Golden State Water Company Files New General Rate Case for Simi Valley

Golden State Water Company (GSWC) on July 21, 2011, filed a plan with the California Public Utilities Commission (CPUC) for its Simi Valley Customer Service Area to establish rates for 2013, 2014 and 2015. GSWC's Simi Valley Customer Service Area serves approximately 13,300 customers in portions of the City of Simi Valley and vicinity.

The CPUC, which regulates GSWC to ensure adequate levels of service are provided at the lowest reasonable costs, requires the company to file a General Rate Case plan every three years. The plan looks forward and forecasts how much the company will need to recover in rates for the following expenses:

- **Supply Expense.** Supply expense primarily involves the cost of electricity, purchased water, and pumping taxes. Distributing pressurized water and making it available to customers 24 hours a day is very energy intensive.
- **Operating Expense.** These costs include, but are not limited to, operation labor, water quality testing, conservation supplies, and local facility costs such as building rent and electricity.
- **Maintenance Expense.** Maintenance costs include, but are not limited to, making repairs to the water system, maintaining equipment and facilities such as wells, treatment plants, pipelines, and hydrants.
- **Administrative and General.** This includes, but is not limited to, administrative labor, office supplies, employee medical benefits, insurance, and legal costs.
- **Depreciation.** The value of the company's capital investments in equipment, pipelines and other facilities decreases over time. The CPUC allows for recovery in rates for depreciation.
- **Taxes.** This includes property, payroll and local taxes.
- **Financing Costs.** This includes the cost to make debt and equity payments.

The amount of the request

GSWC is requesting the following increase over 2011 authorized revenues for Simi Valley: $1,924,300 (15.7 percent) in 2013; followed by increases of $54,200 (0.4 percent) in 2014, and $176,000 (1.2 percent) in 2015.

The average monthly residential water usage in GSWC's Simi Valley Customer Service Area is approximately 13 Ccf (13 hundred cubic feet or 9,724 gallons). With the proposed increase, a residential customer with a 5/8 x 3/4 inch meter using 13 Ccf would see a monthly bill increase in 2013 of $9.86 or 19.8 percent, from $49.86 to $59.73, excluding any applicable temporary credits or surcharges.

The increases in 2014 and 2015 would be much smaller, based primarily on inflation. The exact impact on customers in the final two years would be determined at a later time after the CPUC reviews additional filings near the end of each year that will include more timely information about inflation.

Proposed benefits to customers

If approved, the new rates would cover the increasing costs to operate and maintain the local water system and allow us to invest more than $2.6 million in local capital improvements critical to providing reliable, high quality water service.

The proposed capital projects include installing nearly 1.5 miles of new water distribution pipelines to reduce leaks and improve fire protection. We also plan various plant improvements, including upgrading a retaining wall and adding cathodic protection to a reservoir to reduce corrosion.

GSWC also is implementing a new customer care and billing system to improve customer service. A portion of the cost to install this system was in a previous rate case. The remainder of the cost is included in this filing, in addition to maintenance costs associated with this project moving forward. One of the major benefits to customers will be billing statements containing more information about your service and how your bill was calculated. Interaction with service representatives will improve as a result of easier-to-navigate computer screens that show customer billing history.

Money-saving steps taken to prevent higher proposed increases

Cost controls prevent wasteful spending

- All of our costs come under a rigorous review by the California Public Utilities Commission.
- GSWC has an anti-fraud committee and ethics hotline and the company encourages employees to report any sign of mismanagement or misappropriation of funds.
- The company has strong oversight and internal auditing of outside services to ensure costs are appropriate.

Appropriate staffing levels and pay keep labor expenses in line with competitors

- Salary bands for each position are based on what other agencies and utilities offer for similar positions. This results in low employee turnover and minimizes the costs of recruiting and training new employees.
- The cost of funding new employee retirement has been reduced as a result of shifting from a *defined benefit* pension program to a *defined contribution* program. What this means: They are not guaranteed a certain annual pension rate upon retirement. Employees must manage the retirement contributions they receive from each paycheck to determine their pension amount at the time of retirement.

Promoting water-use efficiency will save the company and customers money

- GSWC's emphasis on water-use efficiency will reduce the amount of additional, more expensive, purchased water that some of our systems require.
- Successful conservation outreach, in some cases, may delay the need for GSWC to construct new wells.

Protecting low-income customers

GSWC recognizes rate increases of any kind can pose a challenge. For this reason, the company offers a monthly discount to eligible customers (California Alternate Rates for Water, or CARW) who meet income guidelines.

Process and timeline for the review of GSWC's plan

After the filing on July 21, 2011, GSWC publishes a newspaper notice within 10 days of the filing and sends a notification of the application to all customers within 45 days of the filing.

During a rate case, customers are represented by the Division of Ratepayer Advocates. Customers also have an opportunity to comment on the filing at public participation hearings or by contacting the CPUC directly. See contact information below.

The CPUC will take an in-depth look at GSWC's quality of service, revenues, expenses, and financial outlook. Expert witnesses will testify at evidentiary hearings and be cross-examined.

An Administrative Law Judge (ALJ) presides over all CPUC hearings. The ALJ will prepare a proposed decision for comment. Finally, the CPUC weighs all the evidence and issues a decision.

It is anticipated that the CPUC will make a decision on this General Rate Case in late fall 2012, with the new rates becoming effective Jan. 1, 2013.

CPUC contact information

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