



DRA

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June 5, 2009

Comments of the Division of Ratepayer Advocates on the Draft 20x2020 Water Conservation Plan. (April 30, 2009)

To the 20x2020 Agency Team:

The Division of Ratepayer Advocates (DRA) appreciates the opportunity to provide comments on the Draft 20x2020 Water Conservation Plan (20x2020 Plan). DRA supports enhancing statewide efforts to improve water conservation efforts, and offers the following comments on the 20x2020 Plan.

Cost-effectiveness

Page 16 of the 20x2020 Plan states that "A measure is regionally cost-effective if the cost per unit of savings (\$/AF) is less than the cost of the most expensive supply measure currently available regionally." On page 21, the 20x2020 Plan suggests that "all water suppliers or others could be required to implement certain basic conservation measures, regardless of cost-effectiveness, to meet a maximum coverage goal."

DRA is concerned that defining a "regionally cost-effective measure" on the basis of the *most* expensive supply measure available could, if incorporated into legislation or even informal guidelines, result in the imprudent expenditure of resources with negative effects borne by ratepayers. DRA recommends that this document and any mandates emerging from it determine the cost-effectiveness of a measure based upon the *marginal* cost of available water supplies, rather than the most expensive supply measure currently available regionally. As an example, consider a case where an ill-advised and cost-ineffective water supply was pursued and developed. Although the supply may have since been placed on inactive status for obvious cost-benefit reasons, it is possible that under a cost effectiveness criteria based on the most expensive supply measure available, the cost of such supply would still serve as a baseline for determining the cost-effectiveness of future measures.

In addition, DRA cautions against encouraging measures "regardless of cost-effectiveness," which is raised as an option to ensure coverage goals for certain Best Management Practices (BMPs). If mandated, such an approach could promote inefficient spending where better options to achieve conservation may be available. Whether such initiatives are funded directly by ratepayers, or through government funding provided by all citizens through taxes, conservation measures must be paid for, and affordability and prudent spending should be explicitly addressed in the 20x2020 Plan.

DRA recommends that the team include language urging suppliers to select the *most* “regionally cost-effective” measures for achieving water savings, and, in the absence of “regionally cost-effective” measures, to select those that will achieve the greatest water savings per dollar spent. Alternative conservation measures that do not directly involve incurring additional expenses, such as pricing and use restrictions, can play a key role in reducing demand at a relatively low cost and should be given greater consideration in this plan. DRA supports the recommendation on p. 38 that “Conservation rates structures should be mandated while allowing flexibility for water suppliers in defining their rates. Within this context, increasing block rates should be encouraged.” DRA also recommends that the team add a discussion of mandatory restrictions as a low-cost demand reduction tool. While mandatory restrictions are typically used to create short-term reductions in demand, they can achieve savings of 18-56 percent in per capita use¹ and should be considered as a mechanism to permanently achieve lower per capita water use.

Database

DRA supports the establishment of a statewide database to collect information necessary to monitor conservation, especially if this system is formatted so as to streamline and reduce utility reporting requirements, the costs of which are passed on to ratepayers.

Currently, the California Public Utilities Commission (CPUC) collects data relevant to ratemaking from Investor Owned Utilities (IOUs), which supply water to approximately 20 percent of California residents. Some of the data collected by the CPUC would also be useful in implementing the 20x2020 Plan, while other data requires privacy protection and are not relevant the 20x2020 Plan. Utilities are also required to report related data to several other agencies and organizations. Often the same data must be provided to multiple agencies, but in different formats or on a different schedule.

DRA supports the development of a database with an input function that will allow utilities to decrease, rather than increase, the number of reports they have to file, and with an interface that will allow agencies to generate reports with relevant data in a format that supports performance of regulatory duties as well as implementation of the 20x2020 Plan. In order to streamline data collection, the reporting schedule may need to change for some or all agencies, since some require annual reporting, while others are on a 2-, 3-, or 5-year cycle.

Whatever types of data are ultimately collected by the 20x2020 program, they should be consistent across utilities, with the same requirements for IOUs as for other water providers. Further, the methods by which data is collected, analyzed, and presented should be consistent across water providers; however, additional considerations and support may be necessary for smaller utilities with fewer resources.

¹ Urban Drought Guidebook, 2008 Updated Edition, p. 50.
<http://www.owue.water.ca.gov/docs/UrbanDroughtGuide.pdf>

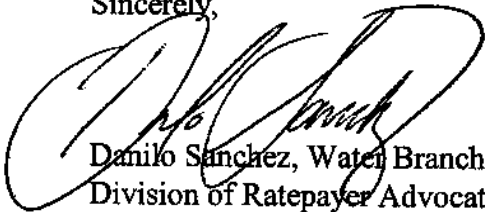
Flexibility and accounting for non-BMP savings

Phase II of the draft states that monitoring will occur at two levels: “implementation of the actions specified in the 20x2020 Plan and measurement of progress in reduction in urban per capita water use.”

DRA recommends ensuring that water suppliers are supported in implementing not only the specific actions specified in the 20x2020 Plan (BMPs, code, etc.), but also other innovative approaches with equal or greater cost-effectiveness. This is particularly important if punitive measures or incentives such as receipt of state funds are tied to the implementation of conservation measures. To this end, DRA suggests that suppliers receive credit for implementing measures not included in the 20x2020 Plan, as long as the measures can be shown to be as cost-effective as the BMPs and capable of achieving similar water savings. The team could look to the California Urban Water Conservation Council’s (CUWCC) “At Least as Effective as” (ALAEA) approach, which enabled utilities to receive credit for implementing conservation measures other than the BMPs after demonstrating that they achieved equal or greater water-savings and cost-effectiveness.

In conclusion, DRA commends the 20x2020 team for its work, and requests that the team consider the above comments on cost-effectiveness, statewide data collection, and flexible options for conservation measures in preparation of the final 20x2020 Plan.

Sincerely,



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Division of Ratepayer Advocates