



CALIFORNIA WATER ASSOCIATION

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MESSAGE FROM THE PRESIDENT

While many Californians are doing their part to reduce water consumption by 20 percent, California Water Association (CWA) members are working hard to ensure customers have the tools and support to effectively respond to the state's water conservation goals, while continuing to receive reliable, quality water supplies. To do so, investor-owned water utilities (IOUs) are active on several fronts, including identifying and testing innovative products; adjusting water flushing schedules to maintain quality while balancing conservation goals; advocating for solid policies on legislation and regulations affecting water; and sharing best practices throughout the state.

This edition of *On Tap* highlights the work of IOUs on behalf of their customers and includes the following articles:

- CWA Acts to Support the Water Bond
- CPUC Adopts Policy Framework for Recycled Water Projects
- CWA Perspective on the CPUC's Recycled Water Decision
- How the Drought Affects Routine Water Main Flushing to Maintain Water Quality
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To view *On Tap* in PDF format, [click here](#), or access the online version on CWA's website at www.calwaterassn.com.

Sincerely,

R.W. Nicholson
San Gabriel Valley Water Company
2013-2014 CWA President

QUESTIONS?

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LEGISLATIVE AND REGULATORY UPDATE

CWA ACTS TO SUPPORT THE WATER BOND

At its September 16 Board of Directors meeting, the California Water Association (CWA) agreed to support Proposition 1, the “Water Quality, Supply and Infrastructure Improvement Act of 2014.” Passed by the state Legislature as Assembly Bill 1471 (Rendon) on August 13, 2014, and signed by the governor on the same day, the \$7.545 billion water bond will, if passed by the voters on November 4:

- Authorize \$7.12 billion in general obligation bonds for state water supply infrastructure projects such as surface and groundwater storage; ecosystem and watershed protection and restoration; drinking water protection; water supply management; water recycling and advanced water treatment technology; and flood control.
- Reallocate \$425 million of unused bond authority from prior water bond acts for similar purposes.
- Appropriate money from the General Fund to pay off bonds.
- Require certain projects to provide matching funds from non-state sources in order to receive bond funds.

Specific investments in Proposition 1 include:


- \$520 million to improve water quality for “beneficial use,” including for reducing and preventing drinking water contaminants, disadvantaged communities and the State Water Pollution Control Revolving Fund Small Community Grant Fund.
- \$1.495 billion for competitive grants for multi-benefit ecosystem and watershed protection and restoration projects.
- \$810 million for expenditures on, and competitive grants and loans to, integrated regional water management plan projects.
- \$2.7 billion for water storage projects, dams and reservoirs.
- \$725 million for water recycling and advanced water treatment technology projects.
- \$900 million for competitive grants and loans for projects to prevent or clean up the contamination of groundwater that serves as a source of drinking water.
- \$395 million for statewide flood management projects and activities.



For the first time in a statewide water bond, investor-owned water utilities (IOUs) regulated by the California Public Utilities Commission will be eligible to apply for bond funds for needed capital projects that go beyond traditional supply sources and distribution needs, thus lessening the cost burden on their customers. Despite the fact that customers of IOUs pay equally for general obligation bonds through their taxes, in the past they have been penalized because IOUs often were not eligible to apply for grants associated with such bonds.

Fortunately, in January 2014, CWA was successful in getting the following amendment added to the water bond legislation, which became part of the general provisions in the final bill signed by the governor:

79712. (a) Eligible applicants under this division are public agencies, nonprofit organizations, public utilities, federally recognized Indian tribes, state Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation List and mutual water companies. (b) (1) To be eligible for funding under this division, a project proposed by a public utility that is regulated by the Public Utilities Commission or a mutual water company shall have a clear and definite public purpose and shall benefit the customers of the water system and not the investors.

CWA member companies should now be able to access funding in three distinct areas of Proposition 1: groundwater contamination remediation; water recycling and advanced water treatment technology projects; and improving drinking water quality in small, disadvantaged communities served by these utilities. Additionally, as part of integrated regional water management plans, IOUs may have access to competitive loans and grants for these regional projects. 

LEGISLATIVE AND REGULATORY UPDATE

CPUC ADOPTS POLICY FRAMEWORK FOR RECYCLED WATER PROJECTS

The California Public Utilities Commission (CPUC) has adopted a new [Comprehensive Policy Framework for Recycled Water Projects](#) that addresses the production, distribution and use of municipal run-off by investor-owned water and sewer utilities (collectively Utilities). The Commission's intent was to develop a policy framework to increase and promote the development, production and use of recycled water for approved non-potable and potable reuse by water utilities with more than 2,000 service connections. The initial goals were to:



- Establish guiding parameters for designing and setting recycled water rates;
- Reduce and/or eliminate barriers to collaboration between public agency and investor-owned wholesale and retail recycled water purveyors;
- Facilitate and/or incentivize the use of cost-effective recycled water; and
- Examine current goals, policies, legislation and regulations governing the production, distribution and use of recycled water as well as interagency coordination and collaboration related to implementation.

