



Town of Apple Valley, California

H₂Ours
Reliable. Stable. Local.

IT'S YOUR WATER

Community Ownership is Good For Apple Valley

There's a reason 80 percent of water providers in California and across the country are municipally owned. Water is a public asset – an essential element of life that shouldn't be controlled by the profit motives of a private, outside company.

In the case of Apple Valley Ranchos, you pay for corporate salaries and annual profits in excess of 9 percent. Since 2002, the average water bill for Apple Valley Ranchos customers has risen by 68 percent. This figure does not include more than 200 surcharges that have been added to your bill through advice letter rulings requested from the California Public Utilities Commission (CPUC) by Ranchos. Most Ranchos customers currently have as many as eight surcharges on their water bill which increases the bill by as much as 67 percent.

The company has requested another 31.55 percent increase over the next three years, including

a 14.88 percent increase for 2015 alone. The Town intervened in this latest effort by AVR, lowering that first-year increase by about a third under an administrative law judge's proposed ruling. Even so, the 9.85 percent increase Ranchos customers will face in 2015 is excessive.

Combine the rate increases and long list of surcharges on every bill, and the cost of water in Apple Valley is almost double than in neighboring communities that operate municipally owned water utilities.

Under community ownership, the people have a say in the rates. Under corporate ownership, a state commission – the California Public Utilities Commission (CPUC) – sets the rates. Under community ownership, by law, rates cannot exceed the cost of providing the service. Under corporate ownership, the CPUC guarantees private companies a profit.

COMMUNITY ASSET

Water Acquisition Fact Vs. Myth

Years of excessive rate increases, unexplained surcharges and financial secrecy have left the Town of Apple Valley with no choice but to put ownership of our water system back where it belongs – in the hands of the community.

Over the past several months, you've heard much said about the Town's efforts to acquire Apple Valley Ranchos Water Company. Much of it has been misinformation from an aggressive, and expensive, campaign launched by Ranchos – a campaign, by the way, ultimately paid for by you, the ratepayer.

This special edition of "Our Town" will set the record straight – with facts, not conjecture. As a public entity, we are required to be transparent – to open our books, keep the truth in front of you and conduct business on your behalf. We're not about protecting profits. We're about serving our community and preserving a quality of life we all treasure in Apple Valley.

We encourage you to get involved in this important process, to show your support at Town Council meetings and public forums, and to keep up on the latest news and developments on our web site: www.avH2Ours.com.

Thank you for the continuing opportunity to serve you. Apple Valley is your Town. Water is your asset.

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BENEFITS OF LOCAL CONTROL

- With a Town-owned water system, decisions are ultimately controlled by the community. A company is controlled by shareholders.
- As stakeholders in a publicly owned system, you have the right to vote Town Council members into or out of office. Because Apple Valley Ranchos is a tightly controlled private company, you have no such power over their board.
- As a public entity, the Town is required by law to bring rate proposals to you through a Proposition 218 process. As a private company, Apple Valley Ranchos needs approval only from the CPUC, which has a long history of leniency when it comes to Rancho's rate requests.
- The Town's financial books are public record. We operate in an environment of total transparency. As a private corporation and wholly owned subsidiary of Park Water, Apple Valley Ranchos' owners do not prepare audited financial statements for Ranchos and are limited in what financial information they are required to report. We have not been able to obtain even the most basic information from Ranchos so far, including auditor's reports, executive salaries, notes to financial statements, cash flow reports and stockholder equity statements.
- Apple Valley Ranchos is a publicly regulated private utility – it has a government-granted monopoly over the provision of drinking water in its service area.

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FAIR MARKET VALUE

How The Town Will Pay For Acquisition

Contrary to what you might have been led to believe, Apple Valley Ranchos was for sale – just not to the Town. Instead, a deal was struck with a Canadian-based company, Algonquin Power & Utilities, to acquire three water companies – including Ranchos – that are owned by the Carlyle Group. Minus assumed debt, the net price Algonquin would pay is about \$257 million – well more than double the \$102.2 million purchase price paid by Carlyle in 2011.

