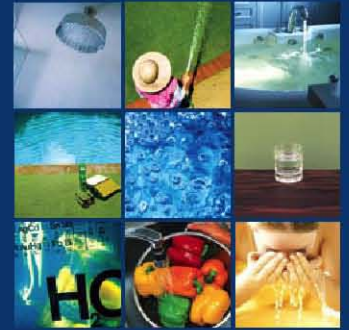


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The Weekly Wrap



December 7, 2012

No. 2012-48

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Weeks Ending December 7, 2012

PPIC's Statewide Survey Reveals Divided Water Priorities—The Public Policy Institute of California's (PPIC) most recent survey, Californians and the Future, was released on Dec. 5th, and beyond the usual questions on the economy, the state's budget, Governor Brown's job rating and general attitudes toward the future, the state citizenry remains divided on water policy priorities. While 59 percent of Californians think that the supply of water is a big problem (31%) or somewhat of a problem (28%) in their part of the state, the share of those calling water supply a big problem has declined 13 points since December 2009 (44%), when the state was still in drought conditions.

Residents of the Central Valley (38%) are the most likely geographic group in the state to say the supply in their area is a big problem, while those in the San Francisco Bay Area (20%) are the least likely. When presented with two approaches to manage the water supply, 47 percent say the focus should be on building new water storage systems and increasing supply, while 50 percent say it should be on conservation and using the current water supply more efficiently. I'm sorry the survey didn't ask respondents whether they thought conservation and efficiency were enough to forestall all new supply projects for the foreseeable future. I would have liked to see the answer to that one.

When it comes to environmental mitigation and ecosystem restoration, though, the survey respondents (which translates to Californians, generally) favor taxpayers over ratepayers for cost responsibility. Specifically, 61 percent of Californians favor increasing state spending to improve conditions for native fish, while just 39 percent of them support ecosystem restoration if the costs must be borne by residential water bills.

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On other topics, the survey results revealed a new high for Governor Jerry Brown's job approval rating – 48 percent. PPIC attributes the strong result to the Governor's successful Prop 30 campaign. "Passage of the measure to increase taxes," PPIC said, "changed the feelings of most Californians about the state budget situation—and many are feeling more positive: 46 percent say the initiative's approval has made them more optimistic, 23 percent say it has made them more pessimistic, and 28 percent say it has not changed their views."

Where else but California would a governor's job rating go up after spending the better part of a year pushing for a tax increase? While the governor's previous high was 46 percent (January 2012), 35 percent still disapprove of his job performance and another 17 percent are uncertain. Amazingly, the state legislature's job approval rating among all adults (34 percent) exceeded 30 percent for the first time since January 2008. Still, 61 percent disapprove of the legislature's performance.

Other indicators are pretty good, as well. A total of 44 percent of adults say things in California are generally going in the right direction, the highest level since June 2007, and up 30 points since a low of 14 percent in July 2009. But, demographics play highly into the results. While a majority of white adults (60 percent) say the state is heading in the wrong direction, 54 percent of Latinos and 51 percent of Asians say the opposite. Overall, 41 percent say they expect good economic times in the next year—the highest level since January 2007.

Of course, Californians can't help but be a little schizophrenic: despite the increased optimism, nearly all continue to call the state budget situation a problem (68% big problem, 26% somewhat of a problem). Further, just because they allowed their children to give them a tax increase and pass Prop 30, California adults aren't willing to raise taxes on themselves again. Record-high majorities of adults (65%) and likely voters (68%) oppose extending the sales tax to services that are not currently taxed. Majorities—also at record levels—oppose raising the vehicle license fee (79% adults, 78% likely voters).

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As PPIC President and CEO Mark Baldassare said, “Many Californians are feeling positive about the state’s outlook now and optimistic about the future. But they are also feeling fiscally frugal. They are strongly opposed to raising their state taxes and strongly in favor of spending limits.”

