



CALIFORNIA WATER ASSOCIATION

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MESSAGE FROM THE PRESIDENT

The California Water Association and investor-owned water utility members begin 2015 with a keen eye on continued sound management of their water supplies and operations in face of the ongoing drought. This issue of On Tap highlights the progress made in water-use efficiency, assistance in development of the state's safe drinking water plan, the water utilities' perspectives on innovative water rate designs, assisting diverse business enterprises and restoration of the Carmel River. Additionally, the California Public Utilities Commission (CPUC) begins this year with a new president and the appointment of a seasoned natural resources expert.

This edition of On Tap includes the following articles:

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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,

Greg Milleman
California Water Service Company
2015-2016 CWA President

QUESTIONS?

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For instant California Water Association news:



MEMBER SPOTLIGHT

SAN CLEMENTE DAM REMOVAL ACHIEVES MAJOR MILESTONE WITH NEW FLOW OF CARMEL RIVER



History was made in mid-December when the Carmel River in Monterey County flowed through a newly constructed channel, as the Carmel River Reroute and Restoration Project achieved a major milestone. For the first time the river flowed into its new course, the former San Clemente Creek channel, bypassing the 2.5 million cubic yards of sediment that has built up behind the dam since 1921. This milestone is one of two major efforts in a three-year project involving the Carmel River – the other being the demolition and removal of the 90-year old San Clemente Dam.

The [Carmel River Reroute](#) and San Clemente Dam Removal Project is not only a groundbreaking project but also a testament to the effectiveness of private-public partnerships. Ahead of schedule and on budget, this project is more than half completed and will remove the antiquated San Clemente Dam and reroutes and restores the flow of the ailing Carmel River. The project, which began in 2013, was estimated to cost approximately \$84 million and was spearheaded by a group of private and public partners, including [California American Water](#) (CAW), the [California State Coastal Conservancy](#), the [National Marine Fisheries Service](#) and the [National Oceanic and Atmospheric Association](#).

In 1992, the San Clemente Dam was determined seismically unsafe by the state and marked as a danger to approximately 1,500 homes and buildings below the dam. By removing the dam and restoring the river, public safety is no longer at risk. Additionally, the environment and fish species on the endangered list that were once threatened due to the dam and restricted water flow, including the California red-legged frogs and steelhead fish populations, can recover and have access to more than 25 miles of spawning and rearing habitat.

According to the San Clemente Dam removal [website](#), additional benefits of the project include: “restoring the natural sediment regime; reducing channel incision; reducing beach erosion that contributes to destabilization of homes, roads and infrastructure; and expanding public recreation opportunities in the region by preserving over 900 acres of watershed lands, resulting in over 5,400 acres of contiguous park land.”

Removing sediment is one of the most challenging issues to contend with during dam removal projects. A large amount of sediment lies behind the dam and along the Carmel River side of the reservoir. CAW and the team working on the project designed a solution through innovative engineering, which rerouted a portion of the Carmel River into San Clemente Creek and “transformed the Carmel River arm of the lower reservoir, already full of sediment, as the permanent sediment storage area.” In doing so, this design decreased project costs and minimized the impact on the environment. Additionally, approximately 380,000 cubic yards of sediment in the San Clemente Creek arm will be excavated and added to the Carmel River sediment storage area.

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MEMBER SPOTLIGHT

SAN CLEMENTE DAM REMOVAL ACHIEVES MAJOR MILESTONE WITH NEW FLOW OF CARMEL RIVER...CONTINUED

The San Clemente Dam will be removed in stages, and the project also includes removal of the Carmel River Dam, built in 1883, and located downstream from the San Clemente Dam.

The project is anticipated to be complete by late 2015 or early 2016. Once completed, CAW will transfer the 925 acres to the U.S. Department of Interior's Bureau of Land Management, which is working with the Monterey Peninsula Regional Parks District to develop a long-term management plan for the property that will include public access and recreational trails.

This groundbreaking project is an archetype for other dam removal and river restoration projects in California and nationwide. [Click here](#) to view an update after the second year of construction/removal. To see all accomplishments to date, visit www.sanclementedamremoval.org.

