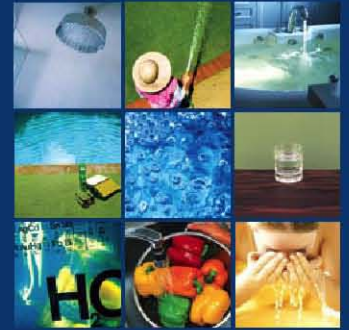


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The Weekly Wrap



August 3, 2012

No. 2012-31

TO: CWA Member Companies
FROM: Jack Hawks, Executive Director
SUBJECT: Highlights for the Week Ending August 3, 2012

California PUC Holds Resolution L-436, Catalina Water GRC at Open Meeting—

In a quiet meeting (for the water industry) at its August 2nd Open Meeting, the California PUC held the Revised Resolution L-436 and Proposed General Order 66-D, and the controversial Catalina Water general rate case, which calls for Southern California Edison's electricity customers to absorb the costs of upgrades Edison has made at the water system the past three years. The Commission did approve several water utility resolutions and decisions at its meeting, as follows:

- **Signed Decision 12-08-012**, which approves an application of California American Water authorizing the transfer of \$5.11 million in costs incurred in 2010 for its long-term water supply solution for the Monterey District to its Special Request 1 Surcharge Balancing Account. The Decision approves an unopposed settlement agreement for the 2010 preconstruction costs for Coastal Water Project.
- **Approved Resolution W-4928**, which authorizes Great Oaks Water to implement a surcharge to recover the balance of \$139,261 in its Certified Public Accountant Audit Cost Memorandum Account.
- **Approved Resolution W-4926**, which grants a general rate increase of \$31,564 (53.98%) to R.R. Lewis Small Water Company, Inc., for Test Year 2012.
- **Approved Resolution W-4927**, which grants Cobb Mountain Water a \$2.34 surcharge (18 payments over three years) to recover unexpected repair costs totaling \$2,607, a 15 percent increase in gross annual revenue.
- **Approved Decision 12-08-004**, which dismisses Complaint Case 11-09-001 (Eric Lafortune, Don Richardson and David Harvey vs. Hart Creek Estates Mutual Water Company) without prejudice.

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Cadiz Project Receives Certification of Final Environmental Impact Report—

The Cadiz Valley Water Conservation, Recovery and Storage Project, more commonly known simply as Cadiz, came a giant step closer to reality on July 31 when the board of the Santa Margarita Water District (SMWD) voted unanimously to certify the Final Environmental Impact Report after 18 months of review and several often contentious public hearings.

The Cadiz Project proposes to provide a new water supply for approximately 100,000 Southern California homes by capturing and conserving groundwater from a vast aquifer of more than 17 million acre-feet beneath 45,000 acres of agricultural property owned by Cadiz, Inc., in the Mojave Desert.

In its first phase, the Project would deliver up to an average of 50,000 acre-feet of water per year to Southern California water providers, including SMWD, Golden State Water Company (GSWC), and Suburban Water Systems (Suburban). Both GSWC and Suburban joined the Project in 2010, committing funds to the CEQA environmental review process and acquiring options in the Project for a firm annual supply of water and groundwater storage rights.

Cadiz water would be pumped through a 44-mile-long pipeline along existing railroad right-of-way and connect to the Colorado River Aqueduct. But first, Cadiz has to contend with lawsuits from environmental groups and nearby businesses, and it has to secure approval from the Metropolitan Water District (MWD) in Los Angeles to tie in to the aqueduct. The company said it is in negotiations with MWD over such access.

Several business organizations and community groups support the project, including groups in the Mojave Desert, but several other residents, environmental organizations, and at least one Native American tribe in the region oppose the project. Sen. Diane Feinstein has asked the U.S. Interior Department to conduct its own review of the potential environmental impact of the project.

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Opponents have been vocal in expressing their concern that the 50-year project will overdraw the aquifer faster than recharge can replenish it, as well as their concern that it could negatively affect desert wildlife and plants. The EIR concludes that those fears are overblown, and that there will be only minimal, temporary environmental impact, such as increased dust from the construction.

