

PRELIMINARY STATEMENT

A. Territory Served by the Utility

The area in which service is or will be furnished by this utility under its main extension rule is described below and is delineated on the service area map(s) shown on or attached to the tariff sheet(s) following:

The service area is approximately 19 square miles in northern Los Angeles County. It is partly within the incorporated City of Santa Clarita and within portions of the unincorporated communities of Castaic, Newhall, Saugus, Stevenson Ranch, and Valencia. The service area lies only within the Castaic Lake Water Agency service area boundaries. (T)  
(T)  
(T)

B. Types and Classes of Service

The types and classes of service furnished are set forth in each rate schedule under the designation "Applicability".

C. Description of Service

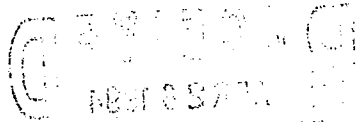
The characteristics of the service furnished are indicated in Rule No. 2, Description of Service.

D. Procedure to Obtain Service

Service as described herein will be furnished to any person or corporation whose premises are within the utility's service area, provided application is made in accordance with Rule No. 3, Application for Service; credit is established as required in Rule No. 6, Establishment and Re-establishment of Credit; customer's piping and valves are installed as required in Rule No. 16, Service Connections, Meters, and customer's Facilities, under "Customer's Responsibility"; and a contract is signed in those certain circumstances specified in Rule No. 4, Contracts.

Where an extension of the utility's mains is necessary, Rule No. 15, Main Extensions, applies, and if the project is of a temporary or speculative nature, Rule No. 13, Temporary Service, is applicable.

Applicants for service and customers must also conform to and comply with the other established rules as provided herein.



(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 58

Robert DiPrimio  
NAME

Date Filed DEC 21 1993

Decision No. \_\_\_\_\_

Managing Director  
TITLE

Effective APR 28 1994

Resolution No. \_\_\_\_\_

Valencia Water Company  
24631 Avenue Rockefeller  
Valencia, CA 91355  
Los Angeles County

Canceling Revised  
Original Cal. P.U.C. Sheet No. 530-W  
Original Cal. P.U.C. Sheet No. 8-6

PRELIMINARY STATEMENT  
(Continued)

E. Symbols

Whenever tariff sheets are refiled, changes will be identified by the following symbols:

- (C) To signify changed listing, rule or condition which may affect rates or charges.
- (D) To signify discontinued materials, including listing, rate, rule or condition.
- (I) To signify increase.
- (L) To signify material relocated from or to other part of tariff schedules with no change in text, rate, rule or condition.
- (N) To signify new material including listing, rate, rule or condition.
- (R) To signify reduction.
- (T) To signify change in wording of text but not change in rate, rule or condition.

F. Military Family Relief Program (MFRP) Memorandum Account

(N)

1. The Company shall establish a Memorandum Account to provide for review and potential future recovery of reduced revenues resulting from implementation of its MFRP as described in Rule Number 22.

2. Charges to the Memorandum Account shall consist of MFRP credits on customer bills and the costs of publishing related notices and applications plus interest consistent with Commission Memorandum Account Procedures.

3. Credits to the Memorandum Account shall consist of amounts recovered through authorized surcharge collections plus interest consistent with Commission Memorandum Account Procedures.

4. The Company shall include cumulative balances in this Memorandum Account in its annual request for account review required by Commission Decision 03-06-072.

(N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

vice Letter No. 110

Robert J. DiPrimio  
NAME

Date Filed MAR 15 2006

Decision No. \_\_\_\_\_

President  
TITLE

Effective APR 26 2006

Resolution No. \_\_\_\_\_

PRELIMINARY STATEMENT  
(continued)

G. Low-Income Ratepayer Assistance Memorandum Account

1. Purpose: The purpose of this memorandum account is to track the costs and lost revenues of this program against the surcharge revenues collected.
2. The following entries will be made monthly to the LIRA memorandum account:
  - a) The recorded reduction in billed service charge revenues given to qualified customers for service provided under Schedule No. LIRA (debit);
  - b) LIRA program costs of performing incremental activities which would not have been incurred absent the LIRA program and which have not been reflected in authorized rates (debit);
  - c) Recorded surcharge revenues collected from non-qualifying customers (credit);
  - d) Franchise fees and uncollectible account expense, based on a) and c) above and the adopted rates for franchise fees and uncollectible accounts expense (debit or credit);
  - e) Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release (debit or credit).

