



CALIFORNIA WATER ASSOCIATION

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MESSAGE FROM THE PRESIDENT

February was a particularly active month for the California Water Association (CWA) and its member companies, and March promises to continue at the same pace. Testifying at regulatory meetings, actively participating in workshops and submitting comment letters on proposed regulations are among CWA's list of accomplishments.

At the same time, investor-owned water companies have been breaking ground on infrastructure projects, responding to emergencies caused by flooding and making improvements on water systems throughout the state to further provide customers with safe, high-quality and reliable water service. Additionally, CWA is gearing up for its 2017 Spring Conference to be held in Sacramento in May.

The following articles in February's *On Tap* address these issues and more:

- SWRCB Extends Emergency Regulation At Least Until May
- CWA Provides Technical Assistance at Affordable, Safe Drinking Water Initiative Workshop
- California American Water Maintenance Team Improves Water Service
- Floods Impact San Jose Water Company Customers
- California American Water Breaks Ground on Monterey Pipeline Project
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- Registration Opening Soon for CWA's Spring Conference!

To view *On Tap* in PDF format, [click here](#), or access the online version on CWA's website at www.calwaterassn.com.

Sincerely,

Lawrence M. Morales

For Instant CWA News:

Lawrence M. Morales
East Pasadena Water Company
2017-2018 CWA President



California
Water
Association



QUESTIONS?

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LEGISLATIVE AND REGULATORY UPDATE


SWRCB EXTENDS EMERGENCY REGULATION AT LEAST UNTIL MAY



On February 8, the California State Water Resources Control Board (SWRCB) voted unanimously to extend Governor Brown's water conservation [executive order](#) set to expire on February 28, 2017. According to a SWRCB [media release](#), the board "agreed to consider repeal of the regulation in May if the regulations have not been rescinded or modified by May 1, following a more thorough review of the state's water supply conditions."

This means water waste, such as hosing down sidewalks, washing cars without a shut-off nozzle and irrigating grass on public street medians, are still banned under the current [regulations](#). Additionally, water suppliers must continue reporting monthly water production through October 2017 to the SWRCB as well as submitting "stress tests" proving they have enough water to make it through three years of drought.

Despite water agencies' concerns about confusing the public by extending the regulation during historic rain and snowfall, a [SWRCB staff report](#) on the extension noted, "So far, the state has experienced significant snow and rainfall during the 2016/2017 water year, causing many of the state's reservoirs to shift to flood-control operations; however, some reservoirs remain critically low and groundwater storage remains depleted in many areas due to the continued impact of a prolonged drought. Precipitation cannot be counted on to continue, and snowpack levels, while above average for the current time of year, are subject to rapid reductions as seen in 2016 and before." In short, the SWRCB concluded that because continuation of the supply assessment stress test meant that most water utilities would continue with the status quo, there was no practical impact with continuation of the emergency regulation.

On January 12, 2017, the California Water Association submitted a [comment letter](#) to the SWRCB on the proposed extension. CWA acknowledged the decision parameters the SWRCB faced, noting that while the drought may not be over, the drought emergency certainly was and that continuation of the emergency regulation would create a credibility problem with customers. CWA said it would be supportive of a Board decision to let the emergency regulation lapse. 

LEGISLATIVE AND REGULATORY UPDATE

CWA PROVIDES TECHNICAL ASSISTANCE AT AFFORDABLE, SAFE DRINKING WATER INITIATIVE WORKSHOP




Paul Townsley, Vice President of Rates and Regulatory Matters for California Water Service (Cal Water), represented his company and the California Water Association (CWA) at the State Water Resources Control Board's (SWRCB) [Public Workshop](#) on February 8 on the Affordable, Safe Drinking Water Initiative. This is one of several initiatives undertaken by the SWRCB to implement the state's "Human Right to Water" law passed in 2012. In concert with the workshop, CWA also filed a comment letter expressing its views on how a statewide Low-Income Rate Assistance (LIRA) program would work for water utilities subject to the jurisdiction of the California Public Utilities Commission.

