

# The Weekly Wrap

# June 1, 2012



No. 2012-22

TO:	CWA Member Companies
FROM:	Jack Hawks, Executive Director
SUBJECT:	Highlights for the Week Ending June 1, 2012

<u>Assembly Passes Sweeping Recycled Water Bill</u>—By a 62-11 vote, the California General Assembly passed AB 2398 (Hueso) on May 29<sup>th</sup>. You may recall that this is the comprehensive recycled water bill introduced by Assembly Member (Assm.) Ben Hueso (D-Chula Vista), and it would enact the Water Recycling Act of 2012 by consolidating current water recycling statutes that are scattered throughout the Water Code and the Health and Safety Code. The measure, which has broad water utility industry support (including CWA, which will be sending a new Support letter next week), also would also establish a statewide goal of recycling 1.5 million acre-feet of water by 2020 and 2.5 million acre-feet by 2030.

WateReuse Association is the lead sponsor of the bill, and it describes the bill's provisions as follows:

- It consolidate existing statutes to the fullest possible extent in a new water code division called "Water Recycling," thus making them simpler and more accessible to regulators, project proponents and other stakeholders. WateReuse makes the point that creating a separate water recycling section in the code distinct from the sewage and receiving water statutes in the Porter-Cologne Act communicates the State's commitment to recycling.
- It regulates recycled water as a water resource, not a waste, while maintaining all environmental and public health protections in current law. Again, WateReuse points out that this bifurcation positions development of recycled water in communities where the waste stigma holds back recycled water project development. The logic is that full development of potable water reuse, which is needed to achieve the State Water Resources Control Board's (SWRCB) recycling goals, cannot occur using a waste.





- It simplifies and standardizes recycled water permitting. Recycling is currently permitted inconsistently throughout the State using five different permits with widely ranging requirements. In WateReuse's view, unnecessary permit complexity and stringency "has created a contagion of reduced confidence in recycling" that would be eliminated by the revised and simplified permitting program. In addition, the Department of Public Health (DPH) would have permitting primacy for projects involving exclusively advanced treated purified water. DPH would consult with the Regional Water Quality Control Boards (RWQCBs) regarding protection of water quality objectives in the manner that RWQCBs currently consult with DPH prior to approving recycling permits.
- It creates a clear statutory foundation for potable reuse as envisaged in Senate Bill 918 (Senator Fran Pavley's chaptered 2010 bill that requires uniform recycling criteria for indirect potable reuse and surface water augmentation and that requires a feasibility study of direct potable reuse). The schedule for development of potable reuse regulations established in SB 918 would be preserved and funded.
- It provides reliable revenue for the SWRCB and DPH to support recycled water regulatory programs such as development of regulations for surface water augmentation, evaluation of direct potable reuse, and updates/revisions to Title 22 of the California Code of Regulations.
- It reduces energy consumption and greenhouse gas emissions. WateReuse makes the requisite political point that potable reuse in southern California, which would be enabled by AB 2398, would use less energy than importing water from northern California and the Colorado River, and less energy than ocean desalination.

The day before the Assembly floor vote, Assm. Hueso arranged for a lengthy article in the San Diego Union extolling the virtues of the bill. It began by saying that every year California dumps enough wastewater into the ocean to fill Lake Oroville. It went through the reasons for the run-off (e.g., there is a "natural recoil to drinking water that has been flushed down the toilet, even after it's been cleaned"; "a Byzantine array of regulatory controls"), but it also noted significant concern over the bill from the environmental community because of cost, relaxed standards, etc.





"In view of the rapidly growing body of scientific evidence of the drastic effects of poorly regulated discharges of toxic materials into our waterways on aquatic and human life, a proposal to reduce the standards for discharge of treated, but still contaminated, waters is not defensible," said a retired federal geologist. Other environmentalists indicated their uncertainty with the complexity of the more than 70 pages of Hueso's proposed changes to the current highly technical state law.

Hueso kept his eye on the ball, however. "My bill has the impact of creating more storage across the state without big expensive dam projects," he said. "We are pouring perfectly drinkable water into the ocean" that, he noted, could be treated up to health standards.

