January 4, 2018

The Honorable Eduardo Garcia

Chair, Assembly Water, Parks & Wildlife Committee

California State Assembly

State Capitol, Room 4140

Sacramento, CA 95814

**Re: Support for AB 272 (Gipson): Water Utility Service: Sale of Water Utility Property by a City**

Dear Chair Garcia:

On behalf of the California Water Association (CWA), I am writing to support Assembly Bill (AB) 272, as amended by Assembly Member (Asm.) Mike Gipson. CWA represents more than 100 public water utilities in California that are regulated by the California Public Utilities Commission (CPUC). Its members provide safe, reliable, high-quality water service to approximately 6 million Californians, and many of its largest members have been active in supporting the state’s policy on consolidation by acquiring troubled small drinking water systems and providing those customers the necessary technical, managerial and financial (TMF) capabilities to ensure safe drinking water for them.

CWA was very active in the development of Senate Bill 88, which formally articulated the State’s policy on consolidation, but which also came with the heavy hand of mandatory consolidation when the initial voluntary approach failed to gain results. CWA was pleased to have participated in Asm. Gipson’s 2017 working group discussions that sought to facilitate consolidation, but without the mandatory stick, and offered several legislative options.

One of those options has been adopted in the form of AB 272, which encourages the voluntary consolidation of small municipal water systems (MWS) into larger systems, in a manner that will improve water services for Californians previously served by smaller MWS that lacked sufficient TMF capacity. For this reason, and others below, CWA is pleased to support AB 272 and encourages an affirmative vote when it comes before your Committee on January 9, 2018.

Providing their citizens safe, clean, and affordable drinking water is particularly challenging for small MWS that lack economies-of-scale and the necessary resources to finance basic capital requirements, let alone the ongoing costs of operation, maintenance, treatment, compliance and personnel management.

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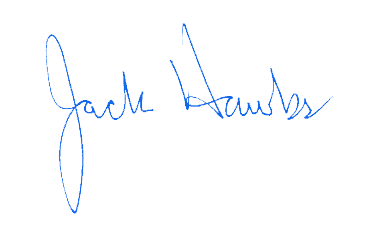
Small MWS can overcome these challenges by consolidating with other systems and gaining important economies-of-scale benefits. These benefits manifest themselves in shared costs for new water sources, water quality compliance, new equipment for operations and maintenance, conservation programs and other needed investments that neither system could afford to purchase alone, but can now be realized because costs can be spread over a larger customer base.

AB 272 will remove a significant barrier to consolidation – the existing law that requires a city-wide election to approve consolidation of a small MWS with a larger utility. The cost of an election is prohibitive for many communities and not really necessary when the municipality’s local elected leaders conclude that continued ownership and operation of a troubled MWS is not in the public interest. The bill, therefore, will modify the election requirement and allow cities to sell their MWS and consolidate it with a larger utility if the municipality concludes that continued uneconomical ownership and operation is not in the public interest. Importantly, the bill specifies that certain requirements and conditions that address customer and local resident needs are met.

Consolidating community water systems reduces operating costs and improves reliability, and consolidating MWS with stronger water systems advances the goal of a reliable, accessible supply of safe drinking water for those California residents that lack such access. AB 272 removes one of the barriers to achieving this goal, and CWA urges its enactment.

If you have any questions about our position, please do not hesitate to contact me at (415) 561-9650 or Jennifer Capitolo, Senior Policy Advisor at Nossaman LLP, at (916) 442-8888. Thank you for your consideration of CWA’s views.

Sincerely,



Jack Hawks

Cc: The Honorable Mike Gipson

Honorable Members of the Water, Parks & Wildlife Committee

Catherine Freeman, Chief Consultant

Ryan Ojakian, Senior Consultant

Robert Spiegel, Republican Consultant

Camille Wagner, Office of the Governor