

**Valencia Water Company  
Proposed Revenue  
Adjustment Surcharge  
October 1, 2016**

# Valencia Water Company

- Formed in 1954 as Saugus Water Company
- Incorporated in 1965 as Valencia Water Company
- Over 31,000 customer connections
- 370 miles of pipeline, 22 wells, 25 storage tanks
- High value on customer service

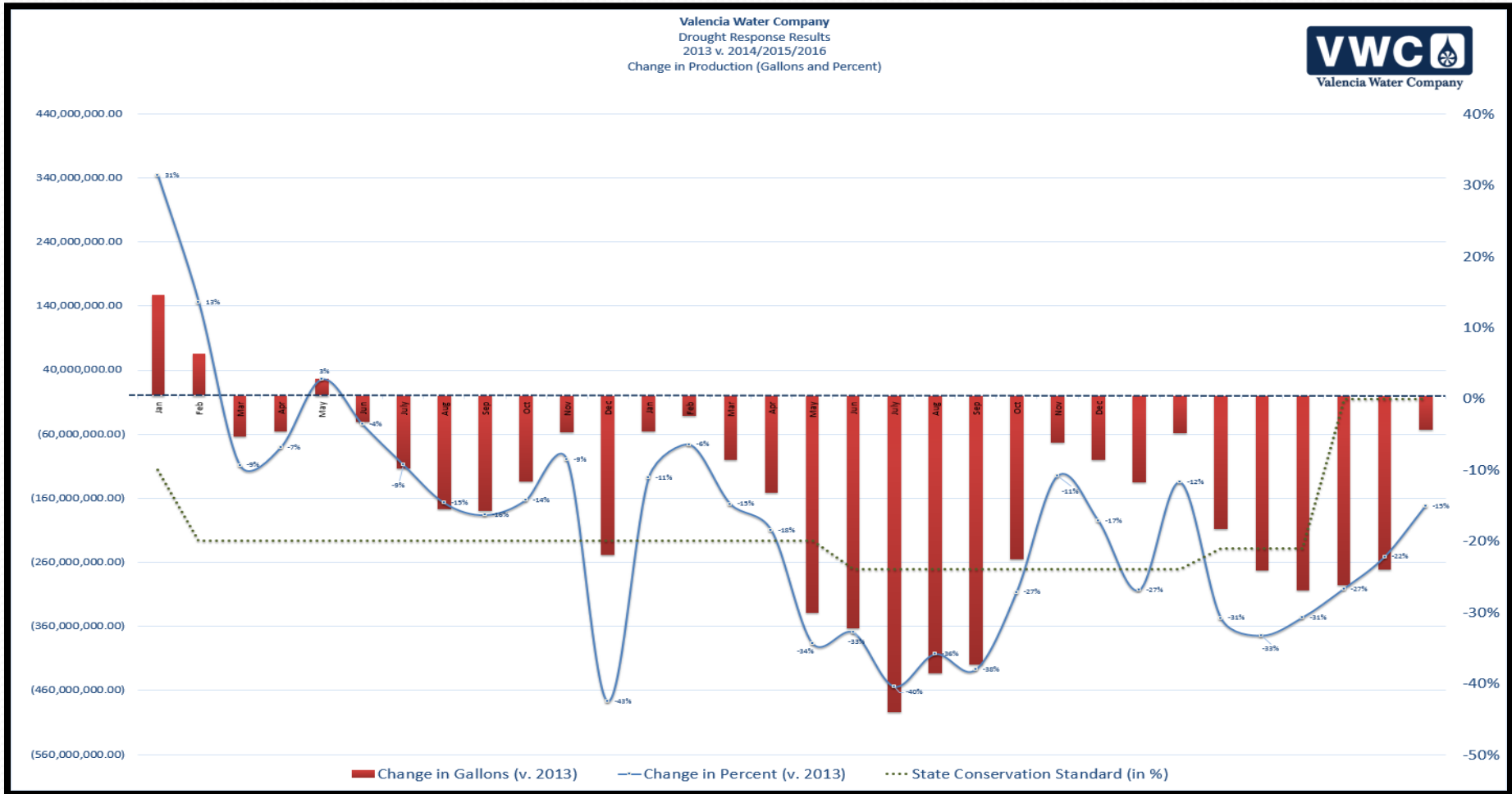
# Drought and Conservation

- State of California Declared Drought Emergency in January 2014
  - 2014 20% Statewide Voluntary Conservation
  - 2015 25% Statewide Mandatory Conservation
    - 2015-2016 VWC 24% Conservation Standard
- VWC customers conserved 31% from June to December 2015, compared to same period in 2013
- Exceeded the 24% State mandated requirement