Interestingly, the article let the Metropolitan Water District of Southern California have the last word. "As far as recycled water goes, it's the most important bill in the last 20 years," said Deven Upadhyay, MWD water resources manager.

AB 2398 has been referred to the Committee on Rules in the Senate and is awaiting assignment to the respective policy committees.

**New PPIC Report Ties Water Sustainability to Economic Growth**—The Policy Institute of California (PPIC) released a new report May 30<sup>th</sup>, which concludes that California's economy can grow and prosper despite droughts and water shortages caused by a changing climate—but only if threats to the water system are addressed now. The report represents a consensus view of a wide-ranging group of experts on the role of water in the state's economy.

The report demonstrates how vital water is to California's economy, and notes that state has weathered droughts, supported a growing population and built a world-class economy, thanks in part to innovations in water management. Among those innovations more efficient use of water, water markets, reuse of highly treated wastewater, and underground storage, or water "banking." PPIC's principal theme is that continued expansion of these tools will allow California to manage future water shortages.

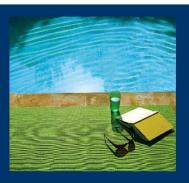




Paradoxically, the report says, a major reason for the state's resilience, despite the general scarcity of water, is that its economy has evolved to become less reliant on water-intensive activities. The report's 15 authors point to key trends—expected to persist—that shed light on the role of water in the economy:

- Agricultural water use has declined since the 1980s. Farmers have improved irrigation efficiency and shifted toward crops that generate more value and profits per volume of water used, such as fruits, nuts, vegetables, and plants for horticultural use. Although agriculture is highly dependent on irrigation water—which accounts for about three-quarters of all business and residential use—it is now a small share of the state's economy. Agriculture and related manufacturing make up just 2 percent of state GDP and 4 percent of all jobs.
- Urban water use has leveled off since the mid-1990s despite population growth. Appliances such as low-flow showers and toilets have generated much of the savings in water use. There is still considerable room for increased conservation among California households, particularly in landscaping, which accounts for at least half of all urban water use.
- The manufacturing and service industries account for a small fraction of total water use. These sectors have improved efficiency by using advanced appliances—such as prewash spray nozzles in restaurants—switching to recycled wastewater, and reducing outdoor watering. There is still room for cost-effective conservation in these areas, as well.
- Demand for environmental water is growing. Societal demand for healthy watersheds is reflected in the passage of environmental laws beginning in the late 1960s and approval of billions of dollars in state general obligation bonds focusing on better water quality and other environmental issues. Although meeting environmental demands for water poses a funding challenge, healthy watersheds offer numerous economic benefits: maintaining California as a desirable place to live and work; making it possible to attract and retain a highly productive workforce and businesses that create jobs; supporting commercial and recreational fisheries and other forms of recreation; and allowing cities to save millions of dollars annually in water treatment costs.





"California's economy is less dependent on large volumes of water for production," says Ellen Hanak, PPIC senior policy fellow and one of the report's authors. "Water use efficiency is increasing in all sectors, and there is considerable opportunity to build on this progress."

Contrary to conventional wisdom, the report says, the primary concerns about water are neither periodic drought nor long-term decline in water availability from climate change. PPIC notes that California has the ability to manage water shortages by using surface reservoirs and groundwater basins to "bank" water for dry years, and tools such as drought conservation programs and water markets to voluntarily reallocate water. The real concerns, the report says, are:

