	2,790,025	2,745,305	44,719
CA TAX	372,154	367,621	4,533
INTEREST	1,515,535	1,496,661	18,874
QUALIFIED PROD. DEDUCTION	184,084	184,190	(106)
TOTAL	4,861,798	4,793,778	68,020
FIT TAXABLE INCOME	3,685,526	3,692,399	(6,873)
FIT RATE	34.00%	34.00%	34.00%
FEDERAL INCOME TAX	1,253,079	1,255,416	(2,337)
INVESTMENT TAX CREDIT	0	0	0
NET FEDERAL INCOME TAX	1,253,079	1,255,416	(2,337)

TABLE 12
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2014
INCOME TAX CALCULATIONS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	23,843,000	23,018,000	825,000
EXPENSE			
OPERATIONS & MAINTENANCE	6,800,407	6,683,265	117,142
UNCOLLECTIBLES	81,066	78,261	2,805
ADMINISTRATIVE & GENERAL	7,025,707	6,443,920	581,787
FRANCHISE REQUIREMENTS	225,773	217,935	7,838
PROPERTY TAXES	476,753	476,750	3
PAYROLL TAXES	369,303	353,181	16,122
MEALS ADJUSTMENT	(14,721)	(14,059)	(662)
TOTAL	14,964,288	14,239,254	725,034
INCOME BEFORE TAXES	8,878,712	8,778,746	99,966
CA CORP-FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	2,988,403	2,967,352	21,051
INTEREST	1,573,023	1,541,875	31,147
TOTAL	4,561,426	4,509,227	52,199
TAXABLE INCOME FOR CCFT	4,317,286	4,269,519	47,767
CCFT RATE	8.84%	8.84%	8.84%
CALIFORNIA INCOME TAX	381,648	377,426	4,223
FEDERAL INCOME TAX			
FED. TAX DEPRECIATION	3,003,987	2,914,548	89,439
CA TAX	370,279	367,473	2,807
INTEREST	1,573,023	1,541,875	31,147
QUALIFIED PROD. DEDUCTION	186,685	187,580	(895)
TOTAL	5,133,974	5,011,476	122,498
FIT TAXABLE INCOME	3,744,738	3,767,270	(22,532)
FIT RATE	34.00%	34.00%	34.00%
FEDERAL INCOME TAX	1,273,211	1,280,872	(7,661)
INVESTMENT TAX CREDIT	0	0	0
NET FEDERAL INCOME TAX	1,273,211	1,280,872	(7,661)

TABLE 13
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2012
INCOME TAX CALCULATIONS
AT PRESENT RATES

	AVR	DRA	DIFF
OPERATING REVENUES	255,000	255,000	0
EXPENSE			
OPERATIONS & MAINTENANCE	107,560	107,485	75
UNCOLLECTIBLES	0	0	0
ADMINISTRATIVE & GENERAL	58,081	55,066	3,015
FRANCHISE REQUIREMENTS	0	0	0
PROPERTY TAXES	3,817	3,817	0
PAYROLL TAXES	915	901	14
MEALS ADJUSTMENT	(105)	(101)	(5)
TOTAL	170,267	167,168	3,099
INCOME BEFORE TAXES	84,733	87,832	(3,099)
CA. CORP - FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	17,433	17,433	0
INTEREST	10,263	10,257	6
TOTAL	27,696	27,691	6
TAXABLE INCOME FOR CCFT	57,036	60,141	(3,105)
CCFT RATE	8.84%	8.84%	0.00%
CA INCOME TAX	5,042	5,316	(274)
FEDERAL INCOME TAX (FIT)			
FED. TAX DEPRECIATION	17,777	17,777	0
CA TAX	5,042	5,316	(274)
INTEREST	10,263	10,257	6
QUALIFIED PROD. DEDUCTION	2,460	2,595	(135)
TOTAL	35,543	35,946	(403)
FIT TAXABLE INCOME	49,190	51,886	(2,696)
FIT RATE	34.00%	34.00%	0.00%
FIT (BEFORE ADJUSTMENT)	16,725	17,641	(917)
INVESTMENT TAX CREDIT	0	0	0
NET FEDERAL INCOME TAX	16,725	17,641	(917)

