



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

FILED

02-04-13
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In the Matter of the Application of VALENCIA WATER COMPANY (U-342W), a Corporation, for an Order Authorizing It to Increase Rates Charged for Water Service in Order to Realize Increased Annual Revenues of \$4,013,000 or 15.97% in a Test Year Beginning January 1, 2014, \$858,000 or 2.93% in a Test Year Beginning January 1, 2015, and \$1,270,000 or 4.23% in an Escalation Year Beginning January 1, 2016, and to Make Further Changes and Additions to Its Tariff for Water Service and for Other Items as Requested in this Application.

Application No. 13-01-003
(Filed January 2nd, 2013)

**PROTEST OF SANTA CLARITA ORGANIZATION
FOR PLANNING THE ENVIRONMENT (SCOPE)
AND CARMILLIS NOLTEMAYER, AS AN INDIVIDUAL RATEPAYER,
IN THE MATTER OF THE APPLICATION OF VALENCIA WATER
COMPANY FOR AUTHORITY TO INCREASE RATES FOR WATER
SERVICE AND FOR RELATED RELIEF**

Facts

This protest is timely filed by Feb. 4th, 2013, the date stated in the Application Notice as the deadline for formal protests to the Application and within thirty days of the Jan 4th, 2013 Daily Journal publication date (Feb 3rd being a Sunday).

Protestant Santa Clarita Organization for Planning the Environment, a California non-profit corporation with charitable tax exempt status under the U.S. Internal Revenue Code ("**SCOPE**"), mailing address is P.O. Box 1182, Canyon Country, California 91386-1182, with telephone number (661) 255-6899 and an email address at exec@scope.org is a SCOPE is a 25+ year old community-based organization whose purpose is to protect the natural and human environment in the Santa Clarita Valley ("**SCV**"), including protecting the health, safety and welfare of taxpayers and utility

company rate payers in the community. One of SCOPE's purposes is to protect those taxpayers and rate payers from the public health consequences of Santa Clarita Valley water wholesalers and water retailers being so undercapitalized, or so driven by the undue political influence of housing tract builders and commercial real estate developers, as to render the SCV water wholesalers and water retailers unable or unwilling to constantly (as opposed to quarterly or annually) test and remediate the drinking water supply to insure that it is clean, non-toxic and quantitatively adequate to provide potable water service to residents of the Santa Clarita Valley. SCOPE has members within the boundaries of the Valencia Water Company service area.

Protestant Carmillis Noltemeyer resides at 25936 Sardinia Court in Valencia, CA 91355, telephone number 661 259-7112, email camandjerryn@netzero.net. Carmillis Noltemeyer is a long-time ratepayer of the Valencia Water Co.

Grounds for Protest Against Valencia Water Co

1. Insufficient or Non-existent Notification to Customers

The notice of the rate increase found at Attachment E of Application 13-01-003 states that "Formal protests to this application must be filed with the Commission no later than Feb. 4th, 2013. On information and belief, many Valencia Water Company customers did not receive the required 10 day written notice of this proposed rate increase. Others, including ratepayer, Carmillis Noltemeyer, have still not received written notice as of Feb. 3rd, 2013.

2. Failure to Serve the Application, Serve Timely the Notice to Increase Rates, and to Provide Exhibits with Notice Served on SCOPE

By prior order of the Commission, Valencia Water Co. ("VWC") has been required to serve Protestant "SCOPE" and the Angeles Chapter of the Sierra Club with all filings before the CPUC for many years. Although this Application was filed early in January, no service of the Application was received. Only a Notice of Rate Increase was served by placing the written Notice in the mail on January 18th, 2013, some two weeks after the original filing (see Exhibit A), and which Notice was not received until several days following that date. No email service of the Application or Notice was received. Exhibits to Application 13-01-003 were not posted to the CPUC website. Although an email

request for this material was made to the Public Advisor on January 24th at 4:58PM along with our initial protest, no response from the Public Advisor's office was received. Exhibits were finally provided only after an email request to Valencia Water Co. and by picking up the documents at the Water Company Offices upon their earliest availability of February 1st, 2013 after 2:30PM, thus allowing insufficient time for a full review of these voluminous exhibits.