- Catastrophic disruptions in the water supply. Many parts of the water system—particularly the Sacramento–San Joaquin Delta—are vulnerable to earthquakes. Delta levee failures in late summer, autumn, or any time of drought—when there is little fresh water in the watershed—could draw in salt water from San Francisco Bay, potentially ending water exports for up to two years. Other water supply networks around the state are also at risk.
- Continuing uncertainty about the reliability of water supplies. Long-term uncertainty discourages business and infrastructure investments. The biggest single source of unreliability is the Delta, given its importance as a supply source for much of the state. To reduce uncertainty, it is essential that the debate be resolved about whether to build new conveyance to route water under or around the Delta or implement an alternative solution.
- **Declining groundwater basins.** Groundwater accounts for roughly a third of agricultural and urban water use statewide, but in many parts of rural California it is not managed effectively. As a result, more water is pumped out than is replenished and nitrates from fertilizer seep into the aquifers. This is a particularly acute problem in the Tulare Basin—covering large parts of Fresno, Kern, Tulare, and Kings Counties—and the Salinas Basin in Monterey County. The lack of effective regulation of groundwater threatens the long-term viability of agricultural production and raises the cost of drinking water treatment.





• Increasing risk of catastrophic floods. Flood protection is chronically and woefully underfunded. Federal and state policies allow new development in floodplains without requiring adequate flood protection.

"As great as these challenges may seem, they do not need to limit California's growth if we take actions to manage water wisely," says co-author Jay Lund, director of the Center for Watershed Sciences at the University of California, Davis, and adjunct policy fellow at PPIC. "Many of the changes needed to secure future prosperity require proactive leadership—from policymakers and from the business community."

The report, *Water and the California Economy*, was supported with funding from the S.D. Bechtel, Jr. Foundation. You can access it at: <u>http://www.ppic.org/main/publication.asp?i=1015</u>

## EPA and VA Department Plan to Connect Veterans with Water Sector Jobs-

The U.S. Environmental Protection Agency (EPA) and the U.S. Department of Veterans Affairs (VA) Vocational Rehabilitation and Employment Program announced a memorandum of understanding on May 31<sup>st</sup> that I am interested to see how it will be picked up in California by the California PUC, the Dept. of Water Resources, the Governor's Office, etc. The purpose of the MOU is to connect veterans with disabilities to career opportunities in the water and wastewater sectors -- such as at wastewater plants and drinking water facilities -- as part of EPA's Water Sector Workforce Initiative. EPA's news release said the effort will be beneficial to both the environment and economy as clean water and job placement for veterans are top priorities.

The agreement allows EPA and VA to connect qualified veteran employees with staffing needs at water and wastewater utilities. EPA and the VA will work with water utilities, states and local VA counselors to promote water sector careers and resources for finding water jobs for veterans as well as educational programs to help veterans transition into careers in water industries.





"This agreement comes at the perfect time to address the predicted workforce shortages in the water and wastewater industries and the need for transitioning veterans into civilian jobs," said Nancy Stoner, acting assistant administrator for EPA's Office of Water, in the release. "EPA believes that well-trained and experienced water sector professionals are vital to ensuring sustainable, properly operated systems."

"VA has cultivated relationships with both public and private industry to ensure disabled veterans have opportunities to find and maintain meaningful employment," said Under Secretary for Benefits Allison A. Hickey. "We are thrilled to forge this relationship with EPA to assist them with hiring veterans through our Vocational Rehabilitation and Employment Program."

More than one-third of all current water operators are eligible to retire within seven years and, according to the U.S. Department of Labor, employment for water and wastewater operators is expected to grow by 20 percent between 2008 and 2018, faster than the national average for all other occupations. EPA sees the need to invest now in creating a pipeline of future water sector professionals to fill these essential water sector careers.

VA's Vocational Rehabilitation and Employment Program assists more than 100,000 disabled veterans annually prepare for, find, and maintain meaningful careers. Veterans are an important target group for water and wastewater utility jobs because many veterans already possess training and technical skills that are directly transferable to careers in the water sector.

There is a wide spectrum of water sector careers that veterans could be qualified for, including engineering, laboratory and water science, operations and maintenance, management and administration, communications, and public education. The Vocational Rehabilitation and Employment Program further supports veterans for the water workforce by providing necessary accommodations and additional training as needed. More on EPA's Water Sector Workforce Initiative can be found at: <u>http://water.epa.gov/infrastructure/sustain/ws\_workforce.cfm</u>.

