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The Weekly Wrap



October 5, 2012

No. 2012-40

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Week Ending October 5, 2012

Chris Schilling Acquits Water Utilities Well at CPUC En Banc Hearing—The California Public Utilities Commission held its 10th Annual En Banc hearing on supplier diversity procurement Oct. 4th in Los Angeles, and Park Water Chief Executive Officer Chris Schilling testified very effectively on behalf of California Water Association and especially the water utilities that file reports under General Order 156. In his testimony, Chris reported that 2011 was the first year that the water utilities reported their procurement under GO 156 and that their procurement with diverse business enterprises (DBEs), as a percentage of eligible total procurement, has grown steadily in the past few years, rising from 5.3 percent in 2006 to 14.4% in 2011.

Equally significant, Chris said, was that the number of CPUC-certified DBE vendors participating in the water utilities' programs almost tripled in that time frame from about 200 to nearly 600, while those with actual contracts from the water utilities grew from under 50 to more than 300. And to top it off, he explained that two of the seven reporting water utilities already exceeded the overall GO 156 goal of 21.5 percent, while a third utility was on the threshold of this achievement. These results are very important because they demonstrated to the PUC Commissioners that the water utilities, despite starting their programs almost 20 years after the energy and telecom utilities (who are broaching 40 percent in their GO 156 compliance, are progressing nicely.

Joining CPUC President Michael Peevey on the dais were Commissioners Catherine Sandoval and Timothy Simon, as well as current Senator Curren Price (D-Los Angeles) and Assembly Member Steven Bradford (D-Inglewood), and former Assembly Member Gwen Moore. In addition to Chris, the CEOs of Southern California Edison, Pacific Gas and Electric, San Diego Gas & Electric, Southern California Gas, AT&T California, Sprint, Verizon, Comcast and Cox Communications all testified. All of them spoke to their 2011 performance, improvements over 2010 and specific successes.

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Likewise, Chris discussed the CWA member companies' efforts in developing new DBE entrepreneurs and businesses (one of the themes of the En Banc Hearing), describing the water utilities' "Supplier Excellence Program," which focuses on the key areas of access, development, growth and outreach. He explained the key components of each area and told the commissioners that "these efforts are sending a clear message to DBEs that water utilities are good business partners." This point was well-received by the commissioners, and assuming continued growth in the water utilities' diversity procurement programs, and it bodes well for the future. Congratulations to Chris on doing a great job representing CWA and the seven largest Class A water utilities.

CWA Files Letter With CPUC Requesting Intervenor Compensation Changes—

On behalf of CWA, Nossaman Attorney Marty Mattes sent a letter Oct. 1st to the California PUC's Chief Administrative Law Judge, Karen Clopton, explaining the Association's concerns with the Commission's application of the 12-year-old intervenor compensation program, which requires utilities to pay for the costs of eligible interveners that participate and make material contributions to the final decisions in various rulemakings, investigations, general rate case and other regulatory proceedings. Marty also requested that the Commission apply established Commission policy by funding all intervenor compensation awards in rulemakings and industry-wide investigations from the existing intervenor compensation program fund.

The letter itself, detailed how the CPUC has applied the intervenor compensation program fund in water utility proceedings, noting that in several recent cases, the Commission has allocated payment responsibility for arbitrarily selected groups of Class A water utilities (and sometimes energy utilities as well), with results that "are administratively burdensome and ultimately costly to ratepayers." He said that if funding pressures are contributing to the inconsistent application of Commission policy and the selective use of the fund (to the detriment of water utilities and to which all Commission-regulated utilities contribute), the Commission should "identify and address any deficiencies in the mechanism for funding the intervenor compensation program fund with the goal of rectifying the irregularities detailed herein and providing a predictable, equitable source to pay intervenor compensation awards made in rulemakings and other industry-wide proceedings."

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Specifically, Marty reiterated that stated Commission policy for intervenor compensation award payment favors the use of the Intervenor Compensation Fund. He then explained where recent Commission decisions have inconsistently applied this policy, how these departures have created inefficiencies for the utilities.

The Commission has scheduled a workshop on Nov. 27th to discuss the adjustment process for hourly rate ranges and “any other concerns currently affecting the intervenor compensation program.” Marty requested that the Commission consider whether the issue of appropriate assignment of payment responsibility should be added to the workshop agenda and discussed in that forum.

