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# APPENDIX B

## SUPPLEMENTAL SETTLEMENT AGREEMENT

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

| | |
|---|---|
| In the Matter of the Application of VALENCIA WATER COMPANY (U-342-W), a Corporation, for an Order Authorizing It to Increase Rates Charged for Water Service in Order to Realize Increased Annual Revenues of $4,751,000 or 18.78% in a Test Year Beginning January 2011, $1,957,000 or 6.40% in a Test Year Beginning January 2012, $701,000 or 2.16% in an Escalation Year Beginning January 1, 2013, and to Make Further Changes and Additions to Its Tariff for Water Service. | Application No. 10-01-006 (Filed January 4, 2010) |

**SUPPLEMENTAL SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES AND VALENCIA WATER COMPANY**

## I. GENERAL PROVISIONS

1. Pursuant to Article 12 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and Valencia Water Company ("Valencia" or "VWC"), both referred to individually as "a Party" and collectively as "the Parties," have agreed to the terms of this Supplemental Settlement Agreement which they now submit for review, consideration, and approval by Administrative Law Judge ("ALJ") Bruce DeBerry and the Commission. Together with the Settlement Agreement between DRA and Valencia, dated July 14, 2010 (the "Settlement Agreement"), this Supplemental Settlement Agreement addresses all of the issues that DRA and Valencia have been able to resolve in this proceeding.

2. The specific issues that the Parties agree to resolve through this Supplemental Settlement Agreement are set forth in Section II below. For each issue, Section II describes the positions of the Parties, the difference between Valencia's position and DRA's position as presented in rebuttal and hearing testimony, the resolution provided by the Supplemental Settlement Agreement, and provides references to the evidentiary record relevant to each settled issue.

3. Because this Supplemental Settlement Agreement represents a compromise of the Parties' positions with respect to each issue addressed herein, the Parties have agreed upon the resolution of each issue addressed in the Supplemental Settlement Agreement

on the basis that its approval by the Commission should not be construed as an admission or concession by either Party regarding any fact or matter of law that may be in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Commission's Rules, the Parties intend that the approval of this Supplemental Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or against either Party in any current or future proceeding with respect to any issue addressed in the Supplemental Settlement Agreement.

4. This Supplemental Settlement Agreement is the product of intensive settlement negotiations, including a mediation process conducted with the assistance of ALJ Linda Rochester, who served ably as mediator in this matter.

5. The Parties agree that no signatory to the Supplemental Settlement Agreement assumes any personal liability as a result of his or her execution of this document. All rights and remedies of the Parties are limited to those available before the Commission.

6. This Supplemental Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

7. The Parties agree to use their best efforts to achieve Commission approval of the Supplemental Settlement Agreement. The Parties shall request that the Commission approve the Supplemental Settlement Agreement without change and find the Supplemental Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

8. This Supplemental Settlement Agreement represents the Parties' complete and final agreement and supersedes all informal understandings and oral agreements relating to the specific subject matter of the Supplemental Settlement Agreement in this General Rate Case ("GRC"). Notwithstanding the foregoing, nothing in this Supplemental Settlement Agreement shall be deemed to alter or otherwise modify the terms of the Settlement Agreement previously entered into by the Parties.

## II. TOPICS RESOLVED BY SETTLEMENT AGREEMENT

### A. CONSUMPTION BY CUSTOMER

ISSUE: For single family residential customers, Valencia estimated average water usage based on recent residential average usage per customer (excluding 2007) because Valencia argued that regression results did not accurately reflect anticipated decrease in usage resulting from the implementation of conservation programs promoting water use efficiency. As prescribed by the Rate Case Plan, DRA used regression analysis based on recorded usage data from 2002-2008 to forecast usage.

RESOLUTION: The Parties agree with the consumption per customer number for single family residential customers proposed in Valencia's application. DRA does not agree to the methodology Valencia used to calculate this number but agrees to the negotiated number of 250 hundred cubic feet ("ccf") per customer. The settled consumption per customer for 2011 and 2012 amounts for the single family residential customer class is summarized as follows (in ccf):

| | Valencia Application | Valencia Rebuttal | DRA Report | Difference | Settlement |
|---|---|---|---|---|---|
| Single Family Residential | 250 | 250 | 258.7 | (8.7) | 250 |

REFERENCES: VWC Exh. 1 (Johnson), p. 4-2, Table 4-3; DRA RO Report, pp. 2-4, 2-6 to 2-7, Table 2-1; VWC Rebuttal (Johnson) 5-7; Tr. 120:16-137:1.

## B. PILOT PROGRAM: WATER SMART AND WRAM/MCBA

ISSUE: DRA recommended that the Water SMART Program rate design and the WRAM/MCBA should be implemented with certain modifications, as a pilot program that would run for the duration of the GRC cycle and would be evaluated in Valencia's next GRC. At that time, Valencia would have two years of usage data from the time it implemented the pilot program. Valencia argued that its customers were prepared for implementation of the Water SMART Program due to its diligent outreach efforts and pointed to various other California water providers that have already implemented residential water budget programs.

RESOLUTION: The Parties agree that the Water SMART Program, related ratemaking mechanisms (specifically the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account) and associated reporting requirements will constitute a pilot program (the "Pilot Program") to become effective at the same time as new rates in this GRC cycle, which is scheduled to be January 1, 2012. Each component of the Water SMART Program, other than the upcoming proposal for Water SMART for dedicated irrigation customers, will be implemented concurrently. The Pilot Program will be adopted for the duration of this GRC cycle until the effective date of new rates in Valencia's next GRC (expected to be January 1, 2014). The Pilot Program will include but is not limited to the following:

- the Water SMART Program for all individually metered residential customers (approximately 26,000);
- the WRAM/MCBA for the residential and non-residential customers proposed to be served by Valencia's Residential General Metered Service tariff Schedule No. 1-R and Non-Residential General Metered Service tariff Schedule No. 1-NR as well as Recycled & Untreated Water Service currently served by Valencia's Recycled and Untreated Water Service tariff Schedule No. 5;[1]

[1] See Attachment D of Valencia's Application for Valencia's current and proposed tariffs. Valencia will implement tariffs for the Water SMART Program in accordance with all the provisions described throughout this Supplemental Settlement Agreement.

- the associated reporting requirements for the WRAM/MCBA and Water SMART Program; and

- as discussed in section C.2. below, Valencia will request Commission authorization to augment this pilot program with the Water SMART Program for dedicated irrigation customers through an application.

The Parties further agree that this pilot program will be evaluated in Valencia's next GRC. The specific parameters of the Pilot Program are described more fully in substantive sections of this Supplemental Settlement Agreement below.

If implementation of the Pilot Program results in a disparate impact on ratepayers or shareholders, the Parties agree to meet to discuss possible adjustments to the Pilot Program.

REFERENCES: DRA RO Report, pp. 9-6 to 9-8; VWC Rebuttal (Milleman), pp. 2-5; Tr. 102:15-21, 137:4-139:17, 154:12-16.

**C. <u>WATER SMART PROGRAM</u>**

ISSUE: In recognition that the efficient use of water is an essential component of a long term sustainable water supply in California, Valencia developed an allocation-based water budget program aimed at promoting conservation by encouraging efficient water use. In its Application, Valencia requested that the Commission authorize Valencia to implement this "Water SMART Program" for its individually metered residential customers. DRA generally supported Valencia's effort to put the Water SMART Program into practice, but recommended modifications to certain aspects of the proposed program in DRA's RO Report. Valencia presented its positions on the contested components in rebuttal testimony, and parties presented their respective positions on the contested components during evidentiary hearings. This section describes the resolution and settlement of these contested components.

1. <u>No Phase-In</u>

ISSUE: DRA recommended the phase-in of Valencia's new residential rate design, applying the Water SMART Program to 1,000 randomly selected customers for a one-year period before extending the program to all individually metered residential customers. Valencia opposed DRA's phase-in approach and requested that the Commission approve a Water SMART Program applicable to all individually metered residential customers starting January 1, 2011.

RESOLUTION: The Parties agree that there will be no phase-in.

REFERENCES: DRA RO Report, pp. 9-6, 9-8 to 9-9; VWC Rebuttal (Milleman), pp. 2-5; Tr. 184:16-193:26.

2. Dedicated Irrigation Customers

ISSUE: In rebuttal testimony, Valencia requested Commission authorization to implement the Water SMART Program for dedicated irrigation customers during 2011.

RESOLUTION: The Parties agree that Valencia will submit an application during 2011 requesting Commission approval to implement the Water SMART Program for dedicated irrigation customers as an additional component of Valencia's Pilot Program. The Parties agree that the application will incorporate a proposed timeline that would allow Valencia to implement the Water SMART Program for its dedicated irrigation customers no later than January 1, 2012. The Parties further agree that Valencia will propose additional parameters to better tailor the application of the Water SMART Program to the dedicated irrigation customer category. DRA will review and evaluate the proposal when it is filed, and reserves the right to make its own independent recommendations to the Commission on the proposal. If and as approved by the Commission, the Water SMART Program for the dedicated irrigation customer category will be a component of Valencia's Pilot Program, as set forth in this Supplemental Settlement Agreement.

REFERENCES: VWC Rebuttal (Milleman), pp. 26-28; Tr. 67:9-69:6.

3. Newly Constructed Homes

ISSUE: Valencia's proposed variance tariff would have exempted customers with new or rehabilitated landscapes in newly constructed homes from tiers 3, 4, and 5 of the Water SMART Program rate design for six months to provide sufficient time for a new landscape to become established following the concepts of the Model Water Efficient Landscape Ordinance. DRA expressed concern about the exemption of customers with new or rehabilitated landscapes from tiers 3, 4 and 5 of the Water SMART Program in DRA's RO Report. In its rebuttal testimony, Valencia proposed not to include customers in newly constructed individually metered homes in the Water SMART allocation programs for the first nine months that they are -Valencia customers.

RESOLUTION: The Parties agree that there will be no exemption for customers with new or newly constructed homes. Valencia reserves the right to request this in its next GRC.

