

2010
WATER ACTION
PLAN



October 2010



WATER ACTION PLAN 2010

In December of 2005, the California Public Utilities Commission (CPUC) adopted a Water Action Plan setting forth its policy objectives for the regulation of investor-owned water utilities and highlighting the actions that the CPUC anticipated or would consider taking in order to implement these objectives.

The primary goal was two-fold: apply regulatory best practices from the energy utilities to the water utilities and to place water conservation at the top of the loading order as the best, lowest-cost supply. Since then, the CPUC has decoupled sales from revenues, instituted tiered rate structures, and updated water conservation rules and water service standards. Water utility conservation budgets have increased multiple times. A schedule has been established for general rate case filings, low-income ratepayer assistance programs are in place, and water/energy nexus programs have started.

In just four years, the CPUC has substantially met 23 of the 29 action items that we described in our Water Action Plan. While the CPUC accomplished much, more remains to be done. Economic pressures on the investor-owned water utilities have become manifest and intensified.

Balancing the many competing interests with the practical realities of supply has become increasingly complex, making us aware of the necessity to:

- a) remain flexible and adaptable to changes in supply
- b) work closely with sister agencies, the legislature and other regulatory bodies
- c) utilize our resources (water, land, energy) more efficiently
- d) learn from the experiences of public agencies, other states and other countries about such issues as public exchanges, private partnerships and conservation
- e) stay abreast of technological discoveries and advances
- f) recognize changing population – related demands
- g) recognize our role in educating the consuming public about the true value of water and the consequences of declining water availability
- h) more fully understand the implications of managing water risks in the context of competing demands, on our growing population, agricultural base, energy sector, economy and environment
- i) review policies continuously for effects and bottlenecks

We can ill afford to be complacent, as changes occur locally, nationally and globally.

On November 4, 2009, the California Legislature enacted a historic and comprehensive water package, The Safe, Clean & Reliable Drinking Water Supply Act of 2010 addresses:

- Water conservation (SBx7-7)
- Groundwater monitoring (SBx7-6)
- Sacramento-San Joaquin Delta Reform Act (SBx7-1)
- Water diversion and water rights enforcement (SBx7-8)

The passage of the far-reaching legislation speaks to the critical nature that water supply reliability has to our State.

At the Federal level, Interior Secretary Salazar has appointed Deputy Interior Secretary David Hayes to monitor California Water issues and the American Recovery Act and Reinvestment of 2009 dollars coming to California

Globally, water challenges are increasing as well such that some investors are trying to require water risk disclosures. Climate change studies by the UN and others are resulting in new ideas and approaches to water use, as well as new technologies.

The Water Action Plan was adopted after the wettest winter in recent history (2004-05). Now, after having experienced three years of drought, it is more important than ever to have in place the regulatory mechanisms to ensure that the Principles and Objectives set forth in the Water Action Plan are not compromised. Hence, the 2010 Water Action Plan retains these same Principles and Objectives. Action Items have been added while some have been carried forward to continue our progress. The Action Items list incorporates directives from the Governor and Legislative mandates.

This is a forward looking Water Action Plan that describes the regulatory future the CPUC wants to achieve, and it lays out the steps needed to get there.

The CPUC's objectives in regulating water utilities rest on four key principles:

- **Safe, high quality water**
- **Highly reliable water supplies**
- **Efficient use of water**
- **Reasonable rates and viable utilities**

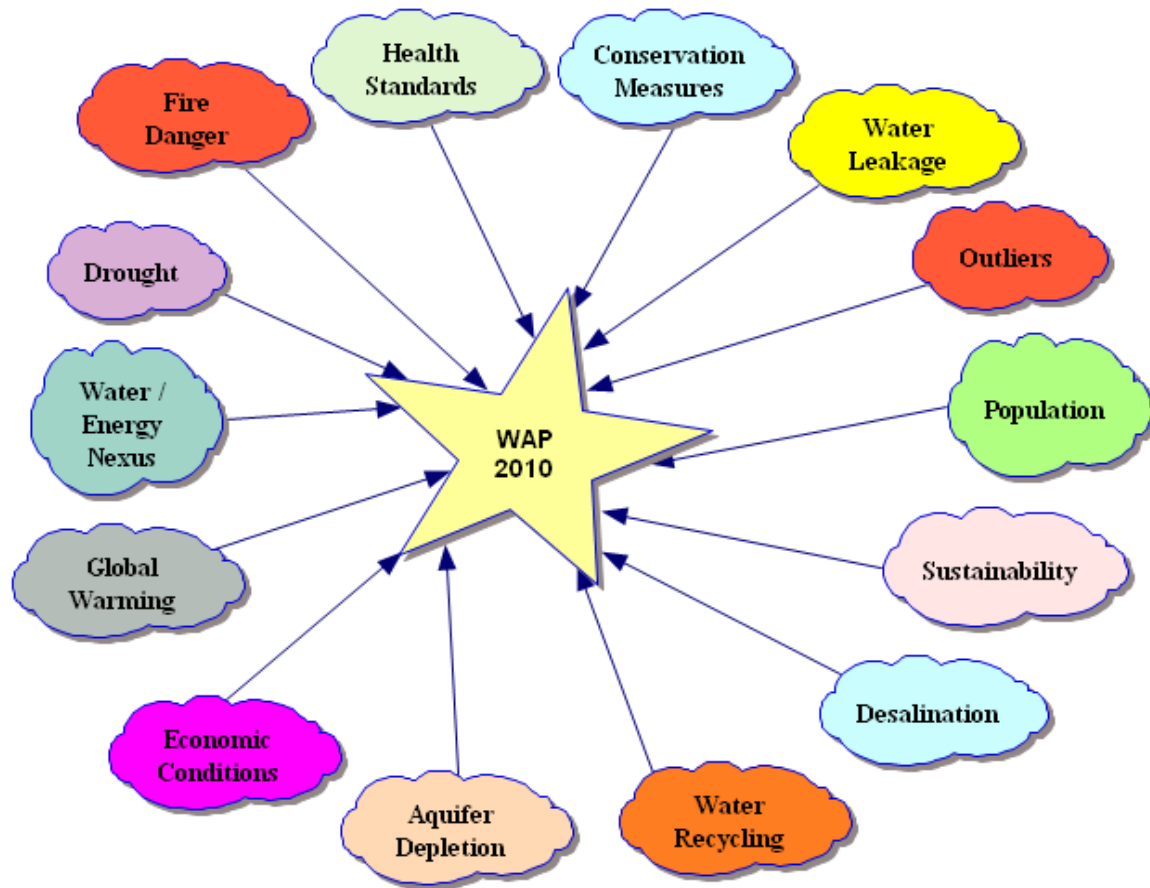
Building off these principles, six objectives were developed, each with a series of actions that advance them.

- **Maintain highest standards of water quality.**
 - Water is the only utility that is ingested by consumers. Therefore, water quality is vital to the health of consumers. Delivering safe water requires a reliable infrastructure and careful monitoring and enforcement of water quality standards.
- **Promote water infrastructure investment.**
 - Water infrastructure in California continues to need significant improvement. The CPUC will encourage financial incentives and direction for investment in infrastructure needed to improve water quality.
- **Strengthen water conservation programs to a level comparable to those of energy utilities.**
 - Water conservation is critical in California to extend limited resources as far as possible to accommodate growing needs. Water conservation is the least expensive source of new supply. Conservation is critical to protect and restore the aquatic environment. (Most notably the Bay-Delta system that supplies 25 million Californians.) The CPUC will continue to strengthen water conservation measures through education, consumer price signals and utility incentives.
- **Streamline CPUC regulatory decision-making.**
 - The CPUC's decision-making process will be streamlined to benefit both utilities and ratepayers. A timely decision-making process ensures equity and the CPUC will critically examine its own processes, including legal, for improvement.
- **Set rates that balance investment, conservation, and affordability**
 - The CPUC will ensure that the established rates will provide for recovery of reasonable and prudently incurred costs and a fair and equitable return to shareholders. The CPUC will develop rates and ratemaking mechanisms to further the above goals of affordability, conservation, and investment in necessary infrastructure.
- **Assist low income ratepayers.**
 - Low-income customers often struggle with payments for basic monthly water service. The CPUC will continue its focus to increase the affordability of water service for this customer class, as well as making sure that penetration rates for low-income ratepayer assistance programs increase.

The following pages describe the 2010 Water Action Plan.

