

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Golden State Water Company (U 133 W) for a Certificate of Public Convenience and Necessity to Construct and Operate a Water System in Sutter County, California; and to Establish Rates for Public Utility Water Service in Sutter County, California.

Application _____

**AMENDED APPLICATION OF GOLDEN STATE WATER COMPANY FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

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August 29, 2008

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In the Matter of the Application of Golden State Water Company (U 133 W) for a Certificate of Public Convenience and Necessity to Construct and Operate a Water System in Sutter County, California; and to Establish Rates for Public Utility Water Service in Sutter County, California.

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I. Introduction and Overview

In this amended Application, Golden State Water Company (“GSWC”) seeks a certificate of public convenience and necessity to establish a non-contiguous service area comprised of a portion of southern Sutter County that falls within the corporate boundaries of Natomas Central Mutual Water Company (“Natomas”). In this new service area comprising what is now commonly referred to as the Sutter Pointe development (“South Sutter County Service Area”), GSWC intends to provide municipal and industrial (“M&I”) water service to existing and future water service users. Contemporaneously herewith, GSWC has submitted a Proponent’s Environmental Assessment (“PEA”) in support of this amended Application.

Discussions about developing residential and commercial subdivisions in rural Sutter County have been ongoing for a number of years.¹ Natomas, a mutual water company, whose corporate boundaries include the South Sutter County Service Area and portions of north

¹ Mary L. Vellinga, “Tempting fate: Sutter boom forges ahead”, The Sacramento Bee, Feb. 26, 2006, *at* <http://www.sacbee.com/content/news/projects/flooding/story/14222884p-15048160c.html> (stating that developers plan to build up to 17,000 new houses in rural Sutter County); Mary L. Vellinga, “Industrial park plan bogs down”, The Sacramento Bee, Jan. 18, 2004, *at* <http://www.sacbee.com/content/news/story/8123015p9055114c.html> (stating that Sutter County leaders were planning to build an industrial park that could potentially attract thousands of jobs); Mike McCarthy, “Donor U’ proposals grow to 3”, Sacramento Business Journal, May 6, 2002, *at* <http://www.bizjournals.com/sacramento/stories/2002/05/06/story3.html> (reporting that Natomas landowners are negotiating plans for a university-related development that could include high-tech buildings, restaurants and stores).

Sacramento County, has traditionally provided water for irrigation associated with agriculture and habitat conservation to various landowners that are also shareholders of Natomas.

Natomas has been the region's agricultural water service provider since 1921, and today represents the interests of 280 member/shareholders including farmers, developers, pioneering families, the Natomas Basin Conservancy, the City and County of Sacramento and more. In 2003, it interviewed some of the water industry's most experienced companies in search of a water company that could protect farming families and their water rights while also providing the expertise to serve the region's future residential and business growth.

Following their review of proposals from a number of water companies, and recognizing the considerable expertise and capital outlays required to provide M&I water service to the anticipated developments, the seven-member Natomas Board of Directors unanimously selected American States Water Company ("ASWC") to work with Natomas to develop M&I service within Natomas' corporate boundaries. Following that selection, Natomas and ASWC agreed that ASWC's public-utility subsidiary, GSWC, would provide M&I service to the developments planned in south Sutter County.

In particular, on February 4, 2005, Natomas and ASWC entered into an agreement, a copy of which is attached as Exhibit B ("Water Transfer Agreement"), pursuant to which Natomas agreed to transfer up to 30,000 acre-feet of water per year for M&I use by GSWC within south Sutter County.² Pursuant to the objectives expressed in the Water Transfer Agreement, GSWC agreed to apply to the Commission by June 1, 2006 for a certificate of public convenience and necessity to establish the South Sutter County Service Area.³ Pursuant to the Water Transfer Agreement, Natomas has waived any claim or right to compensation under Public Utilities Code sections 1501 through 1507 as against GSWC regarding the duplication of services within its corporate boundaries. In fact, GSWC proposes to avoid facility and cost duplication by using capacity in existing and prospective Natomas facilities, where feasible, to

² The Water Transfer Agreement provides that "Natomas shall transfer water to ASWC on a schedule and in amounts sufficient to meet the [M&I] water supply requirements of ASWC in . . . that area within the Natomas corporate boundaries that is located in Sutter County and for which the California Public Utilities Commission issues a certificate of public convenience and necessity to ASWC."

³ As discussed below, GSWC filed its original application for CPCN (A.06-05-034) on May 31, 2006. Simultaneous with the filing of this amended Application, GSWC has filed a motion requesting that this amended Application amend and supersede the original application.

support M&I service in the South Sutter County Service Area. Joint use of Natomas capacity for diversion and conveyance of surface water for M&I use will not only reduce costs for GSWC's M&I customers, it will also provide Natomas with revenue from capacity charges sufficient to maintain such facilities, notwithstanding reduced irrigation water demand as the area develops.

In support of GSWC's Application for a certificate of public convenience and necessity, Natomas' Board of Directors adopted Resolution No. 2006-1-02 (*see* accompanying Exhibit A) in January of 2006, in which Natomas declared that, "[GSWC] is the entity best situated to provide retail M&I service within Sutter County on an efficient and timely basis . . ." and "request[ed] that the [Commission] grant a certificate of public convenience and necessity to [GSWC] in accordance with the terms of the Water Transfer Agreement." Natomas also reiterated in Resolution No. 2006-1-02 that, "[u]pon the [Commission's] grant of a certificate of public convenience to . . . [GSWC] and only to the extent that [GSWC] provides M&I water service . . . in accordance with the Water Transfer Agreement, [Natomas] has waived any claim or right to compensation under Public Utilities Code sections 1501 through 1507 as against ASWC regarding the duplication of services within its boundaries."

In addition to the unanimous endorsement of GSWC by the Natomas Board of Directors on behalf of its shareholders, a number of business owners have expressed support for GSWC establishing an M&I service area in south Sutter County, and GSWC has been involved in a number of discussions with property owners related to providing M&I service. Moreover, a group of property owners, formerly referred to as the "Measure 'M' Group," and now commonly referred to as the "Sutter Pointe Group," proposed an amendment to south Sutter County's land use plan for 7,500 total acres of commercial, industrial and residential developments that will require M&I water service ("Amended South Sutter County Land Use Plan"). The Amended South Sutter County Land Use Plan was approved by Sutter County on February 13, 2006. In addition, the Sutter Pointe Group submitted a Specific Plan application to the County of Sutter on July 31, 2006. The County published a Notice of Preparation for a Draft Environmental Impact Report ("DEIR") on March 29, 2007, and GSWC understands that the DEIR will be released in October 2008. Although GSWC has reviewed a series of studies and reports developed as part of the County's CEQA process, GSWC requested an advance copy of those

portions of the DEIR that relate to water service. Sutter County has not provided an advance copy of the DEIR portions to GSWC as of the date of this amended Application.

In order to provide M&I service to the South Sutter County Service Area, it will be necessary for GSWC to install various facilities outside of the boundaries of the South Sutter County Service Area. In addition, in light of Natomas' selection of GSWC as the sole purveyor of M&I service throughout its entire service area in South Sutter County, and in light of Natomas' transfer of rights to water supplies needed to serve this expanded service area through the Water Transfer Agreement, it would be in the public interest for the Commission to acknowledge that the remaining portion of Natomas' service area in south Sutter County will be added to GSWC's South Sutter County Service Area through future advice letter filings in accordance with Public Utilities Code Section 1001 ("Section 1001").

In light of the foregoing, GSWC hereby respectfully submits this Application, pursuant to Section 1001 and the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), for a certificate of public convenience and necessity (i) to construct and operate a water system in the South Sutter County Service Area, as detailed in the maps identified as accompanying Exhibit C; (ii) to establish a new M&I service area in south Sutter County (i.e., the South Sutter County Service Area), also as detailed in accompanying Exhibit C; and (iii) to establish rates for public utility M&I water service in the South Sutter County Service Area. Specifically, GSWC requests that the Commission make the following nine determinations:

1. The public convenience and necessity will be served by GSWC constructing and operating a water system in the South Sutter County Service Area;
2. The public convenience and necessity will be served by GSWC establishing the South Sutter County Service Area, as set forth in this amended Application;
3. The construction of the water system and its operation, as set forth in this amended Application, are reasonably required to serve GSWC's to-be-certificated South Sutter County Service Area;
4. GSWC is authorized to construct facilities outside of the South Sutter County Service Area in order to support service in the South Sutter County Service Area and to add to

- the South Sutter County Service Area by advice letter additional areas within Natomas' corporate boundaries as such areas are developed;
5. The community values, recreation and park areas, historical and aesthetic values, and influence on the environment have been sufficiently considered by the Commission as required by Public Utilities Code section 1002;
 6. The proposed water system will have no significant impact upon the environment that will not be adequately mitigated;
 7. GSWC is entitled to recover all past, present and future costs incurred in connection with the proposed water system in customer rates subject to further prudency review by the Commission;
 8. The rates and charges proposed by GSWC in this amended Application are just and reasonable; and
 9. GSWC is granted such other relief as the Commission deems reasonable and necessary.

II. Background

GSWC serves approximately 252,000 water customers and 22,700 electric customers, within 75 communities in 10 counties throughout California. GSWC is a regulated public utility as defined by section 216 of the Public Utilities Code. GSWC has provided water service in California for 80 years.

Natomas is a mutual water company that provides agricultural water service exclusively to its shareholders at cost, and is a private utility entitled to service duplication protection pursuant to section 1506 of the Public Utilities Code. Natomas' service area encompasses approximately 55,000 acres of south Sutter County and north Sacramento County, and its shareholders are also property owners within Natomas' service area. At present, lands within Natomas' corporate boundaries are primarily devoted to agricultural uses, for which Natomas has historically delivered untreated surface water and related services to its shareholders for the past 87 years. However, discrete parts of Natomas' service area have experienced changes in land use in recent years, with the process of conversion from agricultural use to urban use expected to continue. As a result, Natomas expects demand for water service within its historic service area to change over time so that urban, agricultural and open space uses will be dispersed throughout the area.

Currently, the only incorporated areas of Sutter County are Yuba City and Live Oak. Municipal water service is provided in the unincorporated, non-contiguous rural communities of Robbins and East Nicolaus by Sutter County Water Agency. The remainder of Sutter County, however, receives no municipal water service from either Natomas or other providers. Homeowners and businesses in these unincorporated areas are mostly serviced by private groundwater wells for household and other non-industrial, non-irrigation uses.

As development plans were being contemplated and proposed in Natomas' service area, Natomas itself initially sought to provide M&I water to newly developed or developing subdivisions while continuing to provide water for irrigation associated with agriculture and habitat conservation. To achieve its objective of providing M&I water service to accommodate development in its service area, Natomas entered into an agreement ("Master Agreement") with American States Utility Services, Inc. ("ASUS"), an affiliated company of GSWC, on July 1, 2004, the intent of which was to provide a framework under which ASUS would manage M&I water service on behalf of Natomas within its corporate boundaries.

Based upon Natomas' subsequent decision that it would prefer not to directly provide M&I water service in Sutter County, Natomas and ASWC, ASUS' corporate parent, changed direction in early 2005. In particular, on February 4, 2005, Natomas and ASWC entered into the Water Transfer Agreement pursuant to which Natomas agreed to transfer to ASWC up to 30,000 acre-feet of water per year for M&I use by ASWC's public utility subsidiary, GSWC, in a service area to be established by GSWC within Natomas' corporate boundaries.

In support of GSWC's application for a certificate of public convenience and necessity, Natomas' Board of Directors adopted Resolution No. 2006-1-02 (*see* accompanying Exhibit A) on December 13, 2005, in which Natomas declares that, "[GSWC] is the entity best situated to provide retail M&I service within Sutter County on an efficient and timely basis . . ." and "requests that the [Commission] grant a certificate of public convenience and necessity to [GSWC] in accordance with the terms of the Water Transfer Agreement." Natomas also reiterates in Resolution No. 2006-1-02 that, "[u]pon the [Commission's] grant of a certificate of public convenience to . . . [GSWC] and only to the extent that [GSWC] provides M&I water service . . . in accordance with the Water Transfer Agreement, [Natomas] has waived any claim

or right to compensation under CPUC Section 1501 through 1507 as against ASWC regarding the duplication of services within its boundaries.”

The Water Transfer Agreement provides that the water made available by Natomas will be the exclusive surface water source utilized by GSWC to supply its customers in south Sutter County with M&I water service, including in GSWC’s to-be-certificated service area (i.e., the South Sutter County Service Area), so long as sufficient water is made available by Natomas to GSWC to satisfy its M&I water demands. Not only does this dedication of water supply assure GSWC’s future M&I customers of a reliable, affordable source of water, it also assures the preservation of the water rights developed and protected by Natomas for agricultural and habitat management purposes. Natomas plans to provide water to GSWC through the conjunctive use of surface water from the Sacramento River and groundwater underlying Natomas’ service area. Pursuant to the Water Transfer Agreement, Natomas agreed to complete an integrated water resources management plan (“IWRMP”) demonstrating that Natomas has sufficient water supplies available to meet its pledge of water for M&I use by GSWC. The IWRMP, which was adopted by Natomas in December 2006, demonstrates that sufficient water in fact exists to serve GSWC’s needs in the South Sutter County Service Area. Natomas also agreed to cooperate in the completion of a master infrastructure advance planning study (“MIAPS”), which describes the water system that would be needed in order to meet the M&I water needs of various phases of residential and commercial development in GSWC’s to-be certificated South Sutter County Service Area. These studies are discussed in further detail below.

As reflected in the MIAPS, in order to provide M&I service to meet the needs of various phases of development, GSWC must construct certain facilities outside of the South Sutter County Service Area. Additionally, as also detailed in the MIAPS and pursuant to the Water Transfer Agreement, GSWC will need to utilize certain facilities and infrastructure owned by Natomas outside the South Sutter County Service Area. For instance, Natomas has historically used five separate diversions to divert water from the Sacramento River. In order to reduce impacts on endangered fish species and in cooperation with state and federal fish agencies, Natomas has undertaken a program to consolidate its surface water intake at two, new, screened diversions. Natomas has recently received environmental clearance to build the first of the two new diversions, near the end of Sankey Road in the Sutter County portion of its service area (the

“Sankey Road Diversion”). Although the capacity of the Sankey Road Diversion is required by Natomas to meet its current agricultural demands, it is anticipated that some of that agricultural demand will be displaced by M&I demand as land use within the Natomas boundaries evolves. Thus, pursuant to the Water Transfer Agreement, GSWC will be able to take surface water from Natomas through the Sankey Road Diversion. Delivering surface water to meet the future needs of GSWC’s M&I customers through joint use of existing Natomas facilities not only assures infrastructure savings for M&I customers, it also provides capacity utilization and sharing of operating costs to support the long-term economic viability of the new facilities. In fact, GSWC and Natomas have cooperated in the development of the MIAPS to assure long-term use of the robust water distribution and preserved rights of way within the South Sutter County Service Area – not only to continue to serve agriculture and habitat, but also to avoid unnecessary duplication of facilities to meet the evolving M&I demands within the Natomas boundaries.

The Water Transfer Agreement provides that GSWC must apply to the Commission for a certificate of public convenience and necessity within 180 days from the effective date of the Agreement. The initial deadline for GSWC to file the application was January 28, 2006. This original deadline was subsequently extended until June 1, 2006 by Natomas’ Board of Directors in order to allow review and comment by Sutter County officials.

In compliance with its obligations under the Water Transfer Agreement, on May 31, 2006, GSWC filed an application for a certificate of public convenience and necessity to serve the South Sutter County Service Area (A.06-05-034). At the time, Sutter County was still in the process of reviewing and evaluating development plans and potential environmental impacts for the proposed South Sutter County Service Area. As such, GSWC requested that the Commission defer a prehearing conference or otherwise processing the application until GSWC provided additional information regarding the proposed South Sutter County Service Area, including the submission of a PEA. GSWC also requested that any time limits for performance of any act related to the application by the Commission, GSWC or any interested party not begin to run until GSWC submitted its PEA. On June 19, 2006, Administrative Law Judge (“ALJ”) Cooke issued a Ruling Delaying Filing of Protests Until a Proponent’s Environmental Assessment is Filed.

