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CALIFORNIA WATER ASSOCIATION

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MESSAGE FROM THE PRESIDENT

Once again, the California Water Association (CWA) hosted an engaging and informational event at its Annual Spring Conference in Sacramento. Complementing the various panel discussions were presentations by representatives from the California Public Utilities Commission, the State Water Resources Control Board (SWRCB), and the Supplier Diversity Council. Additionally, CWA has been actively tracking, testifying, and submitting comment letters on pending legislation as well as representing investor-owned water companies (IOWCs) at the SWRCB's *Water Affordability Symposium*.

Also, member companies have diligently publicized their conservation and sustainability efforts on behalf of customers. Additionally, they have demonstrated their commitment to the environment with new infrastructure projects and by volunteering in the communities they serve.

The following articles in this edition of *On Tap* underscore the work of CWA in support of the IOWCs' ongoing efforts to provide Californians with safe, reliable and high-quality water:

- CWA's Spring Conference: Making the Choice Between Easy and
- CWA Represented at Water Affordability Symposium
- Cal Water Demonstrates Commitment to the Environment with New Fish Passage
- Cal Am Featured in March Edition of AWWA'S *Opflow*
- Cal Am Sponsors Memorial Day Ceremony to Honor Veterans

To view *On Tap* in PDF format, [click here](#), or access the online version on CWA's website at www.calwaterassn.com.

Sincerely,

Lawrence M. Morales
East Pasadena Water Company
2017-2018 CWA President

QUESTIONS?

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For Instant CWA News:



California
Water
Association



SPRING CONFERENCE

CWA'S SPRING CONFERENCE: MAKING THE CHOICE BETWEEN EASY AND RIGHT

On May 17, members of the California Water Association (CWA) met with water industry experts and regulatory representatives in Sacramento for CWA's Annual Spring Conference: *Making the Choice Between Easy and Right*. During his opening remarks, CWA 2nd Vice President and Program Chair Evan Jacobs, Director, Regulatory Policy and Case Management, California American Water, said, "The great thing about CWA is its diversity in serving small and large systems. Regardless of which sector you work in, this conference has something for you." Referring to the conference theme, Jacobs noted that "doing the right thing leads to the best outcomes and consequences."



Attendees at CWA's 77th Annual Spring Conference



(L-R) GSWC Senior Vice President of Regulated Utilities Denise Kruger, SJWD General Manager Paul Helliker, CWA 2nd Vice President Evan Jacobs, and CWA Executive Director Jack Hawks

The first panel on "Managing the Tension between Infrastructure Investment and Rates" was moderated by Denise Kruger, Senior Vice President of Regulated Utilities, Golden State Water Company (GSWC). She was joined by panelists Chris Franklin, Chairman and CEO, Aqua America, and 2018 National Association of Water Companies (NAWC) President; Paul Helliker, General Manager, San Juan Water District (SJWD); Xavier Irias, Director of Engineering and Construction, East Bay Municipal Utility District (EBMUD); David LaFrance, Chief Executive Officer, American Water Works Association (AWWA); and Richard Rauschmeier, Program and Project Supervisor, Office of Ratepayer Advocates, California Public Utilities Commission (CPUC). Kruger launched the discussion by sharing GSWC's video on the importance of infrastructure investments to ensure the delivery of reliable, high-quality water.



First Picture: CWA President Lawrence Morales



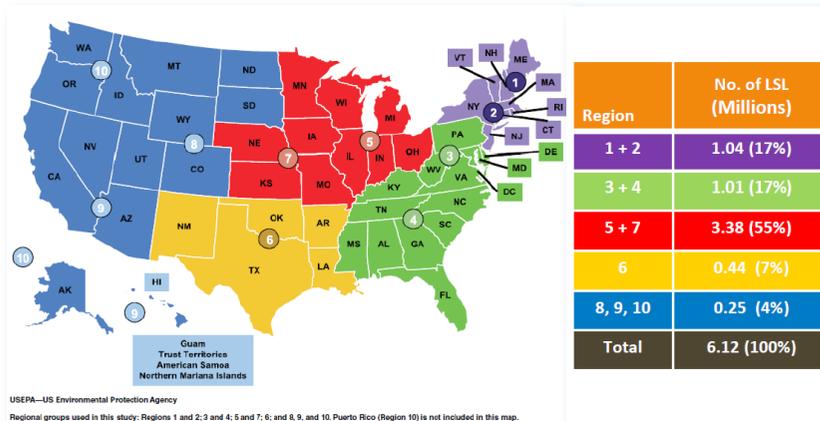
Second Picture: (L-R) Aqua America Chairman and CEO Christopher Franklin and GSWC Senior Vice President of Regulated Utilities Denise Kruger