REFERENCES: Response to DRA data request LWA-002, question 6.a.; DRA RO Report, pp. 9-28 to 9-29, Appendix A; VWC Rebuttal (Milleman), pp. 19-20.

4. Customer Information

ISSUE: DRA expressed concern that customers should be provided an estimate in each bill of the upcoming months anticipated outdoor water budget. Valencia believes providing customers an estimate of the upcoming months billing based on historical weather data will provide a false sense of security and negate the educational components of the Water SMART Allocation program.

RESOLUTION: The Parties agree that Valencia will add a statement on the front of the bill, which explains how real-time weather data is used to calculate the customer's outdoor water budget. This statement will include a link to the applicable section of Valencia's website that provides detailed explanations on how the outdoor budget is calculated. It will also include an invitation to call Valencia with any additional questions and for an explanation of the Water SMART Program. This information will enhance the educational aspect of Valencia's Water SMART Program.

REFERENCES: DRA RO Report, pp. 9-21 to 9-23; VWC Rebuttal (Milleman), pp. 11-12.

5. Water SMART Program Inputs

ISSUE: Valencia proposed to implement the Water SMART Program based upon specific allocations for consumption indoors ("Indoor Water Allocation") and outdoors ("Outdoor Water Allocation"). Both allocations combined to make up a Water Budget for individually metered residential customers, and the Water Budgets are only available for the individually metered residential customer class.

For Indoor Water Allocation, Valencia proposed to provide each customer with 6,500 gallons per month for a 30 day period, assuming an average household of four. For Outdoor Water Allocation, Valencia proposed to provide each customer with a total number of gallons per day based upon the following formula.

Outdoor Allocation = ETo x Kc x $A_{landscape}$ x 0.623 / IE

Where
ETo = Actual Evapotranspiration Factor (Inches/Day) for a customer's billing period
Kc = Crop Coefficient for Plant Type (Valencia used a factor of 0.7 to assume a customer's landscaped area was turf grass)
Alandscape = Landscaped Area (Square Feet)
0.623 = Conversion Factor (Gallons / Square feet)
IE = Irrigation Efficiency (0.71)

DRA agreed with Valencia's Indoor Water Allocation, and recommended several modifications to the Outdoor Water Allocation and the overall water budgets, which are explained in the sections below.

REFERENCES: DRA RO Report pp. 9-3; Valencia Application 10-01-006, Exh. 4, pp. 4-7 – 4-12.

a. Tier Widths

ISSUE: In its Application, Valencia proposed a five-tier Water SMART Program using the following tiers (as a percentage of the customer's total monthly water allocation): (i) Tier 1 width of 0-40%; (ii) Tier 2 width of 41-100%; (iii) Tier 3 width of 101-150%; (iv) Tier 4 width of 151-200%; and (v) Tier 5 all usage greater than 200%. DRA recommended limiting

Tier 1 to the customer's indoor water allocation and limiting the widths of each of Tiers 2, 3, and 4 to fifty percent of the customer's total monthly water allocation.

RESOLUTION: The Parties agree to the following parameters for the Water SMART Program tiers:

- The Tier 1 amount will be equal to the customer's indoor water allocation (6,500 gallons, or 9 ccf per month, prorated based on the number of days in each month);
- The Tier 2 amount will be equal to 100% of the customer's outdoor water allocation (resulting in a combined Tier 1 and Tier 2 amount that makes up 100% of the customer's total water budget);
- Tier 3 will be 100-150% of the customer's total water budget;
- Tier 4 will be 150-200% of the customer's total water budget; and
- Tier 5 will be any use in excess of 200% of the customer's total water budget.

REFERENCES: DRA RO Report, p. 9-19; VWC Rebuttal (Milleman), pp. 9-10; Tr. 27:18-49:4, 146:23-154:5.

b. Landscaped Areas

ISSUE: Consistent with its proposal to tailor water budgets to individual customer needs for efficient water use, Valencia proposed an allocation process that did not limit the amount of landscape area included in a customer's water budget. DRA recommended that for a total water budget, the Commission impose upper (43 ccf)[2] and lower (13 ccf)[3] limits on the size of customers' water budgets.

RESOLUTION: The Parties agree that the outdoor water allocation will be based on the individually metered residential customer's actual landscaped area with the following two parameters:

- Any customer with an actual landscaped area greater than 10,000 square feet will be assigned an outdoor water budget equal to that given a customer with exactly 10,000 square feet of landscaped area. Therefore, 10,000 square feet will be the highest input for landscaped area used to calculate a customer's outdoor water budget. The highest outdoor water budget would be

[2] DRA's upper range is 43 ccf, which includes the indoor element of 9 ccf, resulting in an outdoor upper water budget of 34 ccf.

[3] DRA's lower range is 13 ccf, which includes the indoor element of 9 ccf, resulting in an outdoor lower water budget of 4 ccf..

approximately 48 ccf for a 30-day month, assuming an evapotranspiration rate ("ETo")[4] of 9.37.

- Any customer with an actual landscaped area of less than 500 square feet will be assigned an outdoor water budget equal to that given for a customer with a landscaped area of exactly 500 square feet. Therefore, 500 square feet will be the lowest input to the equation to calculate outdoor water budgets. The lowest outdoor water budget would be approximately 4 ccf for a 30-day month, assuming an ETo of 9.37.

REFERENCES: DRA RO Report, 9-12 to 9-22, 9-36; VWC Rebuttal (Milleman), pp. 5-8; Tr. 140:22-154:5; 193:27-195:15; 215:24-220:1.

c. Plant Factor

ISSUE: Valencia's proposed Water SMART Program water budgets incorporated a plant factor of 0.7, using an assumption of turf grass for all landscaped area. In response, DRA recommended lowering the plant factor for all customers to 0.5, which assumes moderate water-use plants on average in the landscape. In its rebuttal, Valencia recommended modifying the Water SMART Program by using a 0.5 plant factor for customers with landscapes 5,000 square feet and greater.

RESOLUTION: The Parties agree that a customer's water budget will be calculated using a plant factor of 0.7 for landscaped areas up to and including 2,500 square feet (except for customers with landscaped areas of less than 500 square feet, as specified in section C.5.b. above). The Parties agree that customers with landscaped areas greater than 2,500 square feet will receive the water budget calculated as above for the first 2,500 square feet and receive incrementally more outdoor water allocation as the landscape area increases using the following calculation method. These customers' water budgets will be calculated using a plant factor of 0.5 for any incremental increase in landscaped area that exceeds 2,500 square feet up to the limit of 10,000 square feet discussed above. This resolution eliminates an anomaly in Valencia's rebuttal proposal that would have provided greater allowances to customers with landscaped areas slightly less than 5,000 square feet than for customers with somewhat larger landscaped areas.

REFERENCES: DRA RO Report 9-14 to 9-15; Valencia Rebuttal (Milleman), pp. 7-8; Tr. 50:12-52:25, 88:24-89:22, 140:27-141:4, 145:7-154:5.

6. Variance Process and Form

ISSUE: While the Water SMART Program is designed specifically for each individual customer, there may be instances when a greater Water SMART allocation is justified. These situations are to be administered through a variance process. Valencia proposed a variance

[4] Evapotranspiration is the loss of water to the atmosphere by the combined process of evaporation (from soil and plant surfaces) and transpiration (from plant tissues). See VWC Exhibit 4 (Water SMART Program), pp. 4-11.

process. DRA made certain recommendations to modify Valencia's proposal in its RO Report. In its rebuttal, Valencia incorporated all of DRA's recommendations. Both Parties expressed willingness to refine the proposed variance language in advance of filing tariffs to reflect the Commission-approved variance process.

RESOLUTION: The Parties agree to use the variance process and form attached hereto as Attachment A. The variance process and form contained in Attachment A corresponds to Valencia's proposal with the incorporation of modifications proposed by DRA. These modifications include a requirement that customers requesting a variance from the Water SMART Program provide proof of residency within Valencia's service territory to support any variance that is based upon the number of people residing at an eligible address, including variances for 1 or 2 people. The Parties further agree that the variance process and form contained in Attachment A should be added to Valencia's tariff schedules.

REFERENCES: DRA RO Report, pp. 9-27 to 9-29; Valencia Rebuttal (Milleman), pp. 18-20, Attachment D; Tr. 24:6-25:1, 110:25-113:9, 117:15-118:21.

7. Tier Names

ISSUE: Valencia has identified the Water SMART Program tiers using terminology intended to help customers compare their consumption with their allocations for a given billing period: Super Efficient (0 – 40%); Efficient (41% - 100%); Inefficient (101% - 150%); Excessive (151% - 200%); and Wasteful (greater than 200%). DRA voiced concern about Valencia's choice of tier names to describe customer water use when a customer's amount of consumption may or may not have been related to voluntary actions.

RESOLUTION: In light of Valencia's agreement to track and report customer complaints specific to the tier names, the Parties agree to use Valencia's tier names in the Pilot Program.

REFERENCES: DRA RO Report, p. 9-4, 9-13; VWC Rebuttal (Milleman), p. 13.

8. Low Income Rate Assistance ("LIRA") Customers

ISSUE: Valencia did not propose to exempt its LIRA customers from the Water SMART Program, believing that water efficiency goals are applicable to all customers and that the LIRA customers already achieved a savings in their monthly service charge. DRA recommended that Valencia's LIRA customers be exempt from the Tier 4 and Tier 5 rate components of Valencia's Water SMART Program to avoid adverse impacts to such customers, while still letting them receive conservation messaging.

RESOLUTION: The Parties agree that, under the Pilot Program, LIRA customers will not be categorically exempt from Tiers 4 and 5. The Parties further agree that Valencia will inform its LIRA customers about the Water SMART Program and the availability of the variance process and request form by each of the following methods: (a) a one-time letter to current LIRA customers, sent prior to implementation of the Pilot Program; (b) notification by letter to all new LIRA customers at the time they qualify for the LIRA program; and (c) notification by letter every 2 years during the LIRA renewal process.