For its part, the Project includes an extensive monitoring and mitigation program that will be independently enforced by the County of San Bernardino and SMWD, both of which approved a memorandum of understanding governing each entity's role in the process. The monitoring and mitigation program includes several "off ramps" that enable either San Bernardino County or SMWD to stop the project, independently or together, if certain conditions are not met, or if environmental impact is determined to be greater than anticipated.

Cadiz will now work to complete arrangements with other Project participants, finalize necessary permits in compliance with MWD conditions, and move ahead to the construction phase.

Founded in 1983, Cadiz Inc. is a publicly held renewable resources company that owns 70 square miles of property with rights to significant water resources in eastern San Bernardino County. In addition to developing water supply and storage projects, the company operates an organic farm in the Cadiz Valley.

(Many thanks to Mike Nutt of Suburban for preparing this article).

Pacific Institute Seeks Survey on Water Rates; Will Host Workshops—The Pacific Institute is undertaking a survey on California water utility rates and finances that will seek to provide them with information on addressing the financial challenges posed by strong conservation programs, decreased revenues, rising costs and the like. Heather Cooley at the Institute has asked me to encourage CWA members to take the survey. You can access it at:

http://www.pacinst.org/reports/water_rates/workshops.htm.

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In addition, the Institute is hosting two workshops on the subject in Davis and Carson on Sept. 11th and 13th, respectively. The workshops are designed to give utility managers the tools and contacts to help make changing water rates more manageable. Here are the topics that will be covered:

- Results of the water rates and finances survey.
- Overview of capital finance elements.
- Strategies for addressing specific revenue challenges:
 - Consistent undercharging and/or operating losses
 - Revenue vulnerability
- An introduction to rate design.
- Rate design pitfalls and best practices.
- And break-out sessions for urban and agricultural water suppliers to address key challenges with the experts.

Here are the location particulars:

- Davis – September 11, 2012; 9:00am to 4:00pm; University of California, Davis; Buehler Alumni and Visitors Center; Alumni Lane & Mrak Hall Drive
- Los Angeles – September 13, 2012; 9:00am to 4:00pm; West Basin Municipal Water District; 17140 South Avalon Blvd, Ste. 210; Carson, CA 90746-1296

Registration fee is \$20 and includes a continental breakfast and full lunch. To register, email Kristina Donnelly at kdonnelly@pacinst.org

Food & Water Watch Publishes New “Water Municipalization Guide”—I would like to resist paraphrasing President Reagan’s famous quote by saying “There they go again” but ... there they go again. The anti-private sector group, Food & Water Watch, published a new report July 12th titled *Water Municipalization Guide: How U.S. Communities Can Secure Local Public Control of Privately Owned Water and Sewer Systems*. It would have been nice if F&WW had acknowledged that few, if any, municipalities in the country have the financial resources necessary to undertake a government takeover of a private water system or to acknowledge the immoral nature of such an assault on private property and property rights, but that, of course, would have been too much to ask.

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The guide begins by noting that 82 percent of public water systems are government-owned, while 18 percent are privately owned (12%), public-private partnerships (2%) or individual wells (4%). It also notes that 95 percent of wastewater systems are government owned. With such a large market share for the public sector, I wonder why F&WW is so paranoid about the private-sector threat. But no matter ... F&WW soldiers on with the primary reasons to confiscate these private systems: (1) gain local control; (2) improve service; and (3) lower water bills. As we all know, all three reasons are nonsense. All systems, public and private, are managed locally; there is no evidence that public systems provide better service; and of course, no water bills are going down anywhere in the country for the foreseeable future.

The guide then describes the logistical considerations involved in government “purchases” of privately owned water and sewer systems, noting the differing regulatory frameworks at the state level. F&WW posits four basic phases in a public acquisition of a privately owned water system: (1) Study and planning; (2) Negotiation; (3) Condemnation (if negotiation fails); and (4) Sale and Transition.

During the description of each phase, F&WW has the gall to say that “Municipalization is fairly straightforward unless the company owning the system refuses to come to the bargaining table. Certain large water companies frequently spurn negotiation and aggressively resist local-control efforts. In these instances, strong community organization is essential to counter the opposition from special corporate interests and to see the municipalization through the condemnation process.”

