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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

A1101001

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. _____

APPLICATION OF

APPLE VALLEY RANCHOS WATER COMPANY (U 346 W)

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January 3, 2011

Apple Valley Ranchos Company (U 346 W) (AVR or Applicant), hereby files its application for a General Rate Increase.

Test Period

The test period for the rate increase is Test Year 2012 with 2013 and 2014 selected as the Escalation Years. This is consistent with the rate case plan adopted by the Commission by D. 07-05-062.

SB 960 Scoping Memorandum

This application is a general rate increase proceeding and therefore is a "Rate Setting" proceeding. Evidentiary hearings will be necessary because of factual disputes that may arise on material issues such as water sales, operating revenue, operation and maintenance expenses, utility plant, depreciation, taxes, revenue requirements and rate of return. A proposed schedule for completing the proceeding is contained in Appendix A.

Summary of the Requested Increase and Rate Base Changes

The requested revenue increase for AVR for 2012 above revenues generated by present rates is $3,896,586 or 20.0%. At this time, AVR is only requesting specific rates for Test Year 2012. Pursuant to the escalation year increase methodology adopted by the rate case plan, D.07-05-062 (Appendix A, page A-19), AVR will file advice letters setting out its calculations and supporting analysis for the escalation year rates 45 days prior to the first day of each escalation year. For the sole purpose of providing customer notification, AVR has estimated the impact of the escalation methodology for 2013 and 2014. The estimated revenue increase for 2013 is $547,241 or 2.35% above the proposed revenue increase for Test Year 2012. The estimated revenue increase for 2014 is $786,254 or 3.32% above the estimated revenue requirement for 2013. AVR estimates that the requested increase will produce a rate of return on equity of 10.20% and a return on the estimated rate base of the Company for Test Year 2012 of 9.42%. The requested return on equity and return on rate base is the base year 2010 cost of capital adopted by the Commission for AVR by D.10-10-035. The requested rate increase is necessary because the present rates are insufficient, unjust and unreasonable in that they do not produce adequate revenue to yield to AVR a fair, just and reasonable return on capital invested and to be invested in plant, property and other equipment devoted to providing utility service.

As required by D.07-05-062 (Appendix A, page A-22), the following table compares the proposed increase to the last adopted (Test Year 2009) and last recorded (2009) amounts to determine the difference in dollars and percentage.

Comparison (difference) Between Proposed Test Year and Last Test Year Adopted and Last Recorded Year		
	Projected 2012 less Adopted 2009	Projected 2012 less Recorded 2009
Total Rev Req $	2,418,828	3,542,300
Rate Base $	2,988,375	5,071,841
Rate Base %	7.88%	14.15%
Operating Expenses $	2,029,457	2,938,661
Operating Expenses %	11.77%	17.99%
Rate of Return	0.28%	1.19%

Results of Operation

At this time, the Applicant's exhibits consist of attachments entitled "Balance Sheet as of November 30, 2010," the "Income Statement for the twelve months ended November 30, 2010," and "Financial Statements as of November 30, 2010" (Exhibit A), "Apple Valley Ranchos Water Company - Revenue Requirements Report" (Exhibit B), "Apple Valley Ranchos Water Company – General Office Report" (Exhibit C), "Urban Water Management Plan Apple Valley Ranchos Water Company" (Exhibit D), "Qualifications and Prepared Testimony" (Exhibit E), "Apple Valley Ranchos Water Company – Response to Minimum Data Requirements" (Exhibit F), and the "Comparison Exhibit" (Exhibit G). Exhibit G, the Comparison Exhibit, describes the differences between the proposed application and the application. The application includes recorded data for 2009 that was unavailable at the time the proposed application was filed. The above exhibits describe the utility's overall results of operation. Exhibit D is the most recent Urban Water Management Plan filed with the California Department of Water Resources.

The above-referenced exhibits, and the accompanying workpapers, contain explanations of all significant changes from last adopted and recorded plant amounts and capital related costs, as well as explanation of significant changes in circumstances or assumptions affecting the expenses and customer growth. A detailed reconciliation of significant changes between the proposed Test Year 2012 expenses and the last adopted and recorded expenses has not been prepared by AVR because it does not believe that this would provide any useful information.

