



FREQUENTLY ASKED QUESTIONS WATER RATES AND THE WRAM&MCBA

Golden State Water Company (Golden State Water) has prepared the following answers to Frequently Asked Questions to help address customer questions regarding the ratemaking process and the use of balancing accounts. We also encourage customers to [click here](#) for a comprehensive overview explaining how rates are determined, and invite customers to call our 24-hour Customer Service Center at 800.999.4033 with any questions or concerns.

WRAM&MCBA FREQUENTLY ASKED QUESTIONS

Why do I have a Water Revenue Adjustment Mechanism and Modified Cost Balancing Account surcharge or surcredit on my bill?

To encourage conservation, in 2008 the California Public Utilities Commission (CPUC) adopted mechanisms called the Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA) to ensure that water providers can receive the state authorized revenue amount needed to cover operating expenses even when customers use less water, such as during a drought. The WRAM tracks the under- or over-collection in state-authorized water revenue due to lower or higher water usage. The MCBA tracks any savings or increases in water supply operating costs (purchased water, pump taxes and energy costs).

Any under-collected net WRAM&MCBA balance is recovered with a temporary surcharge and any over-collection is returned to customers in the form of a temporary surcredit. The filed amount may include residual balances from prior WRAM&MCBA surcharges/surcredits.

Every year Golden State Water calculates the difference in actual revenue vs. authorized revenue in WRAM and actual supply operating expense vs. authorized supply operating expense in MCBA. Golden State Water recently calculated the WRAM&MCBA balances for 2018. In many areas, surcharges still in effect for under-collected revenue from prior WRAM&MCBA will be rolled into the 2018 WRAM&MCBA surcharge total. As a result, the majority of customer service areas will receive a reduction in surcharges from the current surcharges in effect based upon previous filings or a one-time credit to refund an over-collection in revenue. In Region 2, where customers will receive an increase in WRAM&MCBA surcharge, the 2018 WRAM&MCBA surcharge will run concurrently with the 2017 WRAM&MCBA surcharge until the 2017 WRAM&MCBA surcharge expires on Sept. 23, 2019. Once the 2017 WRAM&MCBA surcharge expires, the customers will receive a reduction in surcharge.

Why can't Golden State Water reduce expenses when water use goes down?

The majority of Golden State Water's expenses are "fixed costs" and don't change as usage changes, and the remainder are variable costs including things like purchased energy and imported water that may decrease when customers conserve. Due to the high proportion of fixed costs that accompany running a water system, Golden State Water expenses do not decrease equivalently with customer water use decreases.

Do municipal water utilities have WRAM/MCBA surcharges?

Many municipal providers throughout the state have implemented rate increases and/or tapped into financial reserves to address revenue shortfalls due to conservation over the last few years. Unlike municipal providers, regulated water utilities like Golden State Water are governed by the State of California and are prohibited from keeping financial reserves or permanently changing rates when revenue fails to cover operating expenses during periods of reduced usage.

Rather, regulated utilities are allowed to request authority from the State of California to charge a temporary surcharge to recover revenue shortfalls required to cover the costs to operate, maintain and improve the water system. The use of a temporary surcharge is transparent and ensures that Golden State Water does not over-collect its authorized revenues.

When will the WRAM&MCBA surcharge or surcredit appear on my water bill?

The new WRAM&MCBA surcharge/surcredit will be implemented and added to customer water bills in late March 2019. To learn the specific effective date, monthly surcharge or surcredit amount and duration for your service area, please visit www.gswater.com/download/Surcharge-and-Surcredit-Guide.pdf