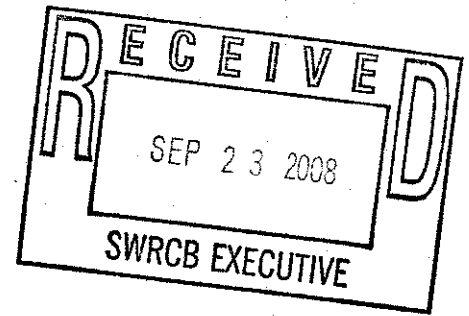


September 23, 2008

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



Dear Ms. Townsend:

RE: Comment Letter – Proposal to Mandate Water Conservation Practices

The California Water Association (“CWA”) is pleased to have the opportunity to comment on the State Water Resources Control Board’s (“State Water Board” or “Board”) Proposal to Mandate Water Conservation Practices. As you may know, CWA represents the state’s investor-owned water utilities, which serve approximately 6 million Californians. These utilities are subject to regulation by the California Public Utilities Commission (“CPUC” or “Commission”).

The CPUC has had an aggressive Water Action Plan (“WAP”) in place since December 2005¹, and its lead objective and action items relate to water conservation, as defined in the Board’s discussion paper. Among other things, the 10 largest Commission-regulated water utilities, who serve approximately 98% of the investor-owned utilities’ customers, are already committed to the conservation practices identified in the discussion paper, and are already signatories to the California Urban Water Conservation Council’s Memorandum of Understanding. Accordingly, they are fully engaged in the effort to implement the 14 Best Management Practices (“BMPs”).

As discussed more fully below, CWA respectfully urges the State Water Board to defer to the WAP and the CPUC’s regulatory authority over investor-owned water utilities as the Board crafts its decision on the development of a mandatory urban water conservation regulatory program.

CPUC-Regulated Water Utilities Are Already Engaged in Mandatory Conservation Programs.

One of four the key principles on which the CPUC based its WAP is “Efficient Water Use,” and one of the Plan’s objectives is to “Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities.”² While the Board’s discussion paper

¹ Water Action Plan; California Public Utilities Commission; December 15, 2005.
http://www.cpuc.ca.gov/PUC/hottopics/3Water/051109_wateractionplan.htm

² *Ibid*; pp. 3-4



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did not reference the WAP, it closely parallels the WAP's eight conservation policies and action items, which are as follows:

1. Promote metered water service to encourage conservation.
2. Educate water industry stakeholders regarding policies and practices that reduce water and energy consumption.
3. Direct participation by all California Class A and B water utilities in the Urban Water Conservation Council and encourage implementation of the Council's Best Conservation Management Practices.
4. Encourage increasing conservation and efficiency rate designs (such as increasing block rates) where feasible to promote greater conservation.
5. Remove current financial disincentives to water conservation.
6. Establish utility financial incentives for greater conservation.
7. Consider energy usage as an important outcome of all water policy decisions and work toward a 10% reduction in energy consumption by the utilities over the next three years.
8. Collaborate with the California EPA to reduce California greenhouse gas (GHG) emissions.³

Since the CPUC's adoption of the WAP at the end of 2005, there has been a concerted effort by the Commission and the 10 largest water utilities (Class A water utilities with more than 10,000 service connections) to implement the Plan, such as:

- All of these water utilities have made filings describing their compliance with the WAP.
- Most of the utilities provide fully metered service throughout their service territories, and the remaining companies that have water districts without metered service all have systematic programs underway to convert flat-rate service to metered service on set time frames.
- All of the water utilities have formal customer conservation education programs in place or in development.
- All of the water utilities are now signatories to the CUWCC's MOU and are actively engaged in complying with the BMPs.
- Six of the seven largest Commission regulated water utilities already have been authorized by the CPUC to implement tiered rate designs.
- The Commission has approved water revenue adjustment mechanisms to promote water conservation.

³ Ibid., pp. 7-11.

- The Commission has approved Conservation Memorandum Accounts for all Class A utilities, which provide a financial incentive to achieve greater conservation.
- CWA has petitioned the Commission on behalf of its member utilities to enable water utilities to partner with energy utilities on equipment investments that would result in energy savings by the water utilities. That filing is currently under consideration by the Commission.
- In Phase 2 of its Conservation Policies Order Instituting Investigation ("OII")⁴ the Commission currently is considering a range of initiatives relevant to water conservation, including the means for water utilities to reduce GHG emissions.

The CPUC Has a Formal Proceeding Underway Regarding a Multitude of Conservation Regulatory Programs.

The Commission's Conservation Policies OII is particularly significant because it is a comprehensive effort to implement a variety of water conservation policies for the regulated water utilities. The first phase of this proceeding involved the promulgation of conservation rate designs, water revenue adjustment mechanisms, customer education, conservation memorandum accounts and low-income customer conservation initiatives. The second phase, which is ongoing, is concerned with the following policy areas:

- Best Management Practices
- Measuring the Cost-Effectiveness of Conservation Programs
- Recycled Water
- Metered Service and the Cost of Conversion from Flat-Rate Service
- Goals, Performance Metrics and Reporting Requirements for Conservation Programs
- Integrated Water Resource Management
- Water Shortage Event (Drought) Planning
- Conservation Programs for Low-Income Customers
- Energy Savings and Greenhouse Gas Issues

CWA and other parties to the OII proceeding have filed initial comments⁵ and reply comments⁶. At this point, the Commission is determining how to orchestrate its policy development on these

⁴ *Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities*. Investigation 07-01-022; Filed January 11, 2007

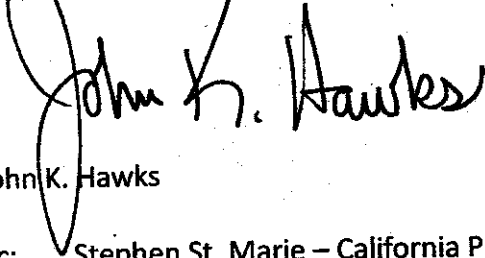
⁵ <http://docs.cpuc.ca.gov/EFILE/CM/80910.htm>

⁶ <http://docs.cpuc.ca.gov/EFILE/CM/84479.htm>

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multiple policy initiatives. However, there is no question that the CPUC will continue its proactive approach in developing substantive conservation regulatory programs. For these reasons, CWA encourages the State Water Board to consider the CPUC's approach as a model in developing its own policies. Finally, CWA recommends that the Board continue to defer to the Commission's regulatory authority over the investor-owned water utilities and allow those utilities to continue on the current path toward implementation of CPUC-mandated water conservation policies.

Respectfully submitted,

A handwritten signature in black ink that reads "John K. Hawks". The signature is written in a cursive style with a large, looping initial "J".

John K. Hawks

Cc: Stephen St. Marie – California PUC
Laura Krannawitter – California PUC