# Conservation Achievements

- State Water Resources Control Board Drought Recognition
  - Dec. 2014 – Noteworthy South Coast Conservation Achievements
  - July 2015 – Top Performer
  - October 2015 – Noteworthy Supplier Achievement
- Successes in conservation have resulted in financial challenges

# Conservation Achievements (cont.)



- 2014 = 820,812,152 Gallons Saved
- 2015 = 2,815,352,640 Gallons Saved
- 2016 = 1,545,596,014 Gallons Saved
- Total = 5,181,760,806 Gallons Saved

# Conservation Outlook

- February 2, 2016 – Extension of Emergency Regulation
- May 9, 2016 - “Making Water Conservation a California Way of Life”
- May 18, 2016 - Updated the Feb. Emergency Regulation Due to Improved Supply Conditions
- January 10, 2017 – Issue Draft Framework of New Water Use Targets
- Senate Bill No. 7
  - Long-term Water Use Efficiency
  - 20% Reduction in GPCD by 2020

# Drought Impact on Revenues

- State-mandated use restrictions reduced water consumption
- Accumulated shortfall in revenue of over \$5 million
- Majority of the costs to maintain the infrastructure are fixed
- Adequate revenues are needed to cover total operating costs

# Revenue Stabilization Account

Revenue Stabilization Account (RSA) tracks:

- Discrepancies between projected and actual revenues, and related changes in purchased water and power costs
- Impact of delays in implementation of last rate increase



# Revenue Stabilization Account (cont.)

- RSA ensures funding necessary to provide high-quality water service, and to implement conservation and incentive programs for ratepayers
- Revenue Adjustment Surcharge
- General Metered Rates will remain unchanged
- VWC monitors activity in the RSA on an ongoing basis

# Current and Proposed Commodity Charge

**Table 1 - Current and Proposed Commodity Charge, S/Ccf**

		Present Rates			Proposed Rates		
		General Metered Rate	Revenue Adjustment Surcharge	Total Commodity Rate	General Metered Rate	Revenue Adjustment Surcharge	Total Commodity Rate
General Metered Service		\$1.598	\$0.088	\$1.686	\$1.598	\$0.515	\$2.113
Residential	Tier 1	\$1.342	\$0.088	\$1.430	\$1.342	\$0.515	\$1.857
	Tier 2	\$1.598	\$0.088	\$1.686	\$1.598	\$0.515	\$2.113
	Tier 3	\$1.997	\$0.088	\$2.085	\$1.997	\$0.515	\$2.512
	Tier 4	\$2.597	\$0.088	\$2.685	\$2.597	\$0.515	\$3.112
	Tier 5	\$3.376	\$0.088	\$3.464	\$3.376	\$0.515	\$3.891
Dedicated Irrigation Meters	Tier 1	\$1.342	\$0.088	\$1.430	\$1.342	\$0.515	\$1.857
	Tier 2	\$1.598	\$0.088	\$1.686	\$1.598	\$0.515	\$2.113
	Tier 3	\$1.758	\$0.088	\$1.846	\$1.758	\$0.515	\$2.273
	Tier 4	\$2.021	\$0.088	\$2.109	\$2.021	\$0.515	\$2.536
	Tier 5	\$2.527	\$0.088	\$2.615	\$2.527	\$0.515	\$3.042
Untreated/Recycled Service		\$1.342	\$0.088	\$1.430	\$1.342	\$0.515	\$1.857

# Residential Monthly Bill Comparison (¾" Meter)



# Cost Saving Measures and Efficiency Improvements

VWC has already made significant efforts to cut costs and maximize efficiency

- Saved over \$600,000 in 2015 from reduced purchases of imported water
- Reduced power costs by optimizing electric rate schedules
- Insurance recovery for property damage from mainline breaks
- Automatic meter reading system conversion
- Digital atlas maps and centralized GIS based system
- Digitization of hard copy plans

# Cost Saving Measures and Efficiency Improvements (cont.)

- Digital communications and data collection for field operators
- GPS data capture of system assets
- Network-based intranet site for efficient and enhanced interdepartmental communications
- Valve exercise equipment and expansion of valve maintenance program
- Time saving laboratory equipment

# Ongoing System Maintenance and Improvements

- Valve exercising, repairs and replacements
- Service and production meter testing
- Well and booster station maintenance and repairs
- Tank recoating
- Asset inventory and management
- Fire hydrant maintenance
- Water main assessment
- Continuous improvement in customer service response time

# Across California – Conservation and Water Rates

**“LA DWP, other utilities to raise water rates because of drought”**

“Rates could spike for Coachella Valley Water District”  
-The Desert Sun

“In dry California, reward for water conservation is higher bills” - Reuters

**Higher water rates on tap as utilities cover losses from drought**

-San Francisco Chronicle

“Roseville proposes 21% percent hike in water rates”

