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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)

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

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

I. INTRODUCTION

Pursuant to the instructions of Administrative Law Judge Walwyn at the prehearing conference held in A.10-09-017 on December 3, 2010, Apple Valley Ranchos Water Company (U-346-W) (“AVR”) respectfully submits this Supplement to its Prehearing Conference Statement.

AVR provides the requested information as follows:

II. RESPONSE TO QUESTIONS

- 1) Provide an analysis of Public Utilities Code section 454(a) as to whether it requires customer notice of this proceeding.

Response:

The joint applicants previously provided a response to the applicability of Public Utilities Code Section 454(a) to A.10-09-017 on December 10, 2010.

- 2) Data on the impact of the request made in A.10-09-017 in the format provided by Administrative Law Judge Walwyn at the December 3, 2010 prehearing conference.

Response:

Please see the attached table.

3) The date that AVR is required to submit/provide its financial statements for 2010.

Response:

Financial Statements for 2010 will be published in April 2011.

4) What would the “re-statement” amounts be using FIFO?

Response:

AVR has confirmed with its outside auditors that it would not have a re-statement for 2009.

5) A statement on customer impact and Low-income customer impact.

Response:

The average customer impact is shown in the attachment provided in response to item 2. The impact of AVR’s rate design on low-income affordability was recently addressed by the Commission in its most recent general rate case proceeding (D.08-09-026) and will be reviewed during its current general rate case application (A.11-01-001). AVR’s low-income assistance program, California Alternative Rates for Water, was authorized by the Commission in D.05-12-020 and consists of a monthly service charge discount for qualifying customers who meet the income eligibility requirements established annually by the Commission.

As discussed at the prehearing conference, the balances recorded in the Water Revenue Adjustment Mechanism (WRAM) balancing account represent shortfalls in the recovery of AVR’s authorized revenue requirement. The proposals made in A.10-09-017 do not represent additional revenues or profits for AVR, but the collection of revenues deemed necessary by the Commission for AVR to provide adequate service to its customers.

Additionally, AVR views the proposals made in A.10-09-017, as separate and independent from its CARW program. The CARW program will be reviewed by the Commission during its current general rate case proceeding. Any programs changes to the CARW program will be appropriately addressed in A.11-01-001.

- 6) What other options were considered to resolve the problem with the FASB rules and the timing of recovery?

Response:

AVR believes that the most practical solution to resolve the issues associated with the accounting rules were proposed by the joint applicants in A.10-09-017. The other options considered included allowing utilities to follow the amortization periods outlined in Standard Practice U-27 and request recovery whenever the balance in the WRAMs exceeded 2% of AVR's authorized revenues. This would allow for a shorter recovery period and allow for compliance with current ETIF 92-7. However this would be contrary to the settlement agreement between AVR and DRA in D.08-09-026 and could involve filing for multiple surcharges a year and thereby creating additional work for AVR and the Commission Staff and could prove confusing to customers. An additional option is the annual (12-month) surcharge used by the energy utilities which is opposed by DRA.

- 7) Proposals for interim treatment.

Response:

The Commission should issue an interim decision allowing applicants to file a Tier 2 Advice Letter requesting an interim surcharge to recover the projected 2009 residual shortfalls by the end of 2011 in compliance with ETIF 92-7. The sooner this surcharge is put into place, the smaller the rate impact of the surcharge will be on customers.

At a minimum, the Commission should issue an interim decision authorizing the changes requested for the recovery of 2010 and subsequent WRAM/MCBA balances in order to provide utilities the ability to file for those balances in a timely fashion such that the

APPLE VALLEY RANCHOS

	A		B		C			D	E	F	G	H	I	
	2010 (Current) WRAM/MCBA Surcharge	2009 WRAM/MCBA Balance	2010 WRAM/MCBA Estimate (1)	% of Adopted Rev Req (2)	# months Amort (3)	2011 WRAM/MCBA Surcharge under Existing Auth	Proposed 2011 WRAM/MCBA Surcharge	2010 Quantity Rate (Without Surcharge)	2011 Quantity Rate (Without Surcharge)	Percent Change in 2011 Quantity Rate	Avg Amt Increase 2011 Existing Auth with Current Surcharge (\$)	Avg Amt Increase 2011 Proposed with Current Surcharge (\$)	Residential	Only
Ratemaking Areas														
Residential Tier 1	\$0.124	\$1,649,012	\$2,137,581	9.64%	24	\$0.282	\$0.484	\$2.102	\$2.157	8.29%	\$4.16	\$8.08		
Residential Tier 2	\$0.124							\$2.218	\$2.277	7.90%				
Residential Tier 3	\$0.124							\$2.335	\$2.397	7.54%				
Non-Residential	\$0.124							\$2.197	\$2.257	7.96%				

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

C(1) Estimate 2010 WRAM/MCBA balance

C(2) Percentage of 2011 adopted revenue requirement
 AVR 2011 Rev. \$22,168,650

C(3) Number of months to amortize 2010 WRAM/MCBA balance

D) Current 24 month WRAM/MCBA surcharge shown in Column A and estimate surcharge for 2010 WRMA/MCBA balance listed in column C(1) to be amortized over 24 months
 E) Current 24 month WRAM/MCBA surcharge shown in Column A and proposed surcharge for 2010 WRMA/MCBA balance listed in column C(1) to be amortized over 18 months and additional estimate surcharge for 2009 WRAM/MCBA residual balance to be amortized over 6 months

AVR 2011 Residual \$505,234

F) 2010 Adopted Quantity Rate

G) 2011 Adopted Quantity Rate

H) Percentage difference between 2011 adopted quantity rate with current surcharge and 2011 adopted quantity rate with proposed surcharge

I (1) Avg Amt (monthly) Increase 2011 Existing Auth shown in Column D with current surcharge shown in Column A (\$) Residential Only

I (2) Avg Amt (monthly) Increase 2011 Proposed shown in Column E with current surcharge shown in Column A (\$) Residential Only