REFERENCES: DRA RO Report, p. 9-25 to 9-26; VWC Rebuttal (Milleman), p. 17-18.

9. Revenue Neutrality

ISSUE: Valencia structured its proposed water rates to over-collect revenues by 0.5% in order to accommodate for anticipated elasticity effects and to avoid the imposition of a surcharge attributable to customer conservation. Valencia proposed to refund any difference between actual revenue and Valencia's authorized revenue requirement through the WRAM/MCBA. DRA recommended the Commission authorize rates designed to collect Valencia's authorized revenue requirement.

RESOLUTION: The Parties agree to adopt a revenue neutral rate design. This means that the revenue requirement for each customer class will be the same under conservation rates as it would be under the current rate structure.

REFERENCES: DRA RO Report, pp. 9-23 to 9-24; VWC Rebuttal (Morse), pp. 11-12.

10. Pilot Program Costs

ISSUE: In its Application, Valencia contended that costs associated with implementing the Water SMART Program were minor and difficult to quantify. However, in rebuttal testimony, Valencia argued that any costs resulting from changes to the Water SMART Program imposed by the Commission be passed to the ratepayers. DRA recommended that any costs associated with changes made to the Water SMART Program in this GRC cycle, except the agreed-upon ongoing maintenance expense included in Valencia's conservation budget, should not be paid by the ratepayers.

RESOLUTION: The Parties agree that Valencia's ratepayers will not pay any additional costs directly associated with modifications made to the Water SMART Program and implementation of the Pilot Program.

REFERENCES: VWC Exh. 14 (Milleman), p. A-1; DRA RO Report, 9-9 to 9-11; VWC Rebuttal (Milleman), p. 16.

11. Control Procedure to Ensure Accurate ETo Used in Calculating Outdoor Allocation

ISSUE: DRA discovered excessive ETo rates in Valencia's data during its review of the Water SMART Program. It was determined that the excessive ET data resulted only from down loading the data from the Water SMART Program into an excel file, but that the Water SMART Program itself was operating properly. Nonetheless, the discovery of this irregularity highlighted a potential risk that the Water SMART Program could generate an incorrect monthly outdoor water allocations for which Valencia does not currently have a preventing control in place.

RESOLUTION: Valencia currently has procedures that flag high dollar value bills under its pre-Water SMART Program billing procedure that would by default capture discrepancies related to low ETo values (the Water SMART Program would generate a low allocation, which would move customer usage into the higher tiers resulting in higher bills). However, these existing controls would not capture discrepancies related to high ETo values. Therefore, Valencia will design a procedure to check ETo discrepancies. The procedure will be established so that it is performed before Valencia sends out the customer's water bill each month. This new procedure will be documented in Valencia's billing procedures and will be implemented before tiered rates tied to the Water SMART Program go into effect.

## D. RATES

### 1. Rates in Each Tier

ISSUE: In its Application, Valencia calculated the Water SMART Program's tiered rate design using the Tier 2 rate as the single quantity rate ("SQR") and all other tiers as a ratio or percentage of the Tier 2 rate. Tier 1 was a discounted rate of 85% of the Tier 2 rate. Tiers 3, 4 and 5 were set as increasing percentages of the Tier 2 rate with the highest tier, Tier 5, set to 368% of the Tier 2 rate (expressed as 1.75 times the Tier 4 rate). DRA supported the concept of increasing rates for the higher tiers, but wanted to limit the Tier 5 rate to no more than 200% of the Tier 2 rate.

RESOLUTION: The Parties agree to use the tiered rate design and tier ratios specified in this settlement, shown in Section D.2 below, making fine tuning adjustments necessary to achieve revenue neutrality.

REFERENCES: DRA RO Report, p. 9-24 and 9-25, VWC Exh. 5 (Various), pp. 5-22.

### 2. Recalculation of Tiered Rate Design and Tier Ratios

ISSUE: The tiered rate design and ratios proposed in Valencia's Application were based on the specific parameters of the Water SMART Program as proposed therein. During evidentiary hearings, Valencia explained that the rate design and ratios would have to be recalculated to reflect any modifications made to the plant factor for landscaped areas. In its RO Report, DRA also pointed out the need to recalculate the rate design and ratios if DRA's recommended changes to the Water SMART Program were adopted by the Commission.

RESOLUTION: The Parties agree that the tiered rate design and tier ratios should be recalculated to reflect the revised parameters of the Water SMART Program inputs contained in this Supplemental Settlement Agreement. This recalculation is attached hereto as Attachment B using Valencia's proposed 2011 revenue requirement from Valencia's original application for illustrative purposes. The Parties acknowledge and agree that the actual rates will need to be calculated using the tier ratios in the table below once the Commission adopts a final revenue requirement. The Parties agree to confirm revenue neutrality with the final revenue requirement.

| Tier Rate Criteria | | |
|---|---|---|
| **Rate Tier** | **% of SQR** | **Function of** |
| Tier 1 | 0.84 | Times SQR |
| Tier 2 | 1 | Times SQR |
| Tier 3 | 1.25 | Times SQR |
| Tier 4 | 1.3 | Times Tier 3 |
| Tier 5 | 1.3 | Times Tier 4 |

REFERENCES: DRA RO Report, 9-27; VWC Exh. 5 (Various), pp. 5-22; VWC Exh. 34 (Morse); Tr. 90:8–95:3.

## E. WATER REVENUE ADJUSTMENT MECHANISM ("WRAM")/MODIFIED COST BALANCING ACCOUNT ("MCBA")

### 1. WRAM/MCBA

ISSUE: Valencia requested the Commission authorize the implementation of a WRAM/MCBA applicable to metered sales for all metered customers, including recycled water customers. Valencia presented various arguments as to why the Commission should authorize revenue decoupling for residential and nonresidential classes including, especially, the goal of removing a utility's financial incentive to promote sales and Valencia's existing price and non-price conservation programs for its nonresidential metered customer classes. DRA recommended that Valencia's WRAM/MCBA apply only to residential customers. DRA presented various arguments as to why the Commission should limit the revenue decoupling mechanism to the residential customer class including, especially, that Valencia's proposed conservation rate design was limited to the residential customer class and no new conservation rates for the nonresidential customers were proposed in Valencia's Application.

RESOLUTION:

a. The Parties agree that the goals of the decoupling mechanisms (WRAM/MCBA) in the Pilot Program are as follows:

- Sever the relationship between sales and revenue to remove any disincentive for Valencia to implement conservation rates and conservation programs, and is designed so that Valencia will recover its adopted fixed costs through a combination of service charges and quantity rates.
- Ensure cost savings resulting from conservation are passed on to ratepayers.
- Reduce overall water consumption by Valencia ratepayers.

b. Decoupling for Valencia will be accomplished through the WRAM and MCBA balancing accounts.

- The Parties agree that Valencia shall implement a WRAM applicable to metered sales revenue (not including the service charges) for both residential and non-residential customers proposed to be served by the Residential General Metered Service tariff Schedule No. 1-R, Non-Residential General Metered Service tariff Schedule No. 1-NR and Recycled and Untreated Water Service tariff Schedule No. 5 for the duration of the Pilot Program.

- Additionally, Valencia shall implement an MCBA for purchased water and purchased power to replace its current Supply Cost Balancing Accounts.

- Together, these decoupling mechanisms are intended to ensure recovery of the adopted fixed costs recovered through the quantity charge, and the actual variable costs for purchased water and purchased power. The fixed costs not included in these accounts will be recovered through the service charge that customers pay regardless of consumption.

c. The Parties further agree that the Preliminary Statement in Valencia's tariff schedule should be modified to add a proposed Paragraph I, entitled "Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA)," attached hereto as Attachment D. Paragraph I describes the purpose, applicability, operation and disposition of the WRAM/MCBA Balancing Account and is intended to reflect the Commission's authorization of the WRAM/MCBA, on a pilot program basis, in this GRC proceeding.

d. By this Supplemental Settlement Agreement, DRA does not concede that a WRAM/MCBA is appropriate without an accompanying reduction on its return on equity (ROE) and Valencia does not concede that such an ROE reduction is appropriate. DRA stipulates to the WRAM/MCBA for residential and non-residential general metered customers in the context of the pilot program proposed in this settlement, in the context of the entire settlement, and in light of the following factors:

- Valencia is implementing Water SMART Program water budget rate design for residential customers;
- Valencia is also continuing to pursue conservation programs for residential and non-residential customers;

- In this settlement, Valencia agrees to propose a water budget rate design for dedicated irrigation customers for implementation with an effective date no later than January 1, 2012;

- Valencia's non-residential customer classes already meet the California Urban Water Conservation Council criteria for "conservation rate design."

e. The WRAM will track the difference between the total quantity charge revenues authorized by the Commission ("Total Adopted Quantity Revenues"), and the total revenues actually recovered through the quantity charge based on actual sales ("Total Actual Quantity Revenues"), excluding revenue from Private Fire Protection Service (Schedule No. 4).

f. The MCBA will capture the cost savings and cost increases associated with purchased water, and purchased power (all of which are recovered through the quantity charge). In particular, for purchased water, and purchased power, the MCBA will track the difference between the total variable costs authorized by the Commission ("Total Adopted Variable MCBA Costs") and the total variable costs actually incurred ("Total Actual Variable MCBA Costs").

g. Valencia and the three other retail water purveyors ("Retail Water Purveyors") in the Santa Clarita Valley ("Valley") conjunctively use the available water supplies for the Valley each year. Cooperative use by the Retail Water Purveyors has helped to sustain the Valley water supplies. This requires an adaptive water management process to use the most optimal water sources available each year to ensure the long term sustainability of Valley water supplies. To that end, and with regard to changes in the water mix that result in changes in variable costs tracked in the MCBA, relative to the adopted water mix and adopted variable costs, Valencia stipulates that it will balance the long term sustainability of Valley water supplies with the exercise of due diligence to achieve a reasonable cost water mix of its water sources.

h. Parties agree that Valencia will make a showing in the next GRC filing explaining any significant changes in water mix from that adopted, and demonstrating that these changes in water mix were reasonable in light of the discussion regarding available supplies in section E.1.g above.

i. DRA's agreement that Valencia should implement a WRAM/MCBA for the metered sales of non-residential customers is expressly conditioned on Valencia's commitment to file an application with the Commission proposing a Water SMART Program for dedicated irrigation customers by January 1, 2012.

j. Parties agree that the WRAM and MCBA will track revenues and expenses on a monthly basis. In order to convert the Commission's adopted annual metered revenue and purchased water and purchased power cost values, a monthly adjustment factor, shown in Table 1 of Attachment D will be used. Valencia calculated the monthly adjustment factor for revenues using the three year average of the monthly percentage of sales, and calculated the monthly adjustment factor for purchased water and purchased power using the three year average of monthly percentage of purchased water and purchased power costs, respectively. Parties stipulate to Valencia's monthly adjustment factors shown in Table 1 of Attachment D. DRA believes that the monthly adjustment factor for revenues should be calculated using the three year average of monthly revenue, and that the monthly adjustment factor for purchased water and purchased power should be calculated based upon the three year average of monthly purchased water and purchased power costs. However, the difference between these calculation methods was not material in this instance.