IOWCs Have Exemplary SDWA Compliance Record, AWI Analysis Reveals—

The October issue of *American Water Intelligence (AWI)* contains a very gratifying article on a new analysis of Safe Drinking Water Act (SDWA) compliance, revealing that investor-owned water companies (IOWCs) have an exceptional track record of providing safe drinking water to their customers. Specifically, the new analysis showed that only nine IOWCs had health violations in the past five years out of a total of 5,808 public health-related SDWA violations – about one tenth of 1% of the total number of violations nationally.

AWI used the membership list of the National Association of Water Companies (NAWC) to separate the largest, top-tier water companies from the thousands of other small privately operated water systems, and further found that there were just five health-related violations by NAWC members that are not investor-owned. In contrast, more than 2,900 public health violations took place at facilities owned by governments or public water agencies. Clearly, these results refute the arguments by anti-private sector groups like Food & Water Watch who assert that the private sector’s involvement in water supply is not in the best interests of consumers. Let’s hope evidence like this will begin to silence these critics.

NAWC Executive Director Michael Deane said in the article that “We hold a public trust when we are responsible for delivering safe water, and we take it very seriously. If we’re not providing that safe, reliable water as an essential service and product, then it’s not a sustainable business in the long run.”

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Deane went on to say that the near-spotless record is in part the result of how they must be run as businesses. "Private water firms simply cannot afford to let their records slip," he said.

AWI's analysis focused on the community water systems that supply water to the same population year-round and that are included in U.S. Environmental Protection Agency's SDWA database. I have a PDF copy of the article if you'd like to see it. Alternatively, you can access it [here](#).

State Water Board Will Consider Amendment to Recycled Water Policy—Back in May, the staff of the State Water Resources Control Board (SWRCB or State Board) has proposed an amendment to its Recycled Water Policy to add monitoring requirements for constituents of emerging concern (CECs) in recycled water. As you know, CECs are a broad class of substances that include pharmaceuticals and body care products and that can be present in minute amounts in wastewater.

In 2009, in accordance with the Recycled Water Policy, the State Board convened a science advisory panel (Panel) to provide guidance on future actions related to monitoring CECs in recycled water. The Panel submitted a report titled: "Monitoring Strategies for Chemicals of Emerging Concern in Recycled Water – Recommendations of a Scientific Advisory Panel," which provided recommendations for monitoring specific CECs in recycled water used for groundwater recharge reuse. For recycled water used for landscape irrigation, the Panel did not recommend monitoring CECs, but did recommend monitoring of some surrogates. The Panel's recommendations were incorporated into a proposed amendment to the Recycled Water Policy.

In May 2012, staff circulated the proposed amendment for public review and written comment, followed by submittal in June to scientific peer reviewers for review. Staff then made revisions to the proposed amendment, based on the feedback from both the public and peer reviews. Final comments on the amendment and attachment to the Recycled Water Policy are due on Oct. 9th, and the SWRCB will then consider adoption of the amendment at its Oct. 16th meeting.

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Among the proposed revisions is a provision that if monitoring results indicate that additional monitoring is required after treatment, the Regional Water Board shall consult with the Department of Public Health and “revise the Monitoring and Reporting Program as appropriate.” For more information on the exact language of the proposed amendment and the attachment to the policy, you can access the relevant documents [here](#).

EPA Releases New Guidelines for Water Reuse—The U.S. Environmental Protection Agency (EPA) released its 2012 guidelines for water reuse on Sept. 29th. The *Guidelines for Water Reuse* debuted in 1980 and was updated in 1992 and 2004. The document summarizes existing U.S. regulations, details water reuse practices outside the U.S. and includes case studies and information on planning for future water reuse systems. Indirect potable reuse and industrial reuse, as well as disinfectant and treatment technologies also are discussed in the document.

Beginning in 2009, EPA and its contractor, CDM Smith, began facilitating workshops and informational sessions at water events and conferences around the world to solicit feedback on what information should be repeated, updated, added, or removed from the 2004 document. In addition, a committee of national and international experts in the field of water reclamation and related subjects was established to approve the document outline, develop new text and case studies, and review interim drafts of the document.

In addition to the stakeholder input, the final document was researched, written, and reviewed by more than 300 experts in the field, including authors who contributed to case studies or chapters and reviewers. The contributors included participants from other consulting firms, state and federal agencies, local water and wastewater authorities, and academic institutions. The project management team compiled and integrated the contributions.