H. Cost of Capital Proceeding Memorandum Account

(N)

The Cost of Capital Litigation Memorandum Account includes the incremental costs incurred by Valencia Water Company limited to incremental non-employee resources engaged in litigating the cost of capital proceeding Application 09-05-002 to determine the just and reasonable cost of capital for base year 2010. These costs are eligible for recovery in the next general rate case amortized over the life of the rate case cycle after Valencia Water Company makes a persuasive showing in the next general rate case that the costs were incremental, reasonable, and prudently controlled and managed.

(N)

(To be inserted by utility)

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Advice Letter No. 126

Robert J. DiPrimio  
NAME

Date Filed AUG - 6 2009

Decision No. 09-07-038

President  
TITLE

Effective JUL 30 2009

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**  
(continued)

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

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.

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(To be inserted by utility)

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(To be inserted by Cal. P.U.C.)

Decision Letter No. 132

Keith Abercrombie  
NAME

Date Filed JAN 13 2011

Decision No. 10-12-029

General Manager  
TITLE

Effective FEB - 1 2011

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**  
(continued)

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

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. WWC shall record the accumulated WRAM Balance monthly, by adding its entry in section I.4.A.3, to the prior accumulated month balance. WWC will record the accumulated MCBA Balance, by adding its entry in Section I.4.B.7 to the prior month's accumulated balance. WWC 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 No. 132. (N)

(continued)

(To be inserted by utility)

*Issued by*

(To be inserted by Cal. P.U.C.)

Advice Letter No. 132

Keith Abercrombie  
NAME

Date Filed JAN 13 2011

Decision No. 10-12-029

General Manager  
TITLE

Effective FEB - 1 2011

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

(continued)

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

**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 MCBA's 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.

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(N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 132

Keith Abercrombie  
NAME

Date Filed JAN 13 2011

Decision No. 10-12-029

General Manager  
TITLE

Effective FEB - 1 2011

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

(continued)

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

(N)

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:

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

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

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(N)

(To be inserted by utility)

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Advice Letter No. 132

Keith Abercrombie  
NAME

Date Filed JAN 13 2011

Decision No. 10-12-029

General Manager  
TITLE

Effective FEB - 1 2011

Resolution No. \_\_\_\_\_

**PRELIMINARY STATEMENTS**

(continued)

**J. WATER QUALITY LITIGATION MEMORANDUM ACCOUNT (WQLMA)**

The Water Quality Litigation Memorandum Account (WQLMA) includes expenses resulting from water contamination litigation in accordance with Resolution W-4094 dated March 26, 1998. Reasonable costs recorded in the WQLMA are eligible for recovery in a subsequent general rate case application or in accordance with Commission policy.

**K. TAX RELIEF, UNEMPLOYMENT INSURANCE REAUTHORIZATION AND JOB CREATION ACT OF 2010 MEMORANDUM ACCOUNT**

(N)

1. Purpose

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 Memorandum Account ("2010 Tax Act Memorandum Account") is established in accordance with CPUC Resolution L-411A. The purpose of this memorandum account is to track on a CPUC-jurisdictional, revenue requirement basis the impacts of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("The New Tax Law") not otherwise reflected in rates from April 14, 2011 until the effective date of the revenue requirement changes in the Utility's next General Rate Case ("Memo Account Period"). The Utility shall record in this memorandum account: (a) decreases in revenue requirement resulting from increases in deferred tax reserve; (b) offsets to reflect additional costs or expenses, not otherwise recovered in rates, incurred as a result of additional utility infrastructure investment enabled by the bonus depreciation provisions of the New Tax Law, to the extent allowed by Ordering Paragraph 5 of Resolution L-411A; and (c) amounts to reflect the impacts of any decrease in Section 199 deductions resulting from bonus depreciation taken, changes in working cash resulting from the New Tax Law, and any other direct changes in revenue requirement resulting from the Utility's taking advantage of the New Tax Law.