REFERENCES: DRA RO Report, p. 9-7; VWC Rebuttal (Milleman), pp. Tr. pp. 138:4-139:17, 154:6-183:4. Exhibit 49 describing the CUWCC's Best Management Practice 1.4 regarding Retail Water Service Rates.

2. Amortization Procedures for the WRAM and MCBA balancing accounts

ISSUE: Valencia proposed that the net balance of the WRAM/MCBA be amortized once the balance reached two percent of total recorded revenues and that recovery would be implemented by surcharges and surcredits on a volumetric basis. DRA recommended that Valencia follow the procedures from the Division of Water and Audits' Standard Practice ("SP") U-27-W for the amortization of balancing accounts, which requires quantity-based surcharges for undercollections and credits to the service charge of all customers for overcollections. DRA also articulated the position that Valencia should only report annually to the Commission on the WRAM and MCBA net balance because to do so any more frequently would create a workload problem.

RESOLUTION: The Parties agree that conservation rates may cause the amount of water consumed, and thus the cost of water production, to vary from adopted levels. The Parties further agree that the desired outcome and purpose of implementing WRAM and MCBA is to ensure that the utility and ratepayers are proportionally affected when conservation rates are implemented. In the context of this Supplemental Settlement Agreement, a proportional impact means that, if consumption is over or under the forecast level, the effect on either the utility or ratepayers (as a whole) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility or ratepayers are harmed, or benefited, at the expense of the other party.

The Parties agree that, until the earlier of such time that the Commission adopts a final decision establishing new procedures for the amortization of WRAM/MCBA by the Class A water utilities or the conclusion of the Pilot Program, Valencia will use the following procedures for amortization of the WRAM/MCBA. Valencia will:

- refund or collect the WRAM/MCBA balance no more frequently than six month intervals;
- amortize the WRAM/MCBA balance if it exceeds two percent of Valencia's last approved revenue requirement;
- follow SP U-27-W by refraining from amortizing any WRAM/MCBA balance that is less than two percent of Valencia's last approved revenue requirement;
- follow the time periods set forth in Decision 03-06-072, Appendix A, p. 3 (also described in SP U-27-W (Paragraph 56.b)); and

- follow Decision 03-06-072, Appendix A, p. 3, (also described in SP U-27-W (Paragraph 40)) by amortizing undercollections by a surcharge on the quantity rate and refunding overcollections by a surcredit to the service charge.

Consistent with Commission treatment of balancing accounts, pursuant to Decision 06-04-037, Ordering Paragraph 2, the amortization of WRAM/MCBA will not be subject to an earnings test. The Parties further agree that Valencia will place a separate line-item on each bill that identifies the WRAM/MCBA surcharge/surcredit.

REFERENCES: VWC Exh. 6 (Morse), p. 11; DRA RO Report, p. 9-33; VWC Rebuttal (Morse), p. 9-10; Tr. 113:9-26.

3. Pilot Program Reporting Requirements

ISSUE: In its RO Report, DRA recommended that Valencia provide certain additional information concerning the Pilot Program including usage, WRAM/MCBA surcredits and surcharges and various other factors that may have impacts on customer consumption. Although not opposed to the substance of DRA's proposed reporting requirements, Valencia argued that DRA already had other means of requesting and receiving all of the information it was requesting.

RESOLUTION: The Parties agree that, as a component of the Pilot Program, Valencia will provide the Commission with a report in its next GRC regarding the Pilot Program, as more fully described in Attachment C hereto. The Parties also agree to incorporate the following reporting requirements as a component of the Pilot Program:

a. The Parties agree that the amounts in the WRAM and MCBA accounts will be reported as follows:

- By March 31st of each year, Valencia will provide the Division of Water and Audits (with a copy to DRA) with a written report on the status of the WRAM and MCBA accounts as described herein.

- If the report shows an overcollection in the net WRAM/MCBA balance, Valencia will file an advice letter to amortize the balance within 30 days, unless Valencia has already filed for recovery or refund in the previous 6 months.

- Concurrent with Valencia's filing of any advice letter to recover the balance of the WRAM and MCBA accounts, Valencia will provide the Division of Water and Audits (with a copy to DRA) with a written report on the status of the WRAM and MCBA accounts as described herein.

- WRAM: The written report will include a section on the WRAM showing the revenue over- or under-collection with respect to actual (or recorded) water sales, by customer class, as of December 31st of the preceding calendar year. Differences between Total Adopted Quantity Revenues and Total Actual Quantity Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.

- MCBA: The written report will include a section on the MCBA comparing Total Adopted MCBA Costs with Total Actual MCBA Costs as of December 31st of the preceding calendar year. Differences between Total Adopted MCBA Costs and Total Actual MCBA Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.

b. The Parties agree that the net balances of the WRAM and MCBA accounts will be resolved in the following manner:

- The WRAM and MCBA accounts will always be considered together for the purposes of determining the need for additional revenue recovery from, or for refunds to, ratepayers and will be netted prior to any refund or recovery.

- Valencia will track revenues in the WRAM account by customer class for analysis purposes, but implementation of a surcharge or surcredit will be done considering the net balance of the WRAM and MCBA accounts for all customer classes included in the WRAM/MCBA.

REFERENCES: DRA RO Report, pp. 9-34 to 9-35; VWC Rebuttal (Morse), p. 14; Tr. 97:27-99:24, 102:8-14, 207:18-209:3.

4. <u>Disposition of Existing Purchased Power and Purchased Water Balancing Accounts</u>

ISSUE: Valencia currently has a purchased power and a purchased water balancing accounts (Existing Accounts). The Existing Accounts will no longer be needed once the new MCBA is in place starting in 2011, and the MCBA will replace the existing accounts. Valencia's Application recommended that the balance in the Existing Accounts as of December 31, 2010 be transferred into the MCBA. Valencia also expressed concern that if the Existing Accounts were closed and the balances were below 2% of recorded revenues, then Standard Practice U-27-W would prevent Valencia from ever recovering these balances. DRA recommended keeping the Existing Accounts separate so that any surcharges or surcredits would be timely collected or refunded from these accounts.

RESOLUTION: The Parties agree that Valencia should be authorized to file a tier 1 advice letter to amortize the December 31, 2010 balances in the Existing Accounts even if the balances in the Existing Accounts are less than 2% of recorded revenues.

REFERENCES: VWC Exh 1 (Johnson), pp. 5-10; DRA RO Report, p. 9-34; VWC Rebuttal (Morse), pp. 8-9; Tr: 182:22-183:4, 209:9-26.

Respectfully submitted,

DIVISION OF RATEPAYER ADVOCATES

By: ______________________

Joe Como, Chief Counsel
DIVISION OF RATEPAYER ADVOCATES

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Dated: August 13, 2010

Respectfully submitted,

VALENCIA WATER COMPANY

By: ______________________

Greg Milleman
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VALENCIA WATER COMPANY

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Dated: August 13, 2010

# Revised Draft of Valencia's Proposed Variance Tariff

Residential Water SMART Allocation Program - Variance

The Water Smart Allocation program is applicable to all individually metered residential water service. The Water SMART Allocation program is based on four (4) people per home and the specific landscaped area of each customer's lot. While the Water SMART program is designed specifically for each individual customer, there may be instances when a customer needs a modified Water SMART allocation. These situations will be administered through the Variance Process described in this tariff.

**Variances**

**1. Grounds for Variance**
Variances are classified as either indoor or outdoor variance. Each type of variance is subject to different rules. Proof acceptable to Valencia Water Company (the Company) will be required for each variance. Variances may be inspected and/or require periodic renewal. The Company will document its conclusions pertaining to whether a variance is accepted, amended or denied. The Company reserves the right to rescind any and all variances granted if in violation with this tariff.

**2. Indoor Variances Allowed**
The following indoor variance are allowed once approved by the Company

**a. Number of people residing in the individually metered residential home**
(Water SMART allocation standard set at four (4) people per home)

1. Each additional two (2) people in a residential home will increase the monthly allocation by 750 gallons per month.
   - Up to four (4) people is 6500 gallons per month
   - Five (5) to six (6) people is 7250 gallons per month
   - Seven (7) to eight (8) people is 8000 gallons per month
   - Additional 750 gallons per month for each additional two (2) people over eight (8)
2. All variance requests are subject to proof of residency that is acceptable to the Company (e.g. birth certificates, school records, etc.).

3. As a condition to approving a variance request of nine (9) people or greater in a residential home, the Company will require a residential water survey of the home.
4. Approved Variances for additional people are valid for two (2) years and must be resubmitted on or before the expiration date to remain in effect.

