



LOS OSOS 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.

In March 2017, the CPUC approved Golden State Water's GRC establishing rates for 2016, 2017 and 2018. This decision was expected before Jan. 1, 2016; however, the approval was delayed more than 14 months by the CPUC.

The lengthy delay prevented Golden State Water from implementing the new rates for 2016 on schedule, and 2015 rates have remained in place through the delay period. The new approved rates for 2017 were implemented on April 20, 2017.

Additionally, Golden State Water will be required to balance the difference between the rates customers actually paid during 2016 (2015 rates) and the recently approved 2016 rates. Any over-collected revenue will be refunded to customers, and any under-collected revenue will be recovered through a temporary surcharge.

Also, because of the delayed approval of the GRC, the CPUC instructed Golden State Water to implement 2017 rates, which include 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, seven days a week to approximately 3,300 customers in the Los Osos Customer Service Area (CSA).



Customers within the Los Osos CSA, which includes all or portions of Edna Road and Los Osos, will see the following revenue impact in 2017:

- 22.52% increase in revenues (\$834,300) in 2017

How will my bills be affected in 2017?

An average residential customer in the Los Osos CSA 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 \$17.88 or 24.3% from \$73.68 to \$91.56 excluding any applicable surcharges.

When will the rate changes take effect?

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

Primary cost drivers in the Los Osos CSA include increased water costs and local infrastructure investments.

Benefit to Customers

In this 2016-18 decision, customers in the Los Osos CSA will benefit from a wide range of investments to address water supply, storage and distribution needs.

Following are capsule summaries of key capital projects:

- **Los Olivos Reservoir Replacement:** Construction of a new, \$1,125,700 steel reservoir tank at the Los Olivos plant was completed in May 2015. The new tank replaced its nearly 40-year old predecessor, which following inspection, proved to be suffering from irreparable corrosion.
- **New Water Supply Well:** Construction of a new, \$1,586,800 water supply well at the Los Olivos plant will be completed and in-service later this year. The new well will compliment an existing well that would improve the availability and reliability of the clean drinking water for Los Osos customers.
- **Reservoir Tank Upgrades:** This \$139,700 project will prolong the life of the tanks, prevent tank failure and reduce long-term maintenance costs.
- **Replacement of Country Club Reservoir:** The new reservoir replaces the existing Country Club East reservoir and is slated for completion this year. The benefits include larger tank capacity and reduced maintenance costs. The \$377,900 project will ensure that customers in the Edna Road System continue to have reliable operational fire and emergency storage.
- **Pipeline Replacement:** To proactively address pipes that need replacement or repair in the local system, a \$610,900 investment is approved 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.

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.
- Golden State Water's competitive bid policy benefits customers by managing costs, while ensuring water service and quality are never compromised.

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.
- 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.