FILED
4-01-15
11:25 AM

APPENDIX A

FILED
8-08-14
04:59 PM

EXHIBIT A

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 $3,127,463 or 14.88% in 2015, $2,056,455 or 8.48% in 2016, and $2,160,731 or 8.19% in 2017.	)	APPLICATION NO. 14-01-002

SETTLEMENT AGREEMENT BETWEEN APPLE VALLEY RANCHOS WATER COMPANY AND THE OFFICE OF RATEPAYER ADVOCATES

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August 8, 2014

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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 $3,127,463 or 14.88% in 2015, $2,056,455 or 8.48% in 2016, and $2,160,731 or 8.19% in 2017.	)	APPLICATION NO. 14-01-002

SETTLEMENT AGREEMENT

I. GENERAL PROVISIONS

1.1 This Settlement Agreement ("Settlement") is entered into by and between Apple Valley Ranchos Water Company ("AVR") and the Office of Ratepayer Advocates ("ORA") of the California Public Utilities Commission ("Commission"). AVR and ORA are referred to jointly herein as the "Parties" or singularly as a "Party."

1.2 This Settlement shall become effective and binding on the Parties as of the date it is fully executed by all Parties ("Effective Date"). The Settlement will not, however, resolve the issues before the Commission in Application 14-01-002 unless, and until, it is adopted by the Commission.

1.3 This Settlement resolves most of the outstanding issues raised by ORA that are currently before the Commission in Application 14-01-002, except for the following issues, which the Parties litigated in hearings before the Commission: (1) Conservation expense proposed by AVR and the Conservation Balancing Account proposed by ORA; (2) the use of estimates in Balancing Accounts; (3) the Office Remodel Balancing Account; (4) the Solar Project Memorandum Account; (5) the Level Payment Plan; (6) the Sales Reconciliation Mechanism; and (7) the inclusion of the irrigation system in the WRAM/MCBA. The unresolved issues are identified in the Parties' Briefs as Conservation Estimates, Conservation Balancing Account, Solar Project Memorandum Account, Office Remodel Balancing Account, Use of Estimates, Level Payment Plan, Sales Reconciliation Mechanism, Irrigation (Commodity Revenues &

Production Costs), Incremental Cost Balancing Account, and Chemical Costs. This Settlement does not address the issues raised by the Town of Apple Valley ("Town"), including the issues addressed in the Parties' briefs under the headings "Rate Design" and "Water Rate Comparison." The Parties are in agreement on the Rate Design and Water Rate Comparison issues raised by the Town and have briefed their respective positions on these issues.

1.4 The Parties agree that (except as otherwise stated herein) the Parties' adoption of this Settlement should not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to the subject of this Settlement. In accordance with the Commission's Rules of Practice and Procedure ("Rule"), Rule 12.5, the Parties intend that the Commission's adoption of this Settlement be binding on each Party, including its legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Adoption of this Settlement does not constitute approval of, or establish precedent regarding, any principle in any future proceeding. Nor does adoption of this Settlement bind any Party with respect to a future proceeding except with respect to the terms and conditions set forth herein, including as provided in Sections 1.19 and 1.22.

1.5 The Parties agree that no Party to this Settlement, or any Parties' legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees thereof, assumes any personal liability as a result of this Settlement.

1.6 The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Settlement. No Party may bring an action pertaining to this Settlement in any local, State, or Federal court, or administrative agency, without having first exhausted its administrative remedies at the Commission.

1.7 If any Party fails to perform its respective obligations under this Settlement, the other Party may come before the Commission to pursue any applicable remedy, including enforcement.

1.8 The Parties agree that this Settlement is an integrated agreement and the provisions of the Settlement are not severable. Therefore, if the Commission rejects, conditions or purports to modify any term or portion of this Settlement, the Parties shall convene a conference within fifteen (15) days thereof and engage in good faith negotiations to determine whether some or all of the remainder of the Settlement is acceptable to the Parties. In the event an agreement is reached, all Parties must consent in writing to any changes or the Settlement is void. If the Parties cannot agree to resolve any issue raised by the Commission's actions within thirty (30) days of their conference, this Settlement shall be deemed to be rescinded, the Parties shall be released from any obligation, representation, or condition set forth in this Settlement, including their obligation to support this Settlement, and the Parties shall be restored to their positions prior to having entered into this Settlement. Following any rescission of this Settlement, the Parties may pursue any action they deem appropriate.

1.9 The Parties acknowledge and stipulate that they are agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each Party's right to discuss this Settlement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

1.10 The Parties have determined that this Settlement is in their best interests, and more cost-effective than undertaking the expenses, delays, and uncertainties of further litigation. In executing this Settlement, each Party declares that the terms and conditions herein are reasonable, consistent with the law, and in the public interest. Therefore, the Parties jointly request that the Commission accept and adopt this Settlement in its entirety and without modification or condition, as reasonable, consistent with the law, and in the public interest.

1.11 The Parties agree that, on or before August 8, 2014, they will jointly file this Settlement for Commission approval by joint motion under Commission Rule 12.1(a). In their joint motion, the Parties will ask that the Commission expeditiously consider and approve this Settlement in its entirety and without condition or modification.

1.12 The Parties agree to support this Settlement and use their best efforts to secure the Commission's approval of this Settlement in its entirety and without condition or modification.

1.13 The Parties agree to defend this Settlement and its implementation before the Commission if the Commission's adoption or implementation of this Settlement is opposed by anyone else.

1.14 Each Party hereto agrees without further consideration to execute and deliver such other documents and take such other actions as may be necessary to achieve the purposes of this Settlement, including, without limitation, furnishing such additional information, documents, and/or testimony as the Commission may require (with due regard for confidentiality) in issuing an order adopting this Settlement.

1.15 The Parties acknowledge and agree that this Settlement has been jointly negotiated and drafted. The language of this Settlement shall be construed as a whole according to its fair meaning and not in favor of or against any Party.

1.16 This Settlement constitutes the entire agreement and understanding between the Parties as to the subject of this Settlement, and supersedes any prior agreements, commitments, representations, or discussions between the Parties.

1.17 This Settlement may not be amended or modified without the express written and signed consent of each Party hereto.

1.18 No Party has relied or relies upon any statement, promise, or representation by any other Party, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

1.19 This Settlement and each covenant and condition set forth herein shall be binding upon the respective Parties hereto.

1.20 This Settlement may be executed in counterparts by each Party hereto with the same effect as if all Parties had signed one and the same document. Any such counterpart shall be deemed to be an original and shall together constitute one and the same Settlement.

1.21 This Settlement is comprised of this Settlement document itself and the Parties' Joint Comparison Exhibit.

1.22 Each Party to this Settlement represents that his or her signature to this Settlement binds his or her respective Party to the terms of this Settlement.

1.23 This Settlement shall be governed by the laws of the State of California as to all matters, including validity, construction, effect, performance, and remedy.

II. FACTUAL BACKGROUND

2.1 AVR, a California corporation, is a Class A Public Utility Water Company regulated by the Commission providing regulated water service in and near the Town of Apple Valley in San Bernardino County, California. AVR is a wholly-owned subsidiary of Park Water Company ("Park'), a California Corporation. AVR's office is located in Apple Valley, California. AVR has two "systems" – the Irrigation system and the Domestic system. The Irrigation System consists of a small gravity irrigation system that serves non-potable (un-treated) water from an irrigation well with return flow to the Mojave River and has a single customer. All other customers are part of the Domestic system, which is a pressurized potable water system.

2.2 On January 2, 2014, AVR filed a General Rate Case ("GRC") Application ("Application") requesting authority to increase its rates by $3,127,463 or 14.88% in 2015, $2,056,455 or 8.48% in 2016; and $2,160,731 or 8.19% in 2017. Concurrent with the filing of the Application, AVR supported its Application with prepared testimony and exhibits, its Revenue Requirements Report for Test Year 2015, its General Office Report for Test Year 2015, its Urban Water Management Report, and Minimum Data Requirements ("MDR"), all of which were served on January 2, 2014. ORA filed a timely protest to the application on February 10, 2014, and AVR filed a timely response.

2.3 On February 19, 2014, the Town of Apple Valley filed a motion for party status, which was granted on February 20, 2014. A prehearing conference was held on April 1, 2014, by ALJ S. Pat Tsen. In response to ALJ Tsen's April 4, 2014 Ruling for Comments on the Division of Water and Audits Preliminary Report on AVR's Water Quality, ORA served its comments on April 11, 2014. On April 17, 2014, the Commission issued the Scoping Memo and Ruling in this proceeding. Public Participation Hearings were held on April 30, 2014, at the Town of Apple

Valley Conference Center in Apple Valley, California. On May 9, 2014, ORA served its Report on the Results of Operations, and on May 19, 2014, ORA served its Amended Report on the Results of Operations ("ORA Amended Report").

2.4 The Parties engaged in informal settlement negotiations beginning on June 4, 2014. As a result of those negotiations, which continued through June 17, 2014, ORA and AVR reached a settlement on most of the issues raised in ORA's Amended Report and agreed upon the terms and conditions comprising the Settlement, set forth below. While the Town participated in the settlement discussions, it is not a party to the settlement.

2.5 Evidentiary hearings on the unresolved issues were held on June 16 and 17, 2014. At the hearings, AVR's, ORA's, and the Town's testimony and reports were marked as exhibits and entered into the record along with additional exhibits introduced at the hearings. Additionally, after the conclusion of the hearings, per the direction of ALJ Tsen, AVR submitted several late filed exhibits and both AVR and ORA filed motions to seal confidential versions of exhibits containing confidential information, which were granted by ALJ Tsen.

III. TERMS AND CONDITIONS OF THE SETTLEMENT

3.0 WATER CONSUMPTION AND REVENUES

3.1 Number of Customers

AVR WATER REQUEST:

In accordance with D.04-06-018, AVR forecasted customer growth based on a five-year historical average (2008 – 2012) for Residential, Commercial (Business), Industrial, Public Authority Irrigation, Gravity Irrigation, and Apple Valley Golf Course customers. For Residential customers, in addition to the results of the five-year growth, AVR's estimate reflects 100 additional customers due to a planned development in Jess Ranch.

ORA POSITION:

For Residential and Commercial customers, there were no issues concerning the methodology used to forecast the number of customers except that ORA forecasted customer growth based on

the five-year historical average (2009 – 2013) and projected the additional customer growth for the planned development in Jess Ranch beginning in Test Year 2015. There were no issues concerning the number of customers for Industrial, Public Authority, Public Authority – Irrigation, Gravity Irrigation, and Apple Valley Golf Course.

RESOLUTION:

ORA and AVR agree to update the number of customers to reflect the actual number of customers as of year-end 2013 and to adjust the methodology to remove double-counting between the five-year average and the projected additional residential customer growth from planned development. ORA and AVR agree on the number of customers, as set forth in the table below.

Test Year 2015

Average Number of Customers	AVR Original	ORA Original	Difference	Settlement
Residential	17,979	18,008	(29)	18,015
Commercial	1,364	1,384	(20)	1,364
Industrial	2	2	0	2
Public Authority	45	45	0	45
Irrigation Pressure	175	166	9	166
Private Fire Service	272	240	32	239
Public Authority Irrigation	5	5	0	5
Irrigation Gravity	1	1	0	1
Apple Valley Golf Course	1	1	0	1
Temporary Construction	5	9	(4)	11
Total Metered Customers	19,853	19,861	(8)	19,849

Escalation Year 2016

Average Number of Customers	AVR Original	ORA Original	Difference	Settlement
Residential	18,121	18,203	(82)	18,165
Commercial	1,373	1,397	(24)	1,375
Industrial	2	2	0	2
Public Authority	46	45	1	46
Irrigation Pressure	180	169	11	169
Private Fire Service	289	248	41	247
Public Authority Irrigation	5	5	0	5
Irrigation Gravity	1	1	0	1
Apple Valley Golf Course	1	1	0	1
Temporary Construction	9	9	0	11
Total Metered Customers	20,027	20,080	(53)	20,032

Escalation Year 2017

Average Number of Customers	AVR Original	ORA Original	Difference	Settlement
Residential	18,263	18,398	(135)	18,315
Commercial	1,382	1,410	(28)	1,386
Industrial	2	2	0	2
Public Authority	46	46	0	46
Irrigation Pressure	185	172	13	171
Private Fire Service	306	256	50	255
Public Authority Irrigation	5	5	0	5
Irrigation Gravity	1	1	0	1
Apple Valley Golf Course	1	1	0	1
Temporary Construction	9	9	0	11
Total Metered Customers	20,200	20,300	(100)	20,192

REFERENCES: AVR Exh. A-1, p. 20; ORA Exh. O–1, pp. 2-2 – 2-3.

3.2 Consumption Per Customer

AVR WATER REQUEST:

For the Residential, Commercial, and Gravity Irrigation customers, AVR forecasted sales based on the 2012 recorded consumption per customer with an annual decrease of 1.5% because the New Committee Method sales forecasting methodology overstated the effects of the drastic drop in unit consumption experienced from 2007 – 2011. For the Industrial, Pressure Irrigation, and Temporary Construction customers, AVR forecasted sales based on a recorded five-year average (2008 – 2012) of total sales. For Public Authority and Public Authority-Irrigation customers, AVR forecasted sales based on the New Committee Method. For Private Service customers, AVR forecasted sales based on the three-year average (2010 – 2012). For the Apple Valley Golf Course, AVR forecasted sales based on the four-year average (2009 – 2012) of water sales.

ORA POSITION:

ORA finds AVR's methodology reasonable based on the circumstances presented in this case and accepted AVR's proposed 1.5% annual decrease for the Residential and Commercial customer classes starting from the 2013 recorded consumption. For the Industrial, Public Authority, Private Fire, Public Authority Irrigation, Pressure Irrigation, Apple Valley Golf Course, and Temporary Construction customer classes, ORA recommends the use of the five-year average unit consumption (2009-2013).

RESOLUTION:

The Parties agree that the use of the Basic Procedure of the New Committee Method as outlined in the rate case plan for Class A water utilities should not be used for Residential and Commercial customers in this GRC because the methodology provides results that are unreasonably lower than current unit consumption levels. The Parties believe that use of the 1.5% annual reduction provides a reasonable estimate of future water sales. Based on further discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to the customer unit consumption as set forth in the table below.

Test Year 2015 and Escalation Years 2016 and 2017

Consumption per Customer (Ccf)	AVR Original	ORA Original	Difference	Settlement
Residential	199.13	197.42	1.71	197.42
Commercial	592.76	581.52	11.24	585.02
Industrial	630.60	641.00	(10.40)	641.00
Public Authority	6,389.00	6,389.00	00.00	6,389.10
Irrigation Pressure	1,681.00	1,606.00	75.00	1,606.23
Private Fire Service	7.99	6.84	1.15	7.57
Public Authority Irrigation	5,365.00	5,365.00	00.00	5,364.92
Irrigation Gravity	456,275.00	443,715.00	12,560.00	456,274.90
Apple Valley Golf Course	122,164.00	126,540.00	(4,376.00)	126,540.00
Temporary Construction	991.25	784.04	207.21	801.01

REFERENCES: AVR Exh. A-1, p. 22; ORA Exh. O-1, pp. 2-3 – 2-5.

3.3 Unaccounted for Water (Domestic System)

AVR WATER REQUEST:

AVR requests unaccounted for water of 7.0% based on the latest information available at the time AVR's application was prepared.

ORA POSITION:

ORA recommends unaccounted for water of 5.1% based on the updated, most recent two-year recorded average (2012 – 2013).

RESOLUTION:

ORA and AVR agree that, while AVR's unaccounted for water has decreased from AVR's previous GRC, the annual unaccounted for water continues to vary slightly each year. ORA and AVR agree to use AVR's recommendation in its rebuttal for unaccounted for water estimate of 6.0% as set forth in the tables below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Unaccounted For Water	7.0%	5.1%	1.90%	6.0%

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Unaccounted For Water	7.0%	5.1%	1.90%	6.0%

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Unaccounted For Water	7.0%	5.1%	1.90%	6.0%

REFERENCES: AVR Exh. A-1, p. 58; ORA Exh. O-1, Ch. 2, Table 2-4.

3.4 Unaccounted for Water (Irrigation System)

AVR WATER REQUEST:

AVR requests unaccounted for water of 79.6% based on the latest information available at the time AVR's application was prepared.

ORA POSITION:

ORA recommends unaccounted for water of 76.5% based on the updated, most recent two-year recorded average (2012 – 2013).

RESOLUTION:

The Parties agree that the loss of water experienced by the Irrigation system results from evaporation and seepage in the lake and return flow to the river, and is largely weather-related. The Parties agree that a longer-term average would be more appropriate for the estimate for the Irrigation system. ORA and AVR agree to use AVR's recommended 5-year (2009 – 2013) average in its rebuttal for unaccounted for water estimate of 78.2% as set forth in the tables below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Unaccounted For Water	79.6%	76.5%	3.1%	78.2%

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Unaccounted For Water	79.6%	76.5%	3.1%	78.2%

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Unaccounted For Water	79.6%	76.5%	3.1%	78.2%

REFERENCES: AVR Exh. A-1, p. 59; ORA Exh. O-1, Ch. 2, Table 2-4.

3.5 Total Water Supply

AVR WATER REQUEST:

The total water supply represents the sum of water sales and unaccounted for water.

ORA RECOMMENDATION:

ORA finds AVR's methodology of total water supply to be reasonable. The original differences between AVR's and ORA's estimates resulted from different estimates of customers, consumption per customer, and unaccounted for water.

RESOLUTION:

With the resolution of customers (Section 3.1), consumption per customer (Section 3.2), and unaccounted for water (Section 3.3), there is no difference in the estimates of total water supply. The Parties agree on the total water supply as set forth in the tables below.

Test Year 2015

Total Water Supply (Ccf)	AVR Original	ORA Original	Difference	Settlement
Residential	3,580,135	3,555,152	24,982.6	3,556,521
Commercial	808,526	804,828	3,698	797,967
Industrial	1,261	1,282	(20.8)	1,282
Public Authority	288,783	288,783	00.0	286,232
Irrigation Pressure	294,175	266,596	27,579.0	266,634
Private Fire Service	2,173	1,642	531	1,809
Public Authority Irrigation	26,825	26,825	00.0	26,825
Apple Valley Golf Course	122,164	126,540	(4,376.0)	126,540
Temporary Construction	8,921	7,056	1,864.9	8,811
Total Domestic Sales	5,132,964	5,078,703	54,260	5,072,621
Unaccounted for Water (settled) (6%)	386,352	272,933	113,418	323,784
Irrigation Gravity	456,275	443,715	12,560	456,275
Unaccounted for Water (settled) (78.2%)	1,780,367	1,444,433	335,933	1,636,729
Total Water Supply	7,755,957	7,239,785	516,171	7,489,409

Escalation Year 2016

Total Water Supply (Ccf)	AVR Original	ORA Original	Difference	Settlement
Residential	3,608,411	3,593,649	14,761.8	3,586,134
Commercial	813,861	812,387	1,473.8	804,403
Industrial	1,261	1,282	(20.8)	1,282
Public Authority	291,338	287,505	3,833.4	288,787
Irrigation Pressure	302,580	271,414	31,166.0	271,453
Private Fire Service	2,309	1,696	612.8	1,870
Public Authority Irrigation	26,825	26,825	00.00	26,825
Apple Valley Golf Course	122,164	126,540	(4,376.0)	126,540
Temporary Construction	8,921	7,056	1,864.9	8,811
Total Domestic Sales	5,177,671	5,128,355	49,316	5,116,104
Unaccounted for Water (settled) (6%)	389,717	275,602	114,115	326,560
Irrigation Gravity	456,275	443,715	12,560	456,274.90
Unaccounted for Water (settled) (78.2%)	1,780,367	1,444,434	335,933	1,636,729
Total Water Supply	7,804,030	7,292,105.	511,924	7,535,668.48

Escalation Year 2017

Total Water Supply (Ccf)	AVR Original	ORA Original	Difference	Settlement
Residential	3,636,687	3,632,146	4,541.1	3,615,747
Commercial	819,196	819,947	(751.2)	810,838
Industrial	1,261	1,282	(20.8)	1,282
Public Authority	293,894	291,338	2,555	291,343
Irrigation Pressure	310,985	276,232	34,753.0	274,665
Private Fire Service	2,445	1,751	693	1,930
Public Authority Irrigation	26,825	26,825	00.00	26,825
Apple Valley Golf Course	122,164	126,540	(4,376.0)	126,540
Temporary Construction	8,921	7,056	1,864	8,811
Total Domestic Sales	5,222,379	5,183,118	39,260	5,157,981
Unaccounted for Water (settled) (6%)	393,082	278,545	114,537	329,233
Irrigation Gravity	456,275	443,715	12,560	456,274
Unaccounted for Water (settled) (78.2%)	1,780,367	1,444,434	335,933	1,636,729
Total Water Supply	7,852,103	7,349,811	502,291	7,580,218

REFERENCES: AVR Exh A.-1, p. 58 - 59; ORA Exh. O-1, Appendix A-8 – A-9.

3.6 Present Rate Revenues

AVR WATER REQUEST:

Revenue at present rates consists of Service Charge Revenue, Commodity Charge Revenue, and Miscellaneous Revenue. Service Charge Revenue is based on the number of customers multiplied by the appropriate tariff. Commodity Charge Revenue is calculated by multiplying the number of customers by their applicable water use and appropriate tariff.

ORA POSITION:

ORA finds AVR's methodology to be reasonable and recommends the use of the methodology to estimate operating revenues at present rates.

RESOLUTION:

With the resolution of the customer issue (Section 3.1) and the resultant change in total water supply (Section 3.5) the Parties agree on the present rate revenues as set forth in the table below. The Parties further agree to increase the Miscellaneous Revenue to $17,000 (from $1,700) consistent with the agreement on Affiliated Transactions (Section 13.0).

Test Year 2015

Metered Revenues ($)	AVR Original	ORA Original	Difference	Settlement
Residential	14,826,176	14,767,410	58,765.8	14,752,278
Commercial	3,399,105	3,406,266	(7,160)	3,370,132
Industrial	5,105	5,162	(57)	5,105
Public Authority	975,827	967,191	8,635.6	967,203
Private Fire	348,790	307,756	41,034.2	306,474
Public Authority Irrigation	35,268	35,268	00.00	35,267
Irrigation Pressure	1,020,145	933,518	86,627	933,623
Gravity Irrigation	196,700	192,380	4,320	196,700
Apple Valley Golf Course	112,084	115,854	(3,769)	115,854
Temporary Construction	57,644	52,526	5,117	57,341
Miscellaneous Revenue	46,693	46,693	00.00	46,693
Total Revenue	21,023,537	20,830,023	43,353	20,786,670

REFERENCES: AVR Exh. A-1, Ch. III, Table III-4, p. 35; ORA Exh. O-1, Appendix A-10.

4.0 CUSTOMER SERVICE

ORA RECOMMENDATION:

Based upon its review of AVR's application and responses to data requests, ORA finds AVR's customer service to be acceptable.

AVR WATER RESPONSE:

AVR agrees with ORA's findings.

RESOLUTION:

The Parties recommend that the Commission find AVR's customer service to be satisfactory.

REFERENCES: AVR Exh. A-1, pp. 11 -12.; ORA Exh. O-1, Ch. 11.

5.0 OPERATIONS AND MAINTENANCE

5.1 Expense Estimating Methodology

AVR WATER REQUEST:

In general, AVR's expense estimates were based on a five-year average of recorded expenses (2009 – 2013) escalated to the test year. The 2013 data used by AVR were partially estimated because that was the most current data available to AVR at the time its application was prepared. AVR provided ORA with an update of the recorded 2013 data and an updated five-year average of recorded expense (2009 – 2013) from which ORA's estimates are based.

ORA POSITION:

Where appropriate, ORA's estimates are based on a five-year average of recorded expense (2009 – 2013) that includes recorded year 2013 data.

RESOLUTION:

AVR agrees with ORA's use of the updated averages in those areas where a five-year average is the most reasonable way of estimating costs. The Parties agree to use the updated information for recorded year 2013 when a five-year average methodology is used to estimate expenses.

REFERENCES: AVR Exh. A-1, p. 40; ORA Exh. O-1, pp. 3-1 – 3-2.

5.2 Escalation Factors

AVR WATER REQUEST:

AVR proposed labor escalation factors of 3.0% for 2014 and 3.0% for Test Year 2015. AVR proposed non-labor escalation factors of 3.0% for 2014 and 3.0% for Test Year 2015.

ORA POSITION:

For labor, ORA used the Labor Index as provided by ORA's ECOS memorandum dated March 25, 2014, resulting in an escalation factor of 1.7% for 2014 and 1.7% for 2015. ORA used a 60/40 weighting of the Non-Labor Index and the Compensation Per Hour Index resulting in a composite escalation factor of 2.0% for 2014 and 2.3% for Test Year 2015.

RESOLUTION:

The Parties agree to use the latest ORA's ECOS memorandum, which is the June 17, 2014 memorandum. The Parties agree to use a labor escalation factor of 1.5% for 2014 and 1.9% for Test Year 2015. The Parties agree to use composite escalation factors of 2.00% for 2014 and 2.00% for Test Year 2015 based on the 60/40 weighting of the Non-Labor Index and the Compensation Per Hour Index as provided by ORA's ECOS memorandum.

Year 2014

	AVR Original	ORA Original	Difference	Settlement
Labor	3%	1.5%	1.5%	1.5%
Composite	3%	2.0%	1.0%	2.0%
CPI	3%	1.5%	1.5%	1.5%

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Labor	3%	1.3%	1.7%	1.9%
Composite	3%	2.3%	0.7%	2.0%
CPI	3%	1.3%	1.7%	1.9%

REFERENCES: AVR Exh. A-1, p. 35, p. 40; ORA Exh. O-1, pp. 3-1 – 3-2.

5.3 O&M Payroll Expense

AVR WATER REQUEST:

AVR's payroll estimate for 2014 is based on employees' hourly rates in effect at the end of 2013 with the estimated 2014 COLA increase and estimates of merit and promotional salary adjustments to be granted and overtime during 2014. The payroll estimate for Test Year 2015 is similarly estimated beginning with the hourly rates expected at the end of year 2014.

ORA POSITION:

ORA used the same methodology as AVR to estimate the payroll expense except that ORA recommends elimination of AVR's proposed merit increase budget for 2015.

RESOLUTION:

ORA and AVR agree to the payroll costs set forth in the tables below. Without reaching any specific agreement on the issues of COLA and merit budget, the Parties agree to calculate payroll using ORA's proposed end-of-year 2014 pay rates with an increase of 2.6% for 2015. The Parties disagree on the issue of merit salary adjustments and agree to the payroll expense as set forth in the table below. The Parties agree that payroll expense for the escalation years 2016 and 2017 will be calculated according to the Escalation Year methodology in the Rate Case Plan.