Primary Cost Increases

The rates for AVR were last reviewed in Application 08-01-002, a general rate case filed January 2, 2008. That Application requested rates for 2009, 2010, and 2011, and resulted in D.08-09-026 dated September 18, 2008. The rates for AVR also reflect the cost of capital, last

reviewed in Application 09-05-003 filed May 1, 2009. That Application requested cost of capital in rates for 2010, 2011, and 2012, and resulted in D.10-10-035 dated October 28, 2010. This GRC application proposes the rates required for Test Year 2012 including the cost of capital adopted by D.10-10-035. The proposed rates are increased over those presently in effect for the following reasons:

1. Low present rate revenues due to: decrease in estimates of consumption per customer compared to those adopted in the prior GRC; shortfalls in actual customer growth compared estimated customer growth in the prior GRC; and reduced future customer growth estimates.
2. Additional revenues to produce a fair rate of return on capital invested in property dedicated to providing utility service.
3. Increases in unit costs of production.
4. Inflationary increases anticipated during 2011 and the Test Year.
5. Increases in customer service expense, due in part to the proposed conversion from bi-monthly to monthly billing.
6. Increases in payroll expense.
7. Increases in health and welfare benefits.
8. Increases in General Office allocated expense.

Detailed descriptions of the above items are contained in Exhibit B, the Revenue Requirements Report.

List of Issues of Controversy

The contested issues decided by the Commission in the previous rate case included the rate base treatment of Wells 33 and 34 and the advice letter treatment of specified capital additions. AVR does not expect that to be an issue in this proceeding. In earlier rate cases the Commission has addressed issues relating to customers, water sales, operating revenue, insurance, gravity irrigation rate design, rate base, and rate of return. AVR has no way of knowing in advance the positions that the Division of Ratepayer Advocates (DRA) will take in opposition to AVR's proposed Test Year 2012 revenue requirement. It has been AVR's experience that each rate case is unique with respect to the issues that arise from DRA. AVR anticipates, however, that DRA may take opposition to its proposed water sales estimates for

residential customers, proposed capital projects, proposed payroll budget and the proposal to switch from bi-monthly to monthly billing.

In recent proceedings, the historical period used for a five-year averaging methodology has been a contentious issue. In these proceedings, both the Company and DRA have used a five-year averaging methodology to estimate various categories of expense. The Company has used the same averaging period for all expenses that includes the last recorded year. DRA has sometimes used different averaging periods for different estimates that may or may not include the last recorded year.

In A.08-09-002, DRA recommended that certain specified capital projects be subject to rate base offset advice letter treatment despite not taking issue with the necessity or usefulness of the projects. DRA recommended that the projects would not be funded at that time and that AVR would file advice letters at the completion of these projects requesting rate recovery capped at AVR's original cost estimates. AVR believes that costs estimates based on the evaluation of historical costs of similar capital projects provide a reasonable basis for future cost estimates.

AVR believes that the normal sales forecasts methodology does not provide reasonable results and, consistent with the Committee method, AVR has proposed a methodology not typically utilized. In this application, AVR proposes to reduce the test year sales per customer estimate for the residential customer class by one percent in each escalation year. It is AVR's believe that this proposal will achieve the following: (1) improve the accuracy of the sales forecasts adopted in this proceeding, (2) eliminate the accumulation of large under-collected balances in the Water Revenue Adjustment Mechanism (WRAM) balancing account and (3) reduce the temporal inequity associated with customers who receive the surcharge (or surcredit) associated with WRAM balances.

As stated above, AVR cannot determine at this time what issues DRA will take in response to the application. It is therefore premature to attempt to quantify the dollar impact of the potential issues that will develop in this proceeding.

Basic Information

Testimony describing the basic information required by the rate case plan, D.07-05-062, is contained in Exhibits B, C, and F.

Regulated Plant In Service

Testimony, with supporting analysis and documentation, describing AVR's regulated plant in service is provided in Exhibits B (Chapter VI) and C (Chapter V). The workpapers identify and justify all capital additions and include analysis, evaluation and overall budget. A comparison of the forecasted capital additions adopted in the last GRC and actual capital additions is contained in the accompanying workpapers. The calculation of the forecasted capital additions by taking a five-year average of recorded plant additions and the explanation of significant changes from the last adopted and recorded regulated plant in service is contained in the accompanying workpapers.

