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

Order Instituting Rulemaking Evaluating the Commission's 2010 Water Action Plan Objective of Achieving Consistency between Class A Water Utilities' Low-Income Rate Assistance Programs, Providing Rate Assistance to All Low – Income Customers of Investor-Owned Water Utilities, and Affordability.

Rulemaking 17-06-024

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER**

**Summary**

This Scoping Memo sets forth the category, issues, need for hearing, schedule, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.<sup>1</sup>

**1. Background**

On July 10, 2017, the California Public Utilities Commission (Commission) issued an Order Instituting Rulemaking (OIR) to address consistency among Class A and B water companies' low income programs, affordability of rates, forecasting of rates and whether other water companies (such as water bottler companies) qualify as public utilities. In addition the OIR seeks coordination with the State Water Resources Control Board (SWRCB) regarding consolidation of water companies where a water company is unable to provide affordable, clean water to its customers. A prehearing conference (PHC) was held on September 11, 2017 in Sacramento, California.

The PHC was held to determine parties, discuss the scope, the schedule, and other procedural matters.

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<sup>1</sup> California Code of Regulations, Title 20, Division 1, Chapter 1; hereinafter, Rule or Rules.

## **2. Scope**

Based on the preliminary issues set forth in the OIR, information presented and comments received during two joint workshops with the SWRCB, PHC statements, and discussion at the PHC.

The issues to be addressed in this proceeding relate to a review of low-income rate assistance programs for water utilities under the Commission's jurisdiction. The OIR will examine low-income rate assistance programs of the Class A and B water utilities to determine whether consistent low-income rate assistance programs for all low-income water ratepayers can be established. This OIR will examine regionalization and consolidation (including voluntary and virtual) of at-risk water systems by regulated water utilities, forecasting and affordability issues. This proceeding will additionally consider whether other water companies qualify as public utilities under the Commission's jurisdiction for purposes of assessing a public purpose surcharge. The proceeding will be divided into two phases. Phase I of the proceeding will address the following issues:

1. Consolidation of at risk water systems by regulated water utilities
  - a. How could the Commission work with the SWRCB and Class A and B water utilities to identify opportunities for consolidating small non-regulated systems within or adjacent to their service territories that are not able to provide safe, reliable and affordable drinking water? Should the Commission address consolidation outside of each utility's general rate case (GRC)?
  - b. In what ways can the Commission assist Class A and B utilities that provide unregulated affiliate and franchise services to serve as administrators for small water systems that need operations & maintenance support as proscribed by Senate Bill (SB) 552 (2016)?
2. Forecasting Water Sales
  - a. How should the Commission address forecasts of sales in a manner that avoids regressive rates that adversely impact particularly low-income or moderate income customers?
  - b. In Decision (D.)16-12-026, adopted in Rulemaking 11-11-008, the Commission addressed the

importance of forecasting sales and therefore revenues. The Commission, in D.16-12-026, directed Class A and B water utilities to propose improved forecast methodologies in their GRC application. However, given the significant length of time between Class A water utility GRC filings, and the potential for different forecasting methodologies proposals in individual GRCs, the Commission will examine how to improve water sales forecasting as part of this phase of the proceeding. What guidelines or mechanisms can the Commission put in place to improve or standardize water sales forecasting for Class A water utilities?

3. What regulatory changes should the Commission consider to lower rates and improve access to safe quality drinking water for disadvantaged communities?
4. What if any regulatory changes should the Commission consider that would ensure and/or improve the health and safety of regulated water systems?

Phase II of this proceeding will address the technical components of the Commission's low income water programs and jurisdictional issues. The following issues will be addressed in Phase II or if necessary a Phase III of this proceeding:

5. Program Name;
6. Effectiveness of LIRA Programs;
7. Monthly Discounts;
8. Program Cost Recovery;
9. Commission Jurisdiction Over Other Water Companies; and
10. Implementation of Any Changes to Existing LIRA Programs.

Respondent Class A and B water utilities are required, Class C and D water utilities are encouraged, and interested parties are invited to provide comments and participate in the proceeding.<sup>2</sup> Comments addressing the Phase I issues identified above shall be provided by Class A and B water utilities, and may be provided by Class C and

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<sup>2</sup> Pursuant to Rule 6.2 “[A]ll comments which contain factual assertions shall be verified. Unverified factual assertions will be given only the weight of argument.”

