

June 2010

General Rate Case Filed for Bay Point 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) on January 13, 2010, to establish rates for the Bay Point Customer Service Area for the years 2011 and 2012. If approved, the new rates would cover the increasing cost to operate and maintain the local water system and fund more than \$2 million in local capital investments that are critical to providing reliable, high quality water to the area. This customer service area serves approximately 4,800 customers in unincorporated Bay Point.

Estimated Impact on Bay Point 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, or in some cases, decreases, that are primarily related to inflation. GSWC proposes an increase for residential customers of approximately 33.3 percent for 2011 and a decrease of approximately 0.8 percent for 2012.

For a residential customer with a 5/8-inch meter who uses 11 Ccf (1,100 cubic feet or 8,228 gallons), their bill would increase by approximately \$21.00 a month in 2011, and decrease \$0.71 a month in 2012. As an alternative, GSWC proposed a levelized increase over the two years (22.6 percent in 2011 and 17.6 percent in 2012). Even if GSWC's proposed rate increase is approved, customers would still be paying less than a penny per gallon.

The proposed increases stated above incorporate a separate rate increase request filed in August 2009 to recover the cost of a lease agreement with the Contra Costa Water District to obtain treated water.

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Reasons for the Rate Increase Proposal

The GRC for Bay Point 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 Bay Point was filed in 2007, many costs have increased, while sales have decreased. The most significant reason for the proposed increase is a proposal to purchase additional treated water from the Contra Costa Water District. The agreement is the least-cost plan to maintain water quality standards and provide fluoridated water to Bay Point residents.

The general rate increase also is needed to fund additional water system improvements.

List of Major Bay Point Capital Improvement Projects in the Filing

A water system needs ongoing investments to ensure water quality remains high, supplies are secure and customer service is never sacrificed. From 2000 to 2008, GSWC invested more than \$5.1 million on improvements in the Bay Point water system, including 4,120 feet of new distribution pipeline.

In addition to the Asset Lease Agreement to purchase additional treated water from CCWD, the major capital improvements in this filing include, but are not limited to:

- Replacing approximately 1,150 feet of aging distribution pipelines of varying diameter to reduce leaks, improve flow and fire protection
- Install new equipment at a reservoir
- Prepare an Urban Water Management Plan

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2010 Proposed Capital Budget	\$686,903
2011 Proposed Capital Budget	\$723,500
2012 Proposed Capital Budget	<u>\$663,130</u>
Total	\$2,073,533

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

Timeline for the Bay Point GRC

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 Bay Point, at which time customers are encouraged to express their views. Commission hearings may occur where expert witnesses 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.

Bay Point GRC Timeline (exact dates to be determined)

<u>Activity</u>	<u>Date</u>
• Application	Jan. 13, 2010
• Newspaper notice	Feb.5, 2010
• Customer notice	March 2010

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| • Public Participation Hearings | June 2010 |
| • CPUC staff report | May 18, 2010 |
| • Evidentiary Hearings | June 2010 |
| • ALJ proposed decision | September 2010 |
| • Commission meeting | October 2010 |
| • Rates effective | Jan. 1, 2011 – Dec. 31, 2012 |

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. 3, 2010, at 6:30 p.m. at the Ambrose Recreation Center, to provide customers a presentation about the 2010 GRC filing (additional meetings may be scheduled, if needed);
- Notified each Bay Point customer by mail in March 2010 about the proposed rate increase;
- Notified each Bay Point customer by mail in June 2010 about the date and location of the **CPUC public participation hearing**, at which time customers can comment to the Administrative Law Judge about the rate request;
- Updated the company's Web site, www.gswater.com, with information about the filing and tips and information about how to save water and save money.

Separate Bay Point Filing to Fluoridate Water and Improve Water Quality

GSWC's Application 09-08-004 requests authorization to enter into an Asset Lease Agreement with the Contra Costa Water District (CCWD) for water treatment capacity at CCWD's Randall Bold Treatment Plant. Water purchased from CCWD will allow GSWC to provide its Bay Point customers with fluoridated water and comply with water quality regulations for total trihalomethanes (TTHMs). The Administrative Law Judge issued a Proposed Decision on May 13, 2010 recommending that this proceeding,

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Application 09-08-004 be combined with the GRC Application No. 10-01-009. The Commission has yet to rule on this recommendation.

Protecting Low-Income Customers

Golden State Water Company recognizes the fact that rate increases of any kind can pose a challenge. 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 York Stock Exchange (AWR), one of America's leading water providers. The local office is at 53-B Manor Drive, Bay Point.

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, 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 \$5.1 million locally to upgrade our facilities since 2000.