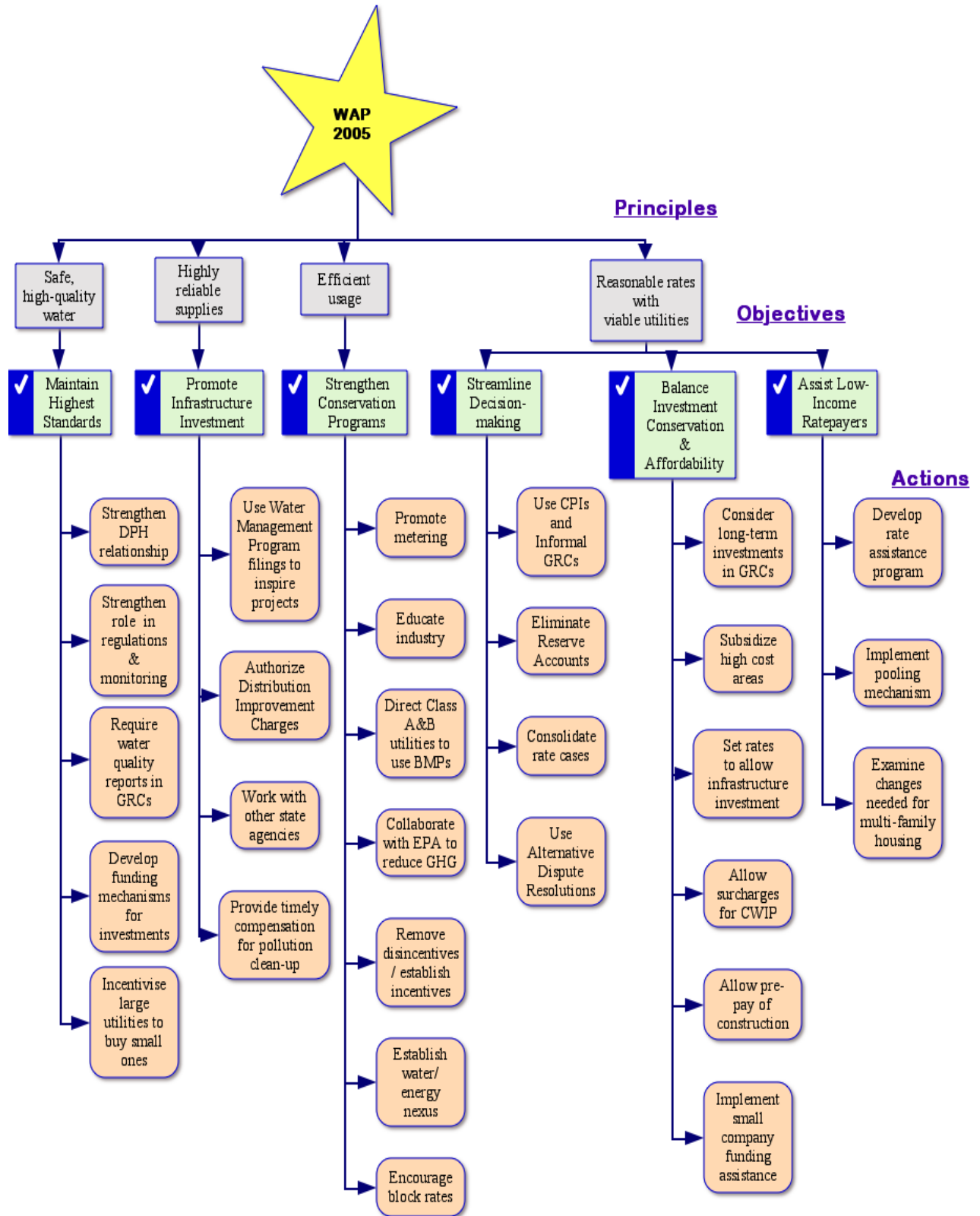
Introduction

The development of our 2010 Water Action Plan takes into account a number of factors to reflect present-day concerns.



Overall Concerns To Be Addressed

Our 2005 Water Action Plan set forth Principles, Objectives and Actions described below.

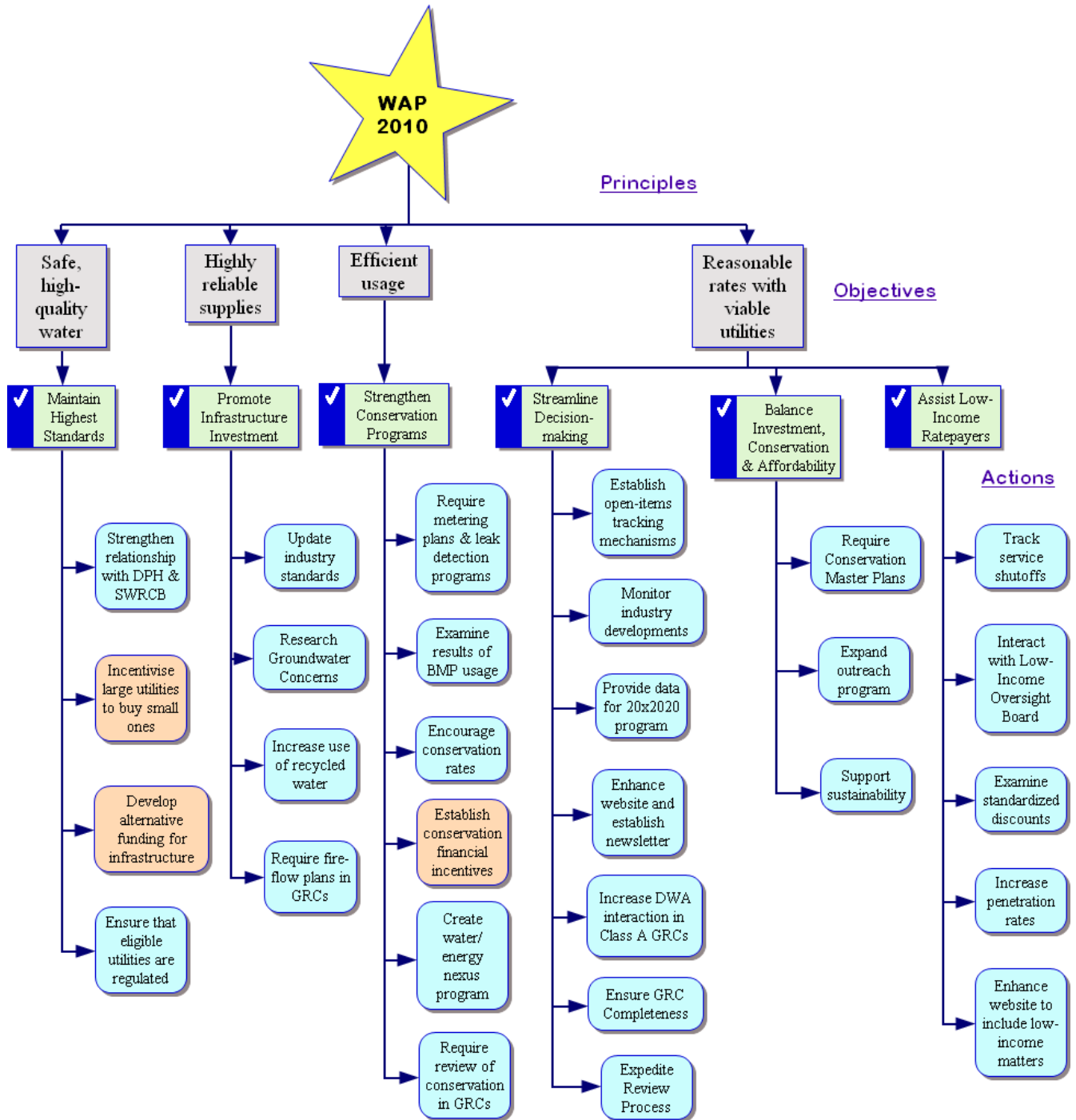


The CPUC has substantially met 23 of the 29 Actions. This timeline highlights the key investigations, rulemakings, and decisions by the CPUC to meet the Actions contained in the 2005 Water Action Plan:

2009	← Dec 2009 Low Income Rulemaking R.09-12-017 Opened
	← Oct 2009 PU Code § 781 Modified to make metering easier
	← Sept 2009 General Order 103-A Water Standards Updated
	← 2009 Agency Team member — Governor's 20x2020 Water Conservation Committee
	← Mar 2009 Water Conservation Practices updated — SP40
	← Feb 2009 Water Quality Expert hired
2008	← Nov 2008 Water/Energy Nexus Pilot Programs Initiated D.08-11-057
	← Jun 2008 Report to Legislature — Conservation Goals Progress as required by PU Code § 2714.5
	← Feb & Aug 2008 Decoupled Water Sales From Revenues D.08-02-036 & D.08-08-030
2007	← Oct 2007 Assessment of Water Utility Low-Income Assistance Programs Report issued
	← Aug 2007 First DSIC authorized by D.07-08-030
	← May 2007 Rate Case Plan Rulemaking closed – D.07-05-062
	← Jan 2007 Investigation Opened – Conservation Objectives I.07-01-022
2006	← Dec 2006 Rulemaking Opened – Rate Case Plan R.06-12-016
	← Sep 2006 Symposium Held "Securing Clean & Affordable Water"
	← Apr 2006 Balancing Account Decision D.06-04-037
	← Mar 2006 Symposium Held "Improving Efficiency of California Water and Energy Systems"

Timeline of Progress for the 2005 Water Action Plan

The Principles and Objectives described in *this* 2010 Water Action Plan remain the same as the original Water Action Plan 2005. There is a need for *new* Actions to contend with evolving conditions. These are identified as blue boxes in the diagram below, while the tan color boxes are Actions carried forward from the 2005 plan.



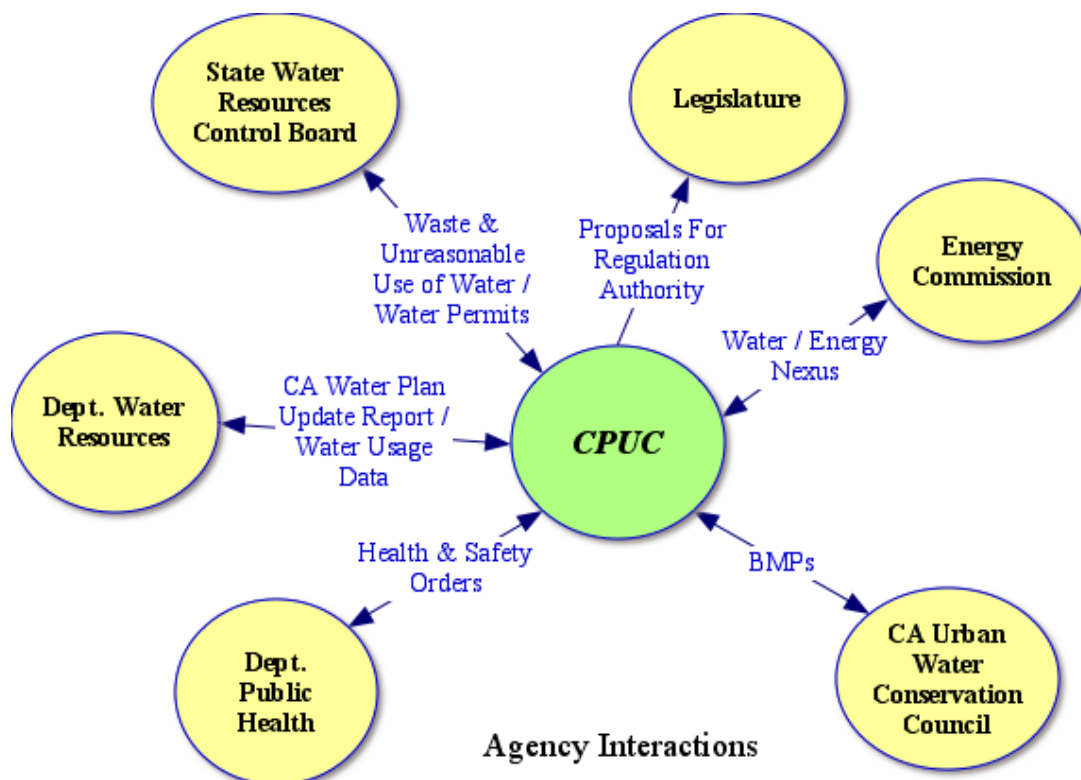
Maintain Highest Standards of Water Quality

Strengthen
relationship
with DPH &
SWRCB

Strengthen inter-agency relations with the Department of Public Health (DPH), Department of Water Resources (DWR), and the State Water Resources Control Board (SWRCB).

