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March 16, 2015

Via Electronic and U.S. Mail

The Honorable Felicia Marcus, Chair
and Honorable Members of the State Water Resources Control Board
c/o Jeanine Townsend
Clerk to the Board
State Water Resources Control Board
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Re: Consideration of a Proposed Resolution Amending and Readopting Drought-Related Emergency Regulations for Urban Water Conservation

Dear Chair Marcus and Members of the Board:

California Water Association ("CWA"), a statewide association representing the interests of investor-owned water utilities subject to the jurisdiction of the California Public Utilities Commission ("CPUC"), appreciates the opportunity to comment on Agenda Item 7 on the State Water Resource Control Board's ("SWRCB" or "Water Board") March 17, 2015 Agenda, regarding "Consideration of a Proposed Resolution Amending and Readopting Drought-Related Emergency Regulations for Urban Water Conservation." CWA represents 113 regulated water utilities that serve approximately 6 million Californians with safe, reliable high-quality water.

CWA notes that the CPUC has worked cooperatively with the Water Board as the drought has intensified. On August 10, 2014, the CPUC approved Resolution W-5000, which directed its jurisdictional water utilities to comply with all facets of the SWRCB's Resolution 2014-0038, adopted by the Water Board on July 15, 2014 and effective on July 28, 2014. Indeed, Resolution W-5000 required additional reporting and customer communications obligations on the regulated water utilities, beyond that of Resolution 2014-0038, with which these utilities complied.

CWA is pleased to report that its member utility customers have favorably responded to the Governor's call for reduced water use and the original emergency regulations adopted in Resolution 2014-0038. Fully half of the regulated utilities' reporting districts have consistently exceeded the state average each month for reported reduced water production and several have reported declines in water production exceeding the Governor's 20 percent goal. The other districts have shown material decreases in production, as well. In short, their performance and their customers' behavior modification have been comparable to those of their public water agency counterparts.

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Also similar to their public agency counterparts, the regulated water utilities and their customers are facing comparable financial challenges of the drought – reduced cash flow, pressure to recover fixed costs and the consequences of imposing rate increases or drought surcharges for the utilities, and increased frustration at using less water and increased rates and/or drought surcharges for customers. And, of course, the regulated utilities endure the same media criticisms as the public water agencies, if not more so, due to the unfamiliarity with investor-owned water utilities' cost and financial structures.

These challenges notwithstanding, and given the growing severity of the drought, CWA is pleased to support the Water Board's extension of the emergency regulations for an additional 270 days beyond the current April 25, 2015 expiration date, and also to support the additional water use prohibitions and reporting requirements described in the proposed amended regulations, as follows (new prohibitions and requirements listed below):

Prohibited Actions (Sec. 864 – End-User Requirements):

- Application of potable water to outdoor landscapes during and up to 48 hours after measurable rainfall.
- Serving drinking water other than upon request in eating or drinking establishments, including but not limited to restaurants, hotels, cafes, cafeterias, bars, or other public places where food or drink are served and/or purchased.
- Requiring operators of hotels and motels to provide guests with the option of choosing not to have towels and linens laundered daily, with prominently displayed notices of this option in each bathroom, using clear and easily understood language.
- Classification of violations as infraction, punishable by a fine of up to five hundred dollars (\$500) for each day in which the violation occurs.

Mandatory Actions by Water Suppliers (Sec. 865)

- Limiting the number of days that outdoor irrigation of ornamental landscapes or turf with potable water to no more than two days per week (applicable to suppliers that do not already have such limits in their water shortage contingency plans);

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- Provide prompt notice to a customer whenever the supplier obtains information that indicates that a leak may exist within the end-user's exclusive control;
- Add to their existing monthly monitoring reports new sections that specify the population served by the urban water supplier, the percentage of water that is used for the residential sector, descriptive statistics on water conservation compliance and enforcement efforts, and the number of days that outdoor irrigation is allowed.

CWA considers these measures to be reasonable additions to the emergency regulations adopted on July 28, 2014. Perhaps the one change that CWA would recommend would be to exempt weather-based timers and drip irrigation from the two-day-a-week limitation, so as not to penalize customers who have invested in water-saving technology.

As CWA reported in its previous comment letter dated July 14, 2014, the CPUC has worked with the investor-owned water utilities to develop a set of graduated procedures to impose increasingly stringent restrictions on the use of water by utility customers in times of drought. These efforts have evolved into procedures that are articulated in the investor-owned utilities' Tariff Rule 14.1 and Schedule 14.1, which together, along with applicable water shortage contingency plans, constitute the regulated water utilities' overall drought response plan. They prescribe steps to be taken to implement voluntary and mandatory conservation measures, in response to drought conditions of varying levels of severity.

All CPUC-regulated Class A and Class B water utilities (those serving 2,000 or more customers in California), are subject to the conservation directives of Rule 14.1, even for those utilities with service districts having less than 2,000 customers. These Class A and B water utilities all have their Rule 14.1 in effect, but because Rule 14.1 doesn't correspond perfectly with the Water Board's emergency regulations in all respects, CWA has been working with its members to revise the language in Rule 14.1 to make it consistent with the emergency regulations, as well as their water shortage contingency plans pursuant to their Urban Water Management Plans.

