



Historic Water Conservation Measures Advanced by Water Utilities and Environmental Groups

July 26, 2006

SAN DIMAS, Calif., Jul 26, 2006 (BUSINESS WIRE) -- A coalition of California water utilities and environmental groups submitted Joint Recommendations to the California Public Utilities Commission (Commission) today to demonstrate broad support for actions that may be taken by the Commission to immediately strengthen water conservation programs, a key objective of the Commission's recently issued Water Action Plan.

The Conservation Recommendations (Recommendations) were developed by California American Water Company, California Water Service Company, Golden State Water Company (Water Utilities), the Natural Resources Defense Council (NRDC), and the Mono Lake Committee. The Recommendations were also endorsed by the California Urban Water Conservation Council, Environmental Defense, Pacific Institute, Planning and Conservation League, League of Women Voters of California, Friends of the River, Sierra Nevada Alliance, and Southern California Watershed Alliance.

Golden State Water Company President, Floyd Wicks, whose company played a key role in bringing the parties together, said that, "this historic set of Recommendations, if adopted by the Commission, will resolve a set of regulatory problems that have plagued the water utilities for many years. Water conservation is a critical part of both the California Water Plan and the Commission's Water Action Plan, and the Water Utilities want to do their part in helping to better manage this precious resource."

Although the Water Utilities have taken steps independently to support water conservation programs, they have been impeded by Commission rate-setting practices that actually penalize them for achieving reductions in water usage. In collaborating with the Water Utilities, the environmental community joins with retail water suppliers to demonstrate their joint support for improvements in water use efficiency that will help reduce diversions from California's rivers, protect and restore the state's aquatic ecosystems, and reduce energy consumption.

In the Conservation Recommendations, the Joint Signatories urge the Commission to take three immediate steps: decouple revenues from sales, establish increasing block rates, and allow for the recovery in rates of conservation programs while requiring the Water Utilities to achieve and report measurable conservation objectives.

First, by decoupling sales from revenues, the Commission will remove the inherent disincentive for water utilities to promote conservation, as it has done in the gas and electric utilities. Second, by establishing increasing block rates, the Commission will enable the water utilities to send their customers a conservation price signal that they will pay a higher rate if they use a greater amount of water. Third, by allowing water utilities to recover the costs of conservation programs, the Commission will position the utilities to achieve a range of conservation objectives, including: investing a minimum of 1.5% of revenues in conservation programming; continuing to meet the "Best Practices" standards of the California Urban Water Conservation Council's Memorandum of Understanding; reporting annually on water conservation program budgets and accomplishments; billing all metered customers at volumetric rates; and, measuring water losses resulting from water system leaks.

California Water Service Company President, Peter Nelson, said, "California has been a leader in energy conservation for years; the Commission's adoption of these Recommendations will make California's water utilities a leader in water conservation as well."

Frances Spivy-Weber, Executive Director of the Mono Lake Committee, said, "In making a commitment to these Recommendations, each of the Water Utilities is stepping forward to lead the industry in a direction that is good for California and the communities they serve. We appreciate this leadership and hope that this proposal will become a template for other large water companies." Ronnie Cohen, Senior Policy Analyst with the NRDC, noted: "Water use efficiency will help ensure high-quality, reliable drinking water supplies for California. Conservation will also leave more water for our rivers, lakes, and estuaries. Recognizing this, the Commission has called for increased water conservation; our Recommendations show that these two key stakeholder groups agree and provide the Commission with a plan to get there."

After the Commission addresses the first three recommendations, the Joint Signatories recommend that a second phase of water conservation measures be considered for implementation, including: a uniform approach for measuring avoided water costs, meter installation plans, and system water loss solutions; financial incentives for enhanced water conservation investments; financial assistance for demand reduction measures that are not economically feasible; and, further refinement of the increasing block rate design.

The Conservation Recommendations may be viewed in their entirety at <http://www.aswater.com>; <http://www.calwater.com>; and <http://www.monolake.org>.

Water Company Profiles

Golden State Water Company (GSWC), serving Californians for 75 years, is a subsidiary of American States Water Company (NYSE:AWR) and is a public utility company engaged principally in the purchase, production, distribution, and sale of water to over 253,000 customers, or, one out of every 30 persons in California. GSWC's operations are grouped into three regions, seven districts and twenty-one customer service areas throughout California. Counties served include Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara and Ventura. <http://www.aswater.com>

California American Water is a wholly-owned subsidiary of American Water, with headquarters in Voorhees, NJ. American Water has a work force of 7,000 who serve more than 18 million people in 29 states, Puerto Rico and Canada. California American Water provides quality water and wastewater service to nearly 600,000 Californians in 50 communities. Counties served include Humboldt, Los Angeles, Monterey, Placer, Sacramento, San Diego, San Mateo, Santa Cruz, Sonoma and Ventura. <http://www.calamwater.com>

California Water Service Company is the largest investor-owned American water utility west of the Mississippi River and the second largest in the country. Formed in 1926, the San Jose-based company serves 500,000 customers through 28 Customer and Operations Centers throughout the

state. Counties served include: Alameda, Butte, Fresno, Glenn, Kern, Lake, Los Angeles, Monterey, San Joaquin, San Mateo, Santa Clara, Solano, Sonoma, Tulare, Ventura and Yuba. <http://www.calwater.com>

SOURCE: Golden State Water Company

Golden State Water Company

Joel A. Dickson, 909-394-3600, extension 636

or

Denise L. Kruger, 916-853-3606