Appendix B

Valencia Water Company
Summary of Earnings

Summary of Earnings and Rates of Return

Years 2003 Through 2004
(Dollars in Thousands)

	Adopted at Present Rates		Adopted at Authorized Rate of Return	
	2003	2004	2003	2004
OPERATING REVENUES				
Water	14,670.7	15,510.3	14,835.7	15,309.8
Deferred	106.3	104.4	106.3	104.4
Total Revenues	14,777.0	15,614.7	14,942.0	15,414.2
OPERATIONS EXPENSES				
Operations & Maintenance				
Purchased Water	1,966.1	2,049.0	1,966.1	2,049.0
Purchased Power	1,550.5	1,615.8	1,550.5	1,615.8
Source of Supply	49.9	50.9	49.9	50.9
Pumping	98.0	100.0	98.0	100.0
Water Treatment	196.0	200.1	196.0	200.1
Uncollectables	19.7	18.6	17.8	18.4
Other	1,693.2	1,756.0	1,693.2	1,756.0
Total O&M Expenses	5,573.4	5,790.4	5,571.4	5,790.2
Admin. & General				
Regulatory Comm. Exp.	60.0	60.0	60.0	60.0
Admin Exp. (Transfer)	(158.8)	(162.0)	(158.8)	(162.0)
Franchise Requirements	175.7	195.6	187.0	193.1
Other	2,052.1	2,103.7	2,052.1	2,103.7
Total A & G Expneses	2,129.0	2,197.3	2,140.3	2,194.8
Taxes				
Taxes O/T Income				
Ad Valorem Tax	298.3	303.0	298.3	303.0
Payroll	96.6	100.5	96.6	100.5
Subtotal	394.9	403.5	394.9	403.5
Depr. Expense	2,225.8	2,291.5	2,225.8	2,291.5
CA Corp Franchise Tax	250.7	297.7	264.5	280.2
Federal Income Taxes	1,423.6	1,560.4	1,476.6	1,493.2
Total Expenses	11,997.4	12,540.7	12,073.6	12,453.4
Net Income	2,779.6	3,074.0	2,868.4	2,960.8
Rate Base	31,173.5	32,175.3	31,173.5	32,175.3
Rate of Return	8.92%	9.55%	9.20%	9.20%

(END OF APPENDIX B)

Appendix C

Valencia Water Company
Plant in Service
(Dollars in Thousands)

	Test Year 2003	Test Year 2004
Plant-in Service (BOY)	108,057.0	112,776.0
Additions:		
Utility Funded	1,886.0	2,819.0
Advances	-	-
Contributions	2,893.0	1,960.0
Total Additions	4,779.0	4,779.0
Less:		
Retirements	60.0	60.0
End-of-Year Balance	112,776.0	117,495.0
Average Plant	110,416.5	115,135.5

(END OF APPENDIX C)

Appendix D
Page 1
Valencia Water Company
Adopted Quantities

Number of Services by Meter Size:

	2003	2004
5/8"	994	995
3/4"	21,767	22,798
1"	283	295
1-1/2"	371	384
2"	1,382	1,440
3"	177	190
4"	122	132
6"	626	692
8"	239	264
10"	32	35
12"	9	10

Metered Sales, KCcf
All Water

Number of Services and Use:

	Avg Services		Use (Ccf/Cust/Yr)	
	2003	2004	2003	2004
Residential	22,171	23,197	246.5	246.5
Special Residential	268	272	1,988.3	1,988.3
Multi-Residential	271	279	2,681.1	2,681.1
Business	621	654	2,664.0	2,664.0
Subtotal	23,331	24,402	7,579.9	7,579.9
Public Authority	509	533	3,094.5	3,094.5
Irrigation - Bridge. Lake	1	1	17,000.0	17,000.0
Irrigation - Vista V. Golf	1	1	121,382.9	121,382.9
Construction Metered	738	746	2,979.1	2,979.1
Industrial	435	448	1,711.7	1,711.7
Valencia Gold Course			214,195.8	214,195.8
Total Metered Service	25,015	26,131	367,943.9	367,943.9
Residential Flat	-	-		
Fire Services	996	1,104		
Total Flat Rate Service	996	1,104		

Appendix D
Page 2
Valencia Water Company

Total Consumption and Supply
(KCCF Per Year)