D water companies and other parties participating in the proceeding consistent with the schedule set forth below.

### **3. Categorization**

The Commission in the OIR, issued on July 10, 2017, preliminarily determined that the category of the proceeding is quasi-legislative.

This Scoping Memo confirms the categorization. Anyone who disagrees with this categorization must file an appeal of the categorization no later than ten days after the date of this scoping ruling. (*See* Rule 7.6.)

### **4. Need for Hearing**

The Commission in the OIR preliminarily determined that hearings are not required.

This scoping memo confirms that hearings are not required at this time. If at a later date or in a later phase hearings are required, an amended scoping memo will be issued, and subsequent scoping memos for later phases in the proceeding may find that hearings are needed and will indicate accordingly.

### **5. Ex Parte Communications**

In a quasi-legislative proceeding such as this one, *ex parte* communications with the assigned Commissioner, other Commissioners, their advisors and the assigned Administrative Law Judge (ALJ) are permitted without restriction or reporting as described at Public Utilities Code Section 1701.4(b) and Article 8 of the Rules.<sup>3</sup>

### **6. Intervenor Compensation**

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by October 11, 2017, 30 days after the PHC.

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<sup>3</sup> Interested persons are advised that, to the extent that the requirements of Rule 8.1 *et seq.* deviate from Public Utilities Code Sections 1701.1 and 1701.4 as amended by SB 215, effective January 1, 2017, the statutory provisions govern.

**7. Assigned Commissioner and Assigned Administrative Law Judge**

Martha Guzman Aceves is the assigned Commissioner and Darcie L. Houck is the assigned Administrative Law Judge.

**8. Filing, Service and Service List**

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocols set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov) to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

**9. Public Advisor**

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or who has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao> or contact the Commission's Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TTY), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

## 10. Schedule

The adopted schedule is:

EVENT	DATE
Workshop #1 – Joint Workshop with SWRCB – Consolidation	November 13, 2017
Party comments on Phase I issues identified above and Workshop #1 Staff Report attached as Appendix B to this Scoping Memo	February 23, 2018
Status Conference – 10:00 a.m. <b>California State Personnel Board - Auditorium</b> <b>801 Capitol Mall, Room 150</b> <b>Sacramento, CA 95814.</b>	March 12, 2018
Workshop #2 – SB 623 Joint Workshop with SWRCB	TBD
Party Comments Workshop #2	TBD
Workshop #3 – Water Forecasting, AB 401 Report	TBD
Party Comments Workshop #3	TBD
Public Participation Hearing(s) (PPH) location(s) to be determined	TBD
Staff Report with Proposed Recommendations for Outcomes	Within 30 days from last Workshop/PPH
Party Comments on Staff Report	TBD
Reply Comments on Staff Report	TBD
Workshop#4 and Status Conference addressing consolidation and forecasting	TBD
Proposed Decision	TBD
Comments and Reply Comments on Proposed Decision	TBD
Commission Vote	TBD

The assigned Commissioner or assigned ALJ may modify this schedule as necessary to promote the efficient management and fair resolution of this proceeding.

It is the Commission's intent to complete this proceeding within 18 months of the date this proceeding was initiated. This deadline may be extended by order of the Commission. (Public Utilities Code Section 1701.5(a).)

Notice of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.

#### **11. Settlement and Alternative Dispute Resolution**

While the schedule does not include specific dates for settlement conferences it does not preclude parties from meeting at other times provided notice is given consistent with our Rules.

The Commission offers Alternative Dispute Resolution (ADR) services consisting of mediation, facilitation, or early neutral evaluation. Use of ADR services is voluntary, confidential, and at no cost to the parties. Trained ALJs serve as neutrals. The parties are encouraged to visit the Commission's ADR webpage at <http://www.cpuc.ca.gov/adr>, for more information.

If requested, the assigned ALJ will refer this proceeding, or a portion of it, to the Commission's ADR Coordinator. Alternatively, the parties may contact the ADR Coordinator directly at [adr\\_program@cpuc.ca.gov](mailto:adr_program@cpuc.ca.gov). The parties will be notified as soon as a neutral has been assigned; thereafter, the neutral will contact the parties to make pertinent scheduling and process arrangements. Alternatively, and at their own expense, the parties may agree to use outside ADR services.