ACWA Fall Conference Dwells on “The Next Generation”—I was able to attend the Association of California Water Agencies’ (ACWA) Fall Conference in San Diego Dec. 4-7, and I couldn’t help but be a little smug to learn that the opening keynote speaker was someone CWA has had twice at its annual conference in the past three years – Morley Winograd, co-author with Michael Hais of *Millennial Makeover* and *Millennial Momentum*. Morley gave the 1,800 ACWA attendees essentially the same presentation he and Mike gave CWA, the theme of which was that Millennials are remaking America and that the Gen Xers, Baby Boomers and the Silent Generation better be ready. The ACWA crowd was as enthusiastic about the subject as we were in 2011.

The ACWA conference had its usual diverse program, with presentations and panels covering a variety of legal, finance, human resources, communications and technical subjects. The policy issues covered ranged from water rights in an era of scarcity to the Delta Plan to multi-year rate increase strategies (another subject with which investor-owned water companies are quite familiar) to the growing impact on water supply from climate change.

I attended a panel titled “Working with the Next Generation of News Media,” which brought home in spades how changes in digital and social media have made it possible for consumers to access news content at anytime and anywhere on a whole new array of digital devices. What I learned was intimidating: the major trend in media now is that sources of news (like us) no longer use traditional news outlets to release news on the outlets’ conditions. Rather, these sources go directly to Twitter to release their own news. The new trend does not to rely on traditional news outlets to bundle news their way, but rather for consumers of information (our target audiences) to create their own “bundle” of information via a personalized information feed through Twitter, Facebook, blogs, YouTube, Google highlights/alarms.

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So, the trick for those seeking to get their messages out is to make sure they become part of their audience's personal information feeds. And the way to do this is to get the right "keywords" into your story such that they are automatically picked up by your audience's personal feed. This alone, ensures a much greater number of "hits" for your story and on a much greater number of feeds.

Additionally, you must be able to "manipulate" your story so that it will be picked up on a Twitter feed, a Facebook post, a Google alarm or a YouTube channel. Pretty daunting stuff, but it's why all reporters must now have their own Facebook and Twitter accounts; otherwise, they will always be one step behind their consumer audience.

The panelists also encouraged water utility communications professionals to forsake the traditional path of complaining about a reporter's article via a letter to the editor. Now, the way to do it is to post your complaint on Facebook and Twitter in a calm, rational manner. Not only will you reach the reporter, but you'll reach his or her bosses, the reporter's peers, your customers and public officials. This, according to the panel (which consisted of print and broadcast reporters/producers in San Diego and the Inland Empire) is the magic of social media in the 21st century.

Another panel I attended was titled "The Pros and Cons of Multi-Year Rate Increase Strategies – What Works? What are the Risks?" I was looking forward to hearing what the cons were, but the four panelists from the San Francisco PUC, the Los Angeles Bureau of Sanitation, the City of Oceanside and Carollo Engineers were hard-pressed to come up with any – with the possible exception of the potential of not engaging elected officials, customers and other constituencies as often as one might otherwise.

But I discounted this one, since many public agencies don't go in for their equivalents of rate cases unless their financial situation compels them to move forward. Most of the panel discussion was what you'd expect – case histories of successful rate proceedings that resulted in multi-year rate increases.

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A second rates-oriented panel discussion was actually titled “Water Supply Reliability ... What Do We Mean and How Do We Get Public Buy-In?” The central theme was to move the conversation increasing rates to investing in reliability, and then staying on message so that the public understands the financial requirements for satisfying the twin components of reliability – adequate supplies and adequate delivery infrastructure. A real bonus of this panel was the presentation of the California Urban Water Agencies’ (CUWA) water supply reliability report by its Executive Director, Cindy Paulson, who is also the editor of Brown & Caldwell News. You can access the report on CUWA’s website at: http://www.cuwa.org/pubs/CUWA_WaterSupplyReliability.pdf

Among the other events I attended were a debate on the benefits and costs of the Bay Delta Conservation Plan between a UC Berkeley Professor (David Sunding) and a University of the Pacific Professor (Jeffrey Michael) titled “Deltanomics.” It was an entertaining hour with Sunding trying earnestly to convince the audience that the benefits of the proposed BDCP investments will outweigh the costs, and Michael refuting his conclusions. I thought Michael was a bit too smug and sure of himself, but he provided an entertaining counterpoint to the Governor’s preferred approach.