	AVR Original	ORA Original	Difference	Settlement
Payroll Operations	$837,851	$823,965	$13,886	$834,443
Payroll Customers	$506,633	$498,085	$8,548	$504,509
Payroll Maintenance	$437,181	$429,856	$7,325	$435,255
Payroll Clearings	$ 122,904	$120,856	$2,048	$122,404
Total O & M Payroll	$1,904,569	$1,872,762	$31,807	$1,896,611

REFERENCES: AVR Exh. A-1, pp. 35-39, AVR Exh. A-2, p. 5, AVR Exh. A-17, 5-8,; ORA Exh. O-1, pp. 4-2 – 4-7.

5.4 Purchased Power

AVR WATER REQUEST:

AVR requests $1,030,017 for Test Year 2015 in purchased power expense based on its proposed production in Test Year 2015 and the unit cost of pumping based on a three-year average (2010 – 2012) of kilowatt hour per cubic foot pumped for each well and booster pump.

ORA POSITION:

ORA finds AVR's purchased power estimating methodology reasonable. Differences in the Parties' original estimates were a function of the Parties' different estimates of total production, which resulted from the difference in customers (Section 3.1), consumption (Section 3.2) and unaccounted for water (Section 3.3).

RESOLUTION:

With the resolution of the total water supply (Section 3.5), ORA and AVR agree on purchased power as set forth below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Purchased Power	$1,030,017	$1,010,269	$5,313	$1,015,582

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Purchased Power	$1,035,678	$1,016,436	$19,242	$1,021,030

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Purchased Power	$1,041,340	$1,023,227	$18,113	$1,026,276

REFERENCES: AVR Exh. A-1, p. 45; ORA Exh. O-1, p. 3-3.

5.5 Replenishment Assessment

AVR WATER REQUEST:

AVR requests $104,984 for Test Year 2015 in replenishment assessments (Administrative Assessment, Biological Assessment, and the Makeup Assessment) based on its proposed production in Test Year 2015 and the current unit costs per acre-foot rates.

ORA POSITION:

ORA finds AVR's replenishment assessment methodology reasonable. The Parties used the same methodology and the same per acre-foot rates. The difference in the Parties' original estimates were a function of the Parties' different estimates of total water supply (Section 3.5) resulting from the difference in customers, consumption and unaccounted for water.

RESOLUTION:

The Parties agree that the Replenishment Assessment should be based on an estimate of total water production and the uncontested per acre-foot rates. ORA and AVR agree on replenishment assessment as set forth below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Admin/Biological	$55,244	$53,567	$1,677	$54,017
Makeup	$49,740	$49,740	$0	$49,740
Total Replenishment	$104,984	$103,307	$1,677	$103,757

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Admin/Biological	$55,725	$54,090	$1,635	$54,480
Makeup	$49,740	$49,740	$0	$49,740
Total Replenishment	$105,465	$103,830	$1,635	$104,220

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Admin/Biological	$56,206	$54,526	$1,680	$54,926
Makeup	$49,740	$49,740	$0	$49,740
Total Replenishment	$105,946	$104,226	$1,720	$104,666

REFERENCES: AVR Exh. A-1, pp 46-47, Table IV-C, p. 56; ORA Exh. O-1, p. 33-34.

5.6 Leased Water Rights

AVR WATER REQUEST:

AVR requests $963,849 for Test Year 2015 in leased water rights based on AVR's proposed production of 11,271 acre-feet less the adjusted free production allowance of 8,751 acre-feet and based on the current lease rate of $382.50 per acre-foot.

ORA POSITION:

ORA found AVR's estimate of leased water rights expense acceptable. The Parties used the same methodology and the same per acre-foot rate to calculate the Leased Water Rights expense.

RESOLUTION:

The Parties agree that the Leased Water Rights expense should be based on an estimate of total water production less the adjusted Free Production Allowance and the uncontested per acre-foot rates. ORA and AVR agree on Leased Water Right expense as set forth below.

	AVR Original	ORA Original	Difference	Settlement
Leased Water Rights	$963,849	$834,735	$29,215	$863,950

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Leased Water Rights	$1,007,055	$875,663	$131,392	$909,721

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Leased Water Rights	$1,044,620	$908,175	$136,445	$944,400

REFERENCES: AVR Exh. A-1, pp. 47-48; ORA Exh. 1, pp. 3-3 – 3-4.

5.7 Chemicals

AVR WATER REQUEST:

AVR requests chemicals expense of $21,954 for Test Year 2015 based on the five-year average of recorded expense.

ORA POSITION:

ORA finds AVR's methodology to estimate chemicals reasonable. There are no methodological differences between ORA's and AVR's estimates of chemicals. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded information for 2013.

RESOLUTION:

Based on the agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2) ORA and AVR agree on chemicals, as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Chemicals	$ 21,954	$20,959	$995	$21,771

REFERENCES: AVR Exh. A-1 p 54; ORA Exh. O-1, p. 3-4.

5.8 Operations Other

AVR WATER REQUEST:

AVR requests $157,300 for Test Year 2015 for the expense category of Operations – Other based on the five-year average (2009 – 2013) of recorded expenses with the exception of the Groundskeeping-Pump Miscellaneous and Water Treatment Laboratory Costs sub-accounts, where AVR used specific expense estimates. For Groundskeeping-Pump Miscellaneous, AVR's estimates were based on the recorded 2013 costs escalated to Test Year 2015 to reflect current activity levels. For water quality laboratory expense, AVR's estimate is based on a three-year average of the required testing requirements for 2015, 2016 and 2017.

ORA POSITION:

ORA's estimate is based on the five-year average of recorded expenses for all line items in this expense category.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use AVR's application amounts for Groundskeeping-Pump Miscellaneous and Water Treatment Laboratory Costs. The other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Groundskeeping-Pump Misc.	$6,103	$1,765	$4,338	$6,044
Water Treatment Laboratory	$54,847	$50,497	$3,990	$54,847
Other	$96,710	$106,731	($10,021)	$94,271
Total Operations Other	$157,300	$158,993	($3,831)	$155,162

REFERENCES: AVR Exh. A-1, p. 40; ORA Exh. O-1, pp. 3-2 – 3-3.

5.9 Customer Other (excluding conservation)

AVR WATER REQUEST:

AVR requests $245,009 for Test Year 2015 for the expense category of Customer – Other based on the five-year average (2009 – 2013) of recorded expenses with the exception of the Customer-Billing & Related, Data Services, and Collection Agency sub-accounts, where AVR used specific expense estimates to reflect current activity levels.

ORA POSITION:

ORA's estimate is based on the five-year average of recorded expenses for all line items in this expense category.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use AVR's application amounts for Customer-Billing & Related, Data Services, and Collection Agency. The other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Customer-Billing & Related	$80,262	$67,636	$12,626	$79,482
Data Services	$1,306	$991	$315	$1,293
Collection Agency	$8,372	$6,337	$2,035	$8,291
Other	$155,069	$130,987	$24,082	$148,883
Total Customers Other	$245,009	$205,951	$39,058	$237,949

REFERENCES: AVR Exh. A-1, p. 40; ORA Exh. O-1, p. 3-5.

5.10 Uncollectibles

AVR WATER REQUEST:

AVR's estimate is based on a five-year average of recorded uncollectible expense (2007 – 2012).

ORA POSITION:

ORA finds AVR's methodology reasonable and recommends that the Commission adopt AVR's estimated uncollectible percentage (0.48%). There are no methodological differences between the Parties' estimates of uncollectible expense. The original differences between AVR's and ORA's estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree to calculate the uncollectible expense consistent with the resolution of all issues (e.g., revenue, expense, utility plant).

REFERENCES: AVR Exh. A-1, p. 42; ORA Exh. O-1, p. 3-6.

5.11 Maintenance Other

AVR WATER REQUEST:

AVR requests $620,993 for Test Year 2015 for the expense category of Maintenance – Other based on the five-year average (2009 – 2013) of recorded expenses with the exception of the Paint/Coat-Pump Mt Str/Imp, Paint/Coat-T&D Mt Hydrants, and Other-T&D Mt. Meters, where AVR used specific expense estimates to reflect current activity levels.

ORA POSITION:

ORA's estimate is based on the five-year average of recorded expenses for all line items in this expense category and different escalation factors.

RESOLUTION:

The Parties agree to use AVR's application amounts for Paint/Coat-Pump Mt Str/Imp, Paint/Coat-T&D Mt Hydrants, and Other-T&D Mt. Meters. The other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Maintenance Other	$620,993	$664,999	$44,006	$617,036

REFERENCE: AVR Exh. A-1, p. 41; ORA Exh. O-1, p. 3-5.

5.12 Depreciation Clearing

AVR WATER REQUEST:

AVR requests $264,177 for Test Year 2015 for depreciation clearing based on its proposed depreciation rates (Section 10.1) and projected balances of utility plant in service.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between the Parties' estimates. The original differences between AVR's and ORA's estimates resulted from different estimates of utility plant in service. With the resolution of utility plant in service (Section 9.0), there is no difference between the Parties' estimates.

RESOLUTION:

The Parties agree to the depreciation clearing expense, as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Depreciation Clearings	$264,177	$239,800	$ 24,377	$241,905

REFERENCES: AVR Exh. A-1, Ch. VII, p. 108; ORA Exh. O-1, p. 3-5.

5.13 Clearings Other

AVR WATER REQUEST:

AVR requests $217,979 for Test Year 2015 for Clearings – Other based on its projected payroll costs and the five-year average (2009 – 2013) of recorded expenses.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between ORA and AVR. The original differences between ORA's and AVR's estimates resulted from different estimates of payroll and the use of recorded data from 2013.

RESOLUTION:

With the resolution on escalation factors (Section 5.2), expense estimating methodology (Section 5.1), and payroll (Section 5.3) the Parties agree Clearings Others, as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Clearings Other	$217,979	$207,612	$10,367	$206,287

REFERENCES: AVR Exh. A-1, p. 41; ORA Exh. O-1, pp. 3-5 – 3-6.

5.14 Payroll Clearings

AVR WATER REQUEST:

AVR requests $122,904 for Test Year 2015 for Payroll – Clearings based on its projected payroll costs.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between ORA and AVR. The original differences between ORA's and AVR's estimates resulted from different estimates of payroll.

RESOLUTION:

With the resolution on the payroll (Section 5.3) the Parties agree on Clearings Others, as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Payroll Clearings	$122,904	$120,856	$2,048	$122,404

REFERENCES: AVR Exh. A-1, p. 41; ORA Exh. O-1, p. 4-7.

6.0 ADMINISTRATIVE AND GENERAL

6.1 Payroll

AVR WATER REQUEST:

The contested issues are the same as identified in Section 5.3 above (O&M Payroll). The PTO, Holiday, etc. portions of those employee's payroll is included in A&G payroll. The Parties agreement on A&G payroll is based upon the reasons provided in Section 5.3.

RESOLUTION:

The resolution is the same as identified and explained in Section 5.3. ORA and AVR agree on payroll as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
A & G Payroll	$1,616,364	$1,590,294	$26,070	$1,609,905

REFERENCES: AVR Exh. A-1, pp. 35-39; ORA Exh. O-1, pp. 4-1 – 4-7.

6.2 PBOP

AVR/PARK WATER REQUEST:

AVR requests $41,547 in Post-retirement Health and Life Benefits (PBOP) for Test Year 2015 based on the allowable tax deductible contributions to the VEBA and 401(h) plans according to the actuarial valuation of AVR's Post-retirement Benefits by its outside actuary. For plan year 2014, AVR has modified the PBOP plan such that the benefit offered to retirees 65 and over will

be limited to a Medical Reimbursement Account. The same methodology was used to calculate Park's General Office estimate of $52,732 for Test Year 2015.

ORA POSITION:

ORA finds AVR's methodology to estimate PBOP acceptable. ORA's estimate reflects corrections to AVR's application request for the key employee component of PBOP provided by AVR in response to discovery requests. ORA recommends $35,597 for AVR and $61,301 for Park's General Office.

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use the amounts in ORA's testimony as shown in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
PBOP – AVR	$41,547	$35,597	$5,950	$35,597
PBOP – Park	$52,732	$61,301	($8,569)	$61,301

REFERENCES: AVR Exh A.-1, pp. 51, AVR Exh. A-2, p. 9, AVR Exh. A-11, p. 3; ORA Exh.-1, pp. 5-3 – 5-4.

6.3 Medical Insurance

AVR/PARK WATER REQUEST:

AVR requests $605,868 for Test Year 2015 in Medical insurance premiums based on the projected premiums to be in effect as of January 1, 2014, projected premium increase of 7.25% for 2015 and the projected payroll for the Test Year. The increase in premium for 2015 is based on the projected increase in medical costs used by AVR's outside actuaries for calculation of AVR's Postretirement Health and Life Benefits 2013 Actuarial Valuation. The same methodology was used to calculate Park's General Office estimate of $428,136 for Test Year 2015.

ORA POSITION:

ORA recommends $596,220 in Medical Insurance for AVR and $421,440 for Park's General Office for Test Year 2015 based on the actual premiums in effect as of January 1, 2014, and escalated that amount using a 5.5% inflation factor from the March 2014 Global Insight U.S. Economic Outlook (Health Insurance Benefits).

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use the amounts below using the agreed to escalation factor of 7.25%.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Medical Insurance - AVR	$605,868	$596,220	$12,648	$605,964
Medical Insurance - Park	$428,136	$421,440	$6,696	$428,304

REFERENCES: AVR Exh. A-1, pp. 50, AVR Exh. A-2, pp. 8-9, AVR Exh. A-11, pp. 3-4; ORA Exh.-1, p. 5-4.

6.4 Dental Insurance

AVR/PARK WATER REQUEST:

AVR requests $47,796 for Test Year 2015 in Dental insurance premiums based on the projected premiums to be in effect as of January 1, 2014, projected premium increase of 5.0% for 2015 and the projected payroll for the Test Year. The increase in premium for 2015 is based on the projected increase in dental costs used by AVR's outside actuaries for calculation of AVR's Postretirement Health and Life Benefits 2013 Actuarial Valuation. The same methodology was used to calculate Park's General Office estimate of $29,916 for Test Year 2015.

ORA POSITION:

ORA finds the methodology used by AVR to calculate the Dental Insurance reasonable.

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to use the amounts below based on ORA's estimates.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Dental Insurance - AVR	$47,796	$46,332	$1,464	$46,332
Dental Insurance - Park	$29,916	$28,908	$1,008	$28,908

REFERENCES: AVR Exh. A-1, p. 50, AVR Exh. A-11, p. 5; ORA Exh.-1, p. 5-4.

6.5 401(K) Plan

AVR/PARK WATER REQUEST:

AVR requests $79,261 for Test Year 2015 based on the actual employee's elections to be in effect on January 1, 2014 and the projected payroll for Test Year 2015. The same methodology was used to calculate Park's General Office estimate of $134,672 for Test Year 2015.

ORA POSITION:

ORA recommends $69,720 in 401(K) expense for AVR and $113,421 for Park in Test Year 2015 based on the five-year (2009 – 2013) average of recorded expenses.

RESOLUTION:

As a result of further discussions and settlement negotiations, the Parties agree to recalculate the test year expense using the methodology contained in AVR's application, using AVR's estimated participation levels and incorporating the stipulated payroll.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
401(K) - AVR	$79,261	$69,720	$9,541	$78,927
401(K) – Park	$134,672	$113,421	$20,691	$134,112

REFERENCES: AVR Exh. A-1, p. 51, AVR Exh. A-11, pp. 5-6; ORA Exh.-1, pp. 5-4 – 5-5.

6.6 EAP/Wellness Program

AVR/PARK WATER REQUEST:

AVR requests $22,269 for Test Year 2015 based on its budgeted amount for its new Wellness program. The same methodology was used to calculate Park's General Office estimate of $11,495 for Test Year 2015.

ORA POSITION:

ORA recommends $5,351 in EAP/Wellness expense for AVR and $4,224 for Park based on the five-year (2009 – 2013) recorded average of expenses.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to the amounts in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
EAP/Wellness - AVR	$22,269	$5,351	$16,918	$10,702
EAP/Wellness - Park	$11,495	$4,224	$7,271	$8,448

REFERENCES: AVR Exh. A-2, pp. 10-11 AVR Exh. A-19, pp. 5-9; ORA Exh.-1, pp. 5-5 – 5-6.

6.7 Defined Contribution 401(A) Plan

AVR/PARK WATER REQUEST:

AVR requests $77,276 for Test Year 2015 for the defined contribution 401(A) plan based on the number of employees eligible for the plan, the projected cost per employee, and the projected increase of 3% for both 2014 and Test Year 2015. The same methodology was used to calculate Park's General Office estimate of $51,517 for Test Year 2015.

ORA POSITION:

ORA recommends $56,632 in 401 (A) expense for AVR and $29,745 for Park based on the five-year (2009 – 2013) recorded average of expenses.

RESOLUTION:

After further discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to recalculate the test year expense using the methodology contained in AVR's application incorporating the stipulated payroll expense.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
401(A) – AVR	$77,276	$56,632	$20,644	$76,789
401(A) – Park	$51,517	$29,745	$21,772	$51,193

REFERENCES: AVR Exh. A-1, p. 51, AVR Exh. A-11, pp. 7-8; ORA Exh. O-1, p. 5-6.

6.8 Irrigation Net Benefits Adjustment

AVR WATER REQUEST:

AVR requests $2,063 for Test Year 2015 of Irrigation Net Benefits Adjustment based on the projected payroll and applicable payroll burden rate for the Irrigation system.

ORA POSITION:

ORA finds AVR's methodology to estimate the Irrigation Net Benefits Adjustment acceptable. There are no methodological differences between ORA and AVR.

RESOLUTION:

With the resolution of payroll (Section 5.3), the Parties agree to the Irrigation Net Benefits Adjustment as shown below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Net Benefits Adjustment	$2,063	$2,030	$33	$2,056

REFERENCES: AVR Exh. A-1, p. 49; ORA Exh.-1, p. 5-6.

6.9 Insurance

AVR WATER REQUEST:

AVR requests $662,982 for Test Year 2015 in total insurance expense based on the projected premiums and projected payroll for the test year.

ORA POSITION:

ORA finds AVR's methodology acceptable. There are no methodological differences between ORA and AVR. The original differences between ORA and AVR are due to differences in the estimates of payroll. With the resolution of payroll (Section 5.3) there are no longer any differences in the Parties' position.

RESOLUTION:

Based on settlement discussions and review of AVR's rebuttal testimony, the Parties agree to use AVR's application amounts, adjusted to reflect the settlement on payroll, except that the expense category of Workers' Compensation Insurance will be recalculated using a 10% increase in premium.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Insurance	$662,982	$644,088	$18,894	$662,407

REFERENCES: AVR Exh. A-1, pp. 49-50, AVR Exh. A-11, pp. 2-3; ORA Exh. O-1, p. 3-11.

6.10 Uninsured Property Damage

AVR WATER REQUEST:

AVR requests $8,785 based on the five-year (2009 – 2013) average of recorded expenses.

ORA POSITION:

ORA found AVR's methodology for estimating uninsured property damage expense to be reasonable. There are no methodological differences between the Parties except that ORA used the updated recorded information for 2013.

RESOLUTION:

As a result of the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2), the Parties agree on the uninsured property damage expense as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Uninsured Property Damage	$ 8,785	$8,717	$ 68	$8,766

6.11 Regulatory Commission Expense

AVR WATER REQUEST:

AVR requests total regulatory commission expense of $486,911 amortized over three years, resulting in an annual expense of $162,304. AVR's estimate of regulatory commission expense is based on the actual recorded costs of AVR's prior general rate case (Test Year 2012) and one-third of the total costs incurred in the current base year 2013 cost of capital proceeding (D.13-05-027), escalated to current-year dollars. In addition, Park projects $16,500 of customer notices associated with the low-income data sharing program, $50,796 for the Asset Management Report associated with main replacements, $8,765 for WRAM and Sales Adjustment Mechanism testimony and $15,187 for a total compensation study required by D.12-09-004.

ORA POSITION:

ORA found AVR's methodology for estimating regulatory commission expense to be reasonable except that ORA disallowed the outside consulting costs associated with the WRAM and Sales Adjustment Mechanism, Asset Management Report for main replacements, and the Total Compensation Study.

RESOLUTION:

As a result of additional discussions, settlement negotiations and review of AVR's rebuttal testimony, the Parties agree to recalculate the test year expense using the methodology contained in AVR's application. The Parties agree to the regulatory commission expense as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Regulatory Commission Expense	$162,304	$131,341	$30,963	$159,307

REFERENCES: AVR Exh. A-1 p. 52, AVR Exh. A-16, pp. 3-6; ORA Exh. O-1, p. 3-12.

6.12 Franchise Requirements

AVR WATER REQUEST:

AVR's estimate is based on a five-year average of recorded franchise expense (2007 – 2012).

ORA POSITION:

ORA finds AVR's methodology reasonable and recommends that the Commission adopt AVR's estimated franchise requirements (0.97%). There are no methodological differences between the Parties' estimate of franchise expense. The original differences between AVR's and ORA's estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree to calculate the franchise requirements consistent with the resolution of all issues (e.g., revenue, expense, utility plant).

REFERENCES: AVR Exh. A-1, p. 53; ORA Exh. O-1, p. 3-13.

6.13 Outside Services

AVR WATER REQUEST:

AVR requests $261,181 for Test Year 2015 for outside – services based on a five-year average of recorded expenses (2009 – 2013) except for the sub-accounts of Safety Consulting and Other General Consulting where specific estimates were added to the five-year average of recorded expenses. For Safety Consulting, AVR requests to conduct an Arc Flash Hazard Assessment, a Vulnerability/Mitigation Study for natural disasters, and a Water Supply Evaluation. For Other General Consulting, AVR requests to utilize Public Relations consultants for the development of customer messaging and also proposed to conduct a 360 Leadership Feedback review for its supervisors and managers to improve performance.

ORA POSITION:

ORA recommends $230,307 for Test Year 2015 based on the five-year average of recorded expenses (2009 – 2013), with the exception of the expense category of Insurance consulting that was based on the two-year average of recorded expenses (2012 – 2013) and the removal of studies and assessments requested by AVR. ORA disallows the Arc Flash Hazard Assessment, the Vulnerability/Mitigation Study, and the Water Supply Evaluation portions from Safety Consulting and the Public Relations Consulting and 360 degree leadership Feedback from the Other General Consulting.

RESOLUTION:

After further discussions, settlement negotiations and review of AVR's rebuttal testimony, the Parties agree to include AVR's application amount for Safety Consulting with the exception of Water Supply Evaluation ($7,000), which AVR agrees with ORA's recommendation to remove. For Other General Consulting, AVR agrees with ORA's recommendation to remove the outside services cost associated Public Relations Consulting ($3,500) and 360 Leadership Feedback ($12,000). The Parties agree on the outside services expense as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Audit/ Income Tax	$86,820	$85,833	$987	$85,893
Legal	$49,942	$47,707	$2,235	$47,983
Safety	$15,667	$0	$15,667	$13,333
Water Quality	$4,365	$2,468	$1,897	$2,482
Benefits	$2,102	$2,012	$0	$2,024
Insurance	$46,972	$46,383	$589	$46,470
Other General	$55,313	$45,903	$9,410	$46,168
Total	$261,181	$230,307	$30,874	$244,353

REFERENCES: AVR Exh. A-1, pp. 51-52, AVR Exh A.-12, pp. 12-13, AVR Exh. A-19, pp. 2-4, AVR Exh. A-9, pp 4-7; ORA Exh. O-1, pp. 3-13 – 3-15.

6.14 A&G Other

AVR WATER REQUEST:

AVR requests $514,452 for Test Year 2015 for the expense category of A&G Other. AVR's estimate is based on five-year average of recorded expenses (2009 – 2013) except for Temporary Labor, Leased Lines, Travel, Lodging and Miscellaneous, Meals and Entertainment, Registration, Other Administrative General, Company Membership, Emergency Preparedness Supplies, and the Corporate A&G Allocation where AVR used budgeted amounts to reflect current activity levels.

ORA POSITION:

ORA's estimate of $451,471 is based on a five-year average of recorded expense (2009 – 2013) using the updated recorded information for 2013 with the exception of Temporary Labor and Leased Lines where ORA accepts AVR's specific expense estimates. ORA recommends disallowance of the cellular expense of $2,802 associated with AVR changing carriers from Nextel to Verizon in 2012. ORA recommends disallowance of the company membership of $4,271 associated with Apple Valley Chamber of Commerce, Costco, High Desert Employer

Advisory Council, and the Climate Action Registry. ORA recommends the disallowance of $25,000 associated with the ESRI Enterprise Advantage Program. ORA recommends disallowance of $1,498 associated with the Emergency Preparedness Supplies.

ORA finds Park's methodology for the Corporate A&G allocation reasonable. There are no methodological differences between AVR's and ORA's estimates. The original differences between AVR's and ORA's estimates resulted from different estimates of payroll. With the resolution of the payroll there is no longer any difference between the Parties' positions.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to the amounts shown in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Nextel	$2,886	$0	$2,886	$2,835
Travel	$24,280	$18,280	$6,000	$23,455
Meals	$20,801	$14,401	$6,400	$17,842
Registration	$22,297	$19,715	$2,582	$20,846
Other Admin General	$69,831	$36,755	$33,076	$65,169
Company Membership	$61,477	$57,206	$4,271	$57,179
Emergency Kits	$1,504	$0	$1,504	$1,489
A&G Allocation	$41,970	$41,302	$ 668	$ 41,827
Other	269,406	263,812	5,594	$265,371
Total	$514,452	$451,471	$62,981	$496,013

REFERENCES: AVR Exh. A-1, pp. 52-53, AVR Exh. A-12, pp. 13-17; ORA Exh. O-1, pp. 3-15 – 3-18.

6.15 A&G Transferred

AVR WATER REQUEST:

AVR requests ($637,345) for Test Year 2015 for the A&G transferred credit based on in its proposed capital expenditures.

ORA POSITION:

ORA accepts the methodology used by AVR in its application. There are no methodological differences between ORA and AVR. The original differences between AVR's and ORA's estimates resulted from different estimates of capital expenditures.

RESOLUTION:

The Parties agree to the amounts shown in the below table incorporating the adopted plant additions as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
A&G Transferred Credit	($637,345)	($184,846)	($452,499)	($414,181)

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
A&G Transferred Credit	($675,196)	($184,121)	($491,075)	($426,302)

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
A&G Transferred Credit	($713,048)	($183,397)	($529,651)	($438,422)

REFERENCES: AVR Exh A.-1, Ch. IV, Table IV-B; ORA Exh. O-1, p. 3-18.