Once all internal clearance is complete with incorporation of minor edits, EPA will post a final version on an EPA website. In the meantime, you can access the document at <http://www.waterreuseguidelines.org/>.

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Register Now for CWA's Annual Conference on Oct. 31st in Monterey—The time is now to register for CWA's 71st Annual Conference at the Monterey Plaza Hotel on October 31st. In addition to the main conference, CWA will host a water quality seminar on October 30th from 10:00 a.m. to 1:00 p.m., plus its traditional regulatory and small company seminars that afternoon from 1:00 to 5:00 p.m. The regulatory seminar will feature a presentation from UC Davis officials titled "Consumption-Based Fixed Revenue," and the small company meeting will cover requested amendments to general rate case procedures for Class B, C and D water and sewer utilities.

California PUC Commissioner Catherine Sandoval will keynote the Oct. 31st conference, and the program will feature an appealing menu of topical subjects such as:

- Being "obsessed" with safe drinking water;
- The Governor's plan for the Delta;
- Using technology for emergency response and customer notification;
- Water utilities' roles in a changing world; and
- The story behind the removal of the San Clemente Dam in Monterey County

Additionally, CWA will host its annual Directors meeting on Thursday morning, November 1st. You can register at www.calwaterassn.com by clicking on the annual conference icon on the home page. Also, feel free to call or write CWA Administrative Director Sharun Carlson at 562.404.1993 or cah2oassn@aol.com. We're looking forward to seeing you in Monterey, especially in your Halloween costumes for the dinner on Halloween night!

Agenda Highlights for the October 11th California PUC Open Meeting—The CPUC has posted its agenda for the September 27th Open Meeting, which starts at 9:00 a.m. Relevant water agenda items are summarized below. If you want to view any of the related documents, just copy and paste the website link into your Internet browser.

Consent Agenda

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Item 14 – Res W-4931; The Sea Ranch Water Company's General Rate Increase to Produce Additional Annual Revenue for Test Years 2012, 2013 and 2014. Advice Letter 86 filed on March 2, 2012 - Related matters. Proposed outcome:

- Increase in gross annual revenues of \$697,677 or 57.08% for Test Year 2012, \$577,647 or 30.09% for escalation year 2013, and a decrease in annual revenues of \$63,415 or -2.54% for escalation year 2014.
- Approves \$6.58 million in capital improvements for inclusion into utility's rate base, once capital improvements are completed and are used and useful.

Estimated cost: \$1.2 million.

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=27155511>

Regular Agenda - Legal Division Matters

Item 29 – Res L-436; New Regulations Regarding Disclosure of Records and Requests of Confidential Treatment of Records. Interim Resolution regarding adoption of new regulations regarding public access to records of the California Public Utilities Commission and requests for confidential treatment of records.

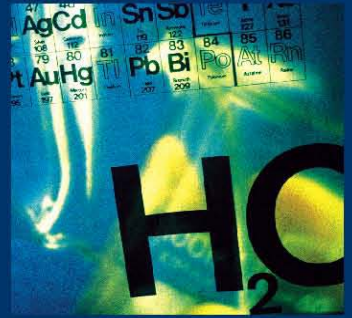
Regular Agenda - Legislative and Other Matters

Item 30 – Office of Governmental Affairs Legislative Wrap-Up

Closed Session - Applications for Rehearing

Item 35 – A09-09-001; Conference with Legal Counsel - Application for Rehearing. Disposition of the Application for Rehearing of Decision (D) 10-11-034 filed by Great Oaks Water Company. D10-11-034 resolved the general rate case for Great Oaks for test year July 1, 2010 to June 30, 2011 and the following two escalation years.

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Item 36 – I07-01-022, A06-09-006, A06-10-026, A06-11-009, A06-11-010, A07-03-019 - Related matters. Conference with Legal Counsel - Application for Rehearing. Disposition of Applications for Rehearing of Decision (D) 08-08-030, filed by Consumer Federation of California. D08-08-030 adopted two settlement agreements relating to Golden State Water Company's application for conservation rates and a revenue adjustment mechanism, and San Jose Water Company's application for conservation rates and a pricing adjustment mechanism.