After a series of workshops, meetings and symposiums, the policy framework was drafted and subsequently adopted. Below are highlights of significant provisions:


- In their general rate case filings, the Utilities must report the amount of recycled water sold annually by treatment type, including wholesale and retail prices, and identify the recycled water suppliers.
- When entering into contracts and partnerships, the Utilities must fully disclose the key terms of the agreements concerning project cost allocation and sharing as well as the responsibilities for construction, operation and maintenance of the recycled water infrastructure facilities.
- The Utilities must incorporate a comparative analysis of energy costs and savings into the cost-benefit analysis for each proposed recycled water project.
- The Utilities must include a comparative analysis of recycled water and alternative water sources relative to greenhouse gas emissions as a component of the cost-benefit analysis for each proposed recycled water project to the extent the data exists or can be reasonably produced or collected.
- Recycled water projects must comply with or be exempt from the California Environmental Quality Act and/or National Environmental Protection Act.
- The Utilities must explore and take advantage of appropriate opportunities for joint recycled water projects and arrangements with other public water supply and wastewater treatment agencies.
- The Utilities' ratepayers must not assume an unjust or unreasonable share of the recycled water project costs when public and private partnerships are involved.
- The Utilities must seek opportunities to partner with public agencies or secure lower-cost public funding to cover or contribute to the cost of their recycled water projects.
- The ratemaking treatment of recycled water projects will be conducted on a case-by-case basis because of the wide range of variables involved and will consider all costs and benefits the project will provide for the Utilities' customers in the service areas and regions where the projects will be implemented. The ratemaking treatment also will include a determination of how the recycled water project costs should be allocated between the Utilities' potable and recycled water customers and whether those costs should be recovered through the general metered service rates or a surcharge.
- The Utilities must demonstrate, to the CPUC's satisfaction, the prudence of each recycled water project and reasonableness of the associated costs specified in the minimum criteria requirements prior to recovery of recycled water project costs from metered service customers, including a cost-benefit analysis for new recycled water projects.
- When undertaking a recycled water project, the Utilities must identify and review consumer education materials and methods that are available industrywide and, where appropriate, take reasonable steps with any public agency partners to use existing resources before developing duplicative or more costly materials.