#### **12. Outreach Pursuant to Public Utilities Code Section 1711(a)**

Public Utilities Code Section 1711(a) states:

Where feasible and appropriate, except for adjudication cases, before determining the scope of the proceeding, the commission shall seek the participation of those who are likely to be affected, including those who are likely to benefit from, and those who are potentially subject to, a decision in

that proceeding. The commission shall demonstrate its efforts to comply with this section in the text of the initial scoping memo of the proceeding.

The Commission's Outreach Office conducted outreach pursuant to Public Utilities Code Section 1711(a) by working with the SWRCB to ensure that governmental entities and community groups that work with communities with at risk water systems, and low income customers were informed of the proceeding. Outreach will continue throughout the proceeding and a number of public participation hearings will be scheduled throughout the state.

**IT IS RULED** that:

1. The category of this proceeding is quasi-legislative. Appeals as to category, if any, must be filed and served within ten days from the date of this Scoping Memo.
2. The scope of the issues for this proceeding is as stated in "Section 2. Scope" of this ruling.
3. Hearings may be necessary.
4. The schedule for the proceeding is set in "Section 10 Schedule" of this ruling. The assigned Commissioner or Administrative Law Judge may adjust this schedule as necessary for efficient management and fair resolution of this proceeding.
5. *Ex parte* communications are permitted without restriction or reporting as described at Public Utilities Code Section 1701.4(c) and Article 8 of the Rules.
6. A party shall submit request for Final Oral Argument in its opening briefs, but the right to Final Oral Argument ceases to exist if a hearing or briefing is not needed.
7. Parties shall submit all testimony and other types of documents to supporting documents as described in Appendix A.

Dated January 9, 2018, at San Francisco, California.

/s/ MARTHA GUZMAN ACEVES  
Martha Guzman Aceves  
Assigned Commissioner



## APPENDIX A

*The following text may be attached as an appendix or included as appropriate (e.g. the filing of supporting documents is anticipated shortly after issuing the Scoping Memo). If included within the text of the Scoping Memo it is suggested it follow section 8.*

### **Electronic Submission and Format of Supporting Documents**

The Commission's web site now allows electronic submittal of supporting documents (such as testimony and work papers).

Parties shall submit their testimony or workpapers in this proceeding through the Commission's electronic filing system.<sup>1</sup> Parties must adhere to the following:

- The Instructions for Using the "Supporting Documents" Feature, (<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=158653546>) and
- The Naming Convention for Electronic Submission of Supporting Documents (<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=100902765>).
- The Supporting Document feature does not change or replace the Commission's Rules of Practice and Procedure. Parties must continue to adhere to all rules and guidelines in the Commission's Rules of Practice and Procedures including but not limited to rules for participating in a formal proceeding, filing and serving formal documents and rules for

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<sup>1</sup> These instructions are for submitting supporting documents such as testimony and work papers in formal proceedings through the Commission's electronic filing system. Parties must follow all other rules regarding serving testimony.

Any document that needs to be formally filed such as motions, briefs, comments, etc., should be submitted using Tabs 1 through 4 in the electronic filing screen.

written and oral communications with Commissioners and advisors (i.e. “ex parte communications”) or other matters related to a proceeding.

- The Supporting Document feature is intended to be solely for the purpose of parties submitting electronic public copies of testimony, work papers and workshop reports (unless instructed otherwise by the Administrative Law Judge), and does not replace the requirement to serve documents to other parties in a proceeding.
- Unauthorized or improper use of the Supporting Document feature will result in the removal of the submitted document by the CPUC.
- Supporting Documents should not be construed as the formal files of the proceeding. The documents submitted through the Supporting Document feature are for information only and are not part of the formal file (i.e. “record”) unless accepted into the record by the Administrative Law Judge.

All documents submitted through the “Supporting Documents” Feature shall be in PDF/A format. The reasons for requiring PDF/A format are:

- Security – PDF/A prohibits the use of programming or links to external executable files. Therefore, it does not allow malicious codes in the document.
- Retention – The Commission is required by [Resolution L-204](#), dated September 20, 1978, to retain documents in formal proceedings for 30 years. PDF/A is an independent standard and the Commission staff anticipates that programs will remain available in 30 years to read PDF/A.
- Accessibility – PDF/A requires text behind the PDF graphics so the files can be read by devices designed for those with limited sight. PDF/A is also searchable.

