



FILED

04-29-11

04:16 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Apple Valley)
Ranchos Water Company (U 346 W) for Authority)
to Increase Rates Charged for Water Service by)
\$3,896,586 or 20.0% in 2012, \$547,241 or 2.35%)
in 2013, and \$786,254 or 3.32% in 2014.)
_____)

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

RESPONSE OF

APPLE VALLEY RANCHOS WATER COMPANY (U 346 W)

TO THE TOWN OF APPLE VALLEY'S MOTION TO COMPEL DISCOVERY

FROM APPLE VALLEY RANCHOS WATER COMPANY

Edward N. Jackson
Representative
Director of Revenue Requirements
Park Water Company
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241-7002
Phone: (562) 923-0711
Fax: (562) 861-5902
E-mail: ed.jackson@parkwater.com

April 29, 2011

In the Matter of the Application of Apple Valley)
Ranchos Water Company (U 346 W) for Authority)
to Increase Rates Charged for Water Service by)
\$3,896,586 or 20.0% in 2012, \$547,241 or 2.35%)
in 2013, and \$786,254 or 3.32% in 2014.)
_____)

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

RESPONSE OF APPLE VALLEY RANCHOS WATER COMPANY (U 346 W)
TO THE TOWN OF APPLE VALLEY'S MOTION TO COMPEL DISCOVERY
FROM APPLE VALLEY RANCHOS WATER COMPANY

I. Introduction

Pursuant to Rule 11.3 (b) Apple Valley Ranchos Company (AVR), hereby files its response to the Motion to Compel Discovery from Apple Valley Ranchos Water Company (Motion) filed by the Town of Apple Valley (Town) on April 20, 2011.

Contrary to Town's assertions in its Motion, AVR's General Rate Case (GRC) workpapers in this proceeding do contain confidential information that requires confidential treatment by the Town. The Town sent its initial Data Request to AVR on March 24, 2011, almost two months after AVR had filed its Application. At the time of Town's Data Request, the Town had been delivered a proposed confidentiality agreement in another proceeding before the Commission (A.11-01-019) that would cover discovery requests for confidential information in that proceeding. Town's representatives gave AVR reason to believe that this proposed confidentiality agreement would shortly be finalized in that proceeding (to which Town and AVR are both parties and are represented by the same counsel). AVR reasonably assumed that the same confidentiality agreement with possible minor modifications could also be used in this proceeding and would provide the most expeditious way of responding to Town's request for all of AVR's workpapers in this proceeding. Town did not inform AVR that it would not enter into a confidentiality agreement, however, until April 14, 2011.

Shortly thereafter, AVR began to prepare redacted workpapers which were sent to the Town on April 21, 2011 for delivery on April 22, 2011. AVR has now provided all the workpapers specified in Town's Motion that can be provided without a confidentiality agreement, by the date specified by Town in its Motion, April 22, 2011.

Therefore, while the subject matter of the Motion may appear moot, AVR is compelled to file this response to address numerous false and misleading statements in Town's Motion and to inform the Commission how the Town is manipulating its discovery process in this proceeding for purposes totally unrelated to the proceeding – the taking of AVR's water system in a contemplated eminent domain action.

Town's expressed concerns over the shortness of time before its testimony is due to be filed in this proceeding results entirely from its own tactics; Town did not initiate any discovery until almost two months after A.11-01-001 was filed and did not timely notify AVR of its refusal and change in position on entering into a confidentiality agreement with AVR.

II. The Sequence of Events Do Not Support the Town's Assertions.

Town and AVR are both parties to A.11-01-019 as well as this proceeding and are represented by the same counsel in both proceedings. On March 3, 2011, in the Pre-Hearing Conference on A.11-01-019, Applicants' counsel raised the issue of confidential information that might be requested by the Town in that proceeding and the need for a confidentiality agreement. The ALJ in that proceeding requested the parties to discuss the confidentiality agreement issue "offline". Accordingly, shortly thereafter, Town's and AVR's counsel, along with counsel for the other Applicants in that proceeding, had a phone conference to discuss the confidentiality agreement issue. A draft confidentiality agreement was subsequently delivered to Town's counsel for review on March 23. At that time Applicants' counsel, including AVR's counsel in both proceedings, was led to understand that there was a likelihood that a confidentiality agreement between the parties could be finalized with only some minor changes and in fairly short order, by April 8.

AVR, in its initial response to TOWN-1 on April 1, 2011, stated that the workpapers contained confidential information and therefore all of the workpapers could not be provided until the Town executed a confidentiality agreement. AVR also stated:

"The process of executing a confidentiality agreement with the Town is already under way in connection with the discovery process in A. 11-01-019, and a confidentiality agreement is currently under review by the Town. AVR believes that confidentiality agreement would be suitable for use in this proceeding as well." (Introductory section of AVR's April 1, 2011 Partial response to Data request TOWN-1)

Based on AVR's understanding of the progress in the parties reaching agreement on a mutually acceptable confidentiality agreement, as explained above, rather than going through the effort and time to review the workpapers and prepare a redacted non-confidential version, AVR proposed that the entire set of workpapers be provided to Town under the finalized confidentiality agreement.