**b. Licensed Care Facilities (in an individually metered residential home)**

1. A current license from the appropriate agency will be required.
2. A licensed 24 hour care facility will be allocated increases based on additional people per residential home at 1,000 gallons per month per two additional persons.
3. A licensed day care facility (not 24 hour) will be allocated increases based on additional people per residential home at 750 gallons per month per additional person.
4. Additional special medical needs will be determined as stated below in 2.c.
5. Approved Variances for Licensed Care Facilities are valid for one (1) year and must be resubmitted on or before the expiration date to remain in effect.

**c. Medical Needs**

1. Variance approval for increased allocations will be determined based on the type of medical needs as defined by a medical provider. Approval will be contingent upon medical documentation substantiating the requested variance amount.

2. Approved Variances for medical needs are valid for two (2) years and must be resubmitted on or before the expiration date to remain in effect.

**3. Outdoor Variances Allowed**

The following outdoor variances are allowed once approved by the Company

**a. Landscaped Area**

1. The Landscaped Area (LA) assigned to a residential customer will be changed so that the water allocation is based on the actual landscaped area maintained and irrigated by the residential customer, but limited to a maximum of 10,000 square feet of (LA).
2. The LA will exclude customer owned property that is maintained and irrigated by another (e.g. HOA or LMD).
3. Swimming pools are considered part of the LA.
4. It is the obligation of the customer to provide the Company with acceptable documentation of the actual landscaped area served. This will consist of a two dimensional 8.5" x 11" drawing/sketch. The drawing

must show the overall lot and the foot print of the house, hardscaped areas and landscaped areas.

5. If the landscaped area cannot be confirmed by the Company using County property tax assessor information and goggle earth, or its equivalent, the Company will perform a field verification of the landscaped area.

**b. Fire Control Zones**

Changed allocations will be approved by the Company for residential customer maintained and irrigated Fire Control Zones (FCZ) based on such factors as area, slope, planting material, etc as defined by the local fire department. Approval will be contingent upon fire department documentation substantiating the requested variance amount.

**4. Non Variance Items**

The following cases are not considered variances.

**a.** Edible Crops.
**b.** Filling (or refilling) swimming pools and spas.
**c.** Large dogs.

**5. Effect of Approved Variance to Water SMART Allocation**

Approved variances will extend each tier of the residential Water SMART Allocation structure by the approved number of increased gallons (or equivalent ccf's).

**6. How to Request a Variance**

**a.** Call in, walk in or web request
**b.** Complete and signing form
**c.** Submit all other documentation as defined above in this tariff.

**7. Effective Date and Termination Date of Variance**

**a.** An approved variance will become effective within thirty (30) days of receipt of the variance request.
**b.** Approved variances are valid for the period specified above in this tariff.
**c.** Approved variances valid for a specified time period automatically terminate upon change of ownership of the residence.

**8. Variance Renewals**

**a.** Approved variances with a specified termination date must be resubmitted on or before the expiration date to remain in effect.
**b.** Variance renewals follow the same process as the original variance as defined above in this tariff.

**9. Customer Variance Grievance Procedure**
If a variance request response from the Company is not in compliance with this tariff, a customer may request mediation with the California Public Utilities Commission. The Commission will review the basis of the variance request discrepancy and provide judgment in accordance with its findings.

# Valencia Water Company
# **Water SMART** Program
## Variance Request

Name: ______________________ Account Number: ______________________

Service Address: ______________________

Daytime Phone: ______________________ E-mail address: ______________________

*For Approval/ Denial Notification*

This form is to request an allocation greater than the standard amount Valencia Water Company (VWC) uses for your type of home. If you believe you need an increased allocation based on the criteria listed below, you must complete and return this form. The **Water SMART** Program is designed to serve as a tool to help you identify problems such as leaks or over-watering. Using water efficiently helps save you money on your water bill and comply with the state mandate to reduce per capita water consumption by 20% by 2020. Variances may be approved for any of the following reasons and are subject to periodic review by VWC.

☐ **Additional landscape area:**

*(The landscaped area allocated to your property is shown on your water bill, located above the graph, on the top left).*

Current Allocation ______________ Sq Ft Additional Allocation Requested ______________ Sq Ft

You must also submit a two (2) dimensional sketch. Show dimensions in feet and the total area in square feet. Include the surface area of pool and spa but ***do not include hardscape area (i.e. driveways, patios) as part of the landscape total.*** You may use the back of this form for your sketch. Additional information may be requested including a water audit.

☐ **Additional people in household:**

Current Allocation ______4______ Additional Allocation Requested ______________

When requesting this variance, you must attach proof of permanent residency for each person in the household. Proof may be children's birth certificates, school records, blank checks with preprinted name and address, copies of income tax returns, driver's license, lease agreements, etc. Additional information may be requested, including a water audit at your home. Increased allocations for additional occupants must be renewed every two (2) years. Forms will be mailed to you for this purpose.

☐ **Other (As listed in Valencia's Variance Tariffs):**

There may be instances where an increased allocation on a permanent or temporary basis may be appropriate. If you believe that is the case, please provide the details below and attach any documentation you may have. Our Customer Service Department will contact you regarding your request within 30 business days.

______________________

______________________

______________________

*In most cases, if approved, variances will be applied starting with your next bill.*

I have completed this form and affirm that I am the above account holder and the information contained herein, including attachments, is complete and accurate. I may be liable for back charges for providing false information. Further, I understand that VWC reserves the right to inspect and/ or rescind all variances granted.

Please return to:
Attn: Variance Request
Valencia Water Company
24631 Avenue Rockefeller
Valencia, CA 91355

______________________
Signature Date

*(VWC Personnel Only)*

Denied________ Approved________ Signature______________________ Date

ATTACHMENT A

RATES ARE ILLUSTRATIVE

**Valencia & DRA settlement rates**
Valencia Residential Rate Design (New Dataset)
12 months of data through Aug 2009
Updated to include all customers and revised inputs from Supplemental Settlement Agreement

**Single Quantity Rate** **(as originally proposed in GRC application)**
**1.334 Present rates 2010**
**1.551 Proposed rates 2011**

| Rate Tiers | % budget | 2010 Rates ($/CCF)* | 2011 Rates ($/CCF)* | 2010 original rates* $/CCF |
|---|---|---|---|---|
| 1 | Indoor | $ 1.12 | $ 1.30 | *$1.13* |
| 2 | Indoor to 100 | $ 1.33 | $ 1.55 | *$1.33* |
| 3 | 101-150 | $ 1.67 | $ 1.94 | *$1.87* |
| 4 | 151-200 | $ 2.17 | $ 2.52 | *$2.80* |
| 5 | <200 | $ 2.82 | $ 3.28 | *$4.90* |

*rates are based on original GRC application SQR's.

**Revenue Comparison**

| Total (tiered budget) | Total SQR | Percent Tiered>SQR |
|---|---|---|
| $ 7,947,747 | $ 7,945,203 | 0.03% |

| | Consumption by Tier 12 mo ccf | % of total | Revenue by Tier* 12 mo $ | % of total |
|---|---|---|---|---|
| Tier 1 | 2,323,978 | 39.02% | $ 2,604,157 | 32.77% |
| Tier 2 | 2,739,353 | 45.99% | $ 3,654,297 | 45.98% |
| Tier 3 | 624,001 | 10.48% | $ 1,040,522 | 13.09% |
| Tier 4 | 166,287 | 2.79% | $ 360,469 | 4.54% |
| Tier 5 | 102,305 | 1.72% | $ 288,303 | 3.63% |
| Total | 5,955,924 | 100.00% | $ 7,947,747 | |

*revenue and revenue comparison uses 2010 rates

| Rate Tier ( | % of SQR | | *original ratio* |
|---|---|---|---|
| Tier 1 | 0.84 | Times SQR | *0.85* |
| Tier 2 | 1 | Times SQR | *1* |
| Tier 3 | 1.25 | Times SQR | *1.4* |
| Tier 4 | 1.3 | Times Tier 3 | *1.5* |
| Tier 5 | 1.3 | Times Tier 4 | *1.75* |

Changes in consumption by tier from original SMART program:

| | |
|---|---|
| Tier 1 | reduced from 47% to 39% |
| Tier 2 | increased from 42% to 46% |
| Tier 3 | increased from 8% to 10.5% |
| Tier 4 | increased from 1.8% to 2.8% |
| Tier 5 | increased from .89% to 1.72% |

Note: This schedule in its original format was included in Valencia's Application in Exhibit 5 page 5-22.

**Attachment C to Supplemental Settlement Agreement between DRA and Valencia**

**Pilot Program Reporting Requirements**

Valencia stipulates that it will provide the following data in its next GRC application.

1. The following table lists the categories of data that Valencia included in workpaper "res rate design workpaper oct 22 2009.xlsx" in the present application as well as additional categories of data that Valencia will provide for each individually metered residential customer in the next GRC:

| Column in file "res rate design workpaper oct 22 2009.xlsx" | Variable |
|---|---|
| J | Month |
| J | Year |
| A | APN parcel number |
| E | Device number |
| C | Present read date |
| D | Indoor allocation (ccf) |
| E | Outdoor allocation (ccf) |
| G | Evapotranspiration factor for the billing period |
| H | Lot size |
| New (not listed in file "res rate design workpaper oct 22 2009.xlsx") | Landscaped area |
| K | Percent of landscaped area covered by pool |
| L | Year residence built |
| M, N, O, P | Tier width (ccf) for each tier 1 through 4 |
| Q, R, S, T, U | Actual use (ccf) for each tier 1 through 5 |
| I | Total water budget per month (ccf) |
| V, F | Total recorded use per month (ccf) |
| W, X, Y, Z, AA | Amount billed in each tier ($) |
| AB | Total quantity charges at tiered rates ($) |
| AC | Total quantity charges at uniform rate ($) |
| AH | Total use per month (ccf) / Total water budget per month (ccf) |

2. Revenue neutrality calculation
3. Surcredits and surcharges implemented in amortizing WRAM/MCBA net balance
4. Number of residential disconnections for nonpayment each year from 2009
5. Identification of any weather or supply interruption that might contribute to consumption changes
6. Number of Complaints related to Tier names
7. Any other ratemaking area-specific factor that might contribute to consumption changes
8. Brief narrative explaining
   a. Lessons learned from Valencia's implementation of the Water SMART program to date
   b. Valencia's own analysis of the Water SMART program, with particular emphasis on the rate design and whether it has been effective at encouraging conservation
   c. Whether Valencia plans to continue the pilot program, or components of the pilot program, and an explanation of why.

