

**TOWN OF
APPLE VALLEY, CALIFORNIA
AGENDA MATTER**

Subject Item:

UPDATE TO THE 2006 BARTLE WELLS FEASIBILITY STUDY OF THE ACQUISITION OF TWO PRIVATELY OWNED WATER UTILITIES

Summary Statement:

Over the years, the Town has found itself subject to continuous, unsubstantiated advice letter and unreasonable water rate increase filings at the Public Utilities Commission (PUC) on behalf of the Golden State Water Co. and the Apple Valley Ranchos Water Co. respectively. More recently, the frequency of these rate applications and advice letter filings have made it nearly impossible to track the purpose and intent without constant legal assistance. In the past, the Town has filed protests in response to these filings and has testified before the Administrative Law Judge assigned to these various applications. Due in part to the legal costs involved associated with a formal intervention in the rate making process, the Town has never formally intervened in a rate filing matter.

On July 1, 2008, Golden State Water Co. filed general rate case application no. A.08-07-010 with the PUC. This application requests a 36.98% rate increase for Region III (includes Apple Valley) to be implemented over a 3 year period. In response to this filing and subsequent public outcry, the Town Council directed staff and the Town's Legal Counsel (BB&K) to officially protest the proceedings, and file a motion for late intervention in the rate making proceedings at the PUC as recommended by BB&K. Councilman Allan and staff have worked with BB&K in the formal intervention process and are scheduled to testify on the Town's behalf at the PUC headquarters in San Francisco, commencing May 11, 2009.

As a result of these most recent rate increase applications, on March 24, 2009, Council directed Staff to research the cost associated with updating the previously prepared financial feasibility study for the acquisition of both Golden State Water Co. and Apple Valley Ranchos Water Co. The original study was prepared by Bartle Wells Associates in April 2006 on behalf of the Town. The Town's water rights legal counsel at that time, Somach, Simmons and Dunn, commissioned this work. Due in part to the study's extraordinary cost estimates in regards to the Town acquiring both water companies, on March 13, 2007, Council directed staff to end the Town's inquiry into the matter and instead monitor future rate increase applications. Since March 2007, at least 88 advice letters and/or rate increase applications have been collectively filed by these two utilities. As requested by Council, Staff has contacted Bartle Wells Associates with a request for a cost estimate to perform an update to their original study report. An informal estimate to complete an update of the original work is indicated to range in the ballpark of \$40,000.

Recommended Action:

Provide direction to Staff.

Proposed by: Dennis Cron, Assistant Town Manager **Item Number** _____

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