The rest of the sequence of events is set forth in the email chain attached to Town's Motion. When Town sent an email on April 5, 2011, acknowledging that it and AVR were in the process of developing a confidentiality agreement, but asking if AVR could provide the non-confidential portions of the workpapers, AVR, still expecting the confidentiality agreement to be

finalized within a few days, reiterated its position that the easiest and quickest way to provide the workpapers would be under the anticipated agreement.

On April 14, 2011 Town sent AVR an email, which it incorrectly characterized as its good faith effort under Rule 11.3 to confer and resolve this discovery dispute, although AVR was not yet aware that a dispute existed. In fact Town's April 14, 2011 email further incorrectly asserted that there were no valid confidentiality concerns attached to AVR's workpapers, and that AVR was attempting to claim confidentiality in this proceeding simply because confidentiality issues had arisen in A.11-01-019. Town further demanded that AVR produce the workpapers.

At no point during this email correspondence between Town and AVR regarding the workpapers, did Town ever contest AVR's belief that conclusion of a confidentiality agreement was imminent, until the night of April 14 when Mr. Brown, the Town's attorney, informally advised an AVR representative that the Town had concluded a confidentiality agreement would not be appropriate.

By Monday April 18, when AVR did not receive any response to its April 15 email request for clarification of Mr. Brown's comments, AVR was forced to conclude that Town had, in fact, changed its position and that a confidentiality agreement was no longer a viable means of providing confidential workpapers to the Town. At that point, AVR began reviewing all of its workpapers and generating redacted workpapers. AVR sent to Town on April 21, 2011 (email and hardcopy containing redacted workpapers by Fed-ex for next day delivery) a second response to Data Request TOWN-1 including redacted workpapers.

III. No Extension of Time for Town to File Testimony is Warranted

Town argues that AVR should have provided its workpapers on April 1. Town claims that provision of workpapers is routine and that other companies like Golden State Water Company and San Gabriel Water Company have not withheld workpapers for confidentiality reasons. As AVR explained to Town, this is an issue of first impression for AVR. Neither Town nor any other municipal entity has been a party to any AVR GRC for at least the last 25 years. While AVR and Park always provide workpapers to CPUC staff, there is an expectation that CPUC staff will only use those workpapers to review AVR's application and will otherwise treat them as confidential. Neither AVR nor Park have ever had a municipal entity as a party to a GRC application requesting workpapers which it would feel obligated to make available to the public.

AVR has talked to San Gabriel Valley Water Company (SGV). SGV has had the City of Fontana (also represented by BB&K) as a party to its Fontana Division GRCs for some time and, previously routinely had the local School district as a party. SGV informed AVR that it does redact its workpapers prior to providing them to the City to remove confidential information. Due to the history of participation by municipal entities and the expectation that they will be required, SGV prepares redacted workpapers as a matter of course. AVR, however, has never had to go through the process of reviewing and redacting confidential information from its workpapers. Given its understanding of the imminent availability of a confidentiality agreement, it was not unreasonable for AVR to seek to eliminate additional unnecessary work, especially given its current heavy workload (AVR is currently party to three applications, each of which has ongoing discovery or requests for information by other parties and/or the assigned ALJ, is party/respondent to five OIRs or OII's which have requirements for workshops or comments, and has three pending advance letters filed with the Commission's Division of Water and Audits. AVR is also still in the process of compliance with the new ATR decision and is about to be confronted with compliance efforts on several more decisions which are about to be issued).

AVR also learned from SGV that the City of Fontana, in its participation in GRCs, routinely requests SGV's workpapers very promptly and early in the GRC schedule. Town, however, despite receiving timely notice of the filing of A.11-01-001 and filing a timely protest on February 2, 2011, failed to initiate any discovery in this proceeding until March 24, 2011, almost three months after AVR filed its application and almost two months after Town filed its protest. Further, Town waited two weeks to let AVR know that it had changed its position on the use of a confidentiality agreement. Town would have had substantially more time to review workpapers and prepare testimony if it had started discovery in a timely manner, or just let AVR know on April 1 that it was not going to enter into a confidentiality agreement in connection with the workpapers.

IV. Town's Motion Contains False and Misleading Statements

Town seemingly makes every argument it can think of in its Motion. Some of the arguments are just baseless or unreasonable; however Town also makes a number of false and misleading statements:

1. Town states (page 2 and several other places) that it does not believe that AVR's workpapers contain confidential information and that: "AVR has merely stated that its workpapers may contain some confidential information, but even though Town has asked AVR to do so, AVR has failed to identify what the confidential information is or where it is located in

the workpapers.” [emphasis supplied]. This statement is false. AVR clearly stated in its April 1 response that the documents not provided in the response contain information which AVR considers to be confidential. Again in the April 5 email Mr. Jordan stated with respect to the workpapers “We know that certain sections contain confidential information...”. AVR never said they “may” contain confidential information. In addition, Town never asked AVR to identify the data it claimed to be confidential or where it is located in the workpapers.

2. Town claims (page 2): “In similar proceedings, AVR and other private utilities like Golden State Water Company and San Gabriel Water Company have not withheld workpapers supporting an application for confidentiality reasons. Indeed, with regard to Advice Letter 151-W, the Town requested workpapers from AVR and received them directly from the utility.”

