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Decision 95-12-028 December 18, 1995

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) and Jess Ranch Utilities, Inc. (U-423 W), (U-423 S) for an Order of Authority to Increase Rates as authorized by NOI 94-01 044.

ORIGINAL

For the Appellants, by Fulbright & Jaworski, LLP, by David A. Eberhoff, Attorney at Law, and Leigh K. Jordan, for Apple Valley Ranchos Water Company and Jess Ranch Utilities, Inc., applicants, Gary A. Ledford, for Jess Ranch Water Company, Watt-Jess/Ledford, Chapter 11 debtor, in pro per, Bruce Williams, for the Town of Apple Valley, Bruce E. Cash, for Jess Ranch Master Association; and Kevin W. Squire, for himself, for the Interested Parties, by Peter Fairchild, Attorney at Law, and Daniel R. Paige, for Division of Ratepayers Advocate.

The decision authorizes the merger of Apple Valley Ranchos Water Company (AVR) and the water operations of Jess Ranch Utilities, Inc. (JRU), and grants the following rate increase for the combined water utility for 1996, 1997, and 1998.

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<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
\$1,310,000	19%	\$294,800	4%	\$294,065	4%

The authorized rate increase is based on a rate of return of 10.04% on ratebase for 1996, 1997, and 1998, with a corresponding return on equity of 10.4%.

CCW 1.S 030.

Based on a settlement reached by the parties, consideration of a rate increase for JRU's sewer operation is deferred until the ongoing negotiations between the Town of Apple Valley (Town) and Park Water Company, the parent company of AVR and JRU, regarding exchange of Town's wastewater system (for JRU's sewer system are complete).

2. Background

AVR, a subsidiary of Park Water Company, provides water service in and around the Town in San Bernardino County. JRU provides water and sewer service to Jess Ranch, a planned adult community near the Town in San Bernardino County. In Decision (D.) 94-01-041, the Commission authorized Park Water Company to acquire JRU.

On March 13, 1995, AVR and JRU (jointly referred to as Applicants) filed a joint Application (A.Y. 95-03-012 seeking a general rate increase for water and sewer services. Applicants are also seeking approval to merge AVR and JRU and to propose that common rate schedules be adopted for their water service.

Applicants request a combined rate increase for water service over present rates of \$1,792,397 or 26.6% for 1996, \$417,207 or 4.9% for 1997, and \$369,801 or 4.1% for 1998. The requested rate increase for sewer service is \$520,952 or 58.3% for 1996. Applicants request a rate decrease for sewer services of \$80,447 or 11.7% for 1997 and \$80,990 or 13.3% for 1998.

The requested rate increases are based on rates of return on rate base of 12.40%, 12.24%, and 11.80% for the years 1996, 1997, and 1998, respectively, with a corresponding rate of return of 12.75% on common equity.

According to Applicants, the rate increases are necessary to cover increases in operating costs since the last general rate increase and provide a reasonable return on the increased investment. fees, fees for unacceptable no \$40.01 to return . \$4.01 to type no refund if refund no

a detailed description of the water and sewer operations is included in water and sewer revenue requirements reports released (Exhibits 1 and 2) and nothing else is to be said until further notice.

3. Public Participation Hearings

A duly noticed public participation hearing was held in Apple Valley on June 29, 1995. The hearing was attended by approximately 300 customers. Statements were provided by 65 customers. In general, the customers were outraged by the magnitude of the requested increase. They asked the Commission to deny the rate increase but chose to accept a rate increase of 10%.

In order to understand the reason for customers' outrage over the magnitude of requested increase it would be very helpful to reexamine the proceeding which granted JRU the authority to operate as a public utility.

First, Jess Ranch Water Company (JRWC), predecessor to JRU, was granted a certificate of public convenience and necessity to operate a public utility water and sewer system by D.93-09-079 in A.92-01-034.

During the evidentiary hearing in A.92-01-034, applicant represented to the Commission that the JRWC did not expect (to file) a request for a rate increase for 24 months and that the requested increase would be considerably less than 10%. Applicant also represented that growth in JRWC's customers will provide it with increased rate of return if (existing profit)

is left. Given this assurance, JRU's customers were shocked to learn that the JRU is now seeking a rate increase of 26.6% for water service and 58.3% for sewer service. The proposed rate increases are set forth below.

4. Division of Ratepayer Advocate (DRA) Report

DRA conducted its investigation of the requested rate increases based on its investigation. DRA prepared its report on Applicants' results of operation and cost of capital. DRA not recommended that Applicants be granted increases much lower than requested.

at an DRA further recommended that IJRU's sewer operations be transferred to the Town. DJRA's recommendation was based on the conclusion that because of a small customer base, IJRU will likely require unusually high rates for sewer service to cover its expense and to earn a return on its investment. A

5. Settlement Negotiations

After the issuance of DRA's report, Applicants and DRA convened a settlement conference. Notice of the conference was provided to all parties in accordance with Rule 51.1(b) of the Commission's Rules of Practice and Procedure (Commission's Rule 51.1(b) of the Rules). Other than Applicants and DRA, only Jess Ranch Master Association (JRMA), which represents Jess Ranch's homeowners, participated in the settlement negotiations. A

6. Evidentiary Hearing

On September 19, 1995, an evidentiary hearing was held in Apple Valley before Administrative Law Judge Gardebo. At the hearing, DRA, Applicants, and JRMA announced that they had reached a settlement on all issues.

Also at the evidentiary hearing, an additional appearance of Gary A. Ledford for Jess Ranch Water Company, aka Watt & Jess/Ledford, Chapter 11 debtor, in proper (Ledford) was filed. Since Ledford did not participate in the negotiations which led to the settlement between DRA, Applicants, and JRMA (settling parties), it was agreed that the settlement would be treated as a contested settlement and that Ledford and other parties would be allowed to file comments on the settlement under the provisions of Rule 51.4 of the Commission's Rules.

The matter was submitted on October 28, 1995 upon receipt of the transcripts and a copy of the DRA conference report. On October 23, 1995, DRA and Applicants filed a motion for adoption of the settlement. No party filed comments on the settlement. The settlement is hereby adopted. A

7. The Settlement - Results of Operations

The settlement refers to resolution of all issues as agreed by the settling parties. The original estimates of DRA and Applicants, as well as agreed-upon estimates for results of operations and cost of capital, are shown in Tables 1 through 5. Other elements of ratemaking are included in Appendix C.

**APPLE VALLEY RANCHOS WATER COMPANY
AND JESS RANCH UTILITIES, INC.**

SUMMARY OF EARNINGS FOR TEST YEAR 1995 AT PRESENT RATES

Description	DRG	Utility	DRA	Stipulation
(Dollars in Thousands)				
Operating Revenues	3,463.8	6,834.8	6,935.3	6,762.3
Deferred Revenues	(1,513.8)	(1,777.8)	7.7	7.7
Total Revenues	6,842.5	6,943.0	6,779.0	
Operations & Maintenance				Operating Expenses
Payroll-Operations	550	371.6	493.7	518.0
Operations-Other	0.802	81.8	62.3	61.7
Purchased Power	0.0	872.9	908.0	876.7
Leased Water Rights	8,721	6.0	Replenishment Charges	3.5
Replenishment Charges	0.1	130.7	157.8	55.6
Chemicals	0.0	13.7	16.5	14.2
Payroll-Customers	4.03	181.7	0.0	0.0
Customers-Other	0.56	31.4	63.4	63.9
Uncollectibles	1,581	23.3	23.7	25.0
Payroll Maintenance	5,122	184.9	167.4	175.6
Maintenance-Other	0.6285	995.7	951.2	944.9
Subtotal O&M		2,920.7	2,846.1	2,759.1
Administrative & General		1,871		Administrative Expenses
Payroll	1,358	478.1	411.3	431.5
Payroll-Benefits	915.5	419.2	326.1	369.5
Insurance	0.05	236.2	212.9	230.3
Reg. Comm. Expense	1.82	43.3	20.0	31.0
Franchise Requirements	0.0	68.4	69.4	67.7
Outside Services	0.10	93.6	51.5	93.4
Office Supplies	(832)	121.9	91.0	97.9
A&G Transferred	1.01	(60.7)	(57.9)	(57.9)
Miscellaneous	0.0	21.1	12.1	13.0
Rents		1.8	0.0	0.0
Main Office Allocation	5,802	6,222		VOG Expenses
A&G Expenses	2,511	595.3	508.7	533.4
Data Processing	1,917.1	342.5	112.5	87.7
Subtotal A&G	6,030	2,135.1	1,757.7	1,897.6
Ad Valorem Taxes	1.48	140.8	116.4	128.7
Payroll Taxes	0.0	129.2	114.3	119.5
Amortization	0.583	8.60	0.0	7.6
Depreciation	0.812	522.6	637.6	685.8
CA Income Taxes	1,283	29.9	174.6	47.0
Federal Income Taxes	(100.8)	86.0	236.1	143.3
Total Expenses	6,605.5	6,167.5	5,782.9	5,768.5
Net Revenues	8,831.6	677.7	1,160.1	1,001.4
Rate Base:		1,483.5		
Utility Plant	0.0	32,481.5	30,168.8	31,756.7
CWIP	1.82	551.8	6.0	354.8
Materials and Supplies	1,222	107.0	99.3	86.0
Working Cash	4.18	628.9	563.0	557.5
Main Office Allocation	(2,162.0)	(18.6)	187.8	367.9
Method S Adjustment	(1,250.2)	(60.7)	61.4	60.7
Accumulated Deprec	(1,547.5)	(7,309.8)	(6,663.8)	(6,310.8)
Advances	(1,822.1)	(5,383.6)	(5,027.5)	(5,575.1)
Contributions	(0.821)	(1,866.7)	(2,289.2)	(1,866.7)
Deferred Income Tax	(1,222.2)	(1,736.6)	(1,383.1)	(1,736.6)
Unbilled Invoiced Tax Credit	(1,222.2)	(1,736.6)	(1,383.1)	(1,736.6)
Total Rate Base	11,111	17,609.2	15,166.7	17,235.7
Rate of Return		3.85%	7.65%	5.6%