Item	2003	2004
Total Water Sales (KCcf)	11,426.0	11,899.1
Unaccounted Water (KCcf)	601.4	626.3
Water Production (KCcf)	12,027.4	12,525.4
Water Production (AF)	27,611.1	28,754.4
Pumped Water (AF)	13,805.5	14,377.1
Purchased Water (AF)	13,805.6	14,377.2
Total Water Supply (AF)	27,611.1	28,754.4
Total Water Production (AF)	27,611.1	28,754.4
Less: Valencia Golf Course (AF)	(491.7)	(491.7)
Net Water Production	27,119.4	28,626.6
Purchased Water Mix	50%	50%
Purchased Water (AF)	13,559.7	14,131.3
Cost per AF	$145	$145
Total Purchased Water Costs	$1,966,100	$2,049,000
Net Water Production (AF)	27,119.4	28,262.6
Net Water Production (Kccf)	11,813.2	12,311.2
Kwh / Ccf	1.25	1.25
Total Kwh	14,776,500	15,389
Unit Cost ($ / kwh)	$0.105	$0.105
Total Purchased Power Cost	$1,550,500	$1,615,800

Uncollectables Rate	0.34%
Federal Tax Rate	34%
State Corp. Franchise Tax	8.84%
Net To Gross Multiplier	1.6852

(END OF APPENDIX D)

Appendix E
Page 1

Valencia Water Company
Taxes OtherTthan Income

Years 2003 Through 2004
(Dollars in Thousands)

	2003	2004
Ad Valorem Tax	298.3	303.0
Total Payroll Taxes	96.6	100.5
Total Taxes Other Than Income	394.9	403.5

Appendix E
Page 2

Valencia Water Company
Income Taxes

Years 2003 Through 2004
(Dollars in Thousands)

	2003	2004
Operating Revenues	14,942.0	15,414.2
Expenses		
Operations & Maintanence	5,571.4	5,790.2
Administrative & General	2,140.3	2,194.8
Balancing Account Amort	-	-
Taxes Other than Income	394.9	403.5
California Corp. Franchise Taxes (CCFT)	180.9	264.5
Book Depreciation	2,225.8	2,291.6
Interest Expense	781.5	762.5
Deferred Revenue	106.3	104.4
Subtotal	11,401.1	11,811.5
Federal Income Taxable (FIT) Income	3,540.9	3,602.7
FIT (Before Adjustments)	1,203.9	1,224.9
Deferred Tax Item	282.2	277.8
Investment Tax Credit	(9.5)	(9.5)
FIT	1,476.6	1,493.2
FIT Taxable Income	3,540.9	3,602.7
Excess State Tax Depreciation	(729.7)	(697.1)
Add back prior year CCFT	180.9	264.5
CCFT Taxable Income	2,922.1	3,170.1
CCFT (at 8.84%)	264.5	280.2
Total Income Tax	1,741.1	1,773.5

(END OF APPENDIX E)

APPENDIX F
Page 1

Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service for which no special schedule is available.

TERRITORY

The service area of Valencia Water Company in the Community of Valencia and vicinity in Los Angeles County as defined in the preliminary statement.

RATES

	Per Meter Per Month		
	2003	2004	2005
Quantity Rates:			
For all water delivered per 100 cu. ft.	$0.907	$0.899	$0.887
Service Charge:			
For 5/8 x 3/4-inch Meter	6.70	6.50	6.40
For 3/4-inch Meter	10.00	9.80	9.70
For 1-inch Meter	20.10	19.70	19.50
For 1 1/2-inch Meter	35.60	34.60	34.20
For 2-inch Meter	45.70	44.50	43.90
For 3-inch Meter	92.40	90.20	89.10
For 4-inch Meter	130.50	127.40	125.80
For 6-inch Meter	199.40	194.80	192.40
For 8-inch Meter	317.70	310.40	306.60
For 10-inch Meter	373.80	365.30	360.80
For 12-inch Meter	479.20	468.60	462.80
For 14-inch Meter	583.40	570.60	563.50

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

SPECIAL CONDITIONS

1. In accordance with the Low Income Ratepayer Assistance Program, all customers qualifying for the program will receive a 50% discount on the monthly service charge. All customers not qualifying for the program will pay a surcharge of $0.06 on the monthly service charge. Discount and surcharge revenues will be tracked in the Low Income Ratepayer Assistance Memorandum Account.

2. For construction water service under this schedule, an installation and removal charge of $45.00 is required in advance of service.

3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

Schedule No. 4

PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to all water service furnished to private fire service and to privately owned fire hydrants located on private property that are connected to company owned mains.