We believe that this price is over-inflated and will harm ratepayers as Algonquin seeks to recover its excessive purchase price – another reason to get out from under corporate ownership.

To determine a real fair market value, the Town hired an independent appraiser expert in water system acquisition. That firm explored a variety of options, ultimately determining the value of AVR – purchased separately – at \$45.54 million.

Based on this fair purchase price, the savings from eliminating the profit margin and other costs would be more than sufficient to cover the debt without raising rates beyond what you are currently paying. Even if AVR's owners assert – as they are likely to do – that the company is worth more, the savings from profits and other costs will be sufficient to cover the purchase price.

WHAT WE'VE SPENT

Apple Valley Ranchos claims the Town has spent \$900,000 of taxpayer money “to study and promote the takeover of a well-run, local private business.” This simply is not true. In fact, we've spent about a third that amount on this case, or \$325,000. What the company doesn't point out is that the Town has been forced to spend another \$282,000 in legal fees simply fighting their excessive rate-increase requests over the past four years – which points to another important difference between community ownership and their “private business” operation: We're transparent about what we spend.

The Town's spending on legal fees associated with Apple Valley Ranchos has proven to be a good investment. Assuming the proposed decision in the current water rate case is approved, ratepayer bills in 2015 will increase by roughly 9.85 percent compared to the 14.88 percent requested by Apple Valley Ranchos. In addition, the Town successfully removed \$8.5 million in proposed new facilities from Apple Valley Ranchos' requested spending plan. Likewise, the Town is still fighting to ensure that \$7 million is not spent on unnecessary main replacement projects.

No wonder Apple Valley Ranchos keeps attacking the Town's spending. It takes money from their ratepayers and puts it right back in the pockets of investors.

BLUE RIBBON COMMITTEE

Things Have Changed Since 2011

In 2011, the Town empaneled a Blue Ribbon Committee to examine acquisition of Apple Valley Ranchos. It advised against a purchase – and the Town Council agreed – based on information available at the time. The world has changed since then. In 2012, Ranchos began implementing rate increases totaling 19 per-

cent. In 2014, it requested another 31.55 percent rate hikes.

In reviewing the most recent request, the Office of Ratepayer Advocates found “overestimates in operational and administrative costs, infrastructure and forecast of water sales.” All of this, along with

Ranchos' proposed sale to a Canadian firm, has convinced us that Town acquisition is the right move at this time.

Several former members of the Committee agree, and have spoken out publicly in favor of community ownership of the water system.

WHAT HAPPENS WITH RATES?

Acquisition of AVR Will Bring Stability

By eliminating the profit motive and other costs, the Town not only can afford to purchase Apple Valley Ranchos, we can stabilize rates. We can't promise to lower them, especially in light of the drought emergency throughout California. But we will be in a position to bring stability, and avoid the kind of excessive increases we've seen under AVR these past several years. Most importantly, all of those aggravating surcharges to your water bill will disappear.

It's also important to note that acquisition will only be paid for by Apple Valley Ranchos ratepayers. No taxes, property or otherwise, will be imposed on the residents. As a matter of fact, by law, the Town Council cannot impose taxes without a vote of the citizens.

As for infrastructure improvements, here too the savings from profits, taxes and corporate overhead will allow us to set aside money each year to handle anticipated improvements. This is not unlike what neighboring cities with publicly owned water systems do. They've been able to maintain their own underground infrastructure, yet their cost to consumers is still much lower than here in Apple Valley. In addition, we would be able to take advantage of government programs and grants that help municipalities pay for maintenance and infrastructure improvements at a lower cost.

FREE ENTERPRISE?

Apple Valley Ranchos is a publicly regulated private utility – it has a government-granted monopoly over the provision of drinking water in its service area. As a customer, you don't have the opportunity to buy your water from someone else, which means you are at the mercy of the company and the CPUC when it comes to how much you will pay and how much profit AVR makes. Choice, a fundamental component of the free market, is non-existent when it comes to AVR. With a municipally owned water system, you have a voice.

