



2020-2021 GENERAL RATE CASE FACT SHEET

San Gabriel Valley Water Company (SGVWC) is regulated by the California Public Utilities Commission (CPUC) to ensure rates are reasonable and reflect the full cost to provide water service, maintain utility infrastructure and make needed water system improvements.

Every three years, SGVWC is required to file a General Rate Case (GRC) application with the CPUC to propose a rate structure that recovers the revenue needed to meet operating expenses and necessary infrastructure improvements over a three-year period. SGVWC filed its GRC application for the fiscal years (July through June) 2020-2021, 2021-2022 and 2022-2023 on January 2, 2019.

The GRC process is thorough and takes approximately 18 months to ensure rates are fair and provide for reliable, quality water service. A state-funded independent public advocate also participates in the proceeding to ensure customers receive fair rates.

If SGVWC's GRC application is approved as filed, a residential customer on Conservation Rate Schedule LA-1C with a 5/8 x 3/4-inch meter who uses 1,200 cubic feet (8,977 gallons) of water per month, would see their monthly bill increase by \$4.35, or 6.9% from \$63.31 to \$67.66 (excluding any applicable surcharges).

SGVWC will continue to offer a monthly credit of \$9 for customers who qualify under the California Alternative Rates for Water (CARW) program.

Costs of Providing Water Service are Rising



SGVWC has an obligation to provide safe water that meets increasingly stringent water quality and environmental regulations, as well as reliable fire protection. Our application includes budgeted capital improvements, including replacements of aging water infrastructure, for the years 2019 - 2022.

SUMMARY OF KEY PROJECTS (2019 – 2022)

- Water Mains, Pipes & Service Lines:**
 Approximately \$52,000,000 is budgeted for water mains, pipes and service lines. This includes \$47,500,000 to replace aging underground water mains and service lines, and \$1,500,000 to rehabilitate and replace aging pipelines attached to bridges over highways and rivers to improve water system efficiency and reliability.
- Water Storage Tanks & Reservoirs:**
 Approximately \$37,000,000 is budgeted for 13 new water storage reservoirs, including nearly \$16,000,000 to replace eight aging reservoirs to meet customer demands and fire flow requirements during peak periods, and to eliminate storage deficiencies caused by new seismic standards. This will also allow us to store more water during off-peak hours when electricity for pumping is less costly.
- Groundwater Contamination Removal Treatment Systems:**
 Approximately \$15,000,000 is budgeted for the construction of groundwater contamination treatment facilities to remove 1,4 Dioxane, N-Nitroso-dimethylamine (NDMA), Tetrachloroethene (PCE), and Trichloroethene (TCE) from contaminated groundwater in the San Gabriel Valley. Approximately \$4,400,000 of this amount is being funded by grants and parties responsible for groundwater pollution in the Main San Gabriel groundwater basin.
- Renewable "Clean" Energy Generation System:**
 Approximately \$740,000 is budgeted, with an additional \$700,000 being provided through grant funding, to install a hydroelectric generating system at our Plant B24 location in the City of Industry. By installing a small hydroelectric turbine within a high-pressure water distribution main, we can generate up to 433,000 kilowatt hours of clean, renewable energy and reduce the plant's annual electric bill by approximately \$56,000.
- Automated Meter Reading (AMR) Deployment:**
 Approximately \$3,200,000 is budgeted for the installation of AMR meters and meter reading equipment. AMR meters store water usage data and can be read remotely, allowing us to resolve customer inquiries and detect customer leaks in near-real time, all while reducing our carbon footprint. SGVWC estimates present-worth savings of over \$4 million from the reduction in labor expense and vehicle operating costs over the 15-year lifecycle of AMR meters.
- Well, Booster Pump & Electrical Equipment Refurbishments:**
 Approximately \$2,300,000 is budgeted for the refurbishment of six well pumps and six booster pumps per year, as well as electrical panel and equipment upgrades. Electricity for pumping water accounts for approximately 10% of our operating costs, and these refurbishments will help increase the efficiency of our pumping equipment and reduce our electric bill.
- Drinking Water Supply Wells:**
 In 2019, SGVWC has budgeted \$750,000 to finish construction of one new drinking water supply well, Well 1F, at our Plant No. 1 location in El Monte. This well will replace approximately 2,500 gallons per minute (gpm) in production capacity previously lost due to well failures.
- Security Improvements:**
 Approximately \$400,000 is budgeted for security improvements including fences, cameras, intrusion sensors and alarms, bollards and other devices at vital drinking water production facilities.
- Conservation Programs:**
 Conservation is a California way of life, and SGVWC has budgeted approximately \$600,000 annually to fund education/outreach, high efficiency/recycled water retrofits, and other programs designed to meet the goals of recent legislation.