3. Application is Incomplete Due to Failure to Provide the 2012 Affiliated Transaction Report with the Application

The CPUC required updated Affiliated Transaction reports to be filed with this Application. Prior year affiliated transaction reports beginning in 2007 were all signed and completed early in January of the following year. While the Notice of Increase was mailed to SCOPE and other interested parties on Jan 18th, 2013 well after the prior years reports were completed, the Application does not include the most recent 2012 report. This omission becomes particularly suspect since Valencia Water Company was allegedly acquired illegally by Castaic Lake Water Agency (CLWA) on Dec. 21st, 2012. We believe that this application is not complete until the 2012 Annual Affiliates Transaction Report is submitted.

4. A Rate Increase Should Not Be Granted For Expenses That Will Be Incurred Due to an Illegal Transfer of Ownership and Contract

Valencia Water Co and its senior officers and employees orchestrated and facilitated the sale and transfer of ownership and control of VWC without the prior written consent of the CPUC, in violation of California Public Utilities Code Sections 851, 854 and prohibitions against such violation of law contained in prior CPUC decisions concerning VWC: CPUC Proceeding A0910024 which led to D.10-02-015 dated February 25, 2010 and CPUC Proceeding A0702019 which led to D.07-09-026 dated September 21, 2007. (See Ruling of ALJ Long, Jan 31st, 2013 in the current matter).

Now, on information and belief and based on testimony and documents provided at the meeting of the Castaic Lake Water Agency (CLWA) Board of Directors on Dec.

12th, 2012, CLWA intends to require that Valencia Water Co raise its rates to cover the cost of this illegal transaction.¹

5. No Rate Increase Is Needed Due to Increased Litigation Costs

In the Contract, (Exhibit C) at Paragraph 3.2 Page 11, CLWA acknowledges having conducted extensive due diligence before entering into the Contract and purchasing the *common* stock of VWC. An attachment to condemnation due diligence report, Schedule 3.1.15, (attached as Exhibit B) lists Litigation as “None”, while at the same time the current Application before the CPUC claims to need a rate increase for ongoing litigation. Further the Settlement “Contract” states at section 4.3.1 that the acquiring agency “Castaic Lake Water Agency” will release all claims against Newhall and its agents for a variety of potential problems, thus assuming the cost of any such claims and litigation and relieving VWC of those expenses.

6. THE CPUC Recently Granted a 3% Rate Increase to VWC.

VWC, by way of Advice letter 146, dated November 14th, 2012, requested and was granted a 3% rate increase. How can they now, just 45 days later, justify the request for another much larger 16% rate increase?

7. Apparent Prejudicial Preference to Former Parent Company Promised By a Regulated Utility Prior in Purchase Contract to Transfer of Ownership

In its prior decisions concerning VWC, including CPUC’s order in D.01-11-048 where the Commission found that Valencia Water Co. may not supply water to the 21,000 unit Newhall Ranch until an updated Water Management Plan is approved by the CPUC:

“If Valencia proposes to expand its service area to serve the Newhall Ranch Specific Plan, or any part of it, Valencia shall file an application requesting authority to expand its service area, and provide an updated Water Management Program and advice letter covering any such service area expansion.” (Decision at Page 46)

and also (but not limited to) Appendices B to D.10-2-015 and D.07-09-026, the CPUC has required that VWC serve all its rate payer and future customers fairly, and not grant preferential treatment to development projects proposed by its parent company.

