

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: NOVEMBER 7, 2008

AGENDA ITEM
E-1
NOVEMBER 12, 2008

MERGER OF TOWN AND BLACKLAKE WATER DIVISIONS

ITEM

Receive report from Blacklake Water System AD Hoc Committee, consider options to provide water service to Blacklake and provide policy direction on process [PROVIDE POLICY GUIDANCE].

BACKGROUND

In October, your Honorable Board reviewed the Reed Group "Tip-Point Report", formed an Ad Hoc Committee comprised on President Winn and Vice President Harrison, authorized the Committee to interact with Blacklake; directed the Ad Hoc Committee to report back at this Board Meeting and directed staff to describe the options remaining to Blacklake should there be a majority protest to a new Protest Proceeding.

The Ad Hoc Committee met with representatives of Blacklake on October 29, 2008. Attached are minutes of that meeting along with a spreadsheet detailing a proposal for calculation of a buy-in at \$436.70 per equivalent 1" meter. President Winn and/or Vice President Harrison may wish to elaborate on the Ad Hoc Meeting at the Board Meeting.

Subsequent to the Ad Hoc Meeting, staff has received a series of e-mails from Mr. Bill Petrick regarding the proposal developed by the Ad Hoc Committee. Mr. Petrick objected to using the projected reserve numbers set forth in the Reed Report. Mr. Petrick writes that "the contribution to operating reserves should be a defensible number based on the year-end audited financial statement." Mr. Petrick then further questioned the use of cash balances and inquired as to why NCSD was not using unrestricted assets as the basis for calculating the appropriate contribution from Blacklake. Attached is a new spread sheet illustrating the respective contributions for the audited year end cash reserves (PETRICK #1) and the year end unrestricted assets (PETRICK #2). Also attached is a revised summary sheet illustrating that the buy-in with PETRICK #1 would increase from \$436.70 to \$564.70 per equivalent 1" meter and that the buy-in with PETRICK #2 would increase from \$436.70 to \$1,713.17 per equivalent 1" meter.

In regards to options available to Blacklake should there be a majority protest to a new proposition 218 protest proceeding, staff believes that such a majority protest would indicate that Blacklake is not willing to pay for the merger of the two systems and that the District should either remove or inactivate the 8" intertie installed on an emergency basis to facilitate the merger. Prior to removal/inactivation of the 8" intertie, NCSD would need to use the remaining Blacklake Water Fund reserves to re-plumb the transfer pump and reactivate the hydro-pneumatic tank so that Blacklake's two well can feed the demand not covered by the old 4" intertie. A second alternative might be to design a fully compliant Title 22 Upgrade to present to Blacklake as a subsequent Proposition 218 Protest Proceeding after the initial re-plumbing was completed.

FISCAL IMPACT

Preparation of the proposed report and/or further negotiation would require pre-funded staff time. Preparation of the draft Ordinance would involve the use of District Legal Counsel's time, which would result in approximately \$1,000 in consulting fees.

RECOMMENDATION

Staff recommends that the Board receive the Committee report, agree on a concept for a new buy-in calculation, direct staff to prepare a Report documenting that computation, direct District Legal Counsel to prepare a draft ordinance, set a hearing for November 26, 2008 to introduce the Ordinance and the Report, and agree on the consequences of a subsequent majority protest.

ATTACHMENTS

- Minutes from Ad Hoc Committee Meeting
- Spreadsheet illustrating Petrick #1 and Petrick #2 Contribution Calculations
- Spreadsheet illustrating Petrick #1 and Petrick #2 Buy-In Calculations

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NIPOMO COMMUNITY SERVICES DISTRICT

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POST OFFICE BOX 326
NIPOMO, CA 93444 - 0326
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MINUTES OF THE 10/29/08 MEETING OF THE

AD HOC BLACKLAKE WATER RATE ADJUSTMENT COMMITTEE

1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Winn called the Special Meeting to order at 2:00 p.m. in the NCSD Board Chambers. Both Chairman Winn and Director Harrison were in attendance along with NCSD General Manager Bruce Buel. There were also thirteen members of the public present, including Nancy Fleming, Curt Curtis, Bill Larsen and Bill Nelson as representatives of the Blacklake Village Master Association Board of Directors.

2. DISCUSS BLACKLAKE WATER SURCHARGE OPTIONS

Chairman Winn thanked the Blacklake representatives for participating. General Manager Buel summarized the referral from the Board to the Committee, distributed copies of the staff note from the October 8th Board discussion along with a spreadsheet entitled "Blacklake Water System Improvements" and explained the spreadsheet calculations.

Bill Nelson, Hugh Robinson and Bill Petrick offered comments on Fund 700 and the process to merge the two systems.

Committee discussion followed on the history of the surcharge, the current plumbing, the proposed plumbing, funding of the Sundale Well and expenditure of Blacklake funds on the 8" intertie. Chairman Winn focused the discussion on the next surcharge proposal and indicated that he could support the concept set forth in the spread sheet. Curt Curtis also supported the spreadsheet but indicated that the conclusions were similar to the recommendations developed by the Finance and Audit Committee in August. Mike Winn and Bill Nelson observed that since then, the Reed Tip-Point Report had answered the questions regarding subsidies. Mike Winn and Curt Curtis disagreed over NCSD's authority to make Blacklake remain a stand-alone system, but agreed that it was better not to end up at that position. Jim Harrison indicated that he had no problem supporting the concept set forth on the spreadsheet and given the results of the Reed report can now state that such a surcharge would be something he could justify to the Town Division. Curt Curtis asked for the numbers to be rounded down for simplicity, but Mike Winn indicated that he could not support a number that was not arrived at through a logical calculation. Jim Harrison indicated that he could support the spreadsheet, and asked if the Blacklake representatives agreed to support it too. Nancy Fleming, Curt Curtis, Bill Larsen and Bill Nelson all agreed to support the surcharge set forth on the spreadsheet.

Ron Willis, Dick Herman, and Bill Petrick commented on the process and the advantages and disadvantages to merging the two systems.