TERRITORY

The service area of Valencia Water Company as defined in the preliminary statement and depicted in our service area maps.

RATES

		Per Meter Per Month		
		2003	2004	2005
For	2-inch Service	$22.30	$22.30	$22.30
For	4-inch Service	$32.30	$32.30	$32.30
For	6-inch Service	$46.10	$46.10	$46.10
For	8-inch Service	$61.50	$61.50	$61.50
For	10-inch Service	$126.90	$126.90	$126.90
For	12-inch Service	$183.80	$183.80	$183.80
For	14-inch Service	$249.90	$249.90	$249.90

SPECIAL CONDITIONS

1. In accordance with the Low Income Ratepayer Assistance Program, all customers qualifying for the program will receive a 50% discount on the monthly service charge. All customers not qualifying for the program will pay a surcharge of $0.06 on the monthly service charge. Discount and surcharge revenues will be tracked in the Low Income Ratepayer Assistance Memorandum Account.

2. The private fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

3. The minimum diameter for fire protection service shall be two inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.

(continued)

Schedule No. 4

PRIVATE FIRE SERVICE

(continued)

4. If a distribution main of adequate size to service 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 existing 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.

5. 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 Insurance Services Office for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

6. For water delivered for other than fire protection purposes, charges shall be made therefore under Schedule No. 1, General Metered Service.

7. The Utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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

Schedule No. 5

RECYCLED AND UNTREATED WATER SERVICE

APPLICABILITY

Applicable to all recycled and untreated water metered service.

TERRITORY

The service area of Valencia Water Company as defined in the preliminary statement and depicted in our service area maps.

RATES

Quantity Rates:

Customer will be charged per 100 cubic feet of recycled water delivered at 5% above the amount billed to Valencia Water Company by Castaic Lake Water Agency.

Service Charges:

Customer will be charged the currently effective monthly service charge for the applicable meter size as reflected in "Schedule No. 1, General Metered Service".

SPECIAL CONDITIONS

1. In accordance with the Low Income Ratepayer Assistance Program, all customers qualifying for the program will receive a 50% discount on the monthly service charge. All customers not qualifying for the program will pay a surcharge of $0.06 on the monthly service charge. Discount and surcharge revenues will be tracked in the Low Income Ratepayer Assistance Memorandum Account.

2. The utility will supply at the point of connection only such recycled water at such pressures as may be available from time to time from the Castaic Lake Water Agency. The customer agrees to make no claims against the utility for loss, damage or injury caused by service interruptions.

(continued)

Schedule No. 5

RECYCLED AND UNTREATED WATER SERVICE

(continued)

3. The customer shall defend and indemnify the utility and save it harmless from any and all claims arising out of service and water use under this schedule, and shall further agree to make no claims against the utility for any loss, damage or injury resulting from service and water use under this schedule.

4. The customer must execute a recycled water use agreement if required by Valencia Water Company and comply with all governing codes, rules and regulations to receive and use recycled water.

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

Rule No. 9

RENDERING AND PAYMENT OF BILLS

(continued)

3. Proration of Bills (Continued)

and the quantity in each of the several quantity rate blocks will be prorated on the basis of the ratio of the number of days in the period to the actual number of days in the month. The measured quantity of usage will be applied to such prorated amounts and quantities.

(2) Flat Rate Service

The billing period charge will be prorated on the basis of the ratio of the number of days in the period to the actual number of days in the month.

B. Payment of Bills

Bills for service are due and payable upon presentation and payment may be made at any commercial office of the utility or to any representative of the utility authorized to make collections. Collection of closing bills may be made at the time of presentation.

If a customer tenders a check in payment of any bill and such check is not honored by the customer's bank, the utility may assess the customer a $10.00 returned check charge.

Rule No. 11
(continued)

DISCONTINUANCE AND RESTORATION OF SERVICE

B. 4. For Unsafe Apparatus or Where Service is Detrimental or Damaging to the Utility or its Customers

If an unsafe or hazardous condition is found to exist on the customer's premises, or if the use of water thereon by apparatus, appliances, equipment or otherwise is found to be detrimental or damaging to the utility or its customers, the service may be shut off without notice. The utility will notify the customer immediately of the reasons for the discontinuance and the corrective action to be taken by the customer before service can be restored.