A.95-03-012

Table 2

810-30-20.A

**APPLE VALLEY RANCHOS WATER COMPANY
AND JESS RANCH UTILITIES, INC.
SUMMARY OF EARNINGS FOR TEST YEAR 1996 AT PROPOSED RATES**

Description	Utility (Dollars in Thousands)	DRA	Stipulation
Operating Revenues	9,140.3	8,804.6	8,072.3
Deferred Revenue	27.7	7.7	7.7
Total Revenues	9,168.1	8,812.2	8,080.0
Operations & Maintenance	2,152.3		
Payroll-Operations	371.6	493.7	518.0
Operations-Other, etc.	67.8	62.3	61.7
Purchased Power	872.9	908.0	876.7
Leased Water Rights	0.0	0.0	3.5
Replenishment Charges	150.7	157.8	55.6
Chemicals	15.7	16.5	14.2
Payroll-Customers	184.7	0.0	0.0
Customers-Other	51.4	63.4	63.9
Uncollectibles	33.8	32.6	29.9
Payroll Maintenance	184.9	167.4	175.6
Maintenance-Other	995.7	951.2	944.9
Subtotal O&M	2,929.2	2,853.0	2,744.0
Administrative & General	7,022.5		
Payroll	478.1	411.3	411.5
Payroll-Benefits	447.2	326.1	369.5
Insurance	230.2	212.9	239.3
Reg. Comm. Expense	43.3	20.0	31.0
Franchise Requirements	91.5	88.1	80.8
Outside Services	93.6	51.5	93.4
Office Supplies	121.9	91.0	97.9
A&G Transferred	(60.7)	(57.9)	(57.9)
Miscellaneous	(21.1)	12.1	13.0
Rents	1.8	0.0	0.0
Main Office Allocation	81		
A&G Expenses	596.3	508.7	533.4
Data Processing	93.2	112.5	87.7
Subtotal A&G	2,159.5	1,776.4	1,910.7
Ad Valorem Taxes	110.8	116.4	128.7
Payroll Taxes	129.2	84.1	119.5
Amortization	0.0	0.0	7.6
Depreciation	722.6	637.6	685.8
CA Income Taxes	194.3	246.0	167.2
Federal Income Taxes	689.2	865.1	584.1
Total Expenses	6,963.9	6,609.0	6,317.5
Net Revenues	2,181.2	2,203.3	1,732.5
Utility Plant	1,031.1		
CWIP	354.8	30,168.8	21,756.7
Materials and Supplies	107.9	0.0	354.8
Working Cash	629.9	98.3	85.0
Main Office Allocation	405.6	363.1	557.5
Method 5 Adjustment	60.9	187.6	357.9
Accumulated Deprec.	(7,993.8)	61.4	60.7
Advances	(5,383.6)	(6,663.8)	(6,308.8)
Contributions	(1,866.7)	(5,027.5)	(5,673.1)
Deferred Income Tax	(1,736.6)	(2,599.2)	(1,866.7)
Unamort Invest Tax Credit	(1,188.1)	(1,583.1)	(1,736.6)
Total Rate Base	17,692.3	(138.8)	(138.8)
Rate of Return	12.40%	14.53%	16.01%
Rate of Return	252.5		

A.95-03-012

Table 3

S10-3-22.A

THIRTY-NINE AND ONE HUNDRED EIGHTY-EIGHT MILLION DOLLARS
APPLE VALLEY RANCHOS WATER COMPANY
 TEST CHARGES FOR JESS RANCH UTILITIES, INC. AND TO SUMMARIZE
 SUMMARY OF EARNINGS FOR TEST YEAR 1997 AT 9% PROPOSED RATES

Description	Actual Utility Expenses	DRA	Stipulation
(Dollars in Thousands)			
Operating Revenues	\$ 1,926.8	8,897.0	Other Gross Receipts
Deferred Revenues	(1,3)	63	9% Rate
Total Revenues	9,206.9	8,897.0	8,074
Operations & Maintenance:			Less Direct Operations
Payroll-Operations	407.9 03	523.9	549.7
Operations-Other	69.2 032	61.5	63.7
Purchased Power	862.8 01	912.6	863.0
Leased Water Rights	43.1 011	0.0	0.0
Replenishment Charges	148.8 01	158.7	154.7
Chemicals	16.3 002	17.4	14.5
Payroll -Customers	202.5 02	0.0	0.0
Customers-Other	54.0 02	65.7	66.4
Uncollectibles	27.4 002	32.9	29.7
Payroll Maintenance	203.1 001	178.0	186.8
Maintenance-Other	1,036.5 020.8	933.6	977.9
Subtotal O&M	3,072.2	2,937.3	2,813.1
Administrative & General:			Less Payroll
Payroll	522.0 022	433.5	434.9
Payroll-Benefits	506.2 032	333.3	376.8
Insurance	260.2 01	219.1	216.3
Reg. Comm. Expense	43.3 02	20.4	31.0
Franchise Requirements	74.1 02	89.0	80.3
Outside Services	97.3 021	52.9	96.3
Office Supplies	126.7 022	93.1	100.7
A&G Transferred	(63.7) 02	(57.9)	(65.0)
Miscellaneous	22.0 1	12.5	13.5
Rents	1.9	0.0	0.0
Main Office Allocation	8 020	22.0	22.0
A&G Expenses	636.6 02	527.4	569.5
Data Processing	58.8 012.5	116.7	92.0
Subtotal A&G	2,320.5 021	1,840.4	1,986.2
Ad Valorem Taxes	148.5 001	122.9	136.6
Payroll Taxes	139.5 0	120.1	125.8
Amortization	0.0 002	0.0	0.0
Depreciation	780.5 001	673.4	733.9
CA Income Taxes	155.6 002	233.9	139.7
Federal Income Taxes	503.5 002.5	273.2	455.4
Total Expenses	7,120.3	6,701.4	6,430.3
Net Revenues	2,086.6	2,195.7	2,160.7
Rate Base:	2,807.16		
Utility Plant	34328.4 022	31,703.5	33,171.4
CWIP	399.3 001	0.0	398.3
Materials and Supplies	107.6 058	98.2	88.1
Working Cash	622.8 004	375.1	366.8
Main Office Allocation	408.6 02	187.6	167.9
Method 5 Adjustment	58.9 010.8	58.0	58.9
Accumulated Depreciation	(8,045.3) 022	(7,331.1)	(7,155.4)
Advances	(5,899.8) 001.11	(5,304.0)	(5,937.0)
Contributions	(1,788.8) 020.1	(2,266.2)	(1,788.9)
Deferred Income Tax	(1,952.4) 041.1	(1,779.1)	(1,951.3)
Unamortized Tax Credit	(134.6) 001.21	(134.0)	(134.0)
Total Rate Base	18,104.3	15,607.9	17,645.0
Rate of Return	11.52%	14.07%	9.11%

Table 4

S10-30-20-A

APPLE VALLEY RANCHOS WATER COMPANY
JOHN AND JESS RANCH UTILITIES, INC., FKA
SUMMARY OF EARNINGS FOR TEST YEAR 1997 AT PROPOSED RATES

Description	Utility	DRA	Stipulation
Operating Revenues	9,537.4	9,324.2	8,325.9
Deferred Revenues	6.3	6.3	6.3
Total Revenues	9,543.7	9,330.6	8,332.2
Operations & Maintenance			
Payroll-Operations	407.9	523.9	549.7
Operations-Other	69.2	64.5	63.7
Purchased Power	862.8	912.6	863.0
Leased Water Rights	43.1	0.0	38.5
Replenishment Charges	148.8	158.7	154.7
Chemicals	16.3	17.4	14.5
Payroll-Customers	202.5	0.0	0.0
Customers-Other	54.0	65.7	66.4
Uncollectibles	35.6	34.5	30.8
Payroll Maintenance	203.1	178.0	196.8
Maintenance-Other	0.8	983.6	977.9
Subtotal O&M	1,036.5	2,938.9	2,846.1
Administrative & General			
Payroll	522.0	433.5	454.9
Payroll-Benefits	506.2	333.3	376.8
Insurance	260.2	219.1	236.3
Reg. Comm. Expense	43.3	20.4	31.0
Franchise Requirements	95.4	93.3	83.3
Outside Services	97.3	52.9	96.3
Office Supplies	126.7	93.1	100.7
A&G Transferred	(68.7)	(57.9)	(65.0)
Miscellaneous	220.8	12.5	13.5
Rents	1.9	0.0	0.0
Main Office Allocation			
A&G Expenses	636.6	527.8	569.3
Data Processing	98.8	116.7	92.0
Subtotal A&G	2,341.8	1,844.8	1,589.2
Ad Valorem Taxes	148.3	122.9	136.6
Payroll Taxes	139.5	120.1	125.8
Amortization	0.0	0.0	7.6
Depreciation	780.5	673.4	633.9
CA Income Taxes	193.9	273.8	166.7
Federal Income Taxes	643.9	919.5	1,354.7
Total Expenses	7,328.1	6,893.6	6,560.6
Net Revenues	2,215.6	2,437.0	1,771.6
Rate Base:	3,281.2		
Utility Plant	34,328.4	31,703.5	35,171.4
C.WIP	398.3	0.0	198.3
Materials and Supplies	107.6	98.2	98.1
Working Cash	622.8	375.1	526.8
Main Office Allocation	408.6	187.6	367.9
Method 5 Adjustment	58.9	58.0	58.9
Accumulated Depreciation	(8,045.3)	(7,331.1)	(7,155.4)
Advances	(3,89.9)	(5,304.0)	(5,937.0)
Contributions	(0.408.2)	(2,266.2)	(1,788.9)
Deferred Income Tax	(1,952.4)	(1,779.1)	(1,951.3)
Unpaid Interest Tax Prepaid	(114.0)	(114.0)	(114.0)
Total Rate Base	10,281.1	15,607.9	17,645.0
Rate of Return	8.509.2	13.61%	10.04%
Rate of Return	8.509.2	13.61%	10.04%

Table 5

Apple Valley Ranchos Water Company
and Jess Ranch Utilities, Inc.