6.16 Rents

AVR WATER REQUEST:

AVR requests $17,281 for Test Year 2015 for rents based on the five-year average of recorded expense.

ORA POSITION:

ORA finds AVR's methodology to estimate rents reasonable. There are no methodological differences between ORA's and AVR's estimates of rents. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded information for 2013.

RESOLUTION:

Based on the agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2) ORA and AVR agree on rents as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Rents	$17,281	$16,711	$570	$16,809

REFERENCES: AVR Exh. A-1, p. 49; ORA Exh. O-1, p. 3-18.

6.17 Depreciation Expense

AVR WATER REQUEST:

AVR's estimate of depreciation expense for Test Year 2015 is based on its proposed depreciation rates and capital expenditures.

ORA POSITION:

ORA accepts AVR's proposed depreciation rates in its Application. There are no methodological differences between AVR and ORA. The original differences between AVR's and ORA's estimates of depreciation expense resulted from different estimates of utility plant in service.

RESOLUTION:

The Parties agree to calculate depreciation expense incorporating the adopting plant additions as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Depreciation Expense	$3,222,134	$3,001,600	$220,534	$3,205,849

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Depreciation Expense	$3,573,499	$3,096,979	$476,520	$3,427,947

REFERENCES: AVR Exh. A-1, Ch. VII, p. 105; ORA Exh. O-1, Appendix A-20.

7.0 TAXES OTHER THAN INCOME

7.1 Ad Valorem Taxes

AVR WATER REQUEST:

AVR's estimates of ad valorem taxes are based on the methodology used by the San Bernardino County Tax Assessor's Office.

ORA POSITION:

ORA accepts AVR's methodology for estimating ad valorem taxes. The original differences between AVR's and ORA's estimates resulted from differences in estimates of utility plant in service. With the settlement agreement on utility plant in service there is no longer any difference in the Parties' positions.

RESOLUTION:

The Parties agree to estimates of the ad valorem tax as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Ad Valorem Taxes	$573,538	$570,700	$2,838	$586,488

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Ad Valorem Taxes	$674,453	$586,300	$88,153	$657,103

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Ad Valorem Taxes	$809,053	$601,900	$207,153	$731,494

REFERENCES: AVR Exh. A-1, p. 60, AVR Exh. A-2, p. 13; ORA Exh. O-1, p. 6-2.

7.2 Payroll Taxes

AVR WATER REQUEST:

AVR requests $255,673 for Test Year 2015 for payroll taxes based on AVR's projections of payroll tax rates and limits.

ORA POSITION:

ORA accepts AVR's methodology. The original differences between AVR's and ORA's estimates resulted from the differences in the estimates of payroll, and a calculation error in ORA's schedule.

RESOLUTION:

With the settlement on payroll (Section 5.3) there is no longer any difference in the Parties' positions. ORA and AVR agree to the estimates of payroll taxes as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Payroll Taxes	$255,673	$ 264,600	$68,927	$254,736

REFERENCES: AVR Exh. A-1, p. 60, AVR Exh. A-12, p. 18; ORA Exh. O-1, pp. 6-1 – 6-2.

8.0 INCOME TAXES

8.1 Tax Depreciation

AVR WATER REQUEST:

AVR estimates Federal Tax Deprecation of $3,301,715 and State Tax Depreciation of $3,368,641 for Test Year 2015 based on AVR's actual ratemaking depreciation methodology and AVR's proposed plant additions.

ORA POSITION:

ORA accepts the methodology proposed by AVR in its application. There are no methodological differences between ORA's and AVR's estimates of the ratemaking tax depreciation deduction. The original differences between ORA's and AVR's estimates result from the different estimates of plant additions and corrections to ORA's schedule.

RESOLUTION:

The Parties agree that tax depreciation should be calculated using the methodology used in AVR and ORA's estimates consistent with the adopted utility plant as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Federal Tax Depreciation	$3,301,715	$3,261,100	$56,592	$3,410,447
State Tax Depreciation	$3,368,641	$3,186,500	$9,843	$3,324,067

Test Year 2016

	AVR Original	ORA Original	Difference	Settlement
Federal Tax Depreciation	$3,767,375	$3,326,262	$441,113	$3,593,562
State Tax Depreciation	$3,727,058	$3,286,996	$440,062	$3,542,292

REFERENCES: AVR Exh. A-1, pp. 122-123; ORA Exh. O-1, Appendix A-17.

8.2 Interest Expense Deduction

AVR WATER REQUEST:

AVR estimates the interest expense deduction of $2,052,076 for Test Year 2015 based on AVR's authorized weighted cost of long-term debt multiplied by the projected rate base for the test year.

ORA POSITION:

ORA finds AVR's methodology reasonable. There are no methodological differences between the Parties' estimates of the interest expense deduction. The original differences between ORA's and AVR's estimates result from different estimates of rate base.

RESOLUTION:

The Parties agree that the interest expense deduction should be calculated using the methodology used in AVR's and ORA's estimates consistent with the adopted rate base as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Interest Expense	$2,052,076	$1,747,600	$304,476	$1,981,771

Escalation Year 2016

	AVR Original	ORA Original	Difference	Settlement
Interest Expense	$2,436,576	$1,835,500	$601,076	$2,189,190

Escalation Year 2017

	AVR Original	ORA Original	Difference	Settlement
Interest Expense	$2,821,047	$1,923,484	$897,563	$2,396,579

REFERENCES: AVR Exh. A-1, p. 123; ORA Exh. O-1, Appendix A-16.

8.3 Qualified Production Activities Deduction

AVR WATER REQUEST:

AVR estimates the Qualified Production Activities Deduction based on the methodology prescribed by Internal Revenue Code Section 199.

ORA POSITION:

ORA accepts the methodology used by AVR in its Application. The original differences between AVR's and ORA's estimates resulted from the differences in estimates of revenue requirements.

RESOLUTION:

The Parties agree to calculate this income tax deduction based upon the methodology used for preparing AVR's most recent federal tax return (including percentages to determine applicable revenues and deductions). The Parties agree that the QPD tax deduction should be estimated by taking 9% of the production-related portion (37.81%) of AVR's Federal Taxable Income ((Fed. Taxable Income) x .3781 x .09).

REFERENCES: AVR Exh. A-1, p. 123; ORA Exh. O-1, p. 7-5

8.4 ORA Recommendation on American Taxpayer Relief Act of 2012

ORA Recommendation:

ORA recommends that the effects of the American Taxpayer Relief Act of 2012 (2012 ATRA) related to Bonus Depreciation be incorporated into the computation of regulated taxable income and deferred taxes for the years 2012-2015 and that any revenue requirement impact of the

Bonus depreciation in 2013 be captured in the Tax Memorandum Account established by Resolution L-411A. ORA states that it understands that AVR does not oppose this methodology.

AVR WATER POSITION:

AVR opposes this methodology because AVR has not elected to take Bonus Depreciation for 2013 pursuant to 2012 ATRA, so there are no impacts to be incorporated, and the language in 2012 ATRA clarifies that it is a violation of the IRS normalization rules for a regulatory agency to impute bonus depreciation for ratemaking purposes when a utility has elected not to take it. AVR also disagrees that impacts of the 2012 ATRA should be tracked in the memorandum account established by Resolution L-411A because that memorandum account was specifically established to track the impacts of the 2010 Tax Act.

RESOLUTION:

ORA concurs that the inclusion of this recommendation in its final report for AVR was inadvertent and unintended.

REFERENCES: ORA Exh. O-1, p. 7-2; AVR Exh. A-16, p. 12.

9.0 UTILITY PLANT IN SERVICE

9.1 Capital Budgets

AVR WATER REQUEST:

AVR requested total capital budgets of $7,864,013 for 2014, $13,397,801 for 2015, and $14,129,120 for 2016.

ORA POSITION:

ORA recommended capital budgets of $4,319,405 for 2014, $3,895,335 for 2015, and $3,816,548 for 2016.

RESOLUTION:

ORA and AVR have resolved their differences regarding plant additions for 2014, 2015, and 2016. ORA and AVR agree to a capital budget of $7,685,201 for 2014, $8,597,801 for 2015, and $8,852,335 for 2016 as described in more detail below.

REFERENCES: AVR Exh. A-1, p. 63; ORA Exh. O-1, p. 8-3.

9.2 New Well #35

AVR REQUEST:

AVR requests $1,102,546 in 2015 and $1,102,546 in 2016 to construct a new well. The necessity for a new well to meet water system demands was documented in the AVR Technical Report 2013 Update–Analysis of Source and Storage Capacity AVR, Exhibit A-20. The report includes documentation of demands and their variations in the past, estimates of future demands, pumping capacities, well down times, and issues associated with the aging wells in the water system and concludes that a new well is required for the Main Pressure Zone prior to summer of 2016.

ORA POSITION:

ORA recommends that AVR defer the construction of this well because customer usage has been declining in recent years due to conservation and economic conditions.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, ORA and AVR agree to AVR's proposal to construct a new well. The construction of this well will allow AVR to be less dependent on older wells, which are less efficient. AVR estimates annual energy savings of approximately $24,000 (or 160,000 kwhrs) once Well #35 goes into production. Savings in energy costs due to increased efficiency will be captured in AVR's MCBA. The Parties agree on the costs as set forth in the table below.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Well #35	$1,102,546	$0	$1,102,546	$1,102,546

Test Year 2016

	AVR Original	ORA Original	Difference	Settlement
Well #35	$1,102,546	$0	$1,102,546	$1,102,546

REFERENCES: AVR Exh. A-1, pp. 87-88, AVR Exh. A-18, pp. 2-6, AVR Exh. A-20; ORA Exh. 1, pp. 8-3 – 8-12.

9.3 Storage Tank Bell Mountain Pressure Zone

AVR REQUEST:

AVR requests $2,300,000 for a new 1.5 million gallon tank at the Bell Mountain tank site in 2015. The project was proposed to solve existing operational issues, seismic concerns over the existing tank, and improve both fire flow capabilities and water quality as discussed in AVR Exhibit A-22, North Apple Valley Water System Improvement Plan (Improvement Plan)..

ORA POSITION:

ORA recommends disallowance of the Storage Tank for the Bell Mountain Pressure Zone because the operational issues identified by AVR's Improvement Plan do not warrant the construction of a new reservoir.

RESOLUTION:

After further discussions and settlement negotiations, AVR agrees to defer construction of the storage tank.

Test Year 2015

Tank Bell Mountain	AVR Original	ORA Original	Difference	Settlement
Total	$2,300,000	$0	$2,300,000	$0

REFERENCES: AVR Exh. A-1, pp. 80-81, AVR Exh. A-18, pp. 6-10; ORA Exh. 1, pp. 8-12 – 8-19

9.4 Storage Tank Stoddard Pressure Zone

AVR REQUEST:

AVR requests $2,300,000 for new 1.5 million gallon tank at the Stoddard tank site in 2016. The project was proposed to solve seismic concerns and fire flow capacity with the existing tank and to add greater system reliability in the Stoddard Zone as discussed in AVR Exhibit A-22, North Apple Valley Water System Improvement Plan.

ORA POSITION:

ORA recommends disallowance of the Storage Tank for the Bell Mountain Pressure Zone

because the operational issues identified in AVR's Improvement Plan do not warrant the construction of a new reservoir.

RESOLUTION:

After further discussions and settlement negotiations, AVR agrees to defer the construction of the storage tank.

Test Year 2016

Tank Stoddard	AVR Original	ORA Original	Difference	Settlement
Total	$2,300,000	$0	$2,300,000	$0

REFERENCES: AVR Exh. A-1, pp. 80- 81, AVR Exh. A-18, pp. 6 – 11, AVR Exh. A-23; ORA Exh. O-1, pp. 8-19 – 8-25.

9.5 New Office Building

AVR REQUEST:

AVR requests $225,890 in 2014, $2,000,000 in 2015, and $1,821,753 in 2016 to construct a new office building to expand employee office space, meeting room space, and training space to meet the needs of providing service to its customers.

ORA POSITION:

ORA recommends disallowance of the costs of the new office building including the associated costs of new office furniture and equipment because AVR failed to explore other alternatives for obtaining the additional office space for its employees and perform the necessary cost benefit analyses to justify the construction of a new office building at the existing location.

RESOLUTION:

As a result of further discussions and settlement negotiations, ORA and AVR agree that AVR will withdraw its request for a new office building from this proceeding, without prejudice. The Parties agree that AVR be permitted to file a separate application for the new Office Building project to include the costs of office furniture and equipment for a determination by the

Commission of the necessity of building a new building (as opposed to leasing additional office space) with the necessary showing and request that, upon such determination the Commission authorize AVR, after completion of such construction, to file a rate base offset advice letter.

Year 2014

New Office Building	AVR Original	ORA Original	Difference	Settlement
Total	$225,890	$0	$225,890	$0

Test Year 2015

New Office Building	AVR Original	ORA Original	Difference	Settlement
Total	$2,000,000	$0	$2,000,000	$0

Test Year 2016

New Office Building	AVR Original	ORA Original	Difference	Settlement
Total	$1,821,753	$0	$1,821,753	$0

REFERENCES: AVR Exh A.-1, pp. 94 - 95, AVR Exh. A-9, pp. 7-13; ORA Exh. O-1, pp. 8-25 – 8-30.

9.6 Main Replacement Program

AVR REQUEST:

AVR requests $4,985,153 for main replacements in 2014, $5,791,591 in 2015, and $6,007,083 in 2016. AVR also requests $200,000 per year in 2014, 2015, and 2016 for emergency main replacements. AVR's requested replacement of existing aged and undersize mains are based on the needs for transmission and maintaining a reliable water distribution system discussed in the Asset Management Study for Water Mains Report (KANEW analysis), AVR Exhibit A-21 and the Water Transmission Main Study, AVR Exhibit A-23. AVR's main replacement program also takes into consideration the need for improved fire flow capacity, improved fire hydrant spacing, improved water quality and work by others such as road construction.

ORA POSITION:

ORA disagrees with AVR's estimates of main replacements because the data provided by AVR

does not substantiate such an aggressive main replacement program. ORA recommends $1,689,314 in 2014, $1,729,013 in 2015, and $1,769,645 in 2016. ORA's estimates are based on a five-year average of recorded expenditures (2009 – 2013) escalated to the test year.

RESOLUTION:

As a result of further discussions, settlement negotiations, and review of AVR's rebuttal testimony, ORA and AVR agree to main replacement program in this GRC of $4,985,153 in 2014, $5,291,591 in 2015, and $5,507,083 in 2016. This budget will allow AVR to replace the problematic steel mains which have a higher rate of leak than mains of other materials with the benefits of minimizing liability, property damage, customer complaints, and unaccounted for water; and will allow AVR to improve transmission capacity to minimize pumping costs, meet peak demands and provide adequate fire flow capacity.

Year 2014

	AVR Original	ORA Original	Difference	Settlement
Main Replacements	$4,985,153	$1,689,314	$3,295,839	$4,985,153

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Main Replacements	$5,791,591	$1,729,013	$4,062,578	$5,291,591

Test Year 2016

	AVR Original	ORA Original	Difference	Settlement
Main Replacements	$6,007,083	$1,769,645	$4,237,438	$5,507,083

REFERENCES: AVR Exh. A-1, pp. 63-80, Exh. A-18, pp. 11-15, AVR Exh. A-21, AVR Exh. A-23; ORA Exh. O-1, pp. 8-30 – 8-40.

9.7 Vehicle 08-06 and Dump Truck

AVR REQUEST:

AVR requests $40,023 in 2016 for a replacement vehicle due to the age of the vehicle (10 years

old) the projected mileage (over 120,000 miles). AVR also requests $137,115 in 2016 to replace a dump truck due to age (20 years old) and mileage (over 120,000 miles).

ORA POSITION:

ORA recommends disallowance of the replacement vehicle for unit 08-06. ORA found AVR's request for a replacement dump truck reasonable but removed it in error.

RESOLUTION:

After discussion and review of AVR's rebuttal testimony ORA agrees to use AVR's recommendation for a new replacement vehicle.

Test Year 2016

Vehicles	AVR Original	ORA Original	Difference	Settlement
Unit 08-06	$40,023	$0	$40,023	$40,023
Dump Truck	$137,115	$0	$137,115	$137,115

REFERENCES: AVR Exh. A-1, pp. 97-98, AVR Exh. A-9, pp. 12 -13; ORA Exh. O-1, p. 8-40.

9.8 General Office Building Renovation

PARK WATER REQUEST:

Park requests $1,510,000 in 2014 and $1,772,739 in 2015 to renovate and remodel its office building that is shared by Park's General Office and Park's Central Basin Operating Division to meet current fire and building codes, current seismic requirements, current American with Disabilities Act requirements, and develop better spatial working relationships for employees to promote collaboration, interdepartmental communications, and maximize daily operations.

ORA POSITION:

ORA recommends disallowance of the Main Office Remodel Project because AVR failed to provide adequate justification in its request to remodel the office. Specifically AVR's showing did not include a cost benefit analysis of the options available for reorganizing its office space.

RESOLUTION:

As a result of further discussion and settlement negotiations, ORA and Park agree that Park will withdraw its request for the Office Remodel from this proceeding, without prejudice. The Parties agree that Park may request the Office Remodel project in the Park Central Basin Test Year 2016 GRC application. The Parties further agree that Park be permitted to request a General Office rate base allocation to Central Basin that reflects the proposed Office Remodel project in the Park Central Basin Test Year 2016 GRC application.

REFERENCES: AVR Exh. A-2, p. 23-28, AVR Exh. A-14; ORA Exh. O-1, pp. 8-47 – 8-51.

9.9 General Office PowerPlan Software

PARK WATER REQUEST:

Park proposes implementation of Power Plan software in the amount of $1,400,000 in 2014 in order to address the following issues faced by the Company:

1. The capital intensive nature of the business requires a more sophisticated capability than is available within the current software used by the Company.
2. Migration of a portion of income tax return related activities from an outside accounting firm to being performed in-house.
3. Expansion of the company's capabilities for calculating the income tax provision for financial statement purposes.
4. Expansion and improvement of the Company's capability to prepare and track financial forecasts.

ORA POSITION:

ORA recommended disallowance of this project because AVR did not provide the information to show that PowerPlan is an economically feasible software available to the company. ORA instead recommended an additional position be added to General Office staff.

RESOLUTION:

After further discussions, settlement discussions, and review of AVR's rebuttal testimony, ORA agrees to AVR's request for Power Plan as shown in the table below.

Year 2014

	AVR Original	ORA Original	Difference	Settlement
Power Plan Software	$1,400,000	0	$1,400,000	$1,400,000

REFERENCES: AVR Exh. A-2, pp. 20-29, AVR Exh. A-11, pp. 11-16; ORA Exh.-1, pp. 8-43 – 8-47.

9.10 General Office CIS/JDE Software

PARK WATER REQUEST:

Park requests $96,000 in 2014, $77,000 in 2015, and $135,000 in 2016 for CIS (Customer Information System) related projects to improve customer service including CIS Infinity Mobile, CIS Data Sharing, CIS E-Billing, and JD Edwards (JDE) projects to improve operational efficiencies including JDE Requisition Self Service, JDE Sourcing JDE Core Tools and JDE One View, and JDE Safety Module.

ORA POSITION:

ORA recommends disallowance of Park's proposed projects based on Park's lack of showing of the benefits of these projects.

RESOLUTION:

Based on further discussion and settlement negotiations and review of Park's rebuttal testimony, ORA and Park agree to Park's estimates for CIS/JDE software.

Year 2014

	AVR Original	ORA Original	Difference	Settlement
CIS/JDE Software	$106,00	$96,000	$10,000	$96,000

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
CIS/JDE Software	$77,000	$0	$77,000	$77,000

Test Year 2016

CIS/JDE Software	AVR Original	ORA Original	Difference	Settlement
	$135,000	$113,000	$22,000	$135,000

REFERENCES: AVR Exh. A-2 pp. 31 - 34, AVR Exh. A-17, pp. 8-11; ORA Exh.-1, p. 8-43.

9.11 General Office Import Tool

PARK WATER REQUEST:

Park requests $10,000 in 2014 for the creation of auto-import tool for new customers.

ORA POSITION:

ORA recommends disallowance of the project because AVR failed to show that the project provides a benefit to existing customers.

RESOLUTION:

Based on further discussion and settlement negotiations, Park agrees to ORA's recommendation.

Year 2014

	AVR Original	ORA Original	Difference	Settlement
Import Tool	$10,000	$0	$10,000	$0

REFERENCES: AVR Exh. A-21, pp. 30 - 31; ORA Exh. O-1, pp. 8-42 – 8-43.

10.0 DEPRECIATION RATES, RESERVE, AND DEPRECIATION EXPENSE

10.1 Depreciation Rates

AVR WATER REQUEST:

AVR proposed new depreciation rates based on a remaining life study completed in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2012.

ORA POSITION:

ORA finds the depreciation rates proposed by AVR reasonable and recommends the Commission adopt AVR's proposed depreciation rates.

RESOLUTION:

The Parties' agree to use the depreciation rates as set forth in the tables below.

	Depreciation Rates - Domestic	Present	Proposed
311	Structures & Improvement	1.71%	1.19%
315	Wells	2.67%	2.62%
317	Source Of Supply - Other	2.55%	2.48%
321	Pumping - Struct. & Improv.	3.33%	3.31%
324	Other Pumping Equip.	3.80%	3.75%
332	Water Treatment Equip.	4.20%	3.28%
342	T&D Reservoirs & Tanks	1.97%	1.97%
343	T & D Mains	2.41%	2.40%
345	Services	2.59%	2.57%
346	Meters	2.82%	2.83%
348	Hydrants	2.29%	2.28%
371	Gen. Plant Struct. & Improv.	2.88%	2.83%
372	Office Furniture & Equip.	7.96%	8.01%
373	Transportation Equipment	14.83%	11.10%
375	Tools & Shop Equipment	5.94%	5.91%
376	Laboratory Equipment	1.17%	0.00%
377	Power Operated Equipment	5.41%	4.73%
378	Communication Equipment	8.41%	8.35%
372	Computer Equipment-Pc	13.16%	12.41%
372	Computer Equipment-Mis/Sftwr	9.95%	10.47%
372	Other Tangible Property	4.00%	4.00%

Depreciation Rates - Irrigation		Present	Proposed
315	Wells & Springs	1.26%	1.61%
	Pumping Plant		
321	Pumping Struct/Improve.	2.97%	2.78%
324	Pumping Equipment	4.09%	3.95%
	Transmission & Distribution Plant		
343	T & D Mains	2.38%	2.31%
345	T & D Services	2.48%	2.48%
346	T & D Meters	3.26%	3.22%

REFERENCES: AVR Exh. A-1, pp. 107-108; ORA Exh. O-1, p. 8-1.

10.2 Depreciation Reserve and Depreciation Expense

AVR WATER REQUEST:

AVR requested depreciation expense and reserve based on its proposed depreciation rates and proposed utility plant.

ORA POSITION:

There are no methodological differences between AVR and ORA. There was no issue regarding the depreciation rates proposed by AVR. Differences in the Parties' original depreciation reserve and depreciation expense estimates resulted from differences in the utility plant estimates.

RESOLUTION:

The Parties agree that the depreciation expense and depreciation reserve should be calculated using the depreciation rates proposed in AVR's application and the stipulated balances of plant in service incorporating stipulated adjustment and additions as set forth in the table below.

Test Year 2015 – Domestic

Depreciation Reserve & Expense	AVR	ORA	Difference	Settlement
Beginning Year Balance	$33,273,910	$33,318,434	44,524)	33,361,540
Annual Accrual Charged To:				
Clearing Accounts	$264,177	$239,834	$24,343	$241,905
Contributions	$143,499	$143,163	$336	$143,163
Depreciation Expense	$3,167,947	$3,001,583	$166,364	$3,151,603
Other				
Total	$3,575,623	$3,384,580	$191,043	$3,536,671
Retirements & Adjustments				
Net Retirements	$783,420	$739,318	$44,102	$785,963
Adjustments	$0	$0	$0	$0
Total	$783,420	$739,318	$44,102	$785,963
Net Additions	$2,792,202	$2,645,262	$146,940	$2,750,708
End Of Year Balance	$36,066,112	$35,963,696	$102,416	$36,112,248
Average Balance	$34,670,011	$34,641,065	$28,946	$34,736,894
Statistics				
Average Depreciable Plant	$121,242,787	$113,918,270	$7,324,517	$119,867,484
Accrual As % Of Plant	2.95%	2.79%	0.16%	2.95%

Test Year 2016 – Domestic

Depreciation Reserve & Expense	AVR	ORA	Difference	Settlement
Beginning Year Balance	$30,066,112	$35,963,695	($5,897,583)	36,112,248
Annual Accrual Charged To:				
Clearing Accounts	$272,769	$238,748	$34,021	250,497
Contributions	$142,856	$142,520	$336	142,520
Depreciation Expense	$3,519,595	$3,095,980	$423,615	3,373,784
Other				
Total	$3,935,220	$3,477,248	$457,972	3,766,802
Retirements & Adjustments				
Net Retirements	$1,749,324	$1,445,787	$303,537	1,505,831
Adjustments	$0	$0	$0	0
Total	$1,749,324	$1,445,787	$303,537	1,505,831
Net Additions	$2,185,897	$2,031,460	$154,437	2,260,971
End Of Year Balance	$38,252,009	$37,995,156	$256,853	38,373,219
Average Balance	$37,159,061	$36,979,425	$179,636	37,242,733
Statistics				
Average Depreciable Plant	$134,003,294	$116,735,224	$17,268,070	127,582,005
Accrual As % Of Plant	2.94 %	2.98%	(0.04)%	2.95%

Test Year 2015 – Irrigation

Depreciation Reserve & Expense	AVR	ORA	Difference	Settlement
Beginning Year Balance	$228,491	$228,490	$1	$228,490
Annual Accrual Charged To:				
Clearing Accounts	$0	$0	$0	$0
Contributions	$1,231	$1,231	$0	$1,231
Depreciation Expense	$11,958	$11,958	$0	$11,958
Other				
Total	$13,189	$13,189	$0	$13,189
Retirements & Adjustments				
Net Retirements	$0	$0	$0	$0
Adjustments	$0	$0	$0	$0
Total	$0	$0	$0	$0
Net Additions	$13,189	$13,189	$0	$13,189
End Of Year Balance	$241,680	$241,679	$1	$241,679
Average Balance	$235,085	$235,085	$0	$235,085
Statistics				
Average Depreciable Plant	$524,308	$524,308	$0	$524,308
Accrual As % Of Plant	2.52%	2.52%	0%	2.52%

Test Year 2016 – Irrigation

Depreciation Reserve & Expense	AVR	ORA	Difference	Settlement
Beginning Year Balance	$241,680	$241,679	$1	$241,679
Annual Accrual Charged To:				
Clearing Accounts	$0	$0	$0	$0
Contributions	$1,231	$1,231	$0	$1,231
Depreciation Expense	$11,958	$13,189	$0	$11,958
Other				
Total	$13,189	$13,189	$0	$13,189
Retirements & Adjustments				
Net Retirements	$0	$0	$0	0
Adjustments	$0	$0	$0	0
Total	$0	$0	$0	0
Net Additions	$13,189	$13,189	$0	$13,189
End Of Year Balance	$254,869	$254,868	$1	$254,868
Average Balance	$248,274	$248,274	$0	$248,274
Statistics				
Average Depreciable Plant	$524,308	$524,308	$0	$524,308
Accrual As % Of Plant	2.52 %	2.52 %	0%	2.52%

REFERENCES: AVR Exh. A-1 pp. 113-114; ORA Exh. O-1 Appendix A-20 – A21.

