

LOS ALAMITOS CSA

Why is Golden State Water filing a General Rate Case in 2014?

Every three years, Golden State Water is required to file a General Rate Case (GRC) application with the California Public Utilities Commission (CPUC). The GRC is public process in which state regulators determine how much residents, commercial and industrial customers should pay for their water service. The rate setting process occurs over 18 months, and water providers must provide significant evidence substantiating projected costs and proposed system investments. This GRC filing is regarding rates in 2016, 2017 and 2018.

Is Golden State Water requesting rate increases?

Golden State Water is requesting a company-wide decrease in revenue in 2016, and requesting modest revenue increases in 2017 and 2018 in order to continue to make necessary system improvements and help finance capital investments. Golden State Water is requesting the following revenue adjustment:

- -0.5% decrease in 2016 (- \$1.6 million)
- 3.21% increase in 2017 (\$10.3 million)
- 3.12% increase in 2018 (\$10.3 million)

**Figures above represent company-wide revenue adjustments, spread across more than 257,000 connections.*

While the company is requesting modest revenue increases over the three year period, most residential customers in the Los Alamitos Customer Service Area will see a bill decrease in 2016. The Los Alamitos Customer Service Area is part of Golden State Water's Region 3 ratemaking area.

Golden State Water rates reflect the full cost to provide the service; this includes maintaining the system with critical improvements and treating water to meet California's stringent drinking water standards.

If approved, how would this rate case impact my service area in 2016 - 2018?

Golden State Water delivers quality drinking water and reliable service to approximately 27,200 customers in the Los Alamitos Service Area, 24 hours a day, 7 days a week.

Customers within the Los Alamitos Service Area, which includes Cypress, Los Alamitos, Stanton, and portions of Buena Park, Garden Grove, La Palma, Rossmoor and Seal Beach, would see the following revenue impact:

- 0.68% increase in revenues (\$857,800) for 2016
- 2.41% increase in revenues (\$3,055,600) in 2017
- 2.69% increase in revenues (\$3,490,700) in 2018



** The figures above reflect overall revenue increases for the Region 3 ratemaking area, which includes approximately 99,000 customers.*

Are tiered rates changing?

Yes, Golden State Water is requesting to implement a four-tier rate structure for the Los Alamitos Customer Service Area. Golden State Water is proposing to adjust the size of the tiers in Region 3, reducing the rates in the first three tiers, where approximately 98 percent of customer bills fall while also introducing a fourth tier rate for customers that use more than 33,600 gallons or 45 Ccf per month.

Below are the proposed new tiers:

- Tier One: 0 – 10 ccf
- Tier Two: 11 – 19 ccf
- Tier Three: 20 – 45 ccf
- Tier Four: more than 45 ccf – New rate set

As a residential user, how will this proposed rate change affect my water bill?

Due to the unique operating requirements for each of Golden State Water Company's 38 water systems, the revenue requirement for the company may be different than the local rate impact each customer experiences. It is possible for the company to request an overall increase in revenue, but for a customer to see a bill or rate decrease for example.

An average residential customer with a 5/8 x 3/4" meter, using 8,976 gallons (1,200 cubic feet or 12 Ccf) of water per month, would see a monthly bill **decrease** of -\$0.42 or -0.8% from \$54.72 to \$54.30 excluding any applicable surcharges, pending approval of the proposed application by the CPUC.

In 2017, average customer bills would increase by \$1.30 to \$55.60, and in 2018, by \$1.49 to \$57.09.

When will I see the new rates reflected on my water bill?

Customers would see the rate adjustment beginning with their January 2016 water bill, if the CPUC's decision is on schedule.

Benefit to Customers

In this 2016-18 GRC application, customers in the Los Alamitos Service Area will benefit from a wide range of investments to address water supply, storage and distribution needs. Additionally, projects are proposed for the maintenance and replacement of water mains, pumps and purification equipment, drainage and electrical upgrades at local plants, and an update of the West Orange System's Urban Water Management Plan.

Following are capsule summaries of key upcoming projects:

- **Installation of Flow Monitoring Equipment:** A \$1,210,000 capital investment is proposed to install flow monitoring equipment at 14 plant sites in the West Orange System to ensure system performance, reliability and enhance the ability to respond during emergencies. This project would reduce water supply and capital costs.
- **New Groundwater Well:** To improve water supply reliability for the West Orange System, a new groundwater well is proposed to replace the dormant Simone Well No. 1. The project represents a \$4,080,000 capital investment.
- **Florista Plant Maintenance:** A \$740,000 capital investment is proposed to recoat the interior surface of the West Reservoir at the Florista Plant to prolong the useful life of the tank. The project includes addressing drainage and pavement concerns at the site.
- **Valley View Well No. 2 Upgrades:** To improve system operations and stabilize pressure for the West Orange System, a \$290,000 capital investment is proposed to install new pumping equipment at the Valley View Well No. 2.
- **Pipeline Replacement:** To proactively address pipes that need replacement or repair in the local system, a \$1,580,000 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.
- **Meter Installation:** A \$2,530,000 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 has Golden State Water taken 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 pay 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.

General Rate Case Information

The CPUC, which regulates Golden State Water, requires utility companies to file a General Rate Case every three years. The GRC forecasts how much the company will need to recover in rates for the following expenses:

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

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