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The Weekly Wrap



February 8, 2013

No. 2013-5

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Week Ending February 8, 2013

CWA Submits Support Letters on AB 1, AB 21—CWA began its active engagement of the 2013 legislative session this week with the submittal of two Support letters, signed by CWA Legislative Chair Evan Jacobs of California American Water, addressed to Assembly Member Luis Alejo (D-Salinas), who chairs the Assembly's Environmental Safety & Toxic Materials Committee. Alejo is the author of both bills, which seek to provide assistance to small, disadvantage communities.

AB 1 would appropriate \$2 million to the State Water Resources Control Board for use by the Greater Monterey County Regional Water Management Group to develop an integrated plan to address the drinking water and wastewater needs of disadvantaged communities in the Salinas Valley whose waters have been affected by waste discharges. The bill would require the management group to consult with specified entities and to submit to the Legislature by January 1, 2016, the plan developed by the group.

AB 21 would authorize the Department of Public Health (DPH) to assess a specified annual charge in lieu of interest on loans for water projects made pursuant to the Safe Drinking Water State Revolving Fund, and deposit that money into the Safe Drinking Water Small Community Emergency Grant Fund, which the bill would create in the State Treasury. The bill would authorize DPH to expend the money for grants for specified water projects that serve disadvantaged and severely disadvantaged communities.

In the letter on AB 1, Evan said, "CWA supports the bill's intent, which justly recognizes an immediate need ... to develop affordable and sustainable solutions for disadvantaged communities in the Salinas Valley without safe drinking water ... The water quality crisis in rural areas like the Salinas Valley demands our attention. This is why CWA supports this bill, which moves California in the right direction towards a solution that can provide a model for other regions ..."

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Evan referenced the Class A water companies' low-income rate assistance (LIRA) programs, that CWA was "proud to report in the past decade, our member companies have worked with regulators at the California Public Utilities Commission to implement [LIRA] programs, [helping to ensure] that water service continues to remain affordable for vulnerable populations."

In the AB 21 Support letter, Evan said CWA supported the current draft of AB 21, which creates the Safe Drinking Water Small Community Grant Fund. The letter went on to note:

"The ability to spread costs over larger customer bases often results in lower cost of service per customer. The investment in wellhead protection and treatment often costs about the same for a well serving a community of 14 connections, as it does one with 14,000 connections. Access to state funding is important for small disadvantaged communities facing expensive new investments in treatment and additional operating costs associated with operating more rigorous treatment facilities. This challenge affects many small water utilities, whether they are government-owned or privately owned. We are pleased that current grant descriptions appear to include both categories of utilities."

Both bills are being heard by the ES & TM Committee on Tuesday, Feb. 12th, and CWA will be testifying in support at the hearing.

CWA Files Comment Letter with DWR on Desalination Grant Eligibility—

CWA sent a comment letter Feb. 8th to Rich Mills, Section Chief of the Water Use and Efficiency Branch at the Department of Water Resources (DWR), requesting amendments to the Draft 2013 Water Desalination Proposal Solicitation Package (PSP) to clarify that grant applicant eligibility applies to water utilities regulated by the California Public Utilities Commission (CPUC). Currently, the draft PSP does not include investor-owned water companies (IOWCs) in its list of eligible entities. Accordingly, CWA's letter emphasized that CPUC-regulated water utilities are part of the definition of public utilities, as defined in Section 216 of the Public Utilities Code. It also emphasized that IOWCs' eligibility was and is intended by Proposition 50.

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In fact, the letter provided chapter and verse on how CWA worked with the Governor's Administration and others to clarify that CPUC-regulated public utilities were eligible to receive grant funding from the sale of any general obligation bond authorized by the voters, including Proposition 50. CWA's detailed comments provided the background on water IOU eligibility. It concluded this discussion with a recommendation to add a bullet on page 8 of the draft 2013 Water Desalination PSP that includes "a public utility as defined in Section 216 of the Public Utilities Code.