11.0 RATE BASE

11.1 Materials and Supplies

AVR WATER REQUEST:

AVR requests $336,749 in materials and supplies based on the percentage of average customers estimated for Test Year 2015. The percentage applied to the customer estimates is calculated from the recorded relationship between materials and supplies and customers and is the five-year recorded average (2008 – 2012).

ORA POSITION:

ORA agrees with AVR's estimates.

RESOLUTION:

The Parties agree to use the methodology used in AVR and ORA's estimates for materials and supplies. The Parties further agree that materials and supplies should be calculated using the stipulated number of customers and agree to the amounts shown in the below table.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Materials/Supplies	$336,749	$336,749	$0.00	$336,674

Test Year 2016

	AVR Original	ORA Original	Difference	Settlement
Materials/Supplies	$339,690	$339,696	$0.00	$339,598

REFERENCES: AVR Exh. A-1, p. 113; ORA Exh. O-1, p. 10-1.

11.2 Deferred Income Tax

AVR WATER REQUEST:

AVR estimated $11,429,252 in deferred income taxes for Test Year 2015 based on the normalization of tax benefits derived from accelerated depreciation, ACRS and MACRS, allowed for Federal Income Tax calculation and incorporating AVR's estimates of utility plant in service.

ORA POSITION:

There are no methodological differences between AVR and ORA. There was no issue regarding the tax rates proposed by AVR. Differences in the Parties' original deferred income tax estimates resulted from ORA's use of the deferred income taxes from AVR's recorded 2013 Update, which included correction of an error for 2013 in AVR's application, and differences in the utility plant estimates.

RESOLUTION:

The Parties agree to use AVR's methodology to calculate the deferred taxes. The Parties further agree that deferred taxes will incorporate the settlement on utility plant issues and agree to the amounts shown in the below table.

Test Year 2015 – Domestic

	AVR Original	ORA Original	Difference	Settlement
Deferred Income Tax	$11,429,252	$10,416,222	$1,013,030	$10,476,166

Test Year 2016 – Domestic

	AVR Original	ORA Original	Difference	Settlement
Deferred Income Tax	$11,425,944	$10,350,935	$1,075,009	$10,457,900

Test Year 2015 – Irrigation

	AVR Original	ORA Original	Difference	Settlement
Deferred Income Tax	$69,609	$68,794	$812	$68,613

Test Year 2016 – Irrigation

	AVR Original	ORA Original	Difference	Settlement
Deferred Income Tax	$66,433	$65,652	$782	$65,388

REFERENCES: AVR Exh. A-1, p. 116; ORA Exh. O-1, p. 10-1.

11.3 Working Cash

AVR WATER REQUEST:

AVR requests working cash estimates of $2,675,990 for Test Year 2015 and $2,740,588 for Test Year 2016 based on the methodology prescribed in Standard Practice U-16.

ORA POSITION:

ORA recommends working cash estimates of $2,389,807 for Test year 2015 and $2,406,861 for Test Year 2016 based on adjustments to AVR's application amounts to remove the average

unamortized balance of various study costs from the operational cash, and exclusion of the WRAM adjustment for revenue lag.

RESOLUTION:

Aside from the methodological differences described above, the differences in the Parties' original working cash estimates resulted from differences in revenues, expense and utility plant used in the total working cash calculation. The Parties agree to remove the WRAM adjustment for revenue lag proposed by AVR and use a revenue lag of 56.34 days for 2015 and 2016. The Parties agree to include in Operational Cash the unamortized portion of agreed upon rate case costs (the regulatory commission expense, excluding the low-income customer notices) and the unamortized portions of studies include in the settlement (Arc Flash and Vulnerability /Mitigation studies). The Parties agree that working cash should be calculated using the stipulated and adopted expenses and utility plant in service consistent with the Commission's Standard Practice U-16.

REFERENCES: AVR Exh. A-1, pp. 113 - 115, AVR Exh. A-16, pp. 7-8; ORA Exh. O-1 pp. 10-1 –10-4.

12.0 PARK WATER COMPANY ("PARK") GENERAL OFFICE

All dollar amounts provided in Section 12 of this Settlement are prior to allocation to AVR – Domestic or AVR – Irrigation. Pensions and Benefits expenses for Park are discussed in Section 6.0.

12.1 Payroll

PARK REQUEST:

Park's payroll estimate for 2014 is based on employees' hourly rates in effect at the end of 2013 with the estimated 2014 COLA increase and estimates of merit and promotional salary adjustments to be granted and overtime during 2014. The payroll estimate for Test Year 2015 is similarly estimated beginning with the hourly rates expected at the end of year 2014.

ORA POSITION:

ORA used the same methodology as Park to estimate the payroll expense. ORA further

recommends to eliminate Park's proposed merit increase budget for 2015. In addition, ORA proposed that an additional staffing position in lieu of Park's acquisition of Power Plan.

RESOLUTION:

The issue of the merit increase that is identical to the comments in Section 4.3, the basis for the settlement will not be repeated as the Settlement provides for a consistent resolution on those issues in this category as well. With the settlement of the issue on Power Plan, the settlement of General Office payroll does not include an additional staffing position. The Parties agree to calculate the stipulated payroll expense as set forth in the table below.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Payroll	$4,120,781	$4,191,647	$70,866	$4,103,420

REFERENCES: AVR Exh. A-2, pp. 5 – 8; ORA Exh. O-1, pp. 4-7 – 4-10.

12.2 Maintenance Other Expense

PARK REQUEST:

Park requests $576,768 for the expense category of maintenance other expense for Test Year 2015. This category of expense includes both hardware and software related maintenance contracts. Park requests $374,538 for Test Year 2015 for software maintenance within this category of expenses based on planned maintenance contracts associated with the software utilized by Park's computer system. Additionally Park's requested amount includes the maintenance contracts associated with the proposed software applications for Power Plan in the amount of $76,234 and for JD Edwards modules totaling $26,749.

ORA POSITION:

ORA recommends $431,089 based on the five-year (2009 – 2013) average of recorded expenses. For the hardware maintenance expense and General Plant P/R Burden & other, ORA agrees with Park's estimation for Test Year 2015. For the software maintenance contracts ORA recommends

$231,298 which includes a disallowance of the maintenance contracts associated with Park's proposed new software applications, Power Plan and JD Edwards modules.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to $561,206 for Maintenance-Other expense for Test Year 2015 based on Park's updated estimate of $356,361 in annual maintenance expenses for computer software, including proposed computer software maintenance expenses for Powerplan and JD Edwards modules provided in response to ORA's discovery request and consistent with the settlement reached on the utility plant in service on the Power Plan and JD Edwards modules.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Maintenance-Other	$576,768	$431,089	$145,679	$561,206

REFERENCES: AVR Exh. A-1, p. 10, AVR, Exh. A-12, p. 20; ORA Exh. O-1, pp. 12-4 -12-5.

12.3 Clearings-Other Expense

PARK REQUEST:

Park requests $31,646 for Test Year 2015 for Clearings Other expense based on the five-year average (2009 – 2013) of recorded costs.

ORA POSITION:

ORA finds AVR's methodology to estimate Clearings Other reasonable. There are no methodological differences between ORA's and AVR's estimates. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded expense for 2013.

RESOLUTION:

Based on the agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2) ORA and AVR agree on Clearings-Other, as set forth in the table below.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Clearings Other	$31,646	$30,497	$1,149	$30,617

REFERENCES: AVR Exh. A-1, p. A-2, p. 10, AVR Exh. A-12, p. 20; ORA Exh. O-1, p. 12-5.

12.4 Insurance

PARK REQUEST:

Park requests $172,547 for Test Year 2015 for Insurance expense based on the actual premiums in effect for the 2013 – 2014 policy year and projected increases of 3% for policy years 2014 – 2015 and 2015 – 2016.

ORA POSITION:

ORA finds AVR's methodology to estimate Insurance reasonable. There are no methodological differences between ORA's and AVR's estimates. The original differences between ORA and AVR's estimates result from ORA's use of the updated recorded expense for 2013.

RESOLUTION:

After further discussion, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to Insurance of $176,376 for Test Year 2015, which incorporates a 10% increase in workers' compensation insurance.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Insurance	$172,547	$171,843	$704	$176,376

REFERENCES: AVR Exh. A-1, p. 13; ORA Exh. O-1, p. 12-5.

12.5 Outside Services

PARK REQUEST:

Park requests $723,559 for the expense category of Outside Services for Test Year 2015 based on the five-year average (2009 – 2013) of recorded expenses and the projected cost of a operational efficiency study.

ORA POSITION:

ORA recommends $581,407 based on the five-year average (2009 – 2013) of recorded expenses but used the updated 2013 expenses and removes consulting fee incurred in 2012 for W.H. Wheeler. ORA also removes the estimated expense of $100,000 associated with AVR's proposed Operational Efficiency Study because the project was not supported with detailed documentation.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree on the amounts for Outside Services as reflected in the table below. Park agrees to ORA's recommended disallowance of the Operational Efficiency Study and ORA agrees to include all the recorded expenses in the estimation of Test Year 2015.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Audit and Income Tax	$130,048	$114,172	$15,876	$128,659
Legal	$135,008	$131,551	$3,457	$132,762
Safety	$3,100	$3,005	$95	$3,022
Benefits Consulting	$114,901	$116,106	($1,205)	$116,794
Actuarial Consulting	$121,981	$112,444	$9,537	$113,110
Insurance	$11,536	$11,346	$190	$11,413
Other General	$206,985	$92,783	$114,202	$106,985
Total Outside Service	$723,559	$581,407	$142,152	$612,745

REFERENCES: AVR Exh. A-1, pp. 11 – 12, AVR Exh. A-12, pp. 20 – 22; ORA Exh. O-1, pp. 12-5 – 12-8.

12.6 Corporate A&G Allocation

PARK REQUEST:

Park estimates the Corporate A&G Allocation, a deduction to the General Office expenses, as a percentage of the of the General Office payroll charged to other divisions on selected A&G expense accounts.

ORA POSITION:

ORA finds Park's methodology to estimate the Corporate A&G Allocation reasonable. There are no differences between ORA's and Park's estimates.

RESOLUTION:

With the resolution of the payroll issue, there is no longer any different in the Parties' positions. The Parties agree to use the Corporate A&G Allocation as shown in the table below.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Corporate A&G Alloc.	($136,272)	($136,272)	$0.00	($135,770)

REFERENCES: AVR Exh. A-1, p. 10; ORA Exh. O-1, p. 12-9.

12.7 Bank Fees

PARK REQUEST:

Park requests Bank Fees of $22,017 based on the five-year (2009 – 2013) average of recorded expenses.

ORA POSITION:

ORA accepts Park's methodology except that ORA made adjustments to the recorded 2012 historical expenses to remove the costs associated with a credit limit renewal fee of $25,000.

RESOLUTION:

After further discussion and settlement negotiations, the Parties agree on $21,689 for Bank Fees which is based on the unadjusted five-year average of recorded expenses and incorporates the settlement agreement on estimating methodology (Section 5.1) and escalation factors (Section 5.2).

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Bank Fees	$22,017	$16,532	$5,485	$21,689

REFERENCES: AVR Exh. A-2, p. 10, AVR Exh. A-12, p. 23; ORA Exh. O-1, p. 12-9.

12.8 Board of Directors Fees

PARK REQUEST:

Park requests Board of Director Fees of $111,240 for Test Year 2015 based on the settlement agreement adopted by the Commission in A.11-01-001 ($100,000 in 2012 dollars) and adjusted for inflation to Test Year 2015.

ORA POSITION:

ORA recommends $100,000 for Test Year 2015 based on ORA's interpretation of the settlement agreement in A.11-01-001.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree to Board of Director Fees of $108,000 for Test Year 2015.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Board of Director Fees	$111,240	$100,000	$11,240	$108,000

REFERENCES: AVR Exh. A-1, p. 12, AVR Exh. A-12, p. 23; ORA Exh. O-1, p. 12-9.

12.9 Travel, Lodging & Miscellaneous

PARK REQUEST:

Park requests $100,466 for Travel, Lodging & Miscellaneous based on the two-year average of recorded expenses (2012 – 2013) to reflect current activity levels commensurate with the change in ownership of Park. This expense category is reflective of the change in activity resulting from increased travel to Park's Board of Director meetings and company participation in the National Association of Water Companies and California Water Association.

ORA POSITION:

ORA recommends $50,233 (50% of Park's estimate) for an equal sharing of Park's forecasted expense between Park and ratepayers on the basis that the expenses in this category is increased more substantially after the acquisition of Park Water Company by the Western Water Holdings.

RESOLUTION:

After further discussion and settlement negotiations, the Parties agree to $75,350 for Travel, Lodging & Miscellaneous for Test Year 2015.

Test Year 2015

	AVR Original	ORA Original	Difference	Settlement
Travel, Lodging, Misc.	$100,466	$50,233	$50,233	$75,350

REFERENCES: AVR Exh. A-2, p. 11, AVR Exh. A-12, pp. 23 – 24; ORA Exh. O-1, pp. 12-10 – 12-12.

12.10 Allocation Factors

PARK REQUEST:

Park used the most current allocation factors available at the time the application was prepared. The allocation factors were calculated pursuant to the Commission's four-factor allocation methodology.

ORA POSITION:

ORA used the updated allocation factors in use during 2014.

RESOLUTION:

Park accepts ORA's recommendation to use the allocation factors in use during 2014. The basis for the settlement is identical to the comments in Section 4.01.12 and will not be repeated here.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Allocation Factor AVR – Domestic	29.52%	29.29%	0.23%	29.29%
Allocation Factor AVR – Irrigation	0.17%	0.19%	(0.02%)	0.19%

REFERENCES: AVR Exh. A-2, p. 3; ORA Exh. O-1, p. 12-3.

12.11 Administrative Expense Transferred

PARK REQUEST:

Park estimates the Administrative Expenses Transferred, credit to the General Office A&G expenses, as a percentage of capital expenditures.

ORA POSITION:

ORA finds Park's methodology to estimate the administrative expense transferred reasonable. There are no differences between ORA's and Park's estimates.

RESOLUTION:

The Parties agree to calculate the administrative expense transferred based on the stipulated balances of plant in service incorporating stipulated adjustments, additions, and retirements.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Administrative Expense Transferred	($17,639)	($17,639)	$0	($17,639)

REFERENCES: AVR Exh. A-12, p. 17: ORA Exh. O-1, p. 12-13.

12.12 Payroll Taxes

PARK REQUEST:

Park requests $226,584 for payroll taxes based on Park's projections of payroll tax rates and limits.

ORA POSITION:

ORA accepts Park's methodology. The original differences between Park's and ORA's estimates resulted from the issues and the differences in the estimates of payroll.

RESOLUTION:

With the settlement on payroll (Section 5.3), there is no longer any difference in the Parties' positions. ORA and Park agree to the estimates of payroll taxes as set forth in the table below.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Payroll Tax	$226,584	$224,731	$1,853	$226,132

REFERENCES: AVR Exh. A-2, p. 15; ORA-1, p. 12-12.

12.13 Ad Valorem Tax

PARK REQUEST:

Park's estimate for ad valorem taxes are based on the methodology used by the Los Angeles County Tax Assessor's Office.

ORA POSITION:

ORA accepts AVR's methodology for estimating ad valorem taxes.

RESOLUTION:

There are no methodological differences between ORA and Park. The Parties agree to use the uncontested methodology used in Park's application.

Test Year 2015

	Park Original	ORA Original	Difference	Settlement
Ad Valorem Tax	$28,591	$28,591	$0	$28,591

REFERENCES: AVR Exh. A-2, p. 13; ORA Exh. O-1, p. 12-12.

12.14 Depreciation Rates

PARK REQUEST:

Park proposed new depreciation rates based on a remaining life study completed in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2012.

ORA POSITION:

ORA finds the depreciation rates proposed by Park reasonable and recommends the Commission adopt Park's proposed depreciation rates.

RESOLUTION:

The Parties agree to use the depreciation rates as set forth in the table below.

	Description	Present	Proposed
372	Office Furniture and Equip	5.72%	20.17%
373	Transportation Equip	14.95%	5.51%
375	Laboratory Equip	0.00%	0.00%
376	Communication Equip	10.83%	12.04%
372	Computer Equip – System	11.35%	11.59%
372	Computer Equip – Desktops	10.07%	10.96%
372	Computer Equip – Software	1.77%	0.95%

REFERENCES: AVR Exh. A-2, p. 19; ORA Exh. O-1, p. 9-5.

12.15 Depreciation Reserve and Depreciation Expense

PARK REQUEST:

Park requested depreciation expense and reserve based on its proposed depreciation rates and proposed utility plant.

ORA POSITION:

There are no methodological differences between Park and ORA. There was no issue regarding the depreciation rates proposed by Park. Differences in the Parties' original depreciation reserve and depreciation expense estimates resulted from differences in the utility plant estimates.

RESOLUTION:

The Parties agree that the depreciation expense and depreciation reserve should be calculated using the depreciation rates proposed in AVR's application and the stipulated balances of plant in service incorporating stipulated adjustment and additions as set forth in the table below.

Test Year 2015-General Office

Depreciation Reserve & Expense	AVR	ORA	Difference	Settlement
Beginning Year Balance	$6,441,003	$6,353,655	$87,348	$6,366,067
Annual Accrual Charged To:				
Clearing Accounts	$0	$0	$0	$0
Contributions	$0	$0	$0	$0
Depreciation Expense	$306,254	$288,411	$17,843	$302,077
Other				
Total	$306,254	$288,411	$17,843	$302,077
Retirements & Adjustments				
Net Retirements	$74,976	$74,976	$0	$74,976
Adjustments	$12,525	$12,525	$0	$0
Total	$87,501	$87,501	$0	$74,976
Net Additions	$218,753	$200,910	$17,843	$227,101
End Of Year Balance	$6,659,471	$6,554,565	$104,906	$6,593,168
Average Balance	$6,550,237	$6,454,110	$96,127	$6,479,618

Test Year 2016 – General Office

Depreciation Reserve & Expense	AVR	ORA	Difference	Settlement
Beginning Year Balance	$6,659,471	$6,554,565	$104,906	$6,593,168
Annual Accrual Charged To:				
Clearing Accounts	$0	$0	$0	$0
Contributions	$0	$0	$0	$0
Depreciation Expense	$343,535	$306,729	$36,806	320,864
Other				
Total	$343,535	$306,729	$36,806	$320,864
Retirements & Adjustments				
Net Retirements	$74,976	$74,976	$0	$74,976
Adjustments	$501	$501	$0	$501
Total	$75,477	$75,477	$0	$75,477
Net Additions	$268,058	$231,252	$36,806	$245,387
End Of Year Balance	$6,927,183	$6,785,817	$141,366	$6,838,556
Average Balance	$6,793,327	$6,670,191	$123,136	$6,715,862

REFERENCES: AVR Exh. A-2, p. 38; ORA Exh. O-1, p. 9-1.

13.0 AFFILIATE TRANSACTIONS

ORA RECOMMENDATION:

Based upon its review of AVR's application, and responses to data requests, ORA finds AVR's affiliated transactions to be reasonable and acceptable. AVR should allocate all revenues from contracts with HomeServe pursuant to D.12-01-042. ORA finds that the contract with Nextel is in the process of being terminated and will not be in effect during Test Year 2015.

AVR RESPONSE:

AVR agrees with ORA's findings.

RESOLUTION:

The Parties agree to incorporate $17,000, rather than $1,700, associated with the HomeServe contract in the Miscellaneous Revenues (Section 3.6).

REFERENCES: AVR Application, pp. 7 – 8; ORA Exh. O-1, p. 13-3.

14.0 RATE DESIGN

14.1 Residential and Non-Residential

AVR WATER REQUEST:

AVR requests continuation of the current conservation rate design program that includes increasing block rates of three tiers for residential customers. AVR requests that the breakpoints be adjusted to reflect more recent consumption patterns. Due to the different characteristics of its non-residential customers, AVR recommends retaining the single quantity conservation rate for non-residential customers. The rate design uses the California Urban Water Conservation Council ("CUWCC") BMP 11 on conservation rates by using the threshold guideline of having more than 70% of its revenue generated by the commodity charge.

ORA POSITION:

ORA finds AVR's methodology acceptable and recommends that the Commission adopt the rate design contained in AVR's application.

RESOLUTION:

The Parties agree that the rate design described above should be applied to the adopted revenue requirement to determine the adopted rates. The Parties agree to correct the referencing error in AVR's bill tabulation used for the residential rate design. The Parties agree that this agreement is contingent upon AVR being authorized a full decoupling WRAM/MCBA over the period that this rate design is in effect.

REFERENCES: AVR Exh. A-1, pp. 140-143; ORA Exh. O-1, Chapter 12.

14.2 Gravity Irrigation

AVR WATER REQUEST:

AVR prepared a new cost of service study from which to base rates for Gravity Irrigation service.

ORA POSITION:

ORA finds AVR's methodology acceptable and recommends AVR continue to submit updated cost of service study and that the Commission adopt the rate design contained in AVR's application.

RESOLUTION:

The Parties agree for the Gravity Irrigation customer to use the same service charges adopted for potable water service and a single quantity rate design. The quantity charge will be based on a cost of service study performed for this single customer based on the finalized consumption and expenses for the Gravity Irrigation customer.

REFERENCES: AVR Exh. A-1, p. 143; ORA Exh. O-1, Chapter 16.

15.0 WATER QUALITY

ORA RECOMMENDATION:

Based on review of information provided by AVR and the California Department of Public Health ("CDPH"), ORA recommends that the Commission find that AVR is incompliance with CDPH water quality regulations, federal drinking water standards, and the Commission's General Order 103-A.

AVR RESPONSE:

AVR agrees with ORA's recommendation.

RESOLUTION:

The Parties recommend that the Commission find AVR is in compliance with all applicable federal and state drinking water standards including General Order 103-A.

REFERENCES: AVR Exh. A-1, Chapter X; ORA Exh. O-1, Chapter 17.

16.0 MEMORANDUM AND BALANCING ACCOUNTS

16.1 Booking Recovery to Memorandum Accounts

ORA RECOMMENDATION:

ORA recommends that AVR change its actual accounting methods to avoid recording memorandum account balances on its balance sheet until those amounts are approved for recovery by the Commission.

AVR RESPONSE:

AVR's accounting treatment of memorandum accounts is in compliance with generally accepted accounting principles (GAAP).

RESOLUTION:

After further discussion and settlement negotiations, the Parties agree that no change is necessary in AVR's actual accounting practices, and the Parties agree that AVR will not use this accounting treatment as justification in favor of a particular disposition of the given amounts in an informal or formal Commission proceeding. This is not intended to prohibit AVR from referencing the regulatory treatment that has been applied to an amount.

REFERENCES: AVR Exh. A-11, pp. 8 - 11 ; ORA Exh. O-1, pp. 14-5 – 14-6.

16.2 Incremental Cost Balancing Account (ICBA) – Irrigation System

ORA RECOMMENDATION:

ORA recommends that AVR not be permitted to recover the balance recorded in the ICBA at this time because the account balances are estimated.

AVR RESPONSE:

AVR is not requesting recovery of the balance recorded in the ICBA – Irrigation system at this time.

RESOLUTION:

After further discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that AVR is not requesting recovery of the balance recorded in the ICBA for the Irrigation system.

REFERENCES: AVR Exh. A-12, p. 25; ORA Exh. O-1, pp. 14-9 – 14-10.

16.3 Employee and Retiree Health Care Balancing Account

AVR WATER REQUEST:

AVR requests that it be permitted to file an advice letter requesting to refund the balance recorded in the Employee and Retiree Health Care Balancing Account after 2014 recorded data becomes available and a final balance at December 31, 2014 is calculated and recorded in the account.

ORA POSITION:

ORA recommends that the over-collected balance of $285,653 recorded in the Employee and Retiree Health Care Balancing Account as of December 31, 2013, be refunded through a sur-credit authorized in this proceeding.

RESOLUTION:

After discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that AVR will file an advice letter no later than March 31, 2015 to refund the balance recorded in the account as of December 31, 2014. The Parties also agree that the account should continue to the next general rate case.

REFERENCES: AVR Exh. A-1, p. 134; ORA Exh. O-1, pp. 14-11 – 14-12.

16.4 Pension Expense Balancing Account

AVR WATER REQUEST:

AVR requests that it be permitted to file an advice letter requesting to refund the balance recorded in the Pension Expense Balancing Account after 2014 recorded data becomes available and a final balance at December 31, 2014 is calculated and recorded in the account.

ORA POSITION:

ORA recommends that the over-collected balance of $22,427 recorded in the Pension Expense Balancing Account as of December 31, 2013 be refunded through a surcredit authorized in this proceeding.

RESOLUTION:

After discussion, settlement negotiations, and review of AVR's rebuttal testimony, the Parties agree that AVR will file an advice letter no later than March 31, 2015 to refund the balance recorded in the account as of December 31, 2014. The Parties also agree that the account should continue to the next general rate case.

REFERENCES: AVR Exh. A-1, pp. 134 - 135; ORA Exh. O-1,pp. 14-12 – 14-13.

16.5 Conservation Memorandum Account

AVR WATER REQUEST:

AVR requests that the Commission authorize the recovery of the balance recorded in the Conservation (BMP) Memorandum Account for the period of January 1, 2011 through December 31, 2011 in the amount of $77,384.

ORA POSITION:

ORA finds AVR's request for recovery of the balance recorded in the Conservation Memorandum Account to be reasonable.

RESOLUTION:

The Parties agree that the Commission should authorize the recovery of the under-collection recorded in the Conservation Memorandum Account in the amount of $77,384. The Parties further agree that this account be closed.

REFERENCES: AVR Exh. A-1, p. 135; ORA Exh. O-1, pp. 14-13 – 14-14.