The 2010 Tax Act Memorandum Account shall be used in determining whether any future rate adjustment is appropriate to reflect impacts of the New Tax Law during the Memo Account Period. This memorandum account shall not be used to recover any net revenue requirement increase recorded during the Memorandum Account Period. If, at the end of the Memo Account Period, this memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.

The following limits allowed by Ordering Paragraph 5 of Resolution L-411A apply to the additional needed utility infrastructure investments that may be tracked in the 2010 Tax Act Memorandum Account: (a) the property in which the investment is made must be Commission-jurisdictional; (b) the property in which the investment is made must itself be eligible for bonus depreciation; (c) at least 90% of the investment must have a tax depreciable life of at least 15 years, and any remaining investments must be ancillary to such investment; and (d) if a utility determines that it would be best to invest in something other than the typical types of projects included in general rate case type applications, the utility must file an application or advice letter seeking Commission approval in order to record the revenue requirement impact of that investment as an offset in the memorandum account.

(N)

(continued)

(To be inserted by utility)

*Issued by*

(To be inserted by Cal. P.U.C.)

Advice Letter No. 138-A

Keith Abercrombie  
NAME

Date Filed AUG 15 2011

Decision No. \_\_\_\_\_

General Manager  
TITLE

Effective APR 14 2011

Resolution No. L-411A

**PRELIMINARY STATEMENTS**

(continued)

**K. TAX RELIEF, UNEMPLOYMENT INSURANCE REAUTHORIZATION AND JOB CREATION ACT OF 2010 MEMORANDUM ACCOUNT** (N)

2. Applicability

The 2010 Tax Memorandum Account applies to each ratemaking area within Utility's service area tracking the revenue requirement impact of each change resulting from the New Tax Law.

3. Memorandum Account Entries

The entries made to the 2010 Tax Act Memorandum Account may include the following:

- a. Debit for decrease in revenue requirement resulting from increase in deferred tax reserve.
- b. Credit for increase in revenue requirement resulting from the impact of any decrease in Section 199 deductions resulting from bonus depreciation taken.
- c. Credit or debit for increase or decrease, respectively, in revenue requirement resulting from the impact of any calculations in working cash resulting from the New Tax Law or from bonus depreciation taken.
- d. Credit or debit for increase or decrease, respectively, in revenue requirement resulting from any other direct change in revenue requirement resulting from the Utility's taking advantage of the New Tax Law.
- e. Credit for increase in revenue requirement resulting from additional Utility infrastructure investment consistent with the limitations set forth by Order Paragraph 5 of Resolution L-411A and detailed in Purpose of this Preliminary Statement.
- f. Balances in the Tax Memorandum Account will accrue interest at the 90-day commercial paper rate.

This is a memorandum account that is to be tracked "off balance sheet," and no general ledger entries are required at this time. At such time that the Commission rules that the Utility is required to make an adjustment to its revenue requirement and rates, as a result of the tax impacts not otherwise reflected in rates, the Utility will make the appropriate entries in its general ledger.

4. Disposition

In the Utility's next General Rate Case (GRC), or at such other time as ordered in that GRC decision, the Commission shall address the disposition of amounts (a) recorded in the 2010 Tax Act Memorandum Account and (b) forecast for the remainder of the Memo Account Period, and may cause any net revenue requirement decrease to be reflected in prospective rates.

(N)

(To be inserted by utility)

*Issued by*

(To be inserted by Cal. P.U.C.)

Advice Letter No. 138-A

Keith Abercrombie  
NAME

Date Filed AUG 15 2011

Decision No. \_\_\_\_\_

General Manager  
TITLE

Effective APR 14 2011

Resolution No. L-411A