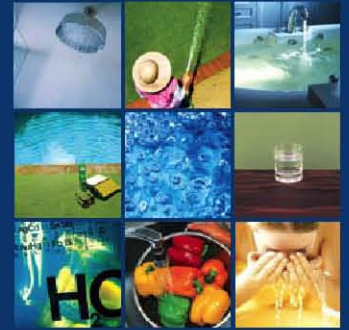


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# The Weekly Wrap



**December 14, 2012**

**No. 2012-49**

TO: CWA Member Companies  
FROM: Jack Hawks, Executive Director  
SUBJECT: Highlights for the Weeks Ending December 14, 2012

**Sandoval Reiterates Concerns with Reliability, Tiered Rates**—As is her wont when giving a speech, California PUC Commissioner Catherine Sandoval used the acronym WATER to convey her messages Dec. 13<sup>th</sup> on the CPUC's water priorities to the Dept. of Water Resources staff and the Advisory Committee for the California Water Plan Update 2013 (of which I am a member). She reiterated many of the same concerns on rates and reliability that she's been communicating in recent weeks (including CWA's Annual Conference on Oct. 31<sup>st</sup>) under the headings, Widespread/Access/Tiers/Efficiency/Ready.

She based the first theme, "Widespread," on the myriad implications associated with safe, reliable water at just and reasonable rates. She personalized the need for "safe" water, explaining that she contracted giardiasis while in graduate school in England (Oxford), and then referenced a recent visit to San Jose Water's Montevina Water Treatment Plant and the need for renovations there to update the plant to prevent contaminants like the giardia parasite and cryptosporidium from occurring in the drinking water.

She reminded the audience that the CPUC was not only responsible for safe water at just and reasonable rates, but also reliable supply. She transitioned to the Bay Delta Conservation Plan and the need to prepare for any disaster (e.g. earthquake) that threatens the drinking water supply coming out of the Delta.

She moved to Access next with her ongoing plea to make affordable water accessible to everyone and followed that with her now-familiar reservations about tiered rates being set to fit a two-person household, even though cities like Bell have few, if any, two-person households. She also referenced the Public Participation Hearings in Bell and Calapatria and the hostility from the attendees toward tiered rates and Water Revenue Adjustment Mechanism.

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Comr Sandoval's fourth theme on Efficiency brought forth a discussion on the ubiquitous energy-water nexus. She spoke from the perspective of improved efficiency in water utility operations, and the need to save as much energy as possible, especially in Southern California with the current issues plaguing the San Onofre Nuclear Generating Station.

Comr Sandoval returned to the reliability theme with the last word of her acronym, Ready. She asked whether the water industry is ready to deal with the challenges of potentially losing a significant source of water supply from the Delta if a 6.5-plus earthquake on the Hayward fault takes out the State Water Project for two to three years. She said not being ready for such an outcome was unacceptable and that a calamity like this would be the water industry's equivalent of the San Bruno gas explosion in terms of the loss of public confidence and reputation damage.

During the Q&A, she was asked about the Water Measurement Act and the transition to metered service, plus a loaded question on California American Water's (CAW) proposed Monterey Regional Desalination Project – specifically, "Is it true that the PUC has decided that there will be no public ownership" of the project? Comr Sandoval said that the Commission is currently considering CAW's application and that no decision has been made on ownership. She explained that the recent PUC decision only determined that the Commission's constitutional authority preempts the local Monterey County ordinance prohibiting private ownership of a desalination plant in the county. To sum up, Comr Sandoval was well-received by the audience, and I think she impressed the attendees with the PUC's commitment to water and to the California Water Plan.

The remainder of the meeting dealt with a number of aspects of the 2013 Update, including:

- State agency collaboration and alignment on water issues – e.g., how the varied permitting and compliance costs are hindering the efforts of the state's Resource Conservation Districts;
- A new land use planning decision tool for integrated water management;
- Joint agency efforts on forest management and fish and game priorities;

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- The California Urban Water Agencies' *Water Supply Reliability Report*;
- A progress report on the implementation of the last CA Water Plan Update in 2009;
- The content and arrangement of the opening chapters for the 2013 Update; and
- A special briefing of the draft report on *California's Flood Future Highlights* and the recommendations for managing the state's flood risk that will be included in the 2013 Update.