Revenue Requirement: Operations and Maintenance, Administrative and General, General Office

Testimony, with supporting analysis and documentation, describing AVR's revenue requirement related to Operations and Maintenance expense, Administrative and General expense, and General Office expense is contained in Exhibits B (Chapter IV), C (Chapter III), and F.

Revenue Requirement: Water Sales and Production

Testimony, with supporting analysis and documentation, describing AVR's water sales and production is contained in Exhibits B (Chapter III) and F.

Rate Base

Testimony, with supporting analysis and documentation, describing AVR's rate base is contained in Exhibits B (Chapter VIII), C (Chapter V), and F.

Supply and Distribution Infrastructure Status and Planning

Testimony, with supporting analysis and documentation, describing AVR's supply and distribution infrastructure status and planning is contained in Exhibits B (Chapter II), E and F.

Conservation and Efficiency

Testimony, with supporting analysis and documentation, describing AVR's conservation and efficiency measures is contained in Exhibits B (Chapter II) and F.

Water Quality

Testimony, with supporting analysis and documentation, describing AVR's water quality is contained in Exhibits B (Chapter X) and F. AVR requests a Commission finding that the water

service provided meets or exceeds State and Federal drinking water standards and meets the requirements of General Order 103.

Service Quality

Testimony describing AVR's service quality is contained in Exhibit B (Chapter II).

Transactions with Corporate Affiliates

SICC, a wholly owned subsidiary of Park, is used by AVR for certain activities. A description of SICC is contained in Exhibit C (Chapter I).

Unregulated Transactions

AVR has one contract that is subject to the Excess Capacity Decision, D.00-07-018. AVR has an operating contract with Nextel for the lease of space on utility property for the purpose of placement of communications equipment. Pursuant to D.00-07-018, which requires that certain benefits flow through to ratepayers, AVR has credited its revenue requirement with 30% of the revenue generated by this contract. AVR believes that this procedure is consistent with the newly adopted Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X).

Real Property Subject to Water Infrastructure Improvement Act of 1996

Since the last GRC application there has been no real property that has been determined to be no longer necessary or useful. There is no real property to report that is subject to the Water Infrastructure Improvement Act of 1996.

Rate Design

AVR requests Commission authorization to continue its existing conservation rate design trial program to promote water conservation, with a slight modification to the residential rate design. For residential customers, the proposed conservation rate design consists of increasing block rates of three tiers. AVR is proposing to increase the rate separation between tiers to 10%. Due to the different characteristics of its non-residential customers, AVR recommends retaining the single quantity conservation rate, which meets the requirements of California Urban Water Conservation Council Best Management Practice Number 11, for non-residential customers at this time until further analysis can be conducted to identify customers' water needs. Appropriate increasing block rate design for non-residential classes, which encourage conservation but are not punitive to the business, industrial, and public authority customer classes, will require multiple rate designs applied to subclasses and is not currently feasible. Additional study is required before appropriate rate designs for non-residential customer classes are proposed. AVR

requests a Commission finding that its testimony on non-residential tiered rates is in compliance with D.08-08-030, Ordering Paragraph 3. AVR believes that the Commission's order should not be applied for a variety of factors. AVR proposes to implement other measures to promote conservation to non-residential customers. AVR's conservation rate design trial program was recently implemented on January 1, 2009. AVR requests that the Commission consider minor adjustments to the rate design that include redistribution of tier breakpoints and increased tier price differential.

AVR provides irrigation water through a gravity irrigation water system that is separate from its domestic water system. In the prior rate case, the Commission established rates for the gravity irrigation system that were based on a cost of service study proposed by AVR. In prior proceedings, the rates for the gravity irrigation system were set on the basis to avoid by-pass from the single large user. AVR has prepared and proposes a new cost of service study for its gravity irrigation system.

Testimony, with supporting analysis and documentation, describing AVR's proposed rate design is contained in Exhibit B (Chapter XII).