TABLE 14
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2012
INCOME TAX CALCULATIONS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	225,300	222,000	3,300
EXPENSE			
OPERATIONS & MAINTENANCE	107,560	107,485	75
UNCOLLECTIBLES	0	0	0
ADMINISTRATIVE & GENERAL	58,081	55,066	3,015
FRANCHISE REQUIREMENTS	0	0	0
PROPERTY TAXES	3,817	3,817	0
PAYROLL TAXES	915	901	14
MEALS ADJUSTMENT	(105)	(101)	(5)
TOTAL	170,267	167,168	3,099
INCOME BEFORE TAXES	55,033	54,832	201
CA. CORP - FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	17,433	17,433	0
INTEREST	10,263	10,257	6
TOTAL	27,696	27,691	6
TAXABLE INCOME FOR CCFT	27,336	27,141	195
CCFT RATE	8.84%	8.84%	0.00%
CA INCOME TAX	2,417	2,399	17
FEDERAL INCOME TAX (FIT)			
FED. TAX DEPRECIATION	17,777	17,777	0
CA TAX	5,042	5,316	(274)
INTEREST	10,263	10,257	6
QUALIFIED PROD. DEDUCTION	1,171	1,163	8
TOTAL	34,254	34,514	(260)
FIT TAXABLE INCOME	20,779	20,318	461
FIT RATE	34.00%	34.00%	0.00%
FIT (BEFORE ADJUSTMENT)	7,065	6,908	157
INVESTMENT TAX CREDIT	0	0	0
NET FEDERAL INCOME TAX	7,065	6,908	157

TABLE 15
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2013
INCOME TAX CALCULATIONS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	227,030	223,450	3,580
EXPENSE			
OPERATIONS & MAINTENANCE	107,782	107,705	77
UNCOLLECTIBLES	0	0	0
ADMINISTRATIVE & GENERAL	59,743	56,578	3,165
FRANCHISE REQUIREMENTS	0	0	0
PROPERTY TAXES	3,633	3,633	0
PAYROLL TAXES	936	922	14
MEALS ADJUSTMENT	(109)	(104)	(5)
TOTAL	171,986	168,734	3,251
INCOME BEFORE TAXES	55,044	54,716	329
CA. CORP - FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	17,915	17,833	82
INTEREST	9,722	9,620	102
TOTAL	27,636	27,453	183
TAXABLE INCOME FOR CCFT	27,408	27,263	145
CCFT RATE	8.84%	8.84%	0.00%
CA INCOME TAX	2,423	2,410	13
FEDERAL INCOME TAX (FIT)			
FED. TAX DEPRECIATION	18,232	18,150	82
CA TAX	2,417	2,399	17
INTEREST	9,722	9,620	102
QUALIFIED PROD. DEDUCTION	1,176	1,169	6
TOTAL	31,546	31,339	207
FIT TAXABLE INCOME	23,499	23,377	122
FIT RATE	34.00%	34.00%	0.00%
FIT (BEFORE ADJUSTMENT)	7,990	7,948	41
INVESTMENT TAX CREDIT	0	0	0
NET FEDERAL INCOME TAX	7,990	7,948	41

TABLE 16
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2014
INCOME TAX CALCULATIONS
AT PROPOSED RATES

	AVR	DRA	DIFF
OPERATING REVENUES	227,660	223,600	4,060
EXPENSE			
OPERATIONS & MAINTENANCE	108,068	107,989	79
UNCOLLECTIBLES	0	0	0
ADMINISTRATIVE & GENERAL	61,747	58,410	3,337
FRANCHISE REQUIREMENTS	0	0	0
PROPERTY TAXES	3,449	3,449	0
PAYROLL TAXES	960	945	15
MEALS ADJUSTMENT	(113)	(108)	(5)
TOTAL	174,111	170,685	3,426
INCOME BEFORE TAXES	53,549	52,915	634
CA. CORP - FRANCHISE TAX (CCFT)			
CA TAX DEPRECIATION	18,396	18,233	163
INTEREST	9,181	8,983	197
TOTAL	27,576	27,216	361
TAXABLE INCOME FOR CCFT	25,973	25,699	274
CCFT RATE	8.84%	8.84%	0.00%
CA INCOME TAX	2,296	2,272	24
FEDERAL INCOME TAX (FIT)			
FED. TAX DEPRECIATION	18,687	18,523	163
CA TAX	2,423	2,410	13
INTEREST	9,181	8,983	197
QUALIFIED PROD. DEDUCTION	1,115	1,103	12
TOTAL	31,405	31,019	385
FIT TAXABLE INCOME	22,145	21,896	249
FIT RATE	34.00%	34.00%	0.00%
FIT (BEFORE ADJUSTMENT)	7,529	7,445	85
INVESTMENT TAX CREDIT	0	0	0
NET FEDERAL INCOME TAX	7,529	7,445	85