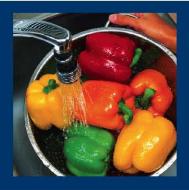




Last Chance to Register for CWA's Spring Conference—The California Water Association's Spring Conference is on Thursday, June 7<sup>th</sup> at the Citizen Hotel in Sacramento. Valencia Water Senior Vice President Greg Milleman is presiding over a meaty agenda, and we have a number of heavyweights in our industry on the program. If you haven't registered yet, I strongly encourage you to do so now at <u>www.calwaterassn.com</u>. Just click on the Spring Conference illustration on the home page, and it will take you to the registration link. For those in Northern California, even if you can attend just the main conference on Thursday, it will be worth the drive to Sacramento. Here's the final program. Feel free to call Sharun Carlson (562.404.1993) or me (415.561.9650) if you have any questions.

7:45 a.m. – 8:30 a.m.	Registration – Continental Breakfast
8:30 a.m. – 8:45 a.m.	Welcome – Greg Milleman
8:45 a.m. – 9:15 a.m.	Opening Keynote Address Hon. Jean Fuller - Vice-Chair,
	Senate Energy, Utilities & Communications Committee;
	Introduction by Meg Catzen-Brown, Nossaman LLP
9:15 a.m. – 10:15 a.m.	Water, the Media and What to Expect
	Moderator Shannon Dean, California Water Service
	Sacramento Bee Matt Weiser
	Randle Communications Kevin Riggs
	Sacramento Suburban WD Rob Roscoe
10:15 a.m. – 10:30 a.m.	Networking Break
10:30 a.m. – 11:30 a.m.	Addressing Local Water Supply Needs: Stormwater
	Capture; Grey Water; and Recycled Water – Moderator
	Greg Milleman
	Mark Pestrella, LA County Dept. of Public Works
	Paula Kehoe, San Francisco PUC
	George Tchobanoglous, Emeritus Professor – UC-Davis
11:30 a.m. – 12:00 p.m.	Spotlight on Rates and Revenue Stability
	Janice Beecher; Director, Institute of Public Utilities
12:00 p.m. – 1:30 p.m.	Luncheon Speaker Tony Quinn,
	Co-Editor – California Target Book





1:45 p.m. – 2:30 p.m.	<b>DRA/DWA: Managing the Spotlight on the CPUC</b> Moderator Tom Smegal, California Water Service Matthew Marcus; DRA Dep. Dir. for Water & Telecom Rami Kahlon; Director, Div. of Water & Audits
2:30 p.m. –3:00 p.m.	Reconciling Conservation and Conservation Rates
	Tom Ash; Tom Ash Consulting
3:00 p.m. – 4:00 p.m.	Utilities in the Legislative Spotlight
	Moderator Meg Catzen-Brown, Senior Policy Advisor,
	Nossaman LLP
	DaVina Flemings; Prin. Consultant – Utilities & Commerce
	Committee
	Kathleen Cole; Metropolitan Water District
4:00 n m. Closing Bomarks	Crog Milloman

4:00 p.m. Closing Remarks Greg Milleman

Agenda Highlights for the June 7<sup>th</sup> California PUC Open Meeting—The California PUC has posted its agenda for the June 7<sup>th</sup> 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

Item 7 – Res W-4917; Penngrove Water Company's General Rate Increase to Produce Additional Annual Revenue in Test Year 2012. Advice Letter No. 82 filed on November 7, 2011 - Related matters. Proposed outcome:

- To file a supplemental advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B.
- Authorizes increase in its annual revenues by \$26,016 or 2.7%, based on reasonable rates for 2012.
- When Altos Sonoma Corporation files its next general rate increase for Penngrove Water Company, the 30% allocation shall apply for all combined operations.

