



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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June 30, 2015

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

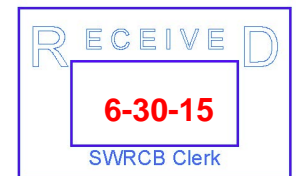
Re: Conservation Water Pricing and Implementation of Directive 8 of Executive Order B-29-15

Dear Ms. Townsend:

The California Municipal Utilities Association (CMUA), representing publicly-owned electric utilities and water agency members that deliver water to over 70% of Californians, appreciates the opportunity to comment on ways the State Water Resources Control Board (State Water Board) can assist local water suppliers on the issue of conservation water pricing.

CMUA appreciates the State Water Board's efforts to address this issue and recognizes the State Board's authority to manage the state's water resources in times of drought. CMUA also recognizes the direction the Board received in Executive Order B-29-15 on the issue of water rates. Therefore, we appreciate the Board's assertion in the workshop notice that "rate-setting is a complex undertaking that involves numerous local determinations...", "...pricing must be carefully tailored to local circumstances to be effective" and "...water suppliers must carefully construct and document their rate structures to comply with the constitutional limitations of Proposition 218." CMUA firmly agrees that rate-setting decisions must continue to occur on a local level and water utilities should have the maximum degree of flexibility to develop rate structures that are effective for their communities while meeting the requirements of Proposition 218. With these factors in mind, the State Water Board can still play an important and supportive role for California's public water agencies on this issue.

CMUA offers the following ideas and recommendations in response to the questions on which the State Water Board requested input in the workshop notice:



1. *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?*

As noted above, rate-setting is a complex issue. California's water systems are diverse in size, water sources, geography and a multitude of other characteristics, meaning there is no "one-size-fits-all" structure for water rates. In fact, when designing a rate structure each system must not only balance these factors but must also adhere to the cost-of-service requirement in Proposition 218. That limitation states conservation must be attained "in a manner that 'shall not exceed the proportional cost of the service attributable to the parcel.'"¹ For those agencies that want to incorporate conservation signals into their cost-based rate structures or to adjust those rates, the State Water Board could provide support through several mechanisms. These include:

- Continue to populate and expand the Conservation Water Pricing webpage on the State Water Board website.
- Develop a guidance document for agencies that may want to develop or adjust their rate structure to meet constitutional requirements and help achieve conservation goals. When drafting this guidance we strongly encourage the Board to use existing resources from entities with expertise in this area. California Urban Water Conservation Council and American Water Works Association are both examples and valuable sources of information. We also highly recommend consulting with stakeholders that have experience developing these types of rate structures as they can assist the Board and ultimately other local water suppliers.
- Provide technical and financial support to small agencies that are considering the implementation of these types of rate structures.
- Send signals through incentives or other methods at the Board level that these rate structures are beneficial. For example, the alternative path included in the March 27, 2015 emergency drought regulation recognized the effectiveness of allocation-based rate structures.

2. *What actions should the State Water Board take to support water suppliers that have already developed conservation rate structures and pricing mechanisms to improve their effectiveness?*

As a statewide agency, the State Water Board can provide consistent messaging regarding multiple rate structures and how these mechanisms adhere to and support the state's priorities for the beneficial uses of water, as noted in the State Constitution. Confusion among customers on the issue of water rates is a significant concern and the State Water Board could provide substantial assistance through the development of easy-to-digest educational materials and outreach. Areas of emphasis for messaging on water rates should include: (1) pricing vs. water

¹ California Constitution Article XIII D, § 6(b)(3)

use (why customers pay more for less water), (2) a brief summary of Proposition 218 and 26, (3) different types of water usage (residential and CII) and why the rates can be different.

We also continue to request that the Board increase its education and outreach regarding overall conservation measures to complement any rate structure discussions and help the state endure this historic drought.

3. *What actions can the State Water Board take to assist water suppliers in demonstrating that existing rate structures harmonize competing legal authorities associated with water rates?*

Many robust documents already exist that provide overviews of Propositions 218 and 26. While these guidelines are an excellent source of information, the State Water Board can assist water suppliers by developing additional guidance, resources and support on how to comply with these limitations, particularly in light of the *Capistrano Taxpayers Association v. City of San Juan Capistrano* case.

In addition, the SWRCB asked for general comments regarding the challenges associated with rate-design and if there are ways to improve conservation price signals consistent with Proposition 218.

Because rate-setting issues are multi-faceted and subject to a multitude of local and constitutional factors, we encourage the State Water Board to focus its efforts on education and outreach as outlined in our comments. The Board can provide a key role in developing resources and providing support for agencies, which can then use their existing authority to design a rate structure that is tailored for local circumstances.

CMUA looks forward to working with the State Water Board on this important issue. Please do not hesitate to contact me at 916-326-5800 or dblacet@cmua.org should you have questions or need additional information.

Sincerely,



Danielle Blacet
Director for Water

Cc: Felicia Marcus, Chair, State Water Resources Control Board
Tom Howard, Executive Director, State Water Resources Control Board
Max Gomberg, Climate Change Advisor, State Water Resources Control Board