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**Valencia Water Company Sets Sept. 1 for Special Meeting on
Rate Adjustment to Recover Drought-Related Revenue Shortfall**
Surcharge Increase Required for Basic Operations and System Maintenance

VALENCIA, Calif. (July 19, 2016) – Valencia Water Company (VWC) is proposing an increase in one area of its rate structure to recover a more than \$5 million decline in revenue due primarily to a significant drop in water sales caused by increased conservation over the past year.

As currently proposed, the increase in the Revenue Adjustment Surcharge will result in a temporary increase of approximately **\$8.54** per month for the typical Valencia Water Company customer. The increase, if approved by VWC’s board of directors in a special public meeting on Sept. 1, will remain in effect as long as needed to recover the revenue shortfall.

Even with the temporary increase, Valencia Water Company rates will continue to be the lowest in the Santa Clarita Valley.

“Valencia Water Company, like any water agency, requires a minimum level of revenue to operate and maintain its system. Unfortunately, when water sales decline by 20 percent because of extended and state-mandated conservation, we must adjust our rates to ensure we have sufficient revenue to maintain a reliable and high-quality water delivery system,” said VWC General Manager Ken Petersen.

The Revenue Adjustment Surcharge provides financial stability to VWC when revenue is insufficient to meet expenses due to unforeseen revenue shortfalls, and assists with funding water conservation programs mandated by state law.

A public meeting of the Board of Directors to consider the surcharge increase will be held at 6:30 p.m. Thursday, Sept. 1, at Valencia High School Multi-Purpose Room, 27801 N. Dickason Drive, Valencia, Calif. If approved by the board, the new surcharge rate will go into effect Oct. 1. This meeting was originally scheduled for June, but was postponed to ensure all VWC customers are receiving notification of the meeting. VWC officials anticipate recovering the shortfall within a year, depending on the pace of water sales. There are no changes to general metered rates or monthly service charges.

Before considering an increase in the Revenue Adjustment Surcharge, VWC officials took significant efforts to reduce costs wherever possible without compromising the integrity and reliability of the water system.

Petersen commends customers for extraordinary water conservation during California's extreme extended drought, which is now entering its fifth year.

"We recognize, however, the unique situation that extended, mandated water conservation creates for water agencies like Valencia Water Company. We can usually manage a short-term campaign to save water, but a prolonged and dramatic reduction in water sales resulting from multiple years of exceptional drought ultimately has had a very significant impact on our operating revenues," Petersen said. "Valencia Water Company oversees a very reliable and safe water system – we simply need a minimum level of revenue to keep it safe and reliable."

VWC officials are reaching out to many large-volume water users to review the surcharge adjustment and to assist them in improving their water-use efficiency efforts. Additional information about the proposed increase is available on VWC's website:

www.valenciawater.com.

Key Facts About the Proposed Revenue Adjustment Surcharge

- General metered rates do not change.
- Monthly service charges do not change.
- Valencia Water Company rates will remain the lowest in the Santa Clarita Valley.
- The only proposed change is to the Revenue Adjustment Surcharge. Implemented in 2011, the surcharge provides financial stability to VWC when revenue is insufficient to meet expenses due to unforeseen revenue shortfalls.
- VWC has experienced a 20 percent decline in revenue due to the extended, mandated water conservation required because of extreme drought conditions in California. Voluntary conservation of 20 percent began in 2014, mandatory conservation of 24 percent began in 2015.
- As currently proposed, the change in the surcharge will result in an increase of approximately **\$8.54** per month for the typical VWC customer. This equates to about 42.7¢ per billing unit (748 gallons) or roughly 1/17th of 1¢ per gallon used.
- The increase is needed to recover more than \$5 million in revenue shortfalls that have already occurred.
- The increase will remain in effect as long as needed to recover the revenue shortfall already experienced by VWC. The shortfall is expected to be recovered in about one year.
- Prior to the proposed increase, VWC took several cost-saving steps to reduce the size of the proposed adjustment surcharge increase. Cost-efficiency measures taken over the past year and a half include:
 - Adjusting and optimizing operations to take advantage of lower power rates during non-peak hours;
 - Implementation of an automatic meter reading system conversion plan;
 - Digitization of plans, maps and other materials to avoid paper and storage costs;
 - Purchase and use of more time-efficient laboratory equipment;
 - Mobile computers for field staff allowing for digital communications and data collection;
 - Purchase and use of valve exercise equipment and the expansion of the valve maintenance program; and,
 - Aggressive pursuit of insurance recovery for property damage from mainline breaks, reducing repair costs paid by customers.

About Valencia Water Company

Valencia Water Company serves approximately 97,300 people in the Santa Clarita Valley, including Valencia, Stevenson Ranch and portions of Newhall, Saugus and Castaic. Valencia supplies its customers with high-quality water supplied from local wells and from imported supplies. Valencia has served the Santa Clarita Valley since 1965. Valencia Water Company can be reached at: www.valenciawater.com or 661-294-0828.

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