6. For Fraudulent Use of Service

When the utility has discovered that a customer has obtained service by fraudulent means, or has diverted the water service for unauthorized use, the service to that customer may be discontinued without notice. The utility will not restore service to such customer until that customer has complied with all filed rules and reasonable requirements of the utility and the utility has been reimbursed for the full amount of the service rendered and the actual cost to the utility incurred by reason of the fraudulent use.

C. Restoration of Service

1. Reconnection Charge

Where service has been discontinued for violation of these rules or for nonpayment of bills, the utility may charge $25.00 for reconnection of service during regular working hours or $40.00 for reconnection of service at other than regular working hours when the customer has requested that the reconnection be made at other than regular working hours.

2. To be Made During Regular Working Hours

The utility will endeavor to make reconnections during regular working hours on the day of the request, if conditions permit, otherwise reconnections will be made on the regular working day following the day the request is made.

(continued)

Rule No. 20

WATER CONSERVATION

A. Purpose

The purpose of this rule is to ensure that water resources available to the utility are put to a reasonable beneficial use and that the benefits of the utility's water supply and service extend to the largest number of persons.

B. Waste of Water Discouraged

Refer to Rule 11 B. (3).

C. Use of Water-Saving Devices and Practices

Each customer of the utility is urged to install devices to reduce the quantity of water to flush toilets and to reduce the flow rate of showers. Each customer is further urged to adopt such other water usage and reusage practices and procedures as are feasible and reasonable.

D. Water-Saving Kits

The utility will make available, without initial cost to the customer, for use in each residence receiving water service from the utility, a water-saving kit containing the following:

(1) A device or devices for reducing toilet flush water requirements;

(2) A device or devices for reducing shower flow rates;

(3) A dye tablet or tablets for determining if a toilet tank leaks;

(4) Other devices from time to time approved by the utility;

(5) Installation and other instructions and information pertinent to conservation of water.

Rule No. 21

FIRE PROTECTION

A. Furnished Under Filed Rate Schedules

Fire protection service will be furnished by the utility only at the rates and under the conditions set forth in an appropriate rate schedule for the service filed as a part of these tariff schedules, except as such service may be supplemented or amplified by more detailed contractual arrangements after authorization therefore has first been obtained from the Public Utilities Commission.

B. Other Specific Considerations

Specifications, location, installation, and the responsibility for the maintenance of fire hydrants, public and private fire protection facilities, connecting mains, and their ownership may be subject to negotiation between the utility and the applicant. Fire hydrants and public and private fire protection facilities will be installed to the requirements of the utility and when owned by the utility will be subject to such conditions as the Public Utilities Commission may determined based upon the compensation received for this service.

Rule No. 21

FIRE PROTECTION

A. Furnished Under Filed Rate Schedules

Fire protection service will be furnished by the utility only at the rates and under the conditions set forth in an appropriate rate schedule for the service filed as a part of these tariff schedules, except as such service may be supplemented or amplified by more detailed contractual arrangements after authorization therefore has first been obtained from the Public Utilities Commission.

B. Other Specific Considerations

Specifications, location, installation, and the responsibility for the maintenance of fire hydrants, public and private fire protection facilities, connecting mains, and their ownership may be subject to negotiation between the utility and the applicant. Fire hydrants and public and private fire protection facilities will be installed to the requirements of the utility and when owned by the utility will be subject to such conditions as the Public Utilities Commission may determined based upon the compensation received for this service.

(END OF APPENDIX F)

APPENDIX G
Page 1
Valencia Water Company

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates for the year 2002

General Metered Service
(5/8-inch meters)

Monthly Usage (Ccf)	Present Rates	Authorized Rates	Percent Increase
5	$11.83	$11.24	-5.0%
10	$16.00	$15.77	-1.4%
20	$24.34	$24.84	2.1%
23 (avg)	$26.84	$27.56	2.7%
30	$32.68	$33.91	3.8%
50	$49.36	$52.05	5.4%
100	$91.06	$97.40	7.0%

APPENDIX G
Page 2
Valencia Water Company

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates for the year 2002

General Metered Service
(3/4-inch meters)

Monthly Usage (Ccf)	Present Rates	Authorized Rates	Percent Increase
5	$15.54	$14.54	-6.5%
10	$19.71	$19.07	-3.2%
20	$28.05	$28.14	0.3%
23 (avg)	$30.55	$30.86	1.0%
30	$36.39	$37.21	2.3%
50	$53.07	$55.35	4.3%
100	$94.77	$100.70	6.3%

(END OF APPENDIX G)