In his presentation, Paul explained that very small service areas that have relatively few customers to share the cost of operating, maintaining and upgrading the water system will generally have higher water utility rates than larger communities, principally because they lack the economies-of-scale. For example, in a community with 5,000 customers, a \$10,000 expense would cost each customer \$2.00. However, in a community with only 500 customers, that same \$10,000 expense would cost each customer \$20.

Considering that such communities have limited options with their infrastructure needs, Cal Water has implemented two programs aimed at reducing the cost of water utility service. Like other water utilities regulated by the California Public Utilities Commission (CPUC) that assist their customers on fixed incomes or who are facing financial hardship, Cal Water offers a LIRA program. In Cal Water's case, qualified customers enrolled in the program receive a discount of 50 percent of their monthly service charge, up to \$48 per month.

Additionally, each of Cal Water's customers in service areas with poor economies-of-scale receive a discount on the amount they pay for each unit of water through the company's Rate Support Fund (RSF). The amount of the RSF discount can vary depending on the service area, but the combination of the LIRA and RSF discounts can mean nearly a 50-percent reduction in the monthly bill for eligible customers in disadvantaged or severely disadvantaged communities.

In its comment letter, CWA urged the SWRCB, as it develops plan to address water affordability issues on a statewide scale, to consider how to preserve existing benefit levels for low-income customers who already are receiving this assistance under the CPUC's LIRA and RSF programs. CWA also supported the funding of a statewide program applicable to all water utilities and customers without unduly burdening customers who are already funding programs that help make water affordable for their eligible neighbors.

Additionally, CWA requested that CPUC-regulated water utilities have the option of participating in a statewide ratepayer assistance program as an alternative to continuing to offer their CPUC-approved LIRA program. This may be appropriate in circumstances where, for example, a CPUC-regulated utility has a service area with a disproportionately large number of low-income customers. In such a scenario, customers who do not qualify for LIRA (but may still face economic hardship) pay more to fund low-income subsidies than they otherwise would, merely because of service area demographics. CWA said a statewide program would significantly reduce the unintended burden borne by such customers without diminishing important benefits to those eligible to receive them. 

THE QUALITY & SERVICE FOCUS

CALIFORNIA AMERICAN WATER MAINTENANCE TEAM IMPROVES WATER SERVICE

After California American Water (CAW) acquired the Geyserville Water System in November 2016, company electricians Al Amini and Mariano Garcia noticed, while working on the system, significant water hammers occurring during repetitive start/stop cycles. A water hammer is a pressure surge or wave of water in motion that is forced to stop or change direction and can cause pipe breakage. This commonly occurs when a valve suddenly closes at the end of a pipeline creating a pressure wave.



Al Amini (left) and Mariano Garcia (right) corrected the water hammer issues, preventing future damage to the system.

To serve the Geyserville Water System's 330 customers and businesses with high-quality water and dependable customer service, CAW acted quickly to correct the water hammer issue. The solution involved adjusting the variance frequency drive (VFD), which helped control the alternative current motor speed and torque. Adjusting the system's VFD also eliminated the pressure fluctuations caused by the startups of the wells.

Amini's and Garcia's knowledge of the system and persistence, successfully and timely resolved the issue before water delivery to CAW's Geyserville customers was affected.

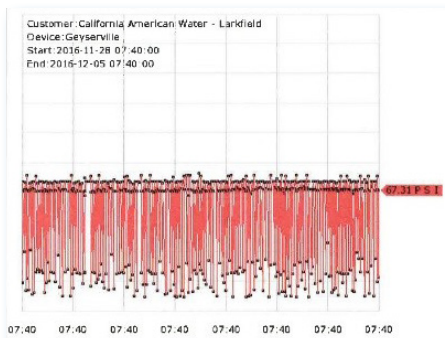


Image of equipment runtime for one week when CAW took over the system.