The goals of removing the San Clemente Dam and rerouting and restoring the Carmel River include:

- Provide a long-term solution to the public safety risk posed by the potential collapse of the outdated San Clemente Dam, which now threatens 1,500 homes and other public buildings in the event of a large flood or earthquake.
- Provide unimpaired access to over 25 miles of essential spawning and rearing habitat, thereby aiding in the recovery of threatened South-Central California Coast steelhead.
- Restore the river's natural sediment flow, helping replenish sand on Carmel Beach and improve habitat downstream of the dam for steelhead.
- Reduce beach erosion that now contributes to destabilization of homes, roads and infrastructure.
- Re-establish a healthy connection between the lower Carmel River and the watershed above San Clemente Dam.
- Improve habitat for threatened California red-legged frogs.

Source: San Clemente Dam Removal website: www.sanclementedamremoval.org. 

SAVE THE DATE
FOR CWA'S 2015
SPRING CONFERENCE
May 13 - 15 at the Citizen Hotel, Sacramento

THE QUALITY & SERVICE FOCUS

INVESTOR-OWNED WATER UTILITIES ANSWER CALL TO CONSERVE – DURING DROUGHT AND BEYOND

California's investor-owned water utilities (IOUs) have joined their public agency counterparts in helping the state conserve water and manage the drought, according to an analysis by the California Water Association (CWA).

CWA reviewed monthly water production figures reported to the State Water Resources Control Board (SWRCB) and found many IOU districts to be consistently at or above the state average for water conservation:

- In December, 31 of California's 60 reporting IOU districts were at or above the statewide water conservation average of 22.2 percent compared with the same period in 2013.
- Likewise in November, 31 of California's IOU districts were at or above the statewide water conservation average of 9.8 percent compared with the same period in 2013.
- Of these 60 districts, 37 were above 20 percent in December and 47 were above 15 percent. In November, when the reductions were less than in December (because December was such a wet month), 13 were above 20 percent and 25 were above 15 percent.
- In September, 30 were at or above the statewide water conservation average of 10.3 percent.
- In August, 24 were at or above the statewide water conservation average of 11.6 percent.

"Customers are doing an outstanding job conserving water and deserve to be congratulated," said CWA Executive Director Jack Hawks. "As California faces a fourth dry year, water IOUs are committed to continuing their partnerships with customers to support the governor's call for continued conservation." According to Hawks, equally significant is the fact that all IOUs are on schedule with the 2009 state law requiring a 20 percent reduction in per capita water consumption by the year 2020.

Hawks hopes news organizations, policymakers and customers recognize and appreciate that all conservation results matter, not just those exceeding 20 percent. While the reported monthly water production figures are an indication of conservation, they are not a perfect correlation. Many factors beyond a utility's water production are part of the conservation equation, including precipitation; temperature; evaporation rates; population growth; population density; economic activity; residential lot size; income levels; and utility water rates.



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THE QUALITY & SERVICE FOCUS

INVESTOR-OWNED WATER UTILITIES ANSWER CALL TO CONSERVE – DURING DROUGHT AND BEYOND...CONTINUED

“This is why it is difficult, if inappropriate, to compare usage rates and water production figures across regions, utilities and water suppliers,” Hawks said. “The reality is that a community reducing water use by 9 percent, but having a residential water use of 79 gallons per capita per day (GPCD), is every bit as responsible as a community in a different part of the state that reduces use by 30 percent, but has a 187 residential GPCD.”

The community with the 9 percent reduction will have a new GPCD of 72, while the community with the 30 percent reduction will have a new GPCD of 131. “Both communities deserve credit for being responsive to the Governor and to the SWRCB’s emergency conservation regulations,” Hawks said.

On February 27, 2014, the California Public Utilities Commission (CPUC) passed a resolution requiring its largest regulated IOUs to comply with the governor’s emergency drought proclamation and the call for a voluntary 20 percent water use reduction statewide. In response, these water companies activated their drought management plans and, soon after, appealed to customers to voluntarily reduce their water use.


Subsequently, when the SWRCB approved its emergency regulation in July 2014, imposing mandated outdoor water use restrictions, the CPUC issued a second resolution directing its regulated IOUs to comply with the SWRCB’s prohibitions as well as notify their customers individually of the new restrictions, including the possibility of fines for non-compliance.

Beyond the drought, IOUs are fully engaged in comprehensive, ongoing water efficiency programs with their customers as outlined in the CPUC’s 2010 Water Action Plan, which identifies water efficiency as a top priority.