Estimated cost: \$26,016 or 2.7%. http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC\_ID=580355





**Item 10 – A.11-06-005**; **San Gabriel Valley Water Company's Recycled Water Project's Settlement Agreement.** In the Matter of the Application of San Gabriel Valley Water Company for Authorization to Implement Discounted Rates for Recycled Water Service and Apply Facilities Fees in its Fontana Water Company Division in accordance with a contract with the City of Fontana. Proposed outcome: Adoption of two-party settlement between San Gabriel Water Company and the Commission's Division of Ratepayer Advocates for authorization of recycled water distribution project. Estimated cost: Approximately \$6 million capital cost. (Comr Simon - ALJ Weatherford)

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC\_ID=E59947

Item 13 – Res ALJ-280; Change of the Preliminary Determination Made by the Assigned Commissioner Regarding the Category of Investigation 12-03-008 Re Golden Hills Sanitation Company. Proposed outcome: Approves the change via the Assigned Commissioner's Ruling Amending Scoping Memo, of the preliminary category determination of I.12-03-008 from adjudicatory to ratemaking. Ex Parte Rule 8.3(b) continues to apply for all issues within the scope of I12-03-008 (See Ordering Paragraphs 2 and 3 of I12-03-008). Estimated cost: None. http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC\_ID=580961

Item 14 – Res W-4920; Lewiston Valley Water Company, Inc.'s Transfer of all assets from Chris Erikson to Lewiston Community Services District. Advice Letter Nos. 10 and 8-S filed on April 9, 2012 - Related matters. Proposed outcome:

- By Advice Letters Nos. 10 and 8-S, the request by Lewiston Valley Water Company, Inc. (LVWC) to sell and by Lewiston Community Services District (LCSD) to buy is granted, conditioned upon permits from the CA Department of Public Health and the Regional Water Quality Board to operate Lewiston's water and sewer systems.
- LVWC shall pay the Public Utilities Reimbursement Fee and submit its Annual Fee Statement for the California Public Utilities Commission Reimbursement Account.





- After sale, LVWC is no longer required to provide regulated water service to customers of LVWC.
- Within 10 days of the sale, the LCSD must notify the Director of the Commission's Division of Water and Audits in writing that the sale has been completed.
- Pursuant to Public Utilities Code Sections 851-854, the sale of Lewiston Water and Lewiston Sewer to the LCSD is found to be in the public interest and is approved contingent upon the orders noted above.

Estimated cost: None.

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC\_ID=581948

**Item 19 – A11-06-001; Catastrophic Event Memorandum Account for Golden State Water Company on Behalf of its Bear Valley Electric Service Division.** In the Matter of the Application of Golden State Water Company on Behalf of its Bear Valley Electric Service Division, for Approval of Booked CEMA Costs and Recovery of Costs in Rates. Proposed outcome: Adopts All-Party Settlement Agreement regarding costs booked into Bear Valley Electric Service's (a division of Golden State Water Company) Catastrophic Event Memorandum Account. Estimated cost: \$796,080. (Comr Sandoval - ALJ Semcer)

http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC\_ID=581334

## Regular Agenda - Water/Sewer Orders

**Item 36 – A10-07-007; Authorizing Rate Increases in All Districts of California American Water Company, Inc. for the Years 2011, 2012, 2013 and 2014.** Application of California-American Water (U210W) for Authorization to Increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the 2012, by \$9,897,200 or 4.92 % in 2013, and by \$10,874,600 or 5.16% in the year 2014.

Proposed outcome: Grants in part and denies in part three joint motions for adoption of partial settlement agreements between the various parties and resolves disputed issues.





Estimated cost: Adopted Revenue Requirement for 2012 Percent Increase Larkfield -\$3.1 million 26.68% Los Angeles - \$27.3 million 19.81% Monterey - \$49.2 million 17.87% Monterey Wastewater - \$3.4 million 8.76% Sacramento - \$49.4 million 29.92% San Diego - \$19.6 million 1.47% Toro - \$728,400 76.6% Ventura - \$29.3 million -4.91%. (Comr Florio - ALJ Rochester) http://docs.cpuc.ca.gov/Cyberdocs/AgendaDoc.asp?DOC\_ID=E581417