CWA's second point was to ask DWR to amend the draft PSP to allow IOWCs to apply for "Implementation/Construction Projects, Pilot or Demonstration Projects and Feasibility Studies." Here, CWA explained that in previous PSPs, DWR has stated that "Projects from investor-owned utilities regulated by the California Public Utilities Commission must have a clear and definite public purpose and must benefit water system customers." The comment letter noted, of course, that "Implementation/Construction Projects, Pilot or Demonstration Projects and Feasibility Studies would all have a public purpose and would benefit water system customers."

Interestingly, CPUC President Michael Peevey sent a letter to DWR Director Mark Cowin Feb. 6th, requesting eligibility for CPUC-regulated water utilities. President Peevey made many of the same points as CWA, and he also included this gem: "Investor-owned water utilities serve almost 20 percent of California's population, and their customers pay for all General Obligation Bonds just like every other taxpayer in the State. I'm sure you agree that these customers should not be denied the benefits of bond measures their tax dollars are paying for." Amen.

NARUC Water Committee Focuses on Small Company Solutions—The National Association of Regulatory Utility Commissioners (NARUC) held its annual Winter Committee Meetings in Washington, DC, Feb. 4-7, and the NARUC Water Committee spent its first day focusing exclusively on small water company needs with these subject area discussions:

- "How Much Does Size Matter? Is Big Always Better" – This panel explored the economies-of-scale benefits that larger water systems enjoy and

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featured a small company owner, Dave Monie, President of GPM Associates; a medium size water utility executive, Jeff Hines, President of York Water Company; and a large system executive, Paul Foran, Vice President of Regulatory Programs for American Water. Basically, Dave said no, Paul said yes, and Jeff said sometimes.

- “Big Billing Enhancements for Small Systems” – Here, Heidi Wagner of Lewes (DE) Board of Public Works and Eleanor Wu of Blue Ocean Systems LLC demonstrated a new billing system add-on for small water utilities that they described as a “good, affordable software package option for smaller systems.”
- “Small System Case Studies: The Good, the Bad and the Ugly” – I participated on this panel, along with Kathy Pape, President of Pennsylvania American Water, and Lee Snyder, President of Jefferson Utilities (WV). All of used real-life examples to showcase top-tier small companies in our respective states, as well as those that have fallen from grace, along with attributes of what makes a good small company, and what pitfalls to avoid to keep from falling into the “Bad” or “Ugly” class.
- “West Side Story: Best Practices for Water Sustainability” – Here, Alaina Burtenshaw, Chair of the Nevada PSC, and Stacy Tellinghuisen, Senior Water Policy Analyst for Western Resource Advocates, presented the best practices that western water utilities and western States should adopt in order to deal with the difficult and critical challenges of dwindling supplies and drought in the West.
- “Small Systems Best Practices – Working Group Update” – Sue Daly of the Ohio PUC and Dave Monie provided an update on the best practices under development by this group, plus their recommendations for future action.
- “NAWC Water Policy Forums – Small System Issues and Recommendations” – Here, Gary Harstead and Walton Hill of United Water discussed water loss control and reducing non-revenue water

The agenda for the second day of the Water Committee branched out into other areas of interest to the attendees, including:

- “Marcellus Shale Mitigation – Good Science, Good Habitat, Good Water”

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- “Energy-Water Nexus – Sharing Energy Efficiency and Alternative Ratemaking”
- “Fiscal Cliff Diving – Risks for the Water Sector”
- Return on Equity (ROE) Actual Performance – Beyond Best Practices”
- “40-Year Review of the Clean Water Act”
- “Water Research Foundation Programs and Updates”
- “Jumping Headfirst into Cooling Water”

You can access a number of the Water Committee presentations at:
<http://naruc.org/meetingpresentations.cfm?93>.

Among the other highlights of the NARUC meeting was a dinner with California PUC Commissioner Catherine Sandoval and her Advisor, Bill Johnston. Joining us were Golden State Water President and CEO (and current NAWC President) Bob Sprowls; California American Water President Rob MacLean; San Jose Water Senior Vice President Palle Jensen; Suburban Water Vice President Bob Kelly; Golden State Water Vice President Keith Switzer; Cal Water Regulatory Counsel Natalie Wales; San Jose Water Director of Supplier Diversity & Community Outreach Charmaine Jackson; and Golden State Water Manager of Supplier Diversity Emma Maxey.