The meeting was adjourned at 3:15 p.m.

NIPOMO COMMUNITY SERVICES DISTRICT

Blacklake Water System Improvements

Improvement	Estimated Cost	BL SHARE	BL COST
Blacklake Tank Rehabilitation	\$150,000	0.15	\$22,500
Interior Coating	\$130,000		
Exterior Coating	\$20,000		
Misty Glen Interconnect	\$30,000	100	\$30,000
85 LF 8 inch pipe	\$12,000		
Pressure Reducing Station	\$18,000		
Augusta Drive Interconnect (Assuming pipe installed in Pomeroy)	\$21,000	100	\$21,000
20 LF 8-inch pipe	\$3,000		
Pressure Reducing Station	\$18,000		
Improvement Cost Subtotal	\$201,000		\$73,500
30% Contingency (Engineering, Construction Management, and Construction Contingency)	\$60,300		\$22,050
Improvement Cost Total	\$261,300		\$95,550
CONTRIBUTION TO OPERATING RESERVES	\$182,192	100	\$182,192
TOTAL			\$277,742
Surcharge per Equivalent 1" Meter			\$436.70

NOTE: This calculation does not address Fund 700

CALCULATION OF BL RESERVE CONTRIBUTION PETRICK #1

ITEM	AMOUNT
Town 6-08 Reserves	\$1,832,860
BL 6-08 Reserves	\$35,109
85% - 15% Split Divide Town Reserves by .85 to get total reserves	
Total for split	\$2,156,306
Subtract Town Reserves to get total BL Contribution	
Total BL Contribution	\$323,446
Subtract \$60,040 available	
Additional BL Reserve	\$263,406

CALCULATION OF BL RESERVE CONTRIBUTION PETRICK #2

ITEM	AMOUNT
Town 6-08 Unrestricted Assets	\$6,017,080
BL 60-08 Unrestricted Assets	\$56,370
85% - 15% Split Divide Town Reserves by .85 to get total reserves	
Total for split	\$7,078,918
Subtract Town Reserves to get total BL Contribution	
Total BL Contribution	\$1,061,838
Subtract \$60,040 available	
Additional BL Reserve	\$1,005,477

NIPOMO COMMUNITY SERVICES DISTRICT

Blacklake Water System Improvements

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Blacklake Tank Rehabilitation	\$150,000	0.15	\$22,500
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Pressure Reducing Station	\$18,000		
Improvement Cost Subtotal	\$201,000		\$73,500
30% Contingency (Engineering, Construction Management, and Construction Contingency)	\$60,300		\$22,050
Improvement Cost Total	\$261,300		\$95,550
CONTRIBUTION TO OPERATING RESERVES - Committee TOTAL (IMPROVEMNET COST AND RESERVES)	\$182,192	100	\$182,192 \$277,742
Surcharge per Equivalent 1" Meter			\$436.70
CONTRIBUTION TO OPERATING RESERVES - Petrick #1 TOTAL (IMPROVEMENT COST AND RESERVES)	\$263,406	100	\$263,406 \$358,956
Surcharge per Equivalent 1" Meter			\$564.40
CONTRIBUTION TO OPERATING RESERVES - Petrick #2 TOTAL (IMPROVEMENT COST AND RESERVES)	\$1,005,477	100	\$1,005,477 \$1,101,027
Surcharge per Equivalent 1" Meter			\$1,731.17

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: NOV. 7, 2008

**AGENDA ITEM
E-2
NOVEMBER 12, 2008**

REQUEST TO CPUC RE GSWC TIERED RATES

ITEM

Authorize submittal of letter to CPUC supporting proposed revision of Golden State Water Company's (GSWC) Rate Structure [RECOMMEND APPROVAL OR TAKE ALTERNATE ACTION].

BACKGROUND

On October 22, 2008, your Honorable Board discussed this item; continued consideration until this meeting; directed staff to provide copies of GSWC's Application to the CPUC; and directed staff to summarize the meetings facilitated by Supervisor Achadjian with the purveyors. Staff provided copies of the background information to the Board on October 29, 2008 (Copies available at the office). As detailed in the background information, the CPUC is requiring all investor owned utilities to convert from uniform commodity rate structures to inclining block rate structures since these inclining rate block structures encourage water conservation. Other divisions of GSWC have already converted but the portions of GSWC serving the Central Coast (the Santa Maria Division) have been delayed by litigation. GSWC has presented both a two tiered rate structure and a three tiered rate structure to the CPUC with the three tiered design as the preferred design.

Attached is the notice from the CPUC regarding GSWC's filing, a summary of the filing from GSWC and a letter from the GSWC requesting conservation from its customers.

In regards to the meetings facilitated by Supervisor Achadjian, NCSD, GSWC, Woodlands Mutual Water Company (WMWC), and Rural Water Company (RWC) met on 6/26/08; 8/21/08 and 10/2/08. The meetings focused on the respective rate structures of the entities and the potential for each purveyor to maximize conservation savings through rate design. NCSD presented its current two tiered rate structure and the possibility of considering a third tier when the Board reviews funding for the Supplemental Water Project. GSWC reviewed its current Uniform Commodity Rate Structure and the applications it has filed with the CPUC for an inclining block rate structure. WMWC reviewed its existing three tier water rate structure. Rural Water Company reviewed its current Uniform Commodity Rate Structure and its obligation to apply to the CPUC for an inclining block rate structure. At the October 2, 2008 Meeting, Supervisor Achadjian requested that the purveyors support GSWC's Application to the CPUC. The SLO County Board of Supervisors on November 4, 2008 approved the submittal of a letter of support.

Attached is a draft letter of support to the CPUC regarding GSWC's request.

FISCAL IMPACT

Preparation of the letter would require the use of pre-funded staff time. Attendance at a CPUC Hearing would involve commitment of staff time and travel expenses.

RECOMMENDATION

Staff recommends that the Board authorize the Board President to sign and submit the attached letter. Staff further requests authority to participate in a CPUC hearing on this matter in support of the tiered rate proposal.