After filing the original application, GSWC continued to meet and confer with Sutter County and potential developers within the South Sutter County Service Area in reviewing and evaluating their proposed development plans and assessing the potential environmental impact of the proposed water system. Simultaneously with the filing of this amended Application, GSWC has filed a motion requesting leave to file this amended Application and, in light of Public Utilities Code Section 1701.5 requiring resolution of applications within 18 months, requesting that the Commission close A.06-05-034 without prejudice and accept this amended Application in a new docket.

III. Contemplated Development of South Sutter County

In accordance with the Amended South Sutter County Land Use Plan and the Sutter Pointe Specific Plan application, the MIAPS contemplates that within 50 years, approximately 7,500 acres of land in the South Sutter County Service Area will be developed for urban uses, including 2,900 acres of land devoted to residential use, 3,600 acres devoted to industrial use, and 1,000 acres devoted to urban reserve use. It is anticipated that following full implementation of the Amended South Sutter County Land Use Plan and the Sutter Pointe Specific Plan, there will be areas within Natomas's corporate boundaries in south Sutter County devoted to agriculture or habitat preservation and management. In the future, some of those areas may be developed, and GSWC would be entitled to serve those contiguous areas pursuant to the Water Transfer Agreement and based on the subsequent filing of one or more advice letters.

The details of the contemplated build-out of south Sutter County are discussed below and depicted in the maps identified as Exhibit C.

A. Projected Industrial Use

The MIAPS forecasts that south Sutter County will start to develop slowly, with a modified straight-line projection of 550,000 square feet per year of industrial development in four phases. The MIAPS projects that south Sutter County will see minimal office development in the first 10 years, after which a rate of 50,000 square feet per year is assumed. When major roadway and infrastructure is in place, the MIAPS projects that the absorption rate will likely

increase to 100,000 square feet per year. Full build out of industrial acreage within Sutter Pointe will occur over a period of approximately 50 years.

B. Projected Residential Use

The MIAPS forecasts that residential development in south Sutter County will commence in approximately three to five years, although some incidental construction could start sooner as home builders construct model homes. The MIAPS estimates that south Sutter County will be developed in four phases at a rate of approximately 800 development units per year, and the currently projected residential acreage will be built out in 30 years. Thus, residential development within Sutter Pointe will be built out more quickly than industrial development.

IV. Projected Water Requirements, Anticipated Water Supply and Proposed Water System

A. Proposed Water Requirements

The eventual water requirements of the South Sutter County Service Area are forecasted in the MIAPS. Specifically, the MIAPS forecasts, based on its rate of development assumptions, the following water requirements when the South Sutter County Service Area completes its build-out:

Land Use Designation	Area, ac	Demand Factor, ac-ft/ac/yr	Annual Demand, ac-ft/yr	Maximum Day Demand, gpm
Low Density Residential	397	3.67	1,457	1,671
Medium Density Residential	1,966	4.17	8,198	9,403
High Density Residential	185	4.67	864	991
Employment 1	280	3.00	840	963
Employment 2	2,011	3.00	6,033	6,920
Commercial Retail	188	3.00	564	647
Mixed Use	80	4.00	320	367
Schools	175	3.67	642	737
Neighborhood Parks	67	4.08	273	314
Parks and Open Space	784	4.08	3,199	3,669
Roads	548	0.20	110	126
Industrial Drainage Basins	844	0.40	338	387
Total	7,525	3.03	22,838	26,195
Plus 7.5% System Losses	7,525	3.26	24,551	28,159

B. Anticipated Water Supply

The water supply for the ultimate build-out of the South Sutter County Service Area will be provided by Natomas pursuant to the Water Transfer Agreement. The Water Transfer Agreement provides that Natomas will transfer water to GSWC for M&I use in an amount not to exceed 30,000 acre-feet per year. Deliveries will commence upon the beginning of GSWC's public utility water supply obligations. Pursuant to the Water Transfer Agreement, water will be provided through the conjunctive use of groundwater underlying Natomas' service area and Natomas' entitlements to surface water from the Sacramento River.

The initial phase of development in Sutter Point will be supplied by groundwater. During this initial phase, design and construction of surface water diversion and treatment facilities would begin. Construction of the treatment plant facilities would be staged over time to coincide with water demands and to optimize cost savings. A more detailed description of the phased construction of the water facilities is provided below.

Accompanying Exhibit D provides a detailed description of the sources of water supply and the available history supporting claimed production capacities. Accompanying Exhibit E provides a completed copy of the Commission's Water Supply Questionnaire.

C. Proposed Water System and Its Estimated Cost of Construction and Operation for Years One and Five of Operations

An integrated network of water transmission and water storage facilities is proposed to convey groundwater and surface water to the prospective development areas described in the Sutter Point Specific Plan. As discussed above, the construction of the proposed water system will occur in phases, with the initial phase of development to be supplied by groundwater. These phases are as follows:

1. Phase 1

Phase 1 represents the initial development which is supplied by groundwater. The first five years of Phase 1 represents a ramp-up period during which there is modest initial water demand. The first groundwater treatment plant will be designed and constructed during the initial ramp-up period with seven wells supplying the needed water. It is assumed that the groundwater treatment plant would be designed to supply a capacity of 9,100 gallons per minute during maximum day conditions. Storage requirements during Phase 1 will be met by constructing four two-million gallon storage tanks. It is assumed that two tanks would be constructed per location and one booster pump station would service the two tanks. This would result in two storage tank sites in Phase 1. The twin tanks per site would provide redundancy and reliability in storage.

2. Phase 2

Phase 2 represents the introduction of surface water into the South Sutter County Service Area. The water demand required will be at a point where the average daily demand matches the available groundwater limit and the addition of surface water will be required to supply continued growth. A surface water treatment plant, with a 20-million gallon per day capacity, will be built. In addition, it is anticipated that Natomas will have constructed the Sankey Road Diversion to meet current (2008) agricultural demand but conversion of land from agricultural to

urban uses will provide a portion of vacated capacity that will be converted to M&I use to meet build out demands. A 30-inch transmission main will be constructed to convey surface water from Natomas' diversion and conveyance facilities to GSWC's surface water treatment plant. Storage requirements will be met by the construction of eight two-million gallon storage tanks, again built two per site, which results in four sites for storage in Phase 2.

3. Phase 3

Phase 3 represents the full build-out of the South Sutter County Service Area and the completion of the surface water treatment plant capacity. The second phase of the surface water treatment plant would add another 20 million-gallons per day of supply to the system. A parallel 30-inch transmission main would convey the remaining demands to the South Sutter County Service Area. Storage requirements during this phase will be met by the construction of four two-million gallon storage tanks, again two per site, resulting in two sites for storage in Phase 3.

The determination of the transmission pipe diameters is based upon flow delivered to the respective development areas, the velocity in the pipes, and delivery pressure. Accompanying Exhibit C, which shows the developments anticipated to require service, also shows all water system facilities to be installed. The proposed water system conforms with the Commission's General Order No. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction. Accompanying Exhibit F lists the principal quantities of utility plant materials by type and size to be used in constructing the water system such as pipes, tanks, services, and fire hydrants, with estimated installed unit costs.

Accompanying Exhibit F also shows the estimated cost of the proposed system, including all engineering and legal fees, in accordance with classification of utility plant accounts prescribed in the Commission's Uniform System of Accounts for Water Utilities using the estimated status of the system at the end of the first year of operation and the end of the fifth year of operation.

All estimated costs included in this amended Application may change with time, due to a variety of factors, including refinement of the scope of development in south Sutter County, governmental requirements, acquisition of property and easements, changes in relevant

financing, and unforeseen delays. In the event of changes in the estimates herein, GSWC will file timely supplements to this amended Application.

V. Necessary Permits and Agency Requirements

The Water Transfer Agreement is the primary agreement pursuant to which GSWC will obtain water supplies sufficient to serve the water needs of all phases of development as discussed above. GSWC anticipates that several permits and agency requirements will have to be obtained and fulfilled in order for Natomas to deliver water pursuant to the Water Transfer Agreement and for GSWC to construct and operate the proposed water system. As the project description is refined during preliminary design and engineering, it may become apparent that other permits will be required. If so, GSWC will notify the Commission of the additional requirements.

A. Water Supply Permit

A water supply permit must be obtained from the State Department of Public Health for water systems to serve more than 200 customers, or from the County Health Services for water systems to serve less than 200 customers. In GSWC's experience, the process of applying for and obtaining a water supply permit from the State Department of Public Health takes approximately one year. GSWC will file its application with the State Department of Public Health after obtaining additional information from local developers that verifies GSWC's current estimate of how many customers will be served in the South Sutter County Service Area.

B. U.S. Bureau of Reclamation and/or State Water Resources Control Board

Natomas' existing surface water rights currently may not be used for M&I purposes within the South Sutter County Service Area without regulatory approvals from the United States Bureau of Reclamation and/or the California State Water Resources Control Board. Environmental impact reports and other environmental reporting will have to be submitted by Natomas and GSWC as part of this approval process. Although the administrative processes for obtaining such approvals are complex and time-consuming, public policy favors properly

conditioned changes in water rights to assure beneficial use, promote conservation and avoid waste. *See, e.g.*, Cal. Water Code § 475. However, in light of the uncertainty with respect to the amount of time needed to finalize changes to Natomas' existing surface water rights necessary to provide long-term security and reliability for GSWC's provision of M&I water service in the South Sutter County Service Area, Natomas and GSWC have developed plans for the use of alternative and interim groundwater sources as described elsewhere in this amended Application.

C. Grading, Building, Use and Other Miscellaneous Permits

GSWC's proposed water system will be located within unincorporated areas of Sutter County. This jurisdiction may require grading, building, use and various other permits for the construction or operation of portions of the proposed water system. Because Sutter County is processing the Sutter Pointe Specific Plan application (and because the development was approved by Sutter County voters), it is anticipated that the permits required for construction of the water system to serve the Sutter Pointe development will be issued as an administrative matter in accordance with the overall development plan for the area.

GSWC will construct its water facilities in conjunction with the developers' construction of the infrastructure improvements typically associated with a mixed-use development, such as sanitary sewer and storm-water collection facilities, curbs, streets, sidewalks, street lights, landscaping, and other improvements. GSWC incorporates the design of water facilities into the developer's plans for two purposes. First, this process facilities coordination with the other utilities and infrastructure to ensure there are minimal conflicts during the actual construction phase. Second, by including GSWC's water system design into the developer's construction plans, GSWC receives approval of its plans concurrently with the approval of the developer's plans. This process alleviates the requirement for any special permits for most of the water infrastructure. However, as a general practice, GSWC seeks a conditional use permit from the appropriate county authority in regard to the construction of grade-welded steel water storage reservoirs. GSWC anticipates seeking a conditional use permit from Sutter County and will use the permit-application process as an opportunity to identify and meet specific requirements and preferences of Sutter County's planning and public works agencies.

VI. Environmental Review

GSWC has filed a PEA with the Commission simultaneously with this amended Application. By developing its PEA in cooperation with local developers, GSWC has ensured that all water facilities will be designed, approved and installed so as to meet the scope, schedule and budget requirements of both developers and Sutter County. GSWC has already begun discussions with environmental staff at the Commission regarding the scope and process of environmental review that will be required under the California Environmental Quality Act (“CEQA”). As part of that process, GSWC is finalizing a Memorandum of Understanding with the Commission by which GSWC will provide the Commission with funding to hire an independent environmental consultant.

Based on substantial evidence and analysis appearing in the PEA, GSWC requests that the Commission find that the proposed water system will not have a significant effect on the environment, or that any significant effects may be avoided or reduced to less-than-significant levels through proposed mitigation measures.

VII. Requested Rates

GSWC proposes to add the South Sutter County Service Area customers to the current Arden Cordova ratemaking district tariff. The Adron Cordova CSA is located in Sacramento County. GSWC has identified five primary reasons for the addition of the South Sutter County Service Area to the Arden Cordova district.

First, the Arden Cordova ratemaking district is close in proximity to the proposed South Sutter County Service Area. The current Arden Cordova CSA consists of two non-contiguous water systems, both of which are in Sacramento County, adjacent to Sutter County: the Arden system and the Cordova system. Combining future south Sutter County developments with the current Arden Cordova CSA will result in a CSA with three water systems, which are all in close proximity. The Commission has also found that combining multiple systems into a single ratemaking area is reasonable in GSWC’s Region II and Region III, which consist of 8 and 17 separate water distribution systems, respectively.

Second, the Arden Cordova CSA and the South Sutter County Service Area will be operated and managed in a similar manner. The South Sutter County Service Area will be managed out of the Northern District Office by Arden Cordova CSA operating personnel. The economies of scale that will be achieved by managing and operating south Sutter County and Arden Cordova CSA as a single CSA provide real benefit to both sets of customers. Moreover, the common management and operating personnel provide reasonable justification for including the South Sutter County Service Area in the Arden Cordova district.

Third, the estimated costs for the South Sutter County Service Area were derived using the per customer cost for Arden Cordova. The Commission has reviewed the costs for Arden Cordova, which is in close proximity to the South Sutter County Service Area, has similar operations and management, and similar water supply to the South Sutter County Service Area. Therefore, estimating the costs for the South Sutter County Service Area using the Arden Cordova adopted expenses provides a reasonable proxy. Furthermore, because of the similarities, which include proximity, operations, supply, and ultimately cost, the South Sutter County Service Area should be included in the Arden Cordova district.

Fourth, the source of water is similar for both the South Sutter County Service Area and the Arden Cordova systems. Both rely on a mix of surface water and groundwater as sources of supply. Further, all surface waters in the three service areas flow to the Sacramento-San Joaquin Delta.

Fifth, by adding the South Sutter County Service Area to the Arden Cordova district and combining the three systems (Arden, Cordova, and South Sutter County) into a single ratemaking area and customer service area, GSWC will reduce the administrative costs per customer for both GSWC's and the Commission's oversight. The current tariff for the Arden and Cordova systems will be expanded to include a third system, which will reduce the regulatory burden in processing general rate case applications before the Commission. GSWC is scheduled to file its next GRC for Arden Cordova in January 2010 with the other six ratemaking areas in its Region I service territory.

The current rates in the Arden Cordova rate making district are shown below:

Quantity Rate	\$0.5880 per 100 cubic feet
Service Charge	
5/8 x 3/4 inch meter	\$9.65 per month
3/4 inch meter	\$14.45 per month
1 inch meter	\$24.10 per month
1-1/2 inch meter	\$48.15 per month
2 inch meter	\$77.05 per month
3 inch meter	\$144.00 per month
4 inch meter	\$241.00 per month
6 inch meter	\$482.00 per month
8 inch meter	\$770.00 per month
10 inch meter	\$1,107.00 per month

The rates for the Arden Cordova ratemaking area were last reviewed and approved by the Commission in Decision No. 08-01-043.

VIII. Estimated Operating Results for First, Fifth and Tenth Years of Operation

GSWC's estimated operating results, which includes an estimate of the revenues, expenses, depreciation and taxes in accordance with classification in Commission's Uniform System of Accounts for the first, fifth, and tenth year of operation, appear in accompanying Exhibit G. As stated earlier, costs in the South Sutter County Service Area for many expenses, such as O&M and A&G were based on the expense levels for the Arden Cordova ratemaking area adopted by the Commission in Decision No. 08-01-043. Because of the proximity of south Sutter County to the Arden Cordova CSA, as well as the similar management and operation of the systems, the Arden Cordova CSA serves as a reasonable proxy for the O&M costs of the

south Sutter County system. The supply costs for the South Sutter County Service Area were estimated based on the Water Cost Methodology described in the Water Transfer Agreement.

IX. Operations Plan

Accompanying Exhibit H presents a five year plan for operation of the proposed water system, including projected system additions and improvements, maintenance schedules and financing. This plan demonstrates that the management and operating personnel will be qualified and readily available to customers, and discusses how billing and customers' inquiries and complaints will be handled by GSWC.