Until further notice, the “Supporting Documents” do not appear on the “Docket Card”. In order to find the supporting documents that are submitted electronically, go to:

- Online documents, choose: “[E-filed Documents](#)”,

- Select “Supporting Document” as the document type, ( do not choose testimony)
- Type in the proceeding number and hit search.

Please refer all technical questions regarding submitting supporting documents to:

- Kale Williams ([kale.williams@cpuc.ca.gov](mailto:kale.williams@cpuc.ca.gov)) 415 703- 3251 and
- Ryan Cayabyab ([ryan.cayabyab@cpuc.ca.gov](mailto:ryan.cayabyab@cpuc.ca.gov)) 415 703-5999

(END OF APPENDIX A)

**APPENDIX B**

Report on Joint Agency Workshop

Water System Consolidation & SB 623

California Public Utilities Commission and State Water Resources Control Board

R.17-06-024

Water Division

December 15, 2017

## Summary

On November 13, 2017 in Sacramento, a joint California Public Utilities (Commission) and State Water Resources Control Board (Board) workshop was held. At the workshop, speakers from the Board, the Commission, Community Water Center, Regional Water Authority, Self-Help Enterprises, Lake County Special District, Cobb Area Water District, Somach Simmons & Dunn, California Water Service Company, and members of the public discussed the consolidation of small and troubled water systems and proposed legislative funding sources. In attendance were representatives of investor owned utilities (IOUs), municipals and public agencies, mutual water companies, non-profit organizations and consumers. Participants discussed the drivers, tools, and obstacles for prior and future consolidations and their views on the potential impact of pending legislation.

The SWRCB's Division of Drinking Water (DDW) described the progression of steps required that can eventually allow for mandatory consolidation. DDW regularly sends inspection letters to water systems so that the systems can address issues before the issues become critical and DDW informs water systems of upcoming regulatory changes. DDW noted that they provide outreach for training and technical support and they can assist water systems with contacting the Division of Financial Assistance (DFA) for capital intensive projects. They may also recommend consolidation and can provide consolidation trainings and outreach. DDW stated that Minimum Contaminant Level (MCL) or monitoring violations result in citations or compliance orders that require corrective actions or are otherwise subject to fines collected by the Attorney General. When fines and citations fail then the public is notified of drinking water violations, the water system may enter receivership, and mandatory consolidation may result.

DDW described the technical, managerial, and financial (TMF) warning signs of troubled water systems. These warning signs include irregular monitoring, failing infrastructure, managers and operators with insufficient knowledge, and inadequate revenue. When these issues become critical DDW can then issue Compliance Orders under California Health and Safety Code (CHSC) 116655 that direct preventive action be taken subject to fines or DDW may amend permits. DDW stated that the requirements for mandatory consolidation under SB-88/552 include: a viable water system nearby, consultations with other agencies (CPUC, LAFCO, Counties, etc.), previous recommendation for voluntary consolidation, public meetings, a disadvantaged community in an unincorporated area, mobile home park, or service by a mutual water company, consistent failures to provide adequate and safe drinking water, and a lack of more effective or cost-effective alternatives. DDW noted that some limitations of SB-88 include public schools in non-disadvantaged communities and water systems with TMF issues that have no mcl violations.

DDW stated that some of the lessons learned from past consolidations include: 1) voluntary consolidations are highly preferable, 2) mandatory consolidations have a large workload, 3) communicating the message to residents is difficult, 4) DDW or Local Primacy Agency (LPA) will need to bring the systems together, and 5) consolidation may be the best option available. DDW is working on a pilot for a Safe Drinking Water Partnership Plan that will check each county for out of compliance water systems, water systems with inadequate TMF, clusters of water systems that could consolidate or form partnerships, groundwater areas with known contamination, and areas served by individual wells. DDW will then rank partnership opportunities with input from counties, cities, and LAFCO water systems. DDW concluded by highlighting their current consolidation efforts and noting anticipated challenges from water supply applications for cannabis production.

