

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**



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Order Instituting Rulemaking into Policies to Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Sector to Promote Water-Energy Nexus Programs.

Rulemaking 13-12-011
(Filed December 19, 2013)

**ASSOCIATION OF CALIFORNIA WATER AGENCIES AND CALIFORNIA
MUNICIPAL UTILITIES ASSOCIATION JOINT COMMENTS ON ASSIGNED
COMMISSIONER'S RULING REQUESTING COMMENTS TO SUPPORT
INTEGRATION OF THE EMBEDDED COST OF NATURAL GAS INTO
THE WATER-ENERGY COST CALCULATOR**

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August 23, 2016

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Association of California Water Agencies (“ACWA”) and California Municipal Utilities Association (“CMUA”) respectfully submit these comments in response to the Assigned Commissioner’s August 3, 2016 *Ruling Requesting Comments to Support Integration of the Embedded Cost of Natural Gas Into the Water-Energy Cost Calculator* (“August 2016 Ruling”).

I. INTRODUCTION

ACWA is a statewide association that represents approximately 430 public water agency members who collectively supply 90% of the water that is delivered for urban, industrial and agricultural uses throughout the state. CMUA represents 40 public water agency members that deliver water to over 70% of Californians. ACWA and CMUA are parties in the water-energy nexus proceeding, and have attended workshops and submitted comments previously in this proceeding.

ACWA and CMUA members' primary responsibility is to provide a safe, reliable, and affordable water supply to their customers. Our member agencies have invested heavily in development of diverse water supply sources that ensure a reliable supply to their customers, as well as investing in water conservation, water recycling, and groundwater recovery programs. In recognition of the connection between water supplies and energy, ACWA and CMUA members throughout California also have a long history and an outstanding track record of participating in energy efficiency, demand-side management, and peak-use reduction programs, as well as in developing a wide range of renewable energy projects and continually pursuing energy efficiency measures.

II. COMMENTS

- a. ***Topic No. 2: "Please detail both the embedded and direct use of natural gas in any and all places in the California water system not currently captured by the Water-Energy Cost Calculator"***

ACWA and CMUA would like to begin by clarifying the often misinterpreted statistics regarding energy consumption associated with water systems. In 2005, the California Energy Commission ("CEC") published a report entitled "California's Water – Energy Relationship" (CEC-700-2005-011-SF, Nov. 2005), which analyzed water-related energy use data for 2001. The CEC report concludes that California's "Water Sector" uses 19% of the state's electricity and 32% of the state's natural gas not used for power generation. However, the *vast majority* of this energy is not associated with the production, treatment, or distribution of urban and agricultural water, but is associated with *customer end uses*. In fact, the CEC report details that a total of 99% of the non-power plant natural gas use associated with the "Water Sector" is from customer end

uses.¹ While we acknowledge that natural gas is also embedded in the electricity that retail electric utilities provide to urban water agencies, this use of natural gas is not currently captured by the Water-Energy Cost Calculator, and will decrease over time as electric utilities work to meet the renewable portfolio standard of 50% renewable energy sources by 2030.

b. Topic No. 4: “Should we form a Natural Gas/Water/Energy Nexus Working Group? If so, what should its charge be regarding Cost Calculator 2.0 proposals, the Aliso Canyon State of Emergency, or other Natural Gas/Water/Energy Nexus issues”

ACWA and CMUA would like to underscore the comments made by Metropolitan Water District of Southern California (“MWD”)², in which they highlight that while the initial Petition from the Office of Ratepayer Advocates (“ORA”) to the Commission was to commence a Rulemaking to develop a partnership framework between investor-owned energy utilities and the water sector that had a narrow focus on co-funding programs targeted to reduce energy consumption by the water sector in supplying, conveying, treating, and distributing water,³ the Commission has subsequently broadened the scope of the proceeding several times. In the July 1, 2014 Preliminary Scoping Memo, the Commission “broadened the scope to reflect the fuller panoply of issues relating to water savings and the associated embedded energy,”⁴ including the water-energy communications nexus. ACWA and several of its member agencies, including the San Diego County Water Authority (“SDCWA”) and the Irvine Ranch

¹ *California’s Water – Energy Relationship*, CEC-700-2005-011-SF, Nov. 2005, at p. 8.

