



Association of California Water Agencies

Since 1910

Leadership • Advocacy • Information • Service

(7/8/15) Public Workshop
Conservation Pricing
Deadline: 7/1/15 by 12:00 noon

July 1, 2015



Delivered by e-mail to: commentletters@waterboards.ca.gov

The Honorable Felicia Marcus, Chair
and Members of the State Water Resources Control Board
c/o Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Subject: "Comment Letter: Conservation Pricing"

Dear Chair Marcus and Members of the Board:

The Association of California Water Agencies (ACWA) appreciates this opportunity to comment regarding conservation water pricing and implementation of Directive 8 of the Governor's Executive Order B-29-15, in advance of the public workshop on this topic on July 8, 2015.

ACWA represents over 430 public water agencies which are responsible for delivery of over 90% of the water used for residential, commercial and agricultural purposes in California. ACWA and its members are currently responding on multiple fronts to the continued drought. Significant efforts have been made statewide by water agencies and their customers to reduce water use over the last year, and particularly in response to the water use reduction targets established by the emergency regulation for statewide water conservation adopted by State Water Resources Control Board (State Water Board) on May 5 in response to the Governor's April 1 Executive Order.

The State Water Board is now considering how to implement Directive 8 of that order that relates to achieving conservation through water conservation pricing mechanisms. As mentioned in the Notice of Public Workshop dated June 10, 2015 (Notice), the specific form of that direction is left to the discretion of the State Water Board.

Water Rates and Demand Reduction

In principle, ACWA and California's public water agencies broadly recognize that water rates impact customer water use and appreciate the need to address water pricing as a tool to promote demand reduction, in conjunction with many other water management and conservation policy considerations. For some time ACWA, many of its individual member water agencies, other water associations, water rate experts and consultants, the NGO community, and academics have been engaged on the issue of "conservation pricing" and how rate-setting practices impact customer water use. A wide variety of "water conservation rate structures" have been adopted on a voluntary basis by a growing number of water agencies, many of which are yielding promising results. One significant on-going effort to implement conservation pricing is administered by the California Urban Water Conservation Council

(CUWCC) as Best Management Practice 1.4 (BMP 1.4). BMP 1.4 addresses conservation pricing by providing several options for member water agencies to demonstrate that their water rate structures “send a price signal” to their water customers to encourage conservation. The CUWCC has recently chosen to add a new option for water agencies to comply with BMP 1.4 for a two-year trial period and will conduct rigorous evaluation and reporting on the results. ACWA believes that this effort by the CUWCC and its members could potentially have broad value beyond its membership, and ACWA encourages the State Water Board to identify ways it can facilitate this process.

As noted in the State Water Board’s Notice, water rate-setting is a complex undertaking that involves numerous local considerations. Water rate-setting is a fundamental element of local water agency operations, financial stability, and local government accountability. Water rate-setting is a technically challenging exercise that must be closely tied to the unique water demands and characteristics of individual public water agencies. Navigating the significant legal and governance challenges takes time and expertise and must be fully integrated into the local decision-making process. In general, implementation of water conservation rate structures should be viewed as a long-term demand reduction commitment by local water agencies in partnership with their customers.

In the context of drought response and water supplier’s compliance with their water use reduction targets assigned under the emergency regulation, adoption of locally-determined drought-related charges or penalties may be a more immediately effective approach to reducing excessive water use.

Local Drought-Related Charges or Penalties

Urban water suppliers must include as part of their urban water shortage contingency plans a description of “penalties or charges for excessive use, where applicable” (Water Code 10632(f)). Adoption of such charges or penalties by public water agencies is subject to local discretion, must be based on agency-specific authorities and procedural processes, and must be approved and implemented by locally-elected decision-makers. This process can take many weeks, but it can be accomplished much more quickly than revising water rate structures.

Many water agencies have already adopted water shortage contingency penalties or charges have found that they help the agency manage drought-related financial impacts of customer demand reduction and disincentivize excessive water use under water shortage conditions. However, many other water agencies have not done so. Should particular water suppliers struggle with meeting the water use reduction targets, it may be possible for those agencies to propose and adopt local drought-related contingency charges or penalties which could influence customer behavior in time to help with agency compliance during the remaining term of the emergency regulation. The determination as to whether or how to impose drought-related charges or penalties must remain the responsibility of local water agency decision-makers.

Possible Roles for the State Water Board

The State Water Board is soliciting comments on how it should implement Directive 8. ACWA recommends that the State Water Board proceed cautiously, preserving the necessary local control and flexibility that water agencies need to determine agency-specific rate-structures and any drought-related charges or penalties.

The following are possible roles or actions that the State Water Board could consider:

- 1) **Public Education** – The State Water Board could promote continued public education by the water community and others concerning the value of water and its wise use. ACWA welcomes the public attention that the State Water Board has focused on the need for increased water conservation in response to the drought. There is a growing need to inform water users statewide about the increasing costs associated with providing reliable water service over the long-term, even when overall water use is reduced in the short-term in response to calls for conservation.
- 2) **Information Clearinghouse** – The State Water Board could serve as a “Clearinghouse” for case studies provided on a voluntarily basis by water agencies which could describe and document successful rate-setting efforts, tools, communications programs and emerging practices. One extremely valuable element of such a Clearinghouse could be information on the extent and structure of drought-related charges or penalties currently in use by water agencies. This Clearinghouse could be essentially a portal leading to content provided and maintained by participating water agencies.
- 3) **Funding** – The State Water Board could identify funding sources that may be available to fund financial and technical work needed by water agencies to support water-rate setting processes that may currently be locally unaffordable. More broadly, many water agencies face a significant funding barrier associated with implementing new water rate structures that require new capital investments, including upgrading billing software and installing new water meters (such as Automatic Meter Reading (AMR) and Advanced Metering Infrastructure (AMI) technologies).

ACWA looks forward to working with the State Water Board and other stakeholders to develop these and other promising ideas that may emerge during the workshop process.

Thank you for your consideration of these comments. If you have any questions, please contact me at daveb@acwa.com or (916) 441-4545.

Sincerely,



David Bolland
Special Projects Manager

cc: Mr. Tom Howard, Executive Director
Ms. Caren Trgovcich, Chief Deputy Director
Mr. Eric Oppenheimer, Director of the State Water Board’s Office of Research, Planning and Performance

The Honorable Felicia Marcus, Chair

Page 4 of 4

July 1, 2015

Mr. Max Gomberg, Climate Change Mitigation Strategist