The CPUC already engages with other state agencies including DWR and SWRCB where CPUC's Division of Water and Audits (DWA) serves as a member of the DWR Water Plan Steering Committee, a member of the 20x2020 Water Conservation Committee, and provides information to the SWRCB on matters concerning IOU water utilities.


The CPUC intends to maximize the effectiveness of state water supply planning by coordinating and encouraging water utilities to coordinate efforts with other state agencies having an impact on water supplies (see diagram below). The CPUC intends to execute a memorandum of understanding (MOU) between itself and DWR and the SWRCB. (A similar MOU exists between DPH and the CPUC.)





Maintain Highest Standards of Water Quality

<p>Incentivise large utilities to buy small ones</p>	<p>Provide incentives for the acquisition or operation of small water and sewer utilities.</p> <p>Smaller water companies often do not have the resources or expertise to operate in full compliance with increasingly stringent and complex water quality regulations. Many water companies are too small to be viable in the long-term, raising questions as to whether they will be able to continue to provide clean and reliable water in the future. DPH requests Class A utilities (over 10,000 connections) to report on an annual basis which smaller utilities they might consider purchasing. Additionally, the Public Water System Investment and Consolidation Act of 1997 added Sections 2718, 2719, and 2720 to the Public Utilities Code to provide incentives to large utilities to take over smaller systems.</p> <p>The CPUC will consider offering incentives to promote company acquisitions. This includes surcharges for related capital improvements, an adjustment to the allowed return on equity and Rate-Of-Margin treatment for the acquired utility.</p>
<p>Develop alternative funding for infrastructures</p>	<p>Develop alternative funding mechanisms to address water quality infrastructure investments for smaller water companies. Infrastructure needed to meet water quality standards are often neglected by the water companies due to financial hardship. Costs of compliance with increasingly stringent water quality standards often exceed a small water utility's ability to finance them. As such, small water utilities are often out of compliance with DPH standards and end up remaining that way. Traditional funding programs such as grants and loans provide assistance in some instances, but may not always be available due to unavailable funds and stringent eligibility requirements. The CPUC will evaluate alternative funding programs – such as a CPUC-administered infrastructure fund – for enabling these cash-limited utilities to fulfill the state water quality requirements.</p>

Maintain Highest Standards of Water Quality

 <p>Ensure that eligible utilities are regulated properly</p>	<p>Ensure that eligible utilities are regulated properly.</p> <p>Outliers. PU Code Section 2701 defines the entities that are subject to the jurisdiction, control and regulation of the CPUC. The CPUC will investigate to determine how many of these systems exist and which ones should come under our jurisdiction.</p> <p>Mutuals. Review of regulation in other states indicates that the respective state PUCs have the option of regulating mutual associations when a certain threshold of members request it –typically 10%. To further the cause of water conservation as well as look after ratepayers’ costs, the CPUC should have the authority to regulate mutual associations upon requests from their members.</p> <p>Mobilehome Parks. Mobilehome parks are subject to CPUC investigation and regulation in California upon the filing of a single complaint. A reasonable threshold for action should be set to address this disparity. The CPUC will propose such legislation.</p>
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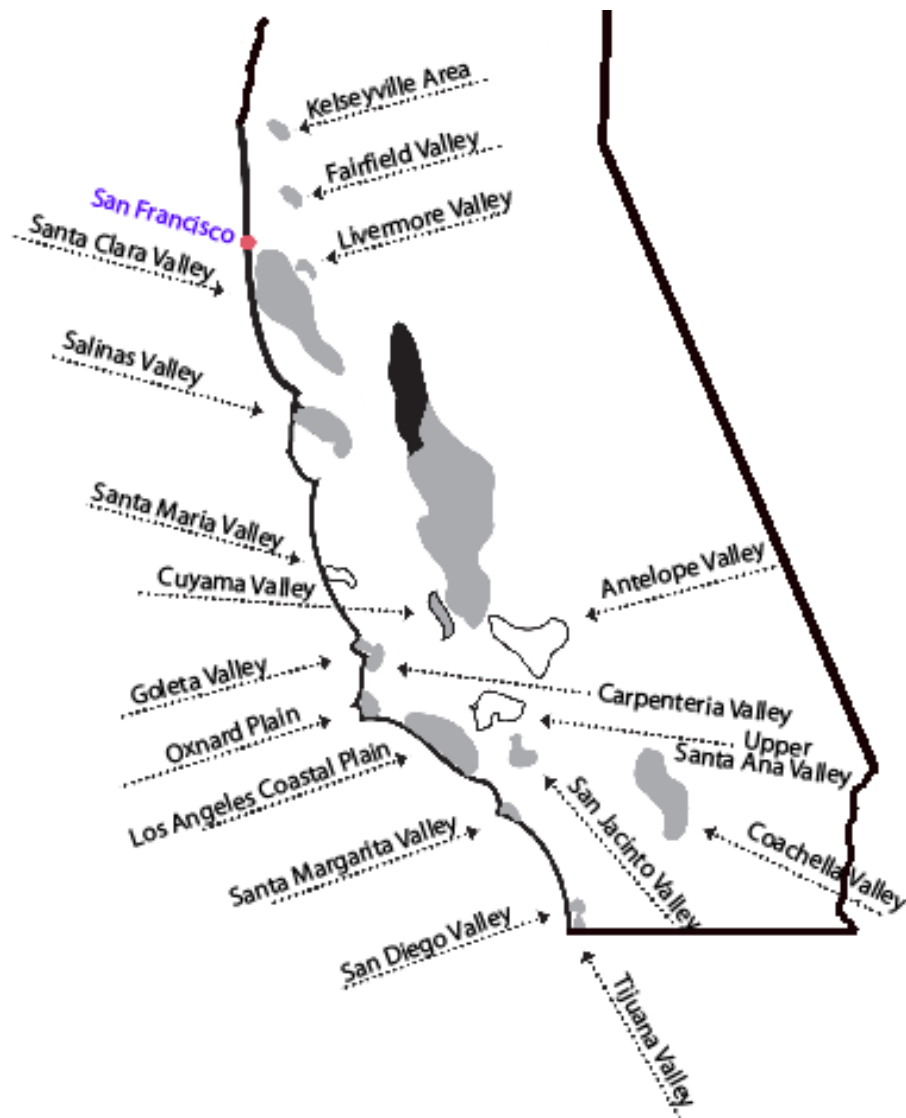
Promote Water Infrastructure Investment

 <p>Update Industry Standards</p>	<p>Update Industry Standards</p> <p>Depreciation. Standard Practice SP-U-4, Determining of Straight-Line Remaining Life Depreciation Accruals, was last updated in 1961. Given the advances in water system plant and equipment, the CPUC will consider updating this standard practice to reflect current expected plant lifetimes.</p> <p>USOA. The Uniform System of Accounts (USOA) for Class A and Class B, C, D water utilities were last updated in 1955 and 1985 respectively. The CPUC through its formal process will update these USOAs when the Securities and Exchange Commission (SEC) or the Financial Accounting Standards Board (FASB) adopts or converges its standards to the International Financial Reporting Standards (IFRS).</p>
 <p>Groundwater Concerns</p>	<p>Track groundwater aquifers. Many aquifers in California are overdrafted (see next diagram).¹ This is an important concern of our water utilities since many of them rely solely on groundwater supplies. Groundwater depletion results in pumping new and/or deeper wells that reach contamination layers resulting in higher costs for treatment and filtration. The Commission has already concluded that groundwater basin management is beyond the physical and financial resources of any single utility or agency.²</p> <p>SBx7-6 establishes a groundwater monitoring program by which an entity designated by DWR will monitor groundwater elevations and report back to DWR or its entity.</p> <p>The CPUC will monitor DWR data on aquifers as well as other hydrology information sources at the SWRCB and USGS and evaluate the impact of overdrafts on water service (see Hydrology Map below) and contaminations such as arsenic and nitrate as reported by the DPH and other health agencies (see following maps).</p>