Cost of Capital

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Park:			
Debt	40.26%	10.12%	4.07%
Common Equity	<u>59.74%</u>	12.75%	<u>7.62%</u>
Total	100.00%		11.69%
DRA:			
Debt	40.26%	9.47%	3.81%
Common Equity	<u>59.74%</u>	9.90%	<u>5.91%</u>
Total	100.00%		9.73%
Settlement:			
Debt	42.25%	9.53%	4.03%
Common Equity	<u>57.75%</u>	10.40%	<u>6.01%</u>
Total	100.00%		10.04%

of differences; a brief description of the resolution of differences between DRA and Applicants is included in the settlement which is attached to this order as Appendix A; according to AVR's affidavit, AVR has agreed to go ahead with the proposed merger.

As aside from the agreement on the results of operation and cost of capital, the settling parties also reached agreement on the following issues of importance to the Town:

7.1 Merger of AVR and JRU As requested by Applicants, the settling parties will recommend that AVR and JRU be merged and that a common rate limit to schedules be adopted for their water service in support of the recommendation. Applicants state that JRU's system is adjacent to AVR's system and that JRU is currently being operated by AVR's personnel. The proposal regarding JRU's sewer rates is discussed under the heading "Transfer of JRU's Sewer System".

7.2 Transfer of JRU's Sewer System As mentioned earlier, DRA in its report had recommended that JRU transfer its sewer operations to Town.

Following the issuance of DRA's Report, Applicants and Town have explored the possibility of exchanging JRU's sewer system for the water system owned by the Town which currently has 111 customers. Parties were able to make considerable progress toward reaching an agreement on the exchange of facilities.

At the evidentiary hearing, the Mayor of the Town, Ms. Loux, stated the Town Council and representatives of Park Water Company, the parent company of AVR and JRU, held a joint meeting on September 7, 1995 to discuss the exchange of systems. According to Ms. Loux, parties agreed to go forward with the exchange of facilities. Ms. Loux does not expect any insurmountable problems in reaching an agreement with regard to the proposed exchange. It is anticipated that the exchange of facilities will be effective by January 1, 1996. According to Ms. Loux, AVR's expenses in regards to JRU's sewer facility

provides. The water system facilities of the Town are adjacent to the northern boundary of AVR land, in some areas pass through AVR's service area. According to Applicants, though the Town does only has 11 customers taking water from this system, the system contains substantial production, storage, and transmission bus facilities which would be of immediate benefit to AVR's system as a whole and would address any concerns of the Department of E.S. Health Services. Applicants state that most of these facilities, or similar facilities, are already incorporated in AVR's Master Plan and would have been constructed by AVR in any case as of date. Applicants contend that AVR can acquire these facilities through a trade with the Town at a considerably cheaper cost than AVR would incur in constructing them itself over the next few years with consequent savings in ratebase. In addition, the funds that would have been spent for these facilities would become available to perform additional replacement of old mains and thereby E.S.H. address any leak problems more quickly.

Citing the above reasons, the settling parties request that the Commission authorize JRU to transfer its sewer system to the Town and authorize AVR to acquire water facilities and those customers of the Town to whom JRU will sell and serve water rates.

In anticipation of the exchange of facilities proposed above, the settling parties request that this proceeding be as completed in two phases. The settling parties propose that the Commission delay the revision of JRU's sewer rates and revise AVR's water rates by issuing an interim decision in Phase I of the proceeding to be effective on January 1, 1996 on the basis that the exchange of facilities would be completed by January 1, 1996.

Because the precise values of the properties to be exchanged are not known at this time, the settling parties do recommend that until the exchange of properties is completed, for ratemaking purposes, AVR's ratebase include JRU's sewer ratebase.

as a proxy for the rate base for the Town's water system facilities; to correct the discrepancies between the value of Town's water system and JRU's sewer system; the settling parties propose the establishment of a sewer capital memorandum account. Once the exchange of properties is completed, the amount in the memorandum could be recovered or refunded by AVR.

In addition to the establishment of a sewer capital memorandum account, the settling parties also recommend establishment of a sewer expense memorandum account to track the sewer revenues at the current rates and sewer system expenses that are to be recovered by sewer rates. The proposal assumes that the return on investment, income taxes, ad valorem tax, and depreciation expenses related to the sewer operations will be recovered in water rates because of the proposed inclusion of JRU's sewer ratebase in AVR's water ratebase.

The settling parties state that if the exchange of facilities between the Town and JRU does not occur, Phase II of the proceeding be instated to determine the appropriate rates for sewer system based on its cost of service and appropriate rates for the water system based on the water system's cost of service. According to the settling parties, the final disposition of the amounts recorded in the two memorandum accounts should be addressed in Phase II of the proceeding.

If the exchange of facilities occurs as expected, the settling parties maintain that the sewer expense memorandum account will be moot, since there will be nothing to book into it and there will be no necessity to set sewer rates. The settling parties believe that in that case the only issues to be addressed in Phase II would be (1) the adjustment of water rates to reflect the actual values of the exchanges systems between Town and JRU; and (2) the disposition of the memorandum accounts.

Transfer of JRU's sewer system to the Town.

7.3 Rate Design The parties did not agree to the proposed rates as to sewer. The settling parties proposed a rate design in addition accordance with the guidelines set forth in D.86-05-064 with the following two exceptions: (a) sewer is to the service fee and proposed rates in place.

a. Rates for Irrigation. The settling parties recommend that quantity rates for irrigation service be set at an average cost of \$0.42/CdF, based on their determination that a higher cost would provide an incentive to the largest customer of JRU to leave the system. According to proposed tariffs, the service charge for irrigation service would be the same as the service charge for general metered service (Tariff Schedule 1111 and No. 1) or lower if the higher rates for irrigation service are not adopted. The settling parties recommend that quantity rates for irrigation service be set at an average cost of \$0.42/CdF.

b. Rates for Town's Customers. The settling parties recommend that for Town's 11 present customers, a bill for separate commodity charge equal to Town's present rate be maintained initially. A service charge of \$5.00 per month replace Town's current minimum bill of \$57.00 per month. The new rates for these customers be increased over the next two years to the approximate level of AVR's rates for general metered service. The settling parties state that the gradual increase of rates for Town's customers would avoid a rate shock for the customers.

8. Discussion Other than reaching a settlement on the results of operation, agreeing parties make the following two significant proposals:

- Common rate schedules for domestic water service and fire service for AVR and JRU from now until the time of transfer to the Town.

- Transfer of JRU's sewer system to the Town.

Below are the two proposals are discussed below:

8.1 Common Rate Schedules

On April 1, 1994, the Commission issued a decision in D.94-01-041 authorizing Park Water Company to acquire JRU. Ordering Paragraph 7 of that decision provides as follows:

"In future ratemaking proceedings, Park Water shall include the Jess Ranch Utilities systems in filings for the Apple Valley Ranchos Water Company." (Ordering

Paragraph 7 of D.94-01-041.) Since now, a USG participant, Park Water Company has followed the Commission's two directives and has filed this joint application for general rate increase for AVR and JRU. Park Water Company's proposal to merge AVR and JRU and to have common tariff schedules for water service is, we believe, in the right direction. This is especially so because JRU's service area is adjacent to AVR and JRU is currently being operated by AVR personnel. We will approve the merger of AVR and JRU's water systems and allow the joint entity to have common tariff schedules for water services.

8.2 Transfer of JRU's Sewer System

As Park Water Company, the parent company of JRU, proposes to exchange JRU's sewer system for the Town's water system, the proposal would also transfer JRU's approximately 3600 sewer paid customers to the Town's sewer system which currently serves approximately 12,000 customers. The proposed exchange will likely result in a considerably larger customer base for sewer service and consequently will avoid the very high rate increase currently requested for JRU's sewer customers. At this time, we will consider the impact of the transfer of the Town's water system and its customers to the combined water systems of AVR and JRU. The precise impact of the transfer will not be known until the values of the two systems to be exchanged are established. However, since the values of the two systems are comparable, we believe that the exchange will cause no harm to the joint customers of AVR and JRU.

In addition, the proposed exchange will result in sewer service being provided by the Town to all the residents of the Town and Jess Ranch and the water service being provided by AVR to the same customers. Larger customer base for both services would provide economies of scale and thus would minimize future rate increases.

For the above reasons, we support the concept of exchanging JRU's sewer system for Town's water system and encourage Park Water Company to pursue and, if possible, complete the transaction with the Town. However, until the precise terms of the transaction are known, we are unable to authorize it at this time. While we support Applicants' proposed transaction with the Town, we would like to be assured that the water system plant being transferred from the Town to AVR is indeed needed and will be used and useful. At this time we only have the assertion from Applicants that the water plant AVR will be receiving from the Town is the same as the plant that AVR would have built in the future. Rather than rejecting Applicants' assertion for lack of record on this issue, we will provide AVR an opportunity to demonstrate, in Phase II of this proceeding, that the water plant being acquired from the Town will be used and useful to provide adequate service. In the meantime, we will make AVR's rates related to JRU's sewer ratebase, which is being used as a proxy for the Town's water ratebase, subject to refund. We will only allow rate recovery on that portion of the water plant acquired from the Town by AVR which is determined to be used and useful to provide adequate service.

We will also authorize the establishment of the two proposed memorandum accounts, a sewer expense memorandum account and a sewer capital memorandum account. This will be known as the joint capital ledger. However, since the joint capital ledger is dependent on the sewer expense account, we will only allow rate recovery on that portion of the water plant acquired from the Town by AVR which is determined to be used and useful to provide adequate service.

8.3 Rest of the Settlement

Although all parties to the proceeding did not participate in the discussions that led to the settlement, the settling parties have served a copy of the settlement to all parties for comments in conformance with the steps set forth in Article 13.5 of the Commission's Rules. No party has opposed the settlement. We believe that DRA has carefully tested Applicants' projection of operating expenses and results of operations for the test years. In some instances, Applicants' estimates were accepted by DRA. In other instances, DRA's estimates persuaded Applicants to accept a lower increase. These adjustments are discussed further in the settlement (Appendix A).