¹ See Excerpt from CLWA Power Point Presentation 12-12-12, Exhibit D

Section 6.8 of the Purchase “Contract” (Exhibit C) promises to supply water to the former parent company:

“Notwithstanding any contrary rule, regulation, policy, resolution, or ordinance of the Agency, the Company, the CPUC or LA FCO, upon assignment or conveyance by Newhall, the Agency shall hold in trust for Newhall or its designee, all rights and water supplies described in this Section 6.8 that are needed to provide water service to the Newhall Ranch Specific Plan, and all associated rights thereto, until such rights or water supplies are required to meet the actual demands for the Newhall Ranch Specific Plan.”

in preference over water that may be needed for existing customers as a result of additional contaminated drinking water well closures, in violation of CPUC Codes 2708, 2709 and 2710. The purchase, transport and legal or litigation expenditures required to obtain these additional sources should not be placed on existing rate payers without proper review and approval of the CPUC.

8. Water Management Programs, Water Quality and Water Supply Reports Inaccurately State Basin Supplies and Well Contamination

In its prior decisions concerning VWC, including but not limited to Appendices B to D.10-2-015 and D.07-09-026, the CPUC has required that VWC remediate ammonium perchlorate contamination of potable water wells owned by VWC and used by VWC to provide drinking water to its rate-payers.

On information and belief, VWC has failed to disclose to the CPUC that within the period of 2011 through 2012, the California Department of Health Services (“DHS”) required that VWC keep closed and/or close two (2) MORE of VWC’s water wells which were contaminated, or at risk of contamination, by detection of or unlawful quantities of ammonium perchlorate **and volatile organic compounds** in the ground water supply from which VWC draws potable well water. Logic dictates that the CPUC would require disclosure and remediation of volatile organic compounds in VWC’s water sources in a manner similar to the CPUC’s requirements as set forth in previous CPUC decisions and orders, including Appendix B to D.10-2-015 and D.07-09-026. VWC’s general manager, consultants and attorneys have known about the presence of volatile organic compounds in the ground water beneath VWC’s service territory since 2007 or earlier²;

² At the 12/12/12 public meeting of CLWA, CLWA’s civil engineer (and “appraiser” for the purchase of the common stock in VWC) Mr. Lynn Takaichi

On information and belief, VWC has failed to pursue its remaining remedy against Whittaker Corp. and its insurers for, in particular, ‘**past and further well contamination with volatile organic compounds**’ provided in the settlement agreement in their CERCLA litigation captioned Castaic Lake Water Agency et al v. Whittaker Corp. et al, U.S. District Court for the Central District of California Case No. CV00-12613AHM³, as to VWC’s one (1) ground water well which was closed due to ground water contamination during or prior to 2000 (V157). In addition, CLWA has not sought compensation for detections of VOCs in its two polluted Saugus aquifer wells, (Saugus Wells 1 and 2, as described in Exhibit 9 to VWC’s filed Application 13-01-003), closed due to ground water contamination around 2002 and recently re-opened after

publicly insisted that there was no VOC contamination of any Valencia ground water wells, when CLWA publicly voted to enter into the Contract and purchase the common shares in VWC. Yet in 2007 CLWA’s civil engineer Mr. Lynn Takaichi executed a Declaration under penalty of perjury, filed as Docket #t 554 in U.S. District Court Case No. CV00-12613AHM, CLWA et al v. Whittaker Bermite Corp. et al. Mr. Takaichi's Declaration was entitled "Declaration of Lynn Takaichi in Support of Plaintiff's Motion for Declaratory Relief and Partial Summary Judgment Regarding Defendant's CERCLA Liability **for Recently Impacted Wells** and Plaintiff's Motion for Declaratory Relief and Partial Summary Judgment Regarding Defendant's CERCLA Liability **for Volatile Organic Chemical Contamination**." Simultaneously with the filing of Mr. Takaichi's Declaration in that U.S. District Court case, Declarations under penalty of perjury on the same topic with the same title as Mr. Takaichi's Declaration were signed by witnesses whose names VWC’s and CLWA’s management will recognize: Professor E. John List, expert witness for Valencia and all other plaintiffs in the Whittaker litigation (Doc. 553), William Manetta, former General Manager of CLWA’s Santa Clarita Water Division (Doc. 556), Robert DiPrimio, former General Manager of VWC (Doc. 557), and Phylis Stantin, expert witness (Doc. 558) all of which Declarations were filed with the District Court, along with Document 550, a Notice of Motion and Motion for Declaratory Relief and Partial Summary Judgment Regarding Defendants' CERCLA Liability for Volatile Organic Compound Contamination, filed by the Nossaman Firm as counsel for Castaic Lake Water Agency, Valencia Water Agency, Santa Clarita Water Company and Newhall County Water District.