¹ The USGS reports that the 1951 map is the latest available

² D.93-03-066 and Standard Practice U-40-W

Promote Water Infrastructure Investment

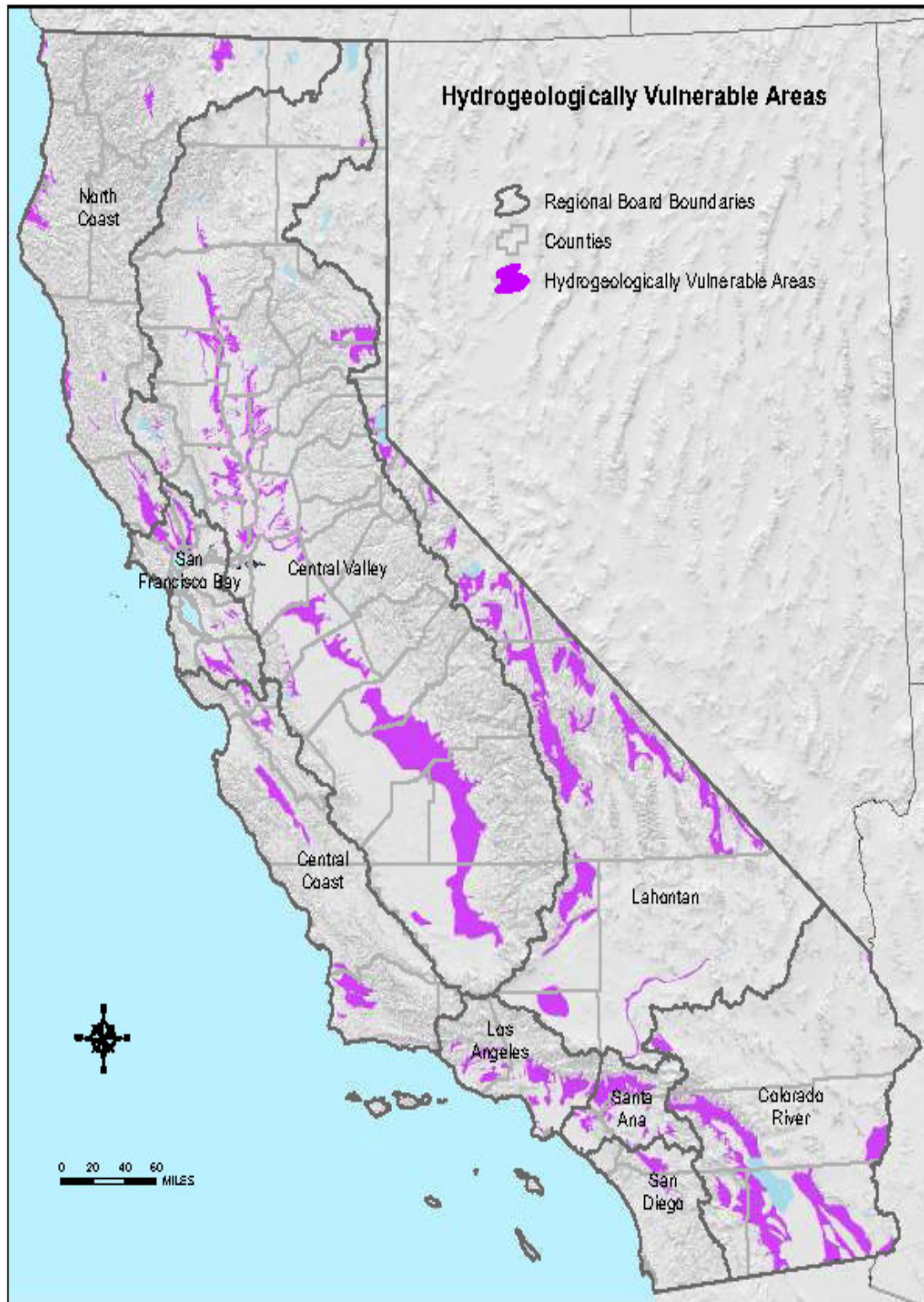


Groundwater reservoirs with perennial overdraft

Storage progressively depleted

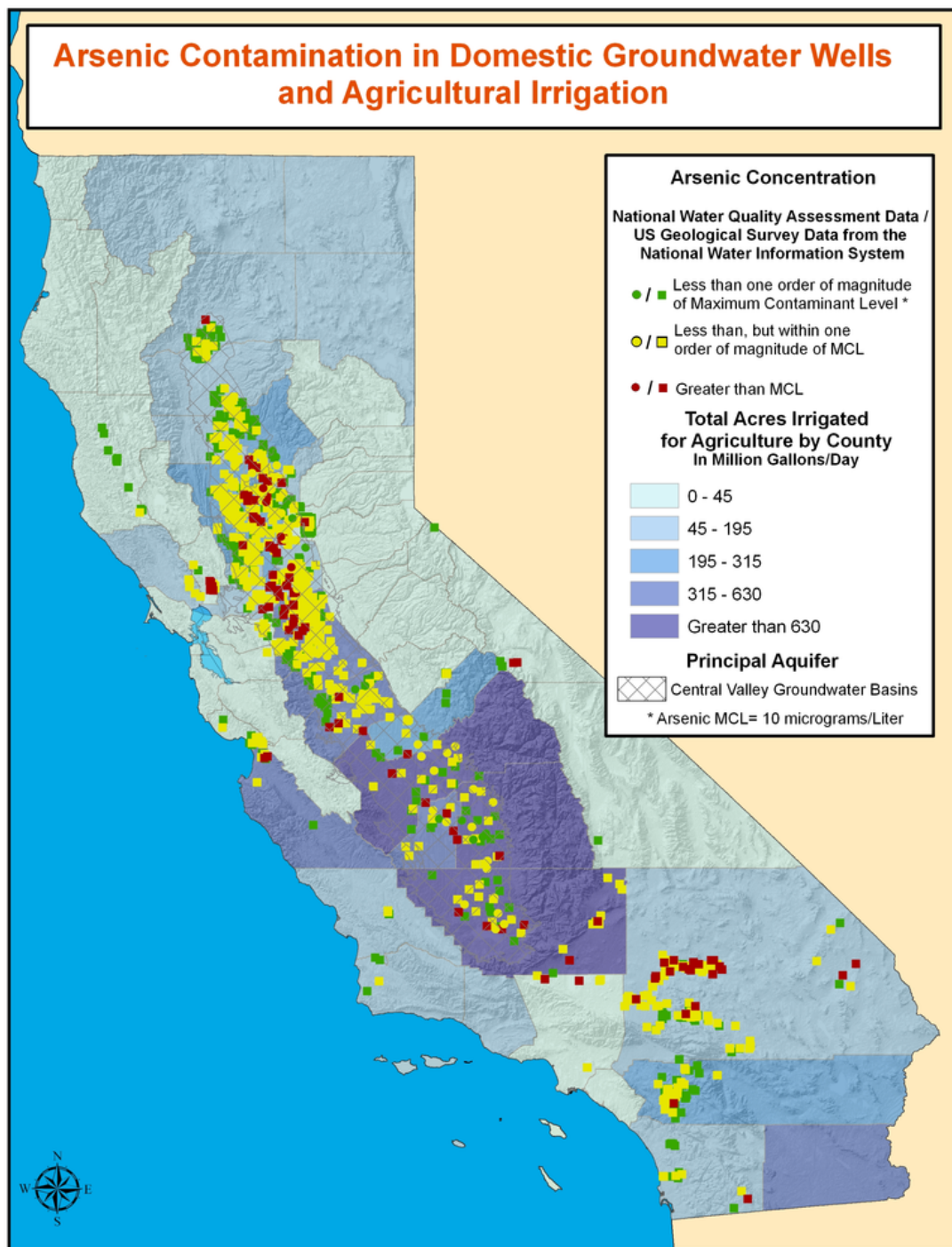
Source: William Alley "Tracking the Nation's Ground-Water Reserves" USGS
referencing Thomas, H.E. 1951, *The Conservation of Groundwater*: McGraw-Hill

Promote Water Infrastructure Investment

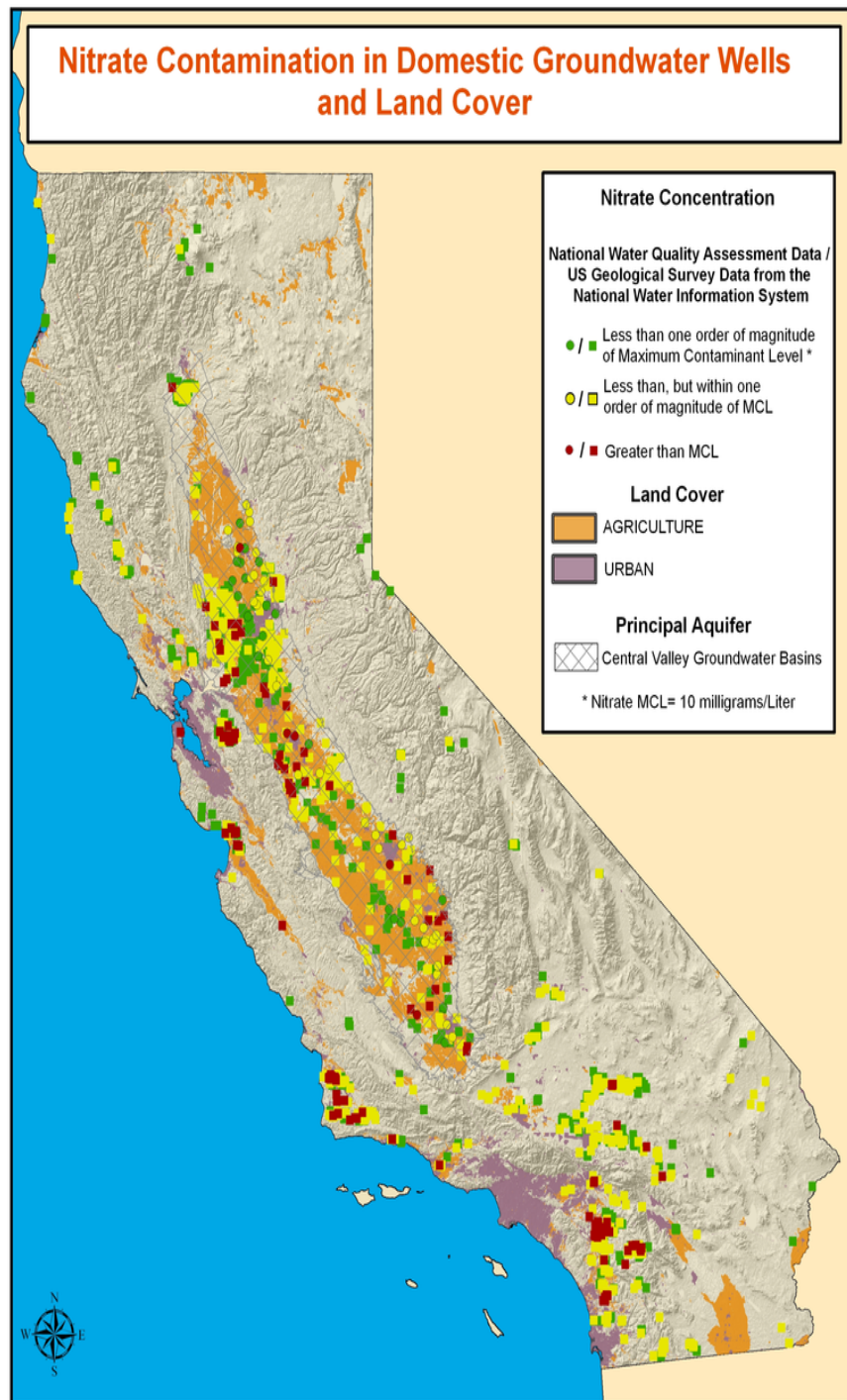


In response to Executive Order D-5-99, SWRCB staff has created a map displaying areas where published hydrogeologic information indicates conditions that may be more vulnerable to groundwater contamination.