We have analyzed the settlement mindful of the directives set forth in our decision in San Diego Gas & Electric Company's general rate case D.92-12-019.

a. This settlement commands support of the RUR's non-affiliate parties to this proceeding;

b. Each party is adequately represented. We are confident that DRA adequately represents the interests of the ratepayers,

c. The parties have asserted that no terms of this settlement contravene any statutory provision or any decision of the Commission, and our independent review has brought none to light, and relevant case law provides for a maximum of \$1,000,000.00 in damages to date. This settlement with its appendices, together with the record in the proceeding, conveys to us sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and affected ratepayers. By adopting this settlement we fulfill our primary obligation of setting just and reasonable rates.

We believe that the settlement supported by active parties in this proceeding satisfies the above requirements. The settlement should be adopted and the motion for approval and adoption of the settlement should be granted.

Comments on ALJ's Proposed Decision

ALJ's proposed decision was filed and mailed to the parties on November 17, 1995. AVR and DRA have filed comments on the proposed decision. After reviewing the comments, we have made corrections to certain errors. Other than correcting the errors, we are issuing the decision as proposed.

Findings of Fact

1. As set forth in Appendix A and the motion for adoption of the settlement, the settling parties have reached settlement on all contested issues.
2. No party to the proceeding opposes the settlement.
3. The settling parties recommend that AVR and JRU's water operations be merged and that common rate schedules be adopted for their water service.
4. JRU's service area is adjacent to AVR and JRU is currently being operated by AVR personnel.
5. Park Water Company, the parent company of JRU, proposes to exchange JRU's sewer system plant for the Town's water system plant. The proposal would transfer JRU's approximately 600 sewer customers to Town's sewer system which currently serves approximately 12,000 customers. The proposal would also transfer Town's 11 water customers to the combined water system of AVR and JRU.
6. The proposed exchange of plants between JRU and the Town will avoid the very high rate increase currently requested for JRU's sewer customers.

Legal: The proposed transfer of Town's sewer water customers to the combined water systems of AVR and JRU will cause no harm to the combined customers of AVR and JRU.

8. The proposed exchange of plants and customers between the Town and Park Water Company will result in sewer service being provided by the Town to all residents in the vicinity and the Jess Ranch water service being provided to the same customers by AVR. The proposed exchange will result in the heavier load on

9. The settling parties recommend that the Commission does authorize the exchange of plants and customers between the Town and Park Water Company. Such power will be exercized at the end of the proceeding.

10. The precise terms of the transaction of exchange of one plants and customers between Park Water Company and the Town are not known at this time. There is no date set for the exchange.

11. The settling parties request the proceeding be broken completed in two phases and that the Commission delay the order to revision of JRU's sewer rates and revise water rates for the equal combined customers of AVR and JRU by issuing an interim decision in Phase I of the proceeding for sewer rates. AVR has no objection.

12. The settling parties recommend that until the exchange between Park Water Company and the Town is completed, for AVR's ratemaking purposes, AVR's ratebase include JRU's sewer ratebase as a proxy for the ratebase of Town's water facilities. AVR has no objection.

13. AVR has not demonstrated that the water plant to be acquired by it from the Town would be used and useful to provide adequate service. There is no evidence either way about AVR's objection.

14. In Phase II of the proceeding, AVR will have an opportunity to demonstrate the reasonableness of including Town's water plant in AVR's ratebase.

15. The reasonableness of rates related to the inclusion of JRU's sewer ratebase as a proxy to Town's water ratebase, in AVR's ratebase has not been established by AVR's (AVR) advocate.

of 16; no The precise values of the properties to be exchanged between Park Water Company and the Town are not known at this time.

17. The RVA to propose a formula to

The settling parties propose the establishment of a sewer capital memorandum account to correct any discrepancies in between the values of Town's water system and JRU's sewer systems as of 18. Because the settlement proposes that JRU's sewer rates not be revised at this time, the settling parties recommend AVR establish a sewer expense memorandum account to track sewer revenues at the current rates and the sewer system expenses that are to be recovered by sewer rates.

Conclusions of Law

18. The precise form of the proposed conclusions of law are as follows:

2. Applicants' rates for water service should be increased to allow the combined water systems of AVR and JRU to earn a rate of return of 10.04% for the years 1996, 1997, and 1998, respectively, after taking into account new and reasonable rates of inflation. This proceeding should be bifurcated into two phases:

4. Applicants' water rates related to the inclusion of JRU's sewer rate base, as proximate to Town's water rate base, in AVR's rate base should be subject to refund if the proposed order is issued. Applicants should be authorized to establish a sewer capital memorandum account and a capital expense memorandum account to track the cost of water to the RVA.

This order should be made effective today to make it available to Applicants' 1996 water rates effective on January 31, 1996.

In view of the proposed order, AVR will proceed to determine the need to issue an INTERIM ORDER to implement the proposed order to the benefit of the parties.

19. The reasonable expenses of the parties to the proposed order are to be paid by AVR.

20. The settlement between the Division of Ratepayers, JRU, Advocates (DRA), Apple Valley Ranchos Company/Jess Ranch, AVR, a

Utilities, Inc. (Applicants) and Jess Ranch Master Association (JRMA) is approved, subject to certain terms and conditions:

(1) The motion for approval of the settlement between the Applicants, DRA, and JRMA is granted, and it is ordered as follows:

(2) Applicants are authorized to file the revised schedules attached to this order as Appendix B. This filing shall comply with General Order (GO) 96-A. The effective date of the revised schedules shall be 30 days after the date of filing or January 1, 1996, whichever is later. The revised schedules shall apply only to service rendered on or after the effective date.

(3) On or after November 6, 1996, Applicants are authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 1997 included in Appendix B or to file a proportionate lesser increase for those rates in Appendix B in the event that Applicants' rates of return on ratebase are adjusted to reflect rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1996, exceeds the lesser of:

(a) the rate of return found reasonable for Park Water Company during the corresponding period in the then most recent rate decision; or (b) 10.04%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission's ~~Advisory~~ and Compliance Division (CACD) to determine their rules of conformity with this order and shall go into effect upon CACD's determination and conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accordance with this decision or other Commission decisions. The effective date of the revised schedules shall be no earlier than January 1, 1997, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

5. On or after November 6, 1997, Applicants are authorized to file an advice letter, with appropriate workpapers, requesting

the step rate increase for 1998, included in Appendix B or to file a proportionate lesser increase for those rates in Appendix B in the event that Applicants' rate of return on rate ratemaking adjustments for the 12 months ended September 30, 1997, exceeds a lesser of: (a) the rate of return found reasonable for Park Water Company during the corresponding period in the then most recent rate decision, or (b) 10.04%. This filing shall comply in with GO-96-A10. The requested step rates shall be reviewed by CACD to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall be of informed the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission's or decisions. The effective date of the revised schedules shall be no earlier than January 17, 1998, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date. It is ordered that the Apple Valley Ranchos Water Company (AVR) is authorized to merge with Jess Ranch Utilities Inc. (JRU) for so long as (a)

other Revenues related to Applicants' water rates related to the inclusion of JRU's sewer rate base/rates, proxy (for the Town of Apple Valley's water rate base), in AVR's rate base shall be subject to refund until January 1, 1999, or until CACD issues a final decision.

GO-98-C: Applicants are authorized to establish a sewer capital memorandum account and a sewer expense memorandum account as set forth in the settlements under date hereof after the Board has received a copy of the final order of the Commission defining the effective date.

GO-98-D: Applicants are authorized to establish a sewer capital memorandum account and a sewer expense memorandum account as set forth in the settlements under date hereof after the Board has received a copy of the final order of the Commission defining the effective date.

On or after November 1, 1998, Applicants are authorized to file an application letter, with supporting evidence, to propose

9. This proceeding shall remain open to address Phase II issues.

This order is effective today.

Dated December 18, 1995, at San Francisco, California.

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the matter of the Application of the Apple Valley Ranchos Water Company (U-146-W) and Jess Ranch Utilities, Inc. for authority to increase rates as authorized by NOI 94-01-044.

(The above is set forth in the briefs filed in the DRA's opposition to the proposed rate increases by AVR.)

SECTION	SETTLEMENT	AVR
1.00	Introduction	DRA
1.01	The parties to this settlement ("Parties") are the Division of Ratepayer Advocates ("DRA"); the Jess Ranch Master Association; and the applicants, Apple Valley Ranchos Water Company ("AVRWC") and Jess Ranch Utilities, Inc. ("JRU"), collectively referred to as "AVR".	

1.02 The Parties agree that no signatory hereto nor any member of the staff of the Public Utilities Commission assumes any personal liability as a result of this Settlement. The Parties agree that no legal action may be brought in any state or federal court, or in any other forum, against any individual signatory representing the interests of DRA, its staff, its attorneys, or the DRA itself regarding this Settlement. All rights and remedies are limited to those available before the California Public Utilities Commission.

1.03 The Parties acknowledge that DRA is charged with representing the interests of customers of public utilities in the State of California, as required by Public Utilities Code Section 260, and that it is the responsibility of the PUC to determine whether DRA is properly representing its customers.

tion 309.5, and nothing in this Settlement is intended to limit the ability of DRA to carry on that responsibility.

1.04 The Parties' negotiations have resulted in the resolution of all issues raised in Application 95-03-012 and in DRA's report dated July 7, 1995, with the exception of certain matters which the Parties propose be deferred to a later stage of this proceeding (see Section 8.00 below). In summary, the annual increases proposed by the Parties and those agreed to in the Settlement are as follows:

	<u>1996</u>	<u>1997</u>	<u>1998</u>
AVR	34%	4%	3%
DRA	8%	3%	3%
Settlement	19%	4%	4%

1.05 Attached to this Settlement are the following appendices showing the calculations, quantities, and rates that have been agreed to by the Parties.

