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on tap

CALIFORNIA WATER ASSOCIATION

Working Together. Achieving Results.

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MESSAGE FROM THE PRESIDENT

There are many facets to the work being done by the California Water Association (CWA) and its investor-owned water company (IOWC) members to provide sustainable, quality water to the communities they serve. With educational opportunities at conferences and through the media, community engagement at local events, and legislative and regulatory policy involvement, IOWCs proactively stay at the cutting edge of the water industry. More important, by investing in water infrastructure, they also generate jobs that positively impact local economies.

Some examples of the ways in which IOWCs and CWA work on behalf of water customers are highlighted in this edition of On Tap. This month's articles include:

- San Jose Water Company's Annual Community Leadership Barbecue
- California Water Service Company's New Infrastructure Projects Increase Reliability—Reduce Customer Costs
- Montebello Water System Utility Services Contract Awarded to San Gabriel Valley Water Company
- California Water Association Executive Director Separates IOWC, Eminent Domain Fact from Fiction in Guest Editorial
- California Water Association Hosts Urban Water Conservation Council Plenary Meeting
- Legislative Session Ends Quietly for Water Utilities
- California Water Association Members Climb to New Heights
- Register Today for CWA's 72nd Annual Conference!

To view On Tap in PDF format, click [here](#), or access the online version on CWA's website at www.calwaterassn.com.

Sincerely,

R.W. Nicholson
 San Gabriel Valley Water Company
 2013-2014 CWA President

For instant California Water Association news:



MEMBER SPOTLIGHT

SAN JOSE WATER COMPANY'S ANNUAL COMMUNITY LEADERSHIP BARBECUE

San Jose Water Company (SJWC) held its 11th Annual Community Leadership Barbecue on September 19 at the company's lakeside facilities in the Santa Cruz Mountains. The event was a perfect way for SJWC to thank nonprofit and community leaders, business partners, and locally elected officials for the opportunity to serve the community, as well as to celebrate their successes and public service. More than 200 guests enjoyed a night of fabulous weather and great company in a beautiful setting.



Left to right: Beau Goldie, CEO, Santa Clara Valley Water District; Rich Roth, Chairman and CEO, San Jose Water Company; and Bill West, General Manager, Guadalupe Blanco River Authority



SJWC representatives left to right: Andy Gere, VP of Operations; Walter Bishop, Board Member; Ed Lambing, Director of Engineering; Craig Giordano, VP of Engineering; and Jim Lynch, Chief Financial Officer



Left to right: Norm Matteoni, Matteoni, O'Laughlin & Hechtman; Norma Camacho, Watersheds COO, Santa Clara Valley Water District; Jeffrey Berg, Principal, Steinberg Architects; and Dave Cortese, County Supervisor, Santa Clara County

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CALIFORNIA WATER SERVICE COMPANY'S NEW INFRASTRUCTURE PROJECTS INCREASE RELIABILITY—REDUCE CUSTOMER COSTS



In September, California Water Service Company (Cal Water) broke ground on two groundwater treatment projects in Long Beach and Carson designed to reactivate essential water wells within the Dominguez Water System, a critical supplier to Southern California customers. When the projects are completed, Cal Water will have invested \$10 million in improvements to the two treatment plants in order to increase local supply reliability and reduce purchased water costs to the benefit of area consumers.

Construction crews at both locations have begun preliminary work on ion-exchange and aeration treatment units along with ultraviolet and chloramination facilities to produce high-quality water that meets or

exceeds state and federal water quality standards. In addition to reactivating the two wells, Cal Water also is replacing the pump and motor at its Long Beach facility. By constructing both treatment stations simultaneously, Cal Water officials report they will be able to achieve additional cost savings through economies-of-scale and efficiencies.

When fully reactivated, the Long Beach and Carson wells will locally produce 1,200 and 800 gallons per minute (gpm) of water, respectively, for a combined total of 2,000 gpm in reduced water purchased from other suppliers.