I also attended a worthy session on groundwater recharge policy titled “My Cup Runneth Under for Groundwater Recharge: Policy Challenges and Legal Uncertainties.” The five panelists did a nice job of summarizing all of them (there are many). The most sobering presentation of the entire conference was the Thursday Luncheon Speech from FBI Special Agent in Charge (of California’s security) Herbert Brown. He gave us a rundown on the counterterrorism (20-30 cases under surveillance at any given time), counter intelligence (mostly Cybersecurity: there are 500 agents in California devoted to cyber threats) and criminal activity (lots of fraud and white collar crime) cases being pursued by the FBI in California. It was an eye-opener.

There were many more sessions, panels and presentations during the four-day conference. You can access other presentations on ACWA’s website at: <http://www.acwa.com/content/presentations-acwa-2012-fall-conference-exhibition>.

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California American Water, NRDC Publish Joint Editorials—California American Water (CAW) President Rob MacLean and Natural Resources Defense Council (NRDC) Senior Policy Analyst Ed Osann teamed up this week to publish simultaneous guest editorials in the *Pasadena Star News* and the *San Gabriel Valley Tribune*. Titled “Staying Water Wise in San Gabriel Valley, the article explained why the new rate design approved by the California PUC in CAW’s recent rate case will help manage demand in the affected service areas, as well make strong case for customers to use water efficiently. The editorial started out with a recitation on the various factors affecting the variability of future water supplies in San Gabriel Valley and then oriented the reader toward water pricing as a way to mitigate these adverse factors.

Some of them include the potential for climate change to increase demand for irrigated landscapes and increased diversions from rivers and estuaries. When managing the supply and demand for water, both public and private water utilities often overlook the way water is priced, they said. Government agencies and utilities project future demand without regard for the way water is used, as if every drop was valued equally. According to Osann and MacLean, “The first gallon of water we use for cooking or bathing is far more valuable to us than the last gallon that sprays from our law sprinkler, drifting across the sidewalk and running into the street.”

The guest op-ed, which appeared in both newspapers on Dec. 6th, outlined that keeping this concept in mind, plus forecasts of substantial price increases for imported water, which makes up about half of the San Gabriel Valley’s supply, is what drove CAW, NRDC and The Utility Reform Network to propose a new rate design for water conservation purposes.

The approved rate design will consist of a small fixed monthly charge, coupled with usage charges that fall into four rate tiers. The lowest tier is based on average levels of wintertime usage, and the highest rate applies to water use that exceeds the summertime average in progressive and increasingly expensive increments.

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The op-ed explained that this approach to rate design will effectively address the usage dynamics of water in the state where half of California's residential water use is attributable to lawns and other outdoor uses. Peak demand in the summer, mainly for outdoor use, increases costs for everyone, it said.

The new tiered structure, according to the editorial, is a more equitable approach that rewards residents who conserve and use water efficiently. The editorial goes on to suggest that it's also an impetus for those who consume heavy volumes of water to find ways to reduce usage such as fixing leaks or upgrading old irrigation systems. Investments in efficiency can therefore pay for themselves in about half the time it would have taken under the previous rate structure.

