



## THE CITY OF SAN DIEGO

January 6, 2016

Sent via Electronic Mail: [Kathy.Frevert@waterboards.ca.gov](mailto:Kathy.Frevert@waterboards.ca.gov)

Honorable Chair Felicia Marcus  
and State Water Resources Control Board Members  
c/o Kathy Frevert  
State Water Resources Control Board  
1001 I Street, Sacramento, CA 95814

Dear Honorable Chair Marcus and State Water Resources Control Board Members:

The City of San Diego's Public Utilities Department (San Diego) is pleased to have this opportunity to provide input on the State Water Resources Control Board's (State Water Board) proposed regulatory framework for the extended regulation for urban water conservation (Conservation Regulation).

The State Water Board is to be commended for taking the time over the past few months to evaluate the effectiveness and fairness of the 2015 Conservation Regulation, acknowledging that it was implemented in short order and opportunities for enhancement in the regulation's design and framework could exist. Since August 2015, San Diego has actively participated in State Water Board discussion forums in which a variety of changes to the Conservation Regulation were proposed and discussed. We feel that the workgroup forum was both productive and helpful and ask that the State Water Board consider continuing the role of the workgroup to weigh in and provide counsel as water supply regulatory issues arise.

In this letter, we express our opposition to the State Water Board's proposal to establish a cap on credits for the development of local, drought resilient water supplies and explain why. San Diego has been at the forefront of sustainable water resources planning and development that should be a model for the State of California. We call on the State Water Board to stop looking at new supply development as a threat to water conservation and address the drought from an integrated water portfolio problem-solving perspective.

### **San Diego's Commitment to Sustainability**

San Diego is proud to have contributed to the State's achievement of more than one million acre-feet of extraordinary conservation between June and November 2015 in response to emergency drought conditions, representing a cumulative urban water use reduction of 26.3 percent in six months' time.

Water use efficiency has been a core focus for San Diego since the early 1990's when our region faced the possibility of a 50 percent cutback. For a quarter century now, San Diego has financially underwritten a wide variety of conservation programs that have produced significant water savings. Even before the adoption of the 2015 emergency conservation regulation, San



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Diego was using about the same amount of water as it had in the mid 1980's, even though our population had increased by about 400,000 people.

As the San Diego region has sought alternative water supply options, it has never done so at the expense of water use efficiency. Minimizing water supply volatility should not be confused with sponsoring complacency towards conservation. San Diego has always been committed to water use efficiency and will remain so upon the termination of drought conditions. For example, our City Council recently adopted a five-year series of water rates increases in order to account for drought impacts as well as pay for new water supplies from potable reuse and other alternative water supplies developed by our wholesale water agencies. The higher rates will also invest hundreds of millions of dollars to convert inefficient manual read water meters to Smart Meters to further encourage water use efficiency by providing near real-time data to water users and also to repair and replace aging infrastructure to minimize leaks.

Today's sustainability drivers are multiple and diverse, assuring us of continued advancements in water use efficiency. Seminal land-use policies such as SB 375 incentivize compact land development. Climate change policies incentivize resource efficiency. Plumbing code changes disallow antiquated water guzzling fixtures. Changes in stormwater policies disallow irrigation runoff. These are just a few of the new guiding frameworks that assure us that water use efficiency is here to stay.

Not only is our Public Utilities Department continuing its work on conservation, but our City recently adopted a Climate Action Plan that sets into motion a wide spectrum of resource conservation efforts. San Diego is committed to sustainable living and it is with this in mind that we offer the following comments related to the State Water Board's proposed Conservation Regulation.

#### **Drought Resilient Sources of Supply Credit**

The State Water Board proposes to allow a one-tier (four percentage points) reduction to the conservation standard of an urban water supplier that certifies that at least four percent of its potable supply is comprised of indirect potable reuse of coastal wastewater or desalinated seawater developed since 2013. Water supplies received through a long-term transfer agreement of conserved water is proposed to be excluded from consideration of this credit.

San Diego supports the creation of a supply credit for drought resilient water supplies but *strongly disagrees* with the proposed cap of four percentage points. The cap is imminently unfair to ratepayers who have proactively invested in projects intended to provide greater water supply reliability. Moreover, it will only serve to discourage the development of additional alternative water supplies that would otherwise offer great resilience to future drought situations.

It is incontrovertible that the new water now being produced by the seawater desalination facility at Carlsbad will provide immediate drought relief for the San Diego region *and* the State's imported water system. Every day, the facility will produce 50 million gallons of new water and every one of those gallons provides drought relief equivalent to that of a gallon conserved.

Suggesting that San Diegans must conserve 25 million gallons in addition to the 50 million gallons of new water produced because of an arbitrarily determined cap is untenable. In effect,

the cap assesses a *four percent increase* in San Diego's conservation standard as our ratepayers must pay for the concurrent production of new supplies *and* conservation while other agencies statewide benefit from this punitive accounting. This situation is inherently unfair and unacceptable.

Moreover, good policy development dictates that this regulation should encourage the development of new water supplies that will help California become more drought resilient in the future, not discourage it. The proposed cap sends a very clear message that agencies should only invest in new water supply options representing a four percent conservation standard. We believe that this approach is short-sighted and at odds with the Governor's Water Action Plan. San Diego calls on the State Water Board to adopt the original proposal presented by the San Diego County Water Authority and Orange County Water District that would allow suppliers to receive a one-to-one credit for the development of new desalinated seawater or potable reuse supplies.