³ The U.S. District Court Settlement Agreement between Agency, Valencia and others on the one hand, and Whittaker Corp. and its insurer on the other hand is not a public document in that case, but is a public document in the U.S. Bankruptcy Court for the State of Arizona, Case No.2:04-bk-10486-CGC, In re RFI Realty LLC (concerning the current owner of the Whittaker Bermite property) to which Complainants can provide the CPUC access, if it so desires.

adding a treatment facility), where during a limited period of time under that U.S. District Court case's settlement agreement VWC may commence a "reference proceeding" under California Code of Civil Procedure Sections 638 through 645.1 against Whittaker Corp. and its liability insurers to be compensated for (and thereby spare the water rate-paying public the cost of) remediation of volatile organic compounds from the ground water surrounding those wells, remediation of the 2 Valencia wells and the 2 CLWA/SCWC wells which were not the subject of that Federal settlement agreement with respect to VOC contamination, or for replacement wells if any productive location with clean ground water can be found to replace those contaminated, closed wells.⁴

Supplies of Contaminated Water are counted as available, contrary to requirements of the 2nd Appellate Court Decision in *Friends of the Santa Clara River v. Castaic Lake Water Agency*, 2004, in water supply reports submitted to the CPUC as part of VWC's Water Management Program.

Withdrawals of water from the Santa Clara River as reported to the CPUC, are in substantial excess of all existing ground water yield reports for the Upper Santa Clara River Basin. Therefore, promises to serve ground water and other water sources as to Parent Company Development proposals cited in the Purchase "Contract" (above, at No.7) may preclude VWC's ability to serve safe and clean water to its existing customers. These facts are not disclosed or addressed in VWC's Water Management Program and supporting reports provided to the CPUC. Accuracy of the Water Management Program and information provided to the CPUC is especially important in light of D.01-11-048 cited above in paragraph no. 7.

⁴ It is not a stretch in logical thinking to believe that VWC's parent, grandparent, great-grandparent and great-great grandparent companies did not want VWC to pursue that "reference proceeding" against Whittaker Corp. and its insurers because the existence of that litigation, while those affiliates of VWC are trying to sell house-lots and tract homes in the service territory of VWC, because of the "black eye effect" of ever-worsening drinking water aquifer contamination to the detriment of marketing residential developments as "safe suburban family neighborhoods". VWC's non-pursuit of that "reference proceeding" to recover its damages from ground water contamination, and to apply such a monetary recovery to reduce the ground water contamination related costs of operation of the public utility, shows a clear violation of the Affiliated Transaction Rules attached as Appendix C to D.10-2-015 and D.07-09-026 pertaining to VWC and its affiliates.