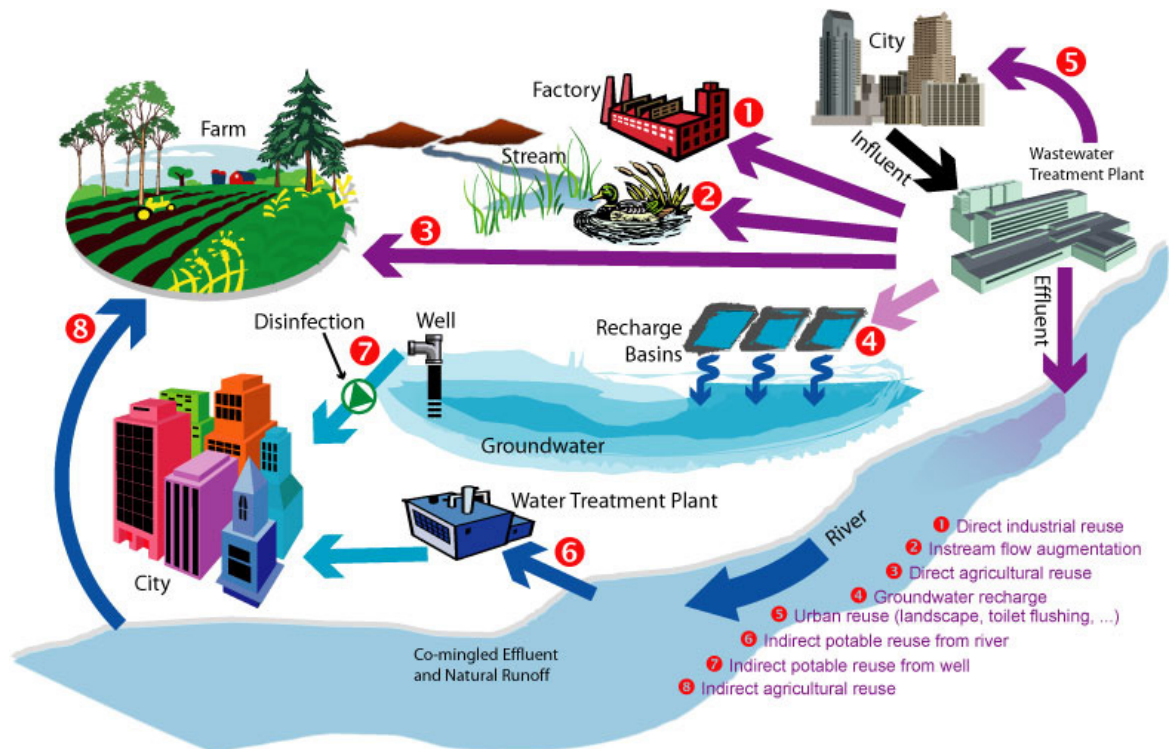
LEGISLATIVE AND REGULATORY UPDATE

CWA PERSPECTIVE ON THE CPUC'S RECYCLED WATER DECISION

The California Water Association (CWA) is pleased the final recycled water decision reflects many of CWA's concerns and issues. Among the revisions made in the final decision that responded favorably to CWA's comments were:

- The California Public Utilities Commission (CPUC) will continue to use the more streamlined "Tier 2" advice letter process for recycled water project proposals that have no impact on a utility's revenue requirement.
- Estimates for greenhouse gas reductions in a recycled water project proposal are optional and subject to the availability of data and tools.
- A recycled water project's cost-benefit analysis can go beyond the immediate impacts within a specific service area, and it can consider regional and statewide benefits.
- Language was added narrowing the provision of information regarding rates and rate design only to new projects, while language requiring an "explanation and justification" for a proposed rate design was eliminated.
- Regarding project cost-effectiveness, a comparison against securing the "next least cost alternative source of potable water supply" was modified to a more appropriate phrasing of "next available alternative source of potable water supply."

Additionally, as Commissioner Florio noted from the dais when he presented his decision to the full CPUC on August 29, CWA is concerned that the final decision's comprehensive list of minimum criteria requirements for a proposed project may be an inhibiting factor for promoting new projects because the participating public partner may perceive them as unduly burdensome and be dissuaded from moving forward as a result. CWA member companies will work with Commissioner Florio and the rest of the CPUC staff to ensure that public agency partners in recycled water projects are not dissuaded from participating under the CPUC's new policy. 



THE QUALITY & SERVICE FOCUS

HOW THE DROUGHT AFFECTS ROUTINE WATER MAIN FLUSHING TO MAINTAIN WATER QUALITY



No-Des Flushing Equipment

Water utilities have routinely engaged in flushing their water systems to eliminate sediments and minimize discoloration to maintain water quality. However, with the drought entering its fourth year, investor-owned water utilities (IOUs) are now balancing the importance of maintaining water quality with the need to conserve a precious resource; therefore, routine water flushing is no longer the protocol.

The systematic process of water flushing includes opening and closing multiple hydrants at a time to force water through the pipes to flow into storm drains at a higher speed until the water is clear (see photos below). Many of California's IOUs rely mainly on a flushing process known as unidirectional flushing, which isolates sections of the water main and uses a single hydrant to remove sediments.

"To maintain water quality, California Water Service Company (Cal Water) has and continues to rely on unidirectional flushing," said Cal Water's Manager of Water Quality Tarrah Henrie. "Although we stopped routine flushing in February 2014 due to the drought, we are required to flush in some instances, and by flushing only those sections that need attention, this is a responsible way to conserve water while ensuring our system is clean and healthy"

In light of the drought, many water utilities have implemented a flushing policy that kicks in only when there is a high need to flush or in response to customer inquiries, but ongoing maintenance of valves continues to ensure they are working properly. Although unidirectional flushing brings with it additional equipment and planning costs, Cal Water believes those costs are worth it in light of maintaining water quality and creating a positive public perception of responsible water use during the drought.

San Jose Water Company (SJWC) also believes in setting a good example. Its routine, unidirectional flushing program was suspended in May, and now SJWC only flushes in response to consumer calls or complaints or if SJWC staff finds an issue.

According to SJWC Vice President of Operations Andrew Gere, "Although we flush intermittently in light of the drought, our flushing schedule had already slowed to three miles a week before the drought, as opposed to our original target of six and a half miles per week. This is due to the more stringent discharge requirements placed on utilities." Gere goes on to explain, "At one time, we were able to flush into a storm drain using a diffuser, but now the environmental protections, such as ensuring chlorinated water and

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THE QUALITY & SERVICE FOCUS

HOW THE DROUGHT AFFECTS ROUTINE WATER MAIN FLUSHING TO MAINTAIN WATER QUALITY ...CONTINUED

sediments don't enter into the storm drains, are so labor intensive that production crews have had to slow down to ensure compliance."