Appendix A--Summary of Earnings

Appendix B--Rate Schedules

Appendix C--Comparison of Rates

Appendix D--Adopted Quantities and Income Tax Calculations

2.00 Sales and Revenues

2.01 Consumption: The Parties agree that consumption for residential customers will be 312.9 Ccf for 1996 and 300.9 Ccf for 1997 on a weighted basis of AVRWC and JRU. The Parties agree to use the revised estimates for the other classes which incorporate data for 1994.

2.02 Revised Estimates for AVR: The Parties agree that estimates for AVR will be revised to incorporate recorded customers as of June 30, 1995, and that growth for AVR will be revised to 25 residential customers.

and 16 commercial customers per year based on experience during 1994 and 1995. To calculate unit cost no separate accounting for residential units will be done. Unit cost will be \$11.20. The parties agreed to include eleven customers now served by the Town of Apple Valley, as explained in section 8 below. Estimated consumption for these customers is based on 6 residential customers and 5 commercial customers, using the stipulated consumption for those classes. Revenues for these customers at present rates are based on the rates currently charged them by the town.

3.00 Expenses of Operation and Maintenance for 1995
 3.01 Expenses of production: The parties agree that power purchased, replenishment, leased water rights, and chemicals should reflect the stipulated amount of production. The parties agree that the effective cost per kilowatt-hour and cost per therm should be based on the average rates charged by Southern California Edison Company and Southwest Gas Company, during the period of August 1, 1993, to July 31, 1994.

3.02 Based on more recent information, the parties agree to calculate the expenses of replenishing groundwater based on a unit charge of \$4.02 per acre-foot rather than \$10.02 per acre-foot estimated in the Application.

3.03 If no Payroll: The parties agree to use AVR's estimate of payroll for 1995, which incorporates AVR's actual Cost of Living Adjustment of 1.6%, for projecting payroll in the test years.

3.04 After review of more recent data and changed conditions, the parties agree that payrolls should be calculated based on the equivalent of the 33 employees that AVR currently has in use with the assumptions that the three temporary employees will become permanent employees, that one employee will be added in AVR 1996, and that none will be added in 1997.

3.05 The Parties agree to calculate payroll and outside services on the assumption that the equivalent of 34 employees will be used in 1996 and 1997. Since the salary per permanent employee and the cost per temporary employee are equivalent, AVR agrees to calculate the cost of payroll using 32 employees and DRA's estimate of outside services, which assumes two full-time temporary employees.

3.06 Other Expenses: After reviewing information not included in the Application, the Parties agree to use DRA's estimates for Operation and Maintenance-Other (excluding the costs of production), except that the full amount of recorded expenses for 1994 will be used in all averages; that no recorded years 20.3 will be excluded from averages; that amortization of the cost of coating tanks not reflected in recorded expenses will be added in and that expenses double-counted in the categories of Maintenance, Meters-Other, and Hydrants-Other due to accounting changes will be corrected.

4.00 Administrative and General Expenses

4.01 Payroll: Overall Payroll is allocated between Operations and Maintenance and Administrative and General Expenses. The discussion under Operations and Maintenance applies equally here.

4.02 Benefits: The Parties agree to calculate benefits on the basis of 34 employees in 1996 and 1997, consistent with the stipulation on Payroll.

4.03 Medical Insurance: The Parties agree that medical insurance, although based on 34 employees, will be calculated on the assumption that premiums per employee will decline by 1% each year from 1994 due to the AVR's switch to new providers and AVR's recent experience regarding claims.

4.04 Injuries and Damages: The Parties agree that Liability Insurance should be based on the expense for 1994 increased by \$9,087 to exclude the credit booked in 1994 but relating to premiums paid in prior years. The Parties agree that expenses should be increased for inflation from 1994 and that they be 00.2 further increased in 1996 by the additional expense of insuring the two equivalent employees in recognition that additional employees will require additional insurance.

4.05 Workers Compensation Insurance: The Parties agree that expenses related to Workers Compensation Insurance should be based on the recorded expense for 1994 and will increase by the relative increase in payroll.

4.06 Regulatory Expense: The Parties agree to an estimate of Regulatory Expense associated with Phase I of this proceeding (see Section 8.00) of \$93,000, amortized over three years at \$31,000 per year. The Parties further agree that the question of additional regulatory expense that may result from Phase II should be considered in Phase II.

4.07 Outside Services, Office Supplies, Rents, and Miscellaneous Expenses: See discussion under Operation and Maintenance Expenses, Other Expense, Paragraph 3.06, concerning the agreement to use the full amount of expenses for 1995 in all averages and not to exclude any year. The Parties have agreed on four exceptions: a) outside services for 1994 should be reduced by the cost of an audit in the proposed amount of \$8,500, b) expenses for Meals and Travel should be set at \$10,850 for 1996 and \$11,210 for 1997, c) the dues for the California Water Association included in AVR's application should be reduced by 62% to reflect the Memorandum of Understanding reached between DRA and Park Water Company ("Park") on September 1, 1994, and d) the dues for the National Association of Water Works included in AVR's application should be reduced by 25% to reflect actual lobbying.

4.08 ~~Franchise Fees~~: The Parties agree that the stipulated Franchise Fees should reflect the amount of stipulated revenues.

of paid for and kept in backlog prior to the date of excise tax of \$80,82 by
the parties and kept in backlog prior to the date of excise tax of \$80,82 by
the parties and kept in backlog prior to the date of excise tax of \$80,82 by

5.00 ~~Allocation of Expenses of the Main Office~~: The parties

5.01 ~~Ratebase~~: The Parties agree that the total expenses and ratebase used for the allocations of Main Office adopted for Santa Paula Water Works Ltd., along with AVR a subsidiary of Park, in D.94-

12-048 for 1996 should be used in this proceeding. The Parties further agree to base allocations in 1997 for the Main Office on the difference between the allocations adopted for 1995 and 1996 in a manner similar to the methodology typically used to calculate increases to offset attrition.

5.02 ~~Total Ratebase for the Main Office in the Application~~: The total ratebase for the Main Office in the Application does not match AVR's workpapers. The Parties agree to correct this mistake.

5.03 ~~The Parties agree to use in this proceeding the allocational factors consistent with those adopted in D.94-12-048.~~

6.00 ~~Taxes Other Than Income Tax~~: See discussion below regarding other taxes.

6.01 ~~Payroll:~~ The differences between DRA's and AVR's estimated taxes on Payroll resulted entirely from the different estimates of Payroll. The Parties agree that the stipulated amounts will reflect the amount of stipulated Payroll.

6.02 ~~Ad Valorem Taxes:~~ The Parties agree that Ad Valorem Taxes should be calculated using the methodology used by the San Bernardino County Assessor and that it should reflect the amount of stipulated additions to plant.

and Park Water Company ("Park") on September 1, 1994, and the dues for the National Association of Water Works including AVR's application should be reduced by \$25 to reflect costs of the membership of Undersigned companies.

7.00 Income Tax (d) The Parties have no methodological differences regarding income taxes and agree that the stipulated Income Taxes should be calculated based on the amount of stipulated expenses.

7.02 Depreciation and Deferred Tax Reserve (d) The Parties agree that depreciation and deferred tax reserve should be calculated by the rates of depreciation applicable to the various categories of plant.

(d) The ultimate decision would suppose rates for the water to sewer transaction made by AVR, based on the rates set forth in the report of DRA set forth in Chapter 9 of its report on Results of Operations, AVR has investigated the possibility of exchanging JRU's sewer system for the water system owned by the Town of Apple Valley ("Town"). Representatives of AVR and the Town have met and discussed such a transaction over the last few months. Both AVR and the Town have stated on the record in this proceeding that they see no impediment to such a transaction and that they are proceeding with the proposed transaction.

The Water system of the Town is adjacent to the northern boundary of AVR and in some areas passes through AVR's service area. Though the Town has only eleven customers, the system contains substantial facilities which would be of immediate benefit to AVR's system as a whole and which can be acquired through a trade with the Town at considerably less cost than AVR would incur in constructing them. For these reasons, the Parties propose that the Commission in this proceeding authorize JRU to transfer its sewer system and customers to the Town and AVR to acquire the water facilities and customers of the Town.

Since AVR and the Town are still working on the transfer, the parties propose the following course of action as set forth for the sewer system, based on the costs of service, and the appropriate rates for the water system, based on the costs

forth in Exhibit 7, Response to Additional Issues Set Forth At the ALJ, Ruling of July 17, 1995, on and including the ~~10.5~~

~~10.5~~
a) This proceeding would be split into Phase I and Phase II. Phase I would proceed on the assumptions that the transfer will be effective soon after January 1, 1996, and that an interim decision would be issued in Phase II, with an effective date of January 1, 1996.

b) The interim decision would authorize rates for the sale of water by AVRWC, using the ratebase of AVRWC's sewer system as a proxy for the ratebase of the Town's water facilities. The interim decision would not revise rates for sewer service, but would provide that the current rates would remain in effect until such time as either the sewer system is transferred to the Town or the Commission acts to revise them.

c) The interim decision would authorize a Sewer Expense Memorandum account to track revenues at current rates and the expenses of the sewer system that must be covered by those rates, assuming that Rate of Return, Income Taxes, Ad Valorem

Taxes, and Depreciation are covered by the rates for the sale of water and that any difference would be later recovered or refunded as appropriate.

d) The interim decision would also authorize a Sewer Capital Memorandum account to track the differences between the costs associated with the ratebase determined for the Town's water facilities and the costs included as a proxy in the ratebase of AVR's water system, with that difference also to be later recovered or refunded.

e) If the transfer does not occur within some reasonable time, Phase II would be initiated to determine the appropriate rates for the sewer system, based on its costs of service, and the appropriate rates for the water system, based on its costs

of service. If the transfer does occur, Phase II would be initiated to adjust rates for water service according to the difference between the database of the Town's water facilities and the database of JRU's sewer system used as a proxy. The Sewer Main Expense Memorandum Account and the Sewer Capital Memorandum Account would also be dealt with in Phase III, or if debt service projections of \$100,000 to \$120,000 for 1995 were adopted.