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

- June 5, 2012 Public Policy Institute of California "Water and the Economy" (9:00a – 1:30p; Sheraton Grand Hotel, Magnolia Room; 1230 J St., Sacramento 95814); J. Hawks will attend.
- June 6-8, 201 2 CWA Annual Spring Conference/Regulatory, Small Company Seminar/Directors Meeting (1:00p on June 6; adjourns at 11:00a on June 8; Citizen Hotel; 926 J St., Sacramento 95814)
- June 7, 2012 California PUC Open Meeting (9: 00a 12:00p; 505 Van Ness Ave., San Francisco 94102)
- June 10-13, 2012 Western Conference of Public Service Commissioners Annual Meeting (8:00a – 5:00p; Sunriver Resort; 17600 Center Dr., Sunriver, OR 97707); J. Hawks will attend in part.
- June 13, 2012 California Water Awareness Campaign Board of Directors Meeting (10:00a – 12:00n; 910 K St., Sacramento 95814); J. Hawks will attend.
- June 18, 2012 National Association of Water Companies Government Relations Committee Meeting (9:30a – 3:30p; Hyatt Regency Capitol Hill; 400 New Jersey Ave., N.W. Washington, DC 20001).
- June 19-20, 2012 California PUC Workshop Draft Resolution L-436 (9:30a 4:00p; Golden Gate Conference Room; 505 Van Ness Ave., San Francisco 94102); J. Hawks will attend the first day.
- June 19-20, 2012 National Association of Water Companies Annual Report to Congress/Two-Day Fly-In (9:00a – 5:00p; Hyatt Regency Capitol Hill; 400 New Jersey Ave., N.W. Washington, DC 20001).





- June 19, 2012 CUWCC Advanced Metering Infrastructure Symposium (8:30a 4:30p; LA Dept. of Water & Power; 1350 S. Wall St., Los Angeles, CA 90021)
- June 20, 2012 CUWCC Plenary Meeting (9:30a 3:00p; LA Dept. of Water & Power; 1350 S. Wall St., Los Angeles, CA 90021).
- June 21, 2012 California Dept. of Water Resources State Water Plan Update Advisory Committee Meeting (9:00a – 4:30p; Cal EPA Building; 1001 I St., Sacramento 95814); J. Hawks will attend.
- June 21, 2012 California PUC Open Meeting (9: 00a 12:00p; 505 Van Ness Ave., San Francisco 94102)
- June 27, 2012 California Water Association Annual Northern California Business Opportunities Fair (7:30a – 11:30a; San Ramon Valley Conference Center; 3301 Crow Canyon Road, San Ramon, CA 94583).
- June 27-28, 2012 California PUC Recycled Water OIR Workshop #4 (9:30a-4:30p both days; CPUC Auditorium; 505 Van Ness Ave., San Francisco)
- July 10-12, 2012 CWA Annual Budget Planning Meeting Tenaya Lodge; Fish Camp, CA (Yosemite).
- July 12, 2012 California PUC Open Meeting (9: 00a 12:00p; 505 Van Ness Ave., San Francisco 94102)
- July 22-25, 2012 National Association of Regulatory Utility Commissioners Annual Summer Committee Meetings (10:45a – 5:15p Committee on Water Meetings; Hilton Hotel - Broadway Room - 921 SW 6th Ave, Portland, OR 97204); J. Hawks is presenting CWA's Small Company Assistance Program to the Water Committee on July 24<sup>th</sup>).
- <u>August 8, 2012</u> California Urban Water Conservation Council Board of Directors Meeting (9:30a – 3:00p; Regional Water Authority, 5620 Birdcage Street, Ste 180, Citrus Heights, CA 95610
- <u>August 9, 2012</u> CWA Directors Meeting (9:30a-2:30p; California American Water; 1033 B Ave., Suite 200, Coronado, CA 92118); J. Hawks will attend.
- <u>August 15, 2012</u> ACWA Annual Regulatory Summit (8:00a 5:00p; Doubletree Hotel, 1 Doubletree Dr., Rohnert Park, CA 94928); J. Hawks will attend.
- <u>August 23, 2012</u> California PUC Open Meeting (9: 00a 12:00p; 505 Van Ness Ave., San Francisco 94102)