ATTACHMENTS

- CPUC Notice
- GSWC Summary
- Letter from GSWC to Customers
- Draft letter

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**NOTIFICATION OF APPLICATION FILING BY GOLDEN STATE WATER COMPANY FOR
AUTHORITY TO IMPLEMENT CHANGES IN RATESETTING MECHANISMS AND REALLOCATION
OF RATES IN ITS REGION I – SANTA MARIA SERVICE AREA**

**REQUEST FOR PUBLIC COMMENTS
APPLICATION NO. 08-09-010**

The California Public Utilities Commission (CPUC) is seeking public comment on Golden State Water Company's (GSWC) proposed Application 08-09-010. The purpose of the proposed application is to encourage water conservation by implementing a conservation rate design for GSWC's Santa Maria district in its Region I service area. GSWC's Santa Maria Service Area serves approximately 13,100 customers in all or portions of the cities of Santa Maria, San Luis Obispo and vicinity, in San Luis Obispo and Santa Barbara Counties.

The conservation rate structure also is being proposed to achieve the CPUC's conservation objectives in its recently adopted Water Action Plan. The Plan requires GSWC to implement a tiered rate structure for residential customers. The tiered rate structure is intended to promote conservation by utilizing the lowest tier, at the lowest rate for the units of water used. If you exceed the usage in Tier 1, you would then fall to Tier II at a higher rate because you have consumed more than the allotment of water identified in Tier 1. Tiered or increasing "block" rates have been shown to provide an incentive for customers to use water more efficiently which results in lower water consumption and a lower bill. A customer may experience a higher bill in the summer because the cost per unit will increase with more water usage. In the winter, the bill will be lower because the usage of water will be less. So seasonally you may notice a difference. This new tiered rate structure applies to other larger water utilities as well.

GSWC is proposing to implement new conservation rates for both its residential and non-residential customers. The conservation rates would consist of reduced service charges and an increasing block quantity rate structure made up of two tiers for its residential customers. For its non-residential customers, GSWC seeks to reduce the monthly service charge and to increase the quantity charge.

A residential customer is defined as a single family dwelling unit that is individually metered which could be a home, townhome, or condominium. A non-residential customer is a customer not residing in a single family dwelling unit.

The following table shows GSWC's conservation tiered rate allocation structure for a residential customer in the Santa Maria Service area:

	Monthly Allocation	Quantity Charge (per CCF)	Service Charge (per month)
Tier 1	0 – 15	\$1.428	\$13.95
Tier 2	16 and over	\$1.642	

In addition, GSWC proposes a preferred rate design consisting of three-tier, increasing block rates and a reduction in the monthly service charge for its residential customers. Under this preferred alternative rate design, the non-residential customers would also have a reduced monthly service charge and an increased single-quantity charge. GSWC believes that its preferred alternative, three-tier proposal would promote a higher degree of conservation than the two-tier design structure.

The proposed rate design will result in monthly bill reductions for low usage customers and monthly bill increases for those customers who do not conserve. The proposed conservation rate design is intended to support and encourage water conservation and will not increase revenues to GSWC.

In this application GSWC is also requesting the implementation of a Water Revenue Adjustment Mechanism (WRAM) and modified-cost balancing account (MCBA). The WRAM would track the difference between

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GSWC's adopted and actual revenues. The MCBA will track the difference between actual variable costs and adopted variable cost. Both of these decoupling mechanisms will ensure that both the customers and GSWC are proportionally benefited and not harmed by the implementation of GSWC's conservation rate design.

OBTAINING A COPY OF THE APPLICATION

A copy of GSWC's Application No. 08-09-010 and related exhibits may be examined at the following GSWC locations:

- GSWC General Office located at 630 East Foothill Blvd., San Dimas, California 91773;
- Santa Maria Customer Service Area Office located at 2330 A Street, Unit A, Santa Maria, California.

Copies are also available for review at the California Public Utilities Commission's Central Files Office 505 Van Ness Avenue, San Francisco, 94102.

PROTESTING OR COMMENTING ON THE APPLICATION

*Formal protests to this application must be filed with the CPUC no later than **October 17, 2008**.* As a GSWC customer, if you would like to file an **informal comment or protest** for this filing you may send your comments to the CPUC's Public Advisor's Office (PAO). Informal protests are collected until the scheduling of the evidentiary hearings. The PAO was established to assist members of the public who wish to protest or participate as a formal party of record in CPUC proceedings. For assistance in filing a protest with the CPUC or to participate in this proceeding, please contact the Public Advisor's Office, 320 West 4th Street, Suite 500, Los Angeles, California 90013, or by email to public.advisor.la@cpuc.ca.gov. Please refer to Golden State Water Company's Application No. 08-09-010 in any communications.

PUBLIC COMMENT

If you wish to comment on or informally protest this filing as a customer of GSWC, you may do so by contacting the Public Advisor's Office via phone or e-mail. Written public comment by GSWC customers is very much desired by the CPUC and may be sent to the Public Advisor's Office at the address shown above. These comments will become part of the formal correspondence file for this proceeding and will be circulated to the assigned Administrative Law Judge, the Commissioners and appropriate Commission staff.

EVIDENTIARY HEARINGS

The CPUC may schedule formal evidentiary hearings whereby the formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comments of those formal parties of record participating in the evidentiary hearings. GSWC will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposals of utilities for rate changes and present their analyses and recommendations for the CPUC at evidentiary hearings. Once hearings are completed, the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests for Golden State Water, approve the draft decision by the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from GSWC's original proposed request

Si necesita asistencia en Español, tenemos representantes de servicio al cliente disponibles para ayudarle cuando lo solicite.

GOLDEN STATE WATER COMPANY

**GSWC Proposed Tiered Rates for Nipomo Service Area
October 2, 2008**

GSWC filed Application 08-09-010 with the California Public Utilities Commission on September 15, 2008 to implement tiered rates for customers in its Region I service territory, which includes customers served in the Nipomo area.