The next meeting of the Advisory Committee will be on Feb. 14<sup>th</sup> in Sacramento. If you are interested in catching up on the 2013 Update, feel free to access the Plan at [www.waterplan.water.ca.gov](http://www.waterplan.water.ca.gov).

**CUWCC Elects 2013 Officers, Reviews Plans for 2013**—The Metropolitan Water District of Southern California hosted the California Urban Water Conservation Council's (CUWCC) quarterly Plenary Meeting on Dec. 12<sup>th</sup>, at which the 2013 officers were elected. Wendy Phillips is the new CUWCC Board Chair. She is a hydrogeologist with the LA County Regional Water Quality Control Board and Co-Director of the League of Women Voters' California Water Resources program. It is this latter capacity in which she is serving on the CUWCC Board of Directors and the LWV of California is a Group 2 member.

Fiona Sanchez, Assistant Director of Water Policy for Irvine Ranch Water District was elected 2013 Vice Chair, and I was elected Secretary-Treasurer. As Treasurer, I will also serve as the Chair of the Council's Finance Committee. I will try to keep the Council solvent for the next year or so.

The remainder of the Plenary Meeting covered the big-ticket items that will populate the Council's agenda in 2013:

#### Strategic Initiatives

- Relationship of Best Management Practices to GPCD goals;
- Report on the Value of Water – conserved; recycled; alternative sources
- Statewide Water Conservation Partnerships

#### Policy Discussions

- Review of BMPs 1.2 (Water Loss) and 1.4 (Water Rates);

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- Reconstituting the Urban Stakeholder Committee to evaluate the 20x2020 compliance Method #4;
- The Independent Technical Panel's Assessment of AB 1420 implementation (Model Water Landscape Ordinance)

#### Research Areas

- Plan Review Process
- Drip Irrigation
- Multi-stream rotating irrigation heads
- Soil sensors
- Turfgrass replacement
- Possible Update to the Cost and Savings Study

#### New Tools

- Dedicated Meter Feasibility Study
- Weather Normalization of GPCD
- Fixed Cost Model (aka, BMP 1.4 Option 2)

Additional agenda items of interest included a presentation from Steve Piper on the U.S. Bureau of Reclamation's new pricing study, "Evaluating the Influence of Price and Rate Structures on Residential Water Use." The study consisted of a demand modeling project of 11 public water agencies (nine in California), including LADWP, East Bay MUD, Contra Costa WD, and Irvine Ranch WD. A total of 10 different general variables (price, income, household size, lot size, seasonality, etc.) and seven specific variables (water use/household, lagged price of water, etc.) were used to model customer water demand over a 10-year period (600,000 separate observations).

The results were that elasticity estimates ranged from -0.265 to -0.846; Piper's long-run conclusion is that the price elasticity is about -0.35. The R-squared value range was a relatively weak .28 to .39, meaning that the model was not a great predictor of the variance in water use. Still, from a statistical standpoint, Piper said the results were pretty good. He said that the total water bill appears to have the greatest impact on elasticity. If you are interested in further details, the presentation can be accessed at

<http://www.cuwcc.org/WorkArea/showcontent.aspx?id=19830>.

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**CDPH Infrastructure Funding Interest Group**—The CA Dept. of Public Health (CDPH) held its annual meeting of the CDPH Drinking Water Funding Programs Stakeholder Group Dec. 10<sup>th</sup> in Sacramento, and the status of the agency's Drinking Water Program (DWP), including Prop 50, Prop 84 and the Drinking Water State Revolving Fund (SRF) programs, was the main topic of discussion. CDPH also spent considerable time on funding for small water systems and disadvantaged communities.

In total, the DWP provided nearly \$290 million for 72 projects, including \$33 million to 55 small water systems and \$241.5 million to disadvantaged communities. Of the 72 projects, 40 construction projects were completed, while 32 planning projects were undertaken. Regarding the Prop 50 program, CDPH reported that it provided \$6.4 million for nine projects, of which \$2.7 million was provided to five small systems (<1,000 connections or <3,300 population).

