

**VALENCIA WATER COMPANY**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALENCIA WATER  
COMPANY APPROVING A PROPOSED INCREASE TO THE REVENUE  
ADJUSTMENT SURCHARGE**

The Board of Directors of the Valencia Water Company (“Board”) does hereby resolve as follows:

**I.  
RECITALS**

**WHEREAS**, the Valencia Water Company (“VWC”) is a private water company that currently provides water service over 31 square miles of land to roughly 31,000 residential, commercial, and agricultural customer connections within the incorporated City of Santa Clarita as well as portions of Los Angeles County including the unincorporated communities of Castaic, Newhall, Saugus, Stevenson Ranch and Valencia, California.

**WHEREAS**, VWC’s Revenue Adjustment Surcharge was implemented in 2011 and is a surcharge to the commodity rate for all VWC customers. It provides financial stability to VWC, providing a source of revenue to make up for shortfalls in revenue projections from the prior rate assessment.

**WHEREAS**, on April 2, 2015, VWC held a special meeting of the Board of Directors open to the public that set VWC’s general metered rates through 2017.

**WHEREAS**, on May 5, 2015, the State Water Resources Control Board (“State Board”) issued Emergency Drought Regulations, which required the state’s urban water suppliers including VWC to make substantial reductions to their potable water use. In February, 2016, the emergency drought restrictions were extended by the State Board to January, 2017. On May 18, 2016 the State Board adopted amendments to its Emergency Drought Regulations that enabled VWC to eliminate its mandatory water use reduction targets, while leaving in place other water use restrictions.

**WHEREAS**, following the issuance of the State Board’s Emergency Drought Regulations in May, 2015, VWC experienced unforeseen revenue shortfalls primarily caused by losses of General Metered Rate revenues resulting from the water conservation mandated by the Emergency Drought Regulations, among other factors.

**WHEREAS**, VWC proposes to consider adopting an increase to the Revenue Adjustment Surcharge in an amount calculated to make up for the aforementioned revenue shortfalls. The proposed increase to the surcharge will have no effect on General Metered Rates, and is necessary to ensure VWC maintains the funding necessary to continue providing safe and reliable water service.

WHEREAS, the adopted Revenue Adjustment Surcharge increases are as follows in Tables 1-2 below:

**Table 1 - Current and Proposed Commodity Charge, \$/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	\$0.412	\$2.010
Residential	Tier 1	\$1.342	\$0.088	\$1.430	\$1.342	\$0.412	\$1.754
	Tier 2	\$1.598	\$0.088	\$1.686	\$1.598	\$0.412	\$2.010
	Tier 3	\$1.997	\$0.088	\$2.085	\$1.997	\$0.412	\$2.409
	Tier 4	\$2.597	\$0.088	\$2.685	\$2.597	\$0.412	\$3.009
	Tier 5	\$3.376	\$0.088	\$3.464	\$3.376	\$0.412	\$3.788
Dedicated Irrigation Meters	Tier 1	\$1.342	\$0.088	\$1.430	\$1.342	\$0.412	\$1.754
	Tier 2	\$1.598	\$0.088	\$1.686	\$1.598	\$0.412	\$2.010
	Tier 3	\$1.758	\$0.088	\$1.846	\$1.758	\$0.412	\$2.170
	Tier 4	\$2.021	\$0.088	\$2.109	\$2.021	\$0.412	\$2.433
	Tier 5	\$2.527	\$0.088	\$2.615	\$2.527	\$0.412	\$2.939
Untreated/Recycled Service		\$1.342	\$0.088	\$1.430	\$1.342	\$0.412	\$1.754

The existing Monthly Service Charges, shown in the Table 2 below, will also remain unchanged during 2016.

**Table 2 - Current Monthly Service Charge**

GENERAL METERED SERVICE		PRIVATE FIRE PROTECTION SERVICE	
For 5/8 x 3/4-inch meter	\$10.40	For each 2 inch diameter service connection	\$22.30
For 3/4-inch meter	\$15.60	For each 4 inch diameter service connection	\$32.30
For 1-inch meter	\$26.00	For each 6 inch diameter service connection	\$46.10
For 1-1/2-inch meter	\$52.00	For each 8 inch diameter service connection	\$61.50
For 2-inch meter	\$83.30	For each 10 inch diameter service connectio:	\$126.90
For 3-inch meter	\$156.10	For each 12 inch diameter service connectio:	\$183.80
For 4-inch meter	\$260.20	For each 14 inch diameter service connectio:	\$249.90
For 6-inch meter	\$520.30		
For 8-inch meter	\$832.60		
For 10-inch meter	\$1,196.80		
For 12-inch meter	\$1,717.10		
For 14-inch meter	\$2,341.60		

WHEREAS, VWC is dedicated to providing a public process that allows VWC's customers and other stakeholders to participate, provide feedback, and submit objections to the proposed action;