In the proposal, residential customers would receive reduced monthly service charges and tiered quantity rates.

Nonresidential customers will receive a lower monthly service charge. GSWC would file for tiered rates for nonresidential customers in a future rate case. The Commission prefers this phased-in approach.

GSWC offered the CPUC the option of two- and three-tiered rate structures for Region I. The company prefers a three-tiered approach, since it is more aggressive in its financial incentives for large-volume users to conserve. An aggressive approach is preferred due to the current drought and a statewide goal to reduce water consumption by 20 percent by 2020.

The company expects a decision from the CPUC on its tiered rate application early in 2009.

Tiered Rate Proposal

Monthly service charge for residential customers with a 5/8" meter = \$13.95

Tier 1 – 0 to 15 CCF = \$1.43 per CCF

Tier 2 – 16 to 27 CCF = \$1.64 per CCF

Tier 3 – 28 CCF and above = \$1.89 per CCF

(Two tier option has no third tier)

The first tier is based on the average winter usage for the Santa Maria customer service area. The average winter use was selected as the break point because the winter is typically a period of lower usage.

The second tier is based on the midpoint between the annual average and the summer average for the customer service area.

The third tier targets higher volume water users.

Current Rates

Monthly service charge for residential customers with a 5/8" meter = \$19.65

Quantity rate = \$1.267 per CCF (for all water used)

Golden State Water Company has a variety of tools and information to help customers conserve and keep water usage and bills as low as possible. Ask us about our programs – call our CSC at (800) 999-4033 24 hours a day/7 days a week – and visit our Web site for more information, www.gswater.com

Other Information

Timing of Tiered Rate Application

We first applied for a lower monthly service charge and tiered rates in 2007. At that time, Region I's conservation tier rate design was put on hold due to a pending Region I General Rate Case Decision (D.08-01-043). The CPUC approved the tiered rates in August this year for our Region II and III service territories in Southern California and ordered GSWC to file Region I conservation rate design by September 15, 2008.

Why Water Rates are Different in Surrounding Water Agencies

- GSWC recovers nearly 100% of the costs for providing water service through its water rates directly charged to customers
- Municipal and other water agencies collect revenues from a variety of sources including:
 - water charges
 - connection fees
 - standby charges
 - property taxes
 - investment earnings
 - other sources

Many of these charges do not appear on the water bills charged to their customers

- Source of water supply – generally local groundwater is less costly than imported surface water
- Level of capital improvements – GSWC has an aggressive infrastructure replacement program which impacts rates, other agencies may not be as aggressive with their capital program
- Maintenance programs – GSWC has on-going programs for gate valve maintenance, fire hydrant maintenance, distribution system flushing, other agencies may not be as proactive with these programs

Service Charge

The costs to operate the utility are categorized as either fixed costs or variable costs. Fixed costs are utility costs that do not vary with the level of water sales. Some examples of fixed costs include:

- constructing wells, pipelines and storage facilities needed to deliver water,
- constructing storage and delivery systems designed to provide fire protection,
- operating and maintaining the water delivery system,
- providing adequate water pressure throughout the system,
- providing 24-hour customer service and emergency response.

In 1986, the CPUC issued a decision which implemented a rate design policy directing water utilities to collect a portion of their fixed costs in the service charge component.

The CPUC revised its rate design policy in 1991 to allocate the service charge to customers based on the size of water meter serving the customer's property.

GSWC currently recovers approximately 50% of its fixed costs through the service charge.

With the conservation-based tiered rate structure, the service charge will be reduced to recover approximately 30% of the fixed costs.

Water Usage Charge

The Water Usage Charge is the rate applied to the amount of water used during the billing period; it is the rate charged per hundred cubic feet (ccf) of water, designated on the bill as \$/ccf

The Water Usage Charge covers the remainder of the fixed costs, plus the variable costs.

Variable costs are expenses that vary directly with the level of water sales, such as

- purchased water costs,
- chlorination and other chemicals costs,
- pumping costs.



October 21, 2008

RE: Voluntary Water Conservation Plan

Dear Mr. Buel

At Golden State Water Company (GSWC), we are committed to providing our customers with the highest standard of service and we are steadfast in our desire to work with community leaders and our partners in local government to provide reliable, 'best-in-class' water service.

As you know, California is the midst of a significant drought. In response to this drought and the Governor's call to action, Golden State Water Company is increasing its efforts to provide comprehensive water conservation programs. Part of this effort includes working with community partners to raise awareness of the water supply challenges we're facing and to work together to reduce usage in the regions we serve.

This week, we sent every customer a letter from President and CEO Floyd Wicks asking them to voluntarily reduce their water usage. We are aiming for a 20 percent reduction in overall water usage companywide, which is aligned with Governor Schwarzenegger's plan for a 20 percent statewide reduction by 2020.

To help our customers meet the goal, GSWC is undertaking a customer education campaign to help maximize efforts to reduce water usage. The program will include:

- Direct customer outreach and education, including letters, bill inserts, etc.
- Water conservation rebate programs
- Comprehensive conservation information on www.gswater.com
- A new tiered rate design that empowers customers to reduce water usage and minimize monthly bills
- Media outreach to heighten awareness of California's water challenges
- "Anytime access" to GSWC Customer Service Representatives who can provide information on conservation programs

This month GSWC will distribute a news release (attached) to media in the communities where we operate to jumpstart our conservation efforts. We believe that by working with customers, the media and our partners in local government that we can make progress and reduce the severity of our water supply challenges. To accomplish this, GSWC looks forward to meeting with you to share more details on our conservation program and identify ways that we can work together to support the program.

Lastly, because of the severity of the state's water supply situation, GSWC is developing 'worst-case-scenario' plans in the event that the state's drought worsens. If more stringent measures are required, GSWC may be compelled to ask the California Public Utilities Commission to authorize us to implement mandatory conservation measures. If this happens, we will notify customers in advance and provide them with a copy of our rationing plan. Additionally, GSWC will continue working with customers to ensure that they are maximizing their conservation potential.