This has never arisen in any “similar proceeding” involving AVR, since Park acquired it 25 years ago as during that time neither Town nor any other municipal entity has ever been a party to any of AVR’s (or Park’s) GRCs. Advice Letter 151-W was not a “similar proceeding” to a GRC (an advice letter is not a “proceeding”); Advice Letter 151-W was a request to the Commission’s Division of Water and Audits for amortization of AVR’s Production Cost Balancing Account (which Town protested, a protest that was not upheld), which differs vastly in character and scope from a GRC proceeding. The workpapers for a production cost balancing account amortization differ in volume, complexity and scope from GRC workpapers and are in no way similar; they include production records, power bills, and leased water rights and replenishment assessment invoices, information with no potential for confidentiality issues. Town’s description of GRC workpapers at the bottom of page 1 of its Motion indicates that Town is aware of these differences.

3. Town states (page 4) in its Motion that: “On April 15, AVR responded to the Town stating that it has never produced any workpapers in any proceeding to a municipal entity ‘which it would feel obligated to make available to the public’.” Town then claims AVR’s statement is untrue. Town’s claim is false. What AVR actually stated in its April 15 email to Town is (at end of second paragraph):

“Neither AVR nor Park have ever had, as a party to a GRC application, a municipal entity requesting workpapers which it would feel obligated to make available to the public.”

In support of its claim that AVR’s statement is untrue, Town states: “In fact, in proceeding A.08-01-002, AVR did produce its workpapers in connection with its rate increase application to the parties involved in that proceeding, as is evident by DRA’s testimony and

briefing”. This statement provides no support for Town’s claim because the only parties to that proceeding were AVR and the Commission’s Division of Ratepayer Advocates (DRA) as evidenced by the following quote from the decision in that proceeding:

“Since AVR and DRA are the only parties, the settlement is an all-party settlement.”

(D.08-09-026, page 3).

DRA is not an entity requesting workpapers which it would feel obligated to make available to the public. DRA is subject to expectations of confidentiality, as Town’s representatives, including Mr. Dallarda who signed Town’s Motion, were recently informed by the ALJ in A.11-01-019 (A.11-01-019, March 3, 2011 Pre-Hearing Conference, TR47, 2-11).

4. On page 4 of its Motion, Town introduces the following “quote” from AVR’s April 5 email regarding the efforts that would be required of it to review the workpapers for confidential material and provide the non-confidential portions: “[f]rankly we are reluctant to undertake the burden of that exercise when it appears unnecessary and likely to unproductive in enabling us to provide you the workpapers any sooner [than a confidentiality agreement would be entered into in A.11-01-019].” (The portion in brackets was added by Town). Town then uses this manufactured statement as a springboard into a specious argument about commingling of this proceeding with A.11-01-019.

AVR’s position, from its initial April 1 response (see page 2 above) was that the same confidentiality agreement could be used in both proceedings. It is a completely reasonable assumption that a confidentiality agreement developed between two parties to deal with discovery in one proceeding could also be used, with possible minor changes, between the same two parties in a different proceeding. When Town raised this commingling argument in its April 14 email AVR made its position very clear, stating in its April 15 email response (paragraph 4):

“AVR agrees that, other than that the issue of confidentiality arises in both proceedings due to Town’s position that it is obligated to make any information it receives in discovery available to the public, the confidentiality issues that arose in A.11-01-019, the Transfer Application, have no bearing on the confidentiality of the information in the GRC workpapers. The confidentiality issues with respect to the workpapers in AVR’s GRC are completely independent of the confidentiality issues which arose in the Transfer Application which AVR, unlike Town, has consistently maintained to be a separate proceeding. The only reason I referred to the Transfer Application in my prior communication was due to the fact that a process of developing a confidentiality agreement between Town and the applicants in that proceeding (which include AVR) had already been initiated, and appeared close to being finalized, and I believed that the confidentiality agreement developed in that proceeding, or an agreement with essentially the same form as that agreement, could be used to resolve the confidentiality issues in the GRC proceeding in the easiest and fastest manner.”

5. Perhaps most misleading is Town's rhetoric in its Motion concerning due process and its statements (pages 1 and 2) about the necessity for Town to have access to the information in the workpapers in order to "fully develop testimony in support of its protest" and that a "protective order" would "virtually prohibit Town from using the workpapers to challenge the rate increase that AVR has applied for". These statements are misleading because, as explained in the following section, it has now become clear that Town intends to use the workpapers to develop a feasibility study for Town's acquisition of AVR's system through an eminent domain action. Town refuses to enter into a confidentiality agreement or protective order because such an agreement or order would make it impossible for Town to use the workpapers for that purpose.

V. Town is Manipulating and Co-opting the Discovery Process and the GRC Process to Further Its Agenda of Acquiring AVR

The Town has recently established a Blue Ribbon Water Committee (BRWC) "to assist the Apple Valley Town Council in evaluating all feasible alternatives with respect to public ownership and control of the privately owned water companies presently selling water to the citizens and taxpayers of the Town of Apple Valley." Town appointed the first 10 members of the BRWC on March 22, 2011 and Town initiated its discovery process in this proceeding two days later on March 24. BRWC meetings are open to the public and AVR representatives have attended although they were denied a position on the BRWC. The BRWC meetings are moderated/facilitated by the same BB&K attorneys representing Town in this proceeding (and in A.11-01-019).