From an accounting perspective, we recommend that the State's goals be updated to reflect water conservation *and* new supply development numbers. So, if the State Water Board has a goal of 1.2 million acre-feet of conserved water that it seeks to achieve, that metric should be updated to being 1.2 million acre-feet of *conserved and newly developed water*. As such, agencies pursuing both approaches are able to effectively demonstrate compliance while the State's goals are not seen as diminishing or otherwise compromised.

Indeed, San Diego has always approached conservation and the development of new supplies in an integrated, balanced approach. Developing new supplies does not diminish the role of conservation – they are not mutually exclusive. Imagine, if you will, California's situation if all communities were able to develop new drought resilient supplies between now and 2020 – would the State be better or worse off? Clearly, new supply development minimizes drought impacts and must be encouraged.

The idea that the Emergency Conservation Regulation must focus on conservation achievements alone (with credits towards the development of new supplies seen as a subtraction from statewide goals) is an error in the regulatory paradigm's basic framework. We call on the State Water Board to recognize the validity of the portfolio approach to water management that incorporates all contributions towards drought resilience in its accounting, not just conservation.

Each community must decide the design of its water supply portfolio. Many communities will prefer the lowest cost option and accept periodic drought restrictions. However, communities like San Diego prefer to invest in a more diversified portfolio of options in order, recognizing that doing so provides the business community greater certainty for long-term business investments which, in turn, translates into more jobs and greater economic prosperity.

San Diego is greatly concerned about the impacts that long-term water supply uncertainty will have on our business community. Whether it is for manufacturing, tourism or micro-breweries, San Diegans understand how detrimental water scarcity can be on any business's long-term planning. Commercial operations require assurances of efficient water supply reliability to be able to confidently recommend expansions and growth. As such, San Diegans have willingly

stepped up to the plate and supported significant rate increases in order to provide a safe water supply portfolio that would allow our economy to responsibly flourish and create well-paying jobs for the middle class.

In addition to San Diego's responsible portfolio approach to water supply planning, our City recently adopted a Climate Action Plan in which the development of 100 percent renewable electricity supplies by 2035 is planned. San Diegans are proving their commitment to resource efficiency every day while also assuring reliability. We firmly believe that the two are not mutually exclusive.

It's time that the Conservation Regulation be amended to recognize that the addition of new drought resilient water supplies is equally important to addressing water supply scarcity as is conservation by establishing a *water conservation and new supply development* goal such that the two efforts are no longer considered to be mutually exclusive. This approach recognizes the equal value of a gallon of water conserved *and* the creation of a new gallon of water as a responsible approach to water management.

#### **Proposed Cap on all Credits and Adjustments**

The State Water Board proposes the establishment of a cumulative cap of four percent for all adjustments and credits such that no agency would receive more than a four percent adjustment to its conservation standard.

Consistent with our comments above, San Diego believes that the development of a gallon of new water contributes the same amount of drought relief as does a gallon of water conserved and the two should not be accounted for separately nor should a cap apply to new supply development in any circumstance. As such, San Diego believes that this proposed cap should not be imposed on the development of new drought resilient water supplies.

#### **Implementation of Extended Conservation Regulation**

The proposed Regulatory Framework for the extended Conservation Regulation is silent with regard to the level of flexibility the State Board will have to adjust goals and possibly the need for the extension at the end of the water year (April) depending on the water supply situation. San Diego believes that it is imperative that the nexus between the required reduction mandate and supply conditions be articulated and flexibility allowed for changing circumstances through April 2016.

Moreover, San Diego believes that 2016 will see more of a "patchwork quilt" of water supply situations throughout the State rather than the uniform drought conditions of 2015. El Niño conditions could provide for a situation in which some communities are flush with water while others will not be so fortunate.

San Diego calls on the State Water Board to provide a process by which agencies can petition for a reduction in its assigned conservation standard based upon local water supply conditions. It is imperative that a one-size fits all approach for conservation not be imposed on communities with

varying water supply situations. We believe that ratepayers found credibility in the call for statewide water conservation in 2015 but that credibility could be called into question if a conservation mandate exists when the local agency has sufficient water supplies such that a reasonable person could no longer characterize the situation as an emergency.

**Long-Term Water Transfers from Conserved Water**

At some point, the State Water Board will need to reconcile the important role that voluntary water transfers play in addressing water supply reliability, especially when one agency sponsors the conservation within another agency. San Diego's sponsorship of this type of long-term conservation program is extraordinarily beneficial to the State, relieving the current drought situation of 100,000 acre-feet a year of demands that would otherwise need to be met. Simply dismissing the applicability of this type of program as creditworthy sends the water community the wrong message and assumes that paying for conservation inside and outside the agency's service territory are mutually exclusive efforts. They are not. Moreover, voluntary water transfers are an important tool for making California drought resilient in the future that has been largely ignored in discussions to date.

**Conclusion**

San Diego remains a committed partner in the State's response to emergency drought conditions. Not only have San Diego's responded well to the State's call for demand reductions but our region has just begun producing 50 million gallons a day of new drought-resilient water supplies and adopted increased water rates to allow for further development of local supplies. We are proud of our accomplishments and appreciate the State Water Board's willingness to entertain a concept in which the development of local supplies is recognized as contributing towards drought relief. Unfortunately, the State Water Board's proposal does not sufficiently recognize the value of newly created water supplies, proposing a four percent cap in an agency's conservation standard reduction.

San Diego supports an integrated portfolio approach in the setting of drought response goals such that water conservation and development are recognized as having equal importance in addressing drought deficits. The development of local drought-resilient water supplies should not be subordinate to water conservation achievements. The two are equally important and provide equal drought relief.

Sincerely,



Halla Razak, P.E.  
Director of Public Utilities

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