SJWC has a long-term strategy to address flushing production requirements while maintaining water quality. The IOU has piloted a closed-loop flushing system (see photo of No-Des equipment below), which relies on a new piece of equipment for unidirectional flushing. Rather than having the water flush into the storm drain, SJWC can, in effect, conduct "dialysis" on the water, filtering out sediments then returning the water to the distribution system. And, instead of going hydrant to hydrant, SJWC will be able to do multiple flushes from one location, which increases efficiency while decreasing costs in the long run.

When asked how he knows if the flushing program works, Gere said, "Before instituting the flushing program in 1996, we had close to 350 customer contacts in a year, but looking back over the last 10 years, the highest number of contacts has been about 50 in a year. SJWC has approximately 220,000 service connections and 2,400 miles of water main serving close to a million residents. Our multi-pronged approach to improving and maintaining water quality and reducing bacteria is working based on this data."

Both Cal Water and SJWC actively communicate with customers during drought and non-drought periods letting their customers know when they are flushing. In light of heightened awareness around the importance of conserving, both written materials and field staff emphasize that IOUs are required by the California Department of Public Health to flush water and also are committed to ensuring water quality for their customers. 🌍



*Cal Water Truck-mounted Diffuser
with Dechlorination at the Beginning
of a Flush and at the End*

MEMBER SPOTLIGHT

CALIFORNIA AMERICAN WATER AWARDED \$1 MILLION GRANT FOR DESALINATION SLANT TEST WELL

In early September, California American Water Company (CAW) was awarded a \$1 million grant by the California Department of Water Resources (DWR) from Proposition 50's Round 3 Water Desalination Grant Program. California voters passed Proposition 50 in 2002 allocating not less than \$50 million in grants for brackish water and ocean water desalination projects "in furtherance of water desalination as a viable water supply to meet California's need," according to the award letter.

Of the \$11.7 million requested from 12 proposals, DWR allocated \$8.7 million to eight projects. CAW will use the funding for the installation of a slant test well estimated to cost \$4 million at its Monterey Peninsula Water Supply Project. The pilot project is intended to prove the feasibility of slant wells for desalination projects as well as the quantity and quality of water that can be drawn from slant wells. The grant requires CAW to provide DWR with pilot study results and documents summarizing the test well construction.

The Monterey Peninsula Water Supply Project is one of several approaches CAW is undertaking to solve Monterey Peninsula's chronic water shortage and comply with the State Water Resources Control Board's (SWRCB) mandate to reduce pumping from the Carmel River. A desalination plant, the main component of the project, will draw seawater from the slant well buried in the sand that extends beneath the ocean floor. Also referred to as "subsurface intakes," slant wells are the preferred technology of several state agencies, including the SWRCB and the California Coastal Commission.

"This award provides a direct financial benefit to our customers," said CAW President Robert MacLean in a recent press release. "The test well project is not only important for the future of the Monterey Peninsula's water supply, it also tests technology, which is critical to the future of desalination as an alternative water source for our state."

Visit www.watersupplyproject.org for project updates and additional information. 




POINTS OF INTEREST

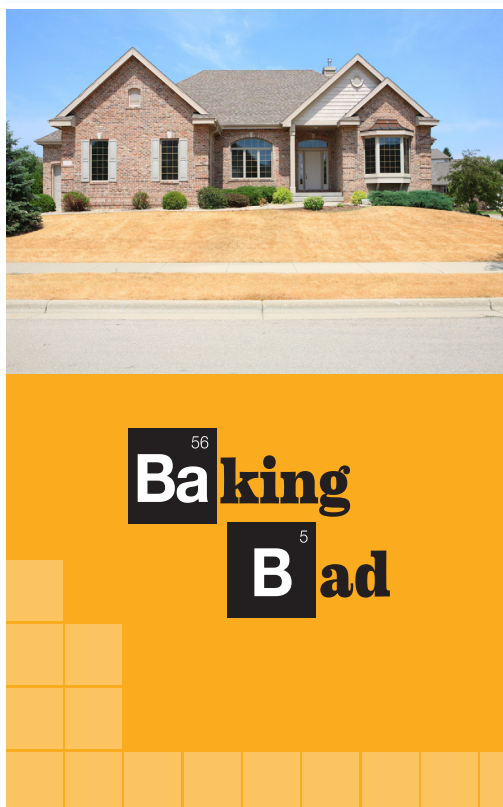
JOIN THE EXPERTS FOR “BAKING BAD... SUSTAINING GOOD” AT CALIFORNIA WATER ASSOCIATION’S ANNUAL CONFERENCE