The state’s largest IOUs have signed memorandums of understanding with the California Urban Water Conservation Council, committing to implement their best management practices for water conservation and water use efficiency. And they are well on their way to meeting California’s mandate to reduce per capita urban water use 20 percent by 2020.

Their incentive programs help customers use water efficiently and are among the best in the state. They include:

- Audits by and consultations with trained water efficiency experts who offer tailored information on how customers can use less water at home or work.
- Rebates for installing high-efficiency toilets and clothes washers, upgrading water-wasting sprinklers and controllers and replacing thirsty lawns with beautiful, low-water use plants.
- Education through workshops and events, informational materials, outreach to schools and water-wise demonstration gardens.

Hawks noted that all IOUs in the state are working hard to balance their water supply portfolios with customer demands in managing the drought, while maintaining the necessary stability in revenues to ensure future supply for their customers. “The regulated IOUs are pleased their customers have engaged in the statewide effort to minimize water use during the drought,” Hawks said, “and they’ve done so knowing that reduced water consumption puts pressure on the revenues required to maintain high levels of safe, reliable, high-quality water service.” 

LEGISLATIVE AND REGULATORY UPDATE

CALIFORNIA WATER ASSOCIATION COMMENTS
ON DRAFT SAFE DRINKING WATER PLAN

In mid-December, the California Water Association (CWA) submitted a [comment letter](#) on the draft [Safe Drinking Water Plan for California](#) (the Plan), which was released by the State Water Resources Control Board (SWRCB) in October 2014.

Representing the interests of approximately 115 investor-owned water utilities (IOUs) serving almost 6 million Californians with safe, reliable and high-quality drinking water, CWA's comments primarily focused on: 1) the Plan's description of the California Public Utilities Commission's (CPUC) regulatory responsibility; 2) the Plan's recommendations for addressing the challenges facing small water systems; 3) The risk of accidental releases from hazardous material storage tanks and pipelines; 4) The cost of compliance with the new maximum contaminant level for hexavalent chromium; 5) The Plan's recommendation that responsible parties be required to cover groundwater contamination mitigation costs; and 6) The Plan's recommendations for legislation to provide funding for small water systems' treatment costs, to extend metering requirements, and to require annexation of small public water systems.



Most significantly, the letter included the following comments and recommendations:

- CWA proposed additions and revisions to clarify some of the language and to accurately describe the role and extent of the CPUC in the Plan, particularly in relationship to IOUs. CWA suggested adding the CPUC to the summary list of state agencies with a role in regulating public water systems in addition to adding the sentence: "The California Public Utilities Commission shares regulatory responsibility for ensuring the quality of water supplied by investor-owned water utilities subject to its jurisdiction."
- Noting that the Plan fails to recognize the potential roles of IOUs in addressing the issues facing small water systems and that larger, financially strong IOUs can be a source of support and expertise to help address the small systems' problems, CWA proposed a new recommendation to clarify the issue.
- CWA also addressed the Plan's reliance on creating new Community Services Districts (CSDs) or County Service Areas (CSAs) for areas lacking safe drinking water, which CWA contended may overestimate the efficacy of such agencies in securing safe drinking water supplies. CWA noted that forming a new CSD or CSA is not a panacea for a lack of technical and financial resources and suggested the CPUC's role in defining the service areas of water utilities under its jurisdiction may help resolve this issue.
- CWA agreed with the recommendation encouraging large water systems to assist neighboring water systems in sampling and analysis, but provided clarifying language to ensure such assistance would be consistent with CPUC cost-recovery procedures for IOUs.
- CWA would support a recommendation for legislation identifying stable, long-term funding sources to help small water systems cover the cost of operating treatment facilities, particularly those serving disadvantaged communities, provided the funding obligation is placed on those persons or products causing the need for treatment. In the comment letter, CWA maintained a water use fee should not be imposed on unrelated water systems and urged the SWRCB not to recommend a broadly applied water use fee as a funding mechanism for the needs of particular water systems.