LaFrance's presentation centered on the hot issues of the day: infrastructure replacement and finance, including the *Water Infrastructure Finance and Innovation Act*; affordability programs; the *Farm Bill* and source water protection; the estimated 6.1 million lead service lines in the U.S.; and understanding the day-to-day direction of Washington, D.C. He also covered top trends from AWWA's *State of the Water Industry Report*: renewal and replacement of aging water and wastewater infrastructure; financing for capital improvements; and public understanding of the value of water systems and services. LaFrance shared a list of resources on the affordability of water, which is available at www.awwa.org.

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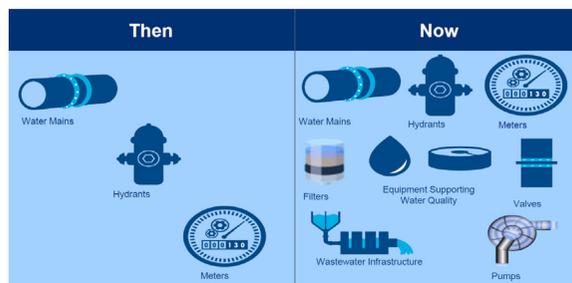
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6.1 Million (Est.) Lead Service Lines

Franklin focused his presentation on Aqua America's infrastructure investments, noting the bulk of spending is on mains and services, followed by source treatment and facilities. Aqua spends approximately half a billion dollars annually in capital investments, and Franklin noted that a "gamechanger" for the utility has been the Distribution System Investment Charge (DSIC), which allows for a standalone surcharge on customer bills dedicated to pressing infrastructure needs. He said the DSIC has forestalled general rate increases and was, therefore, popular with customers. Since 1997, Aqua has invested \$2.1 billion in DSIC spending in Pennsylvania alone, and as more items are added to the DSIC, the utility's main break averages are well below the nationally acceptable range, while problems with water quality continue to decline.



DSIC Applications

Helliker provided an overview of SJWD's operations, rates, and revenue and detailed aspects of the utility's Wholesale Financial Plan. He noted that pressures on rates are due mainly to investments required for infrastructure such as meter and pipeline replacements.

During his presentation, Irias explained that as water utilities strive to "get on a sustainable footing," they "are dealing with a lot of unknowns," which complicates resource allocation decisions. As systems age, requiring more renewals and repairs, a key strategy for EBMUD is to maximize reliability while minimizing total costs, including moving toward more "pay as you go" than in the past. Decisions on how much and what infrastructure to replace need to be made daily. And with costs rising and consumption declining, it can be challenging to explain the multiple drivers of rate increases to customers.

Concluding the panel presentations, Rauschmeier stressed the importance of challenging the choice between affordability and the necessity to invest in infrastructure, noting that deferring

Rate Increases Have Multiple Drivers

1. Aging system requires more renewal activity
2. Increasing costs for labor, construction have risen
3. Declining consumption, coupled with conservation-oriented rate structure

Rate increases overstate financial impact because declining consumption blunts impact of any increase.

SPRING CONFERENCE

CWA'S SPRING CONFERENCE: MAKING THE CHOICE BETWEEN EASY AND RIGHT...CONTINUED

maintenance and needed investments can lead to higher costs for customers in the long run. Addressing the tension investor-owned water companies (IOWCs) face when deciding whether to make or delay necessary infrastructure investments, Rauschmeier recommended taking an evidence-based approach with established benchmarks and facts analysis. He also emphasized the importance of managing ratepayers' expectations by communicating the various impacts on rates, such as regulatory surcharges, to which customers are very sensitive because they are not part of base rates.