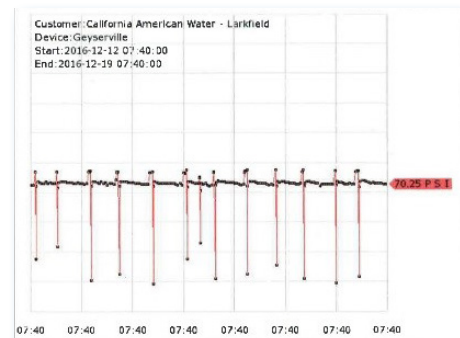


Image after the VFD was properly set, significantly reducing the hammering.

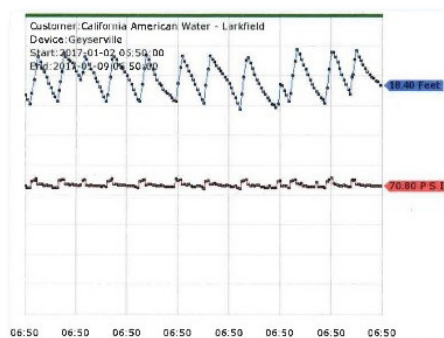


Image of equipment runtime for one week after the VFD was fine-tuned and all pressure fluctuations caused by the startups of the wells were eliminated.

MEMBER SPOTLIGHT

FLOODS IMPACT SAN JOSE WATER COMPANY CUSTOMERS

In a La Niña year typically marked by lower than average precipitation, California's drought was essentially erased by heavy precipitation in January and February 2017. While this was great news on the water-supply front after five years of historic drought conditions, it was not such good news as devastating floods displaced approximately 14,000 San Jose Water Company (SJWC) customers and caused at least \$100 million in damage.


"SJWC's ability to provide safe, high-quality and reliable water throughout the flood emergency is a testament to the flexibility, reliability and quality of our water system," said Francois Rodigari, SJWC's Director of Water Quality. "At no time was the water quality or service compromised by the flood impacts."

SJWC stepped up monitoring and sampling efforts during the flood to ensure the safety of the water supply. The results of those efforts confirmed the water supply throughout the service area continued to meet all drinking water regulations.

Keeping residents informed also was important. SJWC staff coordinated information with the City of San Jose's Emergency Operations Center (EOC) and also posted updates through social media and on SJWC's website. After the flood, displaced residents were advised to flush their taps for a few minutes to remove stagnant water and improve its aesthetic qualities of taste and odor, as they might do after an extended absence from their homes.

"During the last two years, SJWC staff participated in several city emergency-preparedness exercises, allowing us to develop close working relationships that are so crucial during actual emergency events," said Jim Wollbrinck, SJWC Manager of Security and Business Resiliency. "There was some initial confusion and erroneous information about the safety of the water supply during the floods, and our involvement with the city's EOC was key to ensuring factual and accurate information was being delivered to city staff and the public."

The emergency-preparedness exercises paid off as SJWC worked closely with the San Jose Fire Department and other rescue and recovery personnel during the emergency to respond quickly and keep everyone safe.

SJWC's customers impacted by the flood have been granted an eight-week extension to arrange for payment of their water bills as they deal with the larger task of recovering from the devastating floods. SJWC also contributed \$10,000 to the [San Jose Flood Victims Relief Fund](#) to assist impacted customers in the heart of its service area. 