² MWD’s Comments on Assigned Commissioner’s Ruling, at pp. 5-7.

³ Decision Granting Petition and Opening Rulemaking (Dec. 30, 2013) (“Decision”), at p. 2.

⁴ Preliminary Scoping Memo, at p. 6.

Water District (“IRWD”), filed comments acknowledging the importance of the water-energy communications issue, but recommending that it be addressed in a separate proceeding.⁵ Similarly, the California Water Association (“CWA”) expressed concern that the broader scope “may divert the proceeding’s focus from its original purpose of addressing the cost-effectiveness and co-funding of water-energy nexus programs and make it difficult to accomplish that goal.”⁶

On February 2, 2015, the Commission issued an Order Amending Order Instituting Rulemaking (“February 2015 Order”) which again expanded the scope of the proceeding.⁷ On April 27, 2015, the Commission issued an Amended Scoping Memorandum and Ruling (“Amended Scoping Memo”) which “broadened the scope to reflect the fuller panoply of issues relating to water savings and the associated embedded energy.”⁸

The stated purpose of this Rulemaking is to develop a partnership framework between investor-owned energy utilities and the water sector to co-fund programs targeted to reduce energy consumption by the water sector in supplying, conveying, treating, and distributing water.⁹ Due to the fact that less than 0.2% of the natural gas used in California is used for water conveyance, treatment and distribution, integrating this information into the calculator would not help achieve the stated purpose of the August 2016 Ruling.¹⁰ In addition, the Amended Scoping Memo indicated that this

⁵ SDCWA’s Comments on the Preliminary Scoping Memo, at p. 8; ACWA’s Reply to the Preliminary Scoping Memo, at p. 4; IRWD’s Comments on the Preliminary Scoping Memo, at pp. 2-3.

⁶ CWA’s Comments on the Preliminary Scoping Memo, at p. 3.

⁷ February 2015 Order at p. 4.

⁸ Amended Scoping Memo, at p. 6.

⁹ Decision, at p.2.

¹⁰ August 2016 Ruling, at p. 1.

proceeding is to be completed by April 27, 2017.¹¹ Expanding the scope of the proceeding to include natural gas issues might not only divert the focus of the proceeding from its original purpose, but also make it difficult to complete the proceeding by April 27, 2017.

ACWA and CMUA acknowledge the Commission’s interest in “identifying water saving opportunities that also save electricity and natural gas”¹² in order to advance opportunities that will help address the Aliso Canyon State of Emergency. However, we urge the Commission and the parties to this proceeding to focus on the issues that were identified in the Amended Scoping Memo, and to address the Aliso Canyon State of Emergency in a separate proceeding.

III. CONCLUSION

ACWA and CMUA continue to express their appreciation for the Commission’s efforts to develop a partnership framework between investor-owned energy utilities and the water sector to co-fund programs targeted to reduce energy consumption by the water sector. In response to California’s GHG emission goals, many water agencies throughout the state are proactively taking steps to reduce water-related energy use. This includes increasing energy recovery in conveyance and distribution systems, developing renewable energy projects, performing energy studies, auditing facility energy usage, and other related actions. Additionally, the conservation programs administered by public water agencies save embedded energy, as well as the energy associated with consumer end uses.

¹¹ Amended Scoping Memo, at p. 20.

¹² August 2016 Ruling, at p. 2.

Despite the fact that water agencies are not directly responsible for the energy use associated with water beyond the production, treatment, and distribution of water, many water agencies offer fixture replacements and appliance rebates to end customers to encourage both water and energy savings. ACWA and CMUA see potential in this proceeding for supporting these types of programs through water and energy utility partnerships, such as the current clothes washer rebate program with Pacific Gas and Electric Company.

Should you have any questions, please contact Rebecca Franklin at (916) 441-4545 or rebeccaf@acwa.com, or Danielle Blacet at (916) 326-5800 or dblacet@cmua.org. We would be happy to meet with you to discuss our comments in more detail.

Respectfully submitted,

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