The Commission's Water Division gave an overview of past acquisitions of IOUs. Water Division explained that there have been 34 IOU acquisitions since 2007 and that 33 of them were small utilities that served less than 2000 connections and one was a large utility that became public. Water Division noted that IOU acquisition authority is governed by Public Utilities (PU) Code Sections 2718-2720, Commission Rulemaking 97-10-048, and Commission Decision 99-10-064 and that in 1997 there were 200 CPUC regulated water systems. Water Division stated that fair market value can be used if the acquisition is fair and reasonable with regard to reliability, health and safety, economies of scale, and its effect on customers. On October 2014, the Commission issued Decision No. 14-10-047 that required utilities to assess whether high-cost and affordability problems exist in any of its districts, report on their findings in their General Rate Cases, and to propose consolidation projects. Water Division summarized several of its pending acquisitions and noted the challenges of operation and maintenance expenses. Water Division then discussed that with financial support for operations and maintenance, like those proposed in SB 623, some municipal water systems lacking TMF expertise frequently seek to enter into operations agreements with IOUs rather than to consider consolidation.

The non-profit Community Water Center discussed the need for safe and affordable water in California and noted that many drinking water contaminants disproportionately affect low-income and Latino communities. Community Water Center highlighted several of the policy tools that have been created to address water such as the 2012 Human Right to Water Act, the Proposition 1 Water Bond, the Office of Sustainable Water Solutions, new consolidation powers, the Sustainable Groundwater Management Act, dairies and irrigated lands regulatory programs, and school water testing and funding programs. Community Water Center stated water system funding shortfalls persist for operations and maintenance, capital, planning, technical assistance, and for emergency replacement water. Community Water Center also noted that the enactment of Assembly Bill 401 in 2014 directed the SWRCB to propose a statewide water low-income assistance program. Community Water Center presented the Lanare community as an example of a water system unable to sustain the operations and maintenance funding required to supply treated water.

Community Water Center next discussed their proposed SB 623 Safe and Affordable Drinking Water Fund (Fund) pending in the Legislature and SB 623's ability to cover funding gaps for operations and maintenance and secure long-term sustainability. SB 623 prioritizes disadvantaged communities and low-income domestic well users that consistently fail to provide adequate drinking water at affordable rates and lack other sources of funding. The bill would provide transparency through an annual needs assessment, regular public review and assessment of the Fund, and a Fund implementation developed and adopted in consultation with stakeholders. Sustained funding authorized in SB 623 would, in part, come from a sales fee on fertilizer & dairy and a new fee on non-dairy concentrated animal feeding operations (CAFO) that are estimated to raise \$30M annually for 15 years and \$10M annually thereafter. SB 623 funding would mainly come from a new drinking water fee assessed monthly on drinking water bills that is capped at \$0.95 for most water users, with an exemption for low-income households (below 200% of the Federal poverty level). Community Water Center noted that the combined fees would raise an estimated \$140M annually for the first two years and thereafter the Board may reduce fees based on an annual needs assessment.

SB 623 would also require local data collection and analysis of private wells and small water systems in order to identify high risk areas and support outreach & well testing for low-income households. Community Water Center concluded by stating that SB 623 has wide support from organizations in

agriculture, environmental justice, environmental groups, labor, public health, cities, water districts, and counties. Community Water Center also stated that polling shows Californians support a small monthly fee around \$1 to support non-local drinking water projects.

Somach Simmons & Dunn represented agricultural stakeholders (Ag Stakeholders) and highlighted their support for SB 623 and its ability to balance access to drinking water with the use of synthetic fertilizers and manure production by the agricultural industry. The Ag Stakeholders noted that California agriculture is an integral part of the economy and that fertilizer use is essential to the industry. The industry continues to make significant advances in fertilizer use with research universities in order to reduce nitrogen levels in groundwater. The Ag Stakeholders noted that SB 623 provides \$30M of funding per year directly from agriculture and time limited protections from groundwater enforcement by the Board regarding nitrogen standards if agricultural operations meet mitigation requirements.

Self-Help Enterprises discussed their water and wastewater project training and technical assistance in San Joaquin Valley counties. They have assisted over 150 communities in the Central Valley with TMF training, private well and sewer surveys, income surveys, and subcontracting. They have also assisted over 60 communities with consolidating systems for water and sewer service with current efforts that could result in the consolidation of 50 additional communities. Self-Help Enterprises noted that when Cameron Creek Colony private wells stopped producing water they were able to assist with emergency funding to build and connect a water distribution system to the city of Farmersville. Self-Help Enterprises also presented examples of obstacles that these projects can encounter. For Monterey Park Tract Community Services District (CSD) and Las Deltas CSD (CSD), there were issues with the willingness of nearby municipals to take responsibility for helping the troubled systems. After agreements were reached, the sustainability of operating systems with increasing costs at affordable rates has become a major issue.

