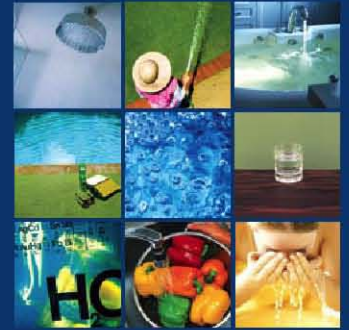


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The Weekly Wrap



August 10, 2012

No. 2012-32

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Week Ending August 10, 2012

Legislature Returns; Perez Announces New Committee Chairs—In her monthly legislative report to CWA's Board of Directors on Aug. 9th, Nossaman Senior Policy Advisor Meg Catzen-Brown reported that the Legislature returned to Sacramento from its summer recess on Aug. 6th, ready (in her words) "for the four-week sprint to the August 31st adjournment of the 2011-12 Legislative Session." There is much going on right now, as all bills must clear their policy and fiscal committees and be reported to the floor of each house by Friday, Aug. 17th.

The big news this week was that Assembly Speaker John A. Perez announced several committee chair changes, effective today. Among those relevant to the water industry were the appointments of: Assemblymember (Assm.) Ben Hueso (D-San Diego) to Chair of the Water, Parks & Wildlife Committee (replacing termed-out Assm. Jared Huffman); Assm. Mike Gatto (D-LA) to Chair of Assembly Appropriations (replacing termed-out Assm. Felipe Fuentes); Assm. Luis Alejo (D-Watsonville) to Chair of Environmental Safety & Toxic Materials (replacing Bob Wieckowski, who becomes Chair of Judiciary Committee); and Assm. Nora Campos (D-San Jose) to Vice-Chair of Local Government (replacing Alejo). Hueso's tenure may be short-lived, however. The word is that he will seek (and win) the District 40 Senate seat, replacing Democrat Juan Vargas who is running for Congress. There will likely be a new chair by January.

A member of the Speaker's staff was later quoted as saying that the Speaker wanted to give the incoming chairs an "opportunity to get their feet wet ... and start researching the policy issues" prior to the start of the new session in December. The Speaker also announced several leadership changes to take place on Sept. 1st (after adjournment of the 2011-12 session), including the appointment of Assm. Toni Atkins (D-San Diego) to Majority Floor Leader.

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Most of the bills that CWA has been following this year that are still alive are being heard in their second house Appropriations committees between now and Aug. 16th; measures that are sent to the Appropriations committees' suspense files will be revisited at the end of next week.

Senate Bill (SB) 1364 (Huff), which as amended, will change the customer noticing process for water company rate cases, is moving without opposition, and will likely be taken up on the Assembly floor next week. SB 1063 (Gaines), which would allow swimming in Bear Lake Reservoir (the source of water for CWA member Lake Alpine Water Co.), is also moving without opposition. The bill will wait on the Assembly floor while various committee consultants work on amendments to address concerns raised by Senator Joe Simitian (D-Palo Alto).

Assembly bills now under consideration in the Senate include AB 1650 (Portantino), which would require electric and large water utilities to file emergency response plans with the CPUC. The bill was amended Aug. 6th to incorporate amendments adopted in Senate Energy, Utilities & Communications Committee, among which give the CPUC discretion to determine whether it will require the same filing from small water companies. The measure was sent to the Senate Appropriations Committee suspense file on Monday.

AB 1541 (Dickinson), the surviving bill that would have require documents submitted to the CPUC to be subject to the state's Public Records Act (PRA), was also sent to the Senate Appropriations Committee suspense file on Aug. 6th. The Senate Judiciary Committee staff remains concerned that the "exemptions" in the bill (which CWA supports) are too broad. CWA has been working with proponents to ensure that the PRA would not apply to documents that were submitted to the CPUC prior to the January 1, 2013, effective date of the measure (assuming it passes and is signed by the Governor).

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AB 2595 (Hall), which would create a task force to look at streamlining the permitting process necessary for an ocean water desalination facility, was also sent to the Senate Appropriations Committee suspense file on Aug. 6th. It's our understanding that the proponents are in discussion with the Ocean Protection Council, and that if they are able to reach agreement on a path forward, the bill may be dropped before it gets to the Senate floor, as it will be unnecessary. Other bills of interest to CWA that will be considered at the suspense file hearing next week include AB 467 (Eng), which would allow water suppliers who receive groundwater cleanup grants to use any funds recovered from polluters for ongoing treatment operations, and AB 685 (Eng), the "human right to water" bill.

As the 2012 session comes to a close, various bills are likely to be amended in such a way as to become of interest to CWA. Among those is AB 2408 (Skinner), which would disallow the use of net operating loss carrybacks for state corporate taxes, and would be problematic for many member companies. CWA will be joining a coalition opposing the bill in an effort to prevent it from reaching Governor Brown's desk.