**WHEREAS**, VWC provided written notice of the original special meeting of the Board scheduled for June 2, 2016 by mail to affected properties and customers within VWC's service area on April 15, 2016. Prior to the June 2nd meeting, VWC staff discovered that the customer notice may not have been sent to all VWC customers. Out of an abundance of caution, to ensure all VWC customers and property owners have the opportunity to participate in VWC's public process, the VWC Board postponed the June 2, 2016 meeting to September 1, 2016, and ordered the issuance of a revised public notice ("Notice"). For the revised customer mailing list for the Notice, VWC combined separate lists that included every Valencia customer and every property owner within VWC's service area. VWC provided the revised Notice of the special meeting of the Board by mail to all affected property owners and customers on the combined list on July 15, 2016, inviting recipients and the general public to attend the special public meeting of the Board scheduled for September 1, 2016. The Notice was also posted on VWC's public website, at [www.valenciawater.com](http://www.valenciawater.com), on July 15, 2016. The Notice is hereby incorporated by reference into this Resolution;

**WHEREAS**, The Notice provided information regarding the proposed Revenue Adjustment Surcharge increase, the reasons for the proposed increase, how the amount of the increase was calculated, how to submit comments or objections to the proposed increase, and information regarding the time and location of the September 1, 2016 special meeting of the Board;

**WHEREAS**, The Notice also directed recipients to the VWC website, where VWC published a report entitled *Revenue Adjustment Surcharge Proposed Increase Effective October 1, 2016* ("RAS Report"). The RAS Report provides detailed information regarding the proposed Revenue Adjustment Surcharge increase, the reasons for the proposed surcharge increase, and how the proposed surcharge increase was calculated. A copy of the RAS Report was provided at VWC's offices for public inspection and was posted on VWC's website starting on July 15, 2016. The RAS Report is hereby incorporated by reference into this Resolution;

**WHEREAS**, The Notice and the original staff proposal to the Board indicated the increased amount of the Revenue Adjustment Surcharge should be 51.5 cents. The Board determined it would adopt a 20% reduction of the proposed increase at the September 1, 2016 public meeting, adopting a Revenue Adjustment Surcharge of 41.2 cents, as reflected in Table 1, above. The Board determined this reduction would not interfere with VWC's ability to continue providing reliable, high-quality water service to its customers;

**WHEREAS**, Both the original customer notice and the revised Notice provided instructions for submitting comments or objections to the proposed Revenue Adjustment Surcharge increase for customers and other interested members of the public. VWC received objections via U.S. mail, electronic mail, and in person at VWC's office. VWC continued to accept written objections up to and including the special meeting of the Board on September 1, 2016, up until the close of the public comment portion of the special meeting;

**WHEREAS**, Comments from customers and interested members of the public were heard by the Board, a presentation was provided by VWC staff, and a record of all statements and public comments was made by a stenographer at the special meeting of the Board on September 1, 2016.

**II.  
FINDINGS**

**THEREFORE**, based on the comments and evidence presented at the September 1, 2016 special meeting of the Board, the Board finds as follows:

1. As of February 27, 2014, VWC is no longer a private water utility regulated by the CPUC, pursuant to CPUC Decision No. 14-02-041.
2. VWC is not a local government agency or special district subject to the requirements of California Proposition 218 ("Prop 218") because, among other reasons, VWC is a private corporation. Prop 218 only applies to "local governments," "agencies," and "special districts," which are all defined as governmental entities distinct from private entities such as VWC. (*See* CAL. CONST. Art. XIII C, § 1; Art. XIII D, § 1).
3. The proposed increase to the Revenue Adjustment Surcharge is justified and supported by credible evidence, and will allow VWC to continue to provide reliable, high-quality water service.
4. The Board's adoption of this Resolution is exempt from the California Environmental Quality Act ("CEQA") because, among other reasons, VWC is not a "public agency" responsible for conducting a CEQA analysis, and the proposed rate increase is not a "project" under CEQA, insofar as it is not subject to any discretionary government approvals. (Pub. Res. Code §§ 21080(a), 21062, 21063; CEQA Guidelines §§ 15020-15022, 15379.)
5. The proposed rate increase complies with all applicable laws and regulations.
6. Each of the recitals in this Resolution is approved as a finding of fact.

**III.  
ADOPTION OF PROPOSED REVENUE ADJUSTMENT SURCHARGE INCREASES**

**NOW THEREFORE BE IT RESOLVED THAT**, under the authority of the Board as embodied under state law and the bylaws of VWC, the proposed Revenue Adjustment Surcharge increases to be implemented on October 1, 2016 are approved and adopted.

**RESOLVED FURTHER**, that any and all actions taken in furtherance of the matters authorized or contemplated in this Resolution by each member of the Board or any authorized employee or agent of VWC be, and hereby are, ratified, approved and confirmed.

**ADOPTED** this 1st day of September, 2016, by the following vote:

**AYES:** 5            **NOES:** -            **ABSENT:** -            **ABSTAIN:** -

I, the undersigned, hereby certify that I am the duly appointed Secretary of the Valencia Water Company, and that at a special meeting of the Board of VWC held on September 1, 2016,

the foregoing Resolution was duly adopted by the Board, and that said Resolution has not been rescinded or amended since the date of adoption, and that the Resolution is in full force and effect.

Date: September 1, 2016

  
Secretary

Approved as to Form and Legality:

  
VWC Special Counsel