According to Cal Water District Manager Henry Wind, "As the costs of imported water continue to increase, maximizing use of our local groundwater basin will reduce costs to customers over the long term." Through its investment in the new construction, "Cal Water continues to demonstrate its commitment to providing high-quality water as affordably as possible," said Wind.

Cal Water expects construction to continue at the two sites for at least seven months, with plans for the Long Beach station to come on line in April 2014, followed by completion of the Carson treatment plant by June 2014.

Today, approximately 310,000 people are served through 84,700 Cal Water customer service connections in Carson, Torrance, Hermosa Beach, Redondo Beach and the Palos Verdes Peninsula. The company has provided water service in the area since 1927.

Additional information on the two groundwater treatment projects is available online at www.calwater.com.

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MEMBER SPOTLIGHT

MONTEBELLO WATER SYSTEM UTILITY SERVICES CONTRACT AWARDED TO SAN GABRIEL VALLEY WATER COMPANY

On October 1, San Gabriel Valley Water Company (SGVWC) assumed the operations and maintenance of Montebello's municipal water system. California Water Service Company decided not to continue the contract after 21 years of managing the system. After an extensive evaluation process, Montebello's City Council recommended awarding a one-year contract with a renewal option to SGVWC.

The City Council's decision was influenced by SGVWC's extensive resources and operational experience and overall value of providing water service within the city, as well as the close proximity of its headquarters and operations center to the city's service area. The terms of the contract give the city the flexibility to extend the contract or consider a subsequent lease of the system.

The system's southern area is served by one groundwater well, and the city has pumping rights in the Central Basin. The northern area is served by a water connection through the Metropolitan Water District.

Since SGVWC already serves more than 1,600 customers in Montebello, adding the city's approximately 1,650 residential and commercial customers will fit seamlessly into SGVWC's operations. Relying on teams of talented, skilled employees, SGVWC will employ state-of-the-art methods to provide clean, safe drinking water to its new customers in Montebello. 

THE QUALITY & SERVICE FOCUS

CALIFORNIA WATER ASSOCIATION EXECUTIVE DIRECTOR SEPARATES IOWC, EMINENT DOMAIN FACT FROM FICTION IN GUEST EDITORIAL

FACT VS. FICTION

It is overly simplistic to reduce water rates and proposed rate increases to a mere number or percentage as readers discovered in a recent Bakersfield Californian exchange between local columnist Lois Henry and Jack Hawks, Executive Director of the California Water Association (CWA). At issue was the disparity between local water rates for customers in Bakersfield served by different types of utilities—investor-owned water company (IOWC) California Water Service Company (Cal Water), non-profit shareholder-owned Vaughn Water Company and the city's municipal water system.

Henry suggested in her original column that for IOWCs, "It's all about profit," downplaying a number of factors that influence the complex world of setting utility water rates. First and foremost, as Hawks noted in his guest editorial, "By law, an IOWC regulated by the California Public Utilities Commission (CPUC) only recovers its costs following an extensive independent, third-party audit of the water company and its proposed expenditures." This process ensures the rates set by the CPUC are reasonable, while balancing the appropriate level of investment that allows the IOWCs to continue to provide safe and reliable service.

Throughout California, rates differ between communities because of costs and sources of water; age and location of the physical systems; the size and type of customer base and their usage patterns; and the utility's actual financial sources and willingness to maintain the water system. Each utility has its own unique circumstances with respect to the multiple factors that determine its rates relative to its neighbors. Industry experts agree, as did General Manager Van Grayer of Vaughn Water Company, that, "You can't do an absolute apples-to-apples comparison of water rates between districts."

For Cal Water and the City of Bakersfield, the experience is no different. For example, both rely on an array of water sources, including the Kern River, groundwater and pricey imported water. Cal Water also has to pump water uphill to customers, which is costly, while also paying property taxes and franchise fees and financing infrastructure improvements to its aging system. Like other progressive water agencies, Cal Water invests in groundwater banking to ensure an adequate and reliable water supply for the future.

