

2022-24 GENERAL RATE CASE FACT SHEET

Clearlake CSA

2022-24 General Rate Case

Golden State Water Company (Golden State Water) filed its General Rate Case (GRC) application on July 15, 2020, proposing local infrastructure investments and water rates for the years 2022, 2023 and 2024.

Golden State Water is committed to responsibly maintaining the local water infrastructure to ensure we can continue providing our customers with premium water service, so they never have to think twice about their water.

In the proposal for 2022-24 GRC filing, infrastructure investments are a primary driver of rate adjustments; however, the ever-increasing cost of doing business in California is also reflected in rates. Higher taxes and regulatory fees, as well as legislative and voter approved initiatives, contribute to increased operational expenses.

Golden State Water was required to submit the GRC application in accordance with the schedule set by the California Public Utilities Commission (CPUC). We recognize the current challenges in California presented by the COVID-19 pandemic; unfortunately, the process began months before the public health crisis, and the schedule was beyond our control.

Golden State Water's rates for 2020-2021 were established through the last GRC proceeding, so the GRC application filed in July will not affect the current rate schedule in any way.

The Ratemaking Process

Golden State Water is regulated by the state of California to ensure rates are reasonable and reflect the full cost to provide water service, maintain the infrastructure and make needed system improvements.

Every three years, Golden State Water is required to file a GRC with the state to propose a rate structure necessary to meet operating expenses and infrastructure improvements. Golden State Water filed its GRC application for the years 2022, 2023 and 2024 on July 15, 2020.

The GRC process is thorough and takes approximately 18 months to ensure rates are fair and provide reliable, quality water service. Customers are encouraged to participate in the ratemaking proceedings, and their interests are protected throughout the process by the state's Public Advocates Office.

Local Rate Impact For Clearlake CSA

Golden State Water delivers quality drinking water and reliable service 24 hours a day, 7 days a week, to approximately 2,100 customers in the Clearlake service area.

The rate adjustments and infrastructure investments proposed for 2022-24 are pending approval through the GRC process. Any adjustment to current rates would not be implemented until Jan. 1, 2022 at the earliest.

If the GRC is approved as filed, local customers would see the following rate impact:

- An average residential customer in the Clearlake Customer Service Area with a 5/8 x 3/4" meter, using 3,740 gallons (500 cubic feet or 5 Ccf) of water per month, would see a monthly bill increase of \$18.63 from \$88.20 to \$106.83 in 2022 compared to 2020 (excluding any applicable surcharges).

Benefit to Customers

Water providers have a duty to maintain the infrastructure to ensure the delivery of reliable, quality water is not compromised, and Golden State Water takes that responsibility seriously.

Golden State Water invests to protect the safety and reliability of the local water system. We employ proactive maintenance programs and update our aging pipeline infrastructure on a replacement schedule of approximately 100 years. For comparison, the American Society of Civil Engineers recently published a report on the country's water infrastructure concerns, noting a national average replacement schedule of 200 years on pipes designed to last 75-100 years¹.

In this 2022-24 GRC application, Golden State Water is proposing infrastructure investments totaling approximately \$459,000 is proposed for the Clearlake Customer Service Area to address water supply, storage and distribution needs.

Following are capsule summaries of key upcoming projects:

- **Sonoma Water Treatment Plant Maintenance:** An investment is proposed to remove spent carbon from both Granular Activated Carbon (GAC) contactors and transport for disposal; recoat the interior and exterior of vessels and replace spent carbon with 40,000 lbs. of new GAC media.
- **Sonoma Water Treatment Plant Improvements:** An investment is proposed to remove existing garnet and anthracite media from the two filters at the Sonoma Water Treatment Plant; replace wedge wire underdrain systems, recoat interior of vessels, and install new media consisting of 10-inch anthracite and 36-inch garnet.

Additionally, Golden State Water is investing to mitigate any impact on water service during Public Safety Power Shutoffs (PSPS) events. Companywide, an investment of more than \$10 million to add backup power at facilities is critical to protect the quality and reliability of water service.

Golden State Water also remains focused on investing to modernize the customer service experience with improved online and account management resources.

Important Rate Factors

Golden State Water works hard to keep water rates reasonable by responsibly managing its operational budget and continually seeking opportunities to improve efficiencies.

Minimizing Operational Costs:

1 ¹ <https://www.infrastructurereportcard.org/wp-content/uploads/2017/01/Drinking-Water-Final.pdf>



- Golden State Water monitors operational improvement trends in the utility industry in an effort to maintain or improve operational efficiencies. We are currently implementing new technology to improve operational efficiencies in our customer-facing services that will take advantage of existing operational economies of scale, while improving the customer experience.
 - The MyGSWater self-service online customer portal and barcode payment option are two examples of new programs designed to lower operational costs.
- Golden State Water conducts thorough internal audits of all services and departments to ensure our water systems are run efficiently and costs are managed responsibly.
- Golden State Water has an anti-fraud committee and ethics hotline, encouraging employees to report any sign of mismanagement or misappropriation of funds.
- Golden State Water provides competitive salaries and benefits that are on par with other utilities to improve employee retention levels and minimize the costs associated with 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.

Proactive System Investments:

- Proactive system investments are critical to protect the local water system and avoid the costly and negative effects of deferring maintenance.
- Golden State Water employs an aggressive maintenance strategy to protect the safety and reliability of local water service and help minimize repair costs and the costs associated with system water loss (main leaks, etc.).

Promoting Water-Use Efficiency:

- Golden State Water's emphasis on water-use efficiency impacts our water supply costs and, in some cases, delays the need to construct new water supply facilities.
- Water-use efficiency is a way of life in California, and promoting responsible water use is critical to help manage resources and keep our communities on a full path to drought recovery.

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

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

Balancing Rates

Rates are determined based on a forecast of water usage to ensure they cover the cost of providing water service, maintaining the infrastructure and making system improvements.

Approximately 76 percent of Golden State Water's utility expenses are fixed—testing water, fixing main leaks and servicing hydrants—meaning they don't change when customers use less/more water.



On the opposite side, approximately 70 percent of the revenue collected from water bills is variable. When usage decreases, rates must eventually increase to cover fixed costs. The opposite would be true if usage is greater than forecasted.

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This 2022-24 GRC was filed to comply with the CPUC’s schedule, but we recognize the timing falls in the midst of the COVID-19 pandemic and resulting economic uncertainty. What’s important to remember is that any related rate adjustments would not be implemented until Jan. 1, 2022, at the earliest.

Rate Assistance For Qualified Customers

Golden State Water proudly offers a monthly credit for low-income customers who qualify for the California Alternate Rates for Water (CARW) program. Customers with questions about the CARW program or eligibility are encouraged to visit gswater.com or call the CARW Hotline at 866.360.2279.

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