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June 2015

Subject: Notice of a Water Rate Increase

Dear Paradise View Estates Customers,

In December 2012, Valencia Heights Water Company (Valencia) received notice that the Los Angeles County Waterworks (County) would be increasing their water rates and charges for the water we purchase to serve The Paradise View Estates; approximately eight percent (8%) each year, for each of the next five (5) years.

Effective January 1, 2015, the third year of the five (5) year increase became effective.

The Board of Directors is doing their best to control the continued increase in water rates; however, we cannot control the increase in the cost to purchase water. After a rate review, the Board concluded that an increase of the water charges; along with a pass-through of the monthly meter service charge would be necessary to meet the requirements of Valencia. The new water rates only cover the increased charges from the County from January 1, 2014.

***L A County Drought Surcharge Pass-Through**

>>>> Los Angeles County Drought Surcharge Rates <<<<

California is in the midst of a severe drought and on April 1, 2015, Governor Jerry Brown issued an Executive Order that requires water suppliers to reduce potable water use. In order to achieve the required reduction, the Los Angeles County Waterworks District has mandated an overall reduction of 36% in comparison to water used in 2013. Along with this required reduction, Metropolitan Water District (MWD) has enacted an Allocation surcharge for each acre-foot of water sold to County that is in excess of the County allocation. It is very important that this goal be reached by all of you as a community. All charges imposed on the Company will be passed through to those who use the water as shown in the water rate table below.

- Below, please find a table of Valencia rates and charges to become **effective July 8, 2015**, however, the water allocation charges become effective with the July 1, 2015 water usage.

*Allocation charges are based on the usage tiers for water purchased from Los Angeles County, and will be charged to Valencia for water service to the Paradise View Estates Development. These ADDED costs of water will be

passed on to those residents that fail to meet the 27% to 42% reduction as mandated by the County.

There is significant on-going debate

about the fairness of the County restrictions and surcharges. Should the County revise the current structure, Valencia Heights Water Company will do the same. Valencia will not impose any drought-related charges unless imposed by another agency.

2015 Residential Tier Water Rates for Malibu System

Units, 100 Cubic Feet (HCF)	VHWC Previous Water Rate \$/HCF	VHWC New Water Rate \$/HCF	L A County Drought <u>Surcharge</u> <u>e, Pass-through *</u>	Total Cost Per Unit
0-20	5.84	6.13	--	6.13
21-40	7.27	7.63	--	7.63
41-50	7.27	7.63	5.79	13.42
51-80	9.67	10.44	11.58	22.02
81-100	12.82	14.36	13.49	27.85
100+	15.39	17.70	13.49	31.19

Also, enclosed is a copy of our current drought regulations that apply to you.

If you should have any questions regarding this matter, please do not hesitate to call the office at (626) 332-8935.

The Board of Directors
Valencia Heights Water Company