



July 1, 2015

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

RE: CONSERVATION WATER PRICING AND IMPLEMENTATION OF DIRECTIVE 8 OF EXECUTIVE ORDER B-29-15

Dear Ms. Townsend,

I am writing on behalf of the City of Sacramento (Sacramento) in response to the solicitation of comments regarding conservation water pricing and the implementation of Directive 8 of Executive Order B-29-15. Sacramento is making, and will continue to make, concerted efforts and significant investment to increase water conservation and reduce water usage in our community. These efforts resulted in a water use reduction of approximately 20% in 2014, and since May of this year, the City's water use reduction has exceeded the State's 28% water conservation mandate to implement Executive Order B-29-15.

Sacramento has accelerated its water meter installation program. Earlier this year, the Sacramento City Council approved modifications to the program that will complete the program before 2021 rather than the previously completion date of 2025. Sacramento anticipates that approximately 90 percent of its customers will have a water meter by the end of 2017.

As meters are being installed, Sacramento is transitioning customers from a flat rate to a volumetric rate (following one year of comparative billing after receiving a water meter). In 2012, the City engaged a rate consultant and at that time it was recommended, because Sacramento was not substantially metered, that we not implement tiered rates or a conservation surcharge. Following the Governor's Executive Order B-29-15 and the San Juan Capistrano case, Sacramento is engaging another rate consultant to assist Sacramento in developing a conservation rate system based on cost of service. Sacramento will be considering a suite of options including tiered rates, budget-based rates, and other approaches to conservation rates.

Sacramento believes a well-designed rate structure can help us manage our supplies more efficiently, encourage consumers to make wise choices, and have positive environmental and social impacts. To help our customers, we are installing Automated Metering Infrastructure (AMI) so they may easily track their usage; the AMI system also enables our staff to more quickly identify any leaks within the system. Upon request, we also provide our customers with an in-home water use audit to help them identify ways to conserve.

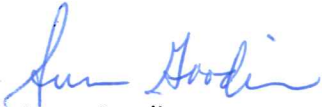
City of Sacramento Department of Utilities  
916-808-1400  
1395 35<sup>th</sup> Avenue  
Sacramento, CA 95822

In response to your question: What actions should the State Water Board take to support the development of conservation pricing by water suppliers that have not yet developed conservation rate structures and pricing mechanisms?

- We believe the SWRCB could be well suited as a technical advisor to local agencies and serve as a clearing house for examples of successful rate structures. The SWRCB could take part of an educational campaign to publicize successful conservation pricing programs. For example, sponsoring and organizing conservation pricing workshops in locations throughout the State targeted to finance managers, conservation managers and executive management of water agencies would be helpful.
- The SWRCB could identify funding sources that may be available to fund financial and technical work needed by water agencies to support water-rate setting processes.
- The SWRCB could identify funding for conservation pricing related items that new capital investments, including upgrading billing software and installing new water meters (such as Automatic Meter Reading (AMR) and AMI).
- We ask that the State Water Resources Control Board not be prescriptive and allow water agencies the flexibility to develop the best rate structure that is most appropriate to address their local conditions and concerns. We believe that requiring a specific formula or type of rate structure would not take into consideration the varying tools water agencies are currently using and the unique circumstances of each agency.
- Allow agencies the flexibility to address water rates in a time frame that works best for the local agency. We are in the process of preparing an RFP to engage a new rate consultant to help us address the Governor's Executive Order. We have a target implementation date of 2018. That provides Sacramento sufficient time to retain the services of a consultant to review our financial systems and technologies and develop a conservation rate system that is defensible and appropriately funds the operations and capital investment of the water utility. This is necessary to assure that conservation rates, once adopted, comply with the cost of service mandate of Proposition 218, as instructed by the San Juan Capistrano decision. In addition, requiring a quicker implementation timeframe for new rate structures will drive up the costs of any rate study significantly and does not allow for adequate community outreach to develop support that leads to passage.
- Mandating the immediate implementation of tiered rates for an entity that is not yet substantially metered – like the City of Sacramento – also would raise significant issues of fairness between metered and unmetered residential customers. In addition, as the City has proven with its ongoing drought-response efforts, significant water use reductions can be and are being achieved without tiered rate pricing.

We appreciate the opportunity to provide comments on conservation water pricing and the implementation of Directive 8 of Executive Order B-29-15. If you have any questions, please call me at (916) 808-8995 or Noelle Mattock at (916) 808-1635.

Sincerely,



Susan Goodison

Business and Integrated Planning Division Manager