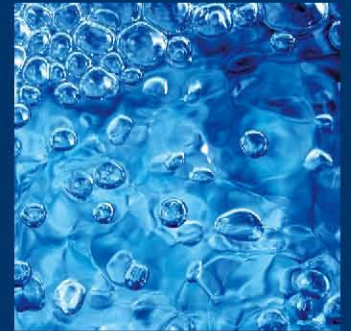
Additionally, \$4.8 million (some overlap with the small system money) was provided to three disadvantaged communities. Interestingly, two of the three disadvantaged community projects were for Park Water and Golden State Water in Los Angeles County. Park received nearly \$2.6 million, while Golden State got \$183,000 in Prop 50 funds.

For the 2012-13 fiscal year, the Prop 50 program has provided \$20.3 million for nine construction projects, split roughly two-to-one between disadvantaged communities and small systems. By law, all Prop 50 funds must be committed in the form of Funding Agreements by June 30, 2014.

Regarding the Prop 84 DWP, \$14.8 million was disbursed in FY 2011-12 for 33 projects, while \$20.3 has been provided thus far (thru 12/7) in FY 2012-13 for 31 projects. Among the CWA members with active Prop 84 programs are San Gabriel Valley Water, which has two: \$3.48 million for groundwater contamination remediation and \$2.56 million for perchlorate removal.

With respect to the Drinking Water SRF Program, CDPH reported that \$268.7 million for 30 projects was provided in FY 2011-12, while \$35.8 for 10 projects thus far in FY 2012-13. For the remainder of the current fiscal year, CDPH expects an additional 20-30 projects will execute Funding Agreements.

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To date, the SDWSRF program has provided more than \$1 billion in loans and grants for water system infrastructure improvements in California. Eighty percent of this funding came from the federal government, with a 20 percent match from California (via the general fund and bond issuances). Of the total SDWSRF funding, \$41 million was allocated to small systems, allowing 73 separate projects to be completed.

**Agenda Highlights for the December 20<sup>th</sup> California PUC Open Meeting—**

The CPUC has posted its agenda for the Dec. 20<sup>th</sup> Open Meeting, which will be held from 9:00 a.m. to noon in the Commission Auditorium. 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. You can listen to meeting by dialing **1-800-857-1917**. When prompted to enter a passcode, dial **92105**. You can also view the meeting at [video webcast](#).

**Consent Agenda**

**Item 8 – Res W-4935; Apple Valley Ranchos Water Company to Permit Payment of Water Bills Using Credit or Debit Card.** Advice Letter No. 171-W filed on May 17, 2012 - Related matters. Proposed outcome:

- To file a supplement to its approved Advice Letter 171 within five days of the effective date of this Resolution that includes tariff language consistent with Appendix A of the Resolution.
- Approves the utility to continue to allow customers to pay their water bills by credit or debit card on an optional basis and the charge for the service shall not exceed \$2.50 per transaction to be paid by those customers who use this service.
- Within 30 days, the utility is ordered to file a Tier 2 advice letter to establish a credit card memorandum account authorized by this Resolution to record all costs and savings associated with providing credit/debit card payment services.
- For its next general rate case, utility shall remove all ongoing costs associated with providing credit/debit card payment options from its base rates consistent with Public Utilities Code Section 755.

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Estimated cost: None.

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=38358162>

**Item 9 – Res W-4936; Park Water Company to Permit Payment of Water Bills Using a Credit or Debit Card.** Advice Letter No. 231-W filed on May 10, 2012 - Related matters. Proposed outcome:

- To file a supplement to its approved Advice Letter 231-W consistent with directions provided in Ordering Paragraph 1. The supplement shall be filed within five days of the effective date of this resolution.
- Approves the utility to continue to allow customers to pay their water bills by credit or debit card on an optional basis and the charge for the service shall be \$2.50 per transaction to be paid by those customers using this service.
- Within 30 days, utility is ordered to file a Tier 2 advice letter to establish a credit card memorandum account to record all costs associated with providing credit/debit card payment services.
- For its next general rate case, utility shall remove all ongoing costs associated with providing credit/debit card payment options from its base rates consistent with Public Utilities Code Section 755.

Estimated cost: None.

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=37494064>

**Item 28 – Res W-4938; Apple Valley Water Company to Implement a Surcharge.** Advice Letter 173-W filed on July 9, 2012 - Related matters.