9.00 Plant

9.01 AVR's Plant: The parties agree that, although it did not construct a reservoir in 1994 as authorized in D.93-02-012, that AVR re-prioritized its expenditures during 1994 a reasonable manner and that AVR's aggregate capital expenditures exceeded those assumed in the adopted database. Therefore, the parties agree that the recorded expenditures of AVR should be included in database without adjustment. The parties also agree, assuming that the transfer with the Town takes place, that AVR will not need to construct a reservoir in 1997 and that the \$240,000 projected in AVR's additions for that year will be removed from the projected capital balance.

9.02 The parties agree that the projects included in AVR's Construction Work in Progress will take longer than one year to construct and that the average balances estimated by AVR should be included in database.

9.03 The parties agree that AVR properly booked its costs of acquiring water rights Account 366, Land and Land Rights, which does not require amortization under Financial Accounting Standards Board Opinion 17.

9.04 JRU's Plant: The parties agree that the estimated additions to plant for 1995 for JRU's Water and Sewer divisions are appropriate in light of expenditures through June 30, 1995, and should be used to determine JRU's ratebase.

9.05 ~~and~~ The Parties agree that three lots which were acquired to by JRU from Jess Ranch Water Company and inadvertently omitted from the records available for review by an auditor of the Commission's Advisory and Compliance Division during the proceeding leading to D.93-09-079, should now be included in ratebase. The Parties agree that \$10,000 is a reasonable value for each of these lots, for a total of \$30,000.

9.06 The Parties agree that \$6,858, representing the difference between JRU's plant as of October 1, 1991, and the \$2,777,000 audited by DRA in 1993, is due to rounding of balances and should be included in ratebase, if positioning of AVR is to be revised to reflect the difference.

9.07 After review of additional invoices not available during DRA's investigation, the Parties agree that AVR has substantiated \$138,686 of organizational costs which should be considered to have been additions to JRU's plant in 1993.

9.08 The Parties agree that \$83,730 for the domestic system and \$55,820 for the irrigation system expended to acquire water rights should be included as additions to JRU's plant in 1996. These amounts were inadvertently omitted from the detailed additions for 1994 provided to DRA during its investigation.

9.09 The Parties agree that additions in JRU from October 1, 1991 to July 16, 1994 which were funded by developers should be considered to be advances rather than contributions to under the provisions of JRU's Service Rule No. 115.

9.10 The Parties agree that Main Extension Contracts should have been executed in accordance with Service Rule No. 115 for any project beginning after September 17, 1993 to the effective date of D.93-09-079, and that additions associated with those projects should be considered to have been funded by advances.

9.11 ~~The Parties agree that amortization of JRU's organizational costs should commence in 1996 over a life of 40 years and that the cost associated with leasing water rights by JRU should be amortized over the life of the lease for 99 years; With the 11 amortization to begin in 1995, subject paid to addendum to section 11, and prior to working out the final portion of the~~

10.00 Depreciation

10.01 The Parties agree that depreciation and accumulated depreciation should be based on the updated rates on depreciation and the stipulated additions to plant for the period from AVR's customers should be charged rates according to R.R.O. 1990 Reg. 30, S.1.

10.02 The Parties agree that the expense of and reserve for depreciation should be calculated according to each separate account of the assets necessary to the continuation of the business. The following accounting to the Commission is being proposed to the parties: (a) the revenue from the sale of water and (b) the expenses of the operation of the system, with the balance being recovered through the service charges.

11.00 Ratebase

11.01 The Parties agree that AVR's ratebase should incorporate all applicable stipulations in this Settlement, including those relating to the need that a Phase II be held in this proceeding prior to the finalization of a rate base.

11.02 ~~Materials and Supplies:~~ Based on additional discussion and review, the Parties agree on estimates of inventory for Materials and Supplies of \$86,000 for 1996 and \$88,100 for 1997. These estimates are based on the recorded balances for Materials and Supplies at the end of 1994, with increases for escalation and new customers to prevent inflation as well as to reflect the current value of the materials and supplies.

11.03 ~~Allowance for Working Cash:~~ Parties agree to use the monthly balances for the Main Office to calculate the fixed portion of working cash in the more recent proceeding involving Park's Central Basin Division and Park's Santa Paula Water Works to calculate the fixed portion of working cash in this proceed-

ing, consistent with the stipulations on the allocated expenses and ratebase for the Main Offices, it is agreed that costs of coating tanks and regulatory expenses will be included in the ratebase until such time as the parties agree to include the average unamortized balances of the costs of coating tanks and regulatory expenses in the fixed portion of working cash.

- | Description | 00.01 |
|--|-------|
| 12.00 Design of Rates | 10.01 |
| 12.01 <i>Design of Rates</i> : The Parties agree that, as proposed in the application, the rates for JRU and AVRWC should be equalized and all of AVR's customers should be charged rates according to the same set of schedules. The Parties also agree that, except as set forth in Paragraphs 12.02 and 12.03, the rates for AVR should be designed according to the Commission's policy expressed in D.86-05-064 that up to 50% the revenue requirement should be recovered through the service charge, with the balance recovered through the commodity charge. | 00.11 |
| 12.02 <i>Rates for Irrigation</i> : The Parties agree that rates for irrigation should be set at an effective cost of \$0.42 per unit Ccf, based on a determination that a higher cost would provide a compelling incentive for the largest customer of JRU to leave the system to the detriment of customers as a whole. The Parties agree to implement service charges in this schedule equal to those in Tariff Schedule No. 1, General Metered Service System. | 10.11 |
| 12.03 <i>Rates to be Charged Customers now Served by the Town</i> : In order to prevent an immediate increase of over 400%, the Parties agree that the minimum bill of \$5.00 per month presently paid by the Town's customers should be replaced by a commodity rate initially set equal to their present rate and a service charge set at \$5.00 per month. These rates should be increased in 1997 and 1998 but should not be set equal to AVR's rates before 1999. | 00.11 |

13.00 Service

13.01 Request for Change in Meter Size: The Parties agree that, on a request to reduce to size of a meter, AVR will provide a spacer sufficient to make up for the differences in length at no charge to the customer and that, so long as the customer's piping ^{is in good condition} and ^{does not require repair or replacement}, AVR will ^{not charge} replace the meter at no charge.

14.00 Cost of Capital

14.01 Rate of return is a function consisting of capital structure, cost of debt, and return on equity. The various elements of this function requested by Park, recommended by DRA, and agreed to by the Parties are shown in the following table:

	Capital Structure	Cost	Weighted Cost
PARK: COMPANY AND DR'S RATES			DIVISION OF INVESTMENT ADVISORY
Debt	40.26%	10.12%	4.07%
Common Equity	59.74%	12.75%	7.62%
Total	100.00%		11.69%
DRA: Debt	40.26%	9.47%	3.81%
Common Equity	59.74%	9.90%	5.91%
Total	100.00%		9.73%
Settlement:			
Debt	42.25%	9.53%	4.03%
Common Equity	57.75%	10.40%	6.01%
Total	100.00%		10.04%
By Bruce E. Cash			

14.02 AVR has provided DRA with additional information regarding its recommendation that an audit be conducted of Park. Based on this information and the fact that Park's earnings have

improved during the last two years, DRA agrees to withdraw this recommendation.

15.01 (iv) ~~Rebates for customers in Western States are best suited to a rebates of rebates to a level of a 10% to 15% of a basic entitlement to make up for the difference of 15.00 Summary of Earnings~~
 15.01 (iv) ~~The Parties agree to use the factors recommended by DRA in Attachment A of its report for escalating expenses from year to year.~~

15.02 The Parties agree that the summary of earning attached to this Settlement, as Appendix A reflects all the items, conditions, and adjustments to which the Parties have agreed and that this schedule should be included in the Commission's decision in this proceeding, if or as far as shown in the briefs and agreed to by the Parties and shown in the record.

Division of Ratepayer Advocates		Modifications	Category
Cost	Cost	Cost	Category
10.128	10.128	12.528	APPLE VALLEY RANCHOS WATER COMPANY and JESS RANCH UTILITIES, INC.
12.528	12.528	12.528	Common Equity
10.128	10.128	10.128	Total

By Daniel R. Paige
 Daniel R. Paige
 Program and Project Supervisor
 Dated: October 20, 1995

Apple Valley Ranchos Water Company and Jess Ranch Utilities, Inc.		Debt	
Cost	Cost	Cost	
10.128	10.128	10.128	Debt
10.128	10.128	10.128	Common Equity
10.128	10.128	10.128	Total

Leigh K. Jordan
 Corporate Representative

Common Equity
 Dated: October 20, 1995

Settlement:

JESS RANCH MASTER ASSOCIATION		Debt	
Cost	Cost	Cost	
10.048	10.048	10.048	Common Equity
10.048	10.048	10.048	Total

By Bruce E. Cash

VAR Usual Association Representative
 Dated: October 20, 1995

Based on this information and the fact that Park's services have

Appendix A

Appendices attached to the Settlement
are included elsewhere in the order.

(END OF APPENDIX A)

APPLE VALLEY RANCHOS WATER COMPANY, 1995

Schedule No. 1
Schedule No. 1GENERAL METERED SERVICE
GENERAL METERED SERVICE

APPLICABILITY

GENERAL METERED SERVICE

Applicable to all metered water services.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES 30-1-1 30-1-1

	Quantity Rate:	Quantity Rate:
For all water delivered per 100 cu. ft. \$ 0.948	(N)
\$0.02 Q30.02 For all water delivered per 100 cu. ft.	

