



BAY POINT CUSTOMER SERVICE AREA

What is the 2016-2018 General Rate Case and how does it work?

As a regulated utility, Golden State Water Company's (Golden State Water) rates are determined by the California Public Utilities Commission (CPUC). The rates reflect the full cost to provide water service, maintain the infrastructure and make needed system improvements.

A General Rate Case (GRC) is a regulatory proceeding conducted by the CPUC to determine rates for regulated utilities. Every three years, the CPUC conducts an open and transparent review of Golden State Water's rate proposal to ensure customers receive a fair rate for reliable, quality water service. The GRC process is very thorough and generally lasts 18 months with oversight from the Office of Ratepayer Advocates and opportunity for customers to participate.

This GRC decision is regarding rates in 2016, 2017 and 2018. Because this GRC was delayed more than a year, interim rates took effect on January 1, 2016 and will remain until the new approved rates are implemented on April 20, 2017. In June 2017, Golden State Water will implement surcredits/surcharges through the 2016 Interim Rates Memorandum Account to settle the balance between the GRC revenue adjustment that has been approved for 2016 and the revenue that was actually recovered through interim rates. Any over-collected revenue will be refunded, and any under-collected revenue will be recovered via a surcharge.

Also, because of the delayed approval of the GRC, the CPUC instructed Golden State Water to implement 2017 rates, which includes the approved 2016 rate increase from the GRC plus an escalation year adjustment for 2017 that accounts for the impact of inflation on approved operating expenses and additional infrastructure investments planned in 2017.

Additionally, Golden State Water implemented the Sales Adjustment Mechanism that adjusts rates and projected revenue requirements to reflect more recent sales levels. The mechanism is expected to reduce amounts needed to be tracked in the Water Revenue Adjustment Mechanism for future recovery or disbursement.

How is my service area affected?

Golden State Water delivers quality drinking water and reliable service 24 hours a day, 7 days a week to approximately 4,900 customers in the Bay Point Customer Service Area (CSA). Customers within the Bay Point CSA, which includes all or portions of the City of Pittsburg and vicinity, would see the following revenue impact:

- 8.13% increase in revenues (\$ 422,800) in 2017

How will my bills be affected in 2017?

Beginning when new rates are implemented on April 20, an average residential customer in the Bay Point Customer Service Area with a 5/8 x 3/4" meter, using 5,236 gallons (700 cubic feet or 7 Ccf) of water per month, would see a monthly bill increase of \$3.03 from \$53.38 to \$56.41 compared to 2016 (excluding any applicable surcharges).

This total includes the 2.4 percent increase approved through the General Rate Case, as well as the 2017 escalation year adjustment.

Primary factors contributing to the rate adjustment include reduced water usage, increased water costs and local infrastructure investments.

When will the rate changes take effect?

These new water rates will be implemented effective April 20, 2017.

Benefit to Customers

In this 2016-18 GRC application, customers in the Bay Point CSA will benefit from a wide range of investments to address water supply, storage and distribution needs. Additionally, projects are proposed for the maintenance and replacement of water mains, pumps and purification equipment and an update of Bay Point's Urban Water Management Plan.

Following are capsule summaries of key upcoming projects:

- **Randall-Bold Water Treatment Plant improvements:** Per the established share-of-cost agreement with the Contra Costa Water District, a \$21,000 capital investment toward improvements at the Randall-Bold Water Treatment Plant is required for electrical equipment upgrades, treatment plant restoration and seismic safety.
- **Madison Reservoir Maintenance:** To return the Madison Reservoir to operation, a \$490,000 capital investment is proposed to replace the existing roof and reinforce the concrete reservoir walls. The project will ensure reliable operational, fire and emergency storage.
- **Additional Reservoir Maintenance:** A \$118,000 capital investment is proposed to recoat the insides of the Hill Street Reservoir No. 3 and Skyline Reservoir to protect against corrosion and prolong the life of the reservoir tanks. Additionally, this project includes installation of seismic improvements at the Hill Street Reservoir No. 3.
- **Pipeline Replacement:** To proactively address pipes that need replacement or repair in the local system, a \$1,027,000 investment is proposed to implement a pipeline



management program. This project will include the installation of new water lines in public roadways to replace old and deteriorating mains.

- **Meters and Services Installation:** A \$706,000 capital investment is proposed to install new meters and connections associated with new service requests and replace leaking services and meters that are not operating properly.

What steps did Golden State Water take to reduce rate increases?

Cost controls to prevent wasteful spending

- Golden State Water 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 conducts thorough internal auditing of all services to ensure costs are appropriate.

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

- Reduced workforce to improve efficiency without impacting water service.
- Salary for each position is on par with other utilities 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.

Promoting water-use efficiency saves customers money

- Golden State Water's emphasis on water-use efficiency will reduce the amount of additional purchased water that some of its systems require.
- Successful conservation outreach, in some cases, can delay the need for Golden State Water to construct new wells.

Additional GRC Information

The GRC forecasts the following expenses, which may be recovered through water rates:

- Supply expenses
- Operating expenses
- System maintenance
- Administration
- Depreciation of capital investments
- Taxes
- Financing costs and debt servicing for Capital Investment



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