



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** April 22, 2014

From: Frank Robinson, Town Manager
Town Manager's Office **Item No:** 6

Subject: RESOLUTION NO. 2014-12 - A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, AUTHORIZING THE TOWN MANAGER TO ENTER INTO CONTRACTS ON THE TOWN'S BEHALF FOR PROFESSIONAL, AND CONSULTING SERVICES RELATED TO APPLE VALLEY RANCHOS WATER COMPANY'S APPLICATION TO INCREASE WATER RATES

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION

That the Town Council adopt Resolution No. 2014-12, a Resolution of the Town Council of the Town of Apple Valley, California, authorizing the Town Manager to enter into contracts on the Town's behalf for Professional and Consulting Services related to Apple Valley Ranchos Water Company's application to increase water rates.

DISCUSSION

The General Rate Increase Application

On January 2, 2014, Apple Valley Ranchos Water Company ("AVR") filed its application for a General Rate Increase with the California Public Utilities Commission ("Commission"). In its application, AVR requests a revenue increase of \$3,127,463 or 14.88% for 2015. AVR has not requested specific rates for subsequent escalation years; however, it anticipates requesting increases of \$2,056,455 or 8.48% for 2016, and \$2,160,731 or 8.19% for 2017.

According to the application, the average residential customer's bill will increase from a current level of \$130.15 to a projected 2017 level of \$171.97. This translates to a thirty-two percent (32%) increase in water rates between now and 2017 not including any surcharges approved between now and then. The increased rates do not only affect residential customers – all customer classes will be required to contribute significantly more revenue at the rates proposed by AVR's application.

The Town's Response

The Town has intervened in the process to protect its own and its residents' interests. The Town's motion for party status was granted by the assigned Administrative Law Judge ("ALJ").

In terms of timing, the parties to the proceeding are awaiting a final ruling from the assigned ALJ, but it is anticipated that important events will occur on or about the following dates:

- **April 30, 2014** – Two Public Participation Hearings will take place at the Town of Apple Valley Town Center (1:00 p.m. and 6:00 p.m.). AVR customers will have the opportunity to present comments to the assigned ALJ regarding AVR's proposed rate increase.
- **May 9, 2014** – ORA and the Town will serve testimony on AVR regarding the application.
- **June 16-20, 2014** – Hearings
- **October 8, 2014** – ALJ's Proposed Decision will be mailed to parties.
- **November 20, 2014** – The Proposed Decision will go to the full Commission for consideration and approval.

Next Steps

In order to effectively challenge the proposed rate increase, the Town may need to respond quickly to changing services. It may be necessary to hire consultants to assist the Town with its efforts to respond to the application. These consultants may include public information specialists, experts on water rate setting, or experts on sales reconciliation.

The Town Manager has authority under Section 3.12.270 (5) of the Town's Municipal Code to enter into contracts for personal services, for professional and consulting services and for other contractual services without observing the bidding procedure where the amount of the contract does not exceed the amount of fifty thousand dollars and provided there exists an unencumbered appropriation in the fund account against which said expense is to be charged.

However, because of the importance of this issue to the Town, the Town Manager would like specific Council approval to enter into such contracts.

FISCAL IMPACT

There is no fiscal impact to this informational item at this time. However, should the Town Manager desire to enter into contracts for personal services, professional, and/or consulting services, a budget amendment may be proposed to provide an unencumbered appropriation to fund the contracts.

ATTACHMENT

Resolution No. 2014-12

RESOLUTION NO. 2014-12

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, AUTHORIZING THE TOWN MANAGER TO ENTER INTO CONTRACTS ON THE TOWN'S BEHALF FOR PROFESSIONAL, AND CONSULTING SERVICES RELATED TO APPLE VALLEY RANCHOS WATER COMPANY'S APPLICATION TO INCREASE WATER RATES

WHEREAS, on January 2, 2014, Apple Valley Ranchos Water Company ("AVR") filed its application for a General Rate Increase with the California Public Utilities Commission ("Commission"); and

WHEREAS, in its application, AVR requests a revenue increase of \$3,127,463 or 14.88% for 2015. AVR has not requested specific rates for subsequent escalation years, however, it announced that it anticipates requesting increases of \$2,056,455 or 8.48% for 2016, and \$2,160,731 or 8.19% for 2017; and

WHEREAS, for the average residential customer in the Town of Apple Valley ("Town"), this translates to a thirty-two percent (32%) increase in water rates between now and 2017 not including any surcharges approved between now and then; and

WHEREAS, the Town has intervened in the process to protect its own and its residents' interests, and was granted party status in the case; and

WHEREAS, the Town has adopted a purchasing system, codified in Chapter 3.12 of the Town's Municipal Code, which permits the Town Manager to enter into contracts for personal services, for professional and consulting services and for other contractual services without observing the bidding procedure where the amount of the contract does not exceed the amount of fifty thousand dollars and provided there exists an unencumbered appropriation in the fund account against which said expense is to be charged; and

WHEREAS, in addition to this authorization in the Municipal Code, the Town Council wishes to specifically authorize and encourage the Town Manager to enter into such contracts to assist with the Town's efforts in the case before the Commission; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

BE IT HEREBY RESOLVED by the Town Council for the Town of Apple Valley, California as follows:

Section 1. The Town Council hereby finds that the recitals in this Resolution are true and correct. The Town Council hereby adopts those findings as its own. This Resolution shall be deemed to be entered into the minutes of the meeting at which this Resolution is passed.

Section 2. The Town Council hereby authorizes the Town Manager to enter into contracts on the Town's behalf for the provision of professional and consulting services related to Apple Valley Ranchos Water Company's application to increase water rates.

Section 3. This Resolution shall become effective upon its adoption.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley this 22nd day of April, 2014.

Art Bishop, Mayor

ATTEST:

La Vonda M-Pearson, Town Clerk