

January 2010

General Rate Case Filed for Bay Point Customer Service Area

Golden State Water Company (GSWC) filed a General Rate Case (GRC) application with the California Public Utilities Commission (CPUC) in January 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. That proposed increase would result in a 10 percent increase in 2010 and a similar size increase in 2011.

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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 separate filing that would result in an approximately 20 percent increase over two years to pay for an agreement to purchase 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 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.

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

2010 Proposed Capital Budget	\$686,903
2011 Proposed Capital Budget	\$712,440
2012 Proposed Capital Budget	<u>\$663,130</u>
Total	\$2,062,473

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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 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.

This Bay Point General Rate Case filing incorporates a rate increase filed in August 2009 to cover the cost of a proposed lease agreement with the Contra Costa Water District to purchase treated water. The proposed rate increase for the proposed lease agreement could be approved and implemented in 2010.

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 may host a public participation hearing in Bay Point, at which time customers will be 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.

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Bay Point GRC Timeline (exact dates to be determined)

<u>Activity</u>	<u>Date</u>
• Application	Jan. 4, 2010
• Newspaper notice	Approximately Jan. 23, 2010
• Customer notice	February- March
• Public Participation Hearings	Between January and April
• CPUC staff report	April 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 will:

- Host 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);
- Notify each Bay Point customer by mail about the filing;
- Notify each Bay Point customer by mail about the date and location of any **CPUC public participation hearing**, if the Commission chooses to schedule one, at which time customers can comment to the Administrative Law Judge about the rate request;
- Update 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.

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Recent Developments Impacting Bay Point Rates

Bay Point Conservation Tiered Rates went into effect Sept. 1, 2009.

- GSWC reduced the service charge so that a greater percentage of future water bills will be based on water consumption.
- Customers get charged for each unit of water they use. A unit is equal to one hundred cubic feet of water, or Ccf (748 gallons).
- In Bay Point, residential customers will pay the lowest rate for each CCF they use in tier one, up to 8 Ccf.
- For every unit of water used in tier two, which is 9-14 Ccf, residential customers will pay a higher percent higher rate.
- In tier three, residential customers will pay a rate higher than tier two for every unit of water from 15 Ccf and above.

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).

- If approved, the average customer bill would increase by approximately 9.9 percent the first year and a similar amount in the second year.
- GSWC hosted an Open House in August 2009 to discuss the filing and provided customers an opportunity to ask questions and comment about the plan.
- The CPUC scheduled a public participation hearing in Bay Point on December 15, 2009, to give customers the opportunity to comment on the proposal.
- The company expects the CPUC to make a decision on this filing by early 2010.

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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