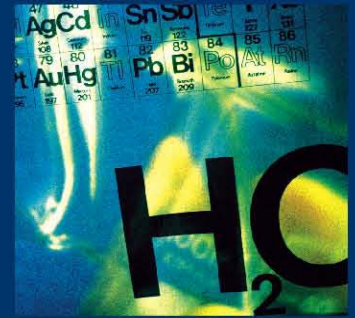
Proposed outcome: Approves Tariff Sheets of Supplemental Advice Letter 173-W-A, attached to this resolution to amortize the \$185,661 in the Cost of Capital Memorandum Account through a 12-month surcharge. Estimated cost: \$185,661.

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=33793217>

**Item 37 – Res W-4939; Del Oro Water Company, Metropolitan District's General Rate Increase to Produce Additional Annual Revenue for Test Year 2012.** Advice Letter 337 filed on April 24, 2012 - Related matters.

Proposed outcome:

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- To file a supplemental advice letter with the rate schedules attached to this resolution as Appendix B.
- The effective date is five days after the date of filing.
- Adopts the quantities (Appendix D) used to develop the Division of Water and Audits' recommendations.

Estimated cost: \$1,955 or 11.99%.

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=36043744>

### **Closed Session**

**Item 66 – A10-01-012; Conference with Legal Counsel - Application for Rehearing.** Disposition of the application for rehearing of Decision (D) 11-03-035 (Decision) filed by the Monterey Peninsula Water Management District (the District). In D11-03-035, the Commission considered a California-American Water Company (Cal-Am) application, and subsequent proposed settlement agreement between Cal-Am, the District, and the Division of Ratepayer Advocates (DRA).

Both the application and proposed settlement recommended approval of a District User Fee set at 8.325% of Cal-Am's total revenue. Cal-Am would collect the User Fee in its Monterey customer rates and remit those costs to the District for its cost to implement the Carmel River Mitigation and Aquifer Storage and Recovery Programs. The Decision rejected the proposed settlement and authorized Cal-Am to amend its application with additional information to support the proposal.

*Gov. Code § 11126(e)(2)(B)(i), allows this item to be considered in Closed Session.*

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### **Upcoming Industry Meetings/Conferences/Events:**

- December 20, 2012 – California PUC Open Meeting (9:00a–2 :00p; 505 Van Ness Ave., San Francisco 94102)
- January 4, 2013 – CWA Public Information Committee Monthly Conference Call (1:30p – 2:30p; 1.888.398.2342; 6868916#)



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- January 10, 2013 – 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)
- January 14, 2013 – California Urban Water Conservation Council Governance and Finance Committee Meetings (9:30a – 3:00p; 716 10th Street, Suite 200, Sacramento, CA 95814); J. Hawks will attend.
- January 24, 2013 – California PUC Open Meeting (9:00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- February 1, 2013 – CWA Public Information Committee Monthly Conference Call (1:30p – 2:30p; 1.888.398.2342; 6868916#)
- February 3-6, 2013 – National Association of Regulatory Utility Commissioners Winter Committee Meetings (9:00a – 5:00p, Feb. 3-6; Renaissance Washington Hotel; 999 9<sup>th</sup> St., N.W., Washington, DC 20001); J. Hawks will attend.
- February 12, 2013 – CWA Directors and Executive Committee Meeting (9:30a – 2:30p; California Water Association; 601 Van Ness Ave., Suite 2047, San Francisco 94102).
- February 13, 2013 (Wednesday)– California PUC Open Meeting (9:00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- February 13, 2013 – California Urban Water Conservation Council Board of Directors Meeting (9:30a – 3:00p; MWD of Orange County - 18700 Ward St., Fountain Valley, CA 92708); J. Hawks will attend.
- February 14, 2012 – California Water Plan Update 2013 Advisory Committee Meeting (8:45a – 4:30p; Department of Public Health, East End Complex Training Rooms, 1500 Capitol Avenue, Sacramento 95814); J. Hawks will attend.
- February 20-22, 2013 – Urban Water Institute Spring Conference (Hilton Hotel, 400 East Tahquitz Canyon Way, Palm Springs 92262); J. Hawks may attend.
- February 28, 2013 – California PUC Open Meeting (9:00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)