REFERENCES: Exhibit 5 p. 5-22; Exhibit 35, p.9-34, line18 through p. 9-35, line 18.

**Attachment D to Supplemental Settlement Agreement between DRA and Valencia**

**PRELIMINARY STATEMENTS**



## I. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT (WRAM/MCBA)

1. Purpose

The purpose of the WRAM/MCBA Balancing Accounts is to track the difference between Commission Approved water revenue and actual water revenues along with Commission approved supply expenses versus actual supply expense for future disposition. These accounting mechanisms are part of a pilot program including conservation rate design. The pilot program will be reviewed in Valencia's General Rate Case proceeding that is scheduled to be filed on January 1, 2013.

2. Applicability

The WRAM Balancing Account and MCBA apply to all ratemaking areas within Valencia Water Company.

3. Definitions

A. WRAM-eligible revenue is all General Metered revenue from the quantity rate. General Metered revenue is revenue generated from customers under the quantity rates in Schedule No. 1-R "Residential General Metered Service", Schedule No. 1-NR "Non-Residential General Metered Service" and Schedule No. 5 "Recycled and Untreated Water Service".

B. Recorded WRAM-eligible revenue is all quantity rate revenue billed to General Metered customers in a particular period.

C. Adopted WRAM-eligible revenue is all Commission approved metered usage related revenue.

D. Non WRAM revenue includes service charges, public and private fire charges, unmetered miscellaneous revenues, deferred revenue and surcharges and surcredits.

E. MCBA-eligible supply expenses are all purchased water expense and purchased power expense, including recycled water.

F. Adopted MCBA-eligible expenses are all Commission approved purchased water expense and purchased power expense, including recycled water.

G. Recorded MCBA-eligible expenses are all purchased water expense and purchased power expense, including recycled water.

**PRELIMINARY STATEMENTS**
(Continued)



**I. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT (WRAM/MCBA)**

4. Accounting Procedure

   A. The following entries will be recorded monthly to the WRAM Balancing Account:

      1. Recorded WRAM-eligible revenue
      2. Adopted WRAM-eligible revenue
      3. Total net WRAM balance = (1) minus (2)

   B. The following entries will be recorded monthly in the MCBA:

      1. Recorded purchased water cost,
      2. Adopted purchased water cost,
      3. Difference between (1) and (2),
      4. Recorded purchased power cost,
      5. Adopted purchased power cost,
      6. Difference between (4) and (5), and
      7. Total net MCBA balance = (3) + (6).

   C. The Adopted WRAM-eligible revenues, and Adopted MCBA-eligible expenses shall use the monthly conversion factors shown in A.9.

5. VWC shall record the accumulated WRAM Balance monthly, by adding its entry in section I.4.A.3, to the prior accumulated month balance. VWC will record the accumulated MCBA Balance, by adding its entry in Section I.4.B.7 to the prior month's accumulated balance. VWC shall apply interest to the average net balance in the WRAM and MCBA accounts at a rate equal to one twelfth the interest rate on three month Commercial Paper for the previous month as reported in the Federal Reserve Statistical Release, H.15. or its successor. Accumulated interest will be included in the amount on which interest is charged, but will be identified as a separate component of the WRAM and MCBA accounts.

6. Net WRAM and net MCBA will be combined to evaluate surcharge/surcredit for all General Metered customers (customers on Schedule No. 1-R, 1-NR, and 5).

7. Effective Date

The WRAM/MCBA Balancing Account shall go into effect on the effective date of Advice Letter ________.

**PRELIMINARY STATEMENTS**
(Continued)



**I. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT WRAM/MCBA)**

8. Reporting and Disposition

A. By March 31st of each year, Valencia will provide the Division of Water and Audits (with a copy to DRA) with a written report on the status of the WRAM and MCBA accounts as described herein.

1. If the report shows an overcollection in the net WRAM/MCBA balance, Valencia will file an advice letter to amortize the balance within 30 days, unless Valencia has already filed for recovery or refund in the previous 6 months.
2. Concurrent with Valencia's filing of any advice letter to recover the balance of the WRAM and MCBA accounts, Valencia will provide the Division of Water and Audits (with a copy to DRA) with a written report on the status of the WRAM and MCBA accounts as described herein.
3. WRAM: The written report will include a section on the WRAM showing the revenue over- or under-collection with respect to actual (or recorded) water sales, by customer class, as of December 31st of the preceding calendar year. Differences between Total Adopted Quantity Revenues and Total Actual Quantity Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.
4. MCBA: The written report will include a section on the MCBA comparing Total Adopted MCBA Costs with Total Actual MCBA Costs as of December 31st of the preceding calendar year. Differences between Total Adopted MCBA Costs and Total Actual MCBA Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.

B. The net balances of the WRAM and MCBA accounts will be resolved in the following manner:

1. The WRAM and MCBA accounts will always be considered together for the purposes of determining the need for additional revenue recovery from, or for refunds to, ratepayers, and will be netted prior to any refund or recovery.
2. Valencia will track revenues in the WRAM account by customer class for analysis purposes, but implementation of a surcharge or surcredit will be done considering the net balance of the WRAM and MCBA accounts for all customer classes included in the WRAM/MCBA.

C. Valencia will use the following procedures for amortization of the WRAM/MCBA:

1. Refund or collect the WRAM/MCBA balance no more frequently than six month intervals.
2. Amortize the WRAM/MCBA balance if it exceeds two percent of Valencia's last approved revenue requirement.
3. Follow SP U-27-W by refraining from amortizing any WRAM/MCBA balance that is less than two percent of Valencia's last approved revenue requirement.
4. Follow the time periods set forth in Decision 03-06-072, Appendix A, p. 3 (also described in SP U-27-W (Paragraph 56.b)).
5. Follow Decision 03-06-072, Appendix A, p. 3, also described in SP U-27-W (Paragraph 40)) by amortizing undercollections by a surcharge on the quantity rate and refunding overcollections by a surcredit to the service charge.

**PRELIMINARY STATEMENTS**
(Continued)



**I. WATER REVENUE ADJUSTMENT MECHANISM/MODIFIED COST BALANCING ACCOUNT WRAM/MCBA)**

9. Monthly Adjustment Factors.

The annual adopted revenues, purchase water costs and purchase power costs power cost shall be converted to monthly adopted value by using the following Monthly Adjustment Factors:

| Month | Revenues | Water Costs | Power Costs |
|---|---|---|---|
| January | 6% | 5% | 7% |
| February | 5% | 4% | 5% |
| March | 5% | 7% | 5% |
| April | 5% | 7% | 5% |
| May | 7% | 11% | 6% |
| June | 9% | 12% | 8% |
| July | 11% | 13% | 9% |
| August | 12% | 10% | 12% |
| September | 13% | 10% | 11% |
| October | 11% | 9% | 14% |
| November | 9% | 7% | 10% |
| December | 7% | 5% | 8% |
| Total | 100% | 100% | 100% |

10. Rate Changes.

Whenever a rate change is implemented that affects adopted WRAM revenues and/or adopted MCBA costs, the change in monthly WRAM revenue and MCBA cost for the first two months after its effective date should be pro-rated to reflect standard billing lag according to the following formula:

$$1^{st}\text{ month Effective \%} = \frac{(\text{Days in Month 1} - \text{Start Day of month} + 1)^2}{2 * (\text{Days in Month 1})^2}$$

$$2^{nd}\text{ month Effective \%} = 1 - \frac{(\text{start day of month 1} - 1)^2}{2 * (\text{days in month 1}) * (\text{days in month 2})}$$

(END OF APPENDIX B)