Exhibit A to this response is a copy of a power-point presentation handed out at the first BRWC meeting on April 14, 2001. The cover sheet of the presentation lists John Brown, Piero Dallarda, Charity Schiller, and Kelly Cwiertyny. Among the power-point presentations are slides relevant to both this proceeding and A.11-10-019. On two slides labeled "Town's Actions" Town's attorneys included the following items:

"Protest AVR Rate Increase & Merger Application",

"Challenging the Public Notice by AVR in the Rate Increase",

"Engaging in Discovery in both Proceedings"

"Hosting Public Participation Hearings"

"Held Ratepayer Workshop to educate members of public on CPUC options and activities, including protests and intervention (as a result, several groups are active in both the Rate Increase and merger Proceedings", and

“Engaging Bartle Wells to update 2006 Feasibility Analysis of Acquisition of AVR & GSWC”.

It is clear from this listing that Town is commingling AVR’s GRC with A.11-01-019 and regards its activities in fomenting opposition to the applications in both proceedings as part of its strategy to acquire AVR’s water system.

The BRWC was proposed at the Town Council Meeting of March 8 and the first ten members appointed at the Town Council meeting of March 22. Town did not conduct any discovery in AVR’s GRC until March 24, shortly after the establishment of the BRWC, when Town requested AVR’s exhibits and workpapers. This timeline presents a clear picture of the Town’s real agenda. While it will certainly submit some kind of testimony in this proceeding, Town is using the discovery process in both this proceeding and A.11-01-019 to gather information critical to its efforts to acquire AVR, which include the preparation of the updated Feasibility Analysis of Acquisition of AVR & GSWC, by Bartle Wells, which is a pivotal part of the acquisition process. Town’s discovery tactics and refusal to enter into a confidentiality agreement are directed to that end.

This objective was confirmed at the second meeting of the BRWC on April 23, which AVR representatives attended. Along with presentations on the eminent domain process and methods of public financing to fund the taking, Town had arranged for a representative of Bartle Wells to present an Update to its 2006 Feasibility Analysis of Acquisition of AVR & GSWC. In discussing the preparation of the Updated Feasibility Analysis, the Bartle Wells representative stated:

We need information, financial information, which is best provided through workpapers and exhibits in the rate case. As Charity [Schiller of BB&K] mentioned, those workpapers have just been made available to Best, Best & Krieger. I expect to receive a copy next week. It will take several weeks to go through the data and update the “06 study.”

Town had received AVR’s workpapers on Friday April 22 and by Saturday had informed the consultant it had hired for the purpose of performing a feasibility analysis on the acquisition of AVR that he could expect to receive them the following week. The Bartle Wells representative later indicated during the BRWC meeting that there was other information that he expected to be “part of the discovery issues before the Commission”.

Town is using the discovery process in this proceeding for a purpose entirely unrelated to the issues raised by AVR’s Application, the furtherance of Town’s agenda to proceed with an eminent domain action against AVR. Town’s misuse of the discovery process and attempt to shift the “blame” to AVR for delays in the discovery process are transparent and should not be condoned.

VI. Conclusion

Town received the discovery information requested in its Motion, AVR's GRC workpapers; at least the portions which AVR can produce without Town's execution of a confidentiality agreement. Therefore Town's request for the Commission to compel discovery is moot. Town's request for a 30 day extension of time until receipt of the workpapers is conditioned upon non-receipt by Town by April 22, 2011. Since Town received the workpapers by April 22, 2011, this request is also moot (additionally AVR notes that the proposed ALJ Ruling attached by Town to its Motion does not contain any extension of time to file testimony). Moreover, Town is not entitled to any extension of time to prepare testimony since the shortness of time available to it to prepare that testimony is of its own making. Therefore, AVR requests that Town's Motion be dismissed as moot.

Town has made a number of false and misleading statements to the Commission in its Motion, however, which AVR believes violate Rule 1.1 of the Commission's Rules of Practice and Procedure. In addition, it is very clear that by fomenting opposition to AVR's application and misusing the discovery process Town is attempting to utilize the Commission's GRC process for purposes unrelated to the issues in the GRC, in order to further Town's political agenda of acquiring AVR's water system. While AVR is not proposing at this time that the Commission impose sanctions on Town, AVR believes that it is appropriate and necessary for the Commission to be informed of Town's tactics and bear them in mind when considering Town's arguments.