In other activity, the Joint Legislative Audit Committee considered and approved on Aug. 9th a request by Assm. Henry Perea (D-Fresno) for an audit of the CPUC's intervenor compensation program. The State Auditor will be required to "identify the 10 intervenors with the largest cumulative compensation claims that were paid over the last 5 years," and among other things, (1) "evaluate whether PUC's audits appropriately determined whether claimants' financial, accounting and other records support the claims for intervenor payments, including verification that the claimant met the criteria related to eligibility and 'significant hardship'," and (2) review the percentage of each intervenor's annual revenues attributable to intervenor compensation payments. The results of the audit may give rise to intervenor compensation reform legislation in the 2013-14 Legislative Session.

Thanks to Meg for getting us all up to speed.

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Beware of Sanctimonious TV Reporters Trying to Create News—It happened to Golden State Water Co. (GSWC) in Southern California last winter, and it happened this past week to San Jose Water Co. (SJWC): a shabby, make-news story on a regulated water utility for filing its mandated general rate case (GRC) and proposing a rate increase over the next three years. In this instance, the so-called “NBC Bay Area Investigative Unit” aired a demagogic hit piece on August 8th on the local NBC-TV affiliate in San Jose, chastising San Jose Water (“a private, investor-owned company, but acts as a public utility ...”) for the 44 percent increase request in its current GRC.

This time, though, the reporter did nothing more than confuse the viewer into thinking the bulk of the rate increase request was the result of SJWC’s business travel and employee bonuses (which, as we all know, amount to a de minimus amount of the utility’s total revenue requirement). And of course, the reporter used the hoary (and childish) television trick of trying to catch the company’s CEO off-guard by ambushing him when he was returning to his car from (in this case) a Rotary Club luncheon. More ludicrous was the reaction of the reporter when SJWC President and CEO Rich Roth calmly told him that the company was not required to give a television reporter expense reports and receipts, and that they would not be forthcoming.

The reporter actually had the gall to start berating Rich, interrupting him before he could answer the original question and then pressing him on the ratepayers’ “right” to know how the company is spending “their” money. Never mind that the money in question is actually part of the company’s operating revenues, not the customer’s (the customers have simply paid for monthly utility service; “their” money has not been invested in the company).

Never mind, further, that the reporter no doubt knew that the California PUC and the Division of Ratepayer Advocates (DRA) have access to all of a utility’s expenditures (since he interviewed a DRA staff person) and that the statutorily responsible representative of the ratepayer, DRA, is as fully cognizant of the utility’s expenses as it chooses to be. But the reporter, who apparently considered himself to be the ratepayer’s self-appointed guardian, launched into an “in-your-face” temper tantrum when he realized he couldn’t splash receipts and expense reports over the airwaves.

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Sadly, Assemblymember Roger Dickinson (D-Sacramento) got involved in the interview and unfortunately contributed to the viewers' confusion (with the help of the reporter) by implying that current California law did not require utilities to make their records available (which of course they do – for both the CPUC and DRA). The law just doesn't require them to provide expenditure details to sanctimonious reporters who act like they have some kind of moral superiority and simply want to embarrass a corporate executive on television, without regard to that executive's job performance, the company's record of service, its contributions to the community, or its employees' record of volunteerism in their service areas.

There are two postscripts to this episode: (1) as pointed out at the beginning of this article, this was a no-news story and remained so when SJWC got only two calls from customers (out of a 1 million population served) after the "investigative" report aired; and (2) the reporter, apparently thinking that he had either shamed the company into subjecting itself to the television station's hegemonic behavior or that with the piece aired, he could now threaten the company with further retribution, actually had the temerity to call SJWC the next day and request the expense report details again.

What is really irksome is that the utility is being punished for filing a legally mandated rate case that is designed to keep its costs and rates current so that the system will not fall into disrepair. It would be nice if these reporters would do a story on the real news – the fact that many systems around the country are failing because their management has neglected or been too reluctant to engage in a rate increase proceeding for fear of the political fallout.

Clearly, there will be more attempts by the media to embarrass water company executives. Each company should consult with their media relations experts to determine how it will handle the intrusions and what level of detail it will provide. Additionally, CWA's Public Information Committee is working on approaches to these difficult situations and will provide its recommendations to the member companies. This is not an easy task because the outcome – public criticism on television or in print – will be the likely outcome regardless of what information is given to reporters.

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Pacific Institute Releases Update on Seawater Desalination in California—The Pacific Institute has been busy the last week or so with the release of two new documents for water professionals. The first is a new report on desalination in California titled *Proposed Seawater Desalination Facilities in California*. It shows strong continued interest in desalination and includes details and maps of proposed and existing desalination plants in the state.

