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June 5, 2009

20x2020 Agency Team

VIA E-MAIL: 2020comments@waterboards.ca.gov

Dear 20x2020 Agency Team:

Comments on the Draft 20x2020 Water Conservation Plan

The California Water Association (CWA), which represents the interests of approximately 130 retail water utilities regulated by the California Public Utilities Commission (CPUC), appreciates the opportunity to submit these comments on the draft *20x2020 Water Conservation Plan* (Draft Plan), which was the subject of a public workshop on May 29, 2009, in Sacramento. CWA applauds the efforts of the State Agency Team in developing the Draft Plan, especially given the complex and incomplete data requirements involved, the daunting coordination required among the parties, and the political considerations that always exist in water policy development.

CWA further compliments the State Agency Team on the sophisticated approach undertaken to prepare the Draft Plan and agrees with two of the threshold decisions: (1) adoption of baseline data and target reductions on a regional level, and (2) ensuring that past conservation measures undertaken by water agencies and utilities, and customers themselves, were accounted for in the derivation of target reductions.

CWA notes that the CPUC has issued three major decisions in the past four years that speak directly to water conservation objectives. First, in December 2005, the CPUC issued its Water Action Plan (WAP), which has served to govern the CPUC's regulatory regime related to conservation efforts for its regulated water utilities, and which has established the *Efficient Use of Water* as a guiding principle.

The WAP also established "Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities"¹ as a principal objective. This objective contains action items that will all contribute to the Draft Plan's central objective of a 20% per capita reduction target in water use by 2020 such as:

1. Promote metered water service to encourage conservation.
2. Educate water industry stakeholders regarding policies and practices which reduce water and energy consumption.

¹ *Water Action Plan*; California Public Utilities Commission; December 15, 2005; page 7

3. Direct participation by all California Class A and B water utilities in the Urban Water Conservation Council and encourage implementation of the Council's Best Conservation Management Practices.
4. Encourage increasing conservation and efficiency rate designs, where feasible, to promote greater conservation.
5. Remove current financial disincentives to water conservation.
6. Establish utility financial incentives for greater conservation.

Second, the CPUC went a step further in Decision 07-05-062 when it directed the Class A water utilities (those with more than 10,000 service connections) to "submit (a) plan to achieve (a) five percent reduction in average customer water use over (the) three-year (General Rate Case) cycle."²

And third, the CPUC has adopted a preliminary target reduction of 1%-2% a year during a utility's three-year rate case cycle.³ At 3-6% per year, over the 12-year period from 2008 until 2020, this target reduction would total 12-24%, in line with the Draft Plan.

In describing the CPUC's evolutionary decision process regarding quantitative per capita water-use reduction goals, CWA notes the parallel progress made by the CPUC to the State Agency Team's work on the 20x2020 program and its consistency with many aspects of the Draft Plan. Accordingly, CWA recommends that the final 20x2020 Plan, and any accompanying legislation, defer to the CPUC's regulatory authority with respect to the CPUC-regulated water utilities.

General Comments on the Draft Plan

- The 20x2020 Plan Development Process places significant emphasis on the public outreach and input into the various Technical Memoranda and the Draft Plan itself. CWA suggests that the State Agency Team consider a more formal venue for stakeholder input to the State Agency Team between now and the adoption of the Final 20x2020 Plan. Two possible approaches, as proposed in comments from other parties, are a water

² *Opinion Adopting Revised Rate Case Plan for Class A Water Utilities*; Appendix A; Attachment 1; Section 1F; page A-29; May 24, 2007

³ CPUC Decision 08-02-036, *Opinion Resolving Phase 1A Settlement Agreements and Contested Issues*; Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities; February 29, 2008; pages 10-13.

utility/agency advisory group or a formal stakeholder input program.
CWA is comfortable with either option.

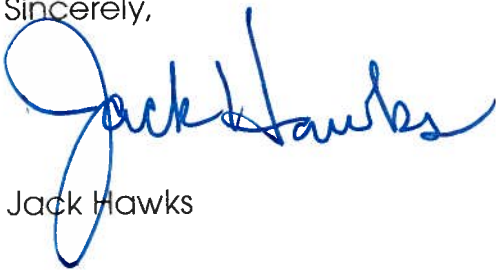
- With respect to the acknowledged weaknesses in the Draft Plan involving available and reliable data, CWA recommends that more work be done before finalizing the regional targets and reduction percentages in statutes. For instance, the use of 2005 as the baseline year for consumption should be further evaluated. The urban water community would take much greater comfort in regional numerical baselines that had more extensive rationale than "... no discernable trend was observed in the overall statewide and regional per capita water use over this period (1995 through 2005). Therefore, the most recent year for this period, 2005, has been selected as the baseline year." (Draft Plan at 12)
- Given the growing rigor with which Urban Water Management Plans (UWMPs) are being prepared and implemented, greater reliance on these Plans during the next decade as data sources is warranted. The fact that UWMPs are not prepared by small water agencies with less than 3,000 connections should not be a deterrent because the large majority of California's urban population is not covered by them.
- CWA draws the State Agency Team's attention to the issue of grant funding, and recommends that the final plan ensure that CPUC-regulated water utilities have comparable access to such grant funding for water conservation as all other public water agencies.
- Included in this list is recycled water, which should be endorsed as a method to displace current potable water use, thereby lowering current per capita consumption and contributing to the statewide 20 percent reduction goal. CWA appreciates the Draft Plan's distinction between recycled water that will be devoted to helping offset baseline potable water use today vis-à-vis recycled water that will be used to augment future supply (e.g. recharging groundwater aquifers).
- With respect to the public goods charge, CWA recommends that the State Agency Team tread carefully on this issue. While there is no question that the energy utilities' public good charge has been successfully implemented and managed in the past decade, there are two valid reasons why this is so – and neither of them are applicable to the water utility industry. First, the "market shares" of the energy and water utility industries are reversed. Investor-owned energy utilities as a group comprise the large majority of gas and electric service in California – upwards of 80-plus percent. Government and municipal energy

utilities – even with LADWP and SMUD – constitute the minority. In contrast, CPUC-regulated water utilities serve between 15 and 20 percent of California’s population; government/municipal water agencies serve the rest of the population. With the energy industry, a public goods charge covering much of the state’s population has been relatively easy to collect, manage and disburse because a single agency – the CPUC – is able to oversee the process in a relatively practical manner.

- Second, while it would be similarly easy for the CPUC to impose a public goods charge on its regulated water utilities and customers, there is no comparable regulatory body for the public water agencies to impose, manage and administer a similar public goods charge (it is questionable whether the State Water Resources Control Board or the Department of Water Resources have the authority or ability to do this). Yet, for the public goods charge to have a meaningful impact on the statewide water reduction goal, the charge would have to be applicable to all retail water utilities, agencies and districts.

CWA and its member companies appreciate the opportunity to comment on the Draft Plan, and they are pleased to report that the CPUC’s work in this area is fully compatible with the State Agency Team’s strategic initiatives regarding the 20x2020 program. We look forward to participating in the parallel paths ahead – final resolution of the CPUC’s Conservation Policies OIR and completion of the final 20x2020 Water Conservation Plan.

Sincerely,



Jack Hawks