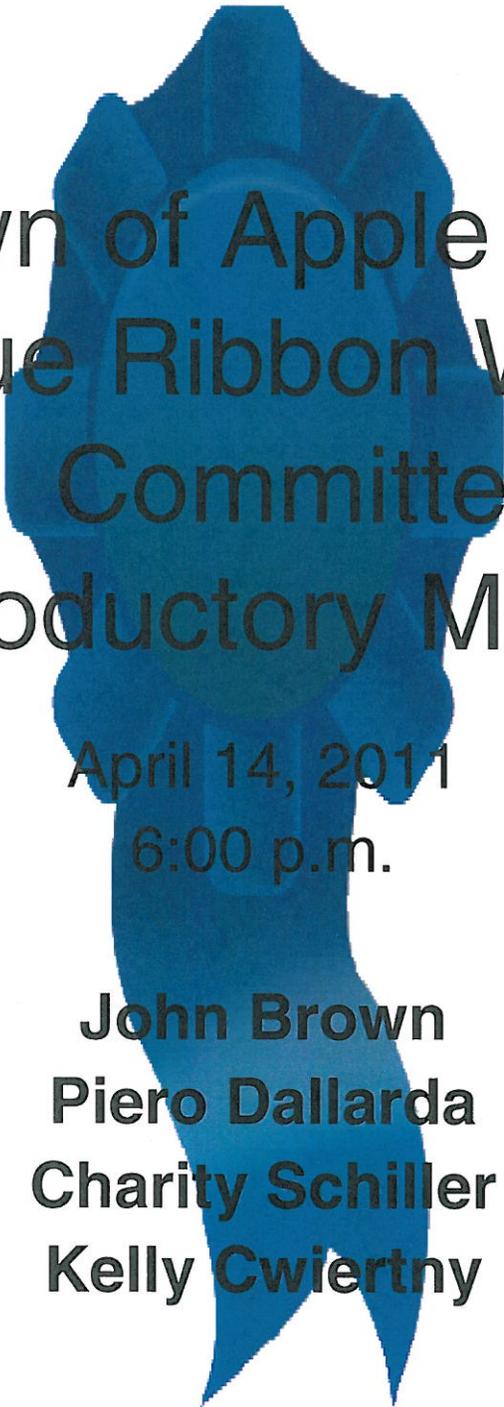
Dated at Downey, California, April 29, 2011.

Respectfully submitted,

APPLE VALLEY RANCHOS WATER COMPANY

By: /s/ Leigh K. Jordan

LEIGH K. JORDAN
Executive Vice President



Town of Apple Valley
Blue Ribbon Water
Committee
Introductory Meeting

April 14, 2011
6:00 p.m.

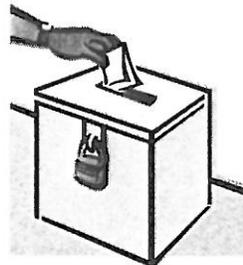
John Brown
Piero Dallarda
Charity Schiller
Kelly Cwiertny

Purpose of the BRWC

- To assist the Town Council in evaluating **all feasible alternatives** with respect to public ownership and control of the privately owned water companies presently selling water to the citizens and taxpayers of the Town of Apple Valley
- The Mayor and Town Council hope to seek the advice and consent from the BRWC in making any decisions related to potential actions in response to AVR Rate Increase and Merger Applications

Elections

- Election of Chairperson & Vice Chairperson & Secretary
- Chairperson will be the voice of the Committee at Town Council Meetings or in other venues
- BRWC Subject to the Brown Act, Gov. Code § 54950 et seq.
 - Public notice to be published/posted 72 hours in advance of meetings
 - Open to public for comments
 - Materials made available for public review
 - No private discussions among BRWC members, no emails to group, etc... as those activities constitute "meetings"



Park Water Company

<http://www.parkwater.com/>

- Privately held company by the Wheeler family with no outside stock
- Park incorporated by Wheeler family in 1937, currently serves 112,000 customers in 11 square mile area in Los Angeles County
- Park owns AVR and Mountain Water Company (which serves Missoula, Montana)
- Park is a member agency of the Central Basin Municipal Water District (CBMWD), purchasing about 81 percent of its water from this supplier. PWC is a sub-agency of the Metropolitan Water District of Southern California (MWD)
- The average customer water bill is approximately \$114 per 2-month billing period



Park Water Company: Current Residential Metered Rates

RATES

Quantity Rates:

For the first 1,200 cubic feet, per 100 cubic feet	\$ 3.310 (1)
For all over 1,200 cubic feet, per 100 cubic feet	\$ 3.793 (1)

Service Charge:

	Per Meter Per Month
For 5/8 x 3/4-inch meter	\$ 16.47
For 3/4-inch meter	24.70
For 1-inch meter	41.20
For 1 1/2-inch meter	82.40
For 2-inch meter	131.80
For 3-inch meter	247.10
For 4-inch meter	411.80
For 6-inch meter	823.50
For 8-inch meter	1,317.60
For 10-inch meter	1,894.10
For 12-inch meter	2,717.60

Apple Valley Ranchos Water Company

<http://www.avrwater.com/>

- Subsidiary of Park Water Company
- AVR started in 1945, currently serves 65,000 customers in 50 square mile area in Apple Valley
- AVR obtains its water supply from the underground aquifers of the Mojave River Basin. AVR pumps 100 percent of our source water from 24 deep wells located throughout our community
- Adjudicated Water rights in the Mojave Basin with base annual production rights of 13,000 acre feet, with a current Free Production Allowance of 8,500 acre feet per year



Apple Valley Ranchos Water Company: Current Residential Metered Rates

Quantity Rates:

Tier 1 First 14 100 cu. ft.	\$ 2.157 (1)
Tier 2 Over 14 through 29 100 cu. ft.	\$ 2.277 (1)
Tier 3 All over 29 100 cu ft.	\$ 2.397 (1)