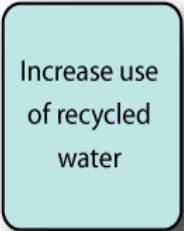
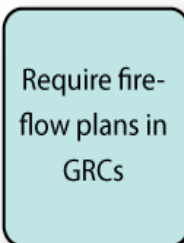
Promote Water Infrastructure Investment



Promote Water Infrastructure Investment



Promote Water Infrastructure Investment

 <p>Increase use of recycled water</p>	<p>Recycled Water.</p> <p>Recycled water is an important water resource to meet water demands by increasing population. Use of recycled water reduces the need for potable water and increases available supplies. To the extent that recycled water is available, the CPCU will require its use, when practicable, as another supply source.</p> <p>The SWRCB released its Recycled Water Policy in February 2009 calling for a significant increase in the use of recycled water and storm water. Included in its goals is the substitution of these local water supplies for potable water.</p> <p>The CPUC will participate in the effort to develop interagency guidance for economic analyses of recycling proposals.</p> <p>The CPUC intends to develop rules to increase the use of:</p> <ul style="list-style-type: none">(1) recycled water and(2) desalination through rulemaking or investigation.
 <p>Require fire-flow plans in GRCs</p>	<p>Fire Flow Plans.</p> <p>Water utilities are required by General Order No. 103-A to meet the required fire flows of the local fire authority. However, water utilities are grandfathered in and do not have to upgrade their system when there is a change in the fire flow requirement. There is concern that water utilities, some of which are located in rural and mountain areas subject to forest fires, do not have adequate water supplies for fire suppression. This issue was brought to light by the numerous wild land fires over the past three years.</p> <p>The CPUC will require a review of fire flow capability, including number of hydrants, spacing of hydrants and available hydrant flows during a general rate case review.</p>

Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities

Require
metering
plans and leak
detection
programs

Promote metered water service to encourage conservation.

CPUC data shows that a 20% reduction in water use can be achieved by converting a residential flat rate customer to metered service. While the Water Code³ requires full metering by January 1, 2025, the CPUC will encourage IOU water utilities to accelerate their metering programs. The CPUC will ensure timely recovery of metering equipment and installation costs and may permit dedicated surcharges for such programs.

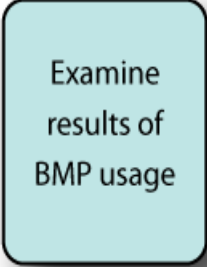

In light of SBx7-7, which requires that California achieve a 20% reduction in urban per capita water use by Dec 31, 2020, with an interim reduction goal of 10% on or before Dec 31, 2015, the conversion of flat rate services to metered rates is critical. After 2010 – when the next urban water management plans are due from retailers – retailers must develop baseline daily per capita water use and corresponding targets to meet SBx7-7's requirements.

A significant amount of water may be conserved by better reporting and enforcement of leak detection.⁴ The Commission will continue its focus on this issue. A GRC Checklist item for Leak Detection is an example of how to do this.

³ Water Code Section 527.

⁴ See “Survey of State Agency Water Loss Reporting Practices” Janice Beecher, 2002, prepared for American Water Works Association (AWWA).


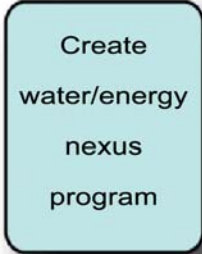
Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities

 <p>Examine results of BMP usage</p>	<p>Evaluate the effectiveness of Best Management Practices (BMPs).</p> <p>In Water Action Plan 2005, the CPUC directed Class A and B water utilities to participate in the California Urban Water Conservation Council (CUWCC) by signing an MOU with it. Water IOUs were required to demonstrate that they are up-to-date in meeting coverage requirements with BMPs when cost-effective. Subsequent Commission commentary on BMPs has been critical ⁵ of their effectiveness and indicated an intention to make improvements in this area. Other observers ⁶ have additional critiques of BMPs.</p> <p>The CPUC will work with the CUWCC towards having a mechanism in place to evaluate the effectiveness of BMPs.</p> <p>In addition, the CPUC will evaluate cost-effective water conservation above and beyond BMPs. In order to facilitate their participation, water utilities and other qualified stakeholders will be allowed to seek recovery of expenses related to participation in this effort in their GRC filings.</p>
 <p>Encourage Conservation Rates</p>	<p>Encourage increasing conservation and efficiency rate designs where feasible to promote greater conservation.</p> <p>When WAP 2005 was first adopted, increasing block rates were “virtually non-existent” among IOUs. Increasing block rates are now commonplace at all of our Class A water utilities, consisting of 2 to 3 tiers.</p> <p>The CPUC will establish block rate designs at our Class B, C and D utilities when feasible.</p>

⁵ See commentary in D07-05-062.

⁶ “The Real Cost of Water”, presentation at the CPUC by Prof. Michael Hanemann, July, 2010

Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities

 <p>Establish Conservation Financial Incentives</p>	<p>Establish utility financial incentives for greater conservation.</p> <p>In order to provide utility management with the incentive to encourage conservation, the CPUC will consider allowing:</p> <ul style="list-style-type: none">(a) Financial rewards for utility management when conservation goals are met, and financial penalties when conservation goals are not met, and(b) Opportunities for higher earnings resulting from successful conservation efforts, and a sharing of savings with customers. <p>Both water conservation and energy conservation investments, programs and staffing results and savings will be considered as part of the GRC process.</p>
 <p>Create water/energy nexus program</p>	<p>Create CPUC's Water/Energy Nexus Program.</p> <p>In 2008, the CPUC authorized RD&D programs to identify potential energy and water savings at this critical nexus.</p> <p>In 2009, several of these operational efficiency projects are in operation and preliminary results look promising. Once these pilot projects are complete, the CPUC will then consider rolling them out on a wide scale basis under the direction of DWA. The CPUC ultimately wants to determine whether water conservation and less energy-intensive water measures should be funded with electric utility energy efficiency dollars.</p> <p>In addition, self-generation of energy using renewable energy sources will be encouraged as another potential opportunity for water utilities to reduce power costs.</p>

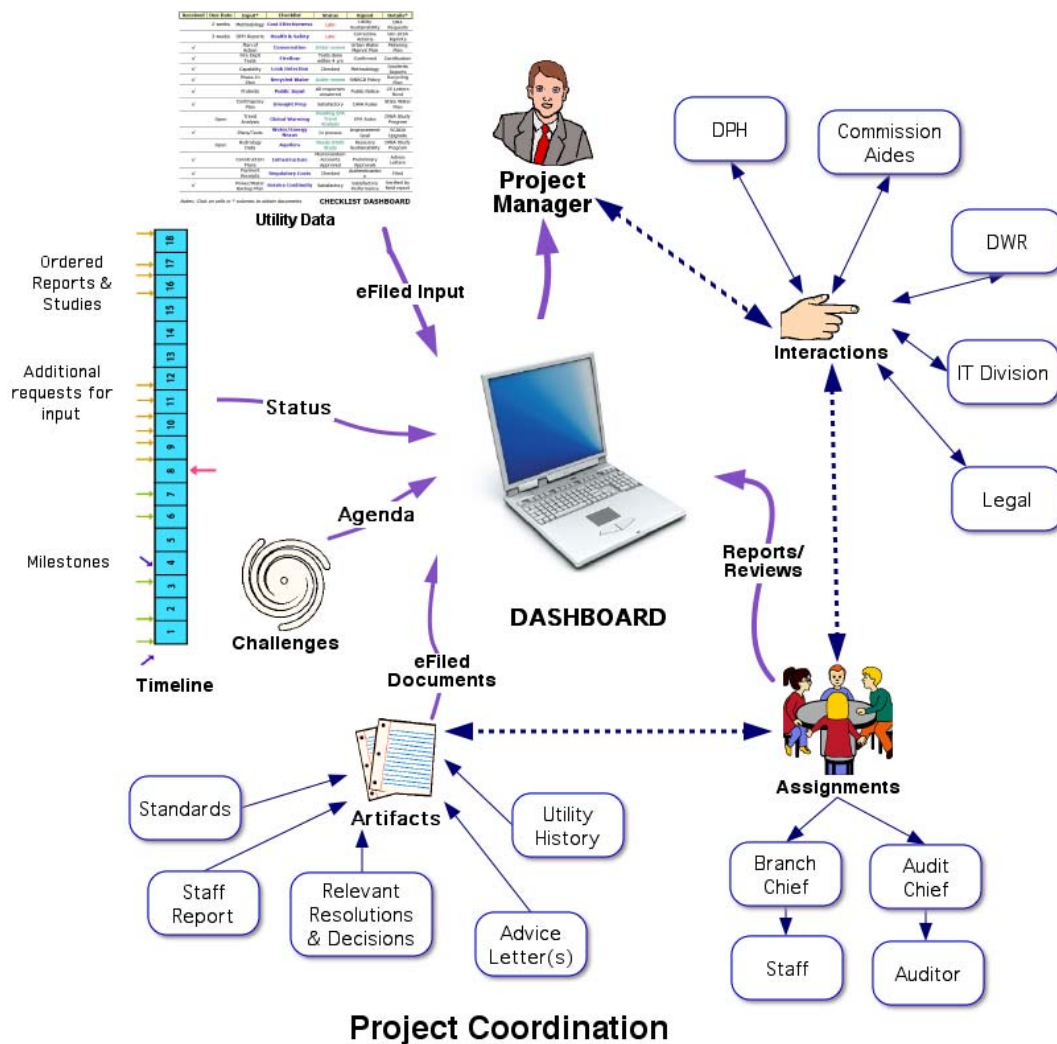
Streamline CPUC Regulatory Decision Making