You may recall that in 2006, the Pacific Institute released its initial report titled *Desalination, With a Grain of Salt*, an assessment of the advantages and disadvantages of seawater desalination for California. At that time, there were an estimated 21 active seawater desalination proposals along the California coast. Since then, only one project, the small (300 af/year) plant in Sand City from which California American Water leases water, has been permitted and built. Another project, Poseidon's Carlsbad Seawater Desalination Plant, has secured the necessary federal, state, and local permits, but financing remains uncertain.

Still, Pacific Institute says interest in seawater desalination remains high in California, and many entities continue to conduct technical and environmental studies and pilot projects to determine whether to develop full-scale facilities. This updated assessment has been described in the new paper. As of July 2012, there are 17 seawater desalination plants proposed for development along the California coast, with two additional plants that would provide water to southern California also under consideration in Baja Mexico.

More research and analysis are needed, as concerns about the reliability and availability of water supplies and continued population growth continue to drive coastal communities to seriously consider seawater desalination as part of a diverse water portfolio. Beginning in 2011, the Pacific Institute initiated a new research project on seawater desalination. As part of that effort, it conducted some 25 one-on-one interviews with industry experts, water agencies, community groups, and regulatory agencies to identify some of the key outstanding issues.

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Proposed Seawater Desalination Facilities in California is the first in a series of research reports in progress that identify key outstanding issues that must be addressed before additional proposals for new seawater desalination in California are approved. You can access the full report and the maps of the existing and proposed facilities at: http://www.pacinst.org/reports/desalination_2013/full_report.pdf and http://www.pacinst.org/reports/desalination_2013/index.htm

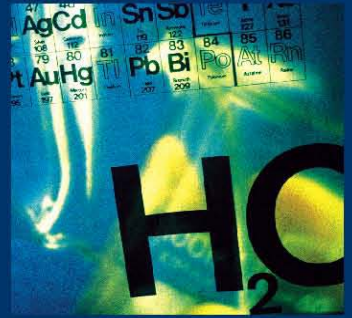
New Water-Energy Simulator Available for Water and Energy Managers—The Pacific Institute's second effort was the release of its new Water-Energy Simulator (WESim), a user-friendly analytical tool that can be used to evaluate the energy and greenhouse gas implications of water management decisions. The Excel-based model allows the user to explore a range of possible scenarios, such as increased demand for water resources, the development of alternative water and energy sources, and needed water treatment improvements resulting from emerging contaminants and stricter water-quality guidelines.

WESim can be applied by individual water and energy utilities, groups of utilities, and policymakers and decision makers. A WESim User Manual and report, *Implications of Future Water Supply Sources for Energy Demands*, are provided, as well.

Multiple factors will influence the energy intensity of the water sector in the near future: climate change will affect water supply, quality, and demand; population growth, water use patterns, technology, and price all will affect water demand; and emerging contaminants may require more energy-intensive treatment technologies. These trends highlight the need for a clear and consistent methodology for evaluating the energy and greenhouse gas implications of water management decisions.

In addition to the WESim model and User Manual, the Pacific Institute has produced a 63-page report titled *Implications of Future Water Supply Sources for Energy Demands* for the Bureau of Reclamation, the California Energy Commission and the WaterReuse Association. All three documents can be accessed at: <http://www.pacinst.org/resources/wesim/index.htm>

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EPA Schedules Second Webcast on Water Sustainability—In February, 2012, the U.S. Environmental Protection Agency (EPA) issued *Planning for Sustainability: A Handbook for Water and Wastewater Utilities*. Developed with input from utility managers and state water officials, the Handbook describes a series of core elements and steps utilities can take to build sustainability considerations into their existing planning processes.

EPA has now scheduled the second of a series of webcasts for September 13, 2012, and this one will be built around the core elements of the Handbook. It will describe how water and wastewater utilities can incorporate sustainability considerations into planning. The webcast will focus on how utilities can engage with various stakeholders in the community to establish sustainability goals that reflect utility and community priorities. Two speakers will make presentations from their communities.

Titled “Community Consultation for Sustainability Planning,” the webcast will air from 10:00 a.m. to 11:30 a.m. Pacific Time on Sept. 13th. Registration is free and you can register now at <https://www1.gotomeeting.com/register/797362152>. After you register, you will receive a confirmation email containing your unique URL to use to access the meeting. The moderator will be Jim Horne of EPA’s Office of Wastewater Management, and the speakers will be: Mike Beezhold, Senior Planner and Project Manager, CDM Smith (Case: Lenexa, KS Stormwater Program); and Robert Farley, City Manager, City of Live Oak, Florida.