	Per Meter	Service Charge:	Per Month
(For) 3/8 x 3/4-inch meter	\$ 13.00	101	(N)
(For) 3/4-inch meter 0.01	\$ 19.50	101	
(For) 1-inch meter 0.04	32.50	101	
(For) 1 1/2-inch meter 0.08	65.00	101	
(For) 2-inch meter 0.13	104.00	101	
(For) 3-inch meter 0.18	193.00	101	
(For) 4-inch meter 0.28	325.00	101	
(For) 6-inch meter 0.41	650.00	101	
(For) 8-inch meter 0.68	1,040.00	101	
(For) 10-inch meter 0.93	1,885.00	101	(N)
02.55 00.22			

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

- To the above quantity a surcharge of \$0.029 per Ccf should be added for amortization of an undercollection in the balancing account. This surcharge will be in effect for a 12-month period starting with January 1, 1996. (N)
|
(N)
- To the above quantity a surcredit of (\$0.018) per Ccf should be added for amortization of an overcollection in the Conservation Memorandum Account. This surcredit would be in effect for a 12-month period starting with January 1, 1995. (N)
|
(N)
- To the above quantity a surcharge of \$0.019 per Ccf should be added for amortization of an undercollection in the PBOP Memorandum Account. This surcharge will be in effect for a 12-month period starting with January 1, 1996. (N)
|
(N)
- All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPLE VALLEY RANCHOS WATER COMPANY

Schedule No. 1
GENERAL METERED SERVICE
GENERAL METERED SERVICE

AUTHORIZED STEP INCREASES

APPLICABILITY

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

TOWN OF APPLE VALLEY, CALIFORNIA
GENERAL METERED SERVICE

RATES	<u>Rates to be Effective</u>	TERRITORY
	<u>1-1-97</u>	<u>1-1-98</u>

Quantity Rate:

(J) \$0.02
For all water delivered per 100 cu. ft. **\$0.039** **\$0.032**

Service Charge:

	Service Charge	Quantity Rate
(J) For 5/8 x 3/4-inch meter	\$0.40	\$0.50
For 3/4-inch meter	0.60	0.75
For 1-inch meter	1.00	1.25
For 1 1/2-inch meter	2.00	2.50
For 2-inch meter	3.20	4.00
For 3-inch meter	6.00	7.50
For 4-inch meter	10.00	12.50
For 6-inch meter	20.00	25.00
(K) For 8-inch meter	32.00	40.00
For 10-inch meter	58.00	72.50

SPECIAL CONDITIONS

- (M) To this schedule shall apply a surcharge of \$0.02 per cubic foot for service on non-residential accounts. This surcharge will be in effect for 15 months beginning January 1, 1998.
- (N) To this schedule shall apply a surcharge of \$0.02 per cubic foot for service on residential accounts. This surcharge will be in effect for 15 months beginning January 1, 1998.
- (O) To this schedule shall apply a surcharge of \$0.02 per cubic foot for service on residential accounts. This surcharge will be in effect for 15 months beginning January 1, 1998.
- (P) To this schedule shall apply a surcharge of \$0.02 per cubic foot for service on residential accounts. This surcharge will be in effect for 15 months beginning January 1, 1998.
- (Q) To this schedule shall apply a surcharge of \$0.02 per cubic foot for service on residential accounts. This surcharge will be in effect for 15 months beginning January 1, 1998.
- (R) All bills are subject to the filing of a rate increase for service on Schedule No. 1.

APPLE VALLEY RANCHOS WATER COMPANY

Schedule No. 1A2

LIMITED GENERAL METERED SERVICE

APPLICABILITY

AUTHORITY FOR STEP INCREASES

Applicable to all residential and commercial metered water services previously served by the Town of Apple Valley.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES

Quantity Rates

Quantity Rate: 02.02	For all water delivered per 100 cu. ft.
For all water delivered per 100 cu. ft.	\$0.60

0.602	Per Meter
-------	-----------

Service Charge:	Per Month
-----------------	-----------

For 1-inch meter	\$5.00
------------------	--------

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All general metered service not covered by the above classification shall be furnished only by Schedule No. 1.
2. Service will be provided under this schedule only to those premises receiving general metered service from the Town of Apple Valley as of January 1, 1996.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPLE VALLEY RANCHOS WATER COMPANY

Schedule No. 1A2

LIMITED GENERAL METERED SERVICE

APPLICABILITY

AUTHORIZED STEP INCREASES

Applicable to all residential and commercial water services rendered by Apple Valley Ranchos Water Company to all customers of the City of Apple Valley, San Bernardino County.

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

TERRITORY

Rates to be Effective
1-1-97 ~~1-1-98~~ ~~1-1-98~~

Quantity Rate: RATE

For all water delivered per 100 cu. ft. \$0.20 ~~\$0.20~~
 00.02 ~~for all water delivered per 100 cu. ft.~~

Service Charge:

For 1-inch meter \$4.45 ~~\$4.30~~
 Per Month Service Charge

00.22 ~~for 1-inch meter~~

The Service Charge is a reasonable-to-reasonable charge which is applicable to all metered service and is to be set by the utility company
 contained in the Quantity Rate.

SPECIAL CONDITIONS

1. All residential metered service for covering by this rate classification shall be furnished only by Schedule No. 1.

2. Service will be provided under this schedule only to those premises located
 within the Town of Apple Valley as of January 1, 1986.

3. All rates are subject to the termination fee set forth on Schedule No. 1B.

APPLE VALLEY RANCHOS WATER COMPANY

Schedule No. 4
NON-METERED FIRE SERVICE

APPLICABILITY**NON-METERED FIRE SERVICE**

Applicable for water service to privately-owned fire-hydrant and fire-sprinkler systems where water is to be used only for the purpose of fire suppression or for periodic system testing.

It is the subscriber's responsibility to keep the utility advised in writing when such services are required and to close them out at the earliest opportunity after use.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES 80-1-1 100-1-1

Size of Service	Service Charge	Per Month
1/2 inch	\$1.02	For 5-inch meter
2 1/2 inch	10.1	For 8-inch meter
3 1/2 inch	17.2	For 10-inch meter
4 1/2 inch	24.3	For 12-inch meter
6 1/2 inch	39.5	For 14-inch meter
8 - inch	59.40	For 16-inch meter

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility with the cost thereof paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be two (2) inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water, and the cost paid by the applicant.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.
6. Any unauthorized use of water, other than for fire extinguishing purposes, shall be charged for at the regular established rate as set forth under Schedule No. 1, and/or may be the grounds for the immediate disconnection of the service without liability to the company.
7. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPLE VALLEY RANCHOS WATER COMPANY

Schedule No. 3
NON-METERED FIRE SERVICE

AUTHORIZED STEP INCREASES

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

APPLICABILITY
TOWNSHIP OF BROWNSVILLE, COLORADO
RATES
1-1-97 1-1-98

Service Charge	From 1-1-97	To 1-1-98
For 2-inch meter	\$0.75	\$1.10
For 3-inch meter	1.10	1.65
For 4-inch meter	1.50	2.20
For 6-inch meter	2.25	3.30
For 8-inch meter	3.00	4.40
(D) CENTS		cents

SPECIFICATIONS

This rate schedule is to be effective January 1, 1998, unless otherwise specified.

All rate increases will be filed with the Colorado Department of Water Resources on or before January 1, 1998.

Interest is to be paid on all amounts outstanding at the rate of one-half percent per month, plus attorney's fees and costs, from the date of filing until payment in full.

Collection costs, including attorney's fees, shall be recoverable by the Company in addition to the amount due, if payment is not made within 30 days after the date of service of notice of non-payment.

Interest and collection costs shall be recoverable by the Company in addition to the amount due, if payment is not made within 30 days after the date of service of notice of non-payment.

Any amount outstanding shall bear interest at a rate of six percent per annum, plus attorney's fees and costs, from the date of service of notice of non-payment.

JESS RANCH UTILITIES, INC. WATER DIVISION

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

AUTHORIZED SERVICE AREAS

Applicable to all metered water services.
 Notwithstanding the above, service is not to be furnished to areas in which there is no water system or where the cost of delivery is prohibitive.

TERRITORY

Town of Apple Valley and vicinity, San Bernardino County.

RATES

Quantity Rate

Quantity Rate:
 For all water delivered per 100 cu. ft. \$ 0.948 (1)

Service Conditions

	Per Meter	Per Month
Service Charge For 5/8 x 3/4-inch meter	\$13.00	\$13.00
For 3/4-inch meter	19.50	19.50
For 1-inch meter	32.50	32.50
For 1 1/2-inch meter	63.00	63.00
For 2-inch meter	104.00	104.00
For 3-inch meter	193.00	193.00
For 4-inch meter	325.00	325.00
For 6-inch meter	650.00	650.00
For 8-inch meter	1,040.00	(1)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

- All bills are subject to the reimbursement fee set forth on Schedule No. UF.

JESS RANCH UTILITIES, INC. - WATER DIVISION

Schedule No. 1

GENERAL METERED SERVICE

AUTHORIZED STEP INCREASES

APPLICABILITY

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

APPLICABILITY

Quantity Rate:	Rates to be Effective
	<u>1-1-97</u>
	<u>1-1-98</u>

QUANTITY RATE:

For all water delivered per 100 cu. ft.	\$ 0.039	\$ 0.032
--	----------	----------

SERVICE CHARGE:

	Quantity Rate	Quantity Rate
For 5/8 x 3/4-inch meter	\$ 0.40	\$ 0.50
For 3/4-inch meter	0.60	0.75
For 1-inch meter	1.00	1.25
For 1 1/2-inch meter	2.00	2.50
For 2-inch meter	3.20	4.00
For 3-inch meter	6.00	7.50
For 4-inch meter	10.00	12.50
For 6-inch meter	20.00	25.00
For 8-inch meter	32.00	40.00
For 6-inch meter	00.00	00.00
(I) For 8-inch meter	00.00	00.00

If the Service Charge is a less-than-to-service charge up to 10% it is applicable.
All metered service up to 10% is to be added to this monthly charge.
comprised of this Quantity Rate.

SPECIAL CONDITIONS

- All bills are subject to the minimum service fee set forth on Schedule No. 1H.

JESS RANCH UTILITIES, INC. WATER DIVISION

Schedule No. 2

GRAVITY IRRIGATION SERVICE

UTILIZED STEP INCREASES

APPLICABILITY

Applicability to all water service from the Company's gravity irrigation system.

