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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W), California Water Service Company (U60W), Golden State Water Company (U133W), Park Water Company (U314W) and Apple Valley Ranchos Water Company (U346W) to Modify D.08-02-036, D.08-06-002, D.08-08-030, D.08-09-026, D.08-11-023, D.09-05-005, D.09-07-021, and D.10-06-038 regarding the Amortization of WRAM-related Accounts.

RULEMAKING 10-09-017
(Filed September 20, 2010)

**PREHEARING CONFERENCE STATEMENT
OF APPLE VALLEY RANCHOS WATER COMPANY (U-346-W)**

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November 29, 2010

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I. INTRODUCTION

Pursuant to Rule 7.2 of the Commission’s Rules of Practice and Procedure and the November 22, 2010 Administrative Law Judge’s Ruling Setting a Prehearing Conference and Requesting Additional Information (“Ruling”), Apple Valley Ranchos Water Company (U-346-W) (“AVR”) respectfully submits this Prehearing Conference Statement.

AVR provides the information requested in the Ruling as follows:

II. RESPONSE TO QUESTIONS

(1) Each utility should prepare a table, in a format similar to the table at page 18 of the application, that provides the following information columns for each water district with an authorized Water Revenue Adjustment mechanism and Modified Cost Balancing Account (WRAM/MCBA):

- (a) The current quantity charge rate
- (b) 2009 WRAM/MCBA Balance
- (c) Estimated 2010 WRAM/MCBA Balance
- (d) Estimated 2011 Surcharges under existing authorization
- (e) Estimated 2011 Surcharges under proposed changes

Response:

Please see the attached table.

(2) I would also like each party to address the Financial Accounting Standards Board's Exposure Draft (ED) on proposed updates to revenue Recognition (Topic 605) which was issued June 24, 2010 with comments due October 22, 2010. I enclose Edison Electric Institute's October 22, 2010 comments and draw your attention to EEI's statement on page 2 that "We believe the guidance currently included in ASC 980 *Regulated Industries*, related to the accounting for alternative revenue program should not be eliminated as proposed in the ED."

Response:

The water utilities' application that requests a reduction in the recovery period for balances tracked in the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account ("WRAM/MCBA") and the Edison Electric Institute's ("EEI") October 22, 2010 comments on the Financial Accounting Standards Board's ("FASB") Exposure Draft ("ED"), are complimentary as they seek the same result.

The water utilities' application requests that the Commission allow a reduction in the recovery period of the WRAM/MCBA balance so that the utilities can record the net revenues in the same financial statement period as being tracked by the WRAM/MCBA. ASC 980 provides guidance regarding the recording of Alternative Revenue Arrangements ("ARA") – the WRAM/MCBA is categorized as an ARA. One of the guidelines in ASC 980 pertains to when the amounts of an ARA can be recorded on a company's financial statements. This guidance indicates that if the recovery period is 24 months or less from the date of the financial statements the WRAM/MCBA amounts being tracked can be recorded on the current year financial statements; whereas, if the recovery period exceeds 24 months these amounts are recorded in a future year financial statement.

AVR's understanding is that California regulated electric utilities have a recovery period of 1 year; therefore, the 24 month rule in ASC 980 is moot for California electric companies.

However, should the International Financial Reporting Standards not include a standard consistent with ASC 980 then all utilities will be unable to record on their current financial statements the revenue impact of regulatory accounts. Therefore, when EEI states (page 2) “the guidance currently in ASC 980, Regulated Industries, related to the accounting for alternative revenue programs should not be eliminated as proposed in the ED, EEI wants to avoid electric utilities being unable to record the revenue impact of regulatory accounts on their current financial statements. This is the exact result that the water utilities are seeking to avoid and why the application was filed.

The convergence of U.S. and International Financial Reporting Standards is not a foregone conclusion. The Securities and Exchange Commission (“SEC”) intends to make a decision in 2011. Furthermore, the requirement is not expected to be required until 2015 or 2016. It is critical to note that any such decision will not apply to AVR as it is not regulated by the SEC because it is not a publicly traded company. Therefore, AVR expects to be reporting under U.S. Reporting Standards.

III. CONCLUSION

For the reasons set forth above, AVR respectfully requests that the Commission adopt AVR’s position with respect to the issues discussed in the comments above.

Dated November 29, 2010 at Downey, CA.

Respectfully Submitted,

APPLE VALLEY RANCHOS WATER COMPANY

/s/ Edward N. Jackson

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CERTIFICATE OF SERVICE

I hereby certify that on this date I served the foregoing **PREHEARING CONFERENCE STATEMENT OF APPLE VALLEY RANCHOS WATER COMPANY (U-346-W)** by electronic mail or Federal Express delivery on the Service List for **A.10-09-017** below:

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Executed this 29th day of November 2010, at Downey, California.

/s/ Ellen M. Zimbalist
Ellen M. Zimbalist

Apple Valley Ranchos Water Company Response to Question No. 1

A		B	B (r)	C	D		E	
2009 WRAM/MCBA Surcharge		2009 WRAM/MCBA Balance	Estimated 2009 WRAM/MCBA Residual as of December 31, 2011	Estimated 2010 WRAM/MCBA Balance	Estimated 2011 Surcharges under existing authorization		Estimated 2011 Surcharges under proposed changes	
# Mos.	Metered (per Ccf)				# Mos.	Metered (per Ccf)	# Mos.	Metered (per Ccf)
24	\$ 0.124	\$1,649,012.00	\$482,421.00	\$2,099,180.00	2009 WRAM/MCBA 24	\$ 0.124	18	\$ 0.124
				9.47% of Adopted Revenue Requirement	2010 WRAM/MCBA 24	\$ 0.155	12	\$ 0.071
					Total	\$ 0.279	18	\$ 0.207
					Total	\$ 0.279	Total	\$ 0.402

Notes:

- A) Current 24 month WRAM/MCBA surcharge to amortize 2009 WRAM/MCBA authorized in Advice Letter 158-W-A.
- B) Total 2009 WRAM/MCBA balance authorized in Advice Letter 158-W-A.
- B) (r) Estimated residual amount from 2009 WRAM/MCBA balance not collected by December 31, 2011.
- C) Estimated 2010 WRAM/MCBA balance and percentage of adopted revenue requirement.
- D) Current 2009 WRAM/MCBA surcharge listed in column (A) and estimated surcharge for 2010 WRAM/MCBA balance listed in column (C) to be amortized over 24 months.
- E) Current 2009 WRAM/MCBA surcharge listed in column (A) but with amortization period shortened to end 12/31/11 and additional estimated surcharge for 2009 WRAM/MCBA residual balance listed in column (B) (r) to be amortized over 12 months and estimated surcharge for 2010 WRAM/MCBA balance listed in Column (C) to be amortized over 18 months.