

A MESSAGE from your General Manager



Golden State Water Company (Golden State Water) has been serving reliable, quality water to Californians for more than 85 years. Over those eight decades we always put our customers first, because we understand that water is a critical part of our customers' lives. It's our responsibility to ensure every customer has quality water available from their tap when they need it.

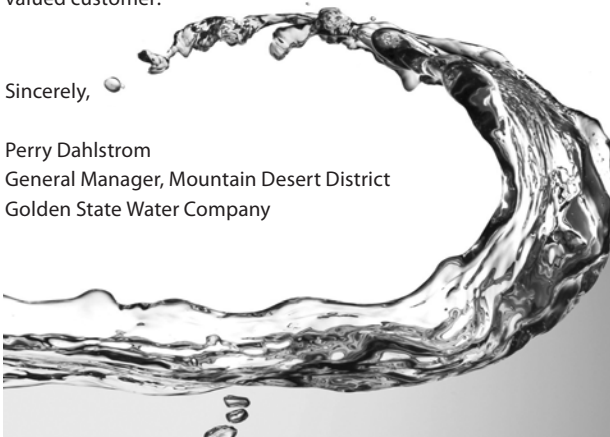
All water providers have a duty to maintain and improve their infrastructure to ensure the safety and reliability of drinking water service. We take that responsibility seriously. That's why we have an aggressive infrastructure maintenance program and plan years ahead to address community needs.

As part of the required rate-setting process with the State of California, we recently filed a General Rate Case application for years 2019, 2020 and 2021. We've detailed the needed infrastructure investments proposed in the General Rate Case, so you are fully informed on the state of your water system and Golden State Water's plans to maintain the system in the future. If you have any questions, please visit our website at gswater.com/Apple-Valley or call us anytime at 800.999.4033.

On behalf of everyone at Golden State Water, thank you for being a valued customer.

Sincerely,

Perry Dahlstrom
General Manager, Mountain Desert District
Golden State Water Company



Apple Valley Benefit to Customers

Golden State Water Company (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 years.¹

In this 2019-21 GRC application, Golden State Water is proposing infrastructure investments totaling approximately \$9,680,000 for the Apple Valley Customer Service Area to address water supply, storage and distribution needs.

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



KEY PROJECTS (proposed)

Following are capsule summaries of key upcoming projects:

- **Pipeline Replacement Program:** An investment of approximately \$4,420,000 is proposed to replace aging water pipes to improve water system operation and reliability.
- **Mohawk and Bear Valley Well Improvements:** An investment of more than \$216,000 is proposed to replace pumping control equipment to improve operation efficiencies of the two wells.
- **Kiowa Plant Reservoir and Booster Station Construction:** An investment of more than \$2,354,000 is proposed to construct a reservoir and booster at Kiowa Plant to provide additional boosted supply and storage capacity for the Apple Valley South System.
- **Papago Well Plant Improvements:** An investment of more than \$273,000 is proposed to upgrade electrical equipment and piping at the Papago Well Plant to improve system reliability.
- **Well, Pump and Tank Decommissioning and Removal:** More than \$642,000 is proposed to decommission and remove the Yucca Booster pump, Central tanks and the Meb Well to allow for the development of the Valley Crest booster station which will ensure adequate, dependable and high-quality water supply to customers.
- **Well Improvements:** An investment of more than \$216,000 is proposed for various improvements to Lucerne Valley's well facilities.
- **Miscellaneous Water Main Replacements and Relocations:** A \$406,724 budget is proposed to proactively replace older mains, install inverts under storm drains and extend services and fire hydrants prior to street construction.

This was not reviewed or approved by the CPUC. It is meant solely as supplemental information, from Golden State Water, to the official notice.

Why Water Rates Are Increasing



Water system improvements



Taxes



Supply and operating costs

2019-21: PROPOSED WATER RATES

Golden State Water Company (Golden State Water) delivers quality drinking water and reliable service 24 hours a day, 7 days a week, to approximately 2,900 customers in the Apple Valley service area, which includes portions of Apple Valley and Lucerne Valley.

The rate adjustments and infrastructure investments proposed for 2019-2021 are pending approval through the General Rate Case (GRC) process. Any adjustment to current rates would not be implemented until Jan. 1, 2019 at the earliest.

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

- An average residential customer in the Apple Valley Customer Service Area with a 5/8 x 3/4" meter, using 6,732 gallons (900 cubic feet or 9 Ccf) of water per month, would see a monthly bill increase of \$1.78 from \$50.07 to \$51.85 compared to 2017 (excluding any applicable surcharges).

HOW WATER RATES Are Set

Golden State Water Company (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 General Rate Case (GRC) with the state to propose a rate structure that recovers the revenue needed to meet operating expenses and necessary infrastructure improvements over a three year period. Golden State Water filed its GRC application for the years 2019, 2020 and 2021 on July 19, 2017.

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 Office of Ratepayer Advocates.



EXPENSES

Approximately 76% of the costs to operate, maintain and improve the water system don't change when customers use less/more water.

REVENUE

Approximately 70% of the revenue collected from water bills is variable. When usage decreases, rates must eventually increase to cover fixed costs.



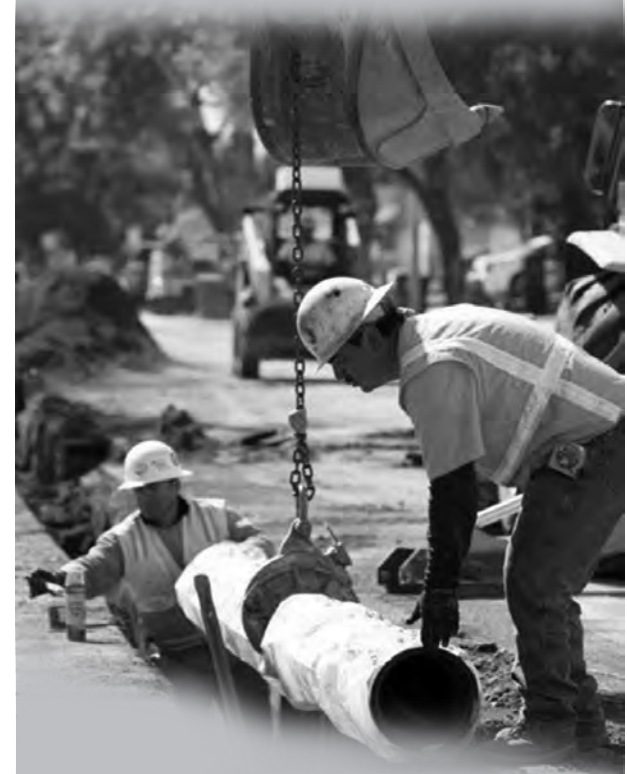
TO LEARN MORE about local infrastructure investments, water rates or conservation programs/rebates available in your area, please visit gswater.com/Apple-Valley, follow us on Twitter @GoldenStateH2O or call us anytime at 800.999.4033.

RATES



Golden State
Water Company
A Subsidiary of American States Water Company

Proposed Infrastructure Investments and Water Rates for 2019, 2020 & 2021



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*Figures shown represent companywide average and vary by ratemaking area