X. The Public Convenience and Necessity Require the Proposed Service Area

In order to approve this Application pursuant to Section 1001, the Commission "must be reasonably assured that there is a public need for the services or facility; that the applicant possesses the resources, technical competence, and operational experience to provide the service and to construct the facilities required; and that granting a certificate of public convenience and necessity would be in the public interest."⁴ In order to approve this amended Application, the Commission also must find, pursuant to Public Utilities Code section 1002, that it has sufficiently considered the community values, recreation and park areas, historical and aesthetic values, and influence on the environment of the proposed service area.

First, GSWC has demonstrated that the public necessity requires the issuance of a certificate of public convenience and necessity.⁵ The substance of this inquiry is largely dictated by whether the service area at issue is currently being served "by like utility service."⁶ Notwithstanding a limited amount of industrial land uses within the Natomas corporate boundaries, and notwithstanding the prospects for urbanization of a substantial portion of the South Sutter County Service Area, Natomas does not currently provide or plan to provide M&I water service, except through its delegation of those responsibilities to GSWC. Natomas has

⁴ See, e.g., *Re McCanna Ranch Water Company*, D. 99-08-016.

⁵ *In re California-American Water Co.*, D. 95-01-014 (vacated on procedural grounds in D. 97-11-085) (citing *In re Kern Radio Dispatch*, 74 CPUC 583 (1973)).

⁶ *In re Kern Radio Dispatch*, 74 CPUC 583.

explored providing such service directly but has concluded that GSWC's provision of such service is preferable. GSWC's provision of M&I service will integrate, to the maximum extent possible, Natomas' existing and planned services, rights of way, and facilities. Developing M&I service on a cooperative and integrated basis provides operating synergies, cost deferrals, avoidance of duplication of service and other benefits, both to Natomas' shareholders and to prospective M&I customers. In addition, Natomas has agreed to provide the long-term conjunctive water supply required to support M&I service in the South Sutter County Service Area. Further, as discussed above, Natomas has executed the Water Transfer Agreement and enacted Resolution No. 2006-1-0, the combined effect of which is to designate GSWC as the preferred purveyor of M&I water service in the South Sutter County Service Area. Additionally, the MIAPS establishes that the need for M&I water service in south Sutter County will increase incrementally and substantially over the next 50 years, and Natomas has explicitly designated GSWC as the purveyor of choice for such service and has waived any claim or right to compensation under Public Utilities Code sections 1501 through 1507 as against GSWC regarding the duplication of services within its boundaries.

Second, GSWC has sufficient resources, technical competence, and operational expertise to serve the needs of South Sutter County. GSWC is one of California's largest and oldest public water utilities. The Commission itself has acknowledged GSWC's expertise in *Re Southern California Water Co.*, wherein the Commission concluded that GSWC, (under its prior name Southern California Water Company), in light of its then 70 years of experience serving customers across California, was an experienced operator.⁷

Third, certification of the proposed service area is in the public interest.⁸ The Commission's key public interest inquiry is whether the applicant has "shown that the proposed new service will be adequate and will be provided at reasonable rates and upon reasonable terms."⁹ As discussed above, the rates proposed by GSWC have already been determined by the Commission to be just and reasonable in GSWC's Arden Cordova service areas. Further, the

⁷ D.00-10-029.

⁸ D. 95-01-014 (citing *In re Del Oro Water Co., Inc.*, D.93-07-078).

⁹ *Id.* Specifically, Public Utilities Code section 451 directs that the Commission determine that rates and fees proposed in the application are just and reasonable.

adequacy of the water supply necessary to serve the South Sutter County Service Area is demonstrated by the Water Transfer Agreement and in the accompanying exhibits.

Finally, as discussed above, GSWC has submitted a PEA regarding the environmental impact and effects of the proposed extension of M&I service to the South Sutter County Service Area. This PEA fully addresses any need for environmental mitigation measures. Further, GSWC has been, and will continue to be, committed to engaging the affected community in a public dialogue regarding the proposed service area and water system. Accompanying Exhibit I summarizes community outreach meetings that have occurred and are scheduled to occur. GSWC will continue to incorporate feedback from the community into its plans for construction and operation, and will amend this amended Application as appropriate to address any community concerns that arise.

XI. Formal Matters

GSWC's legal name is Golden State Water Company, which is a regulated subsidiary of American States Water Company. Its mail and principal place of business is 630 East Foothill Boulevard, San Dimas, California, 91773. GSWC's main telephone number is (909) 394-3600. Correspondence and communications regarding this amended Application should be addressed to:

Keith Switzer
Vice President, Regulatory Affairs
630 East Foothill Boulevard
San Dimas, California 91773
Telephone: (909) 394-3600
Facsimile: (909) 394-7427
Email: kswitzer@gswater.com

and to:

Joseph M. Karp
Winston & Strawn LLP
101 California Street
San Francisco, California 94111-5894
Telephone: (415) 591-1529
Facsimile: (415) 591-1400

Email: jkarp@winston.com

GSWC is a corporation duly organized and existing under and by virtue of the laws of the State of California and represents the consolidation, effective on December 31, 1929 upon the order of this Commission, of some twenty corporations which were formerly operated under the jurisdiction of this Commission as public utilities, together with subsequent acquisitions and additions. GSWC is a public utility, and its principal business is the production and distribution of water for domestic, industrial, municipal and other purposes. GSWC renders water service in various areas in the counties of Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara and Ventura, and electric service in the vicinity of Big Bear Lake in San Bernardino County.

A copy of GSWC's Restated Articles of Incorporation is attached hereto as Attachment 1.

GSWC's latest available Balance Sheet and Income Statement are attached hereto as Attachment 2.

No transaction requiring the reporting of a material financial interest, as defined in General Order No. 104-A, has occurred since the last Annual Report filed by GSWC, and except as reported therein, GSWC does not propose at present to become party to any transaction requiring a report of such material financial interest.

Pursuant to Rule 6 of the Commission's Rules of Practice and Procedure, GSWC proposes to categorize this Application as a ratesetting proceeding. GSWC proposes that the following schedule be adopted.

Application Filed	August 29, 2008
Protests Filed	September 29, 2008
Responses to Protests	October 9, 2008
Prehearing Conference	October 23, 2008
Opening Testimony (if needed)	December 12, 2008
Rebuttal Testimony (if needed)	January 16, 2009
Opening Briefs (if needed)	February 6, 2009

Reply Briefs (if needed)	February 20, 2009
Proposed Decision (no later than)	June, 2009
Final Decision (no later than)	July, 2009

The proposed service area will not compete with any other utilities, corporations, persons, or entities because, pursuant to the Water Transfer Agreement, Natomas has waived any claim or right to compensation under Public Utilities Code sections 1501 through 1507 regarding the duplication of services within its boundaries exclusively for the benefit of GSWC.¹⁰

There are no parties of record to serve this amended Application because no service list has been established. Therefore a certificate of service is not included with this filing. However, a copy of this amended Application has been served upon each entity named in the attached statement in lieu of certificate of service, including all privately or publicly owned water systems within one mile of the proposed service area, at least the two systems nearest to the proposed service area, the Sutter County Local Agency Formation Commission, the City of Sacramento, the Sacramento County Water Agency, and the Sutter County Board of Supervisors and all parties to A.06-05-034. Within 10 days of filing this amended Application, GSWC will cause to be published, in one or more newspapers of general circulation in the area proposed to be served, a notice of the general terms of this amended Application and the proposed rates. Within 75 days of filing this amended Application, GSWC will provide each of Natomas' customers of record notice of this amended Application by mailing such notice postage prepaid to customers. The notice will state the amounts of the proposed rates, a brief statement of the reasons for the rates, and the mailing address of the Commission to which any customer inquiries relative to this amended Application may be directed. A draft notice is attached to this amended Application as Attachment 3 and has been provided to the Commission's Public Advisor.

XII. Conclusion

WHEREFORE, GSWC respectfully requests an order making the following nine determinations:

¹⁰ GSWC notes that Sutter County has announced an intention to form a community services district to provide water service to the Sutter Pointe development.

1. The public convenience and necessity will be served by GSWC constructing and operating a water system in the South Sutter County Service Area in fulfillment of its agreement with Natomas to provide M&I water service;
2. The public convenience and necessity will be served by GSWC establishing the South Sutter County Service Area, as set forth in this amended Application;
3. The construction of the water system and its operation, as set forth in this amended Application, are reasonably required to serve GSWC's to-be-certificated South Sutter County Service Area;
4. GSWC is authorized to construct facilities outside of the South Sutter County Service Area in order to support service in the South Sutter County Service Area and to add to the South Sutter County Service Area by advice letter additional areas within Natomas' corporate boundaries as such areas are developed;
5. The community values, recreation and park areas, historical and aesthetic values, and influence on the environment have been sufficiently considered by the Commission as required by Public Utilities Code section 1002;
6. The proposed water system will have no significant impact upon the environment that will not be adequately mitigated;
7. GSWC is entitled to recover all past, present and future costs in rates in connection with the proposed water system, subject to further prudence review by the Commission;

8. The rates and charges proposed by GSWC in this Application are just and reasonable;
and
9. GSWC is granted such other relief as the Commission deems reasonable and
necessary.

Respectfully submitted,

Keith Switzer
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Email: jkarp@winston.com
Attorneys for Golden State Water Company

August 29, 2008

VERIFICATION

I, Keith Switzer, declare and state as follows:

I am an officer of Golden State Water Company, a corporation and the Applicant herein, to wit, Vice President, Regulatory Affairs, and as such, am authorized to make this Verification on its behalf. I have read the foregoing APPLICATION. I am informed and believe that the matters stated therein are true, and on that basis I allege that the matters stated therein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 29, 2008, at San Francisco, California

Keith Switzer
Vice President, Regulatory Affairs
Golden State Water Company

Statement in Lieu of Certificate of Service

There are no parties of record to serve with the Amended Application because no service list has been established in a prior proceeding. Therefore a certificate of service is not included with this filing. However, I hereby certify that I have this day served a copy of the

Amended Application of Golden State Water Company for a Certificate of Public Convenience and Necessity

on the following entities by sending a copy via hand delivery or by mailing a properly addressed copy by first-class mail with postage prepaid.

Keith Switzer
VP Regulatory Affairs
Golden State Water Company
630 East Foothill Blvd.
San Dimas, CA 91773-9016
For: Golden State Water Company

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For: Golden State Water Company

E. Garth Black
Attorney at Law
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201 California St., 17th Floor
San Francisco, CA 94111
For: Natomas Mutual Water Company
Water Agency

Stuart Somach
Somach, Simmons & Dunn
813 Sixth Street, Third Floor
Sacramento, CA 95814-2403
For: County of Sutter and Sutter County

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Calif. Public Utilities Commission
Water & Sewer Advisory Branch
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Michelle Cooke
Calif. Public Utilities Commission
Division of Administrative Law Judges
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Sacramento, CA 95814

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County Clerk-Recorder
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1160 Civic Center Blvd.
Yuba City, CA 95993

Keith DeVore
Water Resources Director
Sacramento County
700 "H" Street
Sacramento, CA 95814

Natomas Mutual Water Company
2601 West Elkhorn Blvd.
Rio Linda, CA 95673

Rio Linda - Elverta Water District
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Shirely Concolino
City Clerk
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Sacramento, CA 95814

Sutter County Local Agency Formation
Commission
1160 Civic Center Blvd.
Yuba City, CA 95993

Sutter County Board of Supervisors
1160 Civic Center Blvd.
Yuba City, CA 95993

David P. Stephenson
California American Water
4701 Beloit Drive
Sacramento, CA 95838

Executed on August 29, 2008, at San Francisco, California

Marcus Hidalgo



BOARD OF DIRECTORS

NATOMAS CENTRAL MUTUAL WATER COMPANY
RESOLUTION NUMBER 2006-1-02

**RESOLUTION OF NATOMAS CENTRAL MUTUAL WATER COMPANY IN
SUPPORT OF A CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY FOR THE INITIATION OF RETAIL WATER SERVICE WITHIN
SUTTER COUNTY BY GOLDEN STATE WATER COMPANY, A WHOLLY-
OWNED SUBSIDIARY OF AMERICAN STATES WATER COMPANY**

WHEREAS, Natomas Central Mutual Water Company ("Natomas") is attempting to obtain revenue to help offset ongoing fixed costs and to ensure the continuing reasonable and beneficial use of water pursuant to its valuable water rights;

WHEREAS, American States Water Company ("ASWC") provides retail water services through its wholly-owned subsidiary of Golden State Water Company within 75 California cities and 10 counties;

WHEREAS, Natomas has executed a Water Transfer Agreement with American States Water Company on February 2, 2005;

WHEREAS, in accordance with the Water Transfer Agreement, Natomas will transfer water to ASWC on a schedule and in amounts sufficient to meet the municipal and industrial ("M&I") water supply requirements of ASWC in the Sutter M&I Service Area;

WHEREAS, the water made available by Natomas will be used by ASWC within the Natomas corporate boundaries located in Sutter County and for which the California Public Utilities Commission ("CPUC") may issue a certificate of public convenience and necessity to SCWC;

WHEREAS, the amount transferred will not exceed the projected water demands in the Integrated Water Resources Management Plan now being prepared by Natomas and ASWC, and in no event will exceed 30,000 acre-feet per year;

WHEREAS, deliveries will commence upon the beginning of Golden State Water Company's public utility water supply obligations, as approved by the CPUC, and continue for the term of the Water Transfer Agreement;

WHEREAS the Water Transfer Agreement will provide for the continued reasonable and beneficial use of Natomas water by Golden State Water Company and its customers on lands within the boundaries of Natomas and generally provided with agricultural water service by Natomas;

WHEREAS the effectiveness of the Water Transfer Agreement is dependent upon CPUC approval of the proposed new retail service area for Golden State Water Company within the Natomas corporate boundaries and within Sutter County;

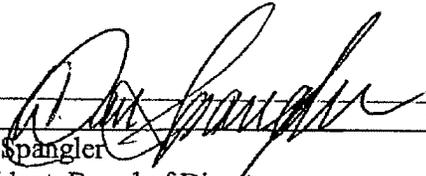
WHEREAS ASWC through Golden State Water Company is the entity best situated to provide retail M&I service within Sutter County on an efficient and timely basis; and

WHEREAS the reasonable and beneficial use of water by ASWC will provide further benefits to Natomas shareholders and Sutter County residents in the form of economic investment and protection of agricultural values by stabilizing long-term water supply costs for Natomas;

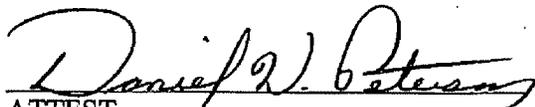
NOW THEREFORE NATOMAS HEREBY RESOLVES THAT:

1. Natomas supports Golden State Water Company's filing an application with the CPUC for a certificate of public convenience and necessity for that portion of the Natomas service area that lies within Sutter County in accordance with the terms of the Water Transfer Agreement.
2. Natomas requests that the CPUC grant a certificate of public convenience and necessity to Golden State Water Company in accordance with the terms of the Water Transfer Agreement.
3. Upon the CPUC's grant of a certificate of public convenience to ASWC and Golden State Water Company and only to the extent that Golden State Water Company provides M&I service within the Natomas corporate boundaries on lands within Sutter County in accordance with the Water Transfer Agreement, Natomas waives any claim or right to compensation it might possess under Public Utilities Code sections 1501 through 1507 regarding the duplication of services within its boundaries

PASSED AND ADOPTED by vote of the Board of Directors on January 10, 2006.



Dan Spangler
President, Board of Directors



ATTEST
Daniel W. Peterson
General Manager
Natomas Central Mutual Water Company

**WATER TRANSFER AGREEMENT BETWEEN
NATOMAS CENTRAL MUTUAL WATER COMPANY
AND AMERICAN STATES WATER COMPANY**

Transferor Natomas Central Mutual Water Company ("Natomas")

Transferee American States Water Company and/or its subsidiaries Southern California Water Company and American States Utility Services, Inc. (collectively "ASWC")

Delivery of Water Natomas shall transfer water to ASWC on a schedule and in amounts sufficient to meet the municipal and industrial ("M&I") water supply requirements of ASWC in the Sutter M&I Service Area, which shall equal that area within the Natomas corporate boundaries that is located in Sutter County and for which the California Public Utilities Commission ("CPUC") issues a certificate of public convenience and necessity to ASWC. The amount transferred will not exceed the projected water demands in the Integrated Water Resources Management Plan now being prepared by Natomas and ASWC, and in no event will exceed 30,000 acre-feet per year. Deliveries will commence upon the beginning of ASWC's public utility water supply obligations and continue for the term of this Water Transfer Agreement.