16.6 Outside Services Memorandum Account

AVR WATER REQUEST:

AVR requests that the Commission authorize the recovery of the balance recorded in the Outside Services Memorandum Account for the period of January 1, 2011 through December 31, 2011 in the amount of $2,006.

ORA POSITION:

ORA finds AVR's request for recovery of the balance recorded in the Outside Services Memorandum Account to be reasonable.

RESOLUTION:

The Parties agree that the Commission should authorize the recovery of the under-collection recorded in the Outside Services Memorandum Account in the amount of $2,006. The Parties further agree that the account be closed.

REFERENCES: AVR Exh. A-1, p. 135; ORA Exh. O-1, pp. 14-14 – 14-15.

16.7 Pressure Reducing Memorandum Account

AVR WATER REQUEST:

AVR requests that the Commission close the Pressure Reducing Valve Memorandum Account because it has not recorded any costs in the account since its inception. AVR has determined that because of the water system's operational characteristics, pressure reducing valve technology will not work in the AVR service area.

ORA POSITION:

ORA finds AVR's request to be reasonable.

RESOLUTION:

The Parties agree that the Commission should authorize the closing of the Pressure Reducing Valve Memorandum Account.

REFERENCES: AVR Exh. A-1, p 136; ORA Exh. O-1, pp. 14-15 – 14-16.

16.8 Credit Card Memorandum Account

AVR WATER REQUEST:

AVR requests that the Commission authorize the refund of the over-collected balance recorded in the Credit Card Memorandum Account estimated at December 31, 2014.

ORA POSITION:

ORA finds AVR's request to be reasonable.

RESOLUTION:

Based on discussion, review of AVR's rebuttal testimony, and review of workpapers, the Parties agree that the Commission authorize the refund of the over-collected balance recorded in the Credit Card Memorandum Account in the amount of $4,148.42. The Parties further agree that this account be closed.

REFERENCES: AVR Exh. A-1, p. 136; ORA Exh. O-1, pp. 14-20 – 14-21.

16.9 2010 Tax Memorandum Account

AVR WATER REQUEST:

AVR requests authorization to file an advice letter to refund the balance recorded in the 2010 Tax Act Memorandum Account from April 14, 2011 through December 31, 2014 after the account is terminated at the conclusion of this rate case cycle (December 31, 2014) and the final balance has been determined.

ORA POSITION:

ORA recommends that the Commission order an audit of the 2010 Tax Act Memorandum Account and AVR would file a subsequent advice letter requesting refund of the balance recorded in the account based on the results of the audit.

RESOLUTION:

After discussions, settlement negotiations, and review of AVR's rebuttal testimony, the Parties

agree that the impacts of the 2010 Tax Act on 2015 and subsequent years are incorporated into rates in this proceeding, that the 2010 Tax Act Memorandum Account should terminate at the end of December 31, 2014 (or whatever other time that rates from this proceeding become effective, and that AVR will file an advice letter by April 30, 2015 to refund the over-collected balance recorded in the 2010 Tax Memorandum Account. The Parties further agree than an audit separate from the audit conducted in association with the advice letter filing is unnecessary.

REFERENCES: AVR Exh. A-1, p. 136; ORA Exh. O-1, pp. 14-21 – 14-23.

16.10 Chromium 6 Memorandum Account

AVR WATER REQUEST:

AVR requests Commission authorization to establish a Hexavalent Chromium (Chromium 6) Memorandum Account to track the unknown costs of water treatment or remediation costs associated with the loss of groundwater sources that would result from a new MCL for Chromium 6.

ORA POSITION:

ORA recommends that AVR's request to establish a Chromium 6 Memorandum Account be denied based on its review of the impacts of the MCL on AVR's groundwater sources.

RESOLUTION:

The Parties agree that as a result of the California Department of Public Health setting the MCL for Chromium 6 at 10 ppb, there is no impact on AVR's groundwater sources. The Parties agree to ORA's recommendation and AVR will withdrawal its request for a Chromium 6 Memorandum Account.

REFERENCES: AVR Exh. A-1, p. 136; ORA Exh. O-1, pp. 14-24 – 14-26.

17.0 SPECIAL REQUESTS

17.1 New Tariff Charges

17.2 Fire Flow Test

AVR WATER REQUEST:

AVR requests a tariff for fire flow testing, which includes the entire process of scheduling, physical testing, modeling, and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.

ORA POSITION:

ORA supports this request.

RESOLUTION:

ORA and AVR agree that fire flow testing is a cost that should be charged to those causing the expense, rather than distributed to all customers. ORA and AVR agree that AVR will implement a tariff for fire flow testing of $60 per fire flow test, which includes the entire process of scheduling, physical testing, modeling, and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.

REFERENCES: AVR Exh. A-1, p. 145, AVR Exh. A-12, p. 31; ORA Exh. O-1, pp. 15-2 – 15-3.

17.3 Restoration of Service

AVR WATER REQUEST:

AVR proposes a new tariff charge for restoration of service during after-hours and voluntary disconnection for non-emergency, voluntary disconnection after-hours (non-regular hours).

ORA POSITION:

ORA opposes this request.

RESOLUTION:

After further discussion during settlement negotiations, AVR and ORA agree that a tariff charge

for restoration of service applicable to non-emergency, after-hours is a cost that should be charged to those customers causing the expense, rather than distributed to all customers. ORA and AVR agree that AVR will implement such a tariff charge for restoration of service of $150.

REFERENCES: AVR Exh. A-1, p. 144, AVR Exh. A-12, p. 31; ORA Exh. O-1, pp. 15-3 – 15-4.

17.4 Other Rates and Fees (Advances)

AVR WATER REQUEST:

AVR proposes to update the Supply Facilities Fee and Supplemental Water Acquisition Fee charged as advances in Section C of AVR's Rule No. 15, Main Extensions. The Supply Facilities Fee would increase from $900 to $1,000 for a 5/8-inch meter, with increases to larger meter sizes based on the Commission's service charge ratios. AVR proposes to update the Supplemental Water Acquisition Fee from $5,000 to $7,000 per lot.

ORA POSITION:

ORA did not comment on this request.

RESOLUTION:

After further discussion during settlement negotiations, the Parties agree to the updated fees facilities and supplemental water acquisition as shown below.

11.02.4 Other Rates and Fees (advances) Proposed:

Supply Facilities Fees

Service Size	Facilities Fee
⅝-inch	$ 1,000.00
¾-inch	$ 1,500.00
1-inch	$ 2,500.00
1 ½-inch	$ 5,000.00
2-inch	$ 8,000.00
3-inch	$ 15,000.00
4-inch	$ 25,000.00

6-inch	$ 50,000.00
8-inch	$ 80,000.00
10-inch	$145,000.00

Supplemental Water Acquisition Fees

Residential developments	$5,500 per lot
Commercial, Industrial, or other developments	$5,500 per equivalent average residential water use based on the water use of similar business or facility.

REFERENCES: AVR Exh. A-1, p. 144.

17.5 Interest Rates Applied to Customer Deposits

AVR WATER REQUEST:

AVR requests to change the interest on customer deposits in Rule No. 7 from seven percent per annum to the average monthly 90-day commercial paper rate per month.

ORA POSITION:

ORA supports this request because customer deposits and the interest earned on the deposits have no impact on ratemaking and the current seven percent rate does not reflect current market conditions.

RESOLUTION:

ORA and AVR agree that AVR will revise the interest earned on customer deposits from 7% to the 90-day commercial paper rate. ORA and AVR recognize that the Commission previously authorized a similar treatment for Park Water Company in D.13-09-005.

REFERENCES: AVR Exh. A-1, p. 145; ORA Exh. O-1, pp. 15-5 – 15-6.

17.6 Recognition of Future Offset

AVR WATER REQUEST:

AVR anticipates the filing of leased water and purchased power expense offset advice letters subsequent to the filing of this GRC application but prior to the Test Year. AVR requests that

the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC.

ORA POSITION:

ORA supports this request.

RESOLUTION:

The Parties agree that any expense offsets be recognized prior to the issuance of a final decision in the proceeding.

REFERENCES: AVR Exh. A-12, p. 33; ORA Exh. O-1, p. 15-6.

18.0 WRAM/MCBA

AVR WATER REQUEST:

AVR requests Commission authorization to continue its existing Water Revenue Adjustment Mechanism ("WRAM")/Modified Production Cost Balancing Account ("MCBA") with some minor modifications. AVR proposes to add the commodity revenues for the irrigation system to the WRAM balancing account. AVR's MCBA captures variations in production costs (purchased power, replenishment assessments, and leased water rights) due to either changes in unit price or changes in the consumption. AVR requests that the production costs of chemicals be included in the supply cost captured by the MCBA. AVR also requests to add the irrigation system water production costs in the MCBA.

ORA POSITION:

ORA opposes AVR's requests to modify the WRAM/MCBA.

RESOLUTION:

The Parties agree that the Commission should authorize the continuance of the WRAM/MCBA. The Parties disagree on AVR's proposed modifications to the WRAM/MCBA, which are outlined in Section 1.3. The Parties further believe that the resolution of the consumption per customer issue will result in reasonable estimate of water sales during the rate case cycle (2015 –

2017). This will minimize and eliminate the potential for large WRAM surcharges that result from significant difference between actual and adopted sales forecasts.

REFERENCES: AVR Exh. A-1 pp. 133 – 134; ORA Exh. O-1, pp.19-1 – 19-2.

19.0 LOW INCOME PROGRAM (CARW)

AVR WATER REQUEST:

AVR proposes to continue its existing low-income discount program known as California Alternate Rates for Water ("CARW"). AVR requests continuing this program by increasing the current monthly service charge discount of $6.69 by the average percentage increase to rates authorized in this proceeding. AVR also proposes the continuation of a surcharge to offset the CARW discounts provided to qualifying customers. AVR requests the Commission authorize the recovery of the under-collection recorded in the CARW Balancing Account as of December 31, 2013 in the amount of $425,758 through a 12-month temporary surcharge.

ORA POSITION:

ORA finds AVR's request acceptable and recommends that the Commission adopt AVR's requested changes to the CARW program identified in AVR's application.

RESOLUTION:

The Parties agree that qualifying customers would receive a monthly CARW discount using the methodology described above. Non-qualifying customers, excluding customers receiving non-metered fire sprinkler service, reclaimed water service, construction and other temporary meter service and customers that receive a CARW credit, would be subject to a monthly surcharge using the methodology described above.

The Parties agree that the Commission should authorize the recovery of the under-collection recorded in the CARW Revenue Reallocation Balancing Account in the amount of $425,758.

The Parties further agree that the CARW Balancing Account continues to be necessary to track the balance of collected surcharges and discounts.

REFERENCES: AVR Exh. A-1, pp. 15-16; ORA Exh. O-1, pp. 18-1 – 18-5.

20.0 REQUESTS TO THE COMMISSION

As a result of this Settlement, the Commission should act to resolve AVR's requests in this proceeding. The Parties are providing a list of these requests under paragraph 21.0 below in an effort to ensure the Commission takes notice of necessary findings and orders arising from this proceeding.

21.0 REQUESTS AS A RESULT OF THE SETTLEMENT

21.1 The Parties request that the Commission authorize a change in AVR's tariff fees pursuant to Sections 17.1, 17.2, 17.3, and 17.4 effective January 1, 2015. AVR's interest on deposits would be the average monthly 90-day commercial paper rate. AVR's reconnection fee (outside of regular business hours) and voluntary disconnection charge (outside of regular business hours) would be $150. AVR's fee for requested fire-flow tests would be $60 per fire-flow test.

21.2 The Parties request that the Commission authorize a change in AVR's CARW discount (for qualifying customers) and the surcharge (for non-qualifying customers) pursuant to Section 19.0.

21.3 The Parties request that the Commission authorize the continuance of the existing Water Revenue Adjustment Mechanism and Modified Cost Balancing Accounts pursuant to Section 18.

21.4 The Parties request that the Commission authorize recovery of the under-collected balance in AVR's Conservation (BMP) Memorandum Account ($77,384 as of December 31, 2013) pursuant to Section 16.5.

21.5 The Parties request that the Commission authorize recovery of the under-collected balance in AVR's Outside Services Memorandum Account ($2,006 as of December 31, 2013) pursuant to Section 16.6.

21.6 The Parties request that the Commission authorize the refund of the over-collected balance in the AVR's Credit Card Balancing Account ($4,148.42 as of December 31, 2014) pursuant to Section 16.8.

21.7 The Parties request that the Commission authorize recovery of the under-collected balance in AVR's CARW Revenue Reallocation Balancing Account ($425,758 as of December 31, 2013) pursuant to Section 19.0.

21.8 The Parties request that the Commission make a finding that AVR meets all applicable water quality standards. This finding would be based upon ORA's review of water quality testimony and information provided by AVR.

21.9 The Parties request that the Commission make a finding that AVR is in compliance with the Real Property Subject to the Water Infrastructure Improvement Act of 1996.

21.10 The Parties request that the Commission order the filing of advice letters to implement increases for escalation years 2016 and 2017.

21.11 The Parties request that the Commission find that AVR's contract with HomeServe, that is subject to the Excess Capacity Decision (D.00-07-018) and Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X) for unregulated transactions is properly reflected in AVR's revenue requirement.

21.12 The Parties request that the Commission authorize and implement all other agreements of the Parties contained in the Settlement.

22. FURTHER TERMS AND CONDITIONS OF THE SETTLEMENT

22.0 Rule 12.1(d) requires that a Settlement be "reasonable in light of the whole record, consistent with the law, and in the public interest." The Settlement between the Parties in this proceeding satisfies the criteria in Rule 12.1(d). The Commission should approve, and adopt this Settlement, which is supported by ORA and AVR.

22.1 The Settlement is Reasonable

The Settlement, taken as a whole, provides a reasonable resolution of the issues settled in this proceeding. The reasonableness of the Settlement is supported by ORA's reports and testimony, and by the testimony, reports, and rebuttal testimony of AVR. In addition, the parties considered the affordability of the rates, letters to the Commission, the financial health of AVR and the Commission's Water Action Plan. The parties fully reached a reasonable compromise on the various issues that were in contention. The settlement negotiations were accomplished at arm's length over the course of numerous weeks.

22.2 The Settlement is Lawful

The Parties are aware of no statutory provisions or prior Commission decision that would be contravened or compromised by the Settlement. The issues resolved in the Settlement are clearly within the scope of the proceeding. Moreover, the Settlement, if adopted, would result in just and reasonable rates to AVR's customers.

22.3 The Settlement Serves the Public Interest

The Settlement is in the public interest. The Commission has explained that a settlement which "commands broad support among participants fairly reflective of the affected interest" and "does not contain terms which contravene statutory provisions or prior Commission decisions" well serves the public interest. *Re San Diego Gas & Elec.*, D.92-12-019, 46 CPUC 2d at 552. In this proceeding, the Parties fairly represent the affected parties' interests. AVR provides water service to the customers in its service territory in San Bernardino County, and ORA is statutorily mandated with representing ratepayers in California, including those ratepayers not directly at issue in this proceeding.

The principal public interest affected in this proceeding is the delivery of safe, reliable water service at reasonable rates. The Settlement advances these interests. In addition, Commission approval of the Settlement will provide speedy resolution of contested issues, which will conserve Commission resources.

22.4 The Settlement Conveys Sufficient Information

The Parties believe that the Settlement conveys sufficient information for the Commission to

discharge its future regulatory obligations. Thus, taken as a whole, the Settlement will satisfy the Commission's standards for approving a settlement presented to it.

23.0 CONCLUSION

The Parties mutually believe that, based on the terms and conditions set forth above, this Settlement is reasonable, consistent with the law, and in the public interest.

* * * * * *Signature Page Follows* * * * * *

OFFICE OF RATEPAYER ADVOCATES

By:_____

Joseph P. Como
Acting Director

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Office of Ratepayer Advocates
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Dated: August 8, 2014

APPLE VALLEY RANCHOS WATER COMPANY

By:_____

Edward N. Jackson
Project Manager

Representative for
Apple Valley Ranchos Water Company
21760 Ottawa Road
Apple Valley, CA 92307

Dated: August 8, 2014

(End of Appendix A)

APPENDIX B

FILED
8-08-14
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EXHIBIT B

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 $3,127,463 or 14.88% in 2015, $2,056,455 or 8.48% in 2016, and $2,160,731 or 8.19% in 2017.	A.14-01-002 (Filed January 2, 2014)

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

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August 8, 2014

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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 $3,127,463 or 14.88% in 2015, $2,056,455 or 8.48% in 2016, and $2,160,731 or 8.19% in 2017.	A.14-01-002 (Filed January 2, 2014)

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

INTRODUCTION

This comparison exhibit, sponsored jointly by Apple Valley Ranchos Water Company (AVR) and the Office of Ratepayer Advocates (ORA), sets forth the original estimates of both Parties as well as the settlement amounts.

Both AVR and ORA have revised their estimates of the 2015 revenue requirements to reflect corrections and stipulations. Estimates of individual items may have been revised up or down but overall AVR's request has decreased from 14.88% to 13.53% and ORA's has increased from 7.97% to 13.29%.

Included in this comparison exhibit are summary of earnings tables at present rate revenues (2015) and at AVR's and ORA's proposed rate of return (2015) providing the results of AVR's and ORA's revised estimates as well as the differences between AVR and ORA by category. Income tax tables are similarly provided at present rate revenues (2015) and at AVR's and ORA's proposed rate of return (2015). Rate base tables are provided for years 2015 and 2016. Tables are also provided for customers and water sales for years 2015, 2016, and 2017.

The differences between AVR's and ORA'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 ORA's Amended Report on the Results of Operations. Details of the settlement estimates are contained in the Joint Motion of AVR and ORA to Approve Settlement Agreement and Settlement Agreement dated August 8, 2014.

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: (1) Conservation expense proposed by AVR and the Conservation Balancing Account proposed by ORA; (2) the use of estimates in Balancing Accounts; (3) the Office Remodel Balancing Account; (4) the Solar Project Memorandum Account; (5) the Level Payment Plan; (6) the Sales Reconciliation Mechanism; and (7) the inclusion of the irrigation system in the WRAM/MCBA. The unresolved issues are identified in the Parties' Briefs as Conservation Estimates, Conservation Balancing Account, Solar Project Memorandum Account, Office Remodel Balancing Account, Use of Estimates, Level Payment Plan, Sales Reconciliation Mechanism, Irrigation (Commodity Revenues & Production Costs), Incremental Cost Balancing Account, and Chemical Costs. The comparison exhibit does not address the issues raised by the Town of Apple Valley ("Town"), including the issues addressed in the Parties' briefs under the headings "Rate Design" and "Water Rate Comparison." The Parties are in agreement on the Rate Design and Water Rate Comparison issues raised by the Town and have briefed their respective positions on these issues.

TABLE A-1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC & IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PRESENT RATES
2015 @ PRESENT RATES
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	20,783.4	20,740.0	0.0	20,740.0	20,976.8
DEFERRED REVENUES	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS REVENUE	46.7	46.7	0.0	46.7	46.7
TOTAL REVENUES	20,830.1	20,786.7	0.0	20,786.7	21,023.5
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	827.0	837.5	0.0	837.5	840.9
OPERATIONS-OTHER	159.0	155.2	0.0	155.2	157.3
PURCHASED WATER-POTABLE	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,097.5	1,109.8	0.0	1,109.8	1,125.6
LEASED WATER RIGHTS	834.7	863.9	0.0	863.9	963.8
REPLENISHMENT	109.8	113.3	0.0	113.3	114.9
CHEMICALS	21.9	21.8	0.0	21.8	22.0
PAYROLL-CUSTOMERS	498.1	504.5	0.0	504.5	506.6
CUSTOMERS-OTHER	273.8	305.8	44.6	350.4	358.5
UNCOLLECTIBLES	99.1	98.8	0.0	98.8	100.0
PAYROLL-MAINTENANCE	429.9	435.3	0.0	435.3	437.2
MAINTENANCE-OTHER	667.2	619.2	0.0	619.2	623.1
PAYROLL-CLEARINGS	120.9	122.4	0.0	122.4	122.9
DEPRECIATION-CLEARINGS	239.8	241.9	0.0	241.9	264.2
CLEARINGS-OTHER	210.7	209.4	0.0	209.4	221.1
SUB-TOTAL O & M	5,589.4	5,638.8	44.6	5,683.4	5,858.1
ADMINISTRATIVE & GENERAL					
A & G PAYROLL	1,590.3	1,609.9	0.0	1,609.9	1,616.4
EMPLOYEE BENEFITS	1,299.2	1,342.9	0.0	1,342.9	1,361.8
INSURANCE	645.4	663.7	0.0	663.7	664.3
UNINSURED PROPERTY DAMAGE	8.7	8.8	0.0	8.8	8.8
REG. COMM. EXPENSE	131.3	159.3	0.0	159.3	162.3
FRANCHISE REQUIREMENTS	200.2	199.7	0.0	199.7	202.0
OUTSIDE SERVICES	234.9	248.9	0.0	248.9	265.3
A & G - OTHER	451.7	496.3	0.0	496.3	514.7
A & G TRANSFERRED CREDIT	(184.8)	(414.2)	0.0	(414.2)	(637.3)
RENTS	16.7	16.8	0.0	16.8	17.3
GENERAL OFFICE ALLOCATION	2,102.7	2,129.3	0.0	2,129.3	2,196.2
AVR ALLOCATION	(0.0)	0.0	0.0	0.0	0.0
SUB-TOTAL A & G	6,496.3	6,461.4	0.0	6,461.4	6,371.8
OTHER TAXES					
[1] PROPERTY TAXES	582.6	598.3	0.0	598.3	585.4
[1] PAYROLL TAXES	331.1	321.6	0.0	321.6	323.2
SUB-TOTAL OTHER TAXES	913.6	919.9	0.0	919.9	908.7
[1] DEPRECIATION	3,169.4	3,309.6	0.0	3,309.6	3,399.1
CA INCOME TAXES	255.0	216.4	(3.9)	212.5	216.3
FEDERAL INCOME TAXES	839.3	704.9	(13.4)	691.5	756.2
TOTAL EXPENSES	17,262.9	17,251.0	27.3	17,278.3	17,510.1
NET REVENUE	3,567.1	3,535.7	(27.3)	3,508.4	3,513.4
TOTAL RATE BASE	49,851.7	56,506.0	0.9	56,506.9	58,578.3
RATE OF RETURN	7.16%	6.26%	0.0%	6.21%	6.00%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM AVR'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE A-2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC & IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PROPOSED RATES
2015 @ PROPOSED RATES
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	22,439.4	23,484.0	49.0	23,533.0	24,100.3
DEFERRED REVENUES	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS REVENUE	50.7	66.0	0.0	66.0	50.7
TOTAL REVENUES	22,490.1	23,550.0	49.0	23,599.0	24,151.0
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	827.0	837.5	0.0	837.5	840.9
OPERATIONS-OTHER	159.0	155.2	0.0	155.2	157.3
PURCHASED WATER-POTABLE	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,097.5	1,109.8	0.0	1,109.8	1,125.6
LEASED WATER RIGHTS	834.7	863.9	0.0	863.9	963.8
REPLENISHMENT	109.8	113.3	0.0	113.3	114.9
CHEMICALS	21.9	21.8	0.0	21.8	22.0
PAYROLL-CUSTOMERS	498.1	504.5	0.0	504.5	506.6
CUSTOMERS-OTHER	273.8	305.8	44.6	350.4	358.5
UNCOLLECTIBLES	114.1	112.0	0.2	112.2	114.9
PAYROLL-MAINTENANCE	429.9	435.3	0.0	435.3	437.2
MAINTENANCE-OTHER	667.2	619.2	0.0	619.2	623.1
PAYROLL-CLEARINGS	120.9	122.4	0.0	122.4	122.9
DEPRECIATION-CLEARINGS	239.8	241.9	0.0	241.9	264.2
CLEARINGS-OTHER	210.7	209.4	0.0	209.4	221.1
SUB-TOTAL O & M	5,604.4	5,651.9	44.8	5,696.8	5,873.0
ADMINISTRATIVE & GENERAL					
A & G PAYROLL	1,590.3	1,609.9	0.0	1,609.9	1,616.4
EMPLOYEE BENEFITS	1,299.2	1,342.9	0.0	1,342.9	1,361.8
INSURANCE	645.4	663.7	0.0	663.7	664.3
UNINSURED PROPERTY DAMAGE	8.7	8.8	0.0	8.8	8.8
REG. COMM. EXPENSE	131.3	159.3	0.0	159.3	162.3
FRANCHISE REQUIREMENTS	230.7	226.3	0.5	226.8	232.1
OUTSIDE SERVICES	234.9	248.9	0.0	248.9	265.3
A & G - OTHER	451.7	496.3	0.0	496.3	514.7
A & G TRANSFERRED CREDIT	(184.8)	(414.2)	0.0	(414.2)	(637.3)
RENTS	16.7	16.8	0.0	16.8	17.3
GENERAL OFFICE ALLOCATION	2,102.7	2,129.3	0.0	2,129.3	2,196.2
AVR ALLOCATION	(0.0)	0.0	0.0	0.0	0.0
SUB-TOTAL A & G	6,526.8	6,488.0	0.5	6,488.5	6,401.9
OTHER TAXES					
[1] PROPERTY TAXES	582.6	598.3	0.0	598.3	585.4
[1] PAYROLL TAXES	331.1	321.6	0.0	321.6	323.2
SUB-TOTAL OTHER TAXES	913.6	919.9	0.0	919.9	908.7
[1] DEPRECIATION	3,169.4	3,309.6	0.0	3,309.6	3,399.1
CA INCOME TAXES	399.6	457.7	0.3	458.0	489.3
FEDERAL INCOME TAXES	1,376.5	1,599.4	2.5	1,601.9	1,768.6
[2]TOTAL EXPENSES	17,968.4	18,426.5	48.1	18,474.7	18,840.5
NET REVENUE	4,521.7	5,123.5	0.9	5,124.3	5,310.5
TOTAL RATE BASE	49,851.7	56,506.0	0.9	56,506.9	58,578.3
RATE OF RETURN	9.07%	9.07%	0.0%	9.07%	9.07%
DOLLAR INCREASE	1,660.0	2,763.3	49.0	2,812.3	3,127.5
% INCREASE	7.97%	13.29%	0.2%	13.53%	14.88%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM AVR'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

[2] ORA'S ORIGINAL TOTAL EXPENSES IS ADJUSTED TO REFLECT ORA'S REPORT.