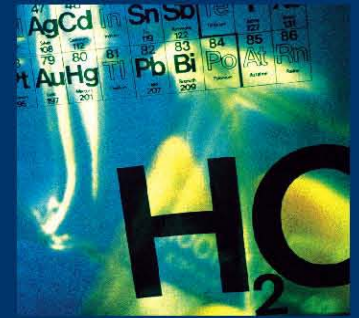
Pérez Announces Committee Chairs for New Legislative Session—

Assembly Speaker John A. Pérez (D-Los Angeles) announced his Assembly leadership team on Dec. 3rd and appointed committee chairs for the 2013-2014 Regular Session. The announcement came as lawmakers launched the new two-year session on Monday. Thirty-nine new members – the highest number of freshmen since 1966 – were sworn in at the Capitol.

"I'm pleased to announce the members of our outstanding leadership team and committee chairs," said Speaker Pérez in a news release. "This talented group represents the diversity of California and offers the leadership, working knowledge, and expertise needed to tackle the important issues facing our state." The Committee appointments, which also took effect on Dec. 3rd, include:

- Water, Parks and Wildlife Committee: Assembly Member Ben Hueso (D-San Diego), Chair
- Environmental Safety and Toxic Materials: Assembly Member Luis Alejo (D-Watsonville), Chair
- Budget Subcommittee #3 on Resources and Transportation: Assembly Member Richard Bloom (D-Santa Monica), Chair

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- Local Government Committee: Assembly Member Katcho Achadjian (R-San Luis Obispo), chair, and Assembly Member Marc Levine (D-San Rafael), Vice Chair.

Leadership appointments include:

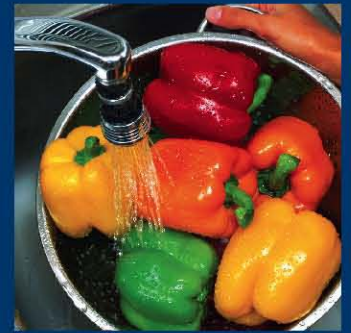
- Speaker pro Tempore: Assembly Member Nora Campos (D-San Jose)
 - Assistant Speaker pro Tempore: Assembly Member Kevin Mullin (D-South San Francisco)
 - Majority Floor Leader: Assembly Member Toni Atkins (D-San Diego)
 - Assistant Majority Floor Leader: Assembly Member Anthony Rendon (D-Lakewood)
 - Majority Whip: Assembly Member Chris R. Holden (D-Pasadena)
 - Democratic Whip: Assembly Member Jimmy Gomez (D-Los Angeles)
 - Democratic Whip: Assembly Member V. Manuel Pérez (D-Coachella)
 - Democratic Caucus Chair: Assembly Member Philip Y. Ting (D-San Francisco)
 - Rules Committee Chair: Assembly Member Nancy Skinner (D-Berkeley)
- The Senate has not yet announced a full list of committee appointments.

DWR Announces 2013 Initial Water Delivery Estimate at 30 Percent—

The Department of Water Resources (DWR) announced Nov. 29th its initial allocation of requested deliveries to State Water Project (SWP) contractors in calendar year 2013. The initial allocation – or water delivery estimate – of 30 percent is always conservative because it is made early in the storm cycle. The state normally receives more than 90 percent of its snow and rain from December through April and the Nov. 29th allocation is expected to increase as more storms are realized.

“This week’s storms are giving us an early water supply boost, while at the same time putting our flood center on alert,” said DWR Director Mark Cowin. The Nov. 29th allocation is largely based on reservoir storage – being boosted by the current storms – hydrologic history and projections. For instance, Lake Oroville in Butte County, the State Water Project’s principal storage reservoir with a capacity of 3.5 million acre-feet, is at 50 percent of capacity, 81 percent of normal for the date. Shasta Lake north of Redding, the federal Central Valley

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Project's principal storage reservoir with a capacity of 4.5 million acre-feet, is at 54 percent of capacity, 88 percent of normal for the date.

The mountain snowpack – which normally provides approximately a third of California's water supply as it slowly melts into streams, reservoirs and aquifers in spring and early summer – currently holds 58 percent of average water content for the date.