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GSWC is fully committed to making sure our customers and fellow community leaders are well-prepared to meet our water challenges. Our promise is that we will keep you and our customers informed about the drought status and ways to minimize its impact on our quality of life.

If you have any comments or suggestions about our plans, please contact me at (insert number) or email me at wwoodard@gswater.com . Everyone must play a role in the conservation effort, and we value your input.

Sincerely,



William Woodard
Operations Superintendent
Golden State Water Company

Attachments:

Golden State Water Company news release
Letter from President and CEO Floyd Wicks to customers



Golden State
Water Company
A Subsidiary of American States Water Company

October 24, 2008

RE: Golden State Water Company Asks Customers to Voluntarily Conserve

Dear Valued Customer:

Golden State Water Company (GSWC) is committed to protecting and preserving our most precious natural resource; indeed, water is our body's most important nutrient. As you are undoubtedly aware, the current drought in California poses a challenge for all of us. By working together, however, we can make it through one of the driest periods in state history.

As a steward of the area's water supply, GSWC is asking for your help to voluntarily reduce water usage. It is our hope that a voluntary community-wide conservation effort will help prevent mandatory water rationing in the future. Conservation is always a good practice. It is more critical now than ever before given the lack of rainfall in California and the need to address serious environmental issues in the fragile Sacramento-San Joaquin River Delta system.

The Governor has asked Californians to reduce water usage by 20 percent by the year 2020. We also are asking our customers to meet that goal and are committed to working with all residential, business and municipal customers to achieve this significant and important reduction in water use.

Water conservation is critical to our future, and by taking simple steps, we can achieve these goals. We have enclosed a list of water-saving tips designed to help customers reduce their usage by 20 percent. I also encourage you to take advantage of GSWC's conservation programs, including free water conservation kits, by calling one of our customer service representatives. They are available to speak with you personally 24 hours a day, 7 days a week, at 1-800-999-4033. You also can access this information online at www.gswater.com.

Working with the California Public Utilities Commission (CPUC) and following the Commission's Water Action Plan, GSWC has taken proactive steps to change its rate structure to reward conservation. We helped lead the effort and recently received CPUC approval to implement new tiered rates for residential customers beginning in November 2008 in most of our Southern California service territories. We also asked the CPUC to allow tiered rates in our Northern California and Coastal districts and a decision is expected in early 2009. The tiered rates are designed to encourage conservation by charging incrementally higher rates as water usage increases.

So as you can see, GSWC is committed to doing everything possible to help California get through this latest drought. We're investing to keep the water system in the best possible condition in order to provide the "best-in-class" customer service to help you conserve. And the tiered rates will provide a financial incentive to encourage conservation and put more control of your water bill in your hands.

We believe these efforts will enable us to achieve the necessary conservation of this most precious resource. If drought conditions worsen, all water providers may be forced to implement mandatory conservation measures. All mandatory conservation or rationing

measures for GSWC must first be approved by the California Public Utilities Commission (CPUC). You will certainly be notified in advance of any mandatory conservation plan.

I know many of our customers have already succeeded in cutting back their usage in recent years. I applaud them for their efforts. But we should not stop there. We all should continue to be vigilant in minimizing our water usage as much as possible. I encourage you to visit our Web site at www.gswater.com to learn more about our tiered rates and conservation programs.

At Golden State Water Company, we are dedicated to meeting your needs and exceeding your expectations. We are honored to be your water provider and look forward to working with you to protect our water supply.

Sincerely,

Floyd Wicks
President and CEO
Golden State Water Company

Attachment:
Water Conservation Tips



Golden State Water Company

A Subsidiary of American States Water Company

TIP SHEET

How You Can Reduce Water Usage by 20 Percent

BACKGROUND: Golden State Water Company (GSWC) is asking its customers to voluntarily reduce their water consumption in response to one of the driest periods in California history. GSWC is targeting an overall 20 percent reduction companywide from these voluntary efforts.

The average Californian uses about 190 gallons of water per day. To achieve a 20 percent reduction in water usage, individuals would need to cut back water use by about 38 gallons per day.

Sound difficult? It may be a lot easier than you think. Californians use more than 50 percent of their water outdoors and much of that is used inefficiently. Changing daily habits inside the home also can produce some significant water savings.

The following **outdoor** and **indoor** water conservation tips provide the average Californian with a variety of ways to reach a 20 percent reduction in daily water consumption.

OUTDOOR WATER CONSERVATION TIPS

- **Upgrade to a “smart” irrigation system.** These smart systems automatically adjust watering times based on the weather and turn off the sprinklers when it rains.
Estimated daily savings: 20-40 gallons per 1,000 square feet of land being irrigated.
- **Replace a section of your lawn with California-friendly plants.** Contact a local nursery or your local chapter of the California Native Plant Society to get information about these plants.
Estimated daily savings: 30-60 gallons per 1,000 square feet.
- **Add 2 to 3 inches of mulch around trees and plants.** Mulch shades the soil and moisture from the sun, thus lessening water evaporation.
Estimated daily savings: 20-30 gallons per 1,000 square feet of mulch.
- **Install pool and spa covers.** While it sounds simple, this step results in significant savings by reducing evaporation.
Estimated daily savings: 30 gallons.

INDOOR WATER CONSERVATION TIPS

- **Fix leaky toilets.** While a leaky toilet may be out of sight and out of mind, it is one of the biggest water wasters inside your home.
Estimated daily savings: 30-100+ gallons.
- **Replace older clothes washers with high-efficiency models.** Contact us to find out if you are eligible for a rebate.
Estimated daily savings: 15-50 gallons per load of laundry.
- **Shorten the duration of your shower by two minutes.** Idle time spent in the shower wastes water and costs you more on your water bill.
Estimated daily savings: 5 gallons.
- **Install aerators on kitchen and bathroom faucets.** The flow restrictors on the aerators will reduce the rate at which the water flows from the faucets.
Estimated daily savings: 4.7 gallons.

For more information: Contact our 24 hour call center at 1-800-999-4033, or visit www.gswater.com.