Henry points to government takeover by eminent domain as a viable option for public water users to curb rate hikes. However, as noted by Hawks, this protracted process has consistently saddled taxpayers with decades of debt, higher water costs and an uncertain future. Several years ago, the town of Felton in Santa Cruz County engineered a government takeover of an IOWC that had been serving the community since 1889. Even though the original amount proclaimed by takeover proponents was \$2 million, the final purchase price was \$13.4 million, more than six times the amount originally promised by the proponents of eminent domain.

The acquisition cost was spread among just 1,300 customers who obligated themselves to 30 years of higher property taxes in exchange for presumed lower rates. In short order, though, the new public owner implemented a 35 percent rate increase and now is poised to impose an additional five-year rate increase totaling 55 percent. On top of that, residents are obligated to pay \$45 per month in added property taxes for the life of the bond.

The eminent domain experience in Felton defies the experience of nearly 73 million Americans—one in every four people in this country—who receive water from an IOWC or public-private partnership such as Cal Water's arrangement with the city of Bakersfield. Contracts for these partnerships are renewed at an average rate of 93 percent, underscoring the high satisfaction with the water services provided.

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THE QUALITY & SERVICE FOCUS

CALIFORNIA WATER ASSOCIATION HOSTS URBAN WATER CONSERVATION COUNCIL PLENARY MEETING

California Water Association (CWA) hosted the California Urban Water Conservation Council's Plenary (CUWCC) meeting on September 18 in Downey.



Speaking on behalf of the investor-owned water companies (IOWCs) that are regulated by the California Public Utilities Commission (CPUC), CWA Executive Director Jack Hawks explained the IOWCs serve nearly 6 million Californians. He noted that the 10 largest IOWCs have signed CUWCC's Memorandum of Understanding (MOU), which commits all signatories to compliance with a series of water use efficiency Best Management Practices (BMPs). Signatories to the MOU recognize California's economy, quality of life and environment depend, in large part, upon the state's water resources. They also recognize the need to provide reliable urban water supplies while protecting the environment. Their adherence to the MOU's BMPs is reviewed by the CPUC every three years in each company's general rate case.

California Water Service Company Conservation Manager Ken Jenkins continued the presentation with a breakdown of each company's supply sources from groundwater, purchased water, surface water and recycled water as well as usage by various customer types. After explaining the companies' conservation rate structures, Jenkins gave an update on the water companies' progress on compliance with the 2009 state law that targets a 20 percent reduction in per capita water consumption by 2020. Like many water agencies, the IOWCs' focus has been on traditional tools that save water inside (toilets, showerheads, toolkits, etc.) and outdoors (landscape audits, smart controller retrofit programs, landscape classes and materials, etc.).

Tiffany Tran, conservation & [unclear] at San Gabriel Valley Water Company and chair of CWA's Water Conservation Committee, closed the CWA presentation with an overview on the regulated water utilities' water use efficiency programs. A few examples of CWA member companies' conservation programs include Apply Valley Ranchos Water Company's "Cash for Grass" incentive program, California Water Service Company's commercial landscape incentive program, San Jose Water Company's recycled water program, Suburban Water Systems' National Theatre for Children program and Park Water Company's demonstration garden and well site drought-tolerant retrofit.

According to Tran, IOWCs are continuing to look for innovative products, services and ideas that will encourage customers to use water even more efficiently. Some of these include incentive conservation rates, tiered rebates, more sophisticated water management/billing tools for customers and utility financing hardware retrofits for customers. IOWCs may also expand rebate/incentive offerings for customers who use graywater plumbing kits, pressure regulation, rain barrels, flow sensors, leak detection and more.