APPENDIX A
1 of 1
VALENCIA WATER COMPANY

Summary of Earnings
Dollars

| | Adopted At Present Rates 2011 | Adopted At Present Rates 2012 | Adopted 2011 Rates 2012 | Adopted At Authorized Rate of Return 2011 | Adopted At Authorized Rate of Return 2012 |
|---|---|---|---|---|---|
| Operating Revenues | | | | | |
| Water Service Revenues | 25,240,259 | 25,649,181 | 26,690,764 | 26,265,501 | 27,168,105 |
| Miscellaneous Service Revenues | 18,324 | 18,324 | 18,324 | 18,324 | 18,324 |
| Amortization of Deferred Revenues | 72,217 | 70,215 | 70,215 | 72,217 | 70,215 |
| Total Revenues | 25,330,801 | 25,737,721 | 26,779,303 | 26,356,043 | 27,256,645 |
| Operating Expenses | | | | | |
| Payroll Expense | 2,115,095 | 2,142,591 | 2,142,591 | 2,115,095 | 2,142,591 |
| Purchased Potable Water | 7,685,980 | 8,281,982 | 8,281,982 | 7,685,980 | 8,281,982 |
| Purchased Recycled Water | 183,883 | 183,883 | 183,883 | 183,883 | 183,883 |
| Purchased Power | 2,283,091 | 2,506,975 | 2,506,975 | 2,283,091 | 2,506,975 |
| Operation Labor and Expenses | 66,797 | 68,560 | 68,560 | 66,797 | 68,560 |
| Miscellaneous Source of Supply Expense | 0 | 0 | 0 | 0 | 0 |
| Maintenance of Wells | 168,711 | 173,165 | 173,165 | 168,711 | 173,165 |
| Maintenance of Pumping Equipment | 144,897 | 148,722 | 148,722 | 144,897 | 148,722 |
| Misc Water Treatment Expenses | 130,633 | 156,582 | 156,582 | 130,633 | 156,582 |
| Water Quality Improvement Program | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 |
| Chemicals and Filtering Materials | 77,334 | 79,376 | 79,376 | 77,334 | 79,376 |
| Meter Expenses | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous T&D Expenses | 71,914 | 73,812 | 73,812 | 71,914 | 73,812 |
| Maint of Reservoirs and Tanks | 103,686 | 106,424 | 106,424 | 103,686 | 106,424 |
| Maintenance of T&D Mains | 578,778 | 594,058 | 594,058 | 578,778 | 594,058 |
| Maintenance of Services | 248,216 | 254,769 | 254,769 | 248,216 | 254,769 |
| Maintenance of Meters | 55,318 | 56,778 | 56,778 | 55,318 | 56,778 |
| Maintenance of Hydrants | 46,888 | 48,126 | 48,126 | 46,888 | 48,126 |
| Customer Records and Collection | 295,650 | 308,914 | 308,914 | 295,650 | 308,914 |
| Uncollectible Accounts | 71,859 | 73,023 | 77,600 | 75,036 | 77,600 |
| Office Supplies and Other Expenses | 428,529 | 439,842 | 439,842 | 428,529 | 439,842 |
| Property Insurance | 757,290 | 786,278 | 786,278 | 757,290 | 786,278 |
| Injuries and Damages | 59,499 | 61,070 | 61,070 | 59,499 | 61,070 |
| Employee Pensions and Benefits | 482,613 | 507,567 | 507,567 | 482,613 | 507,567 |
| Franchise Requirements | 346,826 | 350,840 | 378,867 | 366,349 | 378,867 |
| Regulatory Commission Expense | 145,667 | 145,667 | 145,667 | 145,667 | 145,667 |
| Outside Services Employed | 330,270 | 338,989 | 338,989 | 330,270 | 338,989 |
| Miscellaneous General Expenses | 460,709 | 471,725 | 471,725 | 460,709 | 471,725 |
| Maintenance of General Plant | 135,091 | 138,658 | 138,658 | 135,091 | 138,658 |
| Administrative Expenses Transferred | (53,780) | (55,200) | (55,200) | (53,780) | (55,200) |
| Stores Expenses Clearing | 12,092 | 12,412 | 12,412 | 12,092 | 12,412 |
| Transportation Expense | 136,803 | 134,172 | 134,172 | 136,803 | 134,172 |
| Tools and Work Equipment Clearing | 77,828 | 79,883 | 79,883 | 77,828 | 79,883 |
| Total Operation and Maint Expense | 17,828,167 | 18,849,642 | 18,882,247 | 17,850,867 | 18,882,247 |
| Depreciation Expense | 2,685,223 | 2,718,217 | 2,718,217 | 2,685,223 | 2,718,217 |
| Expense Amortizations | 17,754 | 17,754 | 17,754 | 17,754 | 17,754 |
| Property Taxes | 455,982 | 451,109 | 451,109 | 455,982 | 451,109 |
| Payroll Taxes | 185,636 | 189,309 | 189,309 | 185,636 | 189,309 |
| Current State Income Tax | 247,440 | 203,364 | 292,557 | 336,064 | 334,754 |
| Current Federal Income Tax | 805,301 | 642,072 | 934,002 | 1,119,367 | 1,096,298 |
| Deferred Tax Expense | (79,983) | (92,928) | (92,928) | (79,983) | (92,928) |
| Amortization Of Investment Tax Credits | (9,487) | (9,487) | (9,487) | (9,487) | (9,487) |
| Total Operating Expense | 22,136,032 | 22,969,052 | 23,382,779 | 22,561,423 | 23,587,272 |
| Net Operating Revenue | 3,194,769 | 2,768,669 | 3,396,524 | 3,794,620 | 3,669,373 |
| Rate Base | 45,828,738 | 44,316,100 | 44,316,100 | 45,828,738 | 44,316,100 |
| Rate of Return, Percent | 6.97% | 6.25% | 7.66% | 8.28% | 8.28% |

(END OF APPENDIX C)

APPENDIX B
1 OF 1

VALENCIA WATER COMPANY

Adopted Rate Base, Dollars

| | 2011 | 2012 |
|---|---|---|
| ADDITIONS TO RATE BASE | | |
| Utility Plant in Service | 164,315,526 | 165,684,908 |
| Construction Work in Progress (company funded) | 2,432,400 | 2,432,400 |
| Materials and Supplies | 354,922 | 354,922 |
| Working Cash | 614,725 | 618,045 |
| Deferred Debits | 432,832 | 339,499 |
| TOTAL ADDITIONS TO RATE BASE | 168,150,406 | 169,429,774 |
| LESS DEDUCTIONS FROM RATE BASE: | | |
| Reserve for Depreciation | 48,513,258 | 52,529,087 |
| Reserve for Amortization of Limited Term Investments | 27,040 | 32,794 |
| Advances for Construction | 12,748,285 | 12,046,019 |
| Contributions in Aid of Construction | 59,663,245 | 59,100,596 |
| Accumulated Deferred Federal Income Taxes, Depn. Timing Diff. | 4,208,203 | 4,121,747 |
| Accumulated Deferred Taxes, Taxable Advances for Construction | (3,143,355) | (2,986,097) |
| Accum Def Taxes, Taxable Advances for Const Treated as Loans | 1,178,514 | 1,124,780 |
| Accumulated State Def Taxes, Taxable Contributions | (456,696) | (454,332) |
| Accumulated Federal Def Taxes, Taxable Contributions | (1,256,910) | (1,214,526) |
| Unamortized Investment Tax Credits | 96,757 | 89,557 |
| Deferred Revenues | 743,327 | 724,048 |
| TOTAL DEDUCTIONS FROM RATE BASE | 122,321,668 | 125,113,675 |
| NET RATE BASE | 45,828,738 | 44,316,100 |

(END OF APPENDIX D)

APPENDIX C
1 of 2

VALENCIA WATER COMPANY

Adopted Quantities

| | | 2011 | 2012 |
|---|---|---|---|
| **General Metered Service** | | | |
| Number of Customers by Meter Size | 5/8X3/4 | 984 | 984 |
| | 3/4 | 24,577 | 24,815 |
| | 1 | 448 | 448 |
| | 1-1/2 | 418 | 418 |
| | 2 | 2,065 | 2,135 |
| | 3 | 111 | 111 |
| | 4 | 50 | 50 |
| | 6 | 19 | 19 |
| | 8 | 6 | 6 |
| | 10 | 4 | 4 |
| | Total | 28,682 | 28,990 |
| Water Sales, Ccf | | 13,480,306 | 13,694,768 |
| Water Sales, Acre Feet | | 30,946.52 | 31,438.86 |
| Water Production, Acre Feet | | 32,158.91 | 32,670.54 |
| Unaccounted-for, Acre Feet | | 1,212.39 | 1,231.68 |
| Unaccounted-for, Percent of Production | | 3.77% | 3.77% |
| Purchased Water, Percent of Production | | 50.00% | 50.00% |
| Purchased Water, Acre Feet | | 16,079.46 | 16,335.27 |
| Castaic Lake Water Agency Rate, $/AF | | $478.00 | $507.00 |
| Total Potable Purchased Water Expense | | $7,685,980 | $8,281,982 |
| **Untreated/Recycled Metered Service** | | | |
| Number of Customers by Meter Size | 2 | 8 | 8 |
| | 6 | 1 | 1 |
| | 10 | 1 | 1 |
| | Total | 10 | 10 |
| Water Sales, Ccf | | 185,956 | 185,956 |
| Water Sales, Acre Feet | | 426.90 | 426.90 |
| Water Production, Acre Feet | | 426.90 | 426.90 |
| Pumped Water, Well 159, Acre Feet | | 31.34 | 31.34 |
| Balance , Purchased Water, Acre Feet | | 395.56 | 395.56 |
| Castaic Lake Water Agency Recycled Rate, $/ AF | | $474.63 | $488.22 |
| Recycled Purchased Water Expense | | $187,743 | $193,119 |
| **Purchased Power** | | | |
| Total Water Pumped, Acre Feet | | 32,190.25 | 32,701.88 |
| Kwh/AF | | 522 | 522 |
| Pumping Power, Kwh | | 16,787,431 | 17,054,248 |
| Purchased Electricity Cost, $/Kwh | | $0.136000 | $0.147000 |
| Purchased Power Expense | | $2,283,091 | $2,506,975 |
| **Fire Services Customers by Pipe Size** | 2 | 83 | 86 |
| | 4 | 146 | 155 |
| | 6 | 819 | 845 |
| | 8 | 276 | 289 |
| | 10 | 35 | 36 |
| | 12 | 7 | 7 |
| Uncollectibles Rate, Percent of Revenue | | 0.2847% | 0.2847% |
| Franchise Tax Rate, Percent of Revenue | | 1.3900% | 1.3900% |
| Property Tax Rate, Percent of Rate Base | | 0.88% | 0.88% |
| Federal Tax Rate | | 34.00% | 34.00% |
| State Corp Franchise Rate | | 8.84% | 8.84% |

APPENDIX C
2 of 2

VALENCIA WATER COMPANY

Adopted Quantities

Customers and Average Usage by Customer Class

| | Average Customers | | Average Usage, Ccf | |
|---|---|---|---|---|
| | 2011 | 2012 | 2011 | 2012 |
| GENERAL METERED SERVICE | | | | |
| Residential | 25,499 | 25,718 | 250.0 | 250.0 |
| Multi Family Residential | 571 | 590 | 1,335.6 | 1,335.6 |
| Commerical Without Magic Mountain | 863 | 905 | 1,158.1 | 1,158.1 |
| Magic Mountain | 1 | 1 | 490,525.0 | 490,525.0 |
| Industrial | 382 | 383 | 1,964.1 | 1,964.1 |
| Public Authorities | 65 | 67 | 5,860.6 | 5,860.6 |
| Dedicated Irrigation | 1,276 | 1,301 | 2,880.4 | 2,880.4 |
| Meter Construction | 25 | 25 | 1,853.9 | 1,853.9 |
| Total, General Metered Water Service | 28,682 | 28,990 | | |
| UNTREATED/RECYCLED WATER SERVICE | | | | |
| TPC Golf Course | 1 | 1 | 156,498.8 | 156,498.8 |
| Vista Valencia Golf Course Untreated/ Recycled | 1 | 1 | 9,480.8 | 9,480.8 |
| Other Untreated/ Recycled | 8 | 8 | 2,497.0 | 2,497.0 |
| Total, Untreated/ Recycled Water Service | 10 | 10 | | |
| Private Fire Protection Service Customers | 1,366 | 1,418 | | |
| TOTAL WATER SERVICE CUSTOMERS | 30,058 | 30,418 | | |