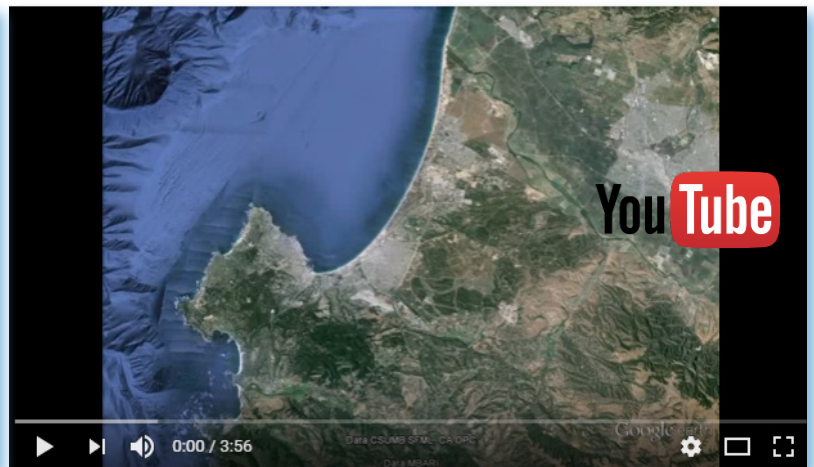
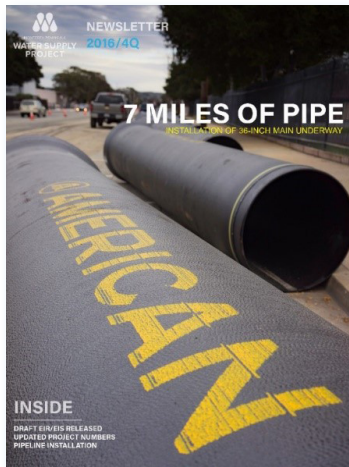
MEMBER SPOTLIGHT

CALIFORNIA AMERICAN WATER BREAKS GROUND
ON MONTEREY PIPELINE PROJECT

After completing most of the service line relocations for its [Monterey Peninsula Water Supply Project](#), California American Water (CAW) has embarked on the pipeline installation phase of the project. The \$50 million pipeline, extending approximately seven miles from Seaside to Pacific Grove, will transport water from the Pure Water Monterey groundwater replenishment project and future desalination facility near Marina. The pipeline is scheduled to be completed by year end.

To get the word out about the project, CAW representatives held community meetings, presented at city council meetings and sent notifications to customers. Additionally, a [flyover video](#) of the pipeline's location was posted on YouTube.

For [updates](#) and information on the pipeline installation schedule, traffic impacts and [maps](#), customers can visit the project website, www.watersupplyproject.org/pipeline, and Facebook page, www.facebook.com/Monterey_Water, and also sign up for weekly email construction updates at www.watersupplyproject.org/contact.



Pipeline Map

MEMBER SPOTLIGHT

CAL WATER'S OROVILLE WATER BILLS COMPARE FAVORABLY TO NEIGHBORING GOVERNMENT-OWNED WATER UTILITIES




In response to questions raised by California Water Service's (Cal Water) customers in Oroville, the water utility recently commissioned an [independent study](#) to compare its water bills with those paid by customers of the neighboring government-owned water supplier, South Feather Water & Power Agency (SFWPA). Dr. David Sosa, Ph.D., a Principal at Analysis Group, Inc. (AGI) who conducted the study, identified three factors to take into account for accurate comparison of water rates: revenue sources, capital spending and taxes.

As noted in AGI's [press release](#), Sosa found, "SFWPA's rates were heavily subsidized by other revenue sources, whereas Cal Water's rates covered all of its operating expenses. In addition, Cal Water made substantially higher capital investments than SFWPA in order to maintain service quality. Finally, as a private utility, Cal Water provided additional tax benefits."

After taking into account the three factors, Sosa concluded Cal Water's Oroville customers' monthly residential water bills average \$54 compared to SFWPA's at \$64.

Cal Water's spokesperson Shannon Dean commented in a company [press release](#), "We wanted to provide our customers with a fair, unbiased, and accurate study on a subject as important as water rates. We are committed to providing quality, service, and value to our customers, and this study helps explain how we are accomplishing that goal."

This study supports AGI's previous research on the costly nature of water system takeovers covered in an [article](#) in the January edition of *On Tap*. 

POINTS OF INTEREST

CITY COUNCIL TO APPEAL JUDGE'S RULING DENYING TAKEOVER OF GOLDEN STATE WATER'S CLAREMONT WATER SYSTEM



On January 31, the Claremont City Council voted to appeal the December 9, 2016, [ruling](#) against the city's eminent domain case to acquire Golden State Water Company's (Golden State) Claremont water system. An [article](#) in the *Inland Valley Daily Bulletin* indicated the city spent close to \$14 million on the eminent domain proceedings, which were initiated after voters passed Measure W in November 2014 allowing the city to borrow up to \$135 million to acquire the system.