9. Valencia Water Co May Be Under-Capitalized to Fund Water Pollution Clean Up

VWC and its senior officers and employees orchestrated and facilitated the sale and transfer of ownership and control of VWC without the prior written consent of the CPUC, in violation of California Public Utilities Code Section 851 and 854 and prohibitions against such violation of law contained in prior CPUC decisions concerning VWC: CPUC Proceeding A0910024 which led to D.10-02-015 dated February 25, 2010 and CPUC Proceeding A0702019 which led to D.07-09-026 dated September 21, 2007 in an attempt to escape scrutiny, by the CPUC's staff, Administrative Law Judges and Commissioners, of whether VWC, as an operating public utility continues to be sufficiently capitalized with cash and cash equivalents in order to **(a)** discharge its obligations to its rate-payers to provide high quality water service to them, **(b)** regularly maintain and replace its water system, **(c)** remediate plumes of contaminated ground water which, by 2010-2012, have surrounded two (2) of VWC's potable water wells used to serve rate-payers, causing the California Department of Health Services ("**DHS**") to order the non-re-opening of those two (2) ground water wells owned by VWC due to the presence of unacceptable measurements of ammonium perchlorate and the carcinogenic volatile organic compound TCE. On information and belief, this caused VWC to withdraw from service one (1) potable water well, Well 205, owned by VWC as required by DHS when those chemicals reached levels in excess of the detection level (DL) as established by the State of California, and to proceed with further studies conducted by the US Army Corps of Engineers to investigate whether the pumping of that Well 205 is "pulling the plume" of contaminants towards other potable water wells currently used by VWC to serve rate-payers⁵, **(d)** to finance a further "reference proceedings" before a retired judge to obtain compensation for the costs of installing remediation equipment to ameliorate the loss of the three (3) or more potable water wells, pursuant to a Contract executed by VWC with Whittaker Corp. and its liability

⁵ The two (2) closed potable water wells (V201 and V205) owned by VWC and referred to above are in addition to the one (1) closed potable water well (V157) owned by VWC which was one of the subjects of litigation in the U.S. District Court for the Central District of California case captioned Castaic Lake Water Agency et al. v. Contract Corp. et al of which the CPUC is already aware.

insurers and (e) to have sufficient capital to *promptly* repair VWC's public water system in the event of an earthquake or other catastrophic damage to the public water system.

SCOPING MEMO INFORMATION

A. While this case would normally be considered as a rate-setting matter, the proper category may rather be adjudicatory because of the intentional violations of Public Utilities Code Section 851, 854 by the Defendants and their general managers, directors, officers, employees and agents and other failures to abide by the Rules and Regulations of the CPUC, and failures to disclose issues of material importance to the rate-setting case along with discrepancies in facts presented, are alleged by Protestants.

B. Hearings are needed.

C. The issues to be considered are:

(1) Should the CPUC void CLWA's acquisition of the Valencia stock?

(2) Should the CPUC void any part of the Contract as being "not in the public interest" as to the rate payers of VWC?

(3) Should the CPUC refer the officers, managers, employees and agents for violation of Public Utilities Code 854, and other related code sections cited in this Complaint for prosecution of a misdemeanor or a felony?

(4) Should discovery be conducted so that the CPUC is fully informed about the worsening ground water contamination plume(s) in Valencia Water Co's service territory?

(5) Should the CPUC examine copies of DHS' records, or hear testimony of a percipient witness DHS employee, concerning the presence of volatile organic compounds in the ground water contamination plume(s) in VWC's service territory?

(6) If the acquisition of the Valencia stock is not voided by the CPUC, should the CPUC examine the question of whether VWC is still properly capitalized given (a) Newhall Partnership's withdrawals of cash from VWC for the various purposes set forth in the Contract including the \$1.2 million buy back of preferred stock from the parent company and (b) VWC's costs to remediate its ground water?

(7) If the answer to question (6) is “yes” that VWC is no longer properly capitalized, who should the CPUC require to recapitalize VWC, and how much money is required to be contributed to VWC so that it is properly recapitalized?

(8) Should the Application be re-filed, re-noticed and properly served on the rate payers of Valencia Water Co, members of the public and interested parties after VWC has complied with the January 31st , 2013 Ruling of ALJ Long (A.13-01-003, C.13-01-005 DUG/sbf)?

(9) Should VWC be granted the requested rate increase?

(10) Should the Complainants be awarded “intervenor fees” in the nature of attorneys’ fees, paralegal’s fees, copying and postage costs, travel reimbursement for attendance at live hearing(s) in San Francisco, and expert witness fees?

D. The proposed schedule for resolving this matter is 12 months or 18 months if it is determined to be a rate-setting matter.

E. A pre-hearing conference should be set 30 to 40 days from the date of filing of this Protest.

F. A noticed public hearing should be held in the service area of the Valencia Water Co. within 30 to 40 days of the filing of this protest.