Low-Income Assistance Program

In D.05-12-020, the Commission authorized the establishment of a low-income ratepayer assistance program, known as California Alternative Rates for Water. AVR proposes to continue the existing CARW program. The CARW program authorized for AVR consists of a $5.83 per month service charge discount for qualifying customers who meet the income eligibility requirements established annually by the Commission. AVR proposes to increase the current monthly service charge discount by the average percentage increase to rates authorized in this proceeding. In addition, AVR proposes that a surcharge be authorized to offset the CARW discounts provided to qualifying customers and the CARW program costs.

Testimony, with supporting analysis and documentation, describing AVR's proposed low-income assistance program is contained in Exhibit B (Chapter II).

Balancing Accounts

Pursuant to the conservation objectives contained in the Water Action Plan (WAP), both the 2005 WAP and the 2010 update, AVR requests Commission authorization to continue its existing conservation rate design trial program that includes a WRAM. The purpose of the WRAM is to remove the financial disincentives to water conservation by decoupling water sales

from revenues. As referenced in the WAP, the Commission's ratemaking mechanisms have traditionally included financial disincentives for water conservation programs. AVR's WRAM tracks the full difference between actual and adopted commodity rate revenue, in conjunction with the Modified (production) Cost balancing accounts (MCBA) discussed below.

AVR's conservation rate design trial program includes a MCBA and AVR proposes to continue its MCBA that captures variations in production costs (purchased power, pumping or replenishment assessments, and leased water rights) due to either changes in unit price or changes in consumption. The MCBA serves to refund production cost savings due to conservation back to ratepayers.

The WRAM and MCBA, as discussed above, are the decoupling mechanisms authorized by the Commission in D.08-09-026. AVR's WRAM and MCBA are essentially identical to the mechanisms agreed to by Park Water Company (Park) and DRA in their June 15, 2007 settlement agreement filed in the Conservation OII (I.07-01-022) for Park's Central Basin Division, and authorized by the Commission in D.08-02-036.

AVR is required by the Commission to annually file a report no later than March 31st to identify any over- or under-collections in the combined WRAM/MCBA balancing accounts and subsequently file an advice letter to amortize any balance that exceeds 2.0% of revenue requirement. AVR records the WRAM/MCBA balances and adjustments in its financial statements. AVR recently discovered that the recovery mechanism in place may conflict with a financial accounting standard (Emerging Issues Task Force Issue No. 92-7). AVR and other Class A water utilities have jointly filed A.10-09-017 that seeks to modify the amortization period of WRAM/MCBA balances to 18 months or less to ensure recovery within a 24-month period. AVR requests that the final decision rendered in this proceeding reflect the Commission's disposition of A.10-9-017.

AVR requests that the Commission review the under-collection of production costs recorded in the 2008 reserve account for the Incremental Cost Balancing Account for the domestic system. AVR requests Commission approval of a temporary surcharge to recover the under-collected balance.

AVR's gravity irrigation system is not covered by AVR's WRAM/MCBA and still has an Incremental Cost Balancing Account. AVR requests that the Commission review the under-collection of production costs recorded in the reserve account for the gravity irrigation system.

AVR requests Commission approval of a temporary surcharge to recover the under-collected balance.

AVR requests that the Commission authorize a new balancing account to track the difference between authorized pension contributions included in rates in this proceeding and the costs actually incurred. AVR seeks such an account because of the projected increase in required pension funding due to volatile market conditions that are outside of AVR's control. The amounts to be recorded in the proposed Pension Balancing Account would be limited to the difference between the SFAS 87 expense as determined by AVR's outside actuary and recorded as expense and AVR's recovery of costs for ratemaking purposes.

Testimony, with supporting analysis and documentation, on AVR's balancing accounts is provided in Exhibit B (Chapter XI).

Memorandum Accounts

AVR requests that the Commission review the Conservation Proceeding Memorandum Account for approval and recovery. As authorized by D.10-04-001, AVR has booked the legal and regulatory expenses associated with participation in I.07-01-022 in this account. AVR requests Commission approval of a temporary surcharge to recover the under-collected balance.