TABLE 17
APPLE VALLEY RANCHOS WATER COMPANY - DOMESTIC
2012
RATE BASE SUMMARY COMPARISON

	PROPOSED		DIFF
	AVR	DRA	
AVERAGE BALANCES			
PLANT IN SERVICE	107,325,949	107,325,949	0
WORK IN PROGRESS	322,500	160,000	162,500
MATERIALS & SUPPLIES	310,792	310,792	0
WORKING CASH	934,062	913,223	20,839
SUBTOTAL	108,893,303	108,709,964	183,339
LESS:			
DEPRECIATION RESERVE	27,287,416	27,287,416	0
ADVANCES	31,082,962	31,082,962	0
CONTRIBUTIONS	2,022,998	2,022,998	0
UNAMORTIZED ITC	61,418	61,418	0
DEFERRED INCOME TAX	8,541,077	8,541,077	0
SUBTOTAL	68,995,872	68,995,872	0
PLUS:			
METHOD 5 ADJUSTMENT	1,381	1,381	0
NET DISTRICT RATE BASE	39,898,812	39,715,473	183,339
MAIN OFFICE ALLOCATION	602,518	602,518	0
TOTAL RATE BASE	40,501,331	40,317,991	183,339

TABLE 18
APPLE VALLEY RANCHOS WATER COMPANY - DOMESTIC
2013
RATE BASE SUMMARY COMPARISON

	PROPOSED		DIFF
	AVR	DRA	
AVERAGE BALANCES			
PLANT IN SERVICE	112,207,278	111,869,387	337,891
WORK IN PROGRESS	162,500	0	162,500
MATERIALS & SUPPLIES	311,971	311,971	0
WORKING CASH	772,012	747,475	24,538
SUBTOTAL	113,453,761	112,928,832	524,929
LESS:			
DEPRECIATION RESERVE	30,117,805	30,112,542	5,263
ADVANCES	31,246,114	31,246,114	0
CONTRIBUTIONS	1,920,943	1,920,943	0
UNAMORTIZED ITC	56,581	56,581	0
DEFERRED INCOME TAX	8,609,484	8,614,091	(4,607)
SUBTOTAL	71,950,926	71,950,271	655
PLUS:			
METHOD 5 ADJUSTMENT	995	995	0
NET DISTRICT RATE BASE	41,503,830	40,979,557	524,273
MAIN OFFICE ALLOCATION	594,371	594,371	0
TOTAL RATE BASE	42,098,201	41,573,928	524,273

TABLE 19
APPLE VALLEY RANCHOS WATER COMPANY - IRRIGATION
2012
RATE BASE SUMMARY COMPARISON

	PROPOSED		DIFF
	AVR	DRA	
AVERAGE BALANCES			
PLANT IN SERVICE	636,785	636,785	0
WORK IN PROGRESS	0	0	0
WORKING CASH	7,248	7,086	162
SUBTOTAL	644,033	643,871	162
LESS:	0	0	0
DEPRECIATION RESERVE	237,132	237,132	0
ADVANCES	0	0	0
CONTRIBUTIONS	42,743	42,743	0
UNAMORTIZED ITC	0	0	0
DEFERRED INCOME TAX	83,849	83,849	0
SUBTOTAL	363,724	363,724	0
PLUS:	0	0	0
METHOD 5 ADJUSTMENT	0	0	0
NET DISTRICT RATE BASE	280,309	280,148	162
MAIN OFFICE ALLOCATION	4,776	4,776	0
TOTAL RATE BASE	285,085	284,923	162

TABLE 20
APPLE VALLEY RANCHOS WATER COMPANY - IRRIGATION
2013
RATE BASE SUMMARY COMPARISON

	PROPOSED		DIFF
	AVR	DRA	
AVERAGE BALANCES			
PLANT IN SERVICE	643,266	640,644	2,622
WORK IN PROGRESS	0	0	0
WORKING CASH	5,991	5,800	190
SUBTOTAL	649,257	646,445	2,812
LESS:	0	0	0
DEPRECIATION RESERVE	255,350	255,309	41
ADVANCES	0	0	0
CONTRIBUTIONS	41,440	41,440	0
UNAMORTIZED ITC	0	0	0
DEFERRED INCOME TAX	87,128	87,178	(49)
SUBTOTAL	383,919	383,927	(9)
PLUS:	0	0	0
METHOD 5 ADJUSTMENT	0	0	0
NET DISTRICT RATE BASE	265,338	262,517	2,821
MAIN OFFICE ALLOCATION	4,711	4,711	0
TOTAL RATE BASE	270,049	267,228	2,821