The regulated water companies intend to complete their Rule 14.1 revisions and file the changes with the CPUC on a schedule that is comparable to the effective date of the SWRCB's new, extended emergency regulations.

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CWA has one request of the Water Board as the drought worsens and we move forward with the more stringent elements of drought management. That request is to strongly assist water utilities and water agencies with media and customer communications by actively addressing the second point in the 10th “Be It Further Resolved That” statement in the Water Board’s Item 7 resolution, which reads “Water suppliers that face budget shortfalls due to reduced sales should take immediate steps to raise necessary revenues in a way that actively promotes continued conservation” (e.g., develop fact sheets and conduct media interviews that help the public understand the facts behind conservation and drought-induced reductions in water use). Virtually every water agency in the state is doing just that, but they are being unjustly criticized in the media for being responsible managers.

Attached is an editorial in the March 10, 2015 edition of the *San Francisco Chronicle*, titled “A Higher Price for Less Water.” The editorial takes three Bay Area water agencies to task for proposing rate increases to make up for lost revenues, and the paper’s editorial board not only gets its facts wrong on the impact on customers, but it goes on to chastise the three agencies with these statements:

“The three agencies argue they’ve held off higher rates long enough and have extra costs such as conservation campaigns and new programs to supply water-saving devices ranging from low-flow toilets to hose nozzles ... By heeding calls to conserve, customers are essentially being punished with higher bills. That’s a hit that’s unfair and should lead public officials to rethink their all-too-easy solutions. There has to be a fairer answer and a fuller explanation before higher rates are approved. Consumers are changing their everyday habits, getting by with less water. A bigger bill shouldn’t be the reward the public receives.”

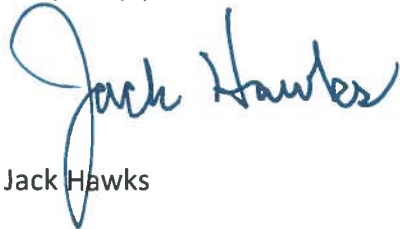
There is a fairer answer and fuller explanation. First, the public isn’t getting a bigger bill, just because rates increase (or a drought surcharge is imposed). The bill remains approximately the same (and actually decreases somewhat when conservation rate designs are in place), even if rates are increased. The reason is that the customer has reduced consumption. The only time bills will increase is when a rate increase involves something other than lost revenues (replacement water, infrastructure investments, higher labor and insurance costs, new water quality compliance, etc.). The new media cliché, “using less, paying more,” is erroneous; at worst, it is “using less, paying the same or a little less.”

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If the Water Board will extend its public outreach to include messages like this, and tell the customers the truth about water conservation, the water supplier community will be greatly appreciative. As the drought worsens, and the media pressure intensifies, it is imperative that all professionals in the water supplier community reach out to the public with accurate facts about water conservation.

Looking forward, CWA's member utilities will continue to work with the Water Board and the CPUC to coordinate their existing drought response plans and programs with the State Board's new regulations, including the new reporting requirements. CWA appreciates the opportunity to provide input regarding the State Board's proposed emergency water conservation regulations.

Very truly yours,



Jack Hawks

cc: Honorable Catherine J.K. Sandoval; Commissioner – California Public Utilities Commission
Rami S. Kahlon; Director, CPUC Division of Water and Audits
Bruce DeBerry; Program Manager, CPUC Division of Water and Audits
California Water Association Executive Committee

San Francisco Chronicle

THE VOICE OF THE WEST

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A HEARST NEWSPAPER

EDITORIAL *On the Drought's Toll*

A higher price for less water

Four years into the drought, California is learning to adjust to dry times. Use water sparingly, irrigate thriftily and think of ways to turn down the faucet, we're told. Now comes a tougher message: Be prepared to pay a lot more for water as supplies dwindle.

Bay Area utilities are feeling the pain, having to buy extra water supplies and pay for overhead designed for flush times. At the same time customers are doing their part by using less. The results are smaller water bills and less revenue to public agencies.

The San Francisco Public Utilities Commission, which runs a water system serving more than two dozen communities plus its home city, is nearing a decision on a 31 percent rate increase. While 18 percent was long intended for upgrades to the Sierra-to-city system, the remaining 13 percent is needed to make up for money lost because of successful conservation efforts.

It's a similar predicament for the region's other major agencies, East Bay Municipal Utility District and Santa Clara Valley Water District, which supply several million households and businesses. Both are studying plans to add a "drought surcharge" after taking a combined \$50 million hit due to smaller customer bills.

Santa Clara's directors are

weighing an increase of up to 31.5 percent at their meeting on Tuesday. East Bay MUD may consider a drought surcharge from 8 to 25 percent at a March 24 session.

The three agencies argue they've held off higher rates long enough and have extra costs such as conservation campaigns and new programs to supply water-saving devices ranging from low-flow toilets to hose nozzles. Their supplies have dwindled to the point where planners have purchased extra water, more costly than ever.

Bill payers are right to wonder at this thinking. By heeding calls to conserve, customers are essentially being punished with higher bills. That's a hit that's unfair and should lead public officials to rethink their all-too-easy solution.

There has to be a fairer answer and fuller explanation before higher rates are approved. Consumers are changing their everyday habits, getting by with less water. A bigger bill shouldn't be the reward the public receives.