-The Sacramento Bee

**Water rates, surcharges rise as cities, water agencies lose money in drought”**  
-San Gabriel Valley Tribune

**“California water rates rise as cities lose money in drought”**  
-Associated Press

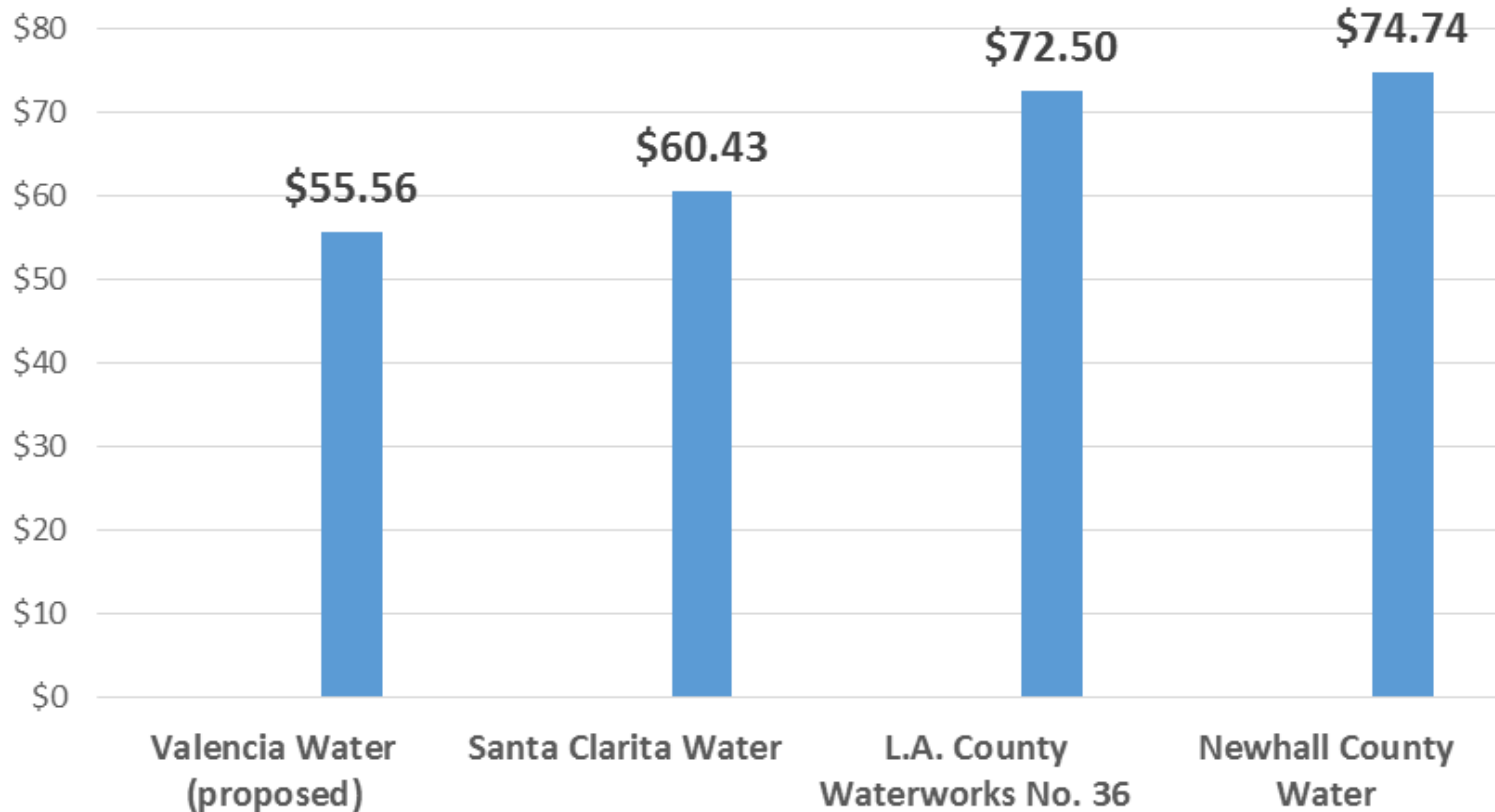
“Stockton to consider 26% percent water rate hike”

**Water rates to spike 16 percent in San Diego**  
-Union Tribune

**“Water rates on the rise across the Central Coast”**  
-KSBY.com

# Water Bill Comparison

2016 Average Residential Water Bill  
Based on 20 ccf of water consumption





# Next Steps

- Public comments
- Board of Directors consideration