At the January 31 meeting, the city council also voted to appropriate \$450,000 toward legal fees for the appeal from its Operating and Environmental Emergency General Fund Reserve and its Equipment and Facility Reserve. If the decision stands, the city could be obligated to reimburse \$450,000 to \$1 million for Golden State's legal fees as well as \$500,000 to \$1 million in interest charges.

"It is disappointing that the City of Claremont has chosen to appeal the decisive ruling made by a Superior Court judge in favor of Golden State Water. Claremont taxpayers will now be forced to pay millions more in additional legal fees and interest charges," said Denise Kruger, Golden State Water's Senior Vice President of Regulated Utilities, in the newspaper article.

A recent [research report](#), "The Economic Consequences of Contested Government Takeovers of Investor-Owned Water Utilities," issued by Analysis Group, illustrates contested takeovers typically are very costly for the acquiring government entity and do not necessarily result in lower rates or better service than private ownership post-takeover.

David Axelrad, a partner in the law firm retained by the city, noted, "Across the country, only 20 percent of appeals are successful."

The appeal is expected to take 18 months to two years to complete. 🌍

POINTS OF INTEREST

AMERICAN WATER PROMOTES MACLEAN AND SVINDLAND

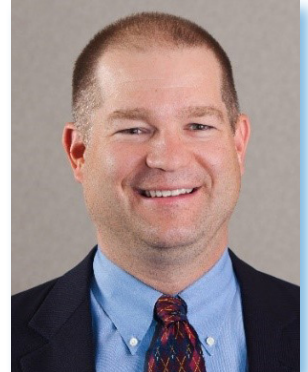
Effective March 1, 2017, Richard Svindland was promoted from California American Water's (CAW) Vice President of Operations to President, replacing Robert MacLean who will serve as Senior Vice President of American Water's Eastern Division and President of New Jersey American Water.

With more than 25 years of experience in the water and wastewater industries, Svindland earned a master's degree in civil engineering from the University of Kentucky.

In a [press release](#), American Water's Chief Operating Officer Walter Lynch said, "We are so pleased to promote both Rob and Rich. It is well deserved. I know Rich will take over where Rob left off, ensuring our customers in California and Hawaii receive the best service possible, while continuing to focus on the successful completion of the Monterey Peninsula water supply project. His deep utility experience makes him well-suited for this new role."

Prior to serving as CAW's President, MacLean was the Director of Field Operations for New Jersey American Water. He earned his master's degree in applied science in civil engineering from Polytechnique University in Montreal.

"We are so pleased to bring Rob back to New Jersey," said Lynch in a [press release](#). "With more than 20 years of experience in the water business, Rob is 100 percent committed to excellent customer service, and I know he will bring that passion to our customers in the Garden State. His past experience working in New Jersey makes him a great fit for this new role." 🌍



Richard Svindland



Robert MacLean (Photo: Business Wire)

POINTS OF INTEREST

CWA OFFERS FREE WORKSHOP ON DOING BUSINESS WITH WATER COMPANIES

The California Water Association (CWA) is offering a free capacity-building [workshop](#) for emerging small businesses on March 10, 2017, in Citrus Heights, CA. Presenters will provide tips on doing business with California water companies and on bonding and funding projects. To RSVP, visit <https://cwasacramento2017.eventbrite.com> or for additional information, contact SiewYee Lee at slee@sanjosembdcenter.com or call 408-998-8058 ext. 139. 📍

REGISTRATION OPENING SOON FOR CWA'S SPRING CONFERENCE

Mark your calendar for California Water Association's 2017 Spring Conference!

**MAY 17-19, 2017
THE CITIZEN HOTEL, SACRAMENTO, CA**