Within 180 days of the CPUC's issuance of a certificate of public convenience and necessity, ASWC shall provide to Natomas projected M&I water supply requirements for the Sutter M&I Service Area for a 25-year period broken out on an annual basis. ASWC shall utilize the projections in the Master Infrastructure Advance Planning Study ("MIAPS") and the Integrated Water Resources Management Plan ("IWRMP") to the extent appropriate. The water supply requirement projections shall be updated thereafter in every year with a last digit of "0" or "5" and shall be consistent with ASWC's urban water management plan prepared during the same time period for the Sutter M&I Service Area.

ASWC and Natomas will cooperate in the development of the MIAPS and IWRMP, with funding provided by Natomas. Upon Natomas's written request, however, ASWC shall advance funds necessary for development of the MIAPS or IWRMP or any amendments thereto. If ASWC advances such funds on behalf of Natomas, ASWC shall receive a credit against the Water Cost described below, with the credit determined by amortizing the amount of funds advanced over the period during which the MIAPS and IWRMP are effective, with an interest rate equal to the yield on the 10-year treasury notes at the time of the calculation.

Prior to December 15 of each year, ASWC shall provide Natomas with a proposed delivery schedule for its M&I water supply requirements for the following year. The schedule shall include projected annual and monthly demands, as well as average and maximum daily demands on a monthly basis. ASWC may modify the delivery schedule by providing written notice to Natomas; provided, however, that such changes shall be within Natomas's reasonable delivery capability, consistent with Natomas's other water service obligations.

Natomas shall not enter into any third-party water transfer agreements that would preclude Natomas's reasonable ability to meet its obligations under this Water Transfer Agreement.

Water Source

Water will be provided through the conjunctive use of surface water from the Sacramento River and groundwater underlying the Sutter M&I Service Area in quantities and in proportions that may be established by Natomas, subject to the overall requirements of this Water Transfer Agreement.

Surface Water

Surface water will be diverted from the Sacramento River, based on:

- (1) Contract No. 14-06-200-885A and expected renewal Contract No. 14-06-200-885A-R-1 ("Renewal Contract") between Natomas and the Bureau of Reclamation; and/or
- (2) The following water rights licensed or permitted by the State Water Resources Control Board:
 - License 1050 on Application 534;
 - License 2814 on Application 1056;
 - License 3109 on Application 1203;
 - License 3110 on Application 1413;
 - License 9794 on Application 15572;
 - License 9989 on Application 22309; and
 - Permit 19400 on Application 25727.

The parties acknowledge that Natomas's surface water rights currently may not be used for M&I purposes in Sutter County without regulatory approvals and that Natomas's ability to transfer surface water under this Water Transfer Agreement is dependent upon the regulatory approvals included as conditions below. In addition, the parties agree that regulatory approvals may be required for Natomas to transfer surface water to ASWC during the months from November through March.

Groundwater

Groundwater may be available to Natomas based upon its appointment as an agent for shareholder/landowners within the M&I Service Area. Natomas will transfer groundwater to ASWC and execute any and all documents necessary to enable ASWC to exercise the overlying groundwater rights of landowners within the Sutter M&I Service Area. As long as groundwater is transferred to ASWC by Natomas in the quantities necessary (when combined with surface water transferred by Natomas) to satisfy the reasonably projected M&I water requirements identified under prudent management standards, ASWC will not seek to acquire appropriate rights to groundwater within the Sutter M&I Service Area.

Surplus Water

The parties acknowledge and agree that Natomas will be delivering water that is surplus to the needs of Natomas's shareholders for agricultural purposes and that Natomas may also supply such surplus water to the County of Sacramento or Sacramento County Water Agency. Natomas agrees that it will use good faith and reasonable best efforts to undertake all acts reasonably and prudently necessary to ensure surplus water exists in sufficient quantities to provide a Reliable Water Supply to ASWC.

"Reliable Water Supply" means a long-term, continuous and reliable supply of untreated water which is sufficient to meet the demand of ASWC's M&I customers within the Sutter M&I Service Area in accordance with all provisions of applicable law. Natomas shall provide ASWC with a legal opinion that Natomas reasonably expects to have or make available sufficient surplus water to provide a Reliable Water Supply to ASWC.

Water Cost

For each acre-foot of water transferred by Natomas to ASWC, whether that water is surface water or groundwater, Natomas will elect one of the following two payment methodologies:

- (1) Natomas will be paid in accordance with the Water Cost Methodology as defined in Exhibit D to the Operating Agreement, revised to eliminate any discretion of Natomas in setting the Economic Value of Water, as defined therein; or
- (2) The Lump Sum Methodology, which shall be determined as follows. On an annual basis, ASWC shall pay a lump sum value for the marginal amount of M&I water supply requirements projected for the following year over that amount projected (and paid for) for the preceding year. The lump sum payment for

each year's marginal amount will be based upon the present value of the projected Economic Value of Water (as defined in Exhibit D to the Operating Agreement) for the term of this Water Transfer Agreement, which shall be determined by agreement of the parties, or, if no agreement can be reached, through use of binding arbitration. The calculation of present value shall discount the projections of Economic Value of Water over the term of this Water Transfer Agreement at an interest rate equal to the yield on the 10-year treasury notes at the time of the calculation adjusted by an appropriate risk premium, if any, to reflect the risks of this Water Transfer Agreement. Payments made under this Lump Sum Methodology may be made on a one-time basis or as a stream of payments, at the discretion of Natomas, as long as the present value of any stream of payments is equal to the value determined by the Lump Sum Methodology.

Regardless of the payment methodology used, Natomas shall not be paid less than its actual costs reasonably incurred in delivering water to ASWC.

ASWC will include the Water Cost in its application filed with the CPUC for a certificate of public convenience and necessity. If Natomas selects the Water Cost Methodology, but the CPUC rejects ASWC's application or proposed rate schedule based upon that methodology, then the parties shall substitute the Lump Sum Methodology.

Point of Delivery

The point of delivery for surface water shall be at one or more locations as agreed upon by the parties *after* Natomas has diverted the water from the Sacramento River. ASWC shall be responsible, financially and otherwise, for any modifications or additions to the Natomas water distribution system necessary for the delivery of surface water for M&I use within the Sutter M&I Service Area. ASWC shall be responsible, financially and otherwise, for all conveyance and treatment of the water after the point of delivery, including the design, construction, finance, operation and maintenance of any surface water treatment plant and distribution system.

Groundwater shall be delivered to ASWC at the well location(s) designated by Natomas. ASWC shall be responsible for all extraction, conveyance and treatment of the groundwater, including the design, construction, finance, operation and maintenance of any groundwater wells, treatment facilities and distribution system. For purposes of determining payments due from ASWC to Natomas, groundwater will be deemed delivered to ASWC when ASWC has extracted the groundwater.

Upon taking delivery of the surface water or groundwater made available by Natomas, ASWC will exercise full dominion and control over the transferred water, and ASWC shall indemnify Natomas for any injuries to persons or property caused by water delivered by Natomas to ASWC. In the event that the validity of this Water Transfer Agreement is challenged by any third party, ASWC shall defend the validity of this Water Transfer Agreement and shall indemnify Natomas for expenses reasonably incurred by Natomas in defense of such Agreement.

Wheeling Fee

In addition to the Water Cost, ASWC shall pay to Natomas a wheeling fee for the use of Natomas water diversion and distribution facilities used prior to the point of delivery and for which ASWC was not previously responsible. The wheeling fee will be determined based on the actual cost of diverting, pumping, conveying and delivering water from the point of diversion in the Sacramento River to the point of delivery. In the wheeling fee, Natomas will recover a portion of the variable costs (including operation, maintenance, power and replacement) for actually wheeling water from the Sacramento River to the M&I system, based on the proportion of all water diverted by Natomas through the delivery facilities during each month that water was delivered to ASWC to meet its M&I water supply requirements.

Use of Water

The water transferred by Natomas under this Water Transfer Agreement will be the exclusive source utilized by ASWC to supply its customers with water for M&I use within the Sutter M&I Service Area, so long as sufficient water is made available by Natomas to ASWC to satisfy its M&I water demands.

The parties acknowledge and agree that Natomas is willing to supply water to ASWC as a corporation on a wholesale basis and not to ASWC's customers, other than as the water may be supplied by ASWC to its customers through ASWC's own distribution system and under its own exclusive control, and that Natomas does not hereby dedicate its water supplies to public use by ASWC, ASWC's customers or any other person. ASWC will supply to Natomas a reasoned, qualified legal opinion that the transfer of water by Natomas to ASWC under this Water Transfer Agreement will not impact Natomas's status as a private water company exempt from regulation by the CPUC, and Natomas will provide to ASWC a written concurrence from Natomas's legal counsel.

Until ASWC requires the water to meet its M&I water supply obligations, Natomas has the right to make whatever use of the water it desires, including the temporary transfer of the water to third parties; provided, that Natomas will take not action to adversely affect the rights of ASWC under this Water Transfer

Agreement.

Term

From the issuance of a certificate of public convenience and necessity by the CPUC to ASWC until the expiration of the Renewal Contract and any renewals thereof. As long as the Renewal Contract is renewed between Natomas and the Bureau of Reclamation, this Water Transfer Agreement will be automatically renewed for successive terms equivalent in length to the renewal terms of the Renewal Contract with the Bureau of Reclamation, unless and until ASWC, in its sole discretion, provides five years' written notice of termination to Natomas. In the event that Natomas elects not to renew its contract with the Bureau of Reclamation, Natomas shall assign to ASWC that portion of its right, title and interest in the Renewal Contract that will allow ASWC, to the extent possible, to continue to receive amounts of surface water consistent with this Water Transfer Agreement.

This Water Transfer Agreement shall be subject to early termination if: (a) all conditions of the Master Agreement and Operating Agreement between Natomas and ASWC are satisfied by July 31, 2005; (b) by December 31, 2010 ASWC has neither begun taking delivery of water nor commenced construction of facilities to take delivery of water pursuant to this Water Transfer Agreement; or (c) the CPUC concludes that the actions of Natomas in transferring water to ASWC under this Water Transfer Agreement and supplement instruments renders Natomas subject to the jurisdiction of the CPUC as a regulated public utility. If this Water Transfer Agreement is terminated, then Natomas shall be entitled to any work product previously created by ASWC, without cost to Natomas.

Relationship to Representation Agreement

The Parties acknowledge and agree that the Representation Agreement executed by the Parties on August 10, 2004 shall not have any impact on this Water Transfer Agreement, and that the water transfer implemented under this Water Transfer Agreement shall not be used for any purposes under the Representation Agreement.

Mutual Assurances

The Parties will exercise good faith and best efforts to preserve and protect the surface water rights of Natomas and the groundwater rights of Natomas's shareholder/landowners. The parties contemplate that further documentation may be required to implement the provisions of this Water Transfer Agreement but mutually acknowledge the further efforts and expense that will be incurred by both parties in implementation thereof. Accordingly, they will exercise good faith and best efforts to prepare and execute supplemental legal instruments and agreements that are necessary to implement the provisions of this Water Transfer Agreement.

Dispute Resolution

The Parties will attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this Water Transfer Agreement in accordance with this provision. Either Party may initiate such negotiations by providing written notice to the other Party setting forth the subject of the dispute and the relief requested. The recipient of such notice shall respond within five (5) days with a written statement of its position on, and recommended solution to, the dispute. If the dispute is not resolved through this exchange of correspondence, the representatives of each Party, with full settlement authority, will meet at a mutually agreeable time and place within ten (10) days of the date of the initial notice to attempt to resolve the dispute. If the dispute is not resolved by these informal negotiations, the issue will be submitted for mediation in the following manner:

- (a) Notice; Selection of Mediator. Either Party shall provide the other Party with a written request to enter into mediation. The Parties shall select an agreed-upon neutral mediator within seven (7) days of the written notice. The mediator selected shall be experienced, neutral, without conflicts of interest, and qualified to resolve disputes of the nature of those that may arise under this Water Transfer Agreement. If the Parties are unable to agree upon a mediator, each Party shall select one mediator, with the two selected mediators selecting a third qualified, neutral mediator.
- (b) Good Faith; Confidentiality. The Parties covenant that they will participate in the mediation in good faith, and they will share equally in the costs of the mediation. All offers, promises, conduct and statements (whether oral or written), made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator, are confidential, privileged and inadmissible for any purposes in any litigation or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.
- (c) Other Relief. Either Party may seek equitable relief in accordance with this Water Transfer Agreement prior to the mediation to preserve the *status quo* pending the completion of the mediation process.
- (d) Mediation Conference; Settlement of Dispute. Within ten (10) days of the written notice, a mediation conference will take place at the offices of the mediator, or such other place as the mediator may designate. The mediator will preside at the mediation conference. During the course of the mediation process, all

California statutes, decisions and Rules of Court, and all federal statutes, decisions and Local Rules will be superseded and waived. If the Parties, after consultation with their respective legal counsel, reach agreement on the settlement of the dispute, within ten (10) days after the conclusion of the mediation conference, the Parties and their respective legal counsel will execute, deliver and make effective a written settlement agreement setting out all the terms and conditions of the settlement of the dispute.

- (e) Enforcement of Mediation. This dispute resolution provision may be enforced by any State court in the County of Sacramento, and, notwithstanding any other provision in this Water Transfer Agreement to the contrary, the Party seeking to enforce this provision shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom enforcement is ordered.

General Reference

Any dispute arising out of or relating to this Water Transfer Agreement which has not been resolved pursuant to the mediation process described above shall be heard by general reference pursuant to the provisions of California Code of Civil Procedure, sections 638 through 645.1, inclusive, according to the following procedures:

- (a) The Parties shall agree upon a single referee, the maximum hourly rate the referee may charge and, at the request of either Party, the maximum number of hours for which the referee may charge. Such referee shall then try all issues, whether of fact or law, and report a finding and judgment thereon. If the Parties are unable to agree upon a referee, the maximum hourly rate or, if so requested, the maximum hours for which the referee may charge, within ten (10) days of a written request to do so by any Party, then any Party may thereafter seek to have a referee appointed pursuant to California Code of Civil Procedure, sections 638 and 640, by a State court located in the County of Sacramento, subject to the right of either Party to object to the appointment of a person as the referee on the grounds permitted by California Code of Civil Procedure, sections 641 or 641.2.
- (b) The Parties agree that the referee shall have the power to decide all issues of fact and law and report his or her decision thereon, and to issue all legal and equitable relief appropriate under the circumstances of the controversy before him or her; provided, however, that to the extent the referee is unable to issue or enforce any such legal or equitable relief, either Party may petition a State court in the County of Sacramento to issue or

enforce such relief on the basis of the referee's decision.

- (c) The Parties shall agree upon the rules of evidence and procedure relating to the conduct of the hearing, examination of witnesses and presentation of evidence. If the Parties are unable to agree upon such rules and procedures within thirty (30) days of a written request to do so by any Party, then the California Evidence Code rules of evidence and procedure shall apply to the conduct of the hearing, examination of witnesses and presentation of evidence.
- (d) Any Party desiring a stenographic or other written record of the hearing may secure a court reporter to attend the hearing; provided, that the requesting Party notifies the other Party of the request and pays for the costs incurred by the court reporter.
- (e) The referee shall issue a written statement of decision that shall be reported to the State court in the County of Sacramento in accordance with California Code of Civil Procedure Section 643 and mailed promptly to the Parties.
- (f) Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure, section 644, and the decision may be excepted to, challenged and appealed according to law.
- (g) The Parties shall promptly and diligently cooperate with one another and the referee and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute in accordance with the terms hereof.
- (h) The cost of such proceeding, including but not limited to the referee's fees, shall initially be borne equally by the Parties to the dispute. However, the prevailing Party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference and its reasonable attorneys' fees, expenses and related costs as items of recoverable costs. In the event that one Party prevails as to part of the dispute and the other Party prevails as to another part of the dispute, the costs of the proceeding shall be apportioned in such manner as determined by the referee to be fair and equitable.

