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The Weekly Wrap



February 1, 2013

No. 2013-4

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Week Ending February 1, 2013

Dry January Brings Snowpack Levels Down to 93% of Normal—Snow surveyors for the California Dept. of Water Resources (DWR) reported January 29th that the parade of snow and water in November and December came to a grinding halt in January when the water content in California's mountain snowpack dropped below average for this date in the water year. Manual and electronic readings recorded the snowpack's statewide water content at 93 percent of average, which means that the content is 55 percent of the average April 1 measurement, when the snowpack is normally at its peak before the spring melt.

As you'll recall, the Sierra snowpack normally provides about a third of the water for California's homes, farms and industries as it slowly melts into streams, reservoirs and aquifers in the spring and early summer.

"We're still seeing decent snowpack conditions due to storms in late November and early December," DWR Director Mark Cowin said in a news release. "Those early season storms also erased the deficit in our reservoir storage, but relatively dry weather this month is once again a reminder that the weather is unpredictable and we must always practice conservation."

Results of the manual readings by DWR off Highway 50 near Echo Summit are as follows:

<u>Location</u>	<u>Elevation</u>	<u>Snow Depth</u>	<u>Water Content</u>	<u>% of Long-Term Avg.</u>
Alpha	7,600 feet	32.5 inches	13.5 inches	64%
Phillips Station	6,800 feet	37.3 inches	12.7 inches	66%
Lyons Creek	6,700 feet	42.6 inches	14.6 inches	74%
Tamarack Flat	6,500 feet	44 inches	14.9 inches	78%

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Electronic readings indicate that the water content in the northern mountains is 97 percent of normal for the end of January and 59 percent of the April 1 seasonal average. Electronic readings for the central Sierra show 90 percent of normal and 54 percent of the April 1 average. The numbers for the southern Sierra are 91 percent of average and 51 percent of the April 1 average.

DWR and cooperating agencies conduct manual snow surveys around the first of the month from January to May. The manual measurements supplement and check the accuracy of real-time electronic readings from sensors up and down the state.

DWR currently estimates that it will be able to deliver 40 percent of the slightly more than 4 million acre-feet of State Water Project water requested for this calendar year by the 29 public agencies that supply more than 25 million Californians and nearly a million acres of irrigated farmland. The delivery estimate may increase as more winter storms develop. The final allocation of State Water Project water in calendar year 2012 was 65 percent of requested deliveries. The last 100 percent allocation – difficult to achieve even in wet years because of Delta export restrictions – was in 2006.

Lake Oroville in Butte County, which can hold 3.5 million acre-feet (maf), is at 75 percent of capacity, 113 percent of average for the end of January. Shasta Lake north of Redding, the state's largest reservoir with a capacity of 4.5 maf, is at 76 percent of capacity, 111 percent of normal for the date. You can access the reservoir level readings at: <http://cdec.water.ca.gov/cgi-progs/products/rescond.pdf>, and the snowpack readings at: <http://cdec.water.ca.gov/cgi-progs/snow/DLYSWEQ>

Water Divison Releases Recycled Water Workshop Report—The California PUC's Divison of Water & Audits (DWA) released its *Recycled Water Workshop Report* (Report) Feb. 1st, a 96-page document (that desperately needs a table of contents) summarizing the five Commission workshops in the Recycled Water Order Instituting Rulemaking (R.10-11-014), the participating parties positions on the myriad subject areas addressed in the OIR and DWA's conclusions and recommendations. The Report contains six attachments, covering:

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1. DWA's recommended "Recycled Water Policy Guidelines" for the CPUC;
2. DWA's recommended "Minimum Criteria Requirements for a Proposed Recycled Water Project;"
3. DWA's recommended "Tier 3 Advice Letter Template for a Proposed Recycled Water Project;"
4. A summary of existing recycled water projects and plans for future recycled water projects for the 10 Class A investor-owned water utilities regulated by the California PUC;
5. A compendium of all the California Water Codes related to water recycling and water reclamation; and
6. Summaries of the first two workshops in 2011 for R.10-11-014 (not sure why DWA did not include summaries of the last three workshops)

The workshop report, while it needs some serious editing, wordsmithing and formatting, reads a little like a Commission Proposed Decision. That is, DWA outlines the issue, summarizes the parties' positions, provides discussion, explains why it is accepting or rejecting a particular party's position, and then offers its recommendation for inclusion in the final Decision. Here is an example from the ratemaking treatment section on page 20 (footnotes omitted):

"DWA in the draft policy guidelines had also recommended that the IOWSUs track in the appropriate memorandum/designated account the cost savings resulting from the replacement of potable water use by recycled water use and similarly the incremental costs and revenue requirement associated with the recycled water project that had been allocated to the pre-existing customer base. CWA in its comments indicates that these two memorandum account items should not be part of the general policy guidelines. DWA concurs with CWA. If memorandum accounts need to be established for tracking any costs savings or incremental costs resulting from a proposed recycled water project, they should be established at the time the project is reviewed. DWA therefore has deleted these two items from the policy guidelines."