CAN WE RUN OUR OWN WATER SYSTEM?

Apple Valley has a management team with extensive experience in water system management. Most cities in California have owned and operated their own water systems for years. In addition, the Town is not going to simply start fresh with new employees. Many AVR employees have expertise and institutional knowledge that cannot be replaced – and we wouldn't try.



NON-AVR CUSTOMERS?

Golden State is the second largest private water purveyor in this area and, unfortunately, we cannot control their rates. But as a ratepayer to that agency, you will still share the benefits of this acquisition because it will strengthen our local economy and therefore add important revenue to the Town's coffers. By stabilizing rates the Town pays as a customer of Apple Valley Ranchos Water Company, we reduce how much taxpayer money we spend on things like irrigation.

PRIVATE WATER COSTS MORE

	Minimum Monthly Charge	Cost of 10 CCF	Cost of 28 CCF
Apple Valley Ranchos	\$34.26	\$24.80	\$86.80
Golden State Water	\$24.25	\$31.15	\$97.99
City of Hesperia	\$19.63	\$9.00	\$36.90
City of Victorville	\$17.50	\$14.70	\$41.16



Town of Apple Valley

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WHAT CAN I DO?

Visit www.AVH2Ours.com for in-depth resources on this important issue. You'll find detailed reports, Town Council actions and links to local and national news on the private vs. public water debate. You can also sign a petition, sign up to receive updates by email or submit comments or questions.

Your input is very important to the Town Council. The Town Council has not decided to proceed with any eminent domain action and may only do so at a hearing on a resolution of necessity.

TOWN INFORMATION

TOWN COUNCIL

Art Bishop
Larry Cusack
Curt Emick
Scott Nassif
Barb Stanton

HOW TO REACH US (All numbers 760)

Emergencies 911
Police (business calls).....240-7400
Police dispatch after hours.....245-4211
Town dispatch after hours.....961-6001
Town Hall240-7000

E-mail: AppleValley@AppleValley.org

Website: www.AppleValley.org

   - [AppleValleyCA](https://www.AppleValleyCA.com)

ECRWSS Postal Customer Apple Valley

SAVING WATER

What Can We All Do To Help?

Conserving water is everyone's responsibility. Under new restrictions from the state, the Apple Valley Ranchos service area faces a mandated 28 percent reduction in water usage.

HERE ARE SOME FACTS AND TIPS TO HELP YOU SAVE:

Inside your home ...

- On average, 14 percent of your indoor water use is lost to leaks. Be sure to check and repair all indoor fixtures, and replace with water-efficient models.
- Use a low-flow showerhead to save 15 gallons of water during a 10-minute shower. And showers use 35% less water than baths.
- Flushes can send nearly 20 gallons a day down the drain. Switch to water-efficient toilets or displace some of that water by placing an item such as a brick in the tank.
- Nearly 22 percent of indoor home water use comes from doing laundry. Adjust settings on your machine to match your load size and make sure your machine is identified as energy and water efficient.

Outside your home ...

- Use drought-tolerant and native plants, which require less water and are often easier to maintain. Group plants with similar watering needs.

- Use a 2-3 inch thick layer of mulch such as rock, bark, gravel, wood chips, or compost around trees and plants.
- Water at night or early morning to avoid evaporation during warm weather. Don't forget to change those watering hours during freezing temperatures.
- Avoid overwatering and irrigation runoff. Shorter, more frequent watering is usually best.
- Adjust sprinklers to water plants only. Maintain and adjust your sprinkler heads and valves to avoid overspray on sidewalks and streets.
- Grass is the biggest water user of all - turf can use more water than your whole family every day. Limit turf and set your lawnmower to cut higher. The longer grass blades will shade and cool the roots.
- Equip swimming pools, fountains, and ponds with recirculating pumps. Use a pool cover and check for leaks. Uncovered pools can lose up to 100 gallons per day to evaporation.

SOURCE: National Geographic, Alliance for Water Awareness and Conservation.