**Conditions to
Natomas's Obligation to
Transfer Water to
ASWC in the Sutter
M&I Service Area**

The Parties will exercise good faith and reasonable best efforts to satisfy the following conditions. These conditions must be satisfied before Natomas is obligated to transfer water to ASWC. However, the effectiveness of this Water Transfer Agreement does not depend on the satisfaction of these conditions.

- (1) The completion of an Integrated Water Resources Management Plan demonstrating that Natomas has sufficient surplus water supplies available to meet its pledge of water for M&I uses within the Sutter M&I Service Area;
- (2) Filing by ASWC of an application with the CPUC for a certificate of public convenience and necessity to provide M&I water service for the Sutter M&I Service Area and for approval of this Water Transfer Agreement, within 180 days of execution of this Water Transfer Agreement. If ASWC does not file an application with the CPUC within the 180-day time period, then the water transfer agreement will terminate;
- (3) Issuance by the CPUC of a certificate of public convenience and necessity to ASWC for M&I water service in the Sutter M&I Service Area and a decision approving this Water Transfer Agreement within 60 months from the date of the filing of the application; and
- (4) Approvals by the Bureau of Reclamation and State Water Resources Control Board of all changes necessary for Natomas to transfer water to ASWC under this Water Transfer Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Water Transfer Agreement.

NATOMAS CENTRAL MUTUAL WATER COMPANY

Date: 2/04/2005

By: Daniel W. Peterson

Its: GENERAL MANAGER

AMERICAN STATES WATER COMPANY

Date: 2/2/05

By: Floyd E. W. White

Its: PRESIDENT & CEO

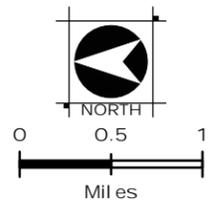
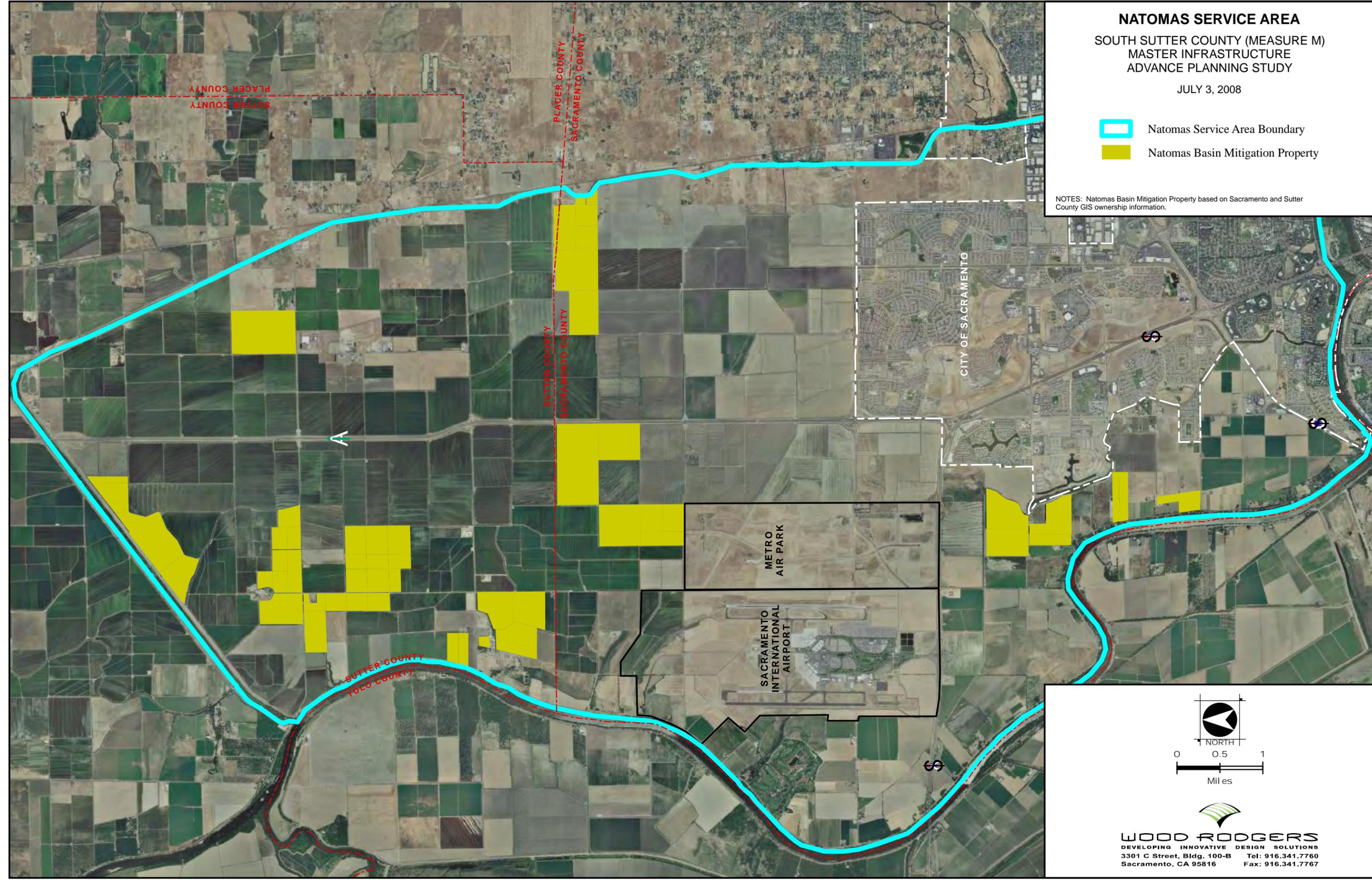
NATOMAS SERVICE AREA

SOUTH SUTTER COUNTY (MEASURE M)
MASTER INFRASTRUCTURE
ADVANCE PLANNING STUDY

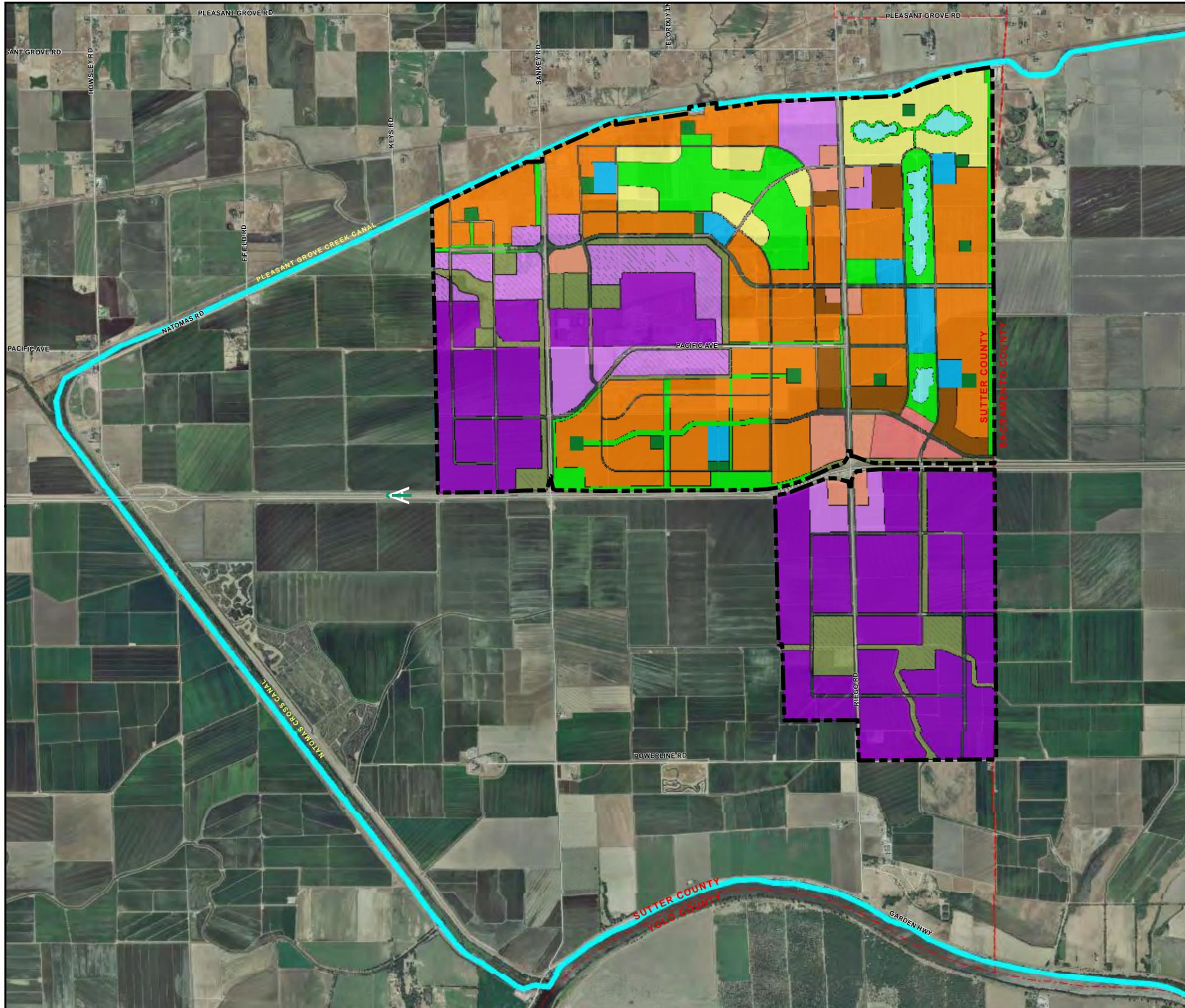
JULY 3, 2008

-  Natomas Service Area Boundary
-  Natomas Basin Mitigation Property

NOTES: Natomas Basin Mitigation Property based on Sacramento and Sutter County GIS ownership information.



WOOD RODGERS
DEVELOPING INNOVATIVE DESIGN SOLUTIONS
3301 C Street, Bldg. 100-B Sacramento, CA 95816
Tel: 916.341.7760 Fax: 916.341.7767



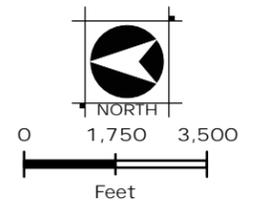
SUTTER POINTE SPECIFIC PLAN LAND USE

SOUTH SUTTER COUNTY (MEASURE M)
 MASTER INFRASTRUCTURE
 ADVANCE PLANNING STUDY

JULY 3, 2008

- Low Density Residential (397 acres)
- Medium Density Residential (1,966 acres)
- High Density Residential (185 acres)
- Employment 1 (281 acres)
- Employment 1 Interim Flood Zone (383 acres)
- Employment 2 (2,011 acres)
- Commercial Retail (188 acres)
- Industrial Drainage Basins (460 acres)
- Mixed Use (80 acres)
- Parks and Open Space (784 acres)
- Neighborhood Parks (67 acres)
- Schools (175 acres)
- Lakes
- Natomas Service Area Boundary
- Sutter Pointe Specific Plan

NOTES: Land use shown based on April 23, 2007 Sutter Pointe Specific Plan Conceptual Land Use Plan.



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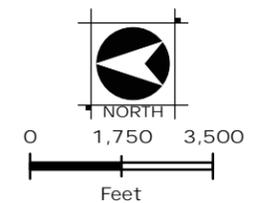
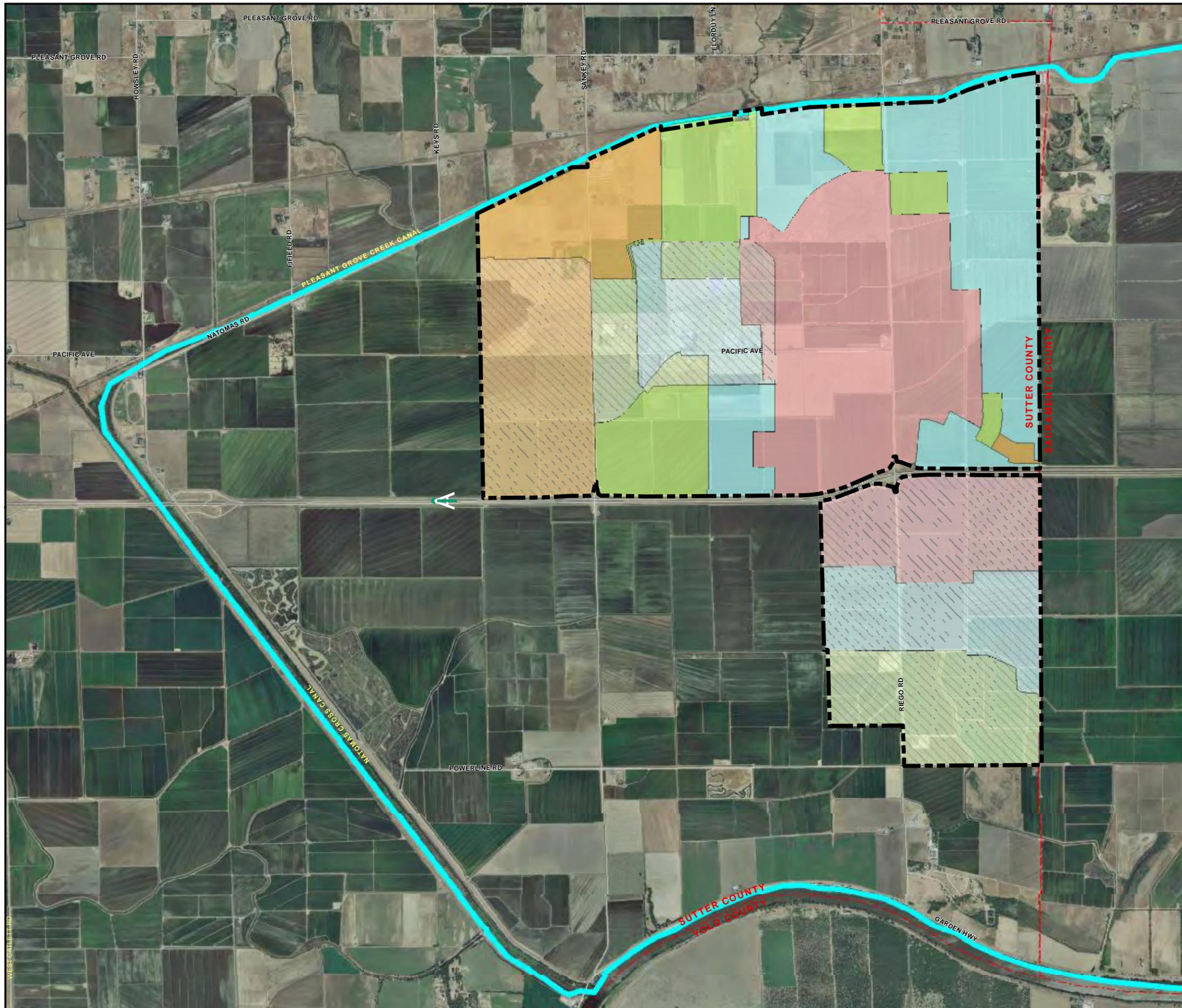
SUTTER POINTE SPECIFIC PLAN PHASING

SOUTH SUTTER COUNTY (MEASURE M)
 MASTER INFRASTRUCTURE
 ADVANCE PLANNING STUDY

JULY 3, 2008

-  Phase 1 (Residential Mixed Use)
-  Phase 2 (Residential Mixed Use)
-  Phase 3 (Residential Mixed Use)
-  Phase 4 (Residential Mixed Use)
-  Phase A (Industrial)
-  Phase B (Industrial)
-  Phase C (Industrial)
-  Phase D (Industrial)
-  Natomas Service Area Boundary
-  Sutter Pointe Specific Plan

NOTES: Phasing shown based on August 29, 2007 Sutter Pointe Specific Plan Conceptual Phasing Plan.