Finally, I was pleased to represent CWA at the NAWC dinner on Feb. 6th at which I presented a retirement gift from CWA to NAWC Deputy Director Sharon Gascon, who is retiring. Like our own Sharun Carlson, Sharon Gascon will continue with NAWC on a limited basis, providing event management services as a consultant. Congratulations to Sharon on her retirement and on all the accolades she received at the dinner (especially from the state PUC commissioners who spoke).

State Board Finds Reliance on Contaminated Groundwater Sources—A significant number of California communities rely on a contaminated groundwater source for their drinking water supply – requiring a comprehensive treatment effort to ensure safe drinking water to the communities, according to a report submitted Feb. 4th to the Governor and Legislature by the State Water Resources Control Board (State Water Board or SWRCB). Arsenic and nitrate are

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the most common contaminants detected in groundwater sources that must be treated before public use.

The report was prepared with data, input, and support from other state agencies, including the California Department of Public Health (CDPH), which is charged with ensuring safe drinking water is available to state residents. The report identifies communities that rely on contaminated groundwater sources for their drinking water. It also identifies contaminants and chemical constituents in the groundwater, and potential solutions and funding sources to clean up or treat groundwater, or to provide alternative water.

More than 95 percent of California's 38 million residents get their drinking water from a public water supply and, of that number, 98 percent are served safe drinking water, according to CDPH. Although many water suppliers draw from contaminated groundwater sources, most suppliers are able to treat the water or blend it with cleaner supplies before serving it to the public.

"Groundwater contamination remains a challenge, requiring effort by community water systems to ensure their customers are delivered water that is safe to drink," said State Water Board Executive Director Tom Howard in the release. "This report offers substantive data on the types of contaminants and the extent of groundwater contamination, while offering several options to improve water quality to those residents who need it most."

From 2002-2010, 680 (out of 3,037) community water systems serving nearly 21 million residents, relied on a contaminated groundwater source affected by one or more 'principal contaminants', that is, a chemical detected above a public drinking water standard on two or more occasions during a cycle. Thirty-one principal contaminants were identified: arsenic was the most detected naturally-occurring principal contaminant (287 community water systems), and nitrate was the most detected human-caused principal contaminant (205 community water systems).

Of the 680 community water systems, 507 (75 percent) rely entirely on groundwater. Community water systems that are entirely reliant on

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groundwater may be highly vulnerable to groundwater contamination, since these systems may not have alternative, uncontaminated sources of water. Some community water systems cannot afford treatment or they lack alternative water sources and have served water that exceeds a public drinking water standard.

Most of the 680 community water systems are located in the Southern California Inland Empire, the east side of the San Joaquin Valley, the Salinas Valley, and the Santa Maria Valley. The three counties with the most community water systems of this type are Kern, Tulare, and Madera.

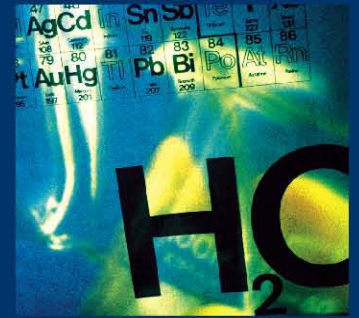
The report outlines three broad solutions to address this public health concern, including pollution prevention or source protection, cleanup of contaminated groundwater, or providing safe drinking water through treatment or alternative supplies. The report also notes that public funding sources to address groundwater supply and contamination issues are limited.

The U.S. Environmental Protection Agency estimates California will need \$40 billion during the next 20 years for infrastructure development and improvements to ensure the delivery of safe drinking water. These funds may come from a number of sources, including self-financing, contributions from ratepayers and customers, local government fees, federal and state funding sources, and local loans and grants.

