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June 26, 2015

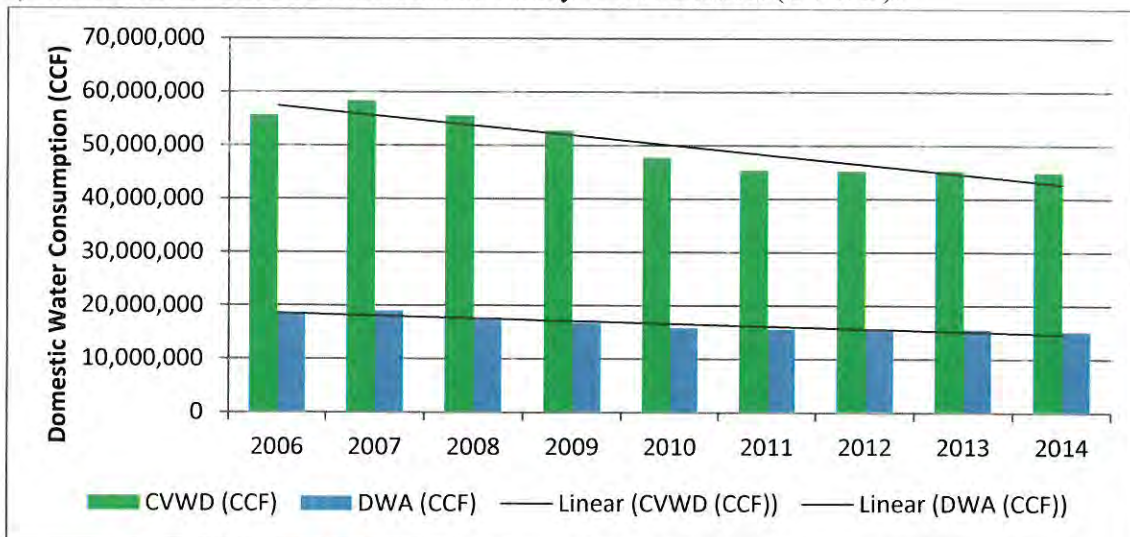
Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

State Water Resources Control Board:

Thank you for the opportunity to provide input regarding the efficacy of conservation water pricing, implementation of conservation price signals consistent with Proposition 218, and action by State Water Resources Control Board (State Board) to promote conservation water pricing pursuant to Directive 8 of Executive Order B-29-15.

While Desert Water Agency (DWA) appreciates that tiered pricing can be an effective conservation tool for some agencies, DWA does not believe it is within the purview of the State Board to mandate conservation water pricing. We respect and appreciate any efforts to promote such practices or provide support for them; however, we ask that conservation pricing remain a tool that agencies can choose whether or not to utilize. We understand that the State Board is telling us to conserve and how much to conserve, but we request that determining how to do it most effectively be left up to those with local knowledge in each region.

Our justification for such a request stems from data that demonstrates tiered rates do not lead to significantly more conservation than through other strategies. The graph below shows the water use by customers of DWA and Coachella Valley Water District (CVWD).





The two agencies operate in the same region and have similar customer bases. Both Agencies have robust conservation programs, rebates and outreach efforts. DWA has allocation based pricing. CVWD implemented budget based tiered rates in 2009. Since 2006, CVWD and DWA have identical decreases in use. Both agencies show a 19% reduction in domestic water consumption.

Additional evidence can be found in more recent results. As we implemented the State Board's water restrictions this year, DWA and CVWD took different strategies. DWA's Board of Directors passed a series of water use restrictions. CVWD announced that they would do so through drought penalty pricing. While that pricing has not taken effect yet, it has been widely publicized. During the month of May, DWA reduced use 26.3% and CVWD reduced 18%. If DWA can achieve 26.3% the first month, without tiered rates, we should continue to implement our existing successful conservation strategies. DWA respects its customers and relies on their cooperation to fulfill its mission to provide a clean, abundant water supply. Our customers have always consented to DWA's rate setting proposals before and after passage of Proposition 218. We have expended much effort to communicate our needs to our customers in terms of capital investment, prudent reserves, and more recently, to conserve wherever possible. The imposition of tiered-rates that may be viewed as punitive in order to drive down water consumption sends the wrong message to our customers and threatens their support of our mission.

Implementing tiered rates can be extremely expensive. The transition requires significant staff time, software upgrades, and a major public outreach effort to help customers understand the new policies. Again, DWA supports the State Board's efforts to assist with these costs; however we ask that *because of them*, conservation based pricing remains a voluntary measure. We know that taking on such a task would be both costly and time consuming.

Lastly, and perhaps most importantly, tiered rates have recently come under heavy legal scrutiny. We expect to see more legal challenges to rate setting in the future, not less. In order to implement a pricing structure that is legally defensible, agencies must be able to link costs to rates. It is unclear if all agencies, including DWA, could do so.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "David K. Luker". The signature is fluid and cursive.

David K. Luker
General Manager-Chief Engineer

dkl/sb