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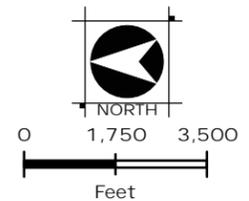
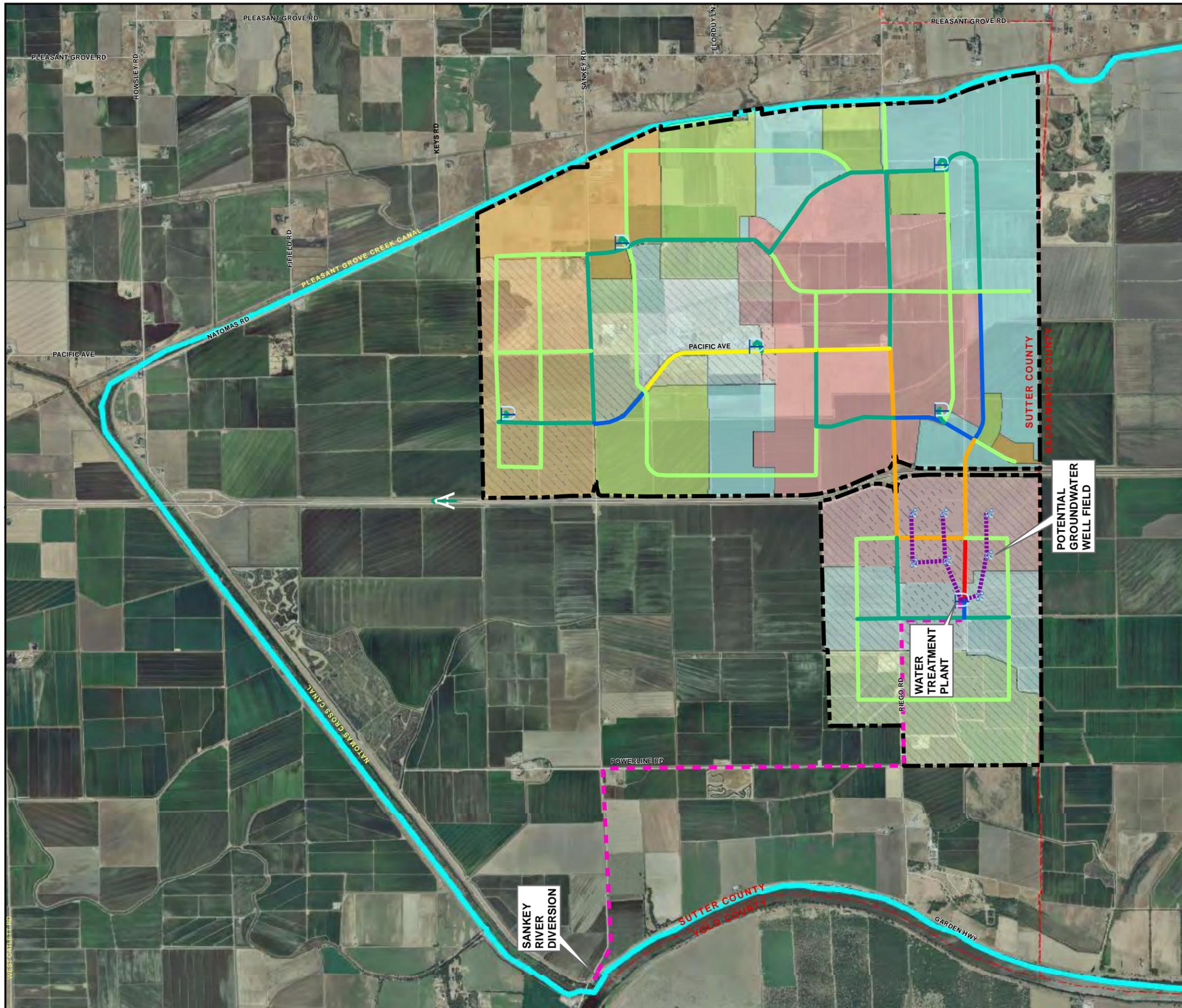
M&I WATER INFRASTRUCTURE

SOUTH SUTTER COUNTY MASTER INFRASTRUCTURE ADVANCE PLANNING STUDY

AUGUST 21, 2008

-  12 inch Treated Water
-  16 inch Treated Water
-  24 inch Treated Water
-  30 inch Treated Water
-  36 inch Treated Water
-  42 inch Treated Water
-  48 inch Raw Water
-  Groundwater Line
-  Proposed 5 MG Tank
-  Natomas Service Area Boundary
-  Sutter Pointe Specific Plan

NOTES: Phasing shown based on August 29, 2007 Sutter Pointe Specific Plan Conceptual Phasing Plan.



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EXHIBIT D
DESCRIPTION OF WATER SUPPLIES

I. Groundwater

Natomas' groundwater management plan of May 2002 established as an objective the conjunctive use of groundwater and surface water to meet the demands of M&I development within the Natomas corporate boundaries. Pursuant to this objective, Natomas plans to transfer surface water to GSWC, in addition to the groundwater that GSWC will extract from beneath lands within the South Sutter County Service Area.

A. Groundwater Yield

The IWRMP projects that, over the long term, groundwater pumpage that averages between 38,000 acre-feet per year and 63,800 acre-feet per year would be sustainable, with short-term increased groundwater use during periods of reduced surface water supplies.

The MIAPS reviews data from existing groundwater monitoring wells available from the Department of Water Resources groundwater database and concludes that groundwater levels over a 30- to 40-year period have remained fairly uniform. Further, work performed by the Department of Water Resources, information compiled through the Sacramento Water Forum, and observations in Yolo County show that a sustainable yield of approximately one acre-foot per acre is a reasonable figure for planning purposes. This equates to an assumption of 7,500 acre-feet of groundwater supply for the South Sutter County Service Area. Accordingly, this value is used as a guide in determining the mix of groundwater and surface water to plan a future M&I water supply for the South Sutter County Service Area. The manner in which the groundwater basin responds as a greater area is developed would, of course, require continuous monitoring and evaluation.

With respect to the yield of wells in the build-out area described by the MIAPS, the Department of Water Resources reports that most wells are equipped to produce 1,000 to 2,500 gallons per minute. The MIAPS assumes an average of 1,500 gallons per minute to determine the total number of wells to incorporate into the master plan. The 1,500 gallons per minute

figure is consistent with the tested capacity of several wells at Sacramento International Airport, which were designed for 1,500 gallons per minute.

B. Groundwater Quality

Data regarding the quality of groundwater is available for several wells within and outside Natomas' service area. The Department of Water Resources summarized groundwater quality in a feasibility report published in 1977. The report identified the following constituents that may be of concern in the South Sutter County Service Area: total dissolved solids ("TDS"), chloride, sodium, bicarbonate, boron, iron, manganese, and arsenic. The concentration of TDS could contain up to 500 mg/l, which is the recommended secondary standard for drinking water.

Water quality data for years 2002 through 2004 from groundwater wells operated by Sysco Food Services ("Sysco") within the South Sutter County Service Area has also been obtained and evaluated with regard to GSWC's ability to permit this source of supply. These wells are centrally located within the proposed service area and are deemed representative of groundwater quality within the region. Sysco's wells currently meet all primary drinking water standards. No volatile organic contaminants, alpha radioactivity or nitrates were detected in the reports that GSWC reviewed. TDS fell below the recommended secondary standard of 500 mg/L. The Sysco wells exceeded the secondary standard for both iron and manganese. The Sysco wells also contained arsenic. The data regarding the Sysco Wells is attached hereto as accompanying Exhibit D.1.

Based upon this analysis, GSWC's proposed water system, as discussed below, will be designed to include the flexibility required to provide arsenic treatment if future analysis of groundwater deems treatment is necessitated. Likewise, it is anticipated that treatment for iron and manganese will be incorporated into all groundwater supply facilities. With treatment facilities in place, it is clear that local groundwater is a permissible source of drinking water by the California Department of Health Services.

II. Surface Water

A. Water Rights

Surface water supplies are available for M&I use through six water right licenses and one permit issued to Natomas by the State Water Resources Control Board. The licenses and permit, and allowable diversion rates and seasons, are summarized below:

License/Permit	Diversion Amount (cfs)	Period of Diversion
License 1050	42.18	April 1 – October 1
License 2814	38	March 15 – October 15
License 3109	160	May 1 – October 31
License 3110	120	May 1 – October 1
License 9794	131	April 1 – June 30
License 9989	14	March 1 – June 30 September 1– October 31
Permit 19400	168	October 1 – April 1

As the table above indicates, the amount of surface water available during the winter months is currently limited to the water available under Permit 19400. Natomas may consolidate its five existing surface water diversions, with a combined capacity of 630 cfs, into two new diversions with state-of-the-art fish screens. The Sankey Diversion of 420 cfs is currently authorized under the Bay-Delta Environmental Restoration Program and would be available for purposes of providing M&I water to GSWC.

Water is delivered to Natomas to satisfy its water right Licenses 1050, 2814, 3109, 3110 and 9794 through a contract with the United States Bureau of Reclamation (“USBR”) that quantifies Natomas’ surface water rights at 122,200 acre-feet per year for diversion from the Sacramento River during the irrigation season from April 1 through October 31. This amount includes 98,200 acre-feet per year of “Base Supply” and an additional 22,000 acre-feet of “Project Water.”

Natomas’ surface water rights currently may not be used for M&I purposes in south Sutter County without receiving regulatory approvals from the USBR and/or the State Water Resources Control Board. In addition, Natomas may be required to obtain additional regulatory approvals to transfer surface water to GSWC during the months of November through March. If

the necessary permits and approvals are not granted, the Water Transfer Agreement and GSWC's obligation to ask the Commission for a certificate of public convenience and necessity terminate. Natomas will likely file these applications in the near future, so that any necessary environmental review of water issues can be completed as part of the environmental review being conducted for issuance of a certificate of public convenience and necessity by the Commission.

B. Surface Water Yield

As discussed above, the South Sutter County Service Area encompasses approximately 7,500 acres. Using a sustainable yield of the groundwater basin of one acre-foot per acre of developed land indicates that groundwater could provide approximately 7,500 acre-feet per year. This represents approximately 30 percent of the total annual M&I water requirements of 24,550 acre-feet per year at build out of the South Sutter County Service Area. For planning purposes, it is assumed that the conjunctive use of surface water and groundwater would be 70 percent and 30 percent, respectively. Accordingly, a surface water supply of approximately 17,050 acre-feet would need to be diverted per year.

C. Surface Water Quality

Generally speaking, the Sacramento River is an excellent source of drinking water. The water can be easily treated to meet all safety regulations using conventional filtration processes. Based upon the evaluation of water quality data from the City of Sacramento's diversion of Sacramento River water just downstream from Natomas, it appears that treatment requirements at either the Sankey or Elkhorn Diversions would be met based upon the preliminary design of GSWC's proposed surface water treatment plant.

**INSTRUCTIONS FOR COMPLETING THE
CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)
WATER SUPPLY QUESTIONNAIRE (WSQ)
(FOR OTHER THAN A PUBLICLY-OWNED OR A MUTUAL WATER UTILITY)**

This WSQ is to be completed for the subdivider by the water utility serving the area to certify that it has the ability to serve. This WSQ is to be filed as a standard advice letter, in conjunction with a service area extension, if applicable.

This WSQ must clearly show that:

- (1) the subdivision is entirely within the certificated service area of the utility,
- (2) an adequate supply of water is available¹ for the entire system in which the subdivision is situated, and
- (3) adequate fire flow exists to meet the requirements of all existing customers, the fully developed subdivision, and the anticipated growth during the period of the subdivision development.

Supporting data, calculations, and conclusions are to be included in the WSQ filing. Supporting data (flow quantities, fire flow test, letter from fire protection agency, number of customers, etc.) should not be older than 1 year from the date of the WSQ filing. Calculations must be shown, where required.

Please note that all areas in this WSQ are to be completed, all attachments are to be provided, and the entire package must be verified. Failure to do any of these will mean automatic rejection of the WSQ.

The water utility should provide the information requested in the format as shown in this WSQ. Should the CPUC analyst need additional information, he/she will contact the utility.

Once completed, the WSQ is to be forwarded to:

CPUC
Attention: Water Division, Advisory Branch
505 Van Ness Avenue, Room 3106
San Francisco CA 94102-3298

Any questions regarding the WSQ may be directed to Fred Curry, Chief, at the above address or by telephone at (415) 703-1739.

NOTE: "Subdivision", as used in this WSQ, means that the subdivision for which this WSQ is being prepared.

¹ As defined by the CPUC General Order No. 103

This WSQ contains the following:

1. Information Cover Sheet.
2. Section A - Water Supply Available For Entire System At Present To Meet
The Maximum Day Demand
3. Section B - Water Supply Requirements
4. Section C - Water Supply Conclusion
5. Section D - Minimum 2 Hour Total Flow Requirement
6. Section E – Minimum 2 Hour Total Flow Conclusion
7. Section F - Water Supply Summary
8. Section G- Supporting Calculations For Section A
9. Section H - Supporting Calculations For Section B
10. Section I - Supporting Documentation For Section D
11. Section J - Supporting Documentation For Section E
12. Section K - System Map And Proposed Subdivision Map
13. Certification and Verification Sheet

A. WATER SUPPLY AVAILABLE FOR ENTIRE SYSTEM AT PRESENT TO MEET THE MAXIMUM DAY DEMAND

All sources referenced below must be listed individually along with their corresponding supply amounts and all supporting calculations must be shown in Section G.

- (1) Flow available for this subdivision from all sources, except distribution storage, on the day of maximum demand [from Section G(1)]^o 38,200 gpm
- (2) Total discharge capacity from distribution storage [from Section G(2)(a) or G(2)(b)] 113,305 gpm
- (3) Total supply available [A(1) + A(2)] 151,505 gpm

How many independent sources of supply are being utilized? 8 7 wells
1 Surface WTP

How many such maximum day's storage, or fraction thereof, are available? [from Section G(2)(b)(i)] 0.85 days

NOTE: The water system must be capable of replenishing the storage lost on the peak day, or long weekend, over the intervening periods of below average water consumption.

^o During maximum use hours.

B. WATER SUPPLY REQUIREMENTS

(1) Total number of existing and potential residential and business customers:

(a) Number of residence and business customers in existing filed tariff area	<u>0</u>
(b) Vacant or unserved lots in existing filed tariff area entitled to water service. (e.g. undeveloped lots in previously approved subdivisions)	<u>0</u>
(c) Number of customers in the fully developed applied for subdivision	<u>19,800</u>
(d) Total number of customers to be served [B(1)(a) + B(1)(b) + B(1)(c)]	<u>19,800</u>

(2) Required water supply for **total residential and business customers** (Q_T):

$$Q_T = Q_F + Q_M = (\underline{0}) + (\underline{17,820}) = (\underline{17,820})$$

Where,

Q_F = Water supply required for flat rate customers.
[From Section H(1)(a)]

Q_M = Water supply required for metered rate customers.
[From Section H(1)(b)]

NOTE: If there is no flat rate service, Q_F is equal to zero.

B. WATER SUPPLY REQUIREMENTS (CONT.)

(3) Required water supply for existing and anticipated industrial, irrigation, and public authority commitments, including those of the subdivision:

	<u>No. of Service Connections</u>	<u>Maximum Demand gpm</u>
(a) Industrial Customers °	<u>1,800</u>	<u>17,860</u>
(b) Irrigation Customers °	<u>0</u>	<u>0</u>
(c) Public Authorities °	<u>500</u>	<u>4,960</u>
(d) Subtotal [B(3)(a) + B(3)(b) + B(3)(c)]	<u>2,300</u>	<u>22,820</u>

(if none, state so)

These connections are included in Section B(1)(d) and Section B(2) for domestic supply only.

° If any of the maximum demands entered always occur during periods of off-peak system demand, indicate instead your estimate of the demand of each such class of service during the period of maximum system demand.

(4) Total water supply requirements:

(a) Residential and business water supply requirements [Q _T , from Section B(2)]	<u>15,750</u> gpm
(b) Industrial, irrigation, and public authority requirements [From Section B(3)(d)]	<u>22,820</u> gpm
(c) Total water supply requirements [B(4)(a) + B(4)(b)]	<u>38,570</u> gpm

C. WATER SUPPLY CONCLUSION

(1) Apparent excess or deficiency in water supply (in maximum day requirements):

- (a) Total water supply available at present
[From Section A(3)] 0 gpm
- (b) Total water supply requirements
[From Section B(4)(c)] 38,570 gpm
- (c) Apparent excess (or deficiency)
in water supply [C(1)(a) - C(1)(b)] (38,570) gpm

(2) If a deficiency is apparent:

Explain plans for meeting such deficiency fully, including a statement of the numbers, types, and capacities of new water supply sources or storage facilities. Use additional sheets if necessary.

