



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

(7/8/15) Public Workshop
Conservation Pricing
Deadline: 7/1/15 by 12:00 noon

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June 30, 2015

Jeanie Townsend
Clerk to the State Water Resources Control Board
Post Office Box 100
Sacramento, CA 95812-0100
Commentletters@waterboards.ca.gov

Subject: Response to State Board Provision #8, Water Rates in the Emergency Drought Order

Dear Ms. Townsend:

The Inland Empire Utilities Agency (IEUA) fully supports the State Water Resource Control Board (Board) actions responding to the current drought, as well as the Board's initiative to develop long term conservation regulations that will require more efficient statewide water use in the future.

As a wholesale agency, we recognize that the reduced water sales that result from improved water use efficiency pose a financial challenge for those retail agencies in our region and throughout the state that do not yet have rate structures that are designed to provide stable revenue with conservation. Bluntly, unless retail agencies have a rate structure under which they can recover fixed costs while implementing efficiency and additional water demand reduction programs, these agencies will have a *disincentive* to take these actions.

IEUA believes that a major benefit of efficiency-based rates is that they provide retail agencies with the ability to more accurately recover their cost of service when properly designed. In addition they offer retail agencies the capacity to generate revenue for local conservation programs that are paid only by those users who exceed the water use efficiency standards that are designed into the rates. We believe that these allocations should be based on state approved water use efficiency standards, such as best management practices for indoor use Gallons Per Capita per Day (GPCD) and the Landscape Model Ordinance requirements for outdoor water use.

IEUA encourages the Board to consider the following in developing a program to promote appropriate Water Rates:

- Educate water providers that water use demand will continue to decrease after the drought due to recent building code requirements and customer recognition of a new normal in water. Agencies need to evaluate their rates to consider how they will be able to generate stable revenue within the context of permanently decreased per capita water sales. The Board should call upon the California Urban Water Conservation Council to revise its Water Rate Best Management Practice (BMP) and promote the development of rate designs that promote both conservation and revenue stability and reflect the actual business of reliable water delivery.

Water Smart – Thinking in Terms of Tomorrow

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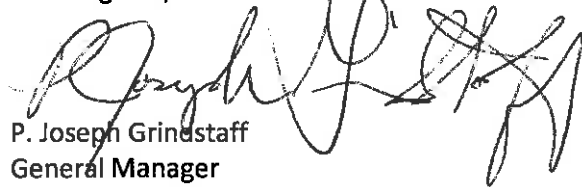
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- Require retail agencies to report the “percentage of customers who meet state water efficiency standards” as an alternative path to meeting the drought response target, and as a long-term reporting mechanism that is aligned with State efficiency guidelines that provides a more accurate measure of reasonable use. We suggest that any agency showing 90% residential customer compliance should be assigned the minimum additional conservation target (4%) if the drought continues. We believe, based on modeling by an agency moving to allocation-based rates, that if agency customers meet existing State efficiency standards they will meet their 36% drought regulation savings target (Source: Las Virgenes MWD, 5/2015). Meeting the State efficiency standards would likely result in all agencies meeting their savings target. Reporting this data would provide the state and local agencies information needed to better understand actual water use efficiency within service areas.
- Expedite the development of customer level data throughout the state that can be used to assist agencies to develop allocation-based rates and measure parcel by parcel water use efficiency, particularly landscape area square footage (as required in AB 1881). Technology now exists to generate this data at a low costs and to be made available to agencies throughout the state.
- Work with other State agencies on aligning Proposition 218 intent with the reality of agency rate-making, including the ability to charge significant increases in rates for inefficient/unreasonable water use. This would impose the cost for excessive water use on those customers who waste water.

In summary, we believe these proposed actions by the Board will help inform agencies about the changes to their rates that they should consider that will increase water use efficiency while providing revenue stability, improve reporting data and compliance with the state’s drought conservation targets, and help move agencies to implement permanent water use efficiency programs.

Please contact me should you need additional information.

Best Regards,



P. Joseph Grindstaff
General Manager

PJG:jrk