LEGISLATIVE AND REGULATORY UPDATE

CALIFORNIA WATER ASSOCIATION COMMENTS
ON DRAFT SAFE DRINKING WATER PLAN

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- The Plan recommends legislation to require small public water systems within the sphere of influence of larger systems be annexed to the larger systems. CWA opposes this blanket mandate and listed several intractable problems with the recommendation in the comment letter. Chief among the noted issues for IOUs is that such legislation would mandate the taking of private property and would require compensation under principles of eminent domain law. CWA also outlined the complex financial issues associated with annexing smaller systems. Accordingly, CWA suggested removing the mandate from the recommendation and converting it to one of strong encouragement.

“We will continue to closely monitor the progress of the Plan and provide input as needed,” said CWA Executive Director Jack Hawks. Additional information and updates on the Plan are available on [SWRCB’s website](#).

JOINT CWA-ACWA-CMUA-AWWA LETTER ON THE SAFE
DRINKING WATER PLAN


In addition to its individual comment letter on the draft Safe Drinking Water Plan for California (the Plan), the California Water Association (CWA) joined with the Association of California Water Agencies (ACWA), the California Municipal Utilities Association (CMUA) and the California-Nevada Section of the American Water Works Association (AWWA Cal-Nevada) (collectively, the Parties) in a joint letter to the State Water Resources Control Board (SWRCB) that focused on two issues:

1. The Plan’s recommendation for legislation that mandates the annexation of a small public water system by a neighboring larger water system;
2. The Plan’s recommendation for a water usage fee as a long-term funding source for safe drinking water for disadvantaged communities.

The joint letter specifically requested these two recommendations be removed from the Plan and its implementation. With respect to the annexation mandate, the Parties noted the annexation mandate does not address the legal, financial and technical barriers to consolidation that currently exist, not the least of which is that many small systems are well-managed and sustainable and do not warrant a blanket mandate for annexation. The joint letter noted that the SWRCB should address a strategy to remove barriers to consolidation rather than a mandate to take over smaller systems.

The joint letter also noted that the water usage fee is actually a tax, which would require a two-thirds vote of the Legislature – not an insignificant hurdle. Worse, such a tax would be regressive in nature by imposing a greater burden on low-income customers. The Parties, instead, encouraged the SWRCB “to engage stakeholders in discussions to identify viable, stable, long-term funding sources.”

CWA’s comment letter on the Plan went into more detail on both recommendations, noting on the first recommendation that a mandate to acquire small investor-owned water utilities would run afoul of eminent domain laws requiring compensation for the taking of private property. Further, acquiring a troubled small system could easily require substantial infrastructure improvements; yet, the Plan was silent on whether these costs should be absorbed by existing customers, subsidized by the acquiring utility’s customers or, more broadly, by taxpayers.

The joint letter was signed by Timothy Quinn, ACWA Executive Director, Danielle Blacet, CMUA Director for Water, Timothy Worley, AWWA Cal-Nevada Executive Director, and Jack Hawks, CWA Executive Director 

POINTS OF INTEREST

GOVERNOR BROWN SELECTS PICKER AS CPUC PRESIDENT AND APPOINTS RANDOLPH TO COMMISSION

In late December, Governor Brown reappointed Michael Picker to serve on the California Public Utilities Commission (CPUC) and selected him as the president. Additionally, Governor Brown appointed Liane Randolph who brings a wealth of water experience to the CPUC from her work at the California Natural Resources Agency (Agency). The appointments were effective January 1, 2015.


Picker has served on the CPUC since January 2014 and, according to the governor's [announcement](#), "Michael Picker's deep experience and sound judgment make him uniquely qualified to take on [the] role [of the President]."



Liane Randolph

Since 2011, Randolph has [Michael Picker, CPUC President](#) served as deputy secretary and general counsel of the Agency advising the secretary on such issues as the Klamath River restoration and dam removal, the California Environmental Quality Act, renewable energy and the California Coastal Commission, to name a few.

Randolph has extensive practice in government and administrative law and prior to her work at the Agency, held the position of attorney at several law firms and served as the chair of the California Political Practices Commission from 2003-2007. She earned her Juris Doctor degree from the University of California, Los Angeles School of Law.

In his announcement, the governor summed up Randolph's and Picker's appointments by stating, "Liane Randolph has handled very difficult issues with insight and balance and will be a real asset to the commission. Most importantly, both appointees share a commitment to seeing California achieve its ambitious renewable energy goals." 