TABLE A-3
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PRESENT RATES
2015 @ PRESENT RATES
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	20,591.0	20,543.3	0.0	20,543.3	20,780.1
DEFERRED REVENUES	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS REVENUE	46.7	46.7	0.0	46.7	46.7
TOTAL REVENUES	20,637.7	20,590.0	0.0	20,590.0	20,826.8
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	824.0	834.4	0.0	834.4	837.9
OPERATIONS-OTHER	159.0	155.2	0.0	155.2	157.3
PURCHASED WATER-POTABLE	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,010.3	1,015.5	0.0	1,015.5	1,030.0
LEASED WATER RIGHTS	834.7	863.9	0.0	863.9	963.8
REPLENISHMENT	103.3	103.8	0.0	103.8	105.0
CHEMICALS	21.9	21.8	0.0	21.8	22.0
PAYROLL-CUSTOMERS	498.1	504.5	0.0	504.5	506.6
CUSTOMERS-OTHER	273.8	305.8	44.6	350.4	358.5
UNCOLLECTIBLES	99.1	98.8	0.0	98.8	100.0
PAYROLL-MAINTENANCE	429.9	435.3	0.0	435.3	437.2
MAINTENANCE-OTHER	665.0	617.0	0.0	617.0	621.0
PAYROLL-CLEARINGS	120.9	122.4	0.0	122.4	122.9
DEPRECIATION-CLEARINGS	239.8	241.9	0.0	241.9	264.2
CLEARINGS-OTHER	207.6	206.3	0.0	206.3	218.0
SUB-TOTAL O & M	5,487.2	5,526.6	44.6	5,571.2	5,744.3
ADMINISTRATIVE & GENERAL					
A & G PAYROLL	1,590.3	1,609.9	0.0	1,609.9	1,616.4
EMPLOYEE BENEFITS	1,297.2	1,340.8	0.0	1,340.8	1,359.8
INSURANCE	644.1	662.4	0.0	662.4	663.0
UNINSURED PROPERTY DAMAGE	8.7	8.8	0.0	8.8	8.8
REG. COMM. EXPENSE	131.3	159.3	0.0	159.3	162.3
FRANCHISE REQUIREMENTS	200.2	199.7	0.0	199.7	202.0
OUTSIDE SERVICES	230.3	244.4	0.0	244.4	261.2
A & G - OTHER	451.5	496.0	0.0	496.0	514.5
A & G TRANSFERRED CREDIT	(184.8)	(414.2)	0.0	(414.2)	(637.3)
RENTS	16.7	16.8	0.0	16.8	17.3
GENERAL OFFICE ALLOCATION	2,089.2	2,115.6	0.0	2,115.6	2,183.7
AVR ALLOCATION	(26.7)	(27.6)	0.0	(27.6)	(27.9)
SUB-TOTAL A & G	6,447.9	6,411.9	0.0	6,411.9	6,323.6
OTHER TAXES					
[1] PROPERTY TAXES	579.1	594.9	0.0	594.9	582.0
[1] PAYROLL TAXES	330.4	320.9	0.0	320.9	322.6
SUB-TOTAL OTHER TAXES	909.5	915.8	0.0	915.8	904.5
[1] DEPRECIATION	3,154.2	3,294.3	0.0	3,294.3	3,383.4
CA INCOME TAXES	253.9	216.4	(3.9)	212.5	216.3
FEDERAL INCOME TAXES	835.3	703.0	(13.4)	689.7	754.5
TOTAL EXPENSES	17,088.1	17,068.1	27.3	17,095.4	17,326.6
NET REVENUE	3,549.6	3,521.9	(27.3)	3,494.6	3,500.3
TOTAL RATE BASE	49,568.7	56,219.9	0.9	56,220.8	58,294.1
RATE OF RETURN	7.16%	6.26%	0.0%	6.22%	6.00%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM AVR'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE A-4
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PROPOSED RATES
2015 @ PROPOSED RATES
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	22,232.9	23,265.6	49.0	23,314.6	23,881.2
DEFERRED REVENUES	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS REVENUE	50.7	66.0	0.0	66.0	50.7
TOTAL REVENUES	22,283.5	23,331.5	49.0	23,380.5	23,931.9
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	824.0	834.4	0.0	834.4	837.9
OPERATIONS-OTHER	159.0	155.2	0.0	155.2	157.3
PURCHASED WATER-POTABLE	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,010.3	1,015.5	0.0	1,015.5	1,030.0
LEASED WATER RIGHTS	834.7	863.9	0.0	863.9	963.8
REPLENISHMENT	103.3	103.8	0.0	103.8	105.0
CHEMICALS	21.9	21.8	0.0	21.8	22.0
PAYROLL-CUSTOMERS	498.1	504.5	0.0	504.5	506.6
CUSTOMERS-OTHER	273.8	305.8	44.6	350.4	358.5
UNCOLLECTIBLES	114.1	112.0	0.2	112.2	114.9
PAYROLL-MAINTENANCE	429.9	435.3	0.0	435.3	437.2
MAINTENANCE-OTHER	665.0	617.0	0.0	617.0	621.0
PAYROLL-CLEARINGS	120.9	122.4	0.0	122.4	122.9
DEPRECIATION-CLEARINGS	239.8	241.9	0.0	241.9	264.2
CLEARINGS-OTHER	207.6	206.3	0.0	206.3	218.0
SUB-TOTAL O & M	5,502.2	5,539.8	44.8	5,584.6	5,759.2
ADMINISTRATIVE & GENERAL					
A & G PAYROLL	1,590.3	1,609.9	0.0	1,609.9	1,616.4
EMPLOYEE BENEFITS	1,297.2	1,340.8	0.0	1,340.8	1,359.8
INSURANCE	644.1	662.4	0.0	662.4	663.0
UNINSURED PROPERTY DAMAGE	8.7	8.8	0.0	8.8	8.8
REG. COMM. EXPENSE	131.3	159.3	0.0	159.3	162.3
FRANCHISE REQUIREMENTS	230.7	226.3	0.5	226.8	232.1
OUTSIDE SERVICES	230.3	244.4	0.0	244.4	261.2
A & G - OTHER	451.5	496.0	0.0	496.0	514.5
A & G TRANSFERRED CREDIT	(184.8)	(414.2)	0.0	(414.2)	(637.3)
RENTS	16.7	16.8	0.0	16.8	17.3
GENERAL OFFICE ALLOCATION	2,089.2	2,115.6	0.0	2,115.6	2,183.7
AVR ALLOCATION	(26.7)	(27.6)	0.0	(27.6)	(27.9)
SUB-TOTAL A & G	6,478.4	6,438.5	0.5	6,438.9	6,353.7
OTHER TAXES					
[1] PROPERTY TAXES	579.1	594.9	0.0	594.9	582.0
[1] PAYROLL TAXES	330.4	320.9	0.0	320.9	322.6
SUB-TOTAL OTHER TAXES	909.5	915.8	0.0	915.8	904.5
[1] DEPRECIATION	3,154.2	3,294.3	0.0	3,294.3	3,383.4
CA INCOME TAXES	397.2	455.3	0.3	455.6	486.8
FEDERAL INCOME TAXES	1,368.0	1,590.4	2.5	1,592.9	1,759.5
[2]TOTAL EXPENSES	17,787.7	18,234.0	48.1	18,282.2	18,647.1
NET REVENUE	4,495.8	5,097.5	0.9	5,098.4	5,284.7
TOTAL RATE BASE	49,568.7	56,219.9	0.9	56,220.8	58,294.1
RATE OF RETURN	9.07%	9.07%	0.0%	9.07%	9.07%
DOLLAR INCREASE	1,645.8	2,741.6	49.0	2,790.6	3,105.0
% INCREASE	7.97%	13.32%	0.2%	13.55%	14.91%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM AVR'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

[2] ORA'S ORIGINAL TOTAL EXPENSES IS ADJUSTED TO REFLECT ORA'S REPORT.

TABLE A-5
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PRESENT RATES
2015 @ PRESENT RATES
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	192.4	196.7	0.0	196.7	196.7
DEFERRED REVENUES	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS REVENUE	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUES	192.4	196.7	0.0	196.7	196.7
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	3.0	3.0	0.0	3.0	3.0
OPERATIONS-OTHER	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	87.2	94.3	0.0	94.3	95.6
REPLENISHMENT CHARGES	6.5	9.6	0.0	9.6	9.9
CHEMICALS	0.0	0.0	0.0	0.0	0.0
UNCOLLECTIBLES	0.0	0.0	0.0	0.0	0.0
PAYROLL-MAINTENANCE	0.0	0.0	0.0	0.0	0.0
MAINTENANCE-OTHER	2.2	2.2	0.0	2.2	2.1
PAYROLL-CLEARINGS	0.0	0.0	0.0	0.0	0.0
CLEARINGS-OTHER	3.1	3.1	0.0	3.1	3.2
SUB-TOTAL O & M	102.1	112.2	0.0	112.2	113.8
ADMINISTRATIVE & GENERAL					
PAYROLL	0.0	0.0	0.0	0.0	0.0
EMPLOYEE BENEFITS	2.0	2.1	0.0	2.1	2.1
INSURANCE	1.3	1.3	0.0	1.3	1.3
FRANCHISE REQUIREMENTS	0.0	0.0	0.0	0.0	0.0
OUTSIDE SERVICES	4.6	4.6	0.0	4.6	4.1
OFFICE SUPPLIES	0.0	0.0	0.0	0.0	0.0
A & G - OTHER	0.2	0.2	0.0	0.2	0.2
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0
RENTS	0.0	0.0	0.0	0.0	0.0
GENERAL OFFICE ALLOCATION	13.6	13.7	0.0	13.7	12.6
AVR ALLOCATION	26.7	27.6	0.0	27.6	27.9
SUB-TOTAL A & G	48.3	49.5	0.0	49.5	48.2
OTHER TAXES					
[1] PROPERTY TAXES	3.5	3.5	0.0	3.5	3.5
[1] PAYROLL TAXES	0.7	0.7	0.0	0.7	0.7
SUB-TOTAL OTHER TAXES	4.1	4.2	0.0	4.2	4.1
[1] DEPRECIATION	15.2	15.2	0.0	15.2	15.6
CA INCOME TAXES	1.1	0.5	(0.0)	0.5	0.5
FEDERAL INCOME TAXES	4.0	1.9	(0.0)	1.9	1.8
TOTAL EXPENSES	174.8	183.4	(0.0)	183.4	184.0
NET REVENUE	17.5	13.3	0.0	13.3	12.7
TOTAL RATE BASE	283.0	286.1	0.0	286.1	284.2
RATE OF RETURN	6.20%	4.63%	0.0%	4.63%	4.46%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM AVR'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE A-6
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
2015 GENERAL RATE CASE
COMPARATIVE SUMMARY OF EARNINGS FOR TEST YEAR AT PROPOSED RATES
2015 @ PROPOSED RATES
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	206.5	218.5	0.0	218.5	219.2
DEFERRED REVENUES	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS REVENUE	0.0	0.0	0.0	0.0	0.0
TOTAL REVENUES	206.5	218.5	0.0	218.5	219.2
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	3.0	3.0	0.0	3.0	3.0
OPERATIONS-OTHER	0.0	0.0	0.0	0.0	0.0
PURCHASED WATER	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	87.2	94.3	0.0	94.3	95.6
REPLENISHMENT CHARGES	6.5	9.6	0.0	9.6	9.9
CHEMICALS	0.0	0.0	0.0	0.0	0.0
UNCOLLECTIBLES	0.0	0.0	0.0	0.0	0.0
PAYROLL-MAINTENANCE	0.0	0.0	0.0	0.0	0.0
MAINTENANCE-OTHER	2.2	2.2	0.0	2.2	2.1
PAYROLL-CLEARINGS	0.0	0.0	0.0	0.0	0.0
CLEARINGS-OTHER	3.1	3.1	0.0	3.1	3.2
SUB-TOTAL O & M	102.1	112.2	0.0	112.2	113.8
ADMINISTRATIVE & GENERAL					
PAYROLL	0.0	0.0	0.0	0.0	0.0
EMPLOYEE BENEFITS	2.0	2.1	0.0	2.1	2.1
INSURANCE	1.3	1.3	0.0	1.3	1.3
FRANCHISE REQUIREMENTS	0.0	0.0	0.0	0.0	0.0
OUTSIDE SERVICES	4.6	4.6	0.0	4.6	4.1
OFFICE SUPPLIES	0.0	0.0	0.0	0.0	0.0
A & G - OTHER	0.2	0.2	0.0	0.2	0.2
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0
RENTS	0.0	0.0	0.0	0.0	0.0
GENERAL OFFICE ALLOCATION	13.6	13.7	0.0	13.7	12.6
AVR ALLOCATION	26.7	27.6	0.0	27.6	27.9
SUB-TOTAL A & G	48.3	49.5	0.0	49.5	48.2
OTHER TAXES					
[1] PROPERTY TAXES	3.5	3.5	0.0	3.5	3.5
[1] PAYROLL TAXES	0.7	0.7	0.0	0.7	0.7
SUB-TOTAL OTHER TAXES	4.1	4.2	0.0	4.2	4.1
[1] DEPRECIATION	15.2	15.2	0.0	15.2	15.6
CA INCOME TAXES	2.4	2.4	(0.0)	2.4	2.5
FEDERAL INCOME TAXES	8.5	9.0	(0.0)	9.0	9.2
TOTAL EXPENSES	180.9	192.5	(0.0)	192.5	193.4
NET REVENUE	25.7	25.9	0.0	25.9	25.8
TOTAL RATE BASE	283.0	286.1	0.0	286.1	284.2
RATE OF RETURN	9.07%	9.07%	0.0%	9.07%	9.07%
DOLLAR INCREASE	14.2	21.8	0.0	21.8	22.5
% INCREASE	7.36%	11.06%	0.0%	11.06%	11.41%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM AVR'S GENERAL OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

TABLE B - 1
APPLE VALLEY RANCHOS WATER CO.
WATER SALES PER AVERAGE CUSTOMER
TEST YEAR 2015
(CCF/ CUSTOMER)

	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	197.4	197.4	0.0	197.4	199.1
Commercial	581.5	585.0	0.0	585.0	592.8
Industrial	641.0	641.0	0.0	641.0	630.6
Public Authority	6,389.0	6,389.1	0.0	6,389.1	6,389.0
Private Fire Service	6.8	7.6	0.0	7.6	8.0
Irrigation - Public Authority	5,365.0	5,364.9	0.0	5,364.9	5,365.0
Irrigation - Pressure	1,606.0	1,606.2	0.0	1,606.2	1,681.0
Irrigation - Gravity	443,715.0	456,274.9	0.0	456,274.9	456,275.0
Apple Valley Golf Course	126,540.0	126,540.0	0.0	126,540.0	122,164.0
Temporary Construction	784.0	801.0	0.0	801.0	991.3

TABLE B - 2
APPLE VALLEY RANCHOS WATER CO.
WATER SALES PER AVERAGE CUSTOMER
ESCALATION YEAR 2016
(CCF/CUSTOMER)

	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	197.4	197.4	0.0	197.4	199.1
Commercial	581.5	585.0	0.0	585.0	592.8
Industrial	641.0	641.0	0.0	641.0	630.6
Public Authority	6,389.0	6,389.1	0.0	6,389.1	6,389.0
Private Fire Service	6.8	7.6	0.0	7.6	8.0
Irrigation - Public Authority	5,365.0	5,364.9	0.0	5,364.9	5,365.0
Irrigation - Pressure	1,606.0	1,606.2	0.0	1,606.2	1,681.0
Irrigation - Gravity	443,715.0	456,274.9	0.0	456,274.9	456,275.0
Apple Valley Golf Course	126,540.0	126,540.0	0.0	126,540.0	122,164.0
Temporary Construction	784.0	801.0	0.0	801.0	991.3

TABLE B - 3
APPLE VALLEY RANCHOS WATER CO.
WATER SALES PER AVERAGE CUSTOMER
ESCALATION YEAR 2017
(CCF/CUSTOMER)

	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	197.4	197.4	0.0	197.4	199.1
Commercial	581.5	585.0	0.0	585.0	592.8
Industrial	641.0	641.0	0.0	641.0	630.6
Public Authority	6,389.0	6,389.1	0.0	6,389.1	6,389.0
Private Fire Service	6.8	7.6	0.0	7.6	8.0
Irrigation - Public Authority	5,365.0	5,364.9	0.0	5,364.9	5,365.0
Irrigation - Pressure	1,606.0	1,606.2	0.0	1,606.2	1,681.0
Irrigation - Gravity	443,715.0	456,274.9	0.0	456,274.9	456,275.0
Apple Valley Golf Course	126,540.0	126,540.0	0.0	126,540.0	122,164.0
Temporary Construction	784.0	801.0	0.0	801.0	991.3

TABLE C - 1
APPLE VALLEY RANCHOS WATER CO.
AVERAGE NUMBER OF CUSTOMERS
TEST YEAR 2015

NUMBER OF CUSTOMERS	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	18,008	18,015	0.0	18,015	17,979
Commercial	1,384	1,364	0.0	1,364	1,364
Industrial	2	2	0.0	2	2
Public Authority	45	45	0.0	45	45
Private Fire Service	240	239	0.0	239	272
Irrigation - Public Authority	5	5	0.0	5	5
Irrigation - Pressure	166	166	0.0	166	175
Irrigation - Gravity	1	1	0.0	1	1
Apple Valley Golf Course	1	1	0.0	1	1
Temporary Construction	9	11	0.0	11	9

TABLE C - 2
APPLE VALLEY RANCHOS WATER CO.
AVERAGE NUMBER OF CUSTOMERS
ESCALATION YEAR 2016

NUMBER OF CUSTOMERS	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	18,203	18,165	0.0	18,165	18,121
Commercial	1,397	1,375	0.0	1,375	1,373
Industrial	2	2	0.0	2	2
Public Authority	45	45	0.0	45	46
Private Fire Service	248	247	0.0	247	289
Irrigation - Public Authority	5	5	0.0	5	5
Irrigation - Pressure	169	169	0.0	169	180
Irrigation - Gravity	1	1	0.0	1	1
Apple Valley Golf Course	1	1	0.0	1	1
Temporary Construction	9	11	0.0	11	9

TABLE C - 3
APPLE VALLEY RANCHOS WATER CO.
AVERAGE NUMBER OF CUSTOMERS
ESCALATION YEAR 2017

NUMBER OF CUSTOMERS	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	18,398	18,315	0.0	18,315	18,263
Commercial	1,410	1,386	0.0	1,386	1,382
Industrial	2	2	0.0	2	2
Public Authority	46	46	0.0	46	46
Private Fire Service	256	255	0.0	255	306
Irrigation - Public Authority	5	5	0.0	5	5
Irrigation - Pressure	172	171	0.0	171	185
Irrigation - Gravity	1	1	0.0	1	1
Apple Valley Golf Course	1	1	0.0	1	1
Temporary Construction	9	11	0.0	11	9

TABLE D - 1
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TOTAL SALES & SUPPLY
TEST YEAR 2015

METER SALES (CCF)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	3,555,152	3,556,521	0.0	3,556,521	3,580,135
Commercial	804,828	797,967	0.0	797,967	808,526
Industrial	1,282	1,282	0.0	1,282	1,261
Public Authority	288,783	286,232	0.0	286,232	288,783
Private Fire Service	1,642	1,809	0.0	1,809	2,173
Irrigation - Public Authority	26,825	26,825	0.0	26,825	26,825
Irrigation - Pressure	266,596	266,634	0.0	266,634	294,175
Apple Valley Golf Course	126,540	126,540	0.0	126,540	122,164
Temporary Construction	7,056	8,811	0.0	8,811	8,921
TOTAL SALES	5,078,703	5,072,621	0.0	5,072,621	5,132,964
TOTAL PRODUCTION (CCF)	5,351,637	5,395,167	0.0	5,395,167	5,518,049
TOTAL PRODUCTION (AF)	12,288	12,388	0.0	12,388	12,671

TABLE D - 2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TOTAL SALES & SUPPLY
ESCALATION YEAR 2016

METER SALES (CCF)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	3,593,649	3,586,134	0.0	3,586,134	3,608,411
Commercial	812,387	804,403	0.0	804,403	813,861
Industrial	1,282	1,282	0.0	1,282	1,261
Public Authority	287,505	288,787	0.0	288,787	291,338
Private Fire Service	1,696	1,870	0.0	1,870	2,309
Irrigation - Public Authority	26,825	26,825	0.0	26,825	26,825
Irrigation - Pressure	271,414	271,453	0.0	271,453	302,580
Apple Valley Golf Course	126,540	126,540	0.0	126,540	122,164
Temporary Construction	7,056	8,811	0.0	8,811	8,921
TOTAL SALES	5,128,355	5,116,104	0.0	5,116,104	5,177,671
TOTAL PRODUCTION (CCF)	5,403,957	5,441,415	0.0	5,441,415	5,566,110
TOTAL PRODUCTION (AF)	12,409	12,495	0.0	12,495	12,781

TABLE D - 3
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TOTAL SALES & SUPPLY
ESCALATION YEAR 2017

METER SALES (CCF)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	3,632,146	3,615,747	0.0	3,615,747	3,636,687
Commercial	819,947	810,838	0.0	810,838	819,196
Industrial	1,282	1,282	0.0	1,282	1,261
Public Authority	291,338	291,343	0.0	291,343	293,894
Private Fire Service	1,751	1,930	0.0	1,930	2,445
Irrigation - Public Authority	26,825	26,825	0.0	26,825	26,825
Irrigation - Pressure	276,232	274,665	0.0	274,665	310,985
Apple Valley Golf Course	126,540	126,540	0.0	126,540	122,164
Temporary Construction	7,056	8,811	0.0	8,811	8,921
TOTAL SALES	5,183,118	5,157,981	0.0	5,157,981	5,222,379
TOTAL PRODUCTION (CCF)	5,512,690	5,485,955	0.0	5,485,955	5,554,447
TOTAL PRODUCTION (AF)	12,658	12,597	0.0	12,597	12,754

TABLE D - 4
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
TEST YEAR 2015

METER SALES (CCF)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Irrigation - Gravity	443,715	456,275	0.0	456,275	456,275
TOTAL SALES	443,715	456,275	0.0	456,275	456,275
TOTAL PRODUCTION (CCF)	1,888,149	2,092,524	0.0	2,092,524	2,240,522
TOTAL PRODUCTION (AF)	4,336	4,805	0.0	4,805	5,145

TABLE D - 5
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
ESCALATION YEAR 2016

METER SALES (CCF)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Irrigation - Gravity	443,715	456,275	0.0	456,275	456,275
TOTAL SALES	443,715	456,275	0.0	456,275	456,275
TOTAL PRODUCTION (CCF)	1,888,149	2,092,524	0.0	2,092,524	2,240,522
TOTAL PRODUCTION (AF)	4,336	4,805	0.0	4,805	5,145

TABLE D - 6
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TOTAL SALES & SUPPLY
ESCALATION YEAR 2017

METER SALES (CCF)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Irrigation - Gravity	443,715	456,275	0.0	456,275	456,275
TOTAL SALES	443,715	456,275	0.0	456,275	456,275
TOTAL PRODUCTION (CCF)	471,929	2,092,524	0.0	2,092,524	2,240,522
TOTAL PRODUCTION (AF)	1,084	4,805	0.0	4,805	5,145

TABLE E - 1
APPLE VALLEY RANCHOS
OPERATING REVENUES AT PRESENT RATES
TEST YEAR 2015

METERED REVENUES ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	14,767,410	14,752,278	0.0	14,752,278	14,826,176
Commercial	3,406,266	3,370,132	0.0	3,370,132	3,399,105
Industrial	5,162	5,162	0.0	5,162	5,105
Public Authority	967,191	967,203	0.0	967,203	975,827
Private Fire Service	307,756	306,474	0.0	306,474	348,790
Irrigation - Public Authority	35,268	35,267	0.0	35,267	35,268
Irrigation - Pressure	933,518	933,623	0.0	933,623	1,020,145
Irrigation - Gravity	192,380	196,700	0.0	196,700	196,700
Apple Valley Golf Course	115,854	115,854	0.0	115,854	112,084
Temporary Construction	52,526	65,564	0.0	65,564	57,644
Miscellaneous Revenue	46,693	46,693	0.0	46,693	46,693
TOTAL REVENUE	20,830,023	20,794,950	0.0	20,794,950	21,023,537

TABLE E - 2
APPLE VALLEY RANCHOS
OPERATING REVENUES AT PROPOSED RATES
TEST YEAR 2015

METERED REVENUES ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Residential	15,944,950	16,730,765	28,971.9	16,759,737	17,076,657
Commercial	3,677,878	3,765,035	6,574.1	3,771,609	3,862,095
Industrial	5,574	5,796	10.0	5,806	5,822
Public Authority	1,044,314	1,108,221	1,829.1	1,110,050	1,134,727
Private Fire Service	332,297	347,085	591.8	347,677	400,841
Irrigation - Public Authority	38,080	38,969	69.7	39,038	39,645
Irrigation - Pressure	1,007,956	1,065,071	1,775.3	1,066,846	1,182,720
Irrigation - Gravity	206,530	218,249	87.0	218,336	219,224
Apple Valley Golf Course	125,092	135,376	213.6	135,589	132,711
Temporary Construction	56,715	61,755	8,378.7	70,133	63,299
Miscellaneous Revenue	50,666	65,966	0.0	65,966	50,666
TOTAL REVENUE	22,490,051	23,542,288	48,501.3	23,590,789	24,168,407

TABLE F-1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
OPERATION & MAINTENANCE EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	824.0	834.4	0.0	834.4	837.9
OPERATIONS-OTHER	159.0	155.2	0.0	155.2	157.3
PURCHASED WATER-POTABLE	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,010.3	1,015.5	0.0	1,015.5	1,030.0
LEASED WATER RIGHTS	834.7	863.9	0.0	863.9	963.8
REPLENISHMENT	103.3	103.8	0.0	103.8	105.0
CHEMICALS	21.9	21.8	0.0	21.8	22.0
PAYROLL-CUSTOMERS	498.1	504.5	0.0	504.5	506.6
CUSTOMERS-OTHER	273.8	305.8	44.6	350.4	358.5
UNCOLLECTIBLES	114.1	112.0	0.2	112.2	114.9
PAYROLL-MAINTENANCE	429.9	435.3	0.0	435.3	437.2
MAINTENANCE-OTHER	665.0	617.0	0.0	617.0	621.0
PAYROLL-CLEARINGS	120.9	122.4	0.0	122.4	122.9
DEPRECIATION-CLEARINGS	239.8	241.9	0.0	241.9	264.2
CLEARINGS-OTHER	207.6	206.3	0.0	206.3	218.0
TOTAL O & M EXPENSES	5,502.2	5,539.8	44.8	5,584.6	5,759.2

TABLE F-2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
OPERATION & MAINTENANCE EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATIONS & MAINTENANCE					
PAYROLL-OPERATIONS	3.0	3.0	0.0	3.0	3.0
OPERATIONS-OTHER	0.0	0.0	0.0	0.0	0.0
PURCHASED WATER	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	87.2	94.3	0.0	94.3	95.6
REPLENISHMENT CHARGES	6.5	9.6	0.0	9.6	9.9
CHEMICALS	0.0	0.0	0.0	0.0	0.0
UNCOLLECTIBLES	0.0	0.0	0.0	0.0	0.0
PAYROLL-MAINTENANCE	0.0	0.0	0.0	0.0	0.0
MAINTENANCE-OTHER	2.2	2.2	0.0	2.2	2.1
PAYROLL-CLEARINGS	0.0	0.0	0.0	0.0	0.0
CLEARINGS-OTHER	3.1	3.1	0.0	3.1	3.2
TOTAL O & M EXPENSES	102.1	112.2	0.0	112.2	113.8

TABLE G-1
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
ADMINISTRATIVE & GENERAL EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
ADMINISTRATIVE & GENERAL					
A & G PAYROLL	1,590.3	1,609.9	0.0	1,609.9	1,616.4
EMPLOYEE BENEFITS	1,297.2	1,340.8	0.0	1,340.8	1,359.8
INSURANCE	644.1	662.4	0.0	662.4	663.0
UNINSURED PROPERTY DAMAGE	8.7	8.8	0.0	8.8	8.8
REG. COMM. EXPENSE	131.3	159.3	0.0	159.3	162.3
FRANCHISE REQUIREMENTS	230.7	226.3	0.5	226.8	232.1
OUTSIDE SERVICES	230.3	244.4	0.0	244.4	261.2
A & G - OTHER	451.5	496.0	0.0	496.0	514.5
A & G TRANSFERRED CREDIT	(184.8)	(414.2)	0.0	(414.2)	(637.3)
RENTS	16.7	16.8	0.0	16.8	17.3
[1] GENERAL OFFICE ALLOCATION	2,089.2	2,115.6	0.0	2,115.6	2,183.7
AVR ALLOCATION	(26.7)	(27.6)	0.0	(27.6)	(27.9)
TOTAL A & G EXPENSES	6,478.4	6,438.5	0.5	6,438.9	6,353.7

[1] Excludes G.O. allocated payroll taxes, ad valorem tax, and depreciation expense.