On July 21, California Water Service Company (Cal Water) launched the Cal Water Cares Grant Program to assist customers who have experienced some hardship. Partnering with local community-based organizations, such as the Salvation Army, Cal Water customers will receive assistance in applying for the grants and meeting the eligibility criteria, which includes a total gross household income at or below 200 percent of the Federal Poverty Income Guidelines. Additionally, decisions will be made on a case-by-case basis for customers who face economic hardships, such as unemployment, but do not meet the income guidelines.

Registration is now available online for California Water Association’s 2014 Annual Conference in Monterey, CA on November 12-14. You’ll hear from keynote speakers Lester Snow, Executive Director of the California Water Foundation, and Sacramento Bee political columnist Dan Walters, as well as other industry experts on topics such as:

- Tipping Points – When Do Voluntary Conservation, Mandatory Restrictions and Water Rationing Begin and End?
- Water Police – Does Tattling on Your Neighbor Really Work?
- High-Tech Conservation for Water Utilities
- A New Culture for Drinking Water in California
- Monterey’s “No” on Measure O – It Was a Risk We Couldn’t Afford
- And much, much more!

Don’t miss the chance to network with the experts! [Register online](#) today! 



POINTS OF INTEREST

WELLS FARGO REPORT – MANAGING THROUGH CALIFORNIA’S DROUGHT: A PRIMER



A new Wells Fargo report (Report) identifies California's economy as being driven by energy, information technology and water, but for the third consecutive year, water has been running significantly below average. With the state in a drought for the third year and 2015 also predicted to be dry, the

Report highlights the pressure put on California's water utilities as customers continue to conserve and infrastructure investment requirements increase as well as demand. The Report suggests "investment will likely require higher water rates and argues for a more robust and integrated water market and groundwater storage approach." To read the full Report, [click here](#). 📄

JIM WOLLBRINCK SPOTLIGHTED IN AWWA "TAPPED IN" ARTICLE



Jim Wollbrinck, Security and Emergency Preparedness Specialist at San Jose Water Company, was featured in American Water Works Association California-Nevada Section's (CA-NV AWWA) September 23 edition of *Tapped In*. As the current Chair of CA-NV AWWA's Security and Emergency Planning (SEP) Committee, Wollbrinck attributes much of his emergency management success to serving on the SEP Committee.

"This group became my go-to group of 'consultants'; ready to assist whenever I called," stated Wollbrinck. "They are one of the key reasons I've been able to elevate San Jose Water's program to the nationally recognized level."

Encouraged by new committee members stepping into leadership roles, Wollbrinck noted, "They too, will find CA-NV AWWA and the SEP Committee as an invaluable resource where their passion and energy can find a place to make them the next generation of emergency management experts in the water industry." 📄

POINTS OF INTEREST

CALIFORNIA AMERICAN WATER SUPPORTS “AMERICANS IN ACTION!”

For the third consecutive year, California American Water (CAW) has designated September as AmeriCANS in Action! Month of Service when employees generously give their time and support to organizations in the communities CAW serves. Whether it's cleaning watersheds, supporting food banks, working with homeless people or pets, CAW employees make a difference.

AmeriCANS in Action! Month of Service is not only about making a difference in local communities but also about strengthening relationships with CAW's customers. It represents a time for employees to come together and put what they value to work by assisting organizations that need support. Every day, CAW focuses on being a good neighbor in the communities it serves. AmeriCANS in Action! Month of Service is a great way to continue and extend that tradition.



Sacramento Employees, Families and Friends Removing Trash at the Great American River Cleanup



Ventura County Team Members Helping Out at Arroyo Conejo Creek on National Coastal Cleanup Day



Ventura County Team Members Cleaning Up the Conejo Valley Botanical Garden



Imperial Beach Employees, Families and Friends Participating at the Imperial Beach Loaves & Fishes Food-Based Community Outreach Event at the San Diego Food Bank

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POINTS OF INTEREST

CALIFORNIA AMERICAN WATER SUPPORTS “AMERICANS IN ACTION!” ...CONTINUED



Monterey District Employees Preparing Gift Bags for the Carmel Homeless Shelter



Monterey District General Manager Eric Sabolsice Serving Food at Carmel's Americans in Action! Event at the Local Homeless Shelter



San Diego County District Employees, Families and Friends Removing Debris at Coronado Beach with CAW's 2013 Environmental Grant Program Winner, WILDCOAST