AVR requests that the Commission review the Conservation Memorandum Account and grant AVR authority to file a Tier 1 advice letter to amortize the under-collected balance recorded in the account after its termination. D.08-09-026 authorized AVR to record, for future recovery, the conservation program expenses that are consistent with the Best Management Practices contained in the Memorandum of Understanding adopted by the California Urban Water Conservation Council from January 1, 2009 through December 31, 2011.

AVR requests that the Commission review the Outsides Services Memorandum Account and grant AVR authority to file a Tier 1 advice letter to amortize the under-collected balance recorded in the account. D.08-09-026 authorized AVR to record, for future recovery, the outside service expenses associated with a Mojave Water Agency Program from January 1, 2009 through December 31, 2011. Because this program will continue through this rate case cycle, AVR requests that the Commission authorize its continuance until December 31, 2014.

AVR requests that the Commission authorize a new memorandum account that covers unknown and potentially significant increases to medical expenses resulting from the newly enacted national health care legislation. The Health Care Memorandum Account would track

costs not covered in rates related to the temporary reinsurance program for pre-Medicare retirees, incremental costs for health care stop-loss insurance and dependents of employees who now qualify coverage under the new Federal legislation.

AVR requests that the Commission authorize a new memorandum account that covers the unknown costs associated with the research, development and demonstration of Pressure-Reducing Valve (PRV) modernization technology. AVR plans to investigate the possibility of recovering wasted electrical energy while at the same time optimizing water system pressures and the flow of water in the distribution system through the use of modern electrical regenerative flow control valve technology.

Testimony, with supporting analysis and documentation, on AVR's balancing accounts is provided in Exhibit B (Chapter XI).

Filings

An original signed copy and four copies of the proposed application and supporting testimony, as well as one full paper copy set of workpapers have been served on DRA. In addition, one copy of the application and supporting testimony has been provided to the Commission's Legal Division and the Division of Water and Audits.

Proposed Schedule

A proposed Schedule is attached hereto as Appendix A. This timetable corresponds to that set forth for single district filings in the above Decision.

Proposed Notice to Customers

A Proposed Notice to Customers is attached hereto as Appendix B. The proposed notice to customers describes the reasons for the requested increase and estimates average bill increase for a typical customer by customer class. The proposed notice has been submitted for review to the Commission's Public Advisor office.

Conclusion

Inquires for clarification or additional data should be addressed to:

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
Email: ed.jackson@parkwater.com

with a copy to

Douglas K. Martinet
c/o Park Water Company
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241-7002
Phone: (562) 923-0711
Email: doug@parkwater.com

And an additional copy to

Allyson S. Taketa
Fulbright & Jaworski L.L.P.
555 South Flower Street
Los Angeles, CA 90071
Phone: (213) 892-9222
Email: ataketa@fulbright.com

Dated at Downey, California, January 3, 2011.

Respectfully submitted,

APPLE VALLEY RANCHOS WATER COMPANY

By: _____

LEIGH K. JORDAN
Executive Vice President

VERIFICATION

STATE OF CALIFORNIA) ss.
COUNTY OF LOS ANGELES)

I, Leigh K. Jordan, am Executive Vice President of the Applicant corporation herein and am authorized to make this verification on its behalf. The statements in the foregoing document are true to my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the above is true and correct.

Executed at Downey, California, this 3rd day of January 2011.

LEIGH K. JORDAN
Executive Vice President

APPENDIX A

APPLE VALLEY RANCHOS WATER COMPANY

Rate Case Processing Plan (RCPP) Timetable
Test Year 2012

Formal RCPP Activities:

1.	Proposed Application Tendered	-60	November 1, 2010
2.	Deficiency Letter Mailed	-30	December 1, 2010
3.	Appeal to Executive Director	-25	December 6, 2010[1]
4.	Executive Director Acts	-20	December 10, 2010
5.	Application Filed	0	January 3, 2011
6.	PHC & PPH, if any, Held	5 - 75	January 5 – March 16, 2011
7.	Update	45	February 14, 2011
8.	DRA & Intervener(s) distribute Reports	97	April 7, 2011
9.	Utility Distributes Rebuttal to DRA and Intervener Reports	112	April 22, 2011
10.	Formal Settlement Negotiations	116	April 26, 2011
11.	Hearings	126 - 130	May 9-13, 2011[1]
12.	Initial Briefs Filed and Served	150	May 31, 2011[1]
13.	Reply Briefs Filed and Served[2]	157	June 6, 2011
14.	ALJ Memo to Water Division	170	June 20, 2011[1]
15.	Water Division provides Tables	228	August 16, 2011
16.	ALJ's Proposed Decision Mailed	240	August 29, 2011[1]
17.	Comments on Proposed Decision	260	September 19, 2011[1]
18.	Reply Comments	265	September 26, 2011
19.	Commission Meeting	280	October 7, 2011

