



California Public Utilities Commission WATER ACTION PLAN

Four Key Water Principles

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



Water Action Plan

Objectives

- 1. Maintain Highest Standards of Water Quality**
- 2. Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities**
- 3. Promote Water Infrastructure Investment**
- 4. Assist Low Income Ratepayers**
- 5. Streamline CPUC Regulatory Decision-making**
- 6. Set Rates that Balance Investment, Conservation, and Affordability**

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 allow for future growth.
- Cost-effective water conservation is the least expensive source of water.
- Conservation is also critical to protect and restore the aquatic environment.
- The Commission will use existing tools to strengthen utility conservation programs.
- Mirror the Commission's similar high priority for conservation in the energy sector.



Promote Metered Water Service



- Termination of flat-rate and un-metered water service.
- Metering water is essential to send a clear price signal and give the customer a financial incentive to conserve.
- Automated Meter Reading (AMR) equipment can provide accurate real time water usage information, reduce labor costs associated with meter reading, and provide more detailed data of customer usage.
- Public Utilities Code §781 requires a showing that metering will be cost-effective, results in a significant reduction in water use, and will not impose unreasonable costs.

Education is Key



- Educate water industry stakeholders regarding policies and practices which reduce water and energy consumption
- An approach similar to education efforts by energy utilities is needed for water conservation.
- “Water Conservation Summit”

Urban Water Conservation Council

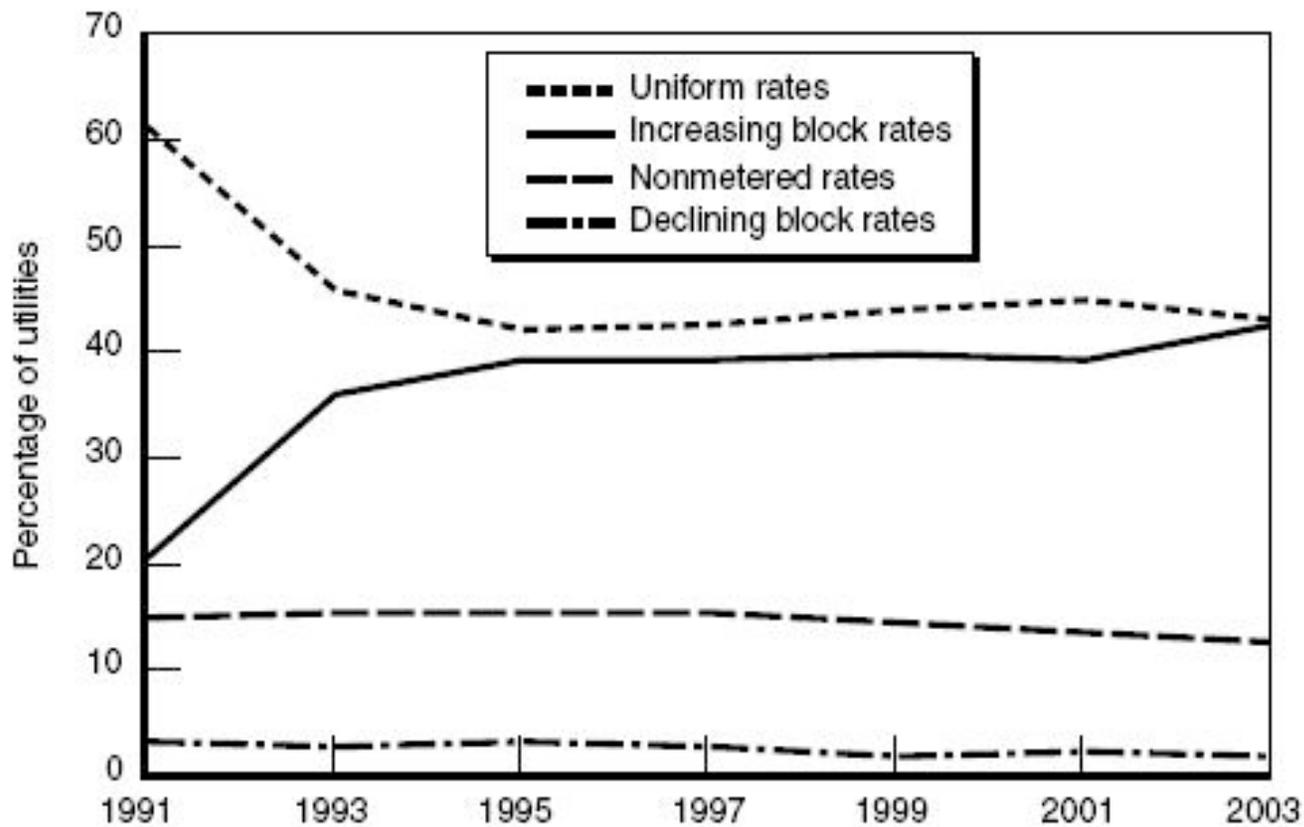
- The California Urban Water Conservation Council coordinates statewide urban water conservation.
- Council's best practices should be implemented.
- All Class A and B Water Utilities should be required to participate in the Council.
- Smaller (Class C&D) water IOUs should be encouraged to implement those best practices that make sense for a smaller provider to implement



Encourage Conservation With Efficiency Rate Designs Conservation

- Increasing block rates, in which rates increase with usage, provide a financial incentive for customers to reduce water consumption.
- There was a significant growth in the use of increasing block rates in the early 1990's, in direct response to the severe drought.
- For CPUC regulated water utilities, increasing block rates are virtually non-existent today.
- Carefully consider the impact on low-income customers and possibly develop specific low-income water rates, similar to its approach for low-income energy ratepayers.

Water Utility Rate Structure in California, 1991-2003



Remove Current Financial Disincentives to Water Conservation

- Disincentive associated with demand side management.
- A successful campaign to reduce water use leads to less revenue and less profit.
- The Commission will consider de-coupling water utility sales from earnings in order to eliminate current disincentives associated with conservation.

Establish Utility Financial Incentives For Greater Conservation

- To encourage conservation, the Commission will consider allowing:
 1. Financial rewards for utility management when conservation goals are met, and financial penalties when conservation goals are not met.
 2. An opportunity for higher earnings resulting from successful conservation efforts, and a sharing of savings with customer.



Consider Energy Usage as an Important Outcome of all Water Policy Decisions

- Work toward a 10% reduction in energy consumption through the water utilities over the next three years.
- California water and wastewater utilities (both publicly and privately owned) consume about 19 percent of all electricity, and about 32 percent of all natural gas consumed in California.
- Additional water policies which can contribute to increased energy efficiency include addressing sources of waste, such as system leaks, poorly maintained equipment, defective meters, unused machines left idling, and improperly operated systems.
- AB 2515 (Ruskin)—measurement of costs/benefits