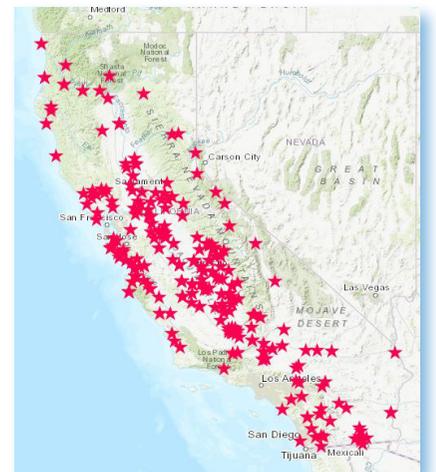
“Addressing Small System Consolidation Challenges – AB 2050” was the topic of the second panel moderated by CWA Executive Director Jack Hawks with panelists Danielle Blacet, Director of Water, California Municipal Utilities Association; Debby Cherney, Deputy General Manager, Eastern Municipal Water District; Richard Svindland, President, California American Water.

Cherney [focused her comments](#) on the causes and challenges of the 329 non-compliant water systems in California, 83 percent of which serve fewer than 1,000 people. She provided an in-depth overview of [AB 2050](#), the Small System Water Authority Act of 2018, introduced by Assembly Member Anna Caballero (D-Salinas). With nearly a million Californians without access to clean, safe drinking water, AB 2050 aims to solve the problems associated with systems that cannot provide reliable water service, most of which are located in disadvantaged communities.

Blacet continued the AB 2050 discussion by summarizing the bill's primary components and status as well as highlighting its numerous supporters and sole opponent. Unlike other pending legislation, Blacet pointed out that AB 2050 is focused on participatory public governance as the solution to the failing water systems.

Acquiring distressed water systems was the topic of Svindland's [presentation](#). He noted that IOWCs bring technical, managerial and financial experience and resources to the table. Svindland discussed the challenges and solutions associated with the six systems recently acquired by Cal Am and the four pending acquisitions. These challenges related to water quality and contaminants, treatment costs, constraints of disadvantaged communities, and aging or retiring owners. Solutions employed by Cal Am included water treatment, operational and managerial expertise, rate consolidation, grant and loan funding, and consistent communication with customers.

After the panel discussions, attendees had an opportunity to hear the **first keynote address by CPUC Commissioner Liane Randolph** who covered new directions for the CPUC, including the establishment of subcommittees that meet publicly the day before commission meetings to delve into various topics. She indicated the Committee on Finance and Administration's [Strategic Planning Initiative](#) is in its second year and division directors are looking at ways to accomplish the identified goals. The Policy and Governance Committee wrote and adopted the [Commissioner Code of Conduct](#) and [Commissioner Job Description](#), and the [Tribal Consultation Policy](#) was drafted and adopted.



Water Systems in California with Contaminant Exceedances

SPRING CONFERENCE

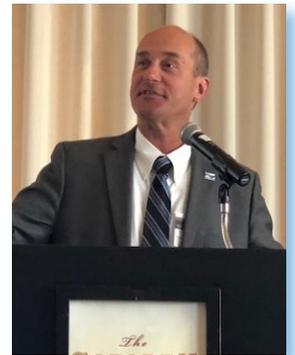
CWA’S SPRING CONFERENCE: MAKING THE CHOICE BETWEEN EASY AND RIGHT...CONTINUED

Randolph explained the CPUC’s threefold governance approach: informing the public; ensuring staff understands priorities and the importance of transparency and accessibility; and creating a bridge to future commissioners. She discussed the legislative reform package adopted in 2016 and said the CPUC is implementing new mandates for outreach activities, including making public participation hearings more interactive, robust and informative and improving the CPUC’s online presence. When asked about any plans to update or revise the Water Action Plan, Randolph said it’s time to take a fresh look at the plan and align it with the CPUC’s new strategic directives. In closing, Randolph noted that a process is being developed for public participation hearings (PPHs) that are part of the general rate case process, and the intent will be to increase customer participation in PPHs. She indicated parties in a rate case will be invited to engage with customers prior to the start of a PPH.