[1] Adjusted not to fall on weekend or holiday
[2] The detailed and complete joint comparison exhibit showing all parties' final positions shall also be filed at this time.

APPENDIX B

NOTIFICATION OF APPLICATION FILING FOR A PROPOSED GENERAL RATE CASE (GRC) INCREASE BY APPLE VALLEY RANCHOS WATER COMPANY (AVR) APPLICATION NO. 11-01-XXX

On January 3, 2011, Apple Valley Ranchos Water Company (AVR) filed proposed General Rate Case (GRC) increase Application 11-01-XXX (A.11-01-XXX) with the Public Utilities Commission (CPUC). The proposed application filing by AVR seeks authority to increase its rates to recover increased operating costs by $3,896,586 or 20.0% in 2012, $547,241 or 2.35% in 2013 and $786,254 or 3.32% in 2014. The proposed application filing will also allow AVR to earn a fair rate of return on their investments dedicated to providing water service to their customers in and near its Apple Valley service area, in and near the Town of Apple Valley in San Bernardino County.

The CPUC recently updated its Water Action Plan. Part of this Plan requires AVR and other large water utilities to implement a tiered rate structure for residential customers. The tiered rate structure is intended to promote conservation by utilizing the lowest tier, at the lowest rate for the units of water used. If you exceed the usage in Tier 1, you would then fall to Tier II at a higher rate because you have consumed more than the allotment of water identified in Tier I. Tiered or increasing "block" rates have been shown to provide an incentive for customers to use water more efficiently which results in lower water consumption and a lower bill. A customer may experience a higher bill in the summer because the cost per unit will increase with more water usage. In the winter, the bill will be lower because the usage of water will be less. So seasonally, you may notice a difference. This application requests a continuation of residential rate design with increasing charges for high monthly use (increasing block rates). The new conservation tiered rate structure supports the CPUC's Water Action Plan by giving customers more control of their water bill and encouraging conservation.

Following is a rate comparison table of the estimated revenues ($1,000's) generated by present rates and at rates proposed in this Application (2013 and 2014 increases are above 2012 and 2013 proposed revenue requirements, respectively):

Increase in Test Year
(Dollars in Thousands)

Customer Class	2012 Increase		2013 Increase	2014 Increase
Residential	$2,845.8	20.28%	2.66%	3.66%
Business	576.0	19.62%	1.60%	2.56%
Industrial	0.5	17.31%	1.51%	2.47%
Public Authority	180.3	21.81%	1.68%	2.63%
Private Fire Service	41.2	20.30%	1.82%	2.75%
Public Authority Irrigation	4.5	20.30%	1.82%	2.75%
Irrigation Pressure	237.7	21.81%	1.68%	2.63%
Irrigation Gravity	9.9	4.09%	0.60%	0.35%
Temporary Service	5.0	13.40%	1.35%	2.32%
Total Water Revenues	$3,901.0	20.11%	2.36%	3.33%

If AVR's request is approved by the CPUC as proposed, the impact on the average residential customer's monthly bill for 19.43 Ccf of water with a 5/8" by 3/4" meter will be as follows:

Year	Present	2012	2013	2014
Amount of Bill	$63.32	$74.30	$75.47	$77.42
Amount of Increase		$10.98	$1.17	$1.94
Percentage Increase		17.34%	1.58%	2.57%

The three tiered rate structure is applicable to residential customers with one dwelling unit that are individually metered, which could be a home, townhome, or condominium.