<p>Establish open-items tracking mechanisms</p>	<p>Establish “Open-Items” tracking mechanism.</p> <p>The photograph below illustrates the volumes of written material in a General Rate Case submittal of data from a Class A water utility.</p> <p>The CPUC will explore the creation of tracking mechanisms to ensure timely review and compliance of utility filings. (This may benefit and/or complement other CPUC efforts.)</p> <p>Project Dashboards will be created to enable the CPUC to have the capability to accept future submittals via eFiling and have oversight of their progress.</p> <p>In addition, Dashboards will coordinate the many ongoing changes that are presently difficult for the staff, the utilities and the public to track.</p> <p>The illustrations on the pages that follow describe sample Dashboard views. An additional dashboard that indicates status of a GRC is the Timeline diagram.</p>
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Amount of paperwork submitted for a Class A utility General Rate Case

Streamline CPUC Regulatory Decision Making



Streamline CPUC Regulatory Decision Making

Received	Due Date	Input*	Checklist	Status	Rqmnt	Details*
	2 weeks	Methodology	Cost Effectiveness	Late	Utility Sustainability	DRA Requests
	3 weeks	DPH Reports	Health & Safety	Late	Corrective Actions	GO-103A Rqmnts
✓		Plan of Action	Conservation	Under review	Urban Water Mgmnt Plan	Metering Plan
✓		Fire Dept Tests	Fireflow	Tests done within 4 yrs	Confirmed	Certification
✓		Capability	Leak Detection	Checked	Methodology	Incidents Reports
✓		Phase-In Plan	Recycled Water	Under review	SWRCB Policy	Recycling Plan
✓		Protests	Public Input	All responses answered	Public Notice	25 Letters Rcvd
✓		Contingency Plan	Drought Prep	Satisfactory	DWA Rules	State Water Plan
	Open	Trend Analysis	Global Warming	Awaiting EPA Trend Analysis	EPA Rules	DWA Study Program
✓		Plans/Tests	Water/Energy Nexus	In process	Improvement Goal	SCADA Upgrade
	Open	Hydrology Data	Aquifers	Needs USGS Study	Resource Sustainability	DWA Study Program
✓		Construction Plans	Infrastructure	Memorandum Accounts Approved	Preliminary Approvals	Advice Letters
✓		Payment Receipts	Regulatory Costs	Checked	Authentication	Filed
✓		Power/Water Backup Plan	Service Continuity	Satisfactory	Satisfactory Performance	Verified by field report

Notes: Click on cells in * columns to obtain documents

CHECKLIST DASHBOARD

Sample eFiled Utility Data


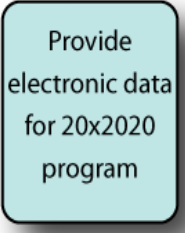

Streamline CPUC Regulatory Decision Making

Water Utility Z- Artifacts				
Rcvd	Due Date	Artifacts	Status	Affiliated Documents
✓		Advice Letters (previous)	Filed	AL-364 AL-365 AL-366
	1 week	Advice Letters (to be filed)		AL-367
✓		Lexus/ Nexus References	Under Review	Similar Treatment for Utility T
✓		Confidential Material	Filed	Briefs
	2 weeks	Protests and Response		Third Party Testimony
✓		Notes, Contacts, Assignments	Filed	Points-of-Contact: Utility DRA DWA Legal
	Unscheduled	DWA Reports	Conference Pending	Water Quality Testimony
		DRA Actions	Ongoing	Testimony
✓		Relevant Commission Actions		OIR 10-2-14
✓		Utility History	Filed	Previous GRC

Water Utility Z-GRC efiles				
Rcvd	Due Date	GRC Files	Status	Affiliated Documents
✓		Roadmap for Future	Filed	Appendix A
✓		Memo Accounts	Filed	Appendix F
✓		Mgmt	Filed	Appendix C
✓		Power	Filed	Appendix D
✓		Labor	Filed	Appendix E
		CWIP	None	
✓		Facilities Master Plan		Appendix B
✓		Urban Water Mgmt Plan		Appendix G
	1 week	Interim Rate Request	In Process	
	1 week	Health and Safety	Delay by DPH	DPH Reports

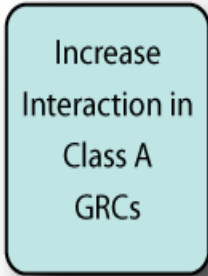
Sample Dashboard Displays

Streamline CPUC Regulatory Decision Making

 <p>Monitor industry developments</p>	<p>Monitor industry developments.</p> <p>As water resources become scarce, it is more important than ever for the CPUC to keep abreast of industry changes and best practices. The CPUC will:</p> <ul style="list-style-type: none">• Increase its participation in local, statewide and national water policy forums,• Monitor regulatory developments in other states, and• Propose best practices for adoption.
 <p>Provide electronic data for 20x2020 program</p>	<p>Electronic Data.</p> <p>The CPUC will work together with other state agencies to enable uniform data exchange in electronic formats mandated by SBx7-6. This will require electronic format submission of water use data by our water utilities.</p>
 <p>Enhance website and establish Branch newsletter for regulations updates</p>	<p>Information dissemination.</p> <p>To ensure that all stakeholders are informed of CPUC policy in a timely manner, the CPUC will:</p> <ul style="list-style-type: none">• Explain the latest standard practices and general orders.• Produce a newsletter highlighting recent CPUC actions.• Publish current advice letter status reports on the CPUC Internet site ⁷.

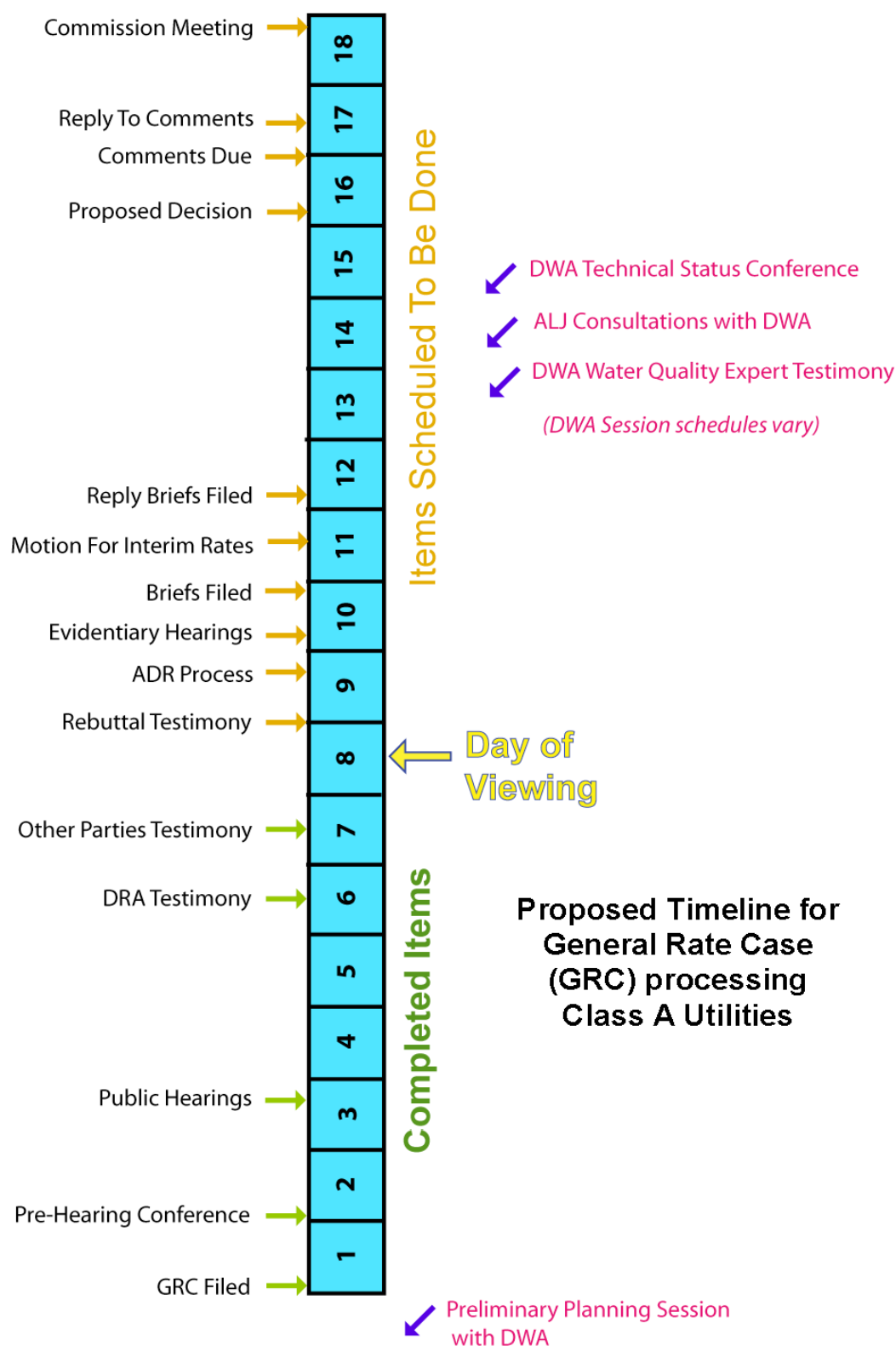
⁷ GO 96-B Section 7.5.2

Streamline CPUC Regulatory Decision Making

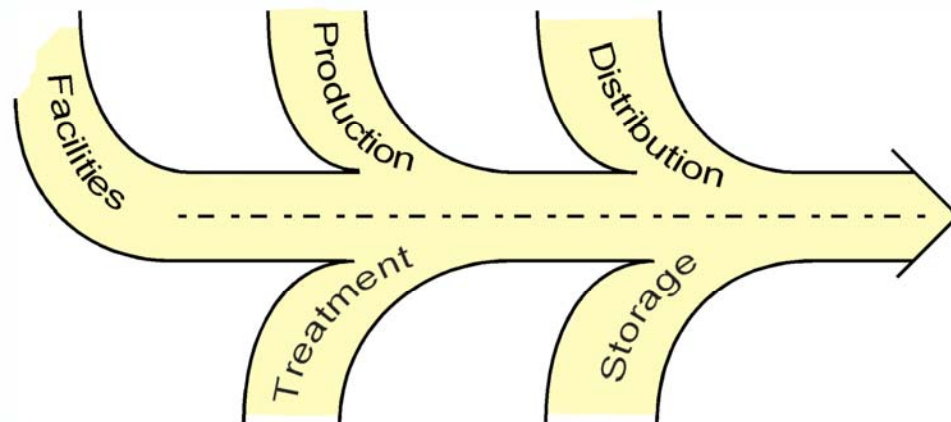
 <p>Increase Interaction in Class A GRCs</p>	<p>Increase DWA Interaction in Class A GRC process.</p> <p>The Rate Case Plan decision established the Class A General Rate Case (GRC) process ⁸, filing requirements, and schedule. This decision requires that a technical conference be held with DWA at the backend of the GRC process. At present this conference is not sufficiently comprehensive to allow development of future plans.</p> <p>The Commission will consider revising the Plan to have DWA provide advice at various times to ensure increased participation:</p> <ul style="list-style-type: none">▪ Review session prior to submittal,▪ Expert public health testimony when needed,▪ Consultation for the Administrative Law Judge (ALJ) for resolving disputes▪ Comprehensive Technical Status conference before the ALJ proposes decision finalization. <p>These interactions are shown in the Timeline Dashboard illustration on the following page.</p> <p>DWA will review Urban Water Management Plans and Facilities Master Plans as well as Roadmaps of plans prior to GRC submittal.</p>
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⁸ The Class A GRC is presently defined in Decision 07-05-062