Just a normal winter will significantly increase today's allocation of 30 percent of the slightly more than four million acre-feet requested by the 29 public agencies (State Water Project Contractors) that supply SWP water to more than 25 million Californians and nearly a million acres of irrigated farmland. The final SWP allocation this calendar year was 65 percent of requested deliveries. The final allocation was 80 percent in 2011, up dramatically from the initial allocation of 25 percent. The final allocation was 50 percent in 2010, 40 percent in 2009, 35 percent in 2008, and 60 percent in 2007. The last 100 percent allocation – difficult to achieve even in wet years because of Delta pumping restrictions to protect threatened and endangered fish – was in 2006.

Natural Resources Agency Compares BDCP with Peripheral Canal—Bay Delta Conservation Plan (BDCP) Project Director Karla Nemeth, who was the luncheon speaker at CWA's Annual Conference on Oct. 31st, published an editorial on Nov. 28th that compared the currently proposed BDCP dual-conveyance system with the proposed Peripheral Canal of the early 1980s.

She reminded the reader that in 1980, the California Legislature directed the California Department of Water Resources to build a new canal around the Bay Delta for the state and federal water projects, the so-called "Peripheral Canal." Placed before voters in 1982 via the referendum process, the legislation was defeated. The emergence of the new conveyance proposal via the BDCP, she wrote, has prompted a frequently-asked question: Is this the same as the Peripheral Canal?

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Nemeth explained that while BDCP is still under development, it is still possible to compare the legislative approach in 1980 with the multi-agency approach under today's environmental laws and Delta challenges.

She noted, first, that our grasp of the challenges facing the Delta's ecology and water conveyance system has evolved substantially in the last three decades. Our understanding of climate change effects on sea level rise and future hydrologic patterns has greatly advanced, and seismic risks in the Delta are better known. It is now clear that, while freshwater flows provide essential fish habitat, numerous factors have contributed to the ecological collapse of the Delta over time. Reversing the decline of native fish and wildlife species requires many actions, in addition to reconfiguring and re-operating the water conveyance system.

Second, she explained, in the early 1980s, conservation planning for native species and ecosystems was in its infancy. The Natural Community Conservation Planning Act did not exist, but now it's an important regulatory framework for BDCP. It requires, by law, that BDCP conserve Delta ecosystems and native species. In the early 1980s, the effort was primarily focused on only two species, salmon and striped bass. Today, the BDCP identifies 214 biological goals and objectives for the Delta ecosystem and native fish and wildlife species – 57 in all. The BDCP also includes more than 100,000 acres of fish and wildlife habitat in the Delta.

Third, she explained, the BDCP's conveyance proposal is smaller – its 9,000 cubic-feet-per-second (cfs) capacity is 60 percent smaller than the previous Peripheral Canal proposal and 40 percent smaller than existing pumping capacity. The BDCP is designed to respond to the landmark Delta Reform Act of 2009, which mandates a California water future that is less reliant on Delta water supplies. It is only one part of an overall state water plan to bolster local self-sufficiency, reduce consumption, improve water management and reduce reliance on the Delta to meet future needs. Conveyance facilities would also be underground, reducing the permanent surface impacts of the originally envisioned peripheral canal.

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Nemeth concluded that much has changed in California since the 1982 proposal. The BDCP is part of a 21st century solution to restore the Delta ecosystem while providing a reliable water supply for California.

Upcoming Industry Meetings/Conferences/Events:

- December 10, 2012 – CA Dept. of Public Health Infrastructure Funding Stakeholder Committee Meeting (10:00a – 4:00p; 1616 Capitol Mall, Sacramento).
- 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.
- December 12, 2012 – CUWCC 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; Department of Public Health, East End Complex Training Rooms, 1500 Capitol Avenue, Sacramento 95814); J. Hawks will attend.
- December 20, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)
- 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#)
- 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 9th 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)

—CWA—