(END OF APPENDIX E)

APPENDIX D
1 of 1

VALENCIA WATER COMPANY

Income Taxes

| | Adopted At Present Rates 2011 | Adopted At Present Rates 2012 | Adopted 2011 Rates 2012 | Adopted At Authorized Rate of Return 2011 | Adopted At Authorized Rate of Return 2012 |
|---|---|---|---|---|---|
| STATE INCOME TAXES | | | | | |
| Base Rate Water Service Revenues | 25,240,259 | 25,649,181 | 26,690,764 | 26,265,501 | 27,168,105 |
| Other Water Revenues | 18,324 | 18,324 | 18,324 | 18,324 | 18,324 |
| Total Taxable Revenues, State | 25,258,584 | 25,667,505 | 26,709,088 | 26,283,825 | 27,186,430 |
| Deductions, State | | | | | |
| Operating Expenses | 17,828,167 | 18,849,642 | 18,882,247 | 17,850,867 | 18,882,247 |
| Expense Amortizations | 17,754 | 17,754 | 17,754 | 17,754 | 17,754 |
| Tax Dep'n & Net Salvage Ded, State | 2,531,954 | 2,419,197 | 2,419,197 | 2,531,954 | 2,419,197 |
| Taxes Other than Income | 641,618 | 640,418 | 640,418 | 641,618 | 640,418 |
| Interest Expense | 1,440,000 | 1,440,000 | 1,440,000 | 1,440,000 | 1,440,000 |
| Subtotal, Deductions, State | 22,459,494 | 23,367,012 | 23,399,616 | 22,482,194 | 23,399,616 |
| Taxable Income, CCFT | 2,799,090 | 2,300,493 | 3,309,472 | 3,801,631 | 3,786,813 |
| CCFT Rate | 8.84% | 8.84% | 8.84% | 8.84% | 8.84% |
| Current California Corp Franchise Tax | 247,440 | 203,364 | 292,557 | 336,064 | 334,754 |
| FEDERAL INCOME TAXES | | | | | |
| Taxable Income, CCFT | 2,799,090 | 2,300,493 | 3,309,472 | 3,801,631 | 3,786,813 |
| Plus Tax Dep'n & Net Salvage Ded, St | 2,531,954 | 2,419,197 | 2,419,197 | 2,531,954 | 2,419,197 |
| Less Tax Dep'n & Net Salvage Ded, Fed | 2,603,490 | 2,553,067 | 2,553,067 | 2,603,490 | 2,553,067 |
| Less Prior Year Current CCFT | 318,840 | 247,440 | 336,064 | 318,840 | 336,064 |
| Less Production Activities Tax Deduction | 40,182 | 30,738 | 92,475 | 119,000 | 92,475 |
| Taxable Income, Federal | 2,368,531 | 1,888,447 | 2,747,064 | 3,292,255 | 3,224,405 |
| Federal Income Tax Rate | 34.00% | 34.00% | 34.00% | 34.00% | 34.00% |
| Current Federal Income Taxes | 805,301 | 642,072 | 934,002 | 1,119,367 | 1,096,298 |
| Plus Def Tax Exp, Dep'n Timing Diff | (79,983) | (92,928) | (92,928) | (79,983) | (92,928) |
| Amortization Of Investment Tax Credits | (9,487) | (9,487) | (9,487) | (9,487) | (9,487) |
| Total Federal Income Tax Expense | 715,830 | 539,656 | 831,586 | 1,029,896 | 993,882 |
| Current California Corp Franchise Tax | 247,440 | 203,364 | 292,557 | 336,064 | 334,754 |
| Total Income Tax Expense | 963,270 | 743,020 | 1,124,143 | 1,365,960 | 1,328,636 |

(END OF APPENDIX F)

APPENDIX E
1 of 1

VALENCIA WATER COMPANY

Non-Residential Bill Comparisons
2011
Monthly Bill, Dollars

| Usage in Ccf | Present Rates | 2011 Rates | Increase Dollars | Percent |
|---|---|---|---|---|
| | 3/4-INCH METER | | | |
| 0 | $12.97 | $13.93 | $0.95 | 7.36% |
| 5 | $19.74 | $20.84 | $1.10 | 5.55% |
| 10 | $26.51 | $27.75 | $1.24 | 4.67% |
| 15 | $33.28 | $34.66 | $1.38 | 4.15% |
| 20 | $40.05 | $41.57 | $1.52 | 3.80% |
| 25 | $46.82 | $48.49 | $1.66 | 3.56% |
| 30 | $53.59 | $55.40 | $1.81 | 3.37% |
| 40 | $67.13 | $69.22 | $2.09 | 3.11% |
| 50 | $80.67 | $83.05 | $2.38 | 2.94% |
| 60 | $94.21 | $96.87 | $2.66 | 2.82% |
| 70 | $107.75 | $110.70 | $2.94 | 2.73% |
| 80 | $121.29 | $124.52 | $3.23 | 2.66% |
| 90 | $134.83 | $138.34 | $3.51 | 2.60% |
| 100 | $148.37 | $152.17 | $3.80 | 2.56% |

2012
Monthly Bill, Dollars

| Usage in Ccf | 2011 Rates | 2012 Rates | Increase Dollars | Percent |
|---|---|---|---|---|
| | 3/4-INCH METER | | | |
| 0 | $13.93 | $13.79 | -$0.13 | -0.95% |
| 5 | $20.84 | $20.90 | $0.07 | 0.32% |
| 10 | $27.75 | $28.01 | $0.26 | 0.95% |
| 15 | $34.66 | $35.12 | $0.46 | 1.33% |
| 20 | $41.57 | $42.23 | $0.66 | 1.59% |
| 25 | $48.49 | $49.34 | $0.86 | 1.77% |
| 30 | $55.40 | $56.45 | $1.06 | 1.91% |
| 40 | $69.22 | $70.67 | $1.45 | 2.10% |
| 50 | $83.05 | $84.89 | $1.85 | 2.22% |
| 60 | $96.87 | $99.11 | $2.24 | 2.32% |
| 70 | $110.70 | $113.33 | $2.64 | 2.38% |
| 80 | $124.52 | $127.56 | $3.03 | 2.44% |
| 90 | $138.34 | $141.78 | $3.43 | 2.48% |
| 100 | $152.17 | $156.00 | $3.83 | 2.51% |

Bill comparisons include CPUC Fee.

(END OF APPENDIX G)

APPENDIX F
1 OF 1

VALENCIA WATER COMPANY

| | Present Rates | 2011 Rates | Increase | Percent |
|---|---|---|---|---|
| **METERED SERVICE** | | | | |
| Non-Residential General Metered Service, All water, per 100 cu. ft. .. | $1.334 | $1.362 | $0.028 | 2.10% |
| Residential General Metered Service, All water, per 100 cu. ft. | | | | |
| Tier 1 | | $1.144 | | |
| Tier 2 | | $1.362 | | |
| Tier 3 | | $1.703 | | |
| Tier 4 | | $2.214 | | |
| Tier 5 | | $2.878 | | |
| Untreated/ Recycled Service, All Water, Per 100 cu. ft. .................... | $1.120 | $1.144 | $0.024 | 2.14% |
| Service Charge Rates, Per Meter Per Month | | | | |
| For 5/8 x 3/4-inch meter ........................................................ | $8.52 | $9.15 | $0.63 | 7.39% |
| For 3/4-inch meter ................................................................ | $12.78 | $13.72 | $0.94 | 7.36% |
| For 1-inch meter .................................................................. | $23.85 | $22.87 | -$0.98 | -4.11% |
| For 1-1/2-inch meter ............................................................ | $44.35 | $45.75 | $1.40 | 3.16% |
| For 2-inch meter .................................................................. | $63.05 | $73.19 | $10.14 | 16.08% |
| For 3-inch meter .................................................................. | $122.75 | $137.24 | $14.49 | 11.80% |
| For 4-inch meter .................................................................. | $190.00 | $228.73 | $38.73 | 20.38% |
| For 6-inch meter .................................................................. | $340.00 | $457.45 | $117.45 | 34.54% |
| For 8-inch meter .................................................................. | $543.75 | $731.92 | $188.17 | 34.61% |
| For 10-inch meter ................................................................ | $728.75 | $1,052.14 | $323.39 | 44.38% |
| For 12-inch meter ................................................................ | $1,009.00 | $1,509.59 | $500.59 | 49.61% |
| For 14-inch meter ................................................................ | $1,331.00 | $2,058.53 | $727.53 | 54.66% |
| **PRIVATE FIRE PROTECTION SERVICE** | | | | |
| Per Service Connection Per Month | | | | |
| For each 2 inch diameter service connection .................................... | $22.30 | $22.30 | $0.00 | 0.00% |
| For each 4 inch diameter service connection .................................... | $32.30 | $32.30 | $0.00 | 0.00% |
| For each 6 inch diameter service connection .................................... | $46.10 | $46.10 | $0.00 | 0.00% |
| For each 8 inch diameter service connection .................................... | $61.50 | $61.50 | $0.00 | 0.00% |
| For each 10 inch diameter service connection .................................. | $126.90 | $126.90 | $0.00 | 0.00% |
| For each 12 inch diameter service connection .................................. | $183.80 | $183.80 | $0.00 | 0.00% |
| For each 14 inch diameter service connection .................................. | $249.90 | $249.90 | $0.00 | 0.00% |

(END OF APPENDIX H)