Here is a summary of DWA's recommendations:

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- DWA recommends the Commission consider for adoption the recycled water policy guidelines included in Attachment A of this report, developed from information gathered through the workshop process, input from parties and stakeholders, and industry experts participating in the workshops.
- DWA recommends adoption of the Minimum Criteria Requirements (MCRs) included in Attachment B for reviewing and evaluating recycled water projects proposed by the IOWSUs in standalone applications or General Rate Case applications.
- DWA recommends a Tier 3 Advice Letter process for the review of recycled water projects meeting the following criteria:
 - Have a revenue impact of less than 5% of the proposing IOWSU's revenue requirement in the ratemaking area where the project is being proposed;
 - Not requiring an environmental review and/or with all environmental review completed and certified; and
 - Not requiring direct potable reuse as defined by Water Code Sections 13560 (a) et. seq.
- All of the recommended MCRs in paragraph 2 above apply to recycled water projects eligible for review by Tier 3 Advice Letter process, except for the economic analysis.

DWA lists these two issues as areas needing further information or review:

1. Parties should confirm whether the Commission General Order 103-A adequately address[es] the operation and maintenance standards for recycled water facilities, including the Commission's oversight over recycled water quality.
2. This Workshop Report does not address or consider the United States Environmental Protection Agency's (USEPA) 2012 Guidelines for Water Reuse and they should be considered in the Commission's final recycled water policy guidelines.

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CWA Regulatory Attorney Mari Lane will be preparing a memo to the Regulatory Committee next week outlining the areas in the Report on which CWA should comment. The comments on the report are due on March 1st.

LAO Letter Assesses Moving Drinking Water Programs to SWRCB—As reported in the last issue of the *Weekly Wrap*, two bills have been introduced in the Assembly (AB 145-Perea) and the Senate (SB 117-Rubio) that would move the Dept. of Health's (DPH) Division of Drinking Water & Environmental Management to the State Water Resources Control Board (SWRCB). These bills will be among the most watched (and perhaps most contentious) of the 2013 session because of the political implications involved.

As you know, the U.S. Environmental Protection Agency (USEPA) designated DPH is the primacy agency for the Safe Drinking Water Act (SDWA) and the SWRCB is the primacy agency for the Clean Water Act (CWA). This was the logical division of responsibilities, given that the SWRCB is responsible for improving water quality in the state's surface and groundwater resources, while DPH regulates public water systems and drinking water.

The State Revolving Funds (SRFs) were intended to advance the objectives of the SDWA and CWA and were established through amendments to SDWA. The Safe Drinking Water SRF was established in California by the California Safe Drinking Water State Revolving Fund law (Health and Safety Code section 116760 et seq.) in 1997, the Clean Water SRF was established in California Water Code sections 13475 et seq. in the same year.

At the request of Assemblymember Alejo (D-Salinas), Chair of the Assembly Environmental Safety and Toxic Materials Committee, the Legislative Accounting Office (LAO) responded Dec. 20th with a letter to Assm. Alejo that contained a detailed assessment of the administration and performance of the SDWSRF, as administered by DPH's Drinking Water Program. LAO did a comparison with the SWRCB's administration of the CWSRF.

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LAO compared the two SRFs by using USEPA's metrics in its annual program evaluations of the two SRFs in California. These metrics measure the utilization of the fund, the efficiency of fund disbursements, and the return on federal investment. According to LAO, "while the performance of the SDWSRF on these metrics has improved in recent years, it still generally performs less well than the CWSRF and significantly below the national average of the performance of other states' SDWSRFs."

The LAO also looked at differences in rulemaking between the two SRFs and found that SDWSRF rulemaking is subject to the Administrative Procedures Act (APA) processes, while CWSRF rulemaking is not. This, of course, is a key factor because the APA increases the length of time that a rulemaking takes for the SDWSRF.

Other factors found by LAO involved the level of administrative resources, the extent to which SRF resources are leveraged, organizational structure, and the prioritization of projects. For example, the State Water Board charges a service fee on its SRF funding agreements, thereby increasing its budget beyond the federally allowed administrative set-aside of SRF resources. Also, the SWRCB has leveraged its SRF resources by issuing revenue bonds, thereby generating additional resources for CWSRF projects and resulting in a higher return on the federal investment of capitalization funds.