FOR IMMEDIATE RELEASE
Oct. 27, 2008

CONTACT: John Dewey
(714) 535-7711 x291

Golden State Water Company Asks Customers to Voluntarily Reduce Water Usage

Prepares to implement tiered rates to encourage conservation

San Dimas, CA - Golden State Water Company (GSWC), a subsidiary of American States Water Company, (NYSE: AWR), is asking all of its customers to voluntarily reduce their water usage and is implementing conservation tiered rates in response to one of the driest periods in state history.

GSWC is targeting an overall 20 percent reduction companywide from these voluntary efforts. The company provides water service to a population exceeding one million people. Its service territory is within 75 communities throughout 10 counties in Northern, Coastal and Southern California.

"We all must play a role in responding to the drought," said GSWC President and CEO Floyd Wicks. "We recognize that many customers already have begun conservation efforts, and we applaud their efforts. We must now remain vigilant to minimize our water usage as much as possible. GSWC is committed to doing everything possible to help California get through this latest drought. We're investing to keep the water system in the best possible condition in order to provide the "best-in-class" customer service to help customers take action to conserve. And the tiered rates will provide a financial incentive to encourage conservation during these challenging times."

GSWC is offering all of its customers free conservation kits and tips (attached) to help them identify ways to reduce their usage. Customers can find out more about GSWC's conservation programs and how to obtain a free water conservation kit by calling a customer service representative at 1-800-999-4033. Representatives are available 24 hours a day and 7 days a week.

Additionally, GSWC recently received approval from the CPUC to implement new conservation tiered rates to encourage conservation and a lower monthly service charge in most of its Southern California service territories, beginning in November. The company also asked the CPUC to allow GSWC to implement tiered rates in its Northern California and Coastal districts and is expecting a decision in early 2009. The tiered rates will encourage conservation by charging incrementally higher rates as water usage increases.

"Golden State Water Company, working in collaboration with the California Public Utilities Commission, was a leader in the effort to get conservation tiered rates approved for investor-owned water utilities," Wicks said. "This is yet another way we are raising the awareness and helping to encourage water conservation during one of the driest periods in state history. Customers who truly conserve will pay less for water than those who do not."

GSWC will provide customers with ongoing updates about efforts to overcome the drought. More information about the tiered rates is available on GSWC's Web site at www.gswater.com.

~~MORE~~

Golden State Water Company
Page 2 of 2

Customers also will be receiving notices in their bills explaining the rates and the impact on their bills.

#

American States Water Company is the parent of Golden State Water Company, American States Utility Services, Inc. and Chaparral City Water Company. Through its subsidiaries, AWR provides water service to 1 out of 30 Californians located within 75 communities throughout 10 counties in Northern, Coastal and Southern California (approximately 255,000 customers) and to over 13,000 customers in the city of Fountain Hills, Arizona and a small portion of Scottsdale, Arizona. The Company also distributes electricity to over 23,000 customers in the Big Bear recreational area of California. Through its non-regulated subsidiary, American States Utility Services, Inc., the Company contracts with the U.S. Government and private entities to provide various services, including water marketing and operation and maintenance of water and wastewater systems.

NIPOMO COMMUNITY

BOARD MEMBERS

MICHAEL WINN, PRESIDENT
JAMES HARRISON, VICE PRESIDENT
CLIFFORD TROTTER, DIRECTOR
ED EBY, DIRECTOR
LARRY VIERHEILIG, DIRECTOR



SERVICES DISTRICT

STAFF

BRUCE BUEL, GENERAL MANAGER
LISA BOGNUDA, ASSISTANT GENERAL MANAGER
JON SEITZ, GENERAL COUNSEL

148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932 Website address: NCS.D.CA.GOV

November 14, 2008

Judge Jonathan Lakritz
CPUC Administrative Law Judge Division
505 Van Ness Avenue, Room 2251
San Francisco, CA 94102-3298

SUBJECT: LETTER OF SUPPORT FOR CHANGES IN RATESETTING MECHANISMS AND REALLOCATION OF RATES, GOLDEN STATE WATER COMPANY, REGION 1, SANTA MARIA CUSTOMER SERVICE AREA, GENERAL RATE CASE APPLICATION #08-09-010

Honorable Judge Lakritz:

It is our understanding that the Golden State Water Company (GSWC) has submitted an application to implement a tiered rate design to encourage water conservation for its Santa Maria Service Area (Application #08-09-010).

GSWC is actively involved with local governmental officials in preparation of a master plan for our region; including the Nipomo Service Area, part of GSWC's Santa Maria Customer Service Area.

The NCS.D Board of Directors has reviewed the company's application for tiered rates for the Santa Maria Customer Service Area and we support GSWC's recommendations for a three-tiered rate structure for the following reasons:

- The new rate design, if approved, would promote water conservation by resulting in monthly bill reductions for low usage customers and monthly bill increases for high use customers.
- The three-tiered rate design will financially encourage customers to use less water by charging them more per unit of water (CCF) for usage above the first tier, and an additional increase per unit of water above the second tier.
- Due to the existing water supply situation statewide, a three-tiered approach is preferred over a two-tiered approach because it is more aggressive in promoting conservation.

Name: Honorable Judge Lakritz
Subject: GSWC Application
Date: November 14, 2008

Nipomo Community Services District
Page 2 of 2

- GSWC will not profit as a result of the new structure. It is designed to be revenue neutral.
- Lower monthly service charges for residential and non-residential customers will result in a higher percentage of the bill being based on water consumption, thus giving customers more control of their bill.
- Tiered rates implemented by other purveyors have been shown to be effective in encouraging conservation.

The NCSD Board of Directors would like to express its support for this application and a preference for three-tiered rates. Thank you for the opportunity to provide our comments on the application.