Streamline CPUC Regulatory Decision Making



Streamline CPUC Regulatory Decision Making



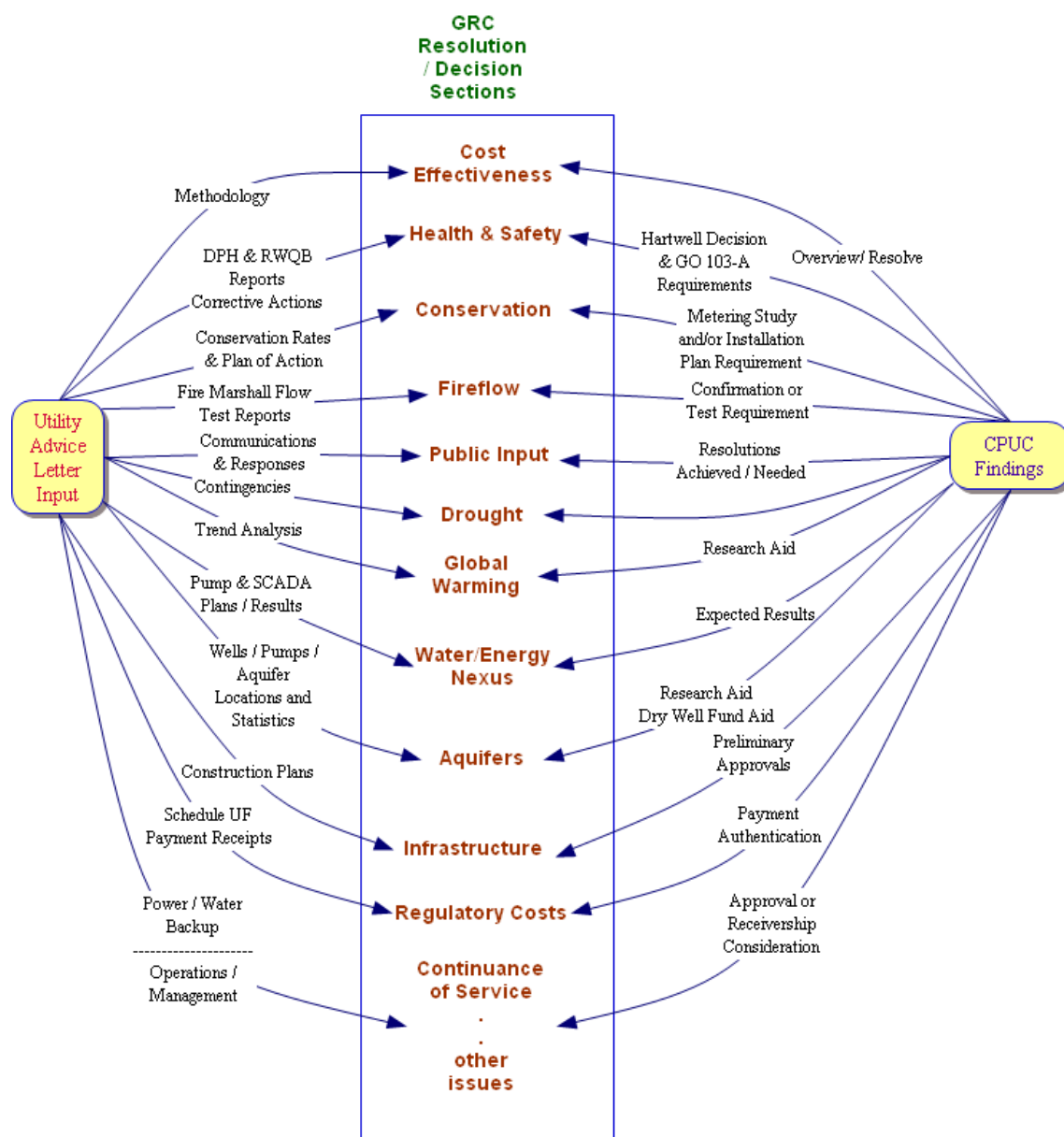
PLANNING COMPONENTS FOR
ROADMAPS TO THE FUTURE

Roadmaps will be reviewed at Preliminary Planning Sessions⁹

⁹ See CPUC Application A07-07-003 (as referenced by Decision 08-06-022) which congratulated the utility under review for completeness in planning by stating, “It also provided a roadmap for future utility plant additions for production, storage, distribution and water treatment.”

Streamline CPUC Regulatory Decision Making

<p>Ensure GRC Completeness</p>	<p>GRC Completeness.</p> <p>To ensure that the many concerns identified in this Water Action Plan are addressed, CPUC Resolutions and Decisions for water will include sections such as described in the example diagram below. These sections will serve as checklists as a minimum to indicate that the items have been taken care of, or as reporting sections for items needing attention.</p>
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Streamline CPUC Regulatory Decision Making

Expedite Review Process

Expedite Review Process

The expedited review process efforts will continue with cooperation of interdependent Divisions.

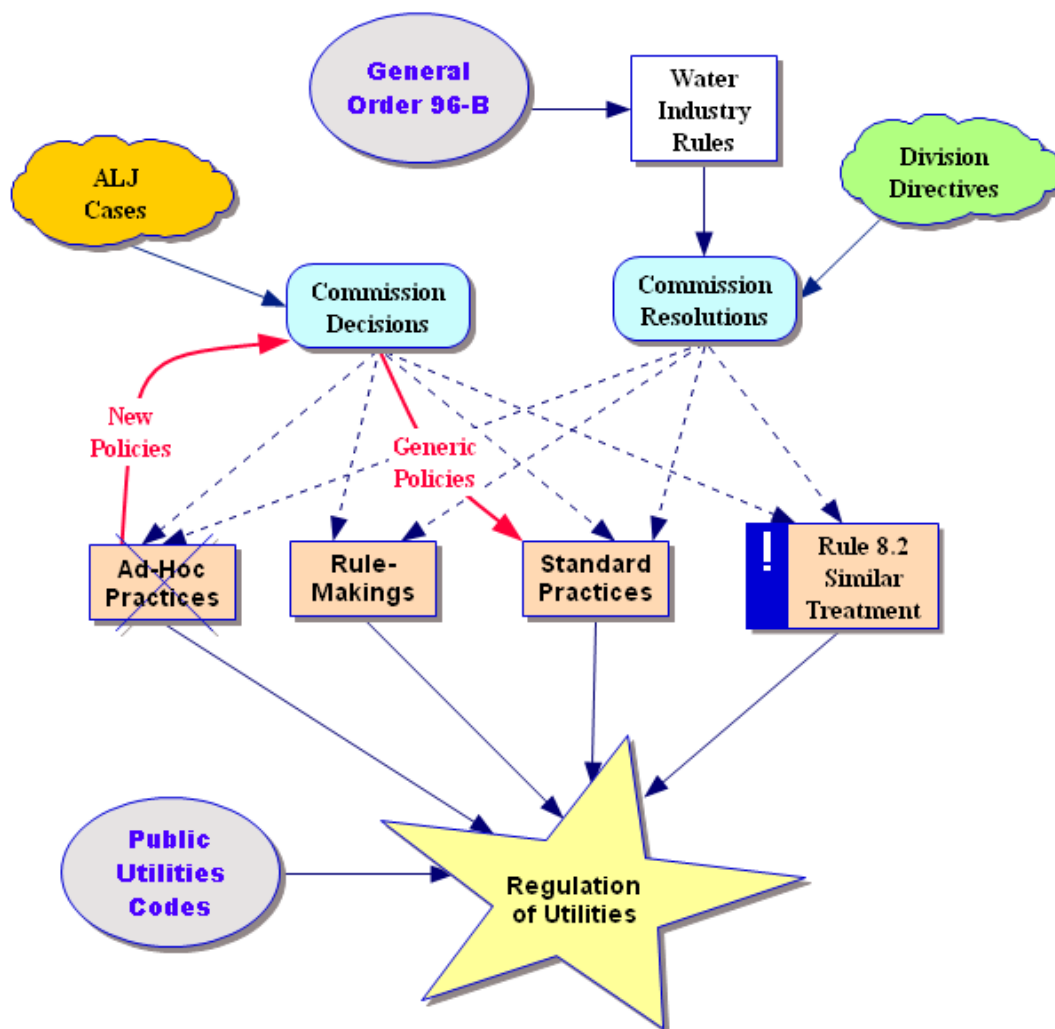
The California Government Code ¹⁰ states that “Each department, commission, office, or other administrative agency of state government shall write each document that it produces in plain, straightforward language, avoiding technical terms as much as possible, and using a coherent and easily readable style.”

In the spirit of implementing the code, DWA initiated reviews of small water company general rate increase requests following adoption of the 2005 Water Action Plan.