REGULATORY UPDATE

LEGISLATIVE AND REGULATORY UPDATE

LEGISLATIVE SESSION ENDS QUIETLY FOR WATER UTILITIES

The 2013 legislative session in Sacramento ended on Friday, September 13, and despite the symbolism of the adjournment date, the impact of the session on the public water supply community in California was relatively benign. Among the most prominent bills passing that affected the water industry was SB 4 (Pavley), which was signed by Governor Jerry Brown and became California's first bill to codify regulations for hydraulic fracturing, or "fracking," and environmental protections for other forms of oil and gas well stimulation.



Legislators will return to their districts for the next few months and reconvene in Sacramento on January 6, 2014. Among the bills on which the California Water Association (CWA) was active were a series of water-related bills summarized below. Unless otherwise noted, Governor Brown signed them into law on October 8, 2013.

- **AB 21 (Alejo)** – This bill creates an annual fee on Safe Drinking Water Small Community grantees, which is re-deposited in the grant fund for specific water projects in severely disadvantaged communities. CWA supported the bill throughout the legislative session.
- **AB 115 (Perea)** – This bill, also supported by CWA, authorizes the Department of Public Health (DPH) to fund projects by grant, loan or a combination of the two, where multiple water systems apply for funding as a single applicant for the purpose of consolidating water systems or extending services to households relying on private wells. The bill's purpose is to extend applicant eligibility to larger water suppliers with the expertise to assist disadvantaged communities that have contaminated drinking water sources.
- **AB 118 (Committee on Environmental Safety and Toxic Materials)** – Another bill supported by CWA, AB 118 authorizes the DPH to adopt interim regulations to implement new changes to the State Revolving Fund law and to meet the requirements of the Federal Safe Drinking Water Act. The bill effectively requires the DPH to provide grants, instead of loans, to certain small water systems. AB 145 (Perea) – This bill, which was held in the Senate Appropriations Committee, would have transferred the state's drinking water program under the California Safe Drinking Water Act, including the Safe Drinking Water State Revolving Fund, from the DPH to the State Water Resources Control Board. A version of this bill will be taken up by the Governor's office during the Legislature's fall recess under a plan to include the transfer in the 2014 budget legislation. CWA is participating on the Drinking Water Program Reorganization Task Force, which will work throughout the fall on the legislative language that will be introduced in January.
- **AB 240 (Rendon)** – This bill, which CWA monitored during the session, declares the intent of the Legislature to encourage collaboration among mutual water companies that operate public water systems in the City of Maywood to create a public agency that can consolidate drinking water services for the people and businesses of that city.



LEGISLATIVE SESSION ENDS QUIETLY FOR WATER UTILITIES *continued*

- **AB 803 (Gomez)** – AB 803, supported by CWA, removes barriers to the increased use of recycled water. It ensures protection of public health and safety by putting definitions and procedures into statute that change Title 17 and Title 22 of the DPH’s California Code of Regulations regarding recycled water. SB 14 (Gaines) – This bill allows recreational activities at Bear Lake Reservoir, which is the sole source of water for Lake Alpine Water Company, a CWA member that is one of the water suppliers in the Bear Lake area. It was signed by the Governor on August 27.
- **SB 96 (Committee on Budget and Fiscal Review)** – Another bill that CWA monitored closely, SB 96 is the 2012-13 budget trailer bill for resources, environmental protection, energy and agriculture. It creates the Office of Ratepayer Advocates as a separate budgetary program at the California Public Utilities Commission with separate budget and positions. The bill was signed by the Governor on September 26.
- **SB 429 (Hernandez)** – This bill, supported by CWA, extends the sunset date of the San Gabriel Basin Water Quality Authority from July 1, 2017, to July 1, 2030. It was signed by the Governor on September 6.