TABLE G-2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
ADMINISTRATIVE & GENERAL EXPENSES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
ADMINISTRATIVE & GENERAL					
PAYROLL	0.0	0.0	0.0	0.0	0.0
PAYROLL-BENEFITS	2.0	2.1	0.0	2.1	2.1
INSURANCE	1.3	1.3	0.0	1.3	1.3
FRANCISE REQTS	0.0	0.0	0.0	0.0	0.0
OUTSIDE SERVICES	4.6	4.6	0.0	4.6	4.1
OFFICE SUPPLIES	0.0	0.0	0.0	0.0	0.0
A & G - OTHER	0.2	0.2	0.0	0.2	0.2
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0
RENTS	0.0	0.0	0.0	0.0	0.0
[1] GENERAL OFFICE ALLOCATION	13.6	13.7	0.0	13.7	12.6
AVR ALLOCATION	26.7	27.6	0.0	27.6	27.9
TOTAL A & G EXPENSES	48.3	49.5	0.0	49.5	48.2

[1] Excludes G.O. allocated payroll taxes, ad valorem tax, and depreciation expense.

TABLE H-1
APPLE VALLEY RANCHOS RANCHOS WATER CO. - DOMESTIC
TAXES OTHER THAN INCOME
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
PAYROLL TAXES					
APPLE VALLEY RANCHOS	264.6	254.7	0.0	254.7	255.7
G.O. ALLOCATION	65.8	66.2	0.0	66.2	66.9
TOTAL	330.4	320.9	0.0	320.9	322.6
AD VALOREM TAXES					
APPLE VALLEY RANCHOS	570.7	586.5	0.0	586.5	573.5
G.O. ALLOCATION	8.4	8.4	0.0	8.4	8.4
TOTAL	579.1	594.9	0.0	594.9	582.0
TOTAL TAXES OTHER THAN INCOME	909.5	915.8	0.0	915.8	904.5

TABLE H-2
APPLE VALLEY RANCHOS RANCHOS WATER CO. - IRRIGATION
TAXES OTHER THAN INCOME
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
PAYROLL TAXES					
APPLE VALLEY-IRRIGATION	0.3	0.3	0.0	0.3	0.3
G.O. ALLOCATION	0.4	0.4	0.0	0.4	0.4
TOTAL	0.7	0.7	0.0	0.7	0.7
AD VALOREM TAXES					
APPLE VALLEY-IRRIGATION	3.5	3.4	0.0	3.4	3.4
G.O. ALLOCATION	0.0	0.1	0.0	0.1	0.0
TOTAL	3.5	3.5	0.0	3.5	3.5
TOTAL TAXES OTHER THAN INCOME	4.2	4.2	0.0	4.2	4.1

TABLE I-1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
INCOME TAXES @ PRESENT RATES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	20,637.7	20,590.0	0	20,590.0	20,826.8
EXPENSE					
OPERATIONS & MAINTENANCE	5,388.1	5,427.8	45	5,472.4	5,644.4
UNCOLLECTIBLES	99.1	98.8	0	98.8	100.0
ADMINISTRATIVE & GENERAL	6,247.7	6,212.2	0	6,212.2	6,121.5
FRANCHISE REQUIREMENTS	200.2	199.7	0	199.7	202.0
PROPERTY TAXES	579.1	594.9	0	594.9	582.0
PAYROLL TAXES	330.4	320.9	0	320.9	322.6
MEALS ADJUSTMENT	(12.8)	(11.5)	0	(11.5)	(12.8)
TOTAL	12,831.9	12,842.8	45	12,887.4	12,959.6
INCOME BEFORE TAXES	7,805.8	7,747.2	(45)	7,702.6	7,867.2
CA CORP-FRANCHISE TAX (CCFT)					
CA TAX DEPRECIATION	3,186.5	3,319.2	0	3,319.2	3,368.6
INTEREST	1,747.6	1,979.7	0	1,979.7	2,052.1
TOTAL	4,934.1	5,298.9	0	5,299.0	5,420.7
TAXABLE INCOME FOR CCFT	2,871.8	2,448.3	(45)	2,403.6	2,446.5
CCFT RATE	8.84%	8.84%	0.00%	8.84%	8.84%
CALIFORNIA INCOME TAX	253.9	216.4	(4)	212.5	216.3
FEDERAL INCOME TAX					
FED. TAX DEPRECIATION	3,261.1	3,410.5	0	3,410.5	3,301.7
CA TAX	253.9	216.4	(4)	212.5	216.3
INTEREST	1,747.6	1,979.7	0	1,979.7	2,052.1
QUALIFIED PROD. DEDUCTION	86.5	72.8	(1)	71.5	78.2
TOTAL	5,349.1	5,679.5	(5)	5,674.2	5,648.2
FIT TAXABLE INCOME	2,456.8	2,067.7	(39)	2,028.4	2,219.0
FIT RATE	34.00%	34.00%	0.00%	34.00%	34.00%
FEDERAL INCOME TAX	835.3	703.0	(13)	689.7	754.5
INVESTMENT TAX CREDIT	0.0	0.0	0	0.0	0.0
NET FEDERAL INCOME TAX	835.3	703.0	(13)	689.7	754.5

TABLE I-2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
INCOME TAXES @ PROPOSED RATES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	22,283.5	23,331.5	49	23,380.5	23,931.9
EXPENSE					
OPERATIONS & MAINTENANCE	5,381.0	5,427.8	45	5,472.4	5,644.4
UNCOLLECTIBLES	114.1	112.0	0	112.2	114.9
ADMINISTRATIVE & GENERAL	6,233.2	6,212.2	0	6,212.2	6,121.5
FRANCHISE REQUIREMENTS	230.7	226.3	0	226.8	232.1
PROPERTY TAXES	579.1	594.9	0	594.9	582.0
PAYROLL TAXES	330.4	320.9	0	320.9	322.6
MEALS ADJUSTMENT	(12.8)	(11.5)	0	(11.5)	(12.8)
TOTAL	12,855.7	12,882.5	45	12,927.8	13,004.6
INCOME BEFORE TAXES	9,427.8	10,449.0	4	10,452.7	10,927.2
CA CORP-FRANCHISE TAX (CCFT)					
CA TAX DEPRECIATION	3,186.5	3,319.2	0	3,319.2	3,368.6
INTEREST	1,747.6	1,979.7	0	1,979.7	2,052.1
TOTAL	4,934.1	5,298.9	0	5,299.0	5,420.7
TAXABLE INCOME FOR CCFT	4,493.8	5,150.1	4	5,153.7	5,506.5
CCFT RATE	8.84%	8.84%	0.00%	8.84%	8.84%
CALIFORNIA INCOME TAX	397.2	455.3	0	455.6	486.8
FEDERAL INCOME TAX					
FED. TAX DEPRECIATION	3,261.1	3,410.5	0	3,410.5	3,301.7
CA TAX	253.9	216.4	(4)	212.5	216.3
INTEREST	1,747.6	1,979.7	0	1,979.7	2,052.1
QUALIFIED PROD. DEDUCTION	141.7	164.8	0	165.0	182.3
TOTAL	5,404.3	5,771.4	(4)	5,767.7	5,752.4
FIT TAXABLE INCOME	4,023.6	4,677.6	7	4,685.0	5,174.9
FIT RATE	34.00%	34.00%	0.00%	34.00%	34.00%
FEDERAL INCOME TAX	1,368.0	1,590.4	2	1,592.9	1,759.5
INVESTMENT TAX CREDIT	0.0	0.0	0	0.0	0.0
NET FEDERAL INCOME TAX	1,368.0	1,590.4	2	1,592.9	1,759.5

TABLE I-3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
INCOME TAXES @ PRESENT RATES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	192.4	196.7	0	196.7	196.7
EXPENSE					
OPERATIONS & MAINTENANCE	102.1	112.2	0	112.2	113.8
UNCOLLECTIBLES	0.0	0.0	0	0.0	0.0
ADMINISTRATIVE & GENERAL	48.3	49.5	0	49.5	48.2
FRANCHISE REQUIREMENTS	0.0	0.0	0	0.0	0.0
PROPERTY TAXES	3.5	3.5	0	3.5	3.5
PAYROLL TAXES	0.7	0.7	0	0.7	0.7
MEALS ADJUSTMENT	(0.1)	(0.1)	0	(0.1)	(0.1)
TOTAL	154.5	165.8	0	165.8	166.0
INCOME BEFORE TAXES	37.9	30.9	0	30.9	30.7
CA CORP-FRANCHISE TAX (CCFT)					
CA TAX DEPRECIATION	15.2	15.1	0	15.1	15.2
INTEREST	9.9	10.0	0	10.0	9.9
TOTAL	25.1	25.1	0	25.1	25.1
TAXABLE INCOME FOR CCFT	12.8	5.9	(0)	5.9	5.6
CCFT RATE	8.84%	8.84%	0.00%	8.84%	8.84%
CALIFORNIA INCOME TAX	1.1	0.5	(0)	0.5	0.5
FEDERAL INCOME TAX					
FED. TAX DEPRECIATION	14.9	14.8	0	14.8	14.9
CA TAX	1.1	0.5	(0)	0.5	0.5
INTEREST	9.9	10.0	0	10.0	9.9
QUALIFIED PROD. DEDUCTION	0.4	0.2	(0)	0.2	0.2
TOTAL	26.3	25.5	0	25.5	25.5
FIT TAXABLE INCOME	11.6	5.5	(0)	5.5	5.2
FIT RATE	34.00%	34.00%	0.00%	34.00%	34.00%
FEDERAL INCOME TAX	4.0	1.9	(0)	1.9	1.8
INVESTMENT TAX CREDIT	0.0	0.0	0	0.0	0.0
NET FEDERAL INCOME TAX	4.0	1.9	(0)	1.9	1.8

TABLE I-4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
INCOME TAXES @ PROPOSED RATES
TEST YEAR 2015
(Dollars in Thousands)

	ORA			AVR	
	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
OPERATING REVENUES	206.5	218.5	0	218.5	219.2
EXPENSE					
OPERATIONS & MAINTENANCE	102.2	112.2	0	112.2	113.8
UNCOLLECTIBLES	0.0	0.0	0	0.0	0.0
ADMINISTRATIVE & GENERAL	48.5	49.5	0	49.5	48.2
FRANCHISE REQUIREMENTS	0.0	0.0	0	0.0	0.0
PROPERTY TAXES	3.5	3.5	0	3.5	3.5
PAYROLL TAXES	0.7	0.7	0	0.7	0.7
MEALS ADJUSTMENT	(0.1)	(0.1)	0	(0.1)	(0.1)
TOTAL	154.7	165.8	0	165.8	166.0
INCOME BEFORE TAXES	51.8	52.7	0	52.7	53.1
CA CORP-FRANCHISE TAX (CCFT)					
CA TAX DEPRECIATION	15.2	15.1	0	15.1	15.2
INTEREST	9.9	10.0	0	10.0	9.9
TOTAL	25.1	25.1	0	25.1	25.1
TAXABLE INCOME FOR CCFT	26.7	27.6	(0)	27.6	28.0
CCFT RATE	8.84%	8.84%	0.00%	8.84%	8.84%
CALIFORNIA INCOME TAX	2.4	2.4	(0)	2.4	2.5
FEDERAL INCOME TAX					
FED. TAX DEPRECIATION	14.9	14.8	0	14.8	14.9
CA TAX	1.1	0.5	(0)	0.5	0.5
INTEREST	9.9	10.0	0	10.0	9.9
QUALIFIED PROD. DEDUCTION	0.9	0.9	(0)	0.9	0.9
TOTAL	26.8	26.2	0	26.2	26.2
FIT TAXABLE INCOME	25.0	26.5	(0)	26.5	26.9
FIT RATE	34.00%	34.00%	0.00%	34.00%	34.00%
FEDERAL INCOME TAX	8.5	9.0	(0)	9.0	9.2
INVESTMENT TAX CREDIT	0.0	0.0	0	0.0	0.0
NET FEDERAL INCOME TAX	8.5	9.0	(0)	9.0	9.2

TABLE J - 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC

PLANT IN SERVICE
TEST YEAR 2015

PLANT IN SERVICE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Plant in Service - BOY	120,628,589	124,193,109	0.0	124,193,109	124,134,371
Additions					
Gross Additions	3,921,768	8,737,802	0.0	8,737,802	11,424,235
Retirements of Plant	693,918	740,562	0.0	740,562	738,019
Net Additions	3,227,850	7,997,239	0.0	7,997,239	10,686,215
CWIP - BOY	47,078	47,078	0.0	47,078	490,837
CWIP - EOY	47,078	47,078	0.0	47,078	2,490,837
AVERAGE- CWIP	47,078	47,078	0.0	47,078	1,490,837
Plant in Service - EOY	123,856,440	132,190,348	0.0	132,190,348	134,820,587
Average Utility Plant	122,242,514	128,191,728	0.0	128,191,728	129,477,479

TABLE J - 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC

PLANT IN SERVICE
ESCALATION YEAR 2016

PLANT IN SERVICE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Plant in Service - BOY	123,856,440	132,190,348	0.0	132,190,348	134,820,587
Additions					
Gross Additions	3,953,626	9,039,413	0.0	9,039,413	16,709,958
Retirements of Plant	1,547,568	1,607,612	0.0	1,607,612	1,875,159
Net Additions	2,406,058	7,431,801	0.0	7,431,801	14,834,798
CWIP - BOY	47,078	47,078	0.0	47,078	2,490,837
CWIP - EOY	0	0	0.0	0	0
AVERAGE- CWIP	23,539	23,539	0.0	23,539	1,245,419
Plant in Service - EOY	126,262,497	139,622,149	0.0	139,622,149	149,655,385
Average Utility Plant	125,059,468	135,906,249	0.0	135,906,249	142,237,986

TABLE J - 3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION

PLANT IN SERVICE
TEST YEAR 2015

PLANT IN SERVICE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Plant in Service - BOY	595,813	595,813	0.0	595,813	595,813
Additions					
Gross Additions	0	0	0.0	0	0
Retirements of Plant	0	0	0.0	0	0
Net Additions	0	0	0.0	0	0
CWIP - BOY	0	0	0.0	0	0
CWIP - EOY	0	0	0.0	0	0
AVERAGE- CWIP	0	0	0.0	0	0
Plant in Service - EOY	595,813	595,813	0.0	595,813	595,813
Average Utility Plant	595,813	595,813	0.0	595,813	595,813

TABLE J - 4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION

PLANT IN SERVICE
ESCALATION YEAR 2016

PLANT IN SERVICE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
Plant in Service - BOY	595,813	595,813	0.0	595,813	595,813
Additions					
Gross Additions	0	0	0.0	0	0
Retirements of Plant	0	0	0.0	0	0
Net Additions	0	0	0.0	0	0
CWIP - BOY	0	0	0.0	0	0
CWIP - EOY	0	0	0.0	0	0
AVERAGE- CWIP	0	0	0.0	0	0
Plant in Service - EOY	595,813	595,813	0.0	595,813	595,813
Average Utility Plant	595,813	595,813	0.0	595,813	595,813

TABLE K - 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC

DEPRECIATION RESERVE & EXPENSE
TEST YEAR 2015

DEPRECIATION RESERVE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
BEGINNING YEAR BALANCE	33,318,435	33,361,541	0.0	33,361,541	33,273,911
ANNUAL ACCRUAL CHARGED TO:					
CLEARING ACCOUNTS	239,834	241,905	0.0	241,905	264,177
CONTRIBUTIONS	143,163	143,163	0.0	143,163	143,499
DEPRECIATION EXPENSE	3,001,583	3,151,603	0.0	3,151,603	3,167,947
OTHER					
TOTAL	3,384,580	3,536,671	0.0	3,536,671	3,575,623
RETIREMENTS & ADJUSTMENTS					
NET RETIREMENTS	693,918	740,562	0.0	740,562	738,019
ADJUSTMENTS	45,401	45,401	0.0	45,401	45,401
TOTAL	739,318	785,963	0.0	785,963	783,420
NET ADDITIONS	2,645,261	2,750,708	0.0	2,750,708	2,792,202
END OF YEAR BALANCE	35,963,696	36,112,249	0.0	36,112,249	36,066,114
AVERAGE BALANCE	34,641,066	34,736,895	0.0	34,736,895	34,670,012

TABLE K - 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC

DEPRECIATION RESERVE & EXPENSE
ESCALATION YEAR 2016

DEPRECIATION RESERVE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
BEGINNING YEAR BALANCE	35,963,696	36,112,249	0.0	36,112,249	36,066,114
ANNUAL ACCRUAL CHARGED TO:					
CLEARING ACCOUNTS	238,748	250,497	0.0	250,497	272,769
CONTRIBUTIONS	142,520	142,520	0.0	142,520	142,856
DEPRECIATION EXPENSE	3,095,980	3,373,784	0.0	3,373,784	3,519,595
OTHER					
TOTAL	3,477,248	3,766,802	0.0	3,766,802	3,935,220
RETIREMENTS & ADJUSTMENTS					
NET RETIREMENTS	1,547,568	1,607,612	0.0	1,607,612	1,875,159
ADJUSTMENTS	-101,781	-101,781	0.0	-101,781	-125,836
TOTAL	1,445,787	1,505,831	0.0	1,505,831	1,749,324
NET ADDITIONS	2,031,460	2,260,971	0.0	2,260,971	2,185,897
END OF YEAR BALANCE	37,995,157	38,373,220	0.0	38,373,220	38,252,010
AVERAGE BALANCE	36,979,427	37,242,735	0.0	37,242,735	37,159,062

TABLE K - 3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION

DEPRECIATION RESERVE & EXPENSE
TEST YEAR 2015

DEPRECIATION RESERVE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
BEGINNING YEAR BALANCE	228,490	228,490	0.0	228,490	228,491
ANNUAL ACCRUAL CHARGED TO:					
CLEARING ACCOUNTS	0	0	0.0	0	0
CONTRIBUTIONS	1,231	1,231	0.0	1,231	1,231
DEPRECIATION EXPENSE	11,958	11,958	0.0	11,958	11,958
OTHER					
TOTAL	13,189	13,189	0.0	13,189	13,189
RETIREMENTS & ADJUSTMENTS					
NET RETIREMENTS	0	0	0.0	0	0
ADJUSTMENTS	0	0	0.0	0	0
TOTAL	0	0	0.0	0	0
NET ADDITIONS	13,189	13,189	0.0	13,189	13,189
END OF YEAR BALANCE	241,679	241,679	0.0	241,679	241,680
AVERAGE BALANCE	235,085	235,085	0.0	235,085	235,085

TABLE K - 4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION

DEPRECIATION RESERVE & EXPENSE
ESCALATION YEAR 2016

DEPRECIATION RESERVE ($)	ORA			AVR	
Description	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
BEGINNING YEAR BALANCE	241,679	241,679	0.0	241,679	241,680
ANNUAL ACCRUAL CHARGED TO:					
CLEARING ACCOUNTS	0	0	0.0	0	0
CONTRIBUTIONS	1,231	1,231	0.0	1,231	1,231
DEPRECIATION EXPENSE	11,958	11,958	0.0	11,958	11,958
OTHER					
TOTAL	13,189	13,189	0.0	13,189	13,189
RETIREMENTS & ADJUSTMENTS					
NET RETIREMENTS	0	0	0.0	0	0
ADJUSTMENTS	0	0	0.0	0	0
TOTAL	0	0	0.0	0	0
NET ADDITIONS	13,189	13,189	0.0	13,189	13,189
END OF YEAR BALANCE	254,868	254,868	0.0	254,868	254,869
AVERAGE BALANCE	248,274	248,274	0.0	248,274	248,274

TABLE L - 1
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
AVERAGE RATE BASE SUMMARY
TEST YEAR 2015

AVERAGE RATEBASE ($)	ORA			AVR	
DESCRIPTION	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
PLANT IN SERVICE	122,215,200	128,163,822	0.0	128,163,822	129,448,308
WORK IN PROGRESS	47,078	47,078	0.0	47,078	1,490,837
MATERIALS & SUPPLIES	336,657	336,674	0.0	336,674	336,749
WORKING CASH	1,572,453	2,070,919	932.7	2,071,851	2,137,173
SUBTOTAL	124,171,388	130,618,493	932.7	130,619,426	133,413,067
LESS:					
DEPRECIATION RESERVE	34,625,500	34,721,289	0.0	34,721,289	34,654,995
ADVANCES	28,171,300	28,171,263	0.0	28,171,263	28,265,767
CONTRIBUTIONS	2,051,703	2,051,703	0.0	2,051,703	2,045,801
UNAMORTIZED ITC	44,488	44,488	0.0	44,488	44,488
DEFERRED INCOME TAX	10,416,222	10,476,166	0.0	10,476,166	11,429,252
SUBTOTAL	75,309,213	75,464,909	0.0	75,464,909	76,440,304
PLUS:					
METHOD 5 ADJUSTMENT	777	777	0.0	777	777
RESOURCES ADJUSTMENT					
NET DISTRICT RATE BASE	48,862,952	55,154,361	932.7	55,155,294	56,973,540
GENERAL OFFICE ALLOCATION	705,719	1,065,506	0.0	1,065,506	1,355,965
TOTAL RATE BASE	49,568,672	56,219,867	932.7	56,220,800	58,329,505
INTEREST CALCULATION					
AVG RATE BASE	49,568,672	56,219,867	932.7	56,220,800	58,329,505
X WEIGHTED COST OF DEBT	3.49%	3.49%	0.00%	3.49%	3.49%
INTEREST EXPENSE	1,729,947	1,962,073	32.6	1,962,106	2,035,700
ADD INTEREST FOR ADVANCES	17,613	17,613	0.0	17,613	17,613
TOTAL INTEREST DEDUCTION	1,747,560	1,979,687	32.6	1,979,719	2,053,313

TABLE L - 2
APPLE VALLEY RANCHOS WATER CO. - DOMESTIC
AVERAGE RATE BASE SUMMARY
TEST YEAR 2016

AVERAGE RATEBASE ($)	ORA			AVR	
DESCRIPTION	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
PLANT IN SERVICE	125,032,072	135,877,970	0.0	135,877,970	142,202,208
WORK IN PROGRESS	23,539	23,539	0.0	23,539	1,245,419
MATERIALS & SUPPLIES	339,598	339,598	0.0	339,598	339,690
WORKING CASH	1,555,466	2,039,390	1,180.8	2,040,571	2,290,660
SUBTOTAL	126,950,676	138,280,497	1,180.8	138,281,678	146,077,976
LESS:					
DEPRECIATION RESERVE	36,963,324	37,226,599	0.0	37,226,599	37,143,688
ADVANCES	27,550,551	27,550,551	0.0	27,550,551	27,641,847
CONTRIBUTIONS	1,948,861	1,948,861	0.0	1,948,861	1,942,623
UNAMORTIZED ITC	39,650	39,650	0.0	39,650	39,650
DEFERRED INCOME TAX	10,350,935	10,457,883	0.0	10,457,883	11,425,944
SUBTOTAL	76,853,321	77,223,545	0.0	77,223,545	78,193,752
PLUS:					
METHOD 5 ADJUSTMENT	732	732	0.0	732	732
RESOURCES ADJUSTMENT					
NET DISTRICT RATE BASE	50,098,086	61,057,684	1,180.8	61,058,865	67,884,956
GENERAL OFFICE ALLOCATION	719,184	1,057,721	0.0	1,057,721	1,483,021
[1]TOTAL RATE BASE	52,039,200	62,115,405	1,180.8	62,116,586	69,367,977
INTEREST CALCULATION					
AVG RATE BASE	52,039,200	62,115,405	0.0	62,115,405	69,367,977
X WEIGHTED COST OF DEBT	3.49%	3.49%	0.00%	3.49%	3.49%
INTEREST EXPENSE	1,816,168	2,167,828	0.0	2,167,828	2,420,942
ADD INTEREST FOR ADVANCES	19,368	19,368	0.0	19,368	19,368
TOTAL INTEREST DEDUCTION	1,835,536	2,187,196	0.0	2,187,196	2,440,311

[1] ORA'S ORIGINAL TOTAL RATE BASE IS ADJUSTED TO REFLECT ORA'S REPORT.

