

January 2010

General Rate Case Filed for Los Osos 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 Los Osos 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 approximately \$5.1 million in local capital investments that are critical to providing reliable, high quality water to the area. This customer service area serves approximately 3,300 customers in Los Osos and Edna Valley.

Estimated Impact on Los Osos 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 that are primarily related to inflation. GSWC proposes an increase for residential customers with a 5/8-inch meter of approximately 48 percent for 2011, and an additional increase of approximately 0.6 percent for 2012.

For a residential customer with a 5/8-inch meter who uses 10 Ccf (7,480 gallons), their bill would increase by approximately \$25.57 a month in 2011, and increase approximately \$0.50 a month in 2012.

As an alternative, GSWC proposed a levelized increase over the two years (a 30.6 percent increase in 2011 and 28.7 percent in 2012). Even if GSWC's proposed rate increase is approved, customers would still be paying less than a penny per gallon.

January 2010

Reasons for the Rate Increase Proposal

The GRC for Los Osos 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 Los Osos 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 Los Osos Capital Improvement Projects in the Filing

The company operates two water systems in the Los Osos Customer Service Area: the Los Osos Water System and the Edna Road Water System. Water systems need ongoing investments to ensure water quality remains high, supplies are secure and customer service is never sacrificed. From 2000 to 2008, Golden State invested more than \$5.9 million on improvements in the Los Osos Customer Service Area.

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

- Installing 1,250 feet of new distribution pipeline to improve water flows
- Acquiring land for a new well for the Edna Water System
- Drilling and equipping replacement well for Country Club
- Installing new equipment and making enhancements at treatment plants

2010 Proposed Capital Budget	\$3,294,503
2011 Proposed Capital Budget	\$1,047,289
2012 Proposed Capital Budget	<u>\$752,660</u>
Total	\$5,094,452

January 2010

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 Los Osos 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 Los Osos 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 Los Osos 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.

Los Osos 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 2010
• Public Participation Hearings	January – April 2010
• CPUC staff report	April 2010
• ALJ proposed decision	September 2010
• Commission meeting	October 2010
• Rates effective	Jan. 1, 2011 – Dec. 31, 2012

January 2010

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, Golden State will:

- Host an **Open House** Jan. 20, 2010, at 6:30 p.m. at Monarch Grove Elementary School in Los Osos, to provide customers a presentation about the 2010 GRC filing (additional meetings scheduled, if needed);
- Notify each Los Osos customer by mail about the proposed rate increase;
- Notify each Los Osos customer by mail about the date and location of any **CPUC public participation hearing**, if the Commission decides to schedule one, at which time customers can comment to the ALJ 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.

Recent Developments Impacting Los Osos Rates

Los Osos 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 are billed for each unit of water they use. A unit is equal to one hundred cubic feet of water, or Ccf (748 gallons).
- In Los Osos, 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 rate.
- In tier three, residential customers will pay a higher rate than tier two for every unit of water from 15 Ccf and above.

January 2010

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 1140 Los Olivos Ave., Los Osos.

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 \$5.9 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.