POINTS OF INTEREST

THREE DIVERSE BUSINESSES RECOGNIZED IN CWA'S SUPPLIER DIVERSITY MENTOR PROTÉGÉ PILOT PROGRAM

In June 2013, the California Water Association (CWA) Utility Supplier Diversity Program Committee (the Committee) embarked on an effort to test a proposed Mentor-Protégé Pilot Program (MP3) designed to: (1) assist diverse suppliers and vendors with their technical capabilities, particularly as they pertain to investor-owned water utilities (IOUs), and (2) meet the supply chain needs of CWA's member companies. The MP3 is one way the IOUs responded to the preferences of the California Public Utilities Commission in its decision to adopt amendments to General Order 156 multi-tiered technical assistance and capacity building (TA/CB) program.

The MP3 program's goal is to prepare and encourage women, minority and disabled-veteran business enterprises for potential contract opportunities with the IOUs. On December 17, 2014, the Committee celebrated the success and continuation of this initiative by acknowledging and thanking the initial participants, Dyson Electric, Precision Contractors and Western States Oil Company. Directed by Infinity Business Solutions under a contract with CWA, each of the member company supplier diversity managers, as well as key procurement staff and executives, played a major role in contributing to the introduction of these businesses to key decision-makers.

During the first year, California American Water, Golden State Water Company and San Jose Water Company procurement professionals worked respectively with the three businesses. As a result, all three gained valuable knowledge about the IOUs' operational needs, and Western States Oil entered into a contract with San Jose Water Company. 🌍



Participants in CWA's 2014 Mentor Protégé Pilot Program:

(L-R) Pete Panos, San Jose Water Company; Jack Hawks, California Water Association; Emma Maxey, Golden State Water Company; John Kroll, Senior Manager, Western States Oil Company; Holley Joy, Manager, California American Water (and representing Dyson Electric); Charmaine Jackson, San Jose Water Company; Thomas Gibbs, Precision Contractors; Stephanie Swenseid, Suburban Water Systems; and Oscar Edwards, Project Manager, IBS Consulting.

POINTS OF INTEREST

CAL WATER PARTICIPATES IN CUWCC WATER RATES SEMINAR



Ken Jenkins, California Water Service Company's (Cal Water) Conservation Manager, joined a group of water rates experts at two separate workshops in northern and southern California on January 15 and 28, respectively, designed to help California water utilities maintain revenue stability in the face of pressure from reduced sales of water resulting from drought management, water conservation regulations, and customer responsiveness to the government's mandates on long-term water conservation programs.

The workshops were hosted by the California Urban Water Conservation Council, with partnering collaboration from the California Department of Water Resources, the Alliance for Water Efficiency (AWE), the Association of California Water Agencies, the California Urban Water Agencies, the California Association of Sanitation Agencies and the AWWA Cal-Nevada Section.

In the two workshops, designed for utility senior executives responsible for rates, regulation and financial management, senior managers from utilities representing different rate structures—e.g., allocation, volumetric, inclining block and uniform presented their utility's approaches to designing rates that derive the necessary operating revenues and fixed cost recovery, send the proper conservation price signals to customers, and—for the government-owned water agencies – demonstrate compliance with Propositions 26 and 218.

Ken described Cal Water's experience with AWE's [Sales Forecasting and Rate Model](#) for the evaluation of drought rates, a process that involved selecting three different rate scenarios for 21 of Cal Water's 24 service areas (80 different communities served statewide) and then evaluating the effect on demand by adjusting its tiered rates in those service areas. Cal Water ultimately settled on three scenarios, whereby there was no change in its Tier 1 block, while different increases were applied to Tiers 2 (25% to 50% increases) and 3 (50% to 100%). A new Tier 4 was added to one scenario to determine its impact. The model considered both price and non-price conservation effects on demand.

The average reduction in SFR demand (model vs. 2013 unconstrained demand) across the three scenarios ranged from 12 percent up to 18 percent when both price and non-price factors were applied. For price only, the ranges were 2 to 8 percent in Scenario 2, and 2 to 5 percent and 2 to 6 percent in Scenario 1 and 3, respectively. Total demand across the three scenarios saw average reductions in the 12 to 19 percent range when both price and non-price factors were applied and 2 to 9 percent for price only.

For more information on the seminar, and the presentations (including Ken's), feel free to access www.cuwcc.org.