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FREQUENTLY ASKED QUESTIONS

Q. Why did San Gabriel Valley Water Co. (SGVWC) file this application requesting a rate increase?

- A. SGVWC's rates are set by the California Public Utilities Commission (CPUC). The CPUC is an independent state agency whose purpose is to protect California utility customers by ensuring that the rates they pay are fair and reasonable. The CPUC also ensures that safe and reliable water service is maintained, all necessary improvements are made to the water system, and that the system is operated efficiently. The CPUC requires all Class A water utilities it regulates to file a general rate case (GRC) every three years so that it can conduct a comprehensive review of the utility's rates and operations.

SGVWC filed its last GRC in 2016, with new rates effective in July 2017. The new rates approved by the CPUC in the current GRC will go into effect in July 2020.

Q. How are SGVWC's rates determined?

- A. The CPUC sets rates based upon "cost of service." This means that the rates are set to cover the costs of providing water service and to allow the company to earn a reasonable return on its investment in water system infrastructure. Major costs to operate a water system include purchased water, groundwater extraction taxes, electricity for pumping, treatment costs for chlorination and to remove contaminants, and employee labor.

Q. Why do I have to pay more for using less water?

- A. Water utilities are the most capital-intensive public utilities. It is very expensive to install new or replace old water mains, build new tanks, drill new wells, construct costly treatment facilities, and install fire hydrants. These costs are fixed, meaning they must be paid no matter how much water flows through the system – similar to a home mortgage or rent payment that does not change based on the number of people living in a home. In fact, approximately 70% - 80% of the costs of operating a water system are fixed. In contrast, SGVWC's rates are approximately 70% variable to encourage conservation. Unfortunately, this means that when customers do the right thing and conserve, rates must be increased to cover the difference. But this also means you can lessen the impact of such rate increases by reducing water use even further.

Q. How affordable is SGVWC's service?

- A. SGVWC delivers high quality water on demand to our customers' taps 24 hours a day, 365 days a year for less than a penny per gallon. Compared to a number of products we buy every day, tap water is the best deal around:



Q. How can SGVWC help customers manage their bills?

- A. SGVWC offers a comprehensive water conservation program to help customers use water more efficiently. SGVWC provides water audits, free conservation kits and may be able to point you to available rebates to help offset the costs of water-saving appliances and landscaping.

SGVWC also has a low income rate assistance program, known as California Alternative Rates for Water (CARW). Under the CARW program, discounted rates are offered to qualifying low income residential customers living in a single family dwelling or duplex, being served through a 1-inch or smaller meter, and meeting the income criteria established each year by the CPUC. Customers can apply for discounts under the CARW program by filling out an application, available on SGVWC's website www.sgvwater.com, or by visiting one of our local offices.

Q. What does SGVWC do to control its costs?

- A. Water conservation has been a focus of SGVWC for many years, resulting in a reduced need for additional infrastructure and lower water production costs. Some municipal water providers put-off or delay the replacement of old water mains in order to keep water rates down, only to see broken mains cause damage to both public and private property which results in even higher repair costs. SGVWC has been able to avoid similar problems by maintaining its ongoing infrastructure replacement program, which includes only those projects which cannot be delayed.

To minimize water supply costs, SGVWC maximizes the use of its established water rights in the Main San Gabriel and Central groundwater basins, and leases additional water pumping rights to the extent they are available in order to avoid having to purchase costly imported water. Approximately 5% of SGVWC's deliveries are in the form of recycled water for landscape irrigation. Recycled Water is a drought-proof, lower cost renewable water supply that replaces the use of drinking water for watering landscaping, which allows SGVWC to minimize the impact of rising imported water costs.

Electricity for pumping is one of largest costs of operating a water system, and SGVWC works closely with Southern California Edison to ensure the water pumping equipment at each of its plant sites is operating efficiently and served under the most economical electric rate schedules.

Q. Are SGVWC's shareowners guaranteed a rate of return on their investment?

- A. No. On the contrary, there is no guaranteed rate of return on investment. The CPUC simply allows SGVWC an opportunity to earn what the CPUC establishes as a reasonable rate of return. SGVWC often earns less than what the CPUC authorizes for a variety of reasons, like unexpectedly lower water sales or higher necessary costs. The CPUC recently lowered SGVWC's authorized rate of return, resulting in a 1.1% overall rate decrease effective January 1, 2019.