TABLE 21
APPLE VALLEY RANCHOS WATER COMPANY – GENERAL OFFICE
2012
RATE BASE SUMMARY COMPARISON

	PROPOSED		DIFF
	AVR	DRA	
UTILITY PLANT	9,398,132	9,398,132	0
CWIP	10,000	10,000	0
LESS:			
DEPRECIATION RESERVE	6,812,431	6,812,431	0
DEFERRED TAXES	635,695	635,695	0
ITC ADJUSTMENT	0	0	0
NET MAIN OFFICE INVESTMENT (END-OF-YEAR)	1,960,005	1,960,005	0
WEIGHTED AVERAGE RATEBASE	1,989,823	1,989,823	0
4-FACTOR ALLOCATION-			
DOMESTIC	602,518	602,518	0
IRRIGATION	4,776	4,776	0

TABLE 22
APPLE VALLEY RANCHOS WATER COMPANY - GENERAL OFFICE
2013
RATE BASE SUMMARY COMPARISON

	PROPOSED		DIFF
	AVR	DRA	
UTILITY PLANT	9,618,740	9,618,740	0
CWIP	110,000	110,000	0
LESS:	0		
DEPRECIATION RESERVE	7,073,364	7,073,364	0
DEFERRED TAXES	689,548	689,548	0
ITC ADJUSTMENT	0	0	0
NET MAIN OFFICE INVESTMENT (END-OF-YEAR)	1,965,827	1,965,827	0
WEIGHTED AVERAGE RATEBASE	1,962,916	1,962,916	0
4-FACTOR ALLOCATION- DOMESTIC IRRIGATION	594,371 4,711	594,371 4,711	0 0

TABLE 23
APPLE VALLEY RANCHOS WATER COMPANY
2012-2014
SUMMARY OF NUMBER OF CUSTOMERS

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	17,476	17,526	17,576
Business	1,345	1,358	1,371
Industrial	2	2	2
Public Authority	42	42	42
Private Fire Service	255	277	299
Irrigation - Public Authority	5	5	5
Irrigation - Pressure	184	199	214
Irrigation - Gravity	1	1	1
Temporary Construction	13	13	13
Apple Valley Country Club	1	1	1
Total	19,324	19,424	19,524

TABLE 24
APPLE VALLEY RANCHOS WATER COMPANY
2012-2014
SUMMARY OF CONSUMPTION PER CUSTOMER (CCF)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Residential	233	233	233
Business	658	658	658
Industrial	706	706	706
Public Authority	7,038	7,038	7,038
Private Fire Service	6	6	6
Irrigation - Public Authority	5,909	5,909	5,909
Irrigation - Pressure	2,290	2,290	2,290
Irrigation - Gravity	540,481	540,481	540,481
Temporary Construction	2,542	2,542	2,542
Apple Valley Country Club	143,748	143,748	143,748

TABLE 25
APPLE VALLEY RANCHOS WATER COMPANY
2012-2014
SUMMARY OF WATER SALES (CCF)

	2012	2013	2014
Residential	4,075,403	4,087,063	4,098,723
Business	885,010	893,564	902,118
Industrial	1,412	1,412	1,412
Public Authority	295,613	295,613	295,613
Private Fire Service	1,530	1,662	1,794
Irrigation - Public Authority	29,545	29,545	29,545
Irrigation - Pressure	421,360	455,710	490,060
Irrigation - Gravity	540,481	540,481	540,481
Temporary Construction	33,046	33,046	33,046
Apple Valley Country Club	143,748	143,748	143,748
Total	6,427,148	6,481,844	6,536,540

TABLE 26
APPLE VALLEY RANCHOS WATER COMPANY
2012
SUMMARY OF MONTHLY VS. BI-MONTHLY BILLING ADJUSTMENTS

	Original		Settlement
	AVR	DRA	
Operation-Other	930	0	0
Customer - Other	160,998	0	0
Clearings - Other	1,296	0	0
Bank Fees	13,787	0	0
	177,011	0	0
 Working Cash - Revenue Lag Days	 35.99	 50.84	 50.84