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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 (U346W) 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 11-01-001 (Filed January 3, 2011)

ASSIGNED COMMISSIONER'S RULING AND SCOPING MEMO

Pursuant to Article 7 of the Commission's Rules of Practice and Procedure (Rules), this Scoping Memo and Ruling addresses issues, schedule, and other matters necessary to scope this proceeding. The Rules are available on the Commission's website.[1]

Background

On January 3, 2011, Apple Valley Ranchos Water Company (AVR) filed Application 11-01-001 (Application) requesting authority to increase general rates by $3,896,586 or 20.0% in 2012, $547,241 or 2.35% in 2013, and $786,254 or 3.32% in 2014.[2]

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[1] *See* Commission's website (http://www.cpuc.ca.gov/), "Laws, Rules, Procedures."

[2] AVR is a Class A Water Company and therefore subject to the requirements of Decision (D.) 07-05-062 (May 24, 2007) adopting a revised Rate Case Plan for Class A water utilities (Rate Case Plan).

Protests to the Application were filed by the Division of Ratepayer Advocates (DRA) and the Town of Apple Valley (the Town) on February 2, 2011.

On March 1, 2011, a prehearing conference (PHC) was held before Administrative Law Judge (ALJ) Bruce DeBerry to determine parties, develop a service list, identify issues, develop a schedule, and address other matters as necessary to proceed with the Application.

Scope of Proceeding

The scope of the proceeding includes the issues presented in the Application and the protests of DRA and the Town. These issues include but are not limited to the following:

1. Sales forecast methodology including customer growth and future water use projections.
2. Operations and maintenance expenses.
3. Administrative and general expenses.
4. General Office expenses including new employees and information systems costs.
5. Payroll, pension and benefit expenses including whether AVR should establish a pension balancing account and a health care memo account.
6. Employee healthcare expenses and retiree healthcare expenses in the escalation years 2013 and 2014.
7. Plant-in-service estimates and capital additions including main replacements, office space expansion, automated meter reading, and the Mockingbird Booster Pump Station.
8. Depreciation rates including transportation equipment and computer equipment rates.
9. Should AVR establish a Pressure Reducing Valve Memo Account?
10. AVR's proposed change from bi-monthly billing to monthly billing including associated costs.

11. Rate Design including cost of service for the gravity irrigation system.
12. Unregulated transactions.
13. AVR's Low-Income Assistance Program.
14. Modification of the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account period, and recovery of balances in AVR's Conservation Proceeding Balancing Account.
15. Recovery of Conservation Proceeding Memorandum Account balances.
16. Review and analysis of Management Team Employment Contracts.[3]

Water Quality

Consistent with the Rate Case Plan (Appendix A, at A-4), the Water Qualify Expert, a member of the Commission's Division of Water and Audits, provided an informal report to the ALJ. An ALJ ruling will provide a preliminary water quality report to parties.

Schedule

At the PHC, parties discussed and agreed upon a proposed schedule.[4] The proposed schedule is modified from the schedules proposed by AVR and DRA,

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[3] In A.11-01-019, an application of Western Water Holdings, LLC, PWC Merger Sub, Inc., Park Water Company and AVR for authority to Acquire and Control Park Water Company and AVR, the applicants submitted "Applicants' Submission of Supplementary Information" (March 11, 2011). This Applicant's Submission of Supplementary Information indicates that Park Water Company will offer continuing employment contracts to several members of Park Water's and AVR's management team. As this is an issue related to, but not included in, A.11-01-001 it may have relevance to AVR's future cost of service in 2011, 2012, and 2013.

[4] AVR's Application and DRA's Protest both include proposed schedules.

and provides that DRA's testimony and the testimony of intervenors will be served on May 10, 2011. The proposed schedule also provides for alternative dispute resolution (ADR) between June 6 and June 10, 2011.[5]

PROPOSED 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 (PPH)[6]	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[7]	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 (with Comparison Exhibit)	August 2, 2011

[5] During the PHC all parties agreed to consider resolving disputed issues in an ADR process. The ALJ indicated he would identify a mediator for ADR, who would then contact the parties and arrange settlement negotiations.

[6] The PPH will be held in the Town of Apple Valley.