Future Webcast topics and tentative dates include:

- *Incorporating Sustainability Considerations into Alternatives Analysis (December 2012)*
- *Ensuring Financial Sustainability (February 2013)*

Slides from the first Planning for Sustainability Webinar can be found at:
<http://www.client-ross.com/sustainability-planning/>

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CAW President Rob MacLean Elected to NUDC National Board—California American Water President Rob MacLean has been appointed to represent American Water on National Utilities Diversity Council (NUDC) Board of Directors. The NUDC board comprises regulators, as well as representatives from business and organized labor. The group strives to have diversity included in all areas of utility life, including employee diversity, supplier diversity and in governance (board diversity).

“I am honored to have been elected to this board,” MacLean said in accompany news release. “I have seen the power of working together with the communities we serve first hand, and I look forward to doing even more to level the playing field in our industry.”

MacLean will represent American Water on the board, and share with his peers best practices, trends in regulation and lessons learned from other utilities. American Water is the first water or wastewater utility to have a representative on the NUDC board of directors.

Upcoming Industry Meetings/Conferences/Events:

- August 15, 2012 – ACWA Annual Regulatory Summit (8:00a–5:00p; Doubletree Hotel, 1 Doubletree Dr., Rohnert Park, CA 94928); J. Hawks is participating on the conservation rate design panel.
- August 23, 2012 – California PUC Open Meeting (9: 00a–12 :00p; 505 Van Ness Ave., San Francisco 94102)
- August 24, 2012 – SL Hare Capital, Inc. Gala Dinner for Gwen Moore (6:30p–9:30p; Langham Huntington Hotel, 1401 South Oak Knoll Avenue, Pasadena, California 91106); CWA is hosting a table, and J. Hawks will attend.
- September 6, 2012 – CWA Directors Meeting (9:30a-2:30p; California American Water; 4701 Beloit Dr., CA 95838); J. Hawks will attend.

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- September 11, 2012 – Pacific Institute Workshop on Conservation Rates and Declining Revenues (9:00am to 4:00pm; University of California, Davis; Buehler Alumni and Visitors Center; Alumni Lane & Mrak Hall Drive; Davis, CA 95616); J. Hawks will attend.
- September 12, 2012 – California Urban Water Conservation Council Plenary Meeting (9:30a–3:00p; City of Napa – Actual site TBD); J. Hawks will attend.
- September 12, 2012 – California Water Awareness Campaign Board of Directors Meeting (10:00a–12:00n; ACWA HQ; 915 K St., Sacramento, CA 95814)
- September 12-13, 2012 – California Water Plan 2013 Plenary Meeting (9:00-4:30p; Doubletree Hotel, 2001 Point West Way, Sacramento, CA 95815); J. Hawks will attend the second day.
- September 13, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)
- September 13, 2012 – Pacific Institute Workshop on Conservation Rates and Declining Revenues (9:00am to 4:00pm; West Basin Municipal Water District; 17140 South Avalon Blvd, Ste. 210; Carson, CA 90746-1296).
- September 27, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)
- October 3, 2012 – CWA Directors Meeting (9:30a-2:30p; Fontana Water Co.; 15966 Arrow Route, Fontana 92335); J. Hawks will attend.
- October 4, 2012 – California PUC Annual GO 156 En Banc Hearing (8:30a–3:45p; USC Bovard Auditorium; 3551 Trousdale Pkwy, Los Angeles 90089); J. Hawks will attend.
- October 7-10, 2012 – National Association of Water Companies Annual Water Summit (8:30a–5:00p; Turnberry Isle Resort; 19999 W. Country Club Drive, Aventura, FL 33180); CWA will host the CA Chapter Luncheon on 10/8; J. Hawks will attend.
- October 10, 2012 – California Water Awareness Campaign Board of Directors Meeting (10:00a–12:00n; ACWA HQ; 915 K St., Sacramento, CA 95814)
- October 11, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)

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- October 24, 2012 – Dept. of Water Resources – California Water Plan Update 2013 – Advisory Committee Meeting (9:00a – 4:30p; Cal EPA Building; 1001 I St., Sacramento, CA 95814); J. Hawks will attend
- October 25, 2012 – California PUC Open Meeting (9:00a–12:00p; 505 Van Ness Ave., San Francisco 94102)
- October 30-31, 2012 – CWA 71st Annual Conference (8:45a-4:45p; Monterey Plaza Hotel - 400 Cannery Row, Monterey, CA 93940); J. Hawks will attend.
- November 1, 2012 – CWA Annual Directors Meeting (8:00a – 11:00a; Monterey Plaza Hotel - 400 Cannery Row, Monterey, CA 93940); J. Hawks will attend.

—CWA—