The end of the legislative session saw no action on the water bond. On September 24, the Senate Natural Resources and Water Committee and the Senate Environmental Quality Committee held a joint hearing titled, “Setting the Stage for a 2014 Water Bond: Where Are We and Where Do We Need to Go?” As currently drafted, the Assembly’s \$6.5 billion bond proposal (AB 1331) includes:

- \$1.5 billion in funding for clean and safe drinking water (including groundwater cleanup, wastewater treatment facilities and stormwater management);
- \$1.5 billion for river, lakes, streams and watershed protection (regional and state);
- \$1 billion for climate change preparedness and regional self-reliance (including Integrated Regional Water Management Plan projects, desalination and recycling);
- \$1 billion for Delta sustainability and ecosystem restoration; and
- \$1.5 billion for surface and groundwater storage to offset the potential effects of climate change.

The Senate version of the water bond, SB 42 (Wolk), is generally consistent with the Assembly bond framework, although the amounts differ (the Wolk bond would be \$6.475 billion with an additional \$500 million for safe drinking water projects, plus \$975 million for flood protection, with lesser amounts for storage and watershed protection). AB 1331 precludes investor-owned water company (IOWC) eligibility from the bond proceeds, while SB 42 contains inconsistent language on IOWC eligibility.



CWA Legislative Advocate
Meg Catzen-Brown

CWA Executive Director Jack Hawks testified at the hearing on the fallacies in both bills with respect to IOWC eligibility, noting that IOWC customers pay the same taxes that the state will use to pay back the bond proceeds, and that they, clearly, should be able to receive the benefits of any grants or loans emanating from the water bond. CWA will be working with the relevant legislators during the recess to restore the applicable and appropriate language, which has been in the water bond legislation since 2009.

“The Assembly Speaker and a number of state legislators made media statements regarding 2014 as the year of water reform in California,” said CWA Legislative Advocate Meg Catzen-Brown, Senior Policy Advisor for Nossaman LLP. “With the water bond and the potential transfer of the Drinking Water Program to the State Water Resources Control Board in play, it promises to be a lively year.”

POINTS OF INTEREST

CALIFORNIA WATER ASSOCIATION MEMBERS CLIMB TO NEW HEIGHTS

In 2012, California Water Association (CWA) First Vice President Greg Milleman of California Water Service Company and CWA Director Keith Abercrombie of Valencia Water Company hiked to the top of Mt. Whitney, the highest summit in the contiguous U.S. with an elevation of 14,505 feet. That hike spawned the idea to invite other CWA members to climb to new heights with them at other California mountains.



Atop Mt. Lowe, left to right: CWA President R.W. Nicholson, CWA Member Chris Schilling, CWA First Vice President Greg Milleman and CWA Second Vice President Larry Morales

Joined by CWA President R.W. Nicholson, President of San Gabriel Valley Water Company, CWA member Chris Schilling, Chief Executive Officer of Park Water Company; CWA Second Vice President Larry Morales, Vice President and General Manager of East Pasadena Water Company, and prior CWA Director Robert DiPrimio of San Gabriel Valley Water Company, these CWA members have undertaken several day hikes averaging 12 miles long with elevation gains averaging more than 3,500 feet.

In April 2013, Abercrombie, DiPrimio and Milleman hiked up 5,710-foot-high Mt. Wilson in the San Gabriel Mountains. Schilling joined the threesome in June 2013 climbing from 5,060 to 8,860 feet to the top of Cucamonga Peak, one of the highest peaks in the San Gabriel Mountains. In August 2013, Milleman, Schilling, Nicholson and Morales scaled Mt. Lowe to 5,600 feet during a 14-mile hike.

The group is planning to meet at a new location on October 5 to conquer one more height before winter sets in.

California Water Association
72nd Annual Conference
November 4-6, 2013
Monterey Plaza Hotel

REGISTER TODAY FOR CWA'S 72ND ANNUAL CONFERENCE!

Don't miss California Water Association's 72nd Annual Conference at the Monterey Plaza Hotel on November 4-6. Join industry experts and policymakers as they “Rise to the Challenges of Tomorrow's Water World.” This year's keynote speaker, State Controller John Chiang, will talk about Maintaining California's Fiscal Health, and various panel discussions will focus on the challenges of regulatory compliance, operational safety best practices, Delta Plan implementation and more. Click here to register online.

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