The findings in the report do not reflect private domestic wells or other unregulated water systems since the state does not require sampling of those wells. Consequently, a comprehensive database for these groundwater sources does not exist. The report is a requirement of AB 2222 (Caballero, Chapter 670, Statutes of 2008).

For a copy of the report and other related information, you can access:
www.waterboards.ca.gov/water_issues/programs/gama/ab2222/index.shtml.

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SWRCB Chair Charles Hoppin Announces Retirement—The State Water Resources Control Board announced Jan. 31st that Board Chair Charlie Hoppin has decided to conclude his service on the Board in Spring 2013.

Hoppin, of Yuba City, said in a statement, “It has been an honor serving on the State Water Resources Control Board for the past seven years. I want to thank the administration for supporting my chairmanship and my fellow board members for working so hard to responsibly manage and improve the quality and supply of water in California. As I transition out of this role, I look forward to spending more time on my farm and with my family.”

Hoppin was appointed to the Board in 2006 and has served as chair since 2009. He is a partner in a family farming operation in Yolo and Sutter counties that grows fresh market melons, rice, walnuts, and a variety of small grains and oil seed.

He serves on the California State University Advisory Committee. Prior to his appointment to the State Water Resources Control Board, Hoppin served as advisor to then Governor Pete Wilson during the 1997 California Flood Recovery Effort, a Board Member of Sutter Mutual Water Company, and a Member of the State Board of Food and Agriculture. He is the immediate past Chairman of the California Rice Industry Association.

B&C News Features NAWC's 'Water Is Your Business'—Those of us in California got a pleasant surprise Feb. 8th when the Brown & Caldwell Daily Water News featured the National Association of Water Companies (NAWC)/U.S. Chamber of Commerce announcement Feb. 6th of the launch of *Water Is Your Business*. As you may know, the *Water Is Your Business* campaign is designed to dramatically increase local dialogue, informed by facts, on the critical need to (1) address the nation's decaying water infrastructure, and (2) to mobilize communities to become actively involved in finding solutions to the challenge.

The NAWC/Chamber joint news release explained how communities across the county are relying on a water infrastructure that is “outdated, overused and underserviced.” Water mains are particularly at risk, they said, now breaking at an astounding rate of 650 per day, or 240,000 every single year. Further, this

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number is expected to increase with the majority now approaching the end of their useful lives. As we have all seen, these breaks have serious health and economic implications, often halting or impeding clean, safe and reliable water delivery for days on end.

"*Water Is Your Business* is about action, and every citizen, family and business has a role to play in calling for investment in water infrastructure, not only for health and safety reasons, but because adequate investment creates jobs and spurs economic growth," said NAWC Executive Director Michael Deane in the release. "By providing a fact-based, interactive look at the reality of water infrastructure issues facing our nation, we can help end the 'out of sight, out of mind' mentality that has kept investment at insufficient levels. We must work together to find solutions now, rather than waiting until the costs are too high."

"No business can be started or maintained without a safe and reliable water supply, but our infrastructure – once a marvel of the modern world – has been stretched beyond its capacity and has fallen into disrepair," said Janet Kavinoky, executive director of Transportation and Infrastructure, U.S. Chamber of Commerce. "By modernizing our national water infrastructure, we can improve commercial efficiency, increase U.S. competitiveness in the global economy, and create much-needed jobs in the near term."

The news release concluded with familiar statistics, particularly the U.S. Environmental Protection Agency's estimate of the cost of repairing, replacing, and upgrading aging water and wastewater infrastructure – more than \$600 billion over the next 20 years. Most of that funding will be spent at the local level, and the two organizations have set up a *Water Is Your Business* website as a tool that public leaders, businesses, and the general public can use to make the case for immediate investment in U.S. water infrastructure.

The site includes current facts and figures, information and content about the realities of U.S. water infrastructure, and asks visitors to join the campaign and share it with their networks. It can be viewed at <http://www.waterisyourbusiness.org/>.

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Upcoming Industry Meetings/Conferences/Events:

- 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).
- 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)

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- 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—