The following table shows AVR's conservation tiered rate allocation structure for 2012 for a residential customer:

	Monthly Allocation	Quantity Charge (per Ccf)
Tier I	First 13 Ccf	2.538
Tier II	Over 13 through 26 Ccf	2.905
Tier III	Over 26 CCf	3.228

OBTAINING A COPY OF THE APPLICATION

A copy of AVR's proposed General Rate Case Application and related exhibits may be inspected at the Apple Valley Ranchos Water Company office located at 21760 Ottawa Road, Apple Valley, CA 92307. Copies are also available to review at the CPUC's Central Files Office in San Francisco at 505 Van Ness Avenue, San Francisco, California 94102.

EVIDENTIARY HEARINGS

The CPUC may schedule formal evidentiary hearings whereby the formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the evidentiary hearings. AVR will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposals of utilities for rate changes and present their analyses and recommendations for the CPUC at evidentiary hearings. Once hearings are completed, the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests for AVR, approve the draft decision by the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from AVR's original proposed request.

PROTESTING THE APPLICATION

Formal protests to this application must be filed with the CPUC. As an AVR customer, if you would like to file an informal comment or protest this filing you may send your comments to the CPUC's Public Advisor Office (PAO). The PAO was established to assist members of the public who wish to protest or participate as a formal party of record in CPUC proceedings. For assistance in filing a protest with the CPUC or to participate in this proceeding, please contact the PAO, 320 West Fourth Street, Suite 500, Los Angeles, CA 90013 or E-mail public.advisor.la@cpuc.ca.gov. Please refer to Application (A.11-01-XXX) in any communications.

PUBLIC COMMENT

If you wish to comment on or informally protest this filing as a customer of AVR, you may do so by contacting the PAO via phone or e-mail. Written public comment by AVR customers is very much desired by the CPUC and may be sent to the PAO at the address shown above. These comments will become part of the formal correspondence file for this proceeding and will be circulated to the assigned ALJ, the assigned Commissioner, and appropriate CPUC staff.

A copy of said Application and related Exhibits will be furnished by applicants upon written request to Edward N. Jackson, Park Water Company, 9750 Washburn Road, Downey, CA 90241. A copy of the proposed application filing can be viewed at the CPUC's Headquarter Offices, Central Files – Room 2002 at 505 Van Ness Avenue, San Francisco, CA 94102.

APPLE VALLEY RANCHOS WATER COMPANY
Balance Sheet as of November 30, 2010
Unaudited

Assets and Other Debits	
Utility Plant	
Utility Plant in Service	$ 100,168,342
Construction in Progress	1,334,044
Total Utility Plant	101,502,386
Reserve for Depreciation of Utility Plant	(23,558,536)
Utility Plant Acquisition Adjustment	14,580
Accumulated Provision Amortization of Utility Plant	(128,332)
Total Utility Plant Less Reserve	77,830,098
Current and Accrued Assets	
Cash	40,015
Receivables	945,188
Inventory	295,353
Prepaid	124,167
Regulatory Accounts-Short Term	1,855,695
Deferred Debits	254,146
Current Assets	760,692
Other Work in Progress	21,978
Nonutility Property	212,808
Total Current and Accrued Assets	4,510,042
Deferred Debits	
Other Deferred Debits	99,162
Investment-Associate Company	0
Regulatory Accounts-Long Term	6,642,839
Total Assets and Other Debits	$ 89,082,140

APPLE VALLEY RANCHOS WATER COMPANY
Balance Sheet as of November 30, 2010
Unaudited

Liabilities and Other Credits		
Capital Stock and Surplus		
Common Stock	$	3,750
Miscellaneous Paid In Capital		5,862,976
Earned Surplus		
Beginning of the Year		32,202,841
Adjustment to Retained Earnings		0
Current Year Net Income(Loss)		2,960,240
Total Capital Stock and Surplus	$	41,029,807
Long Term Debt		
Advances from Associated Companies		0
Total Capitalization	$	41,029,807
Current and Accrued Liabilities		
Accounts Payable		318,487
Accrued Payroll		72,922
Payroll Taxes		11,177
Benefit & Payroll Deduction		426,172
Other Current and Accrued Liabilities		3,597,219
Total Current and Accrued Liablities		4,425,977
Deferred Credits		
Advances for Construction		29,996,615
Other Deferred Credits		11,549,334
Total Deferred Credits		41,545,949
Contributions in Aid of Construction		
Contributions in Aid of Construction		2,080,407
Total Liabilities and Other Credits	$	89,082,140

