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**NOTICE OF REQUESTED RATE INCREASE FOR COST OF CAPITAL FOR  
GOLDEN STATE WATER COMPANY'S  
APPLICATION NO. 17-04-002**

**SUMMARY**

On April 3, 2017, Golden State Water Company (GSWC) filed Application No. 17-04-002 with the California Public Utilities Commission (CPUC) requesting an increase in rates to establish its authorized cost of capital and rate of return for utility operations for 2018, 2019 and 2020. GSWC's application requests an increase in the rate of return of 0.77% from the current percentage of 8.34% to 9.11% for 2018, 2019 and 2020. Overall, the proposed changes to the cost of capital will increase GSWC's currently authorized revenues by \$12.1 million (4.0%). If approved, GSWC's request will increase rates beginning on January 1, 2018.

GSWC is required to file a cost of capital application every three years. The authorized cost of capital determines the amount of money GSWC is allowed to recuperate in rates as a return on the money it has invested. This request is subject to adjustment per the Water Cost of Capital Mechanism, which allows for automatic annual adjustments to the return on equity and embedded cost of debt in the cost of capital. GSWC's proposed cost of capital request is summarized in the following table:

| Year      | Cost Factor    | Cost   | Capital Structure (Weight) | Weight Cost  |
|-----------|----------------|--------|----------------------------|--------------|
| 2018-2020 | Long Term Debt | 6.60%  | 43.0%                      | 2.84%        |
|           | Common Equity  | 11.00% | 57.0%                      | <u>6.27%</u> |
|           |                |        |                            | <b>9.11%</b> |

**CUSTOMER IMPACT**

The increase in annual revenues will vary by ratemaking area. The following table shows the proposed increase in 2018 for each of the ratemaking areas served by GSWC.

|                 | Increase       |      |
|-----------------|----------------|------|
|                 | Amount (\$000) | %    |
| <b>Region 1</b> |                |      |
| Arden Cordova   | \$379.8        | 3.1% |
| Bay Point       | \$189.2        | 3.4% |
| Clearlake       | \$101.1        | 4.6% |
| Los Osos        | \$242.3        | 5.7% |
| Ojai            | \$353.2        | 5.9% |
| Santa Maria     | \$563.8        | 4.3% |
| Simi Valley     | \$200.0        | 1.6% |
|                 |                |      |
| <b>Region 2</b> | \$5,601.1      | 4.4% |
| <b>Region 3</b> | \$4,438.5      | 3.8% |
| <b>Total</b>    | \$12,069.0     | 4.0% |

The impact on customer bills will vary by ratemaking area. The following table shows the effect on an average customer's bill, based on the usage and the respective service areas shown in the table. The impact on any particular customer's bill will depend on the customer's actual usage level and meter size.

| District                                | Average Usage (Ccf) | Current Authorized Rates* | Proposed Rates** | Bill Increase |      |
|---|---------------------|---------------------------|------------------|---------------|------|
|   |                     |                           |                  | \$            | %    |
| <b>Region 1</b>                         |                     |                           |                  |               |      |
| Arden Cordova (Residential Metered)     | 14                  | \$32.77                   | \$33.80          | \$1.03        | 3.1% |
| Arden Cordova (Flat)                    |                     | \$68.80                   | \$71.00          | \$2.20        | 3.2% |
| Arden Cordova (Non-Residential Metered) | 111                 | \$260.40                  | \$268.56         | \$8.16        | 3.1% |
| Bay Point (Residential)                 | 7                   | \$56.41                   | \$58.33          | \$1.92        | 3.4% |
| Bay Point (Non-Residential)             | 71                  | \$423.57                  | \$437.97         | \$14.40       | 3.4% |
| Clearlake (Residential)                 | 5                   | \$85.89                   | \$89.86          | \$3.97        | 4.6% |
| Clearlake (Non-Residential)             | 12                  | \$149.81                  | \$157.38         | \$7.57        | 5.1% |
| Los Osos (Residential)                  | 6                   | \$81.96                   | \$86.65          | \$4.69        | 5.7% |
| Los Osos (Non-Residential)              | 27                  | \$293.62                  | \$310.42         | \$16.80       | 5.7% |
| Ojai (Residential)                      | 13                  | \$114.85                  | \$121.59         | \$6.74        | 5.9% |
| Ojai (Non-Residential)                  | 42                  | \$289.68                  | \$306.70         | \$17.02       | 5.9% |
| Santa Maria (Residential)               | 15                  | \$59.49                   | \$62.01          | \$2.52        | 4.2% |
| Santa Maria (Non-Residential)           | 53                  | \$166.63                  | \$173.69         | \$7.06        | 4.2% |
| Simi Valley (Residential)               | 11                  | \$57.13                   | \$58.01          | \$0.88        | 1.5% |
| Simi Valley (Non-Residential)           | 59                  | \$359.34                  | \$364.92         | \$5.58        | 1.6% |
| <b>Region 2 (Residential)</b>           | 10                  | \$54.65                   | \$57.08          | \$2.43        | 4.4% |
| <b>Region 2 (Non-Residential)</b>       | 39                  | \$171.26                  | \$178.85         | \$7.59        | 4.4% |
| <b>Region 3 (Residential)</b>           | 11                  | \$54.91                   | \$57.04          | \$2.13        | 3.9% |
| <b>Region 3 (Non-Residential)</b>       | 61                  | \$249.15                  | \$258.82         | \$9.67        | 3.9% |

\*GSWC filed Tier 1 Advice Letters (1679-W - 1690-W) on March 6, 2017, to implement 2017 rates. These advice letters are pending review with an effective date of April 20, 2017.

\*\* The rates proposed for 2018 will continue through a 3 year rate cycle, 2018-2020.

**FOR FURTHER INFORMATION AND TO OBTAIN A COPY OF THE APPLICATION**

A copy of GSWC's Application No. 17-04-002, and related exhibits, may be reviewed online at [www.gswater.com](http://www.gswater.com). The application may also be reviewed at the CPUC's Central Files Office by appointment. For more information, contact [aljcentralfilesid@cpuc.ca.gov](mailto:aljcentralfilesid@cpuc.ca.gov) or 1-415-703-2045.

**If you need additional information, you may visit [www.gswater.com](http://www.gswater.com) or call GSWC's 24-hour Customer Service Center; toll free, at 1-800-999-4033, TTY 1-877-933-9533.**

**CPUC PROCESS**

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which

to base its decision. Evidentiary Hearings (EHs) may be held where utilities, consumer advocacy groups, and other entities which have been given official status as parties, will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties may participate. The hearings and documents submitted in the proceeding become part of the formal record. The Judge relies upon the formal record when writing a proposed decision to present to the Commissioners for their consideration.

After considering all proposals and all evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision, determining whether to adopt GSWC's request, modify it, or deny it. Any CPUC Commissioner may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled Commission Voting Meeting.

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Write: CPUC Public Advisor's Office  
505 Van Ness Avenue  
San Francisco, CA 94102

Email: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074  
1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please reference **GSWC's Cost of Capital Application No. 17-04-002** in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review to the assigned Judge, the Commissioners, and appropriate CPUC staff.

**GOLDEN STATE WATER COMPANY**