Lake County Special Districts provided a presentation of the water systems serving Lake County and gave examples of recent consolidation projects in the county. Lake County has 87 public water systems and 56 community water systems with 45 of them serving less than 1,000 connections and with the majority in disadvantaged communities. In 1989, the area of North Lakeport began consolidating 41 struggling systems and the project was completed in 1991 with funding from the Board. Since the consolidation, the system of North Lakeport has performed well and \$716,000 in regulator fees and laboratory fees have been saved. North Lakeport currently has the ability to perform capital improvements without increasing rates by accumulating \$1.2 million in capital improvements reserves. A similar project occurred in Soda Bay where 15 water systems were consolidated in the 1980s which allowed economies of scale to keep rates affordable. Currently, there is a consolidation project between Paradise Valley and Clearlake Oaks County Water District. Clearlake Oaks is disadvantaged while Paradise Valley is not and funding is provided from Lake County. Lake County noted that there is great interest to consolidate in Lake County but the challenge is to begin formal discussions with systems in need of consolidating.

Cobb Area Water District presented on the impact to the Lake County area by the 2015 Valley fire and how consolidation is helping in the recovery. The fire completely depleted the water reserves and some districts lost 90% of their customer base. To address these issues, there is currently a project for the Cobb Area to consolidate seven water systems; \$17-20 million is needed for upgrading and replacing infrastructure. Funding is coming from a variety of resources: Prop 1, State Revolving Fund (SRF), the Board, and the Community Development Block Grant, while customers have seen a 37% increase in rates. Technical assistance is also being provided from the Rural Community Assistance Corporation,

Sacramento State, and UC Davis. The project has been ongoing for over 2 years with about a year left to complete.

Cal Water Service discussed the physical consolidation of West Goshen Mutual Water Company and the non-physical ratemaking consolidation of Lucerne. West Goshen Mutual Water Company (West Goshen) in Tulare County served a population of 500 and had a history of water quality issues. In 2012, West Goshen wells began failing and it experienced a complete loss of service in 2013 when 350-foot section of a distribution main collapsed. Cal Water's Visalia District, located a mile away from West Goshen worked with several non-profits along with the County and State to install 2 miles of main to connect Cal Water to West Goshen and provide water. The project received funding of \$3 million from the State Revolving Fund and was completed in 2014. In Lucerne, Cal Water has served the community of 3,000 residents since 2000. As Lucerne is a disadvantaged community and in need of significant infrastructure improvements, water rates became relatively high. To provide rate relief, in 2016, Cal Water combined the ratemaking area of Lucerne with the much larger Bayshore District which serves portions of the Bay Area. This ratemaking consolidation allowed for the sharing of costs spread among a larger customer base. This consolidation greatly reduced the rates in Lucerne by 30% while increasing the rates slightly in Bayshore. Lastly, Cal Water mentioned the need for streamlining consolidation to address the often tedious process of applying and receiving approvals and funding for such projects.

During public comment, several spoke in opposition to SB 623. The Association of California Water Agencies (ACWA,) which represents 440 public water agencies, does not support SB 623 and labeled the fee to fund the Safe and Affordable Drinking Water Fund as a "tax on drinking water." ACWA stated that this tax works against affordability and recommended using the general fund to address the issues of operating a water system. An environmental group, the Otter Project, spoke against SB 623 with concerns on the potential negative impacts to the environment. The Otter Project fears that a restriction of water quality enforcement on agricultural operations will lead to more groundwater pollution.

## **Conclusion**

As this workshop has shown, ensuring the long-term sustainability of drinking water in California is critical. Consolidation has been and continues to be a great tool to address the vast issues many struggling water systems are facing. Another potential tool providing a stable funding source to assist water systems with high operation and maintenance costs. This workshop demonstrated that consolidation has proven beneficial and that However, more time and effort is still required to initiate and increase the efficiency of the consolidation process. Consolidation and additional funding proposals, like SB 623, are just two of many tools needed to provide safe, reliable, and affordable drinking water for all of California.

(END OF APPENDIX B)