Upcoming Industry Meetings/Conferences/Events:

- October 7-10, 2012 – National Association of Water Companies Annual Water Summit (8:30a–5:00p; Turnberry Isle Resort; 19999 W. Country Club Drive, Aventura, FL 33180); CWA will host the CA Chapter Luncheon on 10/8; J. Hawks will attend.
- October 10, 2012 – California Water Awareness Campaign Board of Directors Meeting (10:00a–12:00n; ACWA HQ; 915 K St., Sacramento, CA 95814)
- October 11, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)
- October 15, 2012 – California Public Utilities Commission – Low-Income Oversight Board Water Subcommittee Meeting (1:00p – 4:00p; Hearing Room 3; 505 Van Ness Ave., San Francisco 94102); J. Hawks will attend.
- October 15-16, 2012 – Conference of California Public Utility Counsel (CCPUC) Annual Meeting (The Silverado, Atlas Peak Road, Napa, CA; D. Stephenson representing CWA on panel at 8:30a on 10/16); J. Hawks will attend 2nd day.
- October 17, 2012 – California Urban Water Conservation Council Finance Committee Meeting (10:00a – 3:00p; 716 10th Street, Ste. 200; Sacramento, CA 95814); J. Hawks will attend.
- October 23-24, 2012 – California Public Utilities Commission Recycled Water OIR Workshop (10:00a – 4:00p; CPUC Auditorium, 505 Van Ness Ave., San Francisco, 94102)
- October 24, 2012 – Dept. of Water Resources – California Water Plan Update 2013 – Advisory Committee Meeting (9:00a – 4:30p; Cal EPA Building; 1001 I St., Sacramento, CA 95814); J. Hawks will attend

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- October 25, 2012 – California PUC Open Meeting (9: 00a–12 :00p; **Irvine City Hall, Council Chambers, 1 Civic Center Plaza, Irvine, CA 92606**)
- October 25, 2012 – Water Education Foundation 35th Anniversary Reception and Dinner (5:00p – 9:00p; Vizcaya Pavilion & Mansion; 2019 21st St., Sacramento, CA 95814); J. Hawks will attend.
- October 29, 2012 – CPUC Low-Income Oversight Board Meeting (10:00a – 4:00p; Sacramento New City Hall; Council Chambers; 915 I Street-First Floor; Sacramento, CA 95814); Water utility presentation on customer information data-sharing program with energy utilities will begin at 10:00 a.m.)
- October 30-31, 2012 – CWA 71st Annual Conference (8:45a-4:45p; Monterey Plaza Hotel - 400 Cannery Row, Monterey, CA 93940); J. Hawks will attend.
- November 1, 2012 – CWA Annual Directors Meeting (8:00a – 11:00a; Monterey Plaza Hotel - 400 Cannery Row, Monterey, CA 93940); J. Hawks will attend.
- November 8, 2012 – California PUC Open Meeting (9: 00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- November 9, 2012 – California Utility Diversity Council Meeting (CWA is hosting; 10:30a – 2:00p; Los Angeles location TBD);
- November 11-14, 2012 – National Association of Regulatory Utility Commissioners Annual Meeting (Hilton Hotel; 401 West Pratt St., Baltimore, MD 21201); J. Hawks will attend.
- November 14-15, 2012 – California Urban Water Conservation Council Board of Directors Meeting and Workshop (9:00a – 3:30p both days; San Diego County Water Authority; 4677 Overland Avenue, San Diego, CA 92123); J. Hawks will attend the second day.
- November 29, 2012 – California PUC Open Meeting (9: 00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- December 4-7, 2012 – Association of California Water Agencies Fall Conference (Manchester Grand Hyatt; One Market Place San Diego, California 92101); J. Hawks plans to attend.
- December 11, 2012 – CWA Executive Committee Meeting (10:00a – 2:00p; Golden State Water Company; 2143 Convention Center Way, Suite 110, Ontario, CA 91764); J. Hawks will attend.

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- December 12, 2012 – California Urban Water Conservation Council Plenary Meeting (9:30a – 3:00p; Metropolitan Water District of Southern California; 700 North Alameda St., Los Angeles, CA 90012); J. Hawks will attend.
- December 13, 2012 – California Dept. of Water Resources – California Water Plan Update 2013 Advisory Committee Meeting (9:00a – 4:30p; Cal EPA, 1001 I St., Sacramento, CA 95814); J. Hawks will attend.
- December 20, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)
- January 11, 2013 – CWA Directors and Executive Committee Meeting (9:30a – 2:30p; Park Water Company - 9750 Washburn Road; Downey, CA 90241-7002); J. Hawks will attend.

—CWA—