You know how disingenuous F&WW is when it claims that the private property owner is the product of “special corporate interests.” It goes on to urge that “[f]ederal and state policies should support public ownership of community water and sewer systems. Legislators should streamline the municipalization process and forestall unnecessary and wasteful legal challenges from large water corporations.”

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Let's see ... the private water system owners are largely satisfied with the legislative status quo as long as their private property rights aren't threatened. It is entities like F&WW who are advocating legislative changes that are injurious to property rights. I don't for a minute doubt who the special interest really is.

California was not spared the sophistry, either. There is a whole page of the guide devoted to California American Water (CAW) and Felton titled, "Setting the Record Straight: American Water's Spin About Felton, California." It states that "public ownership saved a typical Felton household about 44 percent or \$518 a year on the total cost of water service," and shows a chart depicting that Felton's annual water bill under CAW would have been \$1,705, while the annual bill under San Lorenzo Water District in 2011 was \$624 (plus the "estimated special tax" of \$563). Of course, there is nary a word about the rate increases in Felton since the acquisition in 2008.

Not that you want to, but just in case you want to review the full propaganda piece, you can access it at: <http://www.foodandwaterwatch.org/reports/water-municipalization-guide/>.

Workshop on Consolidated Rates Stimulates Dialogue on 'High-Cost' Areas—

As you know, there has been a California PUC Order Instituting Rulemaking (OIR), precipitated by CPUC President Peevey, under way since last November to examine the rates of multi-district water companies and attempt to find a balance between two conflicting goals: the "just and reasonableness" of rates in "high-cost areas" of a utility's service territory and the PUC Water Action Plan objective of setting rates that "balance investment, conservation and affordability." Among other things, the OIR is considering policies that would "subsidize high-cost areas, either through some variation of a high-cost fund [HCF] or through consolidation of districts and rates."

The OIR acknowledges that the significant differences in providing water in different geographical areas on a traditional cost-of-service basis "could result in either rates that are unaffordable to many customers in the region or in rate shock were the price increases by a large amount." It described the current 1992 policy guidelines that the CPUC should consider in district rate consolidations. Four criteria predominate:

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1. Proximity (non-contiguous districts should be within 10 miles of each other);
2. Rate Comparability (rate disparity between districts should be less than 25%);
3. Water Supply (the mix and/or sources of supply should be similar); and
4. Operations (the candidate districts should be operated in a similar manner).

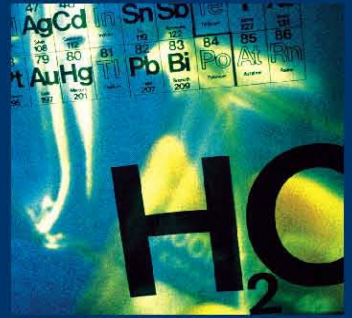
The respondents to the proceeding, California American Water, California Water Service, Del Oro Water, Golden State Water and San Gabriel Valley, along with the Division of Ratepayer Advocates (DRA), filed opening and reply comments earlier this year. They answered a series of questions about the current policy, their existing mechanisms for subsidizing rates, and their views on the efficacy of an HCF for water.

Generally, the parties' comments (including DRA's) were lukewarm, at best, on full and complete consolidation and on more comprehensive rate subsidies. There was some support for not having equal weight for the four criteria or not being so strict on the first one regarding proximity.

The tenor of the comments prompted Administrative Law Judge Gary Weatherford to schedule a prehearing conference (PHC) for May 23rd, along with PHC statements from the parties. Following the PHC, Assigned Commissioner Catherine Sandoval issued a scoping memo and ruling in late June that converted the proceeding from rate-setting to quasi-legislative, dispensed with the need for evidentiary hearings, and concluded that a workshop on July 17-18 was warranted in order to (1) examine the different types of consolidation mechanisms and variants of high-cost funds and (2) identify relevant factors, definitions, mitigation potential and possible alternate mechanisms that can be considered moving forward.