A present constraint on this process is ad-hoc interpretations of Commission decisions and resolutions. See the next diagram which describes the actions that control regulation of utilities by the CPUC. For staff – as well as utilities and ratepayers – to accurately apply policies adopted by the Commission, it is important for generic and company-specific policies to be distinguished. If a new policy is meant to be a generic, industry-wide policy directive, the CPUC will issue a resolution or decision stating such. Only then can company-specific policies become applicable to the industry.


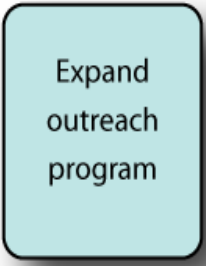
¹⁰ California Government Code Section 6219

Streamline CPUC Regulatory Decision Making




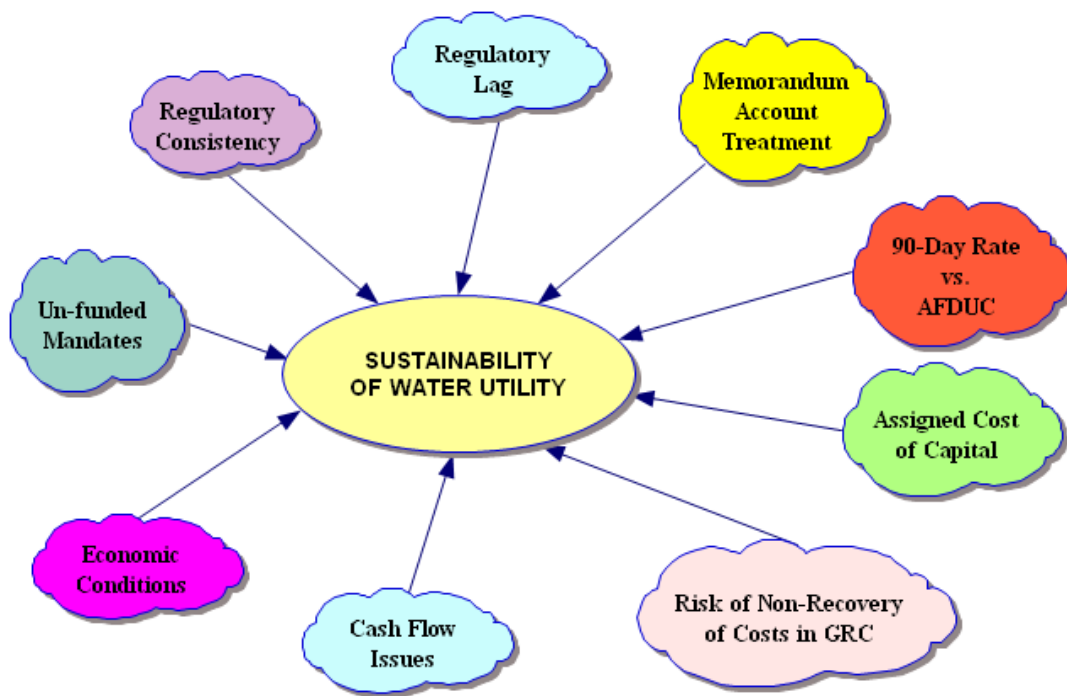
Converting Policy Changes from Ad Hoc Status to Generic Policies

Set Rates that Balance Investment, Conservation, and Affordability

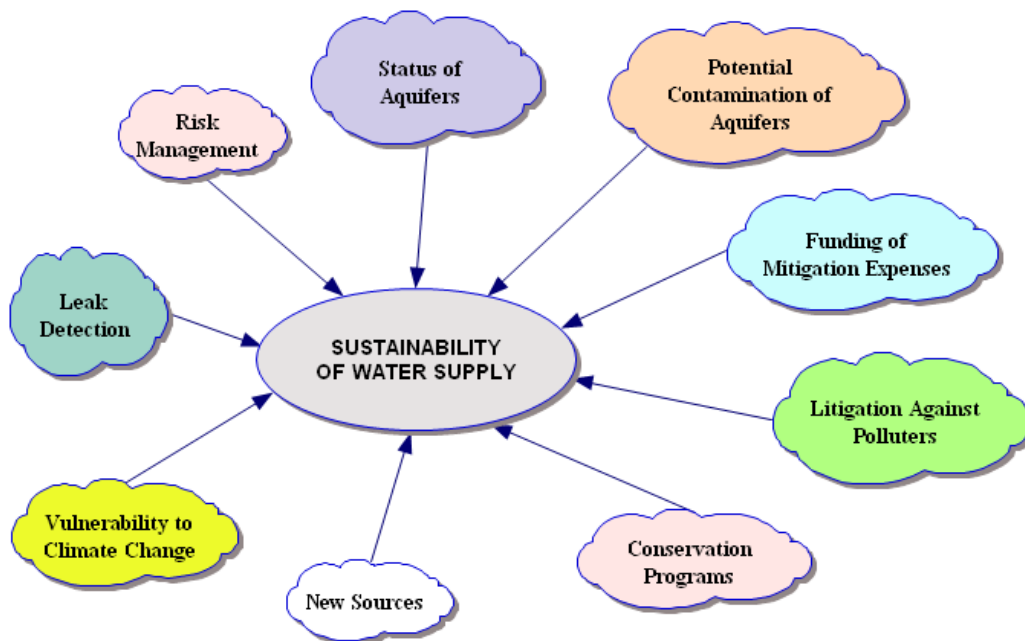
 <p>Require Conservation Master Plans</p>	<p>Require Conservation Master Plans.</p> <p>With the increasing scarcity of water and mandated conservation, the business model for water utilities has changed. Water utilities can no longer grow revenues by simply selling more water to their customers.</p> <p>While the Rate Case Plan requires plans to be submitted that will achieve a 5-percent reduction in use within the three-year rate case cycle, the linkage between increased conservation and water recycling and their impact on operations is not always apparent.</p> <p>In light of this, there is an increased need for utilities to let the CPUC know how they plan to meet increased water conservation mandates while continuing to provide adequate service. For Class A utilities, DWA will review this subject at the Preliminary Planning session prior to GRC submittal.</p>
 <p>Expand outreach program</p>	<p>Expand Outreach program.</p> <p>Smaller utilities are often reluctant to seek regular rate adjustments for various reasons. Some utility owners find CPUC processes onerous and burdensome.</p> <p>To overcome these hurdles, an effective Outreach Program is essential. The CPUC will ensure that each Class C and D water utility it regulates receives a field visit from a staff member of DWA at least every three years.</p> <p>The CPUC also recognizes the need for utility Outreach Programs to achieve conservation. The CPUC will stress education as a vital component of outreach.</p>

Set Rates that Balance Investment, Conservation, and Affordability

 A light blue rounded square icon with a dark blue border and a subtle drop shadow. Inside the square, the words "Support sustainability" are written in a dark blue, sans-serif font, centered vertically and horizontally. <p>Support sustainability</p>	<p>Support Sustainability of Water Resources and Water Utilities.</p> <p>California water resources are facing unprecedented challenges:</p> <ul style="list-style-type: none">• Extended period of below average rain and snow• Depleted reservoirs• Reduced pumping from the Delta• Reduced snow pack• Growing population• Climate Change <p>Given this backdrop, the CPUC will consider issues outside of the cost-of-service / rate regulation arena.</p> <p>In addition, proactive steps must be taken to ensure the viability of our water utilities.</p>
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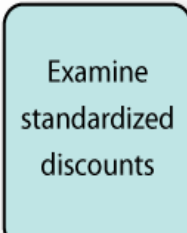


Concerns about Water Utilities' Sustainability

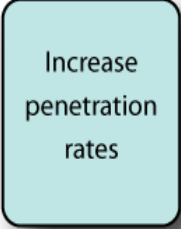
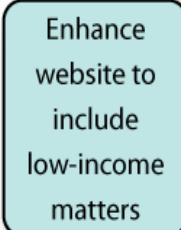


Concerns about Water Supply Sustainability

Assist Low Income Ratepayers

 <p>Track service shutoffs</p>	<p>Track service shut offs for low-income ratepayers.</p> <p>Because of the continuing recession of 2008, utility shut offs have markedly increased. The CPUC opened a rulemaking in February 2010 to address this issue for the electric and gas utilities. Water shut offs are not addressed by this Order Instituting Rulemaking (OIR). There is a need for the CPUC to track water utility shut offs to evaluate whether tariff rule changes are warranted for low-income ratepayers.</p>
 <p>Interact with Low-Income Oversight Board</p>	<p>Work with the Low Income Oversight Board.</p> <p>DWA will assign a dedicated staff person to:</p> <ul style="list-style-type: none">• Identify and help implement utility industry best practices,• Learn about additional programs that can be implemented,• Increase cross utility dialogue to facilitate increased participation.
 <p>Examine standardized discounts</p>	<p>Develop standardized tariff discounts and eligibility criteria.</p> <p>All Class A water utilities currently have in place low-income rate assistance programs. Most of these programs have been rolled out since the adoption of the 2005 WAP.</p> <p>The programs vary between:</p> <ul style="list-style-type: none">• Percent discounts on total bills,• Dollar discounts on total bills and• Percent discounts on the service charge. <p>The CPUC will strive to achieve consistency between these programs.</p>

Assist Low Income Ratepayers

 A light blue rounded rectangle with a black border containing the text "Increase penetration rates".	<p>Increase penetration rates of existing programs.</p> <p>In October 2007, DWA staff issued a research paper titled “Assessment of Water Utility Low-Income Assistance Programs.” DWA found that the penetration rates of such programs were 15.2% in 2006, increasing to 16.1% in 2007. Because these rates are substantially below those of the energy utilities (upwards of 90%), the CPUC opened a rulemaking to establish the rules for sharing of low-income customer data between the water utilities and both investor owned and municipal energy utilities ¹¹. The CPUC intends to increase the penetration rates for these programs.</p>
 A light blue rounded rectangle with a black border containing the text "Enhance website to include low-income matters".	<p>Enhance CPUC website to prominently feature low-income programs.</p> <p>While the CPUC website presently provides some information about low-income rate assistance programs for water utilities, there is always room for improvement. The CPUC intends to devote more resources to its web presence to make it easier to identify programs, understand eligibility criteria, and possibly allow enrollment in, or provide direct links to, low-income rate assistance programs.</p>

¹¹ OIR 09-12-017, December 2009

Locations of Water Utilities regulated by the Commission