G. An evidentiary hearing before the Administrative Law Judge should be 180 days from the date of filing of the Protest, in order that all the parties have sufficient time to conduct discovery, and in order for the CPUC staff to have time to conduct any financial or ground water toxics investigation (from other state agencies, not independently) which the CPUC may desire.

Request for Order/Remedies

Protestants request that the CPUC order:

1. The Applications be withdrawn until such time as Valencia Water Company has properly complied with numbers 1. and 2. of the Jan 31st ruling in this matter (A.13-01-003, C.13-01-005 DUG/sbf) which state:

1. Valencia Water Company must file and serve an application for a transfer of control pursuant to California Pub. Util. Code § 851 and any other applicable code provisions. This application must be filed no later than 14 days from the date of this ruling.

2. Valencia Water Company and Castaic Lake Water Agency must timely file and serve a full and complete answer to Case 13-01-005.

and the public and other interested parties have been given time to review this new application.

2. The Applications be re-submitted and re-noticed providing all members of the public, interested parties and ratepayers of the Valencia Water Co with timely notice of the applications as required by CPUC Codes and the Rules of Practice and Procedure.

3. That Application A. 13-01-003 include the 2012 Annual Affiliates Transaction Report, and that the protest period be extended so that the public, ratepayers and other interested parties may have the opportunity to review and comment on the 2012 Annual Affiliates Transaction Report.

4. That the CPUC strike and void as unconscionable all of the indemnity, release, payment for defense and control of defense provisions in the Contract which were written for the benefit of Newhall Partnership and its direct and indirect owners, in that the rate payers of VWC should not be responsible to bear the costs associated with litigating and settling third party claims arising out of the alleged purveying of drinking water contaminated with ammonium perchlorate, volatile organic chemicals or other contaminants found in the ground water which was purveyed by Valencia Water Co, and that those costs be removed from the calculation of the rate increase.

5. That the CPUC order that section 6.8 of the Contract (Exhibit "C") and particularly the part cited in numbered paragraph 25 of the complaint, be declared null and void and costs associated with providing water outside any area not duly annexed into the VWC service area in compliance with CPUC Codes as well as D.01-11-048 (as cited above in NO.7)

6. That VWC's updated Water Management Program and associated reports not be accepted by the CPUC until VWC includes accurate information about the actual water supply of the Santa Clarita Valley, the impact of the spreading pollution plume on those drinking water supplies, new contamination issues including volatile organic compounds such as TCE and PCE, and how these contamination issues will affect the VWC's ability to supply its current customers at a reasonable rate.

6. That a public hearing be held in the Valencia Service Area to hear protests to this Rate Increase Application.

7. For intervenors' fees and costs.

8. Such other and further relief and orders as the Commissioners deem just and proper to protect the public interest.

Respectfully submitted by:

Executed at Santa Clarita, California on February 3rd, 2013

Santa Clarita Organization for Planning the Environment,

a California non-profit corporation

By: /s/ David Lutness,

Secretary of the Board,

(an Officer of Protestant),

Santa Clarita Organization for Planning the

Environment

PO Box 1182

Canyon Country, CA 91386

661 255-6899

exec@scope.org

Executed at Valencia, California on February 3rd, 2013

Carmillis Noltemeyer,

An, individual and ratepayer within the Valencia Water Co.

By: /s/ Carmillis Noltemeyer,

25936 Sardinia Ct.

Valencia, CA 91355

661 259-7112

camandjerryn@netzero.net

“Protestants” Verifications

VERIFICATION

I am an officer of the complaining corporation herein, **Santa Clarita Organization for Planning the Environment**, a California non-profit corporation, and am authorized to make this verification in its behalf. The statements in the foregoing document are true to my own knowledge, except as to matters stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed at Santa Clarita, California on February 3rd, 2013