Service Charge:

	Per Meter Per Month
For 5/8 x 3/4-inch meter	\$ 20.75 (1)
For 3/4-inch meter	31.13
For 1-inch meter	51.88
For 1 1/2-inch meter	103.75
For 2-inch meter	166.00
For 3-inch meter	311.25
For 4-inch meter	518.75
For 6-inch meter	1,037.50
For 8-inch meter	1,660.00
For 10-inch meter	3,008.75 (1)

Golden State Water Company

<http://www.gswater.com/>

- Wholly owned subsidiary of American States Water Company
- American States Water Company is an investor-owned utility publicly traded on the New York Stock Exchange under the trading symbol **AWR**.
- Through its subsidiaries, AWR provides water service to 1 out of 37 Californians located within 75 communities throughout 10 counties in Northern, Coastal and Southern California (approximately 255,000 customers) and to over 13,000 customers in the city of Fountain Hills, Arizona and a small portion of Scottsdale, Arizona
- AWR also distributes electricity to over 23,000 customers in the Big Bear recreational area of California



Golden State Water Company: Current Residential Metered Rates

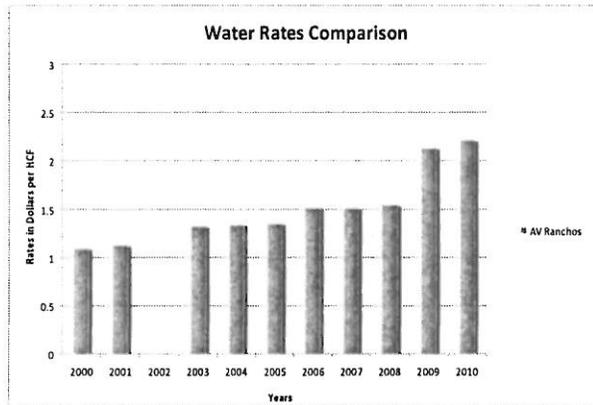
RATES

First 1,300 cu. Ft., per 100 cu. ft.....	\$ 2.673
Next 800 cu. Ft., per 100 cu. ft.....	\$ 3.074
Over 2,100 cu. Ft., per 100 cu. ft.....	\$ 3.535

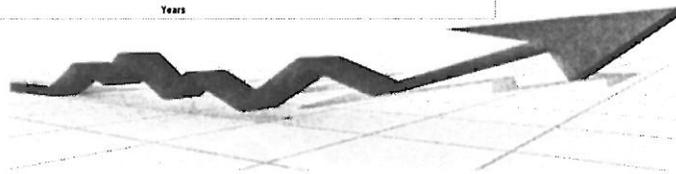
Service Charges:	Per Meter Per Month
For 5/8 x 3/4-inch meter.....	\$ 15.15
For 3/4-inch meter.....	22.70
For 1-inch meter.....	37.80
For 1 1/2 inch meter.....	75.65
For 2-inch meter.....	121.00
For 3-inch meter.....	227.00
For 4-inch meter.....	378.00
For 6-inch meter.....	756.00
For 8-inch meter.....	1,210.00
For 10-inch meter.....	1,739.00

Fire Sprinkler 1-inch to 5/8x 3/4-inch	\$16.65
Fire Sprinkler 1-inch to 3/4-inch	\$23.40 (N)
Fire Sprinkler 2-inch to 3/4-inch	\$28.85 (N)
Fire Sprinkler 1 1/2-inch to 1-inch	\$40.80 (N)
Fire Sprinkler 2-inch to 1-inch	\$43.10 (N)

History of AVR Rate Increases



<u>YEAR</u>	<u>RATE</u>
2000	1.087
2001	1.127
2003	1.32
2004	1.34
2005	1.344
2006	1.511
2007	1.516
2008	1.538
2009	2.136
2010	2.218



Area Rate Comparison

	Monthly Meter Charge	Monthly Average Cost*
AV Ranchos Water Company	\$30.27	\$72.99
County Service Area 42 (Oro Grande)	\$34.39	\$68.27
GSWC AV Service Area	\$19.15	\$61.35
Phelan Pinon Hills CSD	\$13.01	\$50.41
Victorville Water District	\$17.50	\$46.90
CSA Zone J (Oak Hills)	\$13.29	\$46.07
Hesperia Water District	\$18.16	\$40.86
Adelanto Pub. Ut. Authority	\$13.38	\$38.38
Helendale CSD	\$8.01	\$25.38
CSA 64 (Spring Valley Lake)	\$10.51	\$24.15