TERRITORY

Within the entire service area of the Company.

RATES

Quantity Rates:

All water delivered per 100 cu. ft. \$0.357

Service Charge:

	Quantity Rate:	Service Charge:
	Per Meter	Per Month
For 5/8 x 3/4-inch meter	\$13.00	\$13.00
For 3/4-inch meter	19.50	19.50
For 1-inch meter	32.50	32.50
For 1 1/2-inch meter	65.00	65.00
For 2-inch meter	104.00	104.00
For 3-inch meter	195.00	195.00
For 4-inch meter	325.00	325.00
For 6-inch meter	650.00	650.00
For 8-inch meter	1,040.00	1,040.00
For 10-inch meter	1,885.00	1,885.00
For 10-inch meter	00.82	00.82

SPECIAL CONDITIONS

1. Service under this schedule is limited to lands not developed for residential use.
2. All outlets for this water shall be protected by signs stating :NON-POTABLE WATER - NOT FOR HUMAN CONSUMPTION.
3. All bills are subject to the Public Utilities Commission Reimbursement Fee set for on Schedule No. UF.

JESS RANCH UTILITIES, INC. - WATER DIVISION

Schedule No. 3

GRAVITY IRRIGATION SERVICE

AUTHORIZED STEP INCREASES

APPLICABILITY

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

TERMINATION

Rates to be Effective
1-1-97 1-1-98
Within 12 months of the Commencement of the Service

Quantity Rate:

Quantity	Rate
For all water delivered per 100 cu. ft.	\$0.013

Service Charge:

	Quantity	Rate
For 5/8 X 3/4-inch meter	\$0.40	\$0.50
(i) For 3/4-inch meter	0.60	0.75
For 1-inch meter	1.00	1.25
For 1 1/2-inch meter	2.00	2.50
For 2-inch meter	3.20	4.00
For 3-inch meter	6.00	7.50
For 4-inch meter	10.00	12.50
For 6-inch meter	20.00	25.00
(i) For 8-inch meter	32.00	40.00
For 10-inch meter	58.00	72.50

SPECIAL CONDITIONS

1. Service under this schedule is limited to funds not deposited for irrigation fees.
2. All charges for this water shall be protected by a single stamp: NON-POTABLE WATER.
3. All bills are subject to the Public Utilities Commission Regulation fee set out Schedule No. 1.

(END OF APPENDIX B)

APPLE VALLEY RANCHOS WATER COMPANY

ADOPTED QUANTITIES

Net-to-Gross Multiplier/200 UNITS OF WATER FOR THE YEAR 1992 AND 1993

Uncollectibles Rate	0.37%
Franchise Rate	0.0%
Federal Tax Rate	31.12%
State Tax Rate	9.3%

1. WATER CONSUMPTION (Kcf)

Domestic Water Sales	4,619.5	Total 4,500.4
Unaccounted Domestic Water	<u>\$13.3</u>	<u>\$00.0</u>
Total Water Production	<u>\$132.8</u>	<u>\$,000.4</u>
Loss	103	18
Replenishment Cost (\$1.02/AF)	\$17,369	\$16,147
Loss	855	111
Water Rights Lease (AF)	31.05	314.66
Lease Water Cost (\$111.60/AF)(\$122.40/AF)	\$3,465	\$38,515
Loss	9	1

2. POWER PURCHASED

Pumping Cost	835.51	Total 835.51
Electric	\$742,187	\$723,014
Gas	\$ 8,500	\$ 8,281
Total	\$750,687	\$731,325
Cost per Ccf	\$0.1463	\$0.1463

3. WATER CONSUMPTION (Ccf/Cust)METERED SERVICE

Residential	663.51	322.5	310.4
Business		686.0	683.0
Public Authority		6,532.0	6,634.0
Landscape		0.0	0.0

FLAT RATE SERVICE

Fire Service	0.0	0.0
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MARCH

APPENDIX G

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APPLE VALLEY RANCHOS WATER COMPANY

Appendix G
Page 2 of 2

APPLE VALLEY RANCHOS WATER COMPANY

ADOPTED QUANTITIES

4. ADOPTED AVERAGE SERVICE BY METER SIZE

Meter Size	Average Service	Number of Meters	Total Water Consumption (Kg)
Domestic Metered	4,613.4	1996	9,226
0.002	0.002	1	0.002
5/8 x 3/4"	2,133.3	9,226	9,226
3/4"	2,133.8	661	662
1 1/2"	2,153.0	151	151
1 1/2"	2,153.0	238	239
2"	2,153.0	1	1
2 1/2"	2,153.0	1	1
3"	2,153.0	1	1
4"	2,153.0	1	1
6"	2,153.0	1	1
8"	2,153.0	1	1
Total Domestic Metered	2,153.0	12,278	12,278
Fire Service	2,153.0	1	1
2"	2,153.0	2	2
4"	2,153.0	10	10
6"	2,153.0	33	33
8"	2,153.0	10	10
Total Fire Service	2,153.0	55	55
TOTAL CUSTOMERS	3,553	12,333	12,369
Business	0.000	0.000	0.000
Residential	0.000	0.000	0.000
Commercial	0.000	0.000	0.000
Industrial	0.000	0.000	0.000
HIGH SERVICE	0.0	0.0	0.0

JESS RANCH UTILITIES, INC - WATER DIVISION

Page 4 of 4

ADOPTED QUANTITIES

JESS RANCH UTILITIES, INC - WATER DIVISION

Net-to-Gross Multiplier	2.01792	DOMESTIC OUTPUT
Uncollectables Rate	.37%	
Franchise Rate	1.0%	
Federal Tax Rate	34.12%	ADOPTED TAX RATE
State Tax Rate	9.3%	

1. WATER CONSUMPTION (KCCF)	1996	Domestic Water	1997
01 Domestic Water Sales	380.7	346.8	
02 Unaccounted Domestic Water	20.1	22.2	
11 Total Domestic Production	400.8	369.0	
03 Irrigation Water Sales	378.5	378.5	
04 Unaccounted Irrigation Water	126.1	126.1	
181.1 Total Irrigation Production	504.6	504.6	

REPLENISHMENT COST

Domestic	\$3,522	Domestic Cost	\$3,902
Irrigation	\$4,669	Irrigation Cost	\$4,669
Total	\$8,191	Total Cost	\$8,571

2. POWER PURCHASED

Pumping Cost		Cost per Ccf	
01 Domestic Service	\$52,849	Cost per Ccf	\$58,546
Irrigation Service	\$73,174		\$73,174
Total	\$126,023		\$131,720

Cost per Ccf		Cost per Ccf	
Domestic Service	\$0.1319	Cost per Ccf	\$0.1319
Irrigation Service	\$0.1450		\$0.1450

3. WATER CONSUMPTION (Ccf/Cust)

METERED SERVICE

Residential			
Flat Rate	251.0	251.0	
Metered	206.0	206.0	
Business	2,357.0	2,357.0	
Industrial	3,066.0	3,066.0	
Public Authority	0.0	0.0	
Landscape	3,138.0	3,138.0	

FLAT RATE SERVICE

Fire Service	0.0	0.0
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Approved by
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JESS RANCH UTILITIES - WATER DIVISION
Page 4 of 5ADOPTED QUANTITIES
JESS RANCH UTILITIES, INC. - WATER DIVISION

4. ADOPTED AVERAGE SERVICE BY METER

Metered	Avg.
Domestic Metered	1821
5/8 x 3/4"	182
2 1/2 - 3/4"	1282
3 1/2 - 1"	100
1 1/2 - 1 1/2"	8003
2"	2
2 1/2 - 3"	282
1 1/2"	158
Total Domestic Metered	102

Fire Service	Avg.
500 ft	555
2"	662
150 ft	101.82
4"	0
6"	0
8"	0
Total Fire Service	618.522
Irrigation	15,955
Total Customers	101318
0.13102	201318
0.24102	0.0

1996	1997
WATER CONSUMPTION (KCG)	
992	1,115
Domestic Water	0
Residential Water	26
Total Domestic Population	11
23	26
Residential Water	5
Commercial/Industrial Water	0
Total Non-Metered Population	1,183

REVENUE	COST
Domestic	
2	Progression
1	Total
0	0
5 POWERS PURCHASED	
3	Building Cost
2	Domestic Services
2	Progression Services
10	Total Cost
1,065	1,195
1,065	1,195
1,065	1,195
1,065	1,195

3. WATER CONSUMPTION (KCG)

	METERED SERVICE
0.13102	2210
0.24102	2680
0.0	3,325
0.0	3,068
0.0	0.0
0.13816	3,138

FLAT RATE SERVICE

	FLAT RATE SERVICE
0.0	0.0

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**APPLE VALLEY RANCHOS WATER COMPANY
and JESS RANCH UTILITIES, INC.**

**ADOPTED
INCOME TAX CALCULATIONS**

	<u>1996</u> (Dollars In Thousands)	<u>1997</u>
OPERATING REVENUES	8,080.0	8,332.2
EXPENSES		
Operating & Maintenance	2,714.1	2,815.3
Uncollectibles .236%	29.9	30.8
Administrative & General	1,837.4	1,913.4
Franchise Fees .13%	80.8	83.3
Ad Valorem Taxes	128.7	136.6
Payroll Taxes	119.5	125.8
Subtotal	4,910.4	5,105.3
DEDUCTIONS		
California Tax Depreciation	676.7	722.8
Interest	695.4	711.1
California Taxable Income	1,797.4	1,793.0
CCFT @ 9.3%	167.2	166.7
DEDUCTIONS		
Federal Tax Depreciation	713.6	721.4
Interest	695.4	711.1
CA Tax	47.0	47.2
FIT TAXABLE INCOME	421.5	4,627.3
FIT (Before Adjustment) 34.12%	584.7	555.2
Prorated Adjustment	0	0
Investment Tax Credit	(.6)	(.6)
Net Federal Income Tax	584.1	554.7

(END OF APPENDIX C)