The LAO letter noted several potential solutions to improve the performance of DPH's SDWSRF:

- Enhancing administrative resources for SDWSRF through charging a loan servicing fee;
- The use of leveraging to provide more funds;
- Administering the two SRFs jointly; and
- Increasing the focus of the SDWSRF on "shovel-ready" projects.

The LAO went into further detail on these options and looked at other state models, but stopped short of endorsing the transfer, merely saying "the concept warrants further evaluation." I have a copy of the letter if you'd like to have it.

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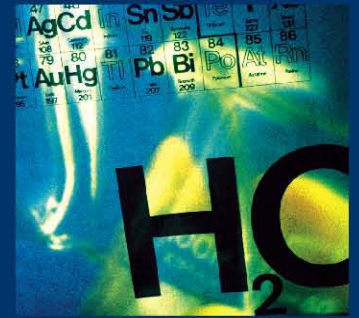
Urban Stakeholder Committee Looks at Method 4—The Urban Stakeholder Committee (USC - on which I sit, along with Suburban Water’s Bob Kelly and Golden State Water’s Edwin DeLeon), which was created from the 2009 20x2020 legislation (SB 7X-7) to establish the fourth target method of compliance with the mandate to reduce per capita water consumption 20 percent by the year 2020, as well as to develop the nine technical urban water use calculation met Jan. 30th in Sacramento for the first time in two years. The purpose of the meeting was to review a draft update of the USC’s charter and to review the initial list of SB X7-7 topics and issues that the USC will cover in 2013 and 2014. Among them are:

- Development of Methodology 8—Criteria for Compliance Year Adjustment;
- Revisions to Method 4;
- Possible changes to the population methodology for suppliers who have a high percentage of vacation second homes in their service areas;
- Revising baselines in the 2015 Urban Water Management Plans (UWMPs) to account for the 2010 census;
- Tracking the State’s progress on 20 x 2020;
- Discussions on:
 - 2015 and 2020 UWMP submittal date
 - Targets for suppliers with baselines below 100 gpcd

During the discussion on the USC’s charter, the Department of Water Resources (DWR) staff revealed that approval of the staff’s proposed revisions would be delayed until April in order to allow a couple of new members to be added to the committee. DWR will be soliciting a new environmental representative and a new member to represent mountain/vacation communities.

During the meeting, there was a spirited discussion on the inconsistencies between the state’s 20% reduction target and the urban water agencies’ calculated targets, which may or may not result in actual 20 percent reductions. Also, it was pointed out that even if all water agencies meet their individual targets, the state may not reach its 20 percent reduction because of population shifts to inland California, where consumption is higher. There was also concern that it will not be possible to comply with the legislative deadline of Jan. 1, 2016, for the next submission of UWMPs.

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The next USC meeting is scheduled for April 25th at the Metropolitan Water District's office in Los Angeles, at which the revised charter will be finalized, decisions will be made on revising Method 4 – probably to separate water loss and landscape water use in the base equation, and how to incorporate the California Urban Water Conservation Council's weather normalization model into Methodology 8's compliance year adjustment protocols.

You can access the relevant USC materials at www.water.ca.gov/wateruseefficiency/sb7/committees/urban.cfm

Results from Water Rates Workshops Highlight Strategies for Success—

Water service providers face key challenges in forecasting and preparing for future water demand, staying fiscally solvent while providing fair prices, incorporating conservation and efficiency, and communicating clearly to customers about rates and service, according to a Jan. 31st Pacific Institute news release.

The Pacific Institute conducted an extensive survey and series of workshops on water rates and finances to better understand how water is priced by more than a thousand different water service providers in California, both public and private – and to help agencies identify effective rate-setting strategies. The resulting “Need To Know: Water Rates” series includes four briefs: Conservation and Revenue Stability, Demand Forecasting, Affordability, and Communication and Education.

The Pacific Institute's “Need To Know: Water Rates” series, released in partnership with the Alliance for Water Efficiency and the Community Water Center, highlights strategies that help water service providers cope with the “new normal” or an era of decreased water demand due to a variety of factors from weather to the economy to increased conservation and efficiency.

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“For California, guaranteeing long-term, sustainable delivery of safe, reliable drinking water includes prioritizing conservation and efficiency, a recognized way to effectively reduce long-term costs, and often the most cost-effective ‘new water supply’ option available,” said Dr. Juliet Christian-Smith of the Pacific Institute. “However, for water agencies, reconciling a conservation message with revenue stability, as well as concern about costs from customers, are key issues.”