*20 units of water

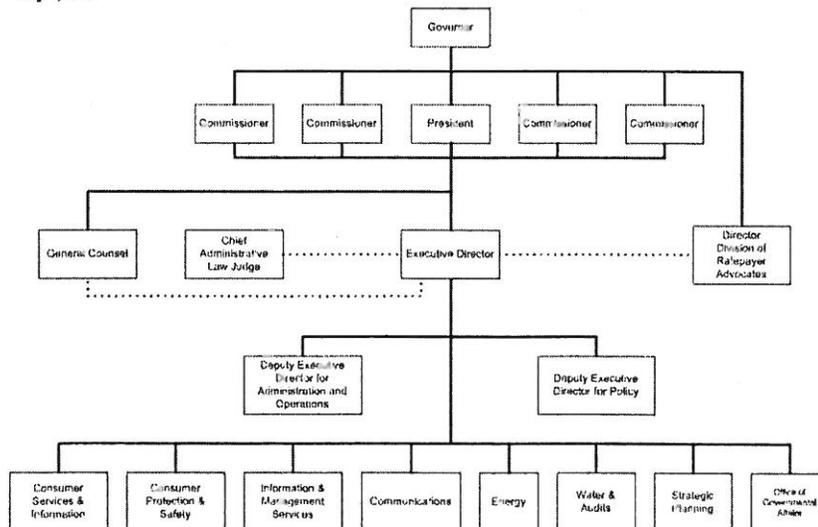
Source: LAFCO Staff Report, Sept. 7, 2010

The CPUC's Functions

- Regulates privately owned electric, natural gas, telecommunications, **water**, railroad, rail transit, and passenger transportation companies. Dedicated to ensuring that consumers have safe, reliable utility service at **reasonable rates**, protecting against fraud, and promoting the health of California's economy.
- Under the CA Public Utilities Code §§ 1007, 1010 & 1032, PUC approval is needed before a corporate structure change takes place, including the sale or transfer of a private water company
- Helpful Consumer/Ratepayer Entities within the CPUC include the Division of Ratepayer Advocates (DRA) and the Public Advisor's Office (PAO)

California Public Utilities Commission

July 1, 2007



CPUC Applications and Proceedings

- A CPUC Proceeding is similar to a court proceeding
 - Applicant files application
 - Parties can file protests
 - Pre-hearing conferences held
 - Evidentiary hearings held/testimony given
 - Briefing submitted
 - Decision issued
- Each Application is before an Administrative Law Judge (ALJ)
 - The ALJ runs each proceeding, conducts hearings at the CPUC and prepares a proposed decision for consideration by the full Commission. The role of the ALJ is to ensure the fairness of CPUC procedures and to develop a factual record that provides a firm basis for full Commission action.
 - Each Application is assigned to a Commissioner, who is ultimately responsible for guiding the proceeding from its beginning to a Final Decision

14

AVR Rate Increase Proceeding



- Application No. A.11-01-001
- Seeks over a 25% increase in rates over the next 3 years
- Proposes change from bi-monthly to monthly billing, which may compound rate increases
- AVR attempting to recover more from current customers to make up for lack of anticipated ratebase growth
- Proposes change in tier limitations



Rate Increase PUC Schedule

EVENT	DATE
Application Filed	January 3, 2011
PHC	March 1, 2011
DRA Testimony	May 10, 2011
Intervenor's Testimony	May 10, 2011
AVR Rebuttal Testimony	May 25, 2011
Public Participation Hearing	June 1, 2011 at 2:00 p.m. and 7:00 p.m. Town of Apple Valley Development Services Building – Conference Center 14975 Dale Evans Parkway Apple Valley, CA 92307
Alternative Dispute Resolution	June 6-10, 2011
Evidentiary Hearings	June 13-16, 2011 at 10:00 a.m. Commission Courtroom State Office Building 505 Van Ness Avenue San Francisco, CA 94102
Opening Briefs	July 18, 2011
Reply Briefs filed and Served	August 2, 2011

Carlyle/Park Merger Application

- Application A.11-01-019
- Application seeks CPUC approval of merger of companies whereby Western Water would take over Park/AVR and run the company
- AVR currently controlled mostly by Wheeler Family, who is seeking an orderly succession of the company as Mr. Wheeler ages
- While this Merger Application doesn't propose a rate increase itself, it will mean that the water company is still privately owned and will likely still charge excessive rates over those that would be in place if the water was served by a public water company
- Issues that are Important in this Proceeding:
 - Private Water Company Rates
 - Water Rights Transfer Valuation and Approval
 - Similar Proceeding in Missoula, Montana
- Standard for Approval is whether transaction is in the public interest/not adverse to public interest under PUC section 854
 - Town has argued that it does not meet a number of factors to be in the public interest



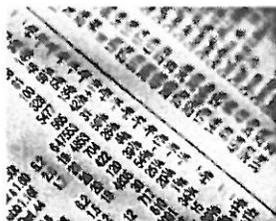
Merger Application PUC Schedule

EVENT	DATE
Application Filed	January 21, 2011
PHC	March 3, 2011
Public Participation Hearing	May 3, 2011 at 2:00 p.m. and 7:00 p.m. Town of Apple Valley Development Services Building – Conference Center 14975 Dale Evans Parkway Apple Valley, CA 92307
Settlement Meetings	Tentatively being scheduled for early April
DRA Testimony	No date set
Intervenor's Testimony	No date set
AVR Rebuttal Testimony	No date set
Evidentiary Hearings	No date set Commission Courtroom State Office Building 505 Van Ness Avenue San Francisco, CA 94102
Opening Briefs	No date set
Reply Briefs filed and Served	No date set