7 wells with a combined capacity of 10,500 gpm will be constructed
and a 40 MGD Surface Water Treatment Plant will be constructed
(38,277 gpm total capacity at buildout)

D. MINIMUM 2 HOUR TOTAL FLOW REQUIREMENT

(1) Fire Flow Required: 4,000 gpm, as indicated in the attached letter [From Section I] dated (this is max fire flow rate), from the applicable fire protection agency.

(2) Average Daily Requirement (ADR) within the planned subdivision. Determine by calculating the average daily requirement per existing customer in gpm and multiply it by the number of customer connections (lots) planned in the subdivision:

(No. of lots planned) x $\frac{\text{(Present annual consumption, in gallons)}}{\text{(All existing customers) x (365 days) x (1440 minutes/day)}}$

Indicate calculation:

$$\begin{aligned} \text{ADR} &= \left(\frac{19,820}{0} \right) \times \left(\frac{0}{0 \times (365) \times (1440)} \right) \\ &= \underline{19,820 \cdot 85 = 16,850} \text{ gpm} \end{aligned}$$

(3) Total flow requirement:

- (a) Land use fire flow requirement of local fire protection agency [From Section D(1)] ... 4,000 gpm
- (b) Average daily requirement within subdivision [From Section D(2)] 16,850 gpm
- (c) Minimum 2-hour total flow requirement [D(3)(a) + D(3)(b)] 20,850 gpm

¹ There are no existing customers to utilize in this calculation so we used the average annual demand and converted it to gpm

E. MINIMUM 2 HOUR TOTAL FLOW CONCLUSION

Apparent excess or deficiency in total flow:

- (1) State the flow available from the existing system for two hours, at point clearly designated on the water system plan. If subdivision is to be served by extension of an existing system, attach a plan of the proposed water extension [From Section J] 0 gpm

Indicate how determined:

_____ i. Fire flow test made on _____ (date)

_____ ii Other. (Explain): _____

- (2) Flow available from new source of supply provided in support of this subdivision. Indicate on water system plan (e.g. well supply or connection to other supply agency) ... 38,200 gpm
- (3) Distribution storage discharge capacity (2 hour flow available) [from Section A(2)] 82,650 gpm
- (4) Total 2-hour flow available to subdivision, [E(1) + E(2) + E(3)] 113,305 gpm
- (5) Minimum 2-hour flow requirement in subdivision [from Section D(3)(c)] 18,875 gpm
- (6) Excess (or deficiency) [E(4) – E(5)] 94,430 gpm

F. WATER SUPPLY SUMMARY

(1) Does water system meet or exceed:

(a) Maximum daily requirements for a fully developed service area?

 X Yes No

(b) Total flow requirements of the subdivision?

 X Yes No

If no to (a) or (b) above, please explain: _____

(2) Main Extension Agreement with South Sutter Pointe Developers .

(a) Is this a standard agreement? X Yes No

If no, explain: _____

(b) Date of agreement: TBD

G. SUPPORTING CALCULATIONS FOR SECTION A
[Water Supply Available For Entire System At Present To Meet The Maximum Day Demand]

NOTE: Data submitted should be no more than 1 year old. If supply is from another water agency, you must also include a statement from that agency indicating the available quantity.

(1) List all water supply sources, except distribution storage, and show the total in Section A(1):

	SOURCE DESCRIPTION (WELL, SPRING, ETC.)	QUANTITY AVAILABLE (GPM)
1	Surface Water Treatment Plant	27,700
2	Well No. 1	1,500
3	Well No. 2	1,500
4	Well No. 3	1,500
5	Well No. 4	1,500
6	Well No.5	1,500
7	Well No.6	1,500
8	Well No.7	1,500
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
	TOTAL QUANTITY AVAILABLE	38,200

G. SUPPORTING CALCULATIONS FOR SECTION A (CONT.)

[Water Supply Available For Entire System At Present To Meet The Maximum Day Demand]

NOTE: Data submitted should be no more than 1 year old.

(2) List all distribution storage sources:

STORAGE	DESCRIPTION	QUANTITY (GALLONS)
1	Welded Steel Tank No. 1	4,000,000
2	Welded Steel Tank No. 2	4,000,000
3	Welded Steel Tank No. 3	4,000,000
4	Welded Steel Tank No. 4	4,000,000
5	Welded Steel Tank No. 5	4,000,000
6	Welded Steel Tank No. 6	4,000,000
7	Welded Steel Tank No. 7	4,000,000
8	Welded Steel Tank No. 8	4,000,000
9		
10		
	TOTAL STORAGE CAPACITY	32,000,000

G. SUPPORTING CALCULATIONS FOR SECTION A (CONT.)

[Water Supply Available For Entire System At Present To Meet The Maximum Day Demand]

Total discharge capacity is the lesser of (a) total storage capacity [from Section G(2)] divided by 240 minutes (4 hours) or (b) the discharge capacity that represents the use of storage during 4 hours of peak or near-peak demand where one or more maximum days' storage are available. If less than one maximum day's storage is available, the resulting rate should be reduced by multiplying it by the ratio of the total storage to one maximum day's requirements.

Show both methods of calculating total discharge capacity. Enter the lesser of these two figures in Section A(2).

(a) total storage capacity [from Section G(2)] divided by 240 minutes:

$$32,000,000 / 240 = 133,300 \text{ gpm}$$

(b) Discharge capacity that represents the use of storage during 4 hours of peak or near-peak demand where one or more maximum days' storage are available. If less than one maximum day's storage is available, the resulting rate should be reduced by multiplying it by the ratio of the total storage to one maximum day's requirements:

$$133,300 \text{ gpm} \times 0.85 = 113,305 \text{ gpm}$$

i) Show calculation for how many maximum day's storage, or fraction thereof, is available:

$$\text{Storage} = 32,000,000 \text{ gal} / 37,647,059 = 0.85 \text{ DAYS}$$

H. SUPPORTING CALCULATIONS FOR SECTION B [Water Supply Requirements]

- (1) Show calculations for total required water supply for residential and business customers ($Q_T = Q_F + Q_M$), where the sum of the water supply required for flat rate customers (Q_F) and the water supply required for metered rate customers (Q_M) equals the total required water supply (Q_T).

$$Q = N * c * f$$

Where,

N = The total number of existing and potential residence and business customers [From H(2)].

c = Gallons per minute (gpm), a water use variable depending upon whether the area is to be served at flat or metered rates and depending upon other factors such as area, experience, community, standard of living, climate, class of consumer, quality, and cost of water and sewer facilities. Varies between 5 and 9 for flat rate service and 2 and 5 for metered service, reflecting maximum day domestic usage.

f = A factor to reflect diversity which varies roughly as follows:

For 10 Customers	1.80
For 25 Customers	1.33
For 50 Customers97
For 100 Customers70
For 300 Customers41
For 1,000 Customers30 (Minimum)

$$(a) Q_F = (\underline{0}) * (\underline{\quad}) * (\underline{\quad}) = \underline{0} \text{ gpm}$$

$$(b) Q_M = (\underline{19,800}) * (\underline{3}) * (\underline{0.3}) = \underline{17,820} \text{ gpm}$$

- (2) Provide breakdown of residential and business customers in the system used to determine c factor in Section H(1):

TYPE OF CUSTOMER	NUMBER OF CUSTOMERS
FLAT RATE	0
METERED RATE	19,800
TOTAL CUSTOMERS	19,800

H. SUPPORTING CALCULATIONS FOR SECTION B (CONT.)
[Water Supply Requirements]

(3) Justify c factor used in calculations (varies between 5 and 9 for flat rate service and 2 and 5 for metered service):

Calculations based on historical demands results in demands of
0.9 gpm per residential unit for max day demands. This is reflected
utilizing CPUC data of 3 gpm per residential dwelling unit with a
c factor of 0.3.

I. SUPPORTING DOCUMENTATION FOR SECTION D
[Minimum 2 Hour Total Flow Requirement]

- (1) Attach a letter from the applicable fire protection agency stating their fire flow requirement for Section D(1).

NOTE: Data submitted should be no more than 1 year old.

- (2) The flow standards for public fire protection purposes, set forth below, are those the CPUC considers appropriate for application on an average statewide basis. However, the CPUC recognizes that there are widely varying conditions bearing on fire protection throughout the urban, suburban, and rural areas of California. Therefore, the standards prescribed by the local fire protection agency or other prevailing local governmental agency will govern. Such local flow standards shall be provided whether greater or lesser than those set forth below.

<u>Land Use</u>	<u>Minimum Flow</u>
Rural, residential with a lot density of two or less per acre, primarily for recreational and/or part-time occupancy.	1,500 gpm
Lot density of less than one single-family residential unit per acre.	1,500 gpm
Lot density of one or two single-family residential units per acre.	1,500 gpm
Lot density of three or more single-family residential units per acre, including mobile home parks.	1,500 gpm
Duplex residential units, neighborhood business of one story.	1,500 gpm
Multiple residential, one and two stories light commercial or light industrial.	2,500 -3,000 gpm
Multiple residential, three stories or higher, heavy commercial or heavy industrial.	3,000-4,000 gpm

J. SUPPORTING DOCUMENTATION FOR SECTION E
[Total Flow Conclusion]

(1) Attach any applicable fire flow test results for Section E(1)(i).

NOTE: Data submitted should be no more than 1 year old.

(2) Attach the plan of the proposed water extension and flow availability at identified point(s) for Section E(1).

K. SYSTEM MAP AND PROPOSED SUBDIVISION MAP

- (1) Attach a map which delineates the subdivision and which clearly shows that the subdivision is entirely within the certificated service area of the utility. Indicate on the map the locations of:
 - (a) all fire flow test(s) conducted
 - (b) all water sources
 - (c) all storage facilities
 - (d) all pressure zones

- (2) Attach a subdivision-specific map which clearly shows the details of the subdivision.

NOTE: Data submitted should be no more than 1 year old.

CERTIFICATION AND VERIFICATION

I am the owner, co-owner, or an officer in the corporation shown as the water public utility herein; I have read the statements in this document and known them to be true of my own knowledge, except as to the matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on _____, at _____, California.

Signature (If corporate officer, also show title.)

**SOUTH SUTTER SERVICE AREA
END OF YEAR ONE¹
CONSTRUCTION COST ESTIMATE**

CPCU Code	CPCU Description	Quantity	Unit	Unit Cost	Total Cost
301	Intangible Plant				
	Mobilization	1	job	6.25%	\$352,219
	Construction Contingency	1	job	25%	\$1,496,930
	Engineering, Administration, and Construction Management	1	job	25%	\$1,871,162
306	Land, Rights-of-Way, Easements (Groundwater Well Site)	1	acre	\$150,000	\$150,000
	<i>Subtotal, Non-depreciable</i>				<u>\$3,870,311</u>
315	Wells				
	Groundwater Well (1,300 gpm)	1	ea	\$1,500,000	\$1,500,000
317	Other Source of Supply Plant	-	-	-	-
324	Pumping Equipment				
	Booster Station	-	job	\$750,000	-
332	Water Treatment Equipment (Well Head Treatment - Arsenic)	1,300	job	\$1,230	\$1,599,000
342	Reservoirs and Tanks				
	2MG Welded Steel Tank	2	MG	\$1,000,000	\$2,000,000
343	Water Mains				
	24-inch DIP	1,000	LF	\$150	\$150,000
	12-inch DIP	2,000	LF	\$100	\$200,000
	Miscellaneous Site Piping	-	job	\$150,000	-
	Valves	7	ea	\$7,500	\$52,500
345	Services				
	6-inch Industrial	4	ea	\$10,000	\$40,000
	2-inch Industrial	4	ea	\$3,000	\$12,000
346	Meters				
	6-inch	4	ea	\$6,000	\$24,000
	2-inch	4	ea	\$1,000	\$4,000
347	Meter Installations				
	Labor	8	ea	\$500	\$4,000
348	Hydrants				
	600 feet spacing	5	ea	\$10,000	\$50,000
371	Structures				
	Control Building	-	ea	\$150,000	-
372	Office Furniture and Equipment	-	-	-	-
373	Transportation Equipment				
	Service Truck	-	ea	\$35,000	-
374	Other Equipment	-	-	-	-
	<i>SubTotal</i>				<u>\$5,635,500</u>
250	Less: Reserve for Depreciation	-	-	-	-
	<i>Net Utility Plant</i>				<u>\$9,505,811</u>

¹ 100 Acres of Industrial Lands Developed with Estimated MDD = 500 gpm

**SOUTH SUTTER SERVICE AREA
END OF YEAR FIVE¹
CONSTRUCTION COST ESTIMATE**

CPCU Code	CPCU Description	Quantity	Unit	Unit Cost	Total Cost
301	Intangible Plant				
	Mobilization	1	job	6.25%	\$1,018,875
	Construction Contingency	1	job	25%	\$4,330,219
	Engineering, Administration, and Construction Management	1	job	25%	\$5,412,773
306	Land, Rights-of-Way, Easements (Groundwater Well Site)	2	acre	\$300,000	\$600,000
	<i>Subtotal, Non-depreciable</i>				<u>\$11,361,867</u>
315	Wells				
	Groundwater Well (1,300 gpm)	2	ea	\$1,500,000	\$3,000,000
317	Other Source of Supply Plant	-	-	-	-
324	Pumping Equipment				
	Booster Station	1	job	\$1,500,000	\$1,500,000
332	Water Treatment Equipment				
	(Well Head Treatment - Arsenic)	2,600	job	\$1,230	\$3,198,000
342	Reservoirs and Tanks				
	5MG Welded Steel Tank	5	MG	\$900,000	\$4,500,000
343	Water Mains				
	36-inch Mortar Lined Steel	5,000	LF	\$220	\$1,100,000
	30-inch DIP	2,000	LF	\$180	\$360,000
	24-inch DIP	500	LF	\$150	\$75,000
	16-inch DIP	8,000	LF	\$80	\$640,000
	12-inch DIP	12,000	LF	\$100	\$1,200,000
	Miscellaneous Site Piping	1	job	\$150,000	\$150,000
	Valves	10	ea	\$10,000	\$100,000
345	Services				
	6-inch Industrial	6	ea	\$10,000	\$60,000
	2-inch Industrial	10	ea	\$3,000	\$30,000
346	Meters				
	6-inch	6	ea	\$6,000	\$36,000
	2-inch	10	ea	\$1,000	\$10,000
347	Meter Installations				
	Labor	16	ea	\$500	\$8,000
348	Hydrants				
	600 feet spacing	15	ea	\$10,000	\$150,000
371	Structures				
	Control Building	1	ea	\$150,000	\$150,000
372	Office Furniture and Equipment	-	-	-	-
373	Transportation Equipment				
	Service Truck	1	ea	\$35,000	\$35,000
374	Other Equipment	-	-	-	-
	<i>SubTotal</i>				<u>\$16,302,000</u>
250	Less: Reserve for Depreciation	-	-	-	-
	Net Utility Plant				\$27,663,867

¹ 200 Acres of Industrial Lands Developed with Estimated MDD = 1,000 gpm

Year Project Year	2010 Year 1	2014 Year 5	2019 Year 10	
CPUC WUDF ACCOUNT				
61500	OPERATING REVENUES	543,050	3,997,090	9,368,550
	OPERATION EXPENSES			
70400	Purchased Water	-	-	431,301
72600	Purchased Power	42,877	214,384	559,789
73500	Pump Taxes	-	-	-
	TOTAL SUPPLY EXPENSES	42,877	214,384	991,090
	REVENUE LESS SUPPLY EXPENSES	500,173	3,782,706	8,377,460
74400	Chemicals			
77300	Allocated Common Cust. Acct. (G.O.)	17,942	89,708	189,352
77300	Allocated Common Cust. Acct. (Region)	-	-	-
77300	Allocated Common Cust. Acct. (District)	-	-	-
77325	Postage	-	-	-
77500	Uncollectibles	839	4,194	8,853
78000	Operation Labor	54,936	274,682	579,790
78100	Other Operation Expenses	39,765	198,823	419,671
78600	TOTAL OPERATION EXPENSES	156,358	781,791	2,188,756
78700	Maintenance Labor	8,945	44,724	94,403
78800	Other Maintenance Expenses	17,948	89,742	189,425
78900	TOTAL MAINTENANCE EXPENSE	26,893	134,466	283,827
79000	TOTAL O&M EXCLUDING A&G	183,251	916,257	2,472,584
79200	Office Supplies & Expenses	5,468	27,342	57,712
79300	Property Insurance	-	-	-
79400	Injuries and Damages	97	487	1,028
79500	Pension and Benefits	538	2,691	5,680
79600	Business Meals	26	128	271
79700	Regulatory Expenses	9,343	46,716	98,607
79800	Outside Services	15,262	76,312	161,078
79900	Miscellaneous	2,343	11,714	24,727
79910	Allocated General Office Expenses	203,797	1,018,985	2,150,845
79910	Allocated Region Office Expenses	45,025	225,123	475,183
79910	Allocated District Office Expenses	25,743	128,713	271,683
80500	Other Maintenance of General Plant	2,120	10,599	22,372
81100	Rent	1,147	5,734	12,102
81200	A&G Expenses Capitalized	-	-	-
81500	A&G Labor	5,337	26,687	56,329
81700	TOTAL ADMIN & GENERAL EXPENSES	316,246	1,581,231	3,337,617
50300	DEPRECIATION AND AMORTIZATION	-	1,281,842	3,098,720
50710	Property Taxes	33,333	166,663	351,787
50720	Payroll Taxes	5,433	27,167	57,344
50730	Local Taxes	2,946	14,728	31,087
50740	TOTAL TAXES NOT ON INCOME	41,712	208,558	440,219
82000	TOTAL EXPENSE EXCLUDING INCOME TAX	541,209	3,987,889	9,349,139
82500	NET OPER REVENUE BEFORE INCOME TAX	1,841	9,201	19,411
	State Income Tax	116	578	1,218
	Federal Income Tax	417	2,084	4,396
	TOTAL INCOME TAXES	533	2,662	5,614
	TOTAL OPERATING EXPENSES	541,742	3,990,551	9,354,754
	NET OPERATING REVENUE	1,308	6,539	13,796
	RATE BASE	14,741	73,706	155,576
	RATE OF RETURN	8.87%	8.87%	8.87%

Operations Plan

I. System Additions and Improvements

South Sutter County is projected to be comprised of industrial development exclusively during the first five years of development. Accordingly the infrastructure to meet the water service needs for 200 acres of industrial customers is anticipated to require a water supply and delivery system capable of meeting a maximum day demand of 1,000 gpm.

The water infrastructure necessary to provide a reliable source of water supply and deliver system for this development requires two groundwater wells (1,300 gpm each), a groundwater treatment plant, a welded steel water storage tank, a booster pump station, and a distribution system. Two groundwater wells are required to meet the need for providing redundancy in the water supply.

II. Financing

The capital investment to develop the water system to serve subdivisions, tracts, housing projects, industrial developments, commercial buildings and shopping centers located in the South Sutter County Service Area shall be made under the provisions of California Public Utilities Commission Rule No.15. All facilities installed shall become the sole property of GSWC. Developer refunds for advances or contributed plant shall occur over 40 years without interest.

III. Maintenance

The reliability of all components will be ensured through a successful preventive maintenance program. GSWC has been in business for 75 years and has extensive experience with the maintenance of water system components. GSWC has developed maintenance procedures and adheres to the maintenance schedule for all equipment based on manufacturer's technical data and recommendations. Maintenance personnel will refer to the maintenance plan and follow a scheduled maintenance procedure where they will inspect and perform the necessary maintenance. They will identify any problems encountered and immediately perform the necessary maintenance. This procedure will

reduce the down time of the equipment and increase the reliability of the systems. Typical major water supply maintenance frequency is as follows:

- Groundwater Well – Rehabilitation every 7 to 10 years;
- Well Motor - Rewind every 5 years;
- Reservoir – Exterior coating every 10 years; and
- Reservoir – Interior coating every 15 years.

IV. Management and Operating Personnel

South Sutter County Service Area's water system will be managed within the Northern District of GSWC and be served by the Arden-Cordova Customer Service Area's ("CSA") operating personnel. The Arden-Cordova CSA currently employs a Customer Service Superintendent, seven Distribution Operators, a Customer Service Representative, a Water Supply Superintendent, and five Water Treatment Plant Operators. The Arden-Cordova CSA currently serves 15,504 customers. Based on growth projections for the South Sutter County Service Area, it is anticipated that the Arden-Cordova CSA's existing staff will be sufficient at Year 1 (2007). By Year 5 (2011), it is anticipated two additional Distribution Operators and one Water Supply Technician will be added. At Year 10 (2016), it is anticipated that two additional Distribution Operators and one Water Supply Technician will be added.

V. Customer Service and Billing

Customer service and billing information will be integrated into GSWC's current Customer Information System, which handles all of GSWC's billing. Responsiveness is guaranteed not only through on-site support but also through the Customer Service Call Center ("CSC Center"). The CSC Center provides timely, consistent handling of customer needs through state-of-the-art communications technology and highly skilled customer representatives which can dispatch emergency service crews remotely 24 hours a day, 7 days a week. The CSC Center meets the needs of customers throughout the United States. Measured and reported performance standards include a commitment to answer 80 percent of all calls within 40 seconds, maintenance of an abandoned call rate

of 5 percent or less, and resolution of 85 percent of customer inquiries during the first call.

**American States Water Company (ASWC) and Golden State Water Company (GSWC)
Overview of Sutter County Community Relations Efforts
2005-2008**

INTRODUCTION

Natomas Central Mutual Water Company (Natomas) has been the region's agricultural water service provider since 1921. Natomas is a private, not-for-profit corporation representing the interests of 280 member/shareholders.

In 2003, Natomas interviewed some of the water industry's most experienced companies in search of a partner that could protect farming families and their water rights while also providing the expertise to serve the region's future residential and business growth.

After considering all the options, the choice was unanimous. The Natomas Board of Directors executed an exclusive agreement with GSWC to have GSWC provide potable water service within Natomas' service territory. The Natomas Board reserved 30,000 Acre Feet of water rights for the exclusive use by GSWC to serve local residents and businesses for generations to come.

Since 2005, ASWC and GSWC have worked diligently to reach out to elected officials, government leaders, businesses and community stakeholders to provide information with regard to the provision of water service. Investing substantial resources as well as staff time, ASWC/GSWC have sought to inform, collaborate and enrich the community. As a corporate citizen and an resource in the ongoing effort to recruit and retain high quality jobs, GSWC is committed to benefiting Sutter County through its team of more than 550 water professionals and "best-in-class" service.

OVERVIEW OF SPECIFIC OUTREACH ACTIVITIES

May 4, 2005

American States Water Company ("ASWC") and Golden State Water Company ("GSWC") met with the Measure M Group ("Measure M") to discuss the possibility of ASWC providing M&I service in south Sutter County. Measure M is a group of landowners seeking to develop commercial and residential properties in south Sutter County.

ASWC made a detailed presentation regarding the status of discussions with Natomas Central Mutual Water Company ("Natomas"). ASWC also updated the group on the steps for creating a regulated water service territory, the master advance infrastructure plan and other aspects of ASWC's plan to provide service in south Sutter County.

ASWC and GSWC stated their desire to regularly meet with Measure M and other members of the development community in order to provide ongoing updates and establish a collaborative working relationship.

May 25, 2005

ASWC and GSWC met again with Measure M (Also known as Sutter Pointe).

July 7, 2005

ASWC and GSWC invited Sutter County officials to participate in a tour of the company's Rancho Cordova facilities. Sutter County Supervisor Dan Silva and County Chief Administrative Officer Larry Combs attended.

The group toured a new development site, comparable to the south Sutter County Service Area, that is served by GSWC and was the result of a successful partnership with a local developer. The group also toured a water treatment facility, well sites and booster facilities.

Following the tour there was an open discussion during which ASWC and GSWC reiterated their desire to serve the water needs of south Sutter County and the benefits to south Sutter County of having GSWC as its community partner and the local water service provider.

September 1, 2005

ASWC and GSWC invited Measure M to participate in a tour of the company's Rancho Cordova facilities. Measure M group leaders and their consultants attended.

October 4, 2005

ASWC and GSWC traveled to Yuba City to meet with Sutter County Chief Administrative Officer Larry Combs and other members of his staff. The Companies presented a brief summary of their qualifications and detailed the benefits of GSWC providing water service in south Sutter County. ASWC also gave the county officials an update on the status of the California Public Utilities Commission application for a certificate of public convenience and necessity ("CPCN") and negotiations with Natomas, including informing the county that Natomas has reserved 30,000 acre-feet of water for service in south Sutter County.

November 22, 2005

GSWC, in partnership with the Sutter County Board of Supervisors, continued its Thanksgiving tradition "Operation Gobble," and donated 450 turkeys to seven community organizations for distribution to Sutter County families.

Jim Whiteaker, Chairman of the Sutter County Board of Supervisors, County Administrator Larry Combs and other local officials participated in the event.

March 13, 2006

GSWC President & CEO Floyd Wicks sent Sutter County Administrator a letter offering to purchase, upgrade and operate two small Sutter water systems the Robbins system and the East Nicolaus system.

March 31, 2006

ASWC and GSWC met with Sutter County officials and Measure M project leaders to continue discussions regarding the provision of water service in south Sutter County. ASWC provided a brief update on the timeline for filing a CPCN and asked for Sutter County's support.

May 15, 2006

ASWC and GSWC officials met with Sutter County officials and Measure M project leaders to review GSWC's draft application for a CPCN to serve south Sutter County.

May 25, 2006

GSWC participates in the Yuba-Sutter Economic Development Corporation's Showcase event supporting local efforts to attract and retain quality jobs. GSWC offers water expertise as appropriate to meet the needs of local businesses.

June 23, 2006

In response to a letter from Sutter County Water Agency "Special Counsel", GSWC sends Sutter County Administrative Officer Larry Combs a letter of clarification correcting 16 specific misrepresentations of facts associated with GSWC's relationship with Natomas Central Mutual Water Company and its ongoing efforts in Sutter County.

July 5, 2006

GSWC sends a letter to every household in Sutter County introducing the company, outlining its capabilities and notifying residents of the CPCN application filing. The letter welcomes questions and feedback from residents regarding water issues.

November 21, 2006

GSWC and Sutter County conduct Operation Gobble again, donating Thanksgiving Turkeys to local community based organizations. Additional participants include State Assemblyman Doug LaMalfa and a representative from State Senator Sam Aanestad's Office.

December 7, 2006

GSWC makes another presentation to the Yuba-Sutter Economic Development Corporation regarding its capabilities and interest in supporting local job retention and recruitment efforts.

January 18, 2007

GSWC meets with newly-elected Sutter County Supervisor Stan Cleveland and provides a comprehensive briefing regarding the company, progress-to-date in Sutter County and the ongoing commitment to work collaboratively with Sutter County on important water issues.

February 22, 2007

GSWC representatives met with the Chief of Staff to Assemblyman Doug LaMalfa to provide a briefing regarding the latest developments with water provision in Sutter County.

March 6, 2007

GSWC makes a presentation to the Sutter County Board of Supervisors, thanking them for joining with GSWC to implement Operation Gobble 2006. GSWC reiterates their commitment to working collaboratively with Sutter County as a good corporate citizen.

March 9, 2007

GSWC representatives meeting with Measure M Project Manager George Carpenter to update them on recent developments continue to maintain a constructive dialogue.

March, 29 2007

GSWC officials made a proposal to SYSCO, one of Sutter County's top employers, to help the company address water and wastewater challenges.

April 2, 2007

GSWC officials meet with Measure M Project Manager George Carpenter to provide an update on recent developments and re-assert desire to have a collaborative working relationship with respect to development and water service.

April 24, 2007

GSWC representatives meet with Yuba-Sutter Economic Development Corporation leaders in an effort to identify economic development initiatives in which GSWC could be of assistance.

June 4, 2007

GSWC officials meet with Sutter County Administrator Larry Combs to provide an update and express willingness to work collaboratively with Sutter County regarding water issues.

June 26, 2007

Meeting with Sutter Pointe to provide an update regarding the latest developments and prospective collaboration.

July 23, 2007

Follow-up meeting with Sutter Pointe to the June 26, 2008 collaboration meeting.

September 14, 2007

GSWC officials meet again with Sutter County Administrator Larry Combs to provide an update and express willingness to work collaboratively with Sutter County regarding water issues.

October 25, 2007

GSWC representatives met with Measure M Project Manager George Carpenter to provide an update regarding the latest developments.

October 30, 2007

GSWC representatives met with the Chief of Staff to Assemblyman Doug LaMalfa to provide a briefing regarding the latest developments with water provision in Sutter County.

November 19, 2007

GSWC and Sutter County conduct Operation Gobble and make Thanksgiving turkey donation to local community based organizations. Members of the Board of Supervisors as well as State legislative representatives participated in this event.

December 31, 2007

GSWC partners with Beale Air Force Base as the title sponsor for their Project Cheer New Year's Eve event for military personnel and families of those serving in Iraq.

January 11, 2008

GSWC participates in the Yuba-Sutter Economic Development Corporation Business Forecast 2008 event.

January 14, 2008

GSWC officials meet with Assemblyman Doug LaMalfa to provide an update regarding developments with respect to water provision in Sutter County.

January 22, 2008

GSWC officials attend Sutter County Board of Supervisors meeting to thank the County and be recognized by the County for the successful Operation Gobble partnership.

February 1, 2008

GSWC officials met with Measure M Project Manager George Carpenter to provide an update regarding the latest developments.

March 25, 2008

GSWC officials meet with former State Senator Jim Nielsen who is a candidate and likely successor to Assemblyman Doug LaMalfa to introduce the company and provide a briefing regarding water developments in Sutter County.

April 14, 2008

GSWC officials hold a follow up meeting with Senator Jim Nielsen to provide more technical information regarding water service.

April 21, 2008

GSWC officials hold introductory meeting with Sutter County Supervisorial Candidate James Gallagher to introduce the company and provide background information.

April 23, 2008

GSWC officials hold introductory meeting with Robbins. Purpose and discussion of meeting was to explore GSWC's capacity to take over Sutter County Waterworks District No. 1 (Robbins) and introduce the company and provide background information.

April 25, 2008

GSWC is a major participant, at the invitation of Assemblyman Doug LaMalfa, in the Sutter Water Leadership Forum. The Forum is a town hall meeting for residents to discuss current and future water provision issues. Measure M Project Manager George Carpenter and Sutter County officials also participate.

May 7, 2008

GSWC sends an update letter to Sutter County County Administrator Larry Combs with an update and request to meet regarding GSWC CPUC application and water provision in Sutter County.

May 16, 2008

GSWC sends an update letter to each member of the Sutter County Board of Supervisors with an update and request to meet regarding GSWC CPUC application and water provision in Sutter County.

GSWC officials hold introductory meeting with Yuba City's City Manager Steve Jepsen and utilities Director Bill LewisRobbins. Discussions provided GSWC's capacity to serve the Hillcrest/Walton service areas with changes in groundwater quality. The City was in the process of initiating a public hearing and Prop 218 vote as how to pay for required system improvements to mee Water quality regulations or whether to initiate major capital improvements to connect to the City's surface water treatment plant.

May 19, 2008

GSWC attends Yuba City's required Public Hearing regarding Prop 218 vote about the Hillcrest/Walton water system improvements.

July 28, 2008

GSWC attends community forum meeting in Robbins regarding Sutter County Water Agency's request to increase water rates for the community.

August 1, 2008

GSWC meets with every member of the Sutter County Board of Supervisors to provide them with an update regarding GSWC's CPCN application, community outreach and history in Sutter County.

August 26, 2008

GSWC sends informational mailing to approximately 34,000 Sutter County households to update them on the status of the effort to plan for and provide water service within Natomas' service area. This informational piece invites interested citizens to contact GSWC to receive more information. Note: GSWC officials hand deliver copies of the mail pieces to Sutter County Officials, Yuba City officials and Sutter Pointe representatives.