

Golden State
Water Company
A Subsidiary of American States Water Company

October 24, 2008

RE: Golden State Water Company Asks Customers to Voluntarily Conserve

Dear Valued Customer:

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

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

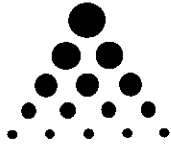
The Governor has asked Californian's to reduce water usage by 20 percent by the year 2020. We also are asking our customers to meet that goal and are committed to working with all residential, business and municipal customers to achieve this significant and important reduction in water use.

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

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

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

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



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TIP SHEET

How You Can Reduce Water Usage by 20 Percent

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

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

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

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

OUTDOOR WATER CONSERVATION TIPS

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

INDOOR WATER CONSERVATION TIPS

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

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