The Carlyle Group

<http://www.carlyle.com/>

- The Carlyle Group is one of the nation's largest and most politically connected private equity firms/alternative asset managers & is deeply embedded in the iron triangle where industry, government and the military converge
- The Carlyle Group is a global alternative asset manager with more than \$106.7 billion under management, with 84 funds across three investment disciplines (corporate private equity, real assets and global market strategies)
- Carlyle Group has more than 1,350 investors from 75 countries & has committed more than \$4 billion of its own capital to its funds
 - Investors have included, and may still include, the Bin Laden family and the Libyan Investment Authority



- Investments are in private rather than public/publicly traded companies
- Means that company is not subject to the same regulations as publicly traded companies – doesn't have to name investors or disclose the price it pays for companies it buys

Town's Actions



- At the CPUC
 - Protest AVR Rate Increase & Merger Application
 - Challenging the Public Notice by AVR in the Rate Increase
 - Engaging in Discovery in both proceedings
 - Preparing to submit testimony, participate in evidentiary hearings & brief issues in both proceedings
 - Will be involved in any official Settlement Negotiations for both proceedings
 - Hosting Public Participation Hearings

Town's Actions (cont'd)

- Held Ratepayer Workshop to educate members of the public on CPUC options and activities, including protests and intervention (as a result, several groups are active in both the Rate Increase and Merger Proceedings)
- Engaging Bartle Wells to update 2006 Feasibility Analysis of Acquisition of AVR & GSWC
- Engaging Engineer to examine and critically assess state of AVR infrastructure

Other Groups' Actions

- Merger Proceeding Protests
 - Individuals
 - Apple Valley Unified School District
 - Apple Valley Christian Care Center
- Rate Increase Proceeding Protests
 - Apple Valley Unified School District
- High Desert Concerned Citizens
 - <http://highdesertconcernedcitizens.com/>
 - Great resource for keeping up to date on CPUC activities, Town Meetings, BRWC Meetings, etc...

Next Up

- Next BRWC Meeting:
 - Saturday, April 23 11 am – 1 pm
 - On the Agenda:
 - Eminent Domain/Condemnation
 - Public Financing/Bond Arrangements
 - Engineering Report
 - Bartle Wells Feasibility Study
- Public Participation Hearings
 - May 3 at 2 pm & 7 pm (Merger)
 - June 1 at 2 pm & 7 pm (Rate Increase)



CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “Response of Apple Valley Ranchos Water Company (U 346 W) to The Town of Apple Valley’s Motion to Compel Discovery From Apple Valley Ranchos Water Company” by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on April 29, 2011 at Downey, California.

/s/ Ellen M. Zimbalist
ELLEN M. ZIMBALIST
Administrative Assistant

A.11-01-001

Service List 4/27/11

Parties

PIERO DALLARDA
BEST BEST & KRIEGER, LLP
EMAIL ONLY
EMAIL ONLY, CA 00000
FOR: TOWN OF APPLE VALLEY

EDWARD N. JACKSON
PARK WATER COMPANY
9750 WASHBURN ROAD
DOWNEY, CA 90241-7002
FOR: APPLE VALLEY RANCHOS WATER COMPANY

THOMAS E. HOEGERMAN
APPLE VALLEY UNIFIED SCHOOL DISTRICT
12555 NAVAJO ROAD
APPLE VALLEY, CA 92308
FOR: APPLE VALLEY UNIFIED SCHOOL
DISTRICT

MARIA L. BONDONNO
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 4300
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA

Information Only

KELLY CWIERTNY
BEST BEST & KRIEGER LLP
EMAIL ONLY
EMAIL ONLY, CA 00000

DAVE EBERSHOFF
FULBRIGHT AND JAWORSKI
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

GEORGE BUTTS
UTILITY RATE INSTITUTE
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

JOSEPH H. PARK
ATTORNEY
FULBRIGHT & JAWORSKI, LLP
555 S. FLOWER STREET, 41ST FL.
LOS ANGELES, CA 90071
FOR: APPLE VALLEY RANCHOS WATER COMPANY

DOUGLAS K. MARTINET
SENIOR VICE PRESIDENT/CFO
PARK WATER COMPANY
9750 WASHBURN ROAD
DOWNEY, CA 90241-7002
FOR: APPLE VALLEY RANCHOS WATER COMPANY

LEIGH K. JORDAN
PARK WATER COMPANY
PO BOX 7002
DOWNEY, CA 90241-7002

JOHN E. BROWN
BEST BEST & KRIEGER LLP
3750 UNIVERSITY AVENUE, SUITE 400
RIVERSIDE, CA 92502

CHARITY SCHILLER
BEST BEST & KRIEGER LLP
3750 UNIVERSITY AVENUE
RIVERSIDE, CA 92502-1028
FOR: TOWN OF APPLE VALLEY

REED V. SCHMIDT
BARTLE WELLS ASSOCIATES
1889 ALCATRAZ AVENUE
BERKELEY, CA 94703-2714

State Service

BRUCE DEBERRY
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 5043
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

LISA BILIR
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 4208
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA

PATRICIA MA
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 3200
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA

TAYEB K. MOGRI
CALIF PUBLIC UTILITIES COMMISSION
WATER AND SEWER ADVISORY BRANCH
AREA 3-B
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

YOKE W. CHAN
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 3200
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA
