

June 2010

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## General Rate Case Filed for Arden Cordova Customer Service Area

Golden State Water Company (GSWC) filed a General Rate Case (GRC) Application No. 10-01-009 with the California Public Utilities Commission (CPUC) in January 2010, to establish rates for the Arden Cordova Customer Service Area for the years 2011 and 2012. If approved, the new rates would cover the increasing costs to operate and maintain the local water systems and fund more than \$9.1 million in local capital investments critical to providing reliable, high quality water to the area. The Customer Service Area serves approximately 16,100 customers in the City of Rancho Cordova, the community of Gold River, and in an unincorporated area of Arden.

## Estimated Impact on Arden Cordova Customers' Bills

Normal CPUC ratemaking practices involve utilities recovering all of their cost increases in the first year of a ratemaking period, followed by much smaller increases primarily related to inflation. GSWC proposes an overall revenue increase of 29.9 percent in 2011 and 2.5 percent in 2012.

If approved in full, a residential customer with a 5/8-inch meter who uses 16 Ccf (1,600 cubic feet or 11,968 gallons), would experience an increase of approximately \$6.87 per month in 2011 (40.6 percent), and an additional \$0.65 per month in 2012 (2.7 percent). A flat rate residential customer bill would increase \$12.40 per month in 2011 (29.9 percent), and an additional \$1.30 per month in 2012 (2.4 percent).

As an alternative, GSWC proposed a levelized increase over the two years (21.1 percent in 2011 and 17.2 percent in 2012). Even if GSWC's proposed rate increase is approved, customers would still be paying less than a penny per gallon.

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## Reasons for the Rate Increase Proposal

The General Rate Case (GRC) for Arden Cordova forecasts how much the company will need to recover in rates for 2011 and 2012 to continue providing a reliable supply of high quality water.

Since the last GRC for Arden Cordova was filed in 2007, many costs have increased, while sales have decreased. Cost increases have occurred for items such as wholesale water, electricity, postage, liability insurance, depreciation, materials and supplies, cost of capital, general office support, labor and payroll taxes. The increase also is needed to fund additional water system improvements.

## List of Major Arden Cordova Capital Improvement Projects in the Filing

The company operates two water systems in the Arden Cordova Customer Service Area: the Arden Water System and the Cordova Water System. Water systems need ongoing investments to ensure water quality remains high, supplies are secure and customer service is never sacrificed. Since 2000, approximately \$27.4 Million has been invested in the local area.

The major capital improvements in this filing include, but are not limited to:

- Replacing more than two miles of aging distribution pipelines of varying diameter to reduce leaks, improve flow and fire protection
- Installing new meters, as required by law, to encourage water conservation
- Installing new equipment at water treatment plants to ensure a reliable supply of high quality water

2010 Proposed Capital Budget	\$2,848,800
2011 Proposed Capital Budget	\$3,173,060
2012 Proposed Capital Budget	<u>\$3,115,130</u>
<b>Total</b>	<b>\$9,136,990</b>

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## How GSWC Rates are Established

The CPUC regulates utilities to ensure adequate levels of service are provided at the lowest reasonable costs. The CPUC requires GSWC to file a GRC every three years.

The last GRC for the Arden Cordova Customer Service Area was filed in 2007 for the years 2008, 2009, and 2010. This time the GRC will only cover two years so all of GSWC's three regions in Northern, Central and Southern California will be on the same filing schedule in 2013.

## Timeline for the Arden Cordova General Rate Case

The review process for a GRC is approximately 14 months. The CPUC will take an in-depth look at GSWC's quality of service, revenues, expenses, and financial outlook. The CPUC is hosting a public participation hearing in the Arden Cordova Customer Service Area, at which time customers are encouraged to express their views. Commission hearings may occur where experts will testify and be cross-examined.

An Administrative Law Judge (ALJ) presides over all Commission hearings. The ALJ will prepare a proposed decision for comment. Finally, the Commission weighs all the evidence and issues a decision. Estimated timetable (exact dates to be determined):

<u>Activity</u>	<u>Date</u>
• Application	Jan. 13, 2010
• Newspaper notice	Feb. 5, 2010
• Customer notice	March 2010
• Public Participation Hearings	June 2010
• CPUC staff report	May 18, 2010
• ALJ proposed decision	September 2010
• Commission meeting	October 2010
• Rates effective	Jan. 1, 2011 – Dec. 31, 2012

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## GSWC Outreach Plans

GSWC is committed to keeping customers informed about changes in rates and providing tools and information to become more water efficient. As part of this GRC, GSWC :

- Hosted an **Open House** Feb. 4, 2010, at 6:30 p.m. at the Rancho Cordova City Hall, to provide customers a presentation about the 2010 GRC filing (additional meetings will be scheduled, if needed);
- Notified each Arden Cordova customer by mail in March 2010 about the proposed rate increase;
- Notified each Arden Cordova customer by mail in June 2010 about the date and location of the **CPUC public participation hearing**, at which time customers made comments to the Administrative Law Judge about the rate request;
- Updated the company's Web site, [www.gswater.com](http://www.gswater.com), with information about the filing and tips and information about how to save water and save money.

## Protecting Low-Income Customers

Golden State Water Company recognizes rate increases of any kind can pose a challenge to some customers. For this reason, Golden State Water Company offers a discount rate (California Alternate Rates for Water, or CARW), which, for qualified participants, equals approximately 15 percent of the average monthly bill. Contact GSWC to see if you qualify for this program.

## More About Golden State Water Company

Golden State Water Company has been providing water for more than 80 years.

Golden State is a subsidiary of American States Water Company, listed on the New

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York Stock Exchange (AWR), one of America's leading water providers. The local office is at 3035 Prospect Park Drive, suite 50, Rancho Cordova.

## Employees Deliver "Best in the Class" Customer Service

Golden State's industry-leading approach to customer service includes:

- One of the first around-the-clock Customer Service Centers in the industry, where the friendly voices of highly-trained representatives are available to answer questions or address any kind of water crisis situation day or night when customers call 1-800-999-4033;
- Our comprehensive customer Web site, [www.gswater.com](http://www.gswater.com), with a wide range of topics including water conservation tips and billing information; and
- A strong customer service culture, industry knowledge, and community relationships resulting from more than 80 years in the California water industry.

## We Work to Protect Every Drop from the Source to Your Tap

Golden State Water Company is dedicated to providing safe, reliable water by:

- Working diligently to meet all federal and state water quality standards for nearly 100 different regulated substances;
- Investing more than \$27.4 million locally to upgrade our facilities since 2000; and
- Managing a network of company-owned production wells that provide water to customers more efficiently than imported water from outside providers.