CPUC Commissioner Liane Randolph

During his luncheon address on “**Nothing’s Easy at the State Water Board,**” Vice Chair of the SWRCB Steven Moore commented that “diversity is the key in our state to managing water...not just representatives of ethnic backgrounds and gender diversity, but also diversity of disciplines. Everyone has a stake in water. Everyone IS water.” He indicated the SWRCB is working to minimize crisis management, and that although change doesn’t come easy, the state and regional boards want scientific-based, data-driven decisions to generate trust in the public served. With more than 300 communities without safe, affordable drinking water, Moore said decisions on the human right to water or establishing water efficiency standards can’t be put off.



SWRCB Vice Chair Steven Moore

Citing three water investment drivers – population increase, climate change, and aging infrastructure – Moore stressed the need for building “a willingness to pay” through permanent partnerships between public/private, state, federal, and local governments and non-governmental organizations. He highlighted the challenges of convincing the public that recycling wastewater is perfectly safe and provided an overview of the newly released [Direct Potable Reuse Framework](#) for the regulation of portable reuse with water budgets at its core.. Moore thanked the IOWCs for “being quiet leaders” on AB 401, the Affordable Drinking Water Act, noting, “You’ve shown it can be done without great hassle and controversy.”

On the consolidation of non-compliant water systems, Moore said the IOWCs are valuable partners with the necessary tools in their toolboxes. He briefly discussed WaterFix, noting there have been 86 days of hearings and also referred to the newly formed [Delta Conveyance Design and Construction Authority](#).

In his closing remarks Moore encouraged IOWCs to continue innovating and remain open to forming permanent partnerships to help manage the watershed and groundwater basins sustainably.

Ronald Garnett, President and CEO of the [Council for Supplier Diversity](#) (CSD), provided the next presentation on “[Leveraging Supplier Diversity for Economic Empowerment in Underserved Communities](#).” He emphasized that the ultimate outcome of supplier diversity

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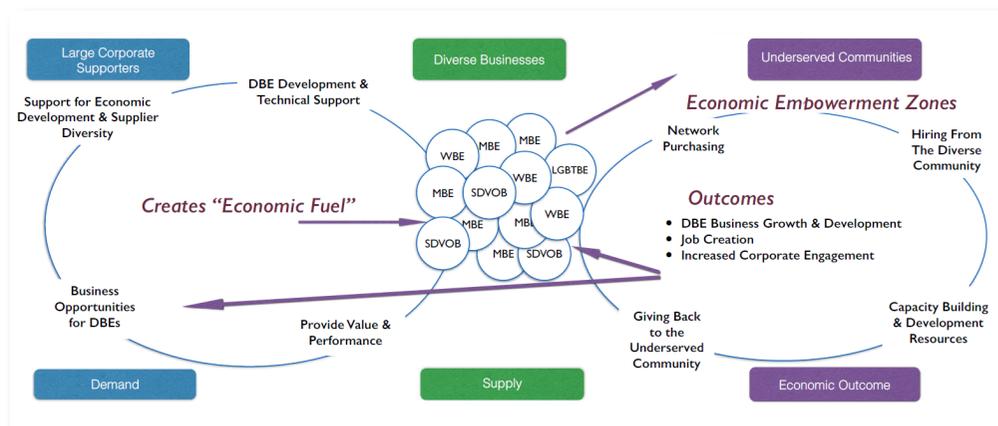
CWA'S SPRING CONFERENCE: MAKING THE CHOICE BETWEEN EASY AND RIGHT...CONTINUED

is to add economic value to the supply chain while increasing economic opportunities for the diverse business community to reduce poverty, lower unemployment, increase wealth, and integrate American society. Garnett outlined four phases of supplier diversity: supplier diversity engagement, active sourcing (actively looking for suppliers), spend results (measuring how much is spent and how it impacts the diverse suppliers), and community impact, which should be the focus for the whole program.



Council for Supplier Diversity President and CEO Ronald Garnett

Garnett explained the Economic Empowerment Model, which includes identifying the economic empowerment zones, ensuring there is a purchasing network, hiring from within the community, building capacity, developing resources for diverse businesses, and finding ways to give back to the community. Garnett stressed that it takes partners to do this, and if the money never gets back to the community, it's not enough.