The “Need To Know: Water Rates” series includes pointed information and strategies to help water managers plan water rates for conservation pricing and affordability – and to communicate with their customers for best results. Of primary importance is considering the ability of different customers to pay for water. The brief on affordability highlights strategies a number of agencies are already successfully employing to ensure service to low-income customers – such as using existing eligibility requirements from other utilities to automatically enroll customers into assistance plans, with a number of ways to cover the cost of such assistance.

The “Need To Know: Water Rates” series of briefs on Conservation and Revenue, Demand Forecasting, Affordability, and Communication and Education can be downloaded free of charge from the Pacific Institute website at www.pacinst.org/reports/water_rates. A full report on the Water Rates Survey and research will be available in spring 2013.

USEPA Enhances Climate Ready Water Utilities Initiative—Principally as a result of Hurricane Sandy, the U.S. EPA recently updated its November 2012 Climate Ready Water Utilities (CRWU) initiative, which assists the water sector, which includes drinking water, wastewater, and stormwater utilities, in addressing climate change impacts. It has developed some tools to help water utilities better understand climate science and adaptation options. It has created a way to translate complex climate projections into accessible formats designed to help utility owners and operators better prepare their systems for climate change impacts.

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Among the climate change impacts addressed are extreme weather events, sea level rise, shifting precipitation patterns and temperature variability, all of which have significant implications for sustainability by the water sector. USEPA says that by planning for, assessing and adapting to these challenges, the water sector can fulfill their public health and environmental missions and begin the process of becoming climate ready.

To set the foundation for our climate ready efforts, EPA convened a CRWU Working Group under the National Drinking Water Advisory Council (NDWAC) in Fall 2009. Since that time, the NDWAC has produced the following materials, which you can access on-line: [CRWU Report \(PDF\)](#); [Overview of the NDWAC CRWU Working Group Report \(PDF\)](#); [Adaptive Response Framework \(PDF\)](#).

Upcoming Industry Meetings/Conferences/Events:

- [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 7, 2013](#) – CWA Legislative Committee Monthly Conference Call (3:30p – 4:30p; 1.800.250.2600; 86936245#).
- [February 12, 2013](#) – CWA Directors and Executive Committee Meeting (9:30a – 3:30p; California Water Association; 601 Van Ness Ave., Suite 2047, San Francisco 94102).
- [February 12, 2013](#) – Water-Energy Research Initiative of Water in the West/ Stanford Woods Institute and the Bill Lane Center for the American West– "(Re)Aligning California Climate Change Policy and Innovation in the Water/Wastewater Sector" (8:30a – 4:30p; Paul Brest Hall West in the Munger Building; Stanford Law School; Stanford University).
- [February 13, 2013](#) (Wednesday) – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102).

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- 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, 2013 – California PUC Low-Income Oversight Board Water Subcommittee Meeting (10:00a 12:00 noon; Hearing Room D; California PUC; 505 Van Ness Ave., San Francisco 94102); J. Hawks will attend.
- February 20-22, 2013 – Urban Water Institute Spring Conference (Hilton Hotel, 400 East Tahquitz Canyon Way, Palm Springs 92262)
- February 27, 2013 – California PUC Low Income Oversight Board Meeting (10:00a – 4:00p; City of Burbank City Council Chambers; 275 East Olive Ave., 2nd Floor, Burbank 91502); J. Hawks will attend.
- February 28, 2013 – California PUC Open Meeting (9:00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- March 7, 2013 – CWA Legislative Committee (In-person) Meeting – Review of Introduced Legislation (10:00a-3:00p; Nossaman Office; 621 Capitol Mall, 25th Floor, Sacramento 95814)
- March 13, 2013 – California Urban Water Conservation Council Plenary Meeting (9:30a – 3:00p; Inland Empire Utilities Agency – 10435 Ashford St., Rancho Cucamonga, CA 91730; conference Call-in #: 877-273-4202; 4691570#; J. Hawks will attend.
- March 14, 2013 - CWA Directors and Executive Committee Meeting (9:30a – 2:30p; Golden State Water Co., 630 E. Foothill Boulevard, San Dimas, CA 91773).
- March 21, 2013 – California PUC Open Meeting (9:00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- March 25-28, 2013 – AWWA California-Nevada Section Spring Conference (Tropicana Hotel; 3801 Las Vegas Boulevard South, Las Vegas, NV 89109; For Reservations, visit <http://trop.lv/ACyEro>).

—CWA—