TABLE L - 3
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
AVERAGE RATE BASE SUMMARY
TEST YEAR 2015

AVERAGE RATEBASE ($)	ORA			AVR	
DESCRIPTION	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
PLANT IN SERVICE	623,133	623,720	0.0	623,720	624,984
WORK IN PROGRESS	0	0	0.0	0	0
MATERIALS & SUPPLIES	0	0	0.0	0	0
WORKING CASH	14,199	13,759	6.2	13,765	14,199
SUBTOTAL	637,332	637,479	6.2	637,485	639,183
LESS:					
DEPRECIATION RESERVE	250,671	250,689	0.0	250,689	250,101
ADVANCES	0	0	0.0	0	0
CONTRIBUTIONS	38,954	38,954	0.0	38,954	38,938
UNAMORTIZED ITC	0	0	0.0	0	0
DEFERRED INCOME TAX	68,794	68,613	0.0	68,613	69,606
SUBTOTAL	358,420	358,257	0.0	358,257	358,645
PLUS:					
METHOD 5 ADJUSTMENT					
RESOURCES ADJUSTMENT					
NET DISTRICT RATE BASE	278,912	279,222	6.2	279,228	280,539
GENERAL OFFICE ALLOCATION	4,064	6,912	0.0	6,912	3,654
TOTAL RATE BASE	282,976	286,134	6.2	286,140	284,193
INTEREST CALCULATION					
AVG RATE BASE	282,976	286,134	6.2	286,140	284,193
X WEIGHTED COST OF DEBT	3.49%	3.49%	0.00%	3.49%	3.49%
INTEREST EXPENSE	9,876	9,986	0.2	9,986	9,918
ADD INTEREST FOR ADVANCES	0	0	0.0	0	0
TOTAL INTEREST DEDUCTION	9,876	9,986	0.2	9,986	9,918

TABLE L - 4
APPLE VALLEY RANCHOS WATER CO. - IRRIGATION
AVERAGE RATE BASE SUMMARY
TEST YEAR 2016

AVERAGE RATEBASE ($)	ORA			AVR	
DESCRIPTION	ORIGINAL	REVISED	DIFFERENCE	REVISED	ORIGINAL
PLANT IN SERVICE	623,209	624,092	0.0	624,092	631,592
WORK IN PROGRESS	0	0	0.0	0	0
MATERIALS & SUPPLIES	0	0	0.0	0	0
WORKING CASH	15,219	13,549	7.8	13,557	15,219
SUBTOTAL	638,428	637,642	7.8	637,650	646,811
LESS:					
DEPRECIATION RESERVE	264,375	264,408	0.0	264,408	263,647
ADVANCES	0	0	0.0	0	0
CONTRIBUTIONS	37,723	37,723	0.0	37,723	37,706
UNAMORTIZED ITC	0	0	0.0	0	0
DEFERRED INCOME TAX	65,652	65,405	0.0	65,405	66,433
SUBTOTAL	367,750	367,536	0.0	367,536	367,786
PLUS:					
METHOD 5 ADJUSTMENT					
RESOURCES ADJUSTMENT					
NET DISTRICT RATE BASE	270,678	270,106	7.8	270,114	279,024
GENERAL OFFICE ALLOCATION	4,142	6,861	0.0	6,861	3,654
TOTAL RATE BASE	274,820	276,967	7.8	276,975	282,678
INTEREST CALCULATION					
AVG RATE BASE	274,820	276,967	0.0	276,967	282,678
X WEIGHTED COST OF DEBT	3.49%	3.49%	0.00%	3.49%	3.49%
INTEREST EXPENSE	9,591	9,666	0.0	9,666	9,865
ADD INTEREST FOR ADVANCES	0	0	0.0	0	0
TOTAL INTEREST DEDUCTION	9,591	9,666	0.0	9,666	9,865

(End of Appendix B)

APPENDIX C

APPENDIX C

APPLE VALLEY RANCHOS WATER COMPANY - DOMESTIC

TEST YEAR 2015

SUMMARY OF EARNINGS

(Dollars In Thousands)

	AT PRESENT RATES		ADOPTED	
	RANCHOS REVISED	ORA REVISED	AT PRESENT RATES	AT AUTHORIZED ROR
OPERATING REVENUES	20,543.3	20,543.3	20,543.3	22,905.6
DEFERRED REVENUES				
MISCELLANEOUS REVENUES	46.7	46.7	46.7	66.0
TOTAL REVENUES	20,590.0	20,590.0	20,590.0	22,971.5
OPERATIONS & MAINTENANCE				
PAYROLL-OPERATIONS	834.4	834.4	834.4	834.4
OPERATIONS-OTHER	155.2	155.2	155.2	155.2
PURCHASED WATER	0.0	0.0	0.0	0.0
PURCHASED POWER	1,015.5	1,015.5	1,015.5	1,015.5
LEASED WATER RIGHTS	863.9	863.9	863.9	863.9
REPLENISHMENT CHARGES	103.8	103.8	103.8	103.8
CHEMICALS	21.8	21.8	21.8	21.8
PAYROLL-CUSTOMER	504.5	504.5	504.5	504.5
CUSTOMERS-OTHER	350.4	305.8	350.4	350.4
UNCOLLECTIBLES	98.8	98.8	98.8	110.3
PAYROLL-MAINTENANCE	435.3	435.3	435.3	435.3
MAINTENANCE-OTHER	617.0	617.0	617.0	617.0
PAYROLL-CLEARINGS	122.4	122.4	122.4	122.4
DEPRECIATION-CLEARINGS	241.9	241.9	241.9	241.9
CLEARINGS-OTHER	206.3	206.3	206.3	206.3
SUBTOTAL O & M	5,571.2	5,526.6	5,571.2	5,582.7
ADMINISTRATIVE & GENERAL				
A & G PAYROLL	1,609.9	1,609.9	1,609.9	1,609.9
EMPLOYEE BENEFITS	1,340.8	1,340.8	1,340.8	1,340.8
INSURANCE	662.4	662.4	662.4	662.4
UNINSURED PROP. DAMAGE	8.8	8.8	8.8	8.8
REG. COMM. EXPENSE	159.3	159.3	159.3	159.3
FRANCHISE REQUIREMENTS	199.7	199.7	199.7	222.8
OUTSIDE SERVICES	244.4	244.4	244.4	244.4
A & G - OTHER	496.0	496.0	496.0	496.0
A & G TRANSFERRED CREDIT	(414.2)	(414.2)	(311.2)	(311.2)
RENTS	16.8	16.8	16.8	16.8
GENERAL OFFICE ALLOCATION	2,115.6	2,115.6	2,115.6	2,115.6
AVR ALLOCATION	(27.6)	(27.6)	(27.6)	(27.6)
SUBTOTAL A & G	6,411.9	6,411.9	6,514.9	6,537.9
OTHER TAXES				
[1] PROPERTY TAXES	594.9	594.9	583.1	583.1
[1] PAYROLL TAXES	320.9	320.9	320.9	320.9
SUBTOTAL OTHER TAXES	915.8	915.8	904.0	904.0
[1] DEPRECIATION	3,294.3	3,294.3	3,221.2	3,221.2
CA INCOME TAXES	212.5	216.4	219.9	427.3
FEDERAL INCOME TAXES	689.7	703.0	690.2	1,461.0
TOTAL EXPENSE	17,095.4	17,068.1	17,121.4	18,134.2
NET REVENUES	3,494.6	3,521.9	3,468.6	4,837.4
RATE BASE	56,220.8	56,219.9	53,307.3	53,307.3
RATE OF RETURN	6.22%	6.26%	6.51%	9.07%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM PARK'S MAIN OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

(End of Appendix C)

APPENDIX D

APPENDIX D

Page 1 of 4

Apple Valley Ranchos Water Company

Residential General Metered Service

RATES

Quantity Rates:	2015
Tier 1 First 13 100 cu. Ft.	$ 2.845
Tier 2 Over 13 through 26 100 cu. Ft.	$ 3.295
Tier 3 All over 26 100 cu. ft.	$ 3.744

Service Charge: Meter Size	
5/8"……	$ 22.55
3/4"……	$ 33.83
1"……	$ 56.38
1-1/2"……	$ 112.75
2"……	$ 180.40
3"……	$ 338.25
4"……	$ 563.75
6"……	$ 1,127.50
8"……	$ 1,804.00
10"……	$ 3,269.75

APPENDIX D

Page 2 of 4

Apple Valley Ranchos Water Company

Gravity Irrigation Service

RATES

Quantity Rates:	2015
All water delivered per 100 cu. Ft. ……..	$ 0.393

Service Charge:

Meter Size	
5/8"…….	$ 22.55
3/4"…….	$ 33.83
1"…….	$ 56.38
1-1/2"…….	$ 112.75
2"…….	$ 180.40
3"…….	$ 338.25
4"…….	$ 563.75
6"…….	$ 1,127.50
8"…….	$ 1,804.00
10"…….	$ 3,269.75

APPENDIX D

Page 3 of 4

Apple Valley Ranchos Water Company

Non-Residential General Metered Service

RATES	
Quantity Rates:	2015
All water delivered per 100 cu. Ft. ……..	$ 3.183
Service Charge:	
Meter Size	
5/8"…….	$ 22.55
3/4"…….	$ 33.83
1"……	$ 56.38
1-1/2"…….	$ 112.75
2"……	$ 180.40
3"……	$ 338.25
4"……	$ 563.75
6"……	$ 1,127.50
8"……	$ 1,804.00
10"……	$ 3,269.75

APPENDIX D

Page 4 of 4

Apple Valley Ranchos Water Company

Non-Metered Fire Service

RATES

Size of Serivce:	2015
2"……	$ 39.63
3"……	$ 59.48
4"……	$ 79.19
6"……	$ 118.58
8"……	$ 158.21
10"……	$ 190.97
12"……	$ 223.01

(End of Appendix D)

APPENDIX E

APPENDIX E
APPLE VALLEY RANCHOS WATER COMPANY
COMPARISON OF RATES
TEST YEAR 2015

USAGE		PRESENT	ADOPTED	INCREASE	PERCENT
0		22.84	22.55	-0.29	-1.27%
10		47.62	51.00	3.38	7.10%
16.59	AVG	65.37	71.81	6.44	9.85%
20		74.88	83.05	8.17	10.91%
30		104.62	118.69	14.07	13.45%
40		135.60	156.13	20.53	15.14%

Note: Based on Monthly Charges According to Schedule No. 1
Residential Metered Comparison based on 5/8 x 3/4-inch meter
Rates do not include CPUC fees or surcharges that may appear on customer bills

(End of Appendix E)

APPENDIX F

APPENDIX F

Page 1 of 5

APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC

ADOPTED QUANTITIES

Net-to-Gross Multiplier		1.73949		
Uncollectible Rate		0.48%		
Franchise Fee		0.97%		
Federal Tax Rate		34.00%		
State Tax Rate		8.84%		
		2015	**2016**	**2017**
Water Consumption (KCcf)				
Domestic Water Sales		5,072.6	5,116.1	5,158.0
Unaccounted Water	6%	323.8	326.6	329.2
Total Water Production		5,396.4	5,442.7	5,487.2
Replenishment Charges				
Administrative/Biological Assessment (A.F.)		12,388	12,495	12,597
Cost per A.F.		$4.36	$4.36	$4.36
Total Admin./Bio. Cost ($)		$54,014	$54,477	$54,923
Make-Up Assessment (A.F.)		829	829	829
Cost per A.F.		$60.00	$60.00	$60.00
Total Make-Up Cost ($)		$49,740	$49,740	$49,740
Total Replenishment Cost		$103,754	$104,217	$104,663
Leased Water Rights				
Leased Water Rights (A.F.		2,259	2,378	2,469
Cost per A.F.		$382.50	$382.50	$382.50
Total Leased Water Rights Cost		$863,950	$909,721	$944,400
Purchased Power				
Electric				
Total Cost ($)		$1,012,404	$1,017,825	$1,023,047
Total Kilowatts (kWhs)		8,766,843	8,841,993	8,914,371
Cost/Kilowatt Hour		$0.11548	$0.11511	$0.11476
Gas				
Total Cost ($)		$3,137	$3,164	$3,190
Total Therms		2,738	2,761	2,784
Cost/Therm		$1.14577	$1.14577	$1.14577

APPENDIX F
Page 2 of 5
APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES
(Dollars in Thousands)

	2015	2016
Utility Plant In Service		
Beginning Of Year Balance	122,265.8	128,101.2
Additions	6,575.9	6,735.6
Retirements	740.6	1,607.6
End Of Year Balance	128,101.2	133,229.1
Average Balance	125,183.5	130,665.1
Depreciation Reserve		
Beginning Of Year Balance	33,338.0	36,015.6
Annual Accrual	3,463.6	3,639.4
Net Retirements	786.0	1,505.8
End Of Year Balance	36,015.6	38,149.3
Average Balance	34,676.8	37,082.4

Note: Unadjusted for General Plant Adjustments.

APPENDIX F
Page 3 of 5
APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES
(Dollars in Thousands)

RATE BASE SUMMARY	2015	2016
AVERAGE BALANCES		
PLANT IN SERVICE	125,155.6	130,636.9
WORK IN PROGRESS	47.1	23.5
MATERIALS & SUPPLIES	336.7	339.6
WORKING CASH	2,063.9	2,026.1
SUBTOTAL	127,603.2	133,026.1
LESS:		
DEPRECIATION RESERVE	34,661.2	37,066.3
ADVANCES	28,171.3	27,550.6
CONTRIBUTIONS	2,051.7	1,948.9
UNAMORTIZED ITC	44.5	39.7
DEFERRED INCOME TAX	10,433.5	10,368.3
SUBTOTAL	75,362.2	76,973.6
PLUS:		
METHOD 5 ADJUSTMENT	0.8	0.7
NET DISTRICT RATE BASE	52,241.8	56,053.2
MAIN OFFICE ALLOCATION	1,065.5	1,057.7
TOTAL RATE BASE	53,307.3	57,110.9

APPENDIX F
Page 4 of 5
APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES
TEST YEAR 2015
(Dollars in Thousands)

INCOME TAX CALCULATIONS	PRESENT RATES	AT AUTHORIZED RATE OF RETURN
OPERATING REVENUES	20,590.0	22,971.5
EXPENSES		
OPERATIONS & MAINTENANCE	5,472.4	5,472.4
UNCOLLECTIBLES	98.8	110.3
ADMINISTRATIVE & GENERAL	6,315.1	6,315.1
FRANCHISE FEES	199.7	222.8
AD VALOREM TAXES	583.1	583.1
PAYROLL TAXES	320.9	320.9
MEALS ADJUSTMENT	-11.5	-11.5
SUBTOTAL	12,978.6	13,013.1
INCOME BEFORE TAXES	7,611.4	9,958.4
DEDUCTIONS		
CA TAX DEPRECIATION	3,246.2	3,246.2
INTEREST	1,878.0	1,878.0
TOTAL	5,124.2	5,124.2
TAXABLE INCOME FOR CCFT	2,487.2	4,834.3
CCFT RATE	8.84%	8.84%
CCFT	219.9	427.3
DEDUCTIONS		
FED. TAX DEPRECIATION	3,412.1	3,412.1
INTEREST	219.9	219.9
CA TAX	1,878.0	1,878.0
QUALIFIED PROD. DEDUCTION	71.5	151.4
TOTAL	5,581.5	5,661.4
FIT TAXABLE INCOME	2,029.9	4,297.0
FIT RATE	34.00%	34.00%
FIT (BEFORE ADJUSTMENT)	690.2	1,461.0
PRORATED ADJUSTMENT		
INVESTMENT TAX CREDIT	0.0	0.0
NET FEDERAL INCOME TAX	690.2	1,461.0

APPENDIX F
Page 5 of 5
APPLE VALLEY RANCHOS WATER COMPANY-DOMESTIC
ADOPTED QUANTITIES

	2015	2016	2017
Number of Customers			
Residential	18,015	18,165	18,315
Business	1,364	1,375	1,386
Industrial	2	2	2
Public Authority	45	45	46
Private Fire Service	239	247	255
Irrigation - Public Authority	5	5	5
Irrigation - Pressure	166	169	171
Temporary Construction	11	11	11
Apple Valley Country Club	1	1	1
Total	19,848	20,020	20,192

Water Sales (Ccfs)	2015	2016	2017
Residential	3,556,521	3,586,134	3,615,747
Business	797,967	804,403	810,838
Industrial	1,282	1,282	1,282
Public Authority	286,232	288,787	291,343
Private Fire Service	1,809	1,870	1,930
Irrigation - Public Authority	26,825	26,825	26,825
Irrigation - Pressure	266,634	271,453	274,665
Temporary Construction	8,811	8,811	8,811
Apple Valley Country Club	126,540	126,540	126,540
Total	5,072,621	5,116,104	5,157,981

Consumption per Customer (Ccf per Customer)	2015	2016	2017
Residential	197	197	197
Business	585	585	585
Industrial	641	641	641
Public Authority	6,389	6,389	6,389
Private Fire Service	8	8	8
Irrigation - Public Authority	5,365	5,365	5,365
Irrigation - Pressure	1,606	1,606	1,606
Temporary Construction	801	801	801
Apple Valley Country Club	126,540	126,540	126,540

(End of Appendix F)

APPENDIX G

APPENDIX G

APPLE VALLEY RANCHOS WATER COMPANY - IRRIGATION

TEST YEAR 2015

SUMMARY OF EARNINGS

(Dollars In Thousands)

	AT PRESENT RATES		ADOPTED	
	RANCHOS REVISED	ORA REVISED	AT PRESENT RATES	AT AUTHORIZED ROR
OPERATING REVENUES	196.7	196.7	196.7	218.5
DEFERRED REVENUES	0.0	0.0	0.0	0.0
TOTAL REVENUES	196.7	196.7	196.7	218.5
OPERATIONS & MAINTENANCE				
PAYROLL-OPERATIONS	3.0	3.0	3.0	3.0
OPERATIONS-OTHER	0.0	0.0	0.0	0.0
PURCHASED POWER	94.3	94.3	94.3	94.3
LEASED WATER RIGHTS	0.0	0.0	0.0	0.0
REPLENISHMENT CHARGES	9.6	9.6	9.6	9.6
UNCOLLECTIBLES	0.0	0.0	0.0	0.0
PAYROLL-MAINTENANCE	0.0	0.0	0.0	0.0
MAINTENANCE-OTHER	2.2	2.2	2.2	2.2
CLEARINGS-OTHER	3.1	3.1	3.1	3.1
SUBTOTAL O & M	112.2	112.2	112.2	112.2
ADMINISTRATIVE & GENERAL				
A & G PAYROLL	0.0	0.0	0.0	0.0
EMPLOYEE BENEFITS	2.1	2.1	2.1	2.1
INSURANCE	1.3	1.3	1.3	1.3
REG. COMM. EXPENSE	0.0	0.0	0.0	0.0
FRANCHISE REQUIREMENTS	0.0	0.0	0.0	0.0
OUTSIDE SERVICES	4.6	4.6	4.6	4.6
A & G - OTHER	0.2	0.2	0.2	0.2
GENERAL OFFICE ALLOCATION	13.7	13.7	13.7	13.7
AVR ALLOCATION	27.6	27.6	27.6	27.6
SUBTOTAL A & G	49.5	49.5	49.5	49.5
OTHER TAXES				
[1] PROPERTY TAXES	3.5	3.5	3.5	3.5
[1] PAYROLL TAXES	0.7	0.7	0.7	0.7
SUB-TOTAL OTHER TAXES	4.2	4.2	4.2	4.2
[1] DEPRECIATION	15.2	15.2	15.2	15.2
CA INCOME TAXES	0.5	0.5	0.5	2.4
FEDERAL INCOME TAXES	1.9	1.9	1.9	9.0
TOTAL EXPENSE	183.4	183.4	183.4	192.5
NET REVENUES	13.3	13.3	13.3	25.9
RATE BASE	286.1	286.1	286.1	286.1
RATE OF RETURN	4.63%	4.63%	4.63%	9.07%

[1] DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM PARK'S MAIN OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

(End of Appendix G)

APPENDIX H

APPENDIX H
Page 1 of 5
APPLE VALLEY RANCHOS WATER COMPANY - IRRIGATION
ADOPTED QUANTITIES

Net-to-Gross Multiplier		1.71476		
Uncollectible Rate		0.00%		
Franchise Fee		0.00%		
Federal Tax Rate		34.00%		
State Tax Rate		8.84%		
		2015	**2016**	**2017**
Water Consumption (Ccf)				
Water Sales		456.3	456.3	456.3
Unaccounted Water	78.2%	1,636.7	1,636.7	1,636.7
Total Water Production		2,093.0	2,093.0	2,093.0
Replenishment Charges				
Biological Assessment (A.F.)		4,805	4,805	4,805
Cost per A.F.		$0.81	$0.81	$0.81
Total Biological Assessment Cost		$3,892	$3,892	$3,892
Make-Up Assessment				
Make-Up Assessment (A.F.)		95	95	95
Cost per A.F.		$60.00	$60.00	$60.00
Total Make-Up Assessment Cost		$5,700	$5,700	$5,700
Total Replenishment Charges		$9,592	$9,592	$9,592
Purchased Power				
Electric				
Total Cost		$94,280	$94,280	$94,280
Kilowatt Hours		1,092,233	1,092,233	1,092,233
Cost/Kilowatt Hour		$0.08632	$0.08632	$0.08632

APPENDIX H
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APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES
(Dollars in Thousands)

Utility Plant In Service	**2015**	**2016**
Beginning Of Year Balance	595.8	595.8
Additions	0	0
Retirements	0	0
End Of Year Balance	595.8	595.8
Average Balance	595.8	595.8
Depreciation Reserve		
Beginning Of Year Balance	228.5	241.7
Annual Accrual	13.2	13.2
Net Retirements	0.0	0.0
End Of Year Balance	241.7	254.9
Average Balance	235.1	248.3

Note: Unadjusted for General Plant Adjustments.

APPENDIX H
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APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES
(Dollars in Thousands)

	2015	2016
RATE BASE SUMMARY		
AVERAGE BALANCES		
PLANT IN SERVICE	623.7	624.1
WORK IN PROGRESS	0.0	0.0
WORKING CASH	13.7	13.5
SUBTOTAL	637.4	637.6
LESS:		
DEPRECIATION RESERVE	250.7	264.4
ADVANCES	0.0	0.0
CONTRIBUTIONS	39.0	37.7
UNAMORTIZED ITC	0.0	0.0
DEFERRED INCOME TAX	68.6	65.4
SUBTOTAL	358.2	367.6
PLUS:		
METHOD 5 ADJUSTMENT		
NET DISTRICT RATE BASE	279.2	270.0
MAIN OFFICE ALLOCATION	6.9	6.9
TOTAL RATE BASE	286.1	276.8

APPENDIX H
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APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES
TEST YEAR 2015
(Dollars in Thousands)

INCOME TAX CALCULATIONS	PRESENT RATES	AT AUTHORIZED RATE OF RETURN
OPERATING REVENUES	196.7	218.5
EXPENSES		
OPERATIONS & MAINTENANCE	112.2	112.2
UNCOLLECTIBLES	0.0	0.0
ADMINISTRATIVE & GENERAL	49.5	49.5
FRANCHISE FEES	0.0	0.0
AD VALOREM TAXES	3.5	3.5
PAYROLL TAXES	0.7	0.7
MEALS ADJUSTMENT	(0.1)	(0.1)
SUBTOTAL	165.8	165.8
INCOME BEFORE TAXES	30.9	52.7
CA. CORP - FRANCHISE TAX (CCFT)		
CA TAX DEPRECIATION	15.1	15.1
INTEREST	10.0	10.0
	25.1	25.1
TAXABLE INCOME FOR CCFT	5.9	27.6
CCFT RATE	8.84%	8.84%
CA INCOME TAX	0.5	2.4
FEDERAL INCOME TAX (FIT)		
FED. TAX DEPRECIATION	14.8	14.8
CA TAX	0.5	0.5
INTEREST	10.0	10.0
QUALIFIED PROD. DEDUCTION	0.2	0.9
TOTAL	25.5	26.2
FIT TAXABLE INCOME	5.5	26.5
FIT RATE	34.00%	34.00%
FIT (BEFORE ADJUSTMENT)	1.9	9.0
INVESTMENT TAX CREDIT	0.0	0.0
NET FEDERAL INCOME TAX	1.9	9.0

APPENDIX H
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APPLE VALLEY RANCHOS WATER COMPANY-IRRIGATION
ADOPTED QUANTITIES

	2015	2016	2017
Number of Customers			
Gravity Irrigation	1	1	1
Water Sales (Ccfs)			
Gravity Irrigation	456,275	456,275	456,275
Consumption per Customer (Ccf per Customer)			
Gravity Irrigation	456,275	456,275	456,275

(End of Appendix H)

APPENDIX I

APPENDIX I
1 of 2
MAIN OFFICE
TEST YEAR 2015
SUMMARY OF OPERATING EXPENSES
(Dollars In Thousands)

	2015
PAYROLL-CUSTOMERS	4.6
PAYROLL-MAINTENANCE	34.0
MAINTENANCE-OTHER	561.2
PAYROLL-CLEARINGS	20.4
DEPRECIATION-CLEARINGS	8.7
CLEARINGS-OTHER	30.6
A & G PAYROLL	4,044.5
EMPLOYEE BENEFITS	1,225.9
INSURANCE	176.4
UNINSURED PROPERTY DAMAGE	0.0
REG. COMM. EXPENSE	0.0
OUTSIDE SERVICES	612.7
A & G - OTHER	529.4
A & G TRANSFERRED CREDIT	(17.6)
PROPERTY TAXES	28.6
PAYROLL TAXES	226.1
DEPRECIATION	302.1
WWH ADJ	(4.0)
GRAND TOTAL	7,783.5
ALLOCATION TO AVR - DOMESTIC	29.29%
PROPERTY TAXES	8.4
PAYROLL TAXES	66.2
DEPRECIATION	88.5
A & G EXPENSES	2,115.6
	2,278.6
ALLOCATION TO AVR - IRRIGATION (.19%)	0.19%
PROPERTY TAXES	0.1
PAYROLL TAXES	0.4
DEPRECIATION	0.6
A & G EXPENSES	13.7
	14.8

APPENDIX I
2 of 2
MAIN OFFICE
RATE BASE SUMMARY

		2015	2016
END-OF-YEAR BALANCES			
PLANT IN SERVICE		11,206.6	11,521.0
CWIP		0.0	0.0
SUBTOTAL		11,206.6	11,521.0
LESS:			
DEPRECIATION RESERVE		6,593.2	6,838.6
DEFERRED INCOME TAX		1,000.9	1,072.5
SUBTOTAL		7,594.1	7,911.1
NET MAIN OFFICE RATE BASE	3,663.1	3,612.5	3,609.9
WEIGHTED AVERAGE RATEBASE		3,637.8	3,611.2
FOUR FACTOR ALLOCATION			
DOMESTIC	29.29%	1,065.5	1,057.7
IRRIGATION	0.19%	6.9	6.9

(End of Appendix I)