[7] Evidentiary hearings will be held at the Commission's San Francisco Office Building.

Water Division Technical Conference	August 3, 2011
ALJ's Proposed Decision	November 2011
Commission Decision on Agenda	December 2011

Parties may move for different dates as appropriate. The adopted dates in the Proposed Schedule may be changed by an ALJ ruling.

Consistent with law, the issues raised in the Scoping Memo shall be resolved within 18 months of the date of this Scoping Memo. (Pub. Util. Code § 1701.5(a).) However, it is my intention to resolve this proceeding by December 2011.

Briefs

Parties shall use a common outline for briefs. The outline is to be developed jointly by the parties. The parties may bring any unresolved disputes regarding the outline to the attention of the ALJ before the end of hearings.

Alternative Dispute Resolution

The Commission's ADR program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. The Rate Case Plan requires the active parties to meet with a neutral ALJ at least once between the distribution of rebuttal testimony and the beginning of evidentiary hearings. ADR was discussed at the PHC, and parties indicated that they were interested in participating in the ADR process. Additional ADR information is available on the Commission's website.[8]

The assigned ALJ will refer this proceeding to the Commission's ADR Coordinator. The parties will be notified as soon as a neutral has been assigned;

[8] http://www.cpuc.ca.gov/puc/adr/.

thereafter, the neutral will contact the parties to make pertinent scheduling and process arrangements. The schedule set forth in this Scoping Memo includes a date for the completion of ADR. No later than this date, the parties will inform the assigned ALJ as to the status of their ADR efforts.

Settlements

Any settlements between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

Categorization and Need for Hearings

This ruling confirms the Commission's preliminary categorization in Resolution ALJ 176-3267 (January 13, 2011) of this proceeding as ratesetting and its determination that evidentiary hearings are necessary. This ruling, only as to categorization, is appealable under the provisions of Rule 6.4 of the Commission's Rules.

Ex-Parte Communications

Since this is a ratesetting proceeding, ex parte communications with Commissioners and the ALJ are generally prohibited. The limited exceptions to this prohibition are described at Pub. Util. Code § 1701.3(c) and in Article 8 of the Commission's Rules.

Final Oral Argument

Motions for a final oral argument, if any, shall be filed and served concurrently with opening briefs. The motion shall state the request subjects to

be addressed, amount of time requested, recommended procedure and order of presentations, and anything else relevant to the motion. If more than one party plans to file such a motion, parties shall use their best efforts to present a joint motion, including a joint recommendation on procedure, order of presentation, and anything else relevant to the motion. A response to the motion may be filed concurrently with the reply briefs.

Presiding Officer

Pursuant to Pub. Util. Code § 1701.3, ALJ Bruce DeBerry is designated as the presiding officer in this proceeding.

Service List/Filing and Service of Documents

The official service list for this proceeding is on the Commission's web page.[9]

The parties shall notify the Commission's Process Office of any address, telephone, or electronic mail (e-mail) changes to the service list.

Parties shall file and serve all pleadings as set forth in Article 1 of the Rules. All documents shall be served electronically, as set forth in Rule 1.10. Testimony shall be served, not filed.

IT IS RULED that:

1. The final categorization of this proceeding is ratesetting, and hearings are required.
2. Ex parte communications, if any, shall comply with Article 8 of the Commission's Rules.

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[9] The service list may be accessed via the following link: http://docs.cpuc.ca.gov/published/proceedings/A1101001.htm.

3. The scope of the proceeding is set forth above unless amended by the assigned Commissioner or assigned Administrative Law Judge (ALJ).

4. The proposed schedule is set forth above unless amended by the assigned Commissioner or the Assigned ALJ.

5. Parties shall use a common outline for briefs.

6. Parties shall follow the procedure stated above in making any request for final oral argument.

7. Any settlements reached between parties shall be served in writing and by e-mail as discussed above.

8. ALJ Bruce DeBerry is the presiding officer in this proceeding.

9. The service list for filing and service of documents and service of testimony in this proceeding is as set forth above.

Dated March 21, 2011, at San Francisco, California.

/s/ MICHAEL R. PEEVEY
Michael R. Peevey
Assigned Commissioner