

CENTRAL BASIN WEST 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 decrease 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.

How is my service area affected?

Golden State Water delivers quality drinking water and reliable service 24 hours a day, seven days a week to approximately 20,000 customers in the Central Basin West Customer Service Area (CSA). Customers within the Central Basin West CSA, which includes all or portions of South Los Angeles County, Bell, Bell Gardens, Cudahy, Hollydale, Huntington Park, Paramount, South Gate, Vernon, Willowbrook and adjacent county territory, will see the following revenue impact in 2017:

- -2.11% decrease in revenues (-\$2,759,300) 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 Central Basin West Customer Service Area with a 5/8 x 3/4" meter, using 7,480 gallons (1,000

cubic feet or 10 Ccf) of water per month, would see a monthly bill decrease of \$1.68 from \$56.33 to \$54.65 compared to 2016 (excluding any applicable surcharges).

This total includes the 3.9 percent decrease 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 decision, customers in the Central Basin West CSA will benefit from a wide range of investments to address water supply, storage and distribution needs. Additionally, projects are proposed for main replacements, minor pumping equipment, the installation of boosters and flow monitoring equipment, and an update of the Bell- Bell Gardens and Florence-Graham Systems' Urban Water Management Plans.

Following are capsule summaries of key upcoming projects:

- **Bissell Plant Maintenance:** In order to optimize groundwater production at the Bissell Plant, this \$483,000 project proposes the replacement of two boosters with higher capacity pumps and motors that will increase groundwater production, optimize use of water in the Bissell reservoirs and reduce local reliance on imported water.
- **Hampshire Plant Maintenance:** A \$861,000 capital investment is proposed to replace a reservoir roof, as well as pumps and motors for three boosters and associated piping at the Hampshire Plant. Together, these upgrades will result in a more reliable and efficient operation and control of the water supply to local customers.
- **Miramonte Plant Maintenance:** To improve efficiency and water flow at the Miramonte Plant, a \$1,083,000 capital investment is proposed to replace electrical equipment, well pumps and motors. The project also includes the construction of a new chemical building at the plant.
- **McKinley Plant Construction:** The construction of new chemical building is proposed to mitigate safety issues and hazardous conditions at the McKinley Plant. This project represents a \$235,000 capital investment.
- **Pipeline Replacement:** To proactively address pipes that need replacement or repair in the local system, a \$10,755,000 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 \$1,663,000 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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