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

Michael Winn, President
NCSD Board of Directors

CC: Victor Chan, P.E.
CPUC, Division of Ratepayer Advocates
320 West 4th Street, Suite 500
Los Angeles, CA 90013

GSWC

Chronological File

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TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: NOV. 7, 2008

**AGENDA ITEM
E-3
NOVEMBER 12, 2008**

PREVIEW LANDSCAPE REVIEW ORDINANCE

ITEM

Preview draft ordinance adding landscape and irrigation review procedures to development process and set introduction [EDIT DRAFT ORDINANCE AND SET INTRODUCTION].

BACKGROUND

The Water Conservation Committee on October 20, 2008 unanimously recommended that the Board amend Section 3.05 of the District Code to enable District review and approval of landscape plans and irrigation systems for new non-residential development. This recommendation results from recent construction with heavy water use landscape pallets. It should also be noted that the County has revised standards for new development and adoption of a draft ordinance would allow for NCSD to ensure that the new construction actually implements the new Title 19 and 22 requirements.

Attached is a draft re-write of Section 3.05 including the revisions recommended by the Committee.

FISCAL IMPACT

Preparation of the shell ordinance would involve approximately \$500 of District Legal Counsel Fees.

RECOMMENDATION

Staff concurs with the Committee and recommends that the Board edit the draft as appropriate and then set the introduction of an Ordinance including the edited text for the Board's 11/26/08 Board meeting.

ATTACHMENTS

- Draft Text of Section 3.05 Re-Write

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NIPOMO COMMUNITY SERVICES DISTRICT

EXHIBIT "A"

CHAPTER 3.05 OF THE DISTRICT CODE

WATER SERVICE LIMITATIONS

3.05.010 Purpose.

The purposes of this Chapter include the following:

- A. To promote public health and safety and to avoid water shortage emergencies by establishing a maximum annual water allocation for residential water service within the District boundaries.
- B. To promote conservation by establishing goals for the maximum beneficial use of water by residential category.
- C. To allocate water service by categories to avoid a particular category from being excluded from participation and receiving water service.
- D. To establish a maximum allocation for any one project during an allocation year, so as to allow greater opportunity for all projects in a category to participate and to receive water service.
- E. To avoid speculation by requiring applicants to diligently process their projects consistent with the rules and regulations of the County of San Luis Obispo.
- F. To grant a priority for the provision of available resources to proposed housing developments which help meet the County of San Luis Obispo's share of regional housing need for lower income households as identified in the Housing Element adopted by the San Luis Obispo County Board of Supervisors.
- G. To provide flexibility by allowing the Board to consider redistributing allocations at the end of the second (2nd) quarter and in the middle of the fourth (4th) quarter of each allocation year.

3.05.020 Definitions.

- A. **AFY** – means acre feet per year.
- B. **Allocation Year** – means October 1st through September 30th of each calendar year.

C. **Lower income housing** – means lower income housing as identified in the Housing Element of the San Luis Obispo County General Plan, as amended from time to time.

D. **Multi-family dwelling unit** – means a building or portion thereof designed and used as a residence for three or more families living independently of each other under a common roof, including apartment houses, apartment hotels and flats, but not including automobile courts, or boardinghouses.

E. **Two family dwelling unit (duplex)** – means a building with a common roof containing not more than two kitchens, designed and/or used to house not more than two families living independently of each other.

F. **Single family dwelling unit** – means a building designed for or used to house not more than one family.

G. **Secondary dwelling units** – means an attached or detached secondary residential dwelling unit on the same parcel as an existing single-family (primary) dwelling. A secondary unit provides for complete independent living facilities for one or more persons.

3.05.030. Limitations on Water Use.

The following total demand certifications, including landscaping, are established for the following uses:

- A. 0.33 AFY per Multi-Family Dwelling Unit;
- B. 0.24 AFY per Dwelling Unit for duplexes and Secondary Dwellings;
- C. 0.29 AFY per Single Family Dwelling Unit located on a parcel size of four thousand five hundred (4,500) square feet or less;
- D. 0.39 AFY per Single Family Dwelling Unit located on a parcel size between four thousand five hundred (4,500) and ten thousand (10,000) square feet.;
- E. 0.69 AFY per Single Family Dwelling Unit located on a parcel size that exceeds ten thousand (10,000) square feet.
- F. Non residential as calculated on a specific project (commercial).

3.05.040 Water Allocation per Allocation Year.

A total of 34.3 acre feet (total allocation) per allocation year is allocated to projects on a first come, first served basis as follows:

- A. 34.3 for residential projects as follows:

1. Category 1: A total of 21.86 AFY, including landscaping, is reserved for:
 - a. For Single Family Dwelling Units; and
 - b. Two Family Dwelling Units (duplexes).
2. Category 2: A total of 6.86 AFY, including landscaping, is reserved for Multi-Family Dwelling Units.
3. Category 3: A total of 3.36 AFY is reserved for Secondary Dwelling Units and local agency maintained landscaping projects.

B. Non residential/commercial projects water allocation shall be determined on a project by project basis.

B.C. During the end of the second (2nd) quarter and in the middle of the fourth (4th) quarter of each allocation year the unused allotments for Categories referenced in Section A, above, may be re-allocated by the Board of Directors to other Categories referenced in Section A, above.

D.C. Notwithstanding subparagraph B, above, the District shall reserve 2.22 AFY for proposed housing developments which help meet the County of San Luis Obispo's share of regional housing needs for lower income housing as identified in the Housing Element adopted by the San Luis Obispo County Board of Supervisor's. Said reservation shall be applied only to Category 1 and Category 2 projects referenced in Subparagraph A, above. Further, said reservation may only be re-allocated during the fourth (4th) quarter of each allocation year.

3.05.050 Water Demand Certifications Required.

A. Will-Serve Letters: All applications for Will-Serve Letters for residential projects referenced in 3.05.040 require an engineer's or architect's certification that:

1. Low use landscape irrigation systems will be installed to irrigate landscaping; and
2. The Maximum total water demand, including landscaping does not:
 - a. Exceed the limitations established in Section 3.05.030, above;

- b. For Family Dwelling Units with Secondary Dwelling Units – exceed a total water demand of 0.8 AFY, combined, for both the secondary and the primary dwelling unit.