The workshop was held, and the agenda consisted principally of presentations from staff (the existing California High Cost Fund-A and HCF-B), Cal Water (Tom Smegal and Darin Duncan on the company's Rate Support Fund, experience with consolidation, and ideas for cost areas that could be consolidated), Golden State Water (Keith Switzer on GSW's past consolidation efforts) and DRA (Diana Brooks on the PUC's history with consolidation, variations on HCF mechanisms, and DRA's recommendation for updating the consolidation policies with a "targeted" HCF).

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While there was a lot of discussion on these subject areas, the workshop did not yield definitive conclusions, especially on basic concepts like the definition/parameters of high-cost geographic areas, what constitutes acceptable HCF mechanisms, where the line is drawn between violating cost-of-service principles and acceptable subsidy approaches, etc. In all, the workshop was designed to analyze 23 questions associated with these subject areas, but the surface was only scratched. Comr Sandoval, who attended much of the first day, agreed with ALJ Weatherford that at least one additional workshop will be scheduled after the parties have the opportunity to review, digest and comment on the report for this first workshop. Stay tuned.

General Manager Art Aguilar Announces Retirement From Central Basin—I

assume this may be related to the unwanted media attention the Central Basin Municipal Water District (Central Basin) has received in recent months, but in a July 31st news release, Central Basin General Manager Art Aguilar announced his retirement, effective October 31, 2012. Aguilar has served as the General Manager for Central Basin since 2006, and before that as Co-General Manager for both Central Basin and West Basin Municipal Water Districts.

"I am very proud of what we have accomplished at Central Basin," Aguilar said in the news release. "From the re-organization of the District following the split West Basin initiated, to the completion of a vital phase of our recycled water system, which had been on the books since 1991, to the many state and federal grants we secured to keep costs and rates low, we have done quite a bit in a very short amount of time."

Aguilar first joined the Districts in 1999, serving as the Manager of the Public and Governmental Affairs Department. Under his management, areas such as public education, conservation and public/media relations were refined and enhanced to become foundation stones of the department. Previously, Aguilar was a reporter, editor and publisher of community newspapers throughout Southern California for more than 30 years.

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EPA and USDA Announce First-Ever Microbial Risk Assessment Guidance—The Environmental Protection Agency (EPA) and the USDA’s Food Safety and Inspection Service (FSIS) announced July 31st the first-ever Microbial Risk Assessment (MRA) Guideline. This new MRA Guideline lays out an overarching approach to conducting meaningful assessments of the risks posed by pathogens in food and water. Pathogens ingested in food and water can result in acute gastrointestinal-related illnesses; some gastrointestinal-related illnesses can result in long-term and permanent health effects as well as premature death. This new guideline will improve the quality of the data collected by public health scientists charged with protecting Americans from pathogen-related risks in food and water.

“This guidance contributes significantly to improving the quality and consistency of microbial risk assessments, and provides greater transparency to stakeholders and other interested parties in how federal agencies approach and conduct their microbial risk assessments,” said Dr. Glenn Paulson, EPA Science Advisor. “Based on the success of this project, we are seeking further opportunities to combine our technical expertise in our continuing efforts to protect the Americans’ health.”

“The microbial risk assessment guideline developed by FSIS, the EPA and our other public health partners will help protect consumers by allowing us to uniformly assess and reduce health risks from pathogens,” USDA Under Secretary for Food Safety Dr. Elisabeth Hagen said. “We’re proud to have worked with our partners on this guideline that will provide our risk assessors with a transparent and scientifically rigorous document to use in protecting public health.”

Formal risk assessments for food, water, and environmentally-relevant chemicals have been undertaken for decades. However, an overarching microbial risk assessment guideline has not been available until now. The guideline meets this need by providing comprehensive, yet specific and descriptive information for developing assessments of microbial risk in food and water.

More information can be found at: <http://www.epa.gov/raf/microbial.htm>.

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Upcoming Industry Meetings/Conferences/Events:

- August 8, 2012 – 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); J. Hawks will attend.
- August 8, 2012 – California Water Awareness Campaign Board of Directors Meeting (10:00a–12:00n; ACWA HQ; 915 K St., Sacramento, CA 95814)
- August 9, 2012 – CWA Directors Meeting (9:30a-2:30p; California American Water; 1033 B Ave., Suite 200, Coronado, CA 92118); J. Hawks will attend.
- 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.
- 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.

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- 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)
- 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—