/s/ David Lutness,

Secretary of the Board,

(an Officer of Protestant),

Santa Clarita Organization for Planning the
Environment

PO Box 1182

Canyon Country, CA 91386

661 255-6899

exec@scope.org

VERIFICATION

I am an individual rate payer receiving water service from Valencia Water Co. The statements in the foregoing document are true to my own knowledge, except as to matters stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed at Valencia, California on February 3rd, 2013

/s/ Carmillis Noltemeyer,

25349 Sardinia Ct.

Valencia, CA 91355

661 259-7112

camandjerryn@netzero.net

EXHIBIT A

Valencia Water Company

24631 Avenue Rockefeller • Valencia, CA 91355-3907
(661) 294-0828 • Fax (661) 294-3806



Santa Clarita Organization for Planning the
Environment
PO Box 1182
Canyon Country, CA 91386-1182

9138611822



NOTICE OF RATE INCREASE REQUEST BY VALENCIA WATER COMPANY
BEFORE THE CALIFORNIA PUBLIC UTILITIES COMMISSION
REQUEST FOR PUBLIC COMMENTS
APPLICATIONS NO. 13-01-003 and 13-01-004

Valencia Water Company has filed requests with the California Public Utilities Commission (Commission) for a general increase in water rates and an adjustment to its return on ratebase. Commission policy requires Valencia to file a general rate case and cost of capital application every three years. The combined effect of Applications 13-01-003 and 13-01-004 is an increase to annual revenues by \$3,186,000 or 12.68 percent to become effective on January 1, 2014, and by an additional amount of \$888,000 or 3.12 percent effective on January 1, 2015, and by an additional amount of \$1,252,000 or 4.28 percent effective on January 1, 2016. Rates for January 1, 2016 will be based on the Commission's escalation rates in effect at the time of that escalation filing.

WHAT IS A GENERAL RATE CASE (GRC)

Every three years investor-owned utilities such as Valencia Water Company are required to file a GRC in which the Commission sets annual revenue levels. Annual revenue is the total amount of money a utility collects through rates in a given year for specific purposes. The actual rates, or level of prices charged to customers will be determined from the annual revenue received by Valencia. The rate increases requested in these Applications are intended to recover increased operating expenses and capital costs associated with delivering a reliable supply of water that meets or exceeds state and federal drinking water standards which are not recovered in present rates, and these increases are partially offset by a reduction in the cost of debt. In this general rate case Application, the Company also seeks a Commission finding that it has operated in compliance with all applicable water quality standards, that its Urban Water Management Plan is adequate, approval of changes to balancing and memorandum accounts as described in the Application, and approval of tariff changes as described in the Application.

Proposed revenue changes by customer class are shown in the attached tables.

COMMISSION PROCESS

The Commission wants to hear from customers of Valencia Water Company. If you wish to informally protest this filing as a customer, you may do so by emailing or writing to the Public Advisor's Office (PAO). You may submit written comments to the Commission at the address shown below. Your comments on any aspect of the Company's operations or on the proposed rate increases are very much desired by the Commission and may be sent to the PAO at the address below. These comments could include proposed rates, quality of service or other concerns. Please mention that you are writing about Application 13-01-003 or 13-01-004 of Valencia Water Company. These comments, which will become part of the formal record of this proceeding, will be circulated to the Commissioners, the Administrative Law Judge (ALJ) assigned to the proceeding and Division of Ratepayer Advocates (DRA) staff. The DRA staff consists of engineers, accountants, economists, and attorneys, who independently evaluate the proposals of utilities and present their recommendations to the Commission.

FORMALLY PROTESTING THE APPLICATION

Formal protests to this application must be filed with the Commission no later than February 4, 2013. The Commission's PAO was established to assist members of the public who want to protest or otherwise participate in the Commission's proceedings. For assistance in filing a formal protest with the Commission or otherwise participating in the formal proceeding, please contact the PAO at 505 Van Ness Avenue, San Francisco, CA 94102, or via email to public.advisor@cpuc.ca.gov. Please refer to Application 13-01-003 and 13-01-004 any written or email correspondence.

EXHIBIT B

SCHEDULE 3.1.15

LIST OF LITIGATION

None.