APPLE VALLEY RANCHOS WATER COMPANY
Income Statement as of November 30, 2010
Unaudited

Operating Revenues	
Water Service Revenue	
Metered Sales to General Customers:	
Residential	$ 12,784,291
Commercial Sales	2,849,661
Sales to Public Authorities	770,421
Subtotal	16,404,373
Unmetered Sales to General Customers	
Residential Sales	0
Private Fire Protection Service	203,821
Sales for Resale	0
Regulatory Balancing Account	500,422
Subtotal	704,243
Sales to Irrigation Customers	
Metered Sales	1,395,353
Total Water Service Revenues	18,503,969
Other Water Revenues	
Miscellaneous Service Revenues	11,570
Other Water Revenues	30,048
Total Other Revenue	41,618
Total Operating Revenues	18,545,587
Operating Expenses	
Source of Supply-Production	
Purchased Power	1,097,769
Leased Water Rights	1,160,248
Replenishment	109,566
Chemicals	17,161
Source of Supply-Production	2,384,744
Payroll-Including PTO and Temporary Labor	
Payroll	2,359,614
Paid Time Off	348,303
Temporary Labor	96,663
Payroll-Including PTO and Temporary Labor	2,804,580
Payroll Related Costs	
Payroll Taxes	206,763
Workers Compensation Insurance	100,543
Employee Benefits	1,018,784
Payroll Related Costs	$ 1,326,090

APPLE VALLEY RANCHOS WATER COMPANY
Income Statement as of November 30, 2010
Unaudited

Administrative and General		
Utilities	$	99,901
Travel & Business Meals		25,066
Training & Educational		15,263
Dues Industry & Professional		51,969
Postage		67,379
Office Supplies		25,772
Bank Fees		22,055
Miscellaneous A & G		3,165
Professional Services		185,708
Insurance		446,332
Franchise Requirements		177,286
Regulatory Commission Expense		56,855
Administrative Expense Transferred		(109,921)
Corporate A & G Allocation		26,316
Administrative and General		1,093,146
Operations & Maintenance-Other		
Contracted Services		625,163
Materials		83,756
Operating Supplies & Parts		76,025
Permits		12,666
Uniforms		18,791
Rents		15,600
Operations & Maintenance-Other		832,001
Customer Service & Information		
Collection Agency		4,611
Uncollectible Expense		89,455
Deposit Over and Under		(2,687)
Customer Service Forms		5,670
Customer Service & Information		97,049
Depreciation & Amortization		
Depreciation		2,144,562
Amort.-Other Utility Prop		51,462
Amort.-Miscellaneous		810
Depreciation & Amortization		2,196,834
Taxes Other Than Income		
Property Taxes		348,210
Taxes Other		10,981
Taxes Other Than Income		359,191
Clearing Accounts		
Stores-Excluding Labor		1,162
Transportation-Excluding Labor		284,559
Tools/Work Equipment-Excluding Labor		105,365
Clearing Accounts		391,086

APPLE VALLEY RANCHOS WATER COMPANY
Income Statement as of November 30, 2010
Unaudited

Allocations		
Main Office		2,041,983
Allocations		2,041,983
Total Utility Operating Income	$	5,018,883
Non Operating Revenue	$	10,082
Non Operating Expenses		
Miscellaneous Income Deductions		23,113
Interest Expense		72,121
Non Operating Expenses		95,234
Net Income		4,933,731
Estimated Income Taxes		1,973,491
Total Net Income	$	2,960,240

APPLE VALLEY RANCHOS WATER COMPANY
Income Statement as of November 30, 2010
Unaudited

Stock Authorized

The Articles of Incorporation authorize the following number of shares:

1,000 shares authorized of $50.00 par value common stock, of which 75 shares are outstanding as of November 30, 2010.

Long Term Debt

There is no long term debt as of November 30, 2010.

No dividends have been paid in the last three years.