

June 2010

General Rate Case Filed for Santa Maria 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 Santa Maria 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 \$14.1 million in local capital investments that are critical to providing reliable, high quality water to the area. This customer service area serves approximately 13,200 customers in all or portions of Santa Maria, San Luis Obispo, Nipomo, Orcutt, and portions of San Luis Obispo and Santa Barbara counties.

Estimated Impact on Santa Maria 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 25.3 percent for 2011, and an increase of approximately 2.7 percent for 2012.

If fully approved, a residential customer with a 5/8-inch meter who uses 21 Ccf (2,100 cubic feet or 15,708 gallons) would see their bill increase by approximately \$11.55 per month in 2011, and an additional increase of \$1.56 per month in 2012.

As an alternative, GSWC proposed a levelized increase over the two years (18.2 percent in 2011 and 15 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 GRC for Santa Maria 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 Santa Maria 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 Santa Maria Capital Improvement Projects in the Filing

GSWC operates five water systems in the Santa Maria Customer Service Area: Lake Marie, Nipomo, Orcutt, Sisquoc, and Tanglewood. 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 spent approximately \$10 million on improvements in the Santa Maria Customer Service Area.

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

- Replacing 8,400 feet of undersized and aging pipe to improve water flow and fire protection, and reduce leaks
- Acquiring land for a new well
- Drilling and equipping a new wells

2010 Proposed Capital Budget	\$6,255,927
2011 Proposed Capital Budget	\$3,925,913
2012 Proposed Capital Budget	<u>\$3,896,061</u>
Total	\$14,077,901

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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 Santa Maria 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 Santa Maria 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 the Santa Maria Customer Service Area, at which time customers are encouraged to express their views. Commission hearings may occur where 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. The Commission weighs all the evidence and issues a decision. Approximate 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
• CPUC staff report	May 18, 2010
• Public Participation Hearings	June 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** Jan. 19, 2010, at 6:30 p.m. at Lakeview Junior High School in Santa Maria, to provide customers a presentation about the 2010 GRC filing (additional meetings will be conducted if needed);
- Notified each Santa Maria customer by mail in March 2010 about the proposed rate increase;
- Notified each Santa Maria 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 ALJ 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.

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 2330 A Street, Ste. A, Santa Maria.

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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 \$10 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.