3. Will Serve Letters will not be issued until District Engineer verifies landscape irrigation plans that comply with subsection F of 3.05.030.

B. Intent-to-Serve Letters: All applications for Intent-to-Serve Letters require a registered engineer’s or architect’s certification that:

- 1. That low use landscape irrigation systems will be installed to irrigate landscaping; and
- 2. That the design maximum total water demand, including landscaping, does not exceed the limitations on water use established in 3.05.030, above.

3.05.060 Reduction in Total Allocation by Residential Categories

The total allocation, per allocation year, for each residential category designated in 3.05.040 shall be reduced (or accounted for) by the observed actual use by category plus a multiplier of 1.05 to account for commercial growth in water demand resulting from residential development as follows:

	Observed Actual Use	Commercial Multiplier	Accounted for Reduction
A. Multi-Family	0.47 AFY	1.05	.50 AFY
B. Duplex	0.34 AFY	1.05	.36 AFY
C. SF (<4,500 sf lot)	0.41 AFY	1.05	.43 AFY
D. SF (4,500 to 10,000 sf)	0.55 AFY	1.05	.58 AFY
E. SF (>10,000sf)	0.98 AFY	1.05	1.03 AFY

3.05.070 Application for Intent-to-Serve Letters, Will-Serve Letters and Termination

The following procedures, are in addition to other District Rules and Regulations relating to Intent-to-Serve Letters and Will-Serve Letters, and shall apply to all applications for Intent-to-Serve Letters and Will-Serve Letters approved by the District:

- A. Application shall be made on District’s Application for Intent-to-Serve Letter or Will-Serve Letter form. In order to be considered for an Intent-to-Serve Letter or Will-Serve Letter applications shall contain a verification that applicant has submitted the proposed project for initial review to the County Planning and Building Department.

- B. Intent-to-Serve Letters shall automatically terminate on the first to occur:
1. Failure of the applicant to provide District with written verification, within two hundred forty (240) calendar days of the date the Intent-to-Serve Letter is issued, that the County has deemed the County's project application to be complete; or
 2. Two (2) years. However, applicant shall be entitled to a one year extension upon proof of reasonable due diligence in processing the project.

3.05.080 Exempt Projects.

The following projects are exempt from the requirements of Section 3.05.040 and 3.05.060:

- A. Commercial Projects that submit and implement a landscape plan consistent with best management practices, including that low use landscape irrigation systems will be installed.
- B. Projects with existing Intent-to-Serve Letters that have not expired.
- C. Projects with existing Will-Serve Letters.
- D. Remodels, and changes of use (i.e. commercial to residential) where the resulting water demand does not exceed the requirements of Section 3.05.030, above.

3.05.090 Mixed Use Projects.

Projects that include both commercial and dwelling units (mixed use) will only be approved if the dwelling units associated with the project meet the Dwelling Unit Standard set forth in Section 3.05.030 (A), above.

3.05.100 Limitation on Secondary Units

In addition to the other requirements contained in this Chapter, applications for water service to secondary units will only be accepted that include an engineer's or architect's certification that the total water demand for the secondary unit and the primary dwelling unit will not exceed 0.8 AFY. Applications for secondary units will be allocated Will-Serve Letters under 3.05.040 (A)(3), above.

3.05.110 Limitations on Allocations

A. Only one (1) request for an Intent-to-Serve Letter will be considered for any one (1) project or parcel. The District will not allocate more than twenty percent (20%) of the allocations referenced in 3.05.040 (A) (1) (2) or (3) to a project during any one allocation year.

B. A maximum of fifty percent (50%) of the annual water allocation for each successive allocation year may be reserved for projects requiring phasing of water commitments.

C. Water not allocated during a water year shall not be transferred to the succeeding water year.

3.05.120. Waiting List

A. The General Manager shall maintain a waiting list for the issuance of Intent-to-Serve Letters.

B. Only applicants who have submitted a completed Intent-to-Serve/Will-Serve application shall be placed on the waiting list and/or considered for approval.

3.05.130 Transfer of Allocations

Allocations provided in the District's Intent-to-Serve Letter shall run with the land and cannot be transferred to other parcels.

3.05.140 Implementing Procedures

The General Manager is hereby authorized to develop and implement procedures for allocating Intent-to-Serve Letters and Will-Serve Letters consistent with this Chapter and its purposes and intent.

3.05.150 Annexations

Water demand for annexations shall be charged against the total allocation referenced in Section 3.05.040 at the date the District approves the annexation agreement.

3.05.160 Annual Review

A. During the fourth quarter of each allocation year, the District Board of Directors shall hold a public hearing to:

- Evaluate the water allocation formulas contained in this Ordinance; and
- To evaluate the water allotment for ensuing year.

B. The Board of Directors reserves the right, at any time, to evaluate, amend or modify this Ordinance.

3.05.170 Re-evaluation

The District Board of Directors will re-evaluate Chapter 3.05 concurrently with any final agreement that obligates the parties for the delivery of supplemental water.

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BBB*
DATE: NOVEMBER 7, 2008

AGENDA ITEM
E-4
NOVEMBER 12, 2008

CONSIDER REQUEST RE COUNTY STREET SWEEPING PROGRAM

ITEM

Consider Vice President Harrison's request re County Street Sweeping Program [PROVIDE POLICY GUIDANCE].

BACKGROUND

Vice President has submitted the attached request to discuss the County's Street Sweeping Program.

FISCAL IMPACT

Discussion of the issue involves dedication of pre-funded staff time.

RECOMMENDATION

Staff recommends that the Board hear Vice President Harrison's concerns and provide policy guidance.

ATTACHMENTS

- Request

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Bruce Buel

From: James Harrison [sbwlff@sbcglobal.net]
Sent: Wednesday, November 05, 2008 10:46 AM
To: mike winn; Bruce Buel
Subject: Street sweeping

I had a conversation with the county today and they do not believe that the street sweeping agreement is the same as I understood it perhaps we need to revisit this at the board meeting level
Jim Harrison