Economic Empowerment Model

Speaking on "Defending the Right to be Right" were Shannon Dean, Vice President, Corporate Communications and Community Affairs, California Water Service, and Kyle Butts, Lead Research Manager, Forward Observer. In his presentation, Butts discussed the misinformation being spread about the private water utility community through traditional and social media by the Water Activist Network. The speakers explained how the National Association of Water Companies is vigorously and proactively defending the investor-owned water utility industry through the Truth from the Tap (TFTT) website, launched in 2015 as a fact-check campaign to counter misleading information and correct the record about water rates, service, and delivery, including why rate comparisons are bogus.

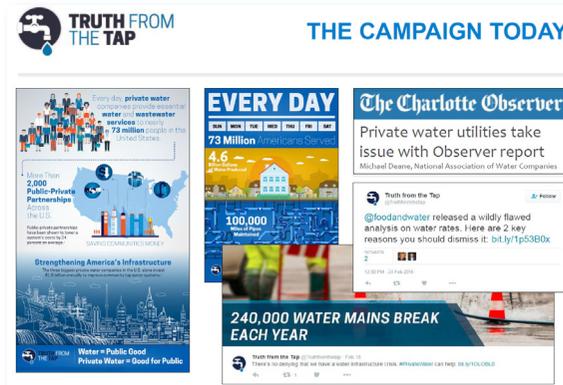
Currently, the campaign is engaging with CWA members, creating TFTT-branded content for California, and growing the digital footprint while countering provably false information being circulated by activist groups in California.

"Making the Right Decisions on Drinking Water Quality" was the topic covered by Darrin Polhemus, Deputy Director, Division of Drinking Water, State Water Resources Control Board. He discussed the 2018 priorities for drinking water regulations as well as 2017 priorities that have been achieved by the SWRCB. He also provided status updates on the Lead and Copper Rule, the Revised Total Coliform Rule, cross-connection control, and the Environmental Laboratory Accreditation Program.

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CWA'S SPRING CONFERENCE: MAKING THE CHOICE BETWEEN EASY AND RIGHT...CONTINUED



California WaterFix Infrastructure

- Three new intakes (3,000 cfs each) on the Sacramento River
- Two gravity-fed tunnels up to 150' below ground
- Consolidated pumping plant brings water in South Delta to SWP/CVP facilities

Roger Patterson, Assistant General Manager, Strategic Water Initiatives, Metropolitan Water District of Southern California (MWDSC) talked about **“Metropolitan’s Vote on the California Water Fix: Definitely Not Easy.”** In his [presentation](#), Patterson outlined the elements, history and next steps of [California WaterFix](#). He explained how MWDSC reached the decision to single-handedly fund a major portion of the project to protect the Sacramento-San Joaquin Bay Delta.



(L-R) CWA 2nd Vice President Evan Jacobs, Darrin Polhemus, State Water Resources Control Board, and Dawn White, Golden State Water Company and CWA Water Quality Committee Chair

“Making Right and Easy Choices in the 2018 Legislative Session (We Should Be So Lucky)” was the topic of the final panel moderated by Jennifer Capitolo, Senior Policy Advisor, Nossaman LLP, joined by panelists Danielle Blacet, California Municipal Utilities Association; Kathleen Cole, Metropolitan Water District of Southern California; and Wendy Ridderbusch, Association of California Water Agencies. Each of the panelists provided an update and the prospects for passage of the most prominent water-related bills, including: the new water bond, Proposition 68; SB 998 (Dodd), which deals with policies and procedures for handling discontinuation of service for nonpayment of water bills; SB 623 (Monning), which among other things would impose a \$0.95 per month fee on customer bills to help fund a new Safe and Affordable Drinking Water Fund; AB 1668 (Friedman) and SB 606 (Hertzberg), which would codify in law new water-use efficiency standards and new aggregate water-use objectives for urban water suppliers [these two bills subsequently passed and were signed into law by Governor Brown on May 31, 2018]; AB 2339 (Gipson), which makes the process less cumbersome for a city that wishes to sell city-owned water utility property; and AB 3206 (Friedman), which would require the State Energy Resources Conservation and Development Commission to adopt regulations setting standards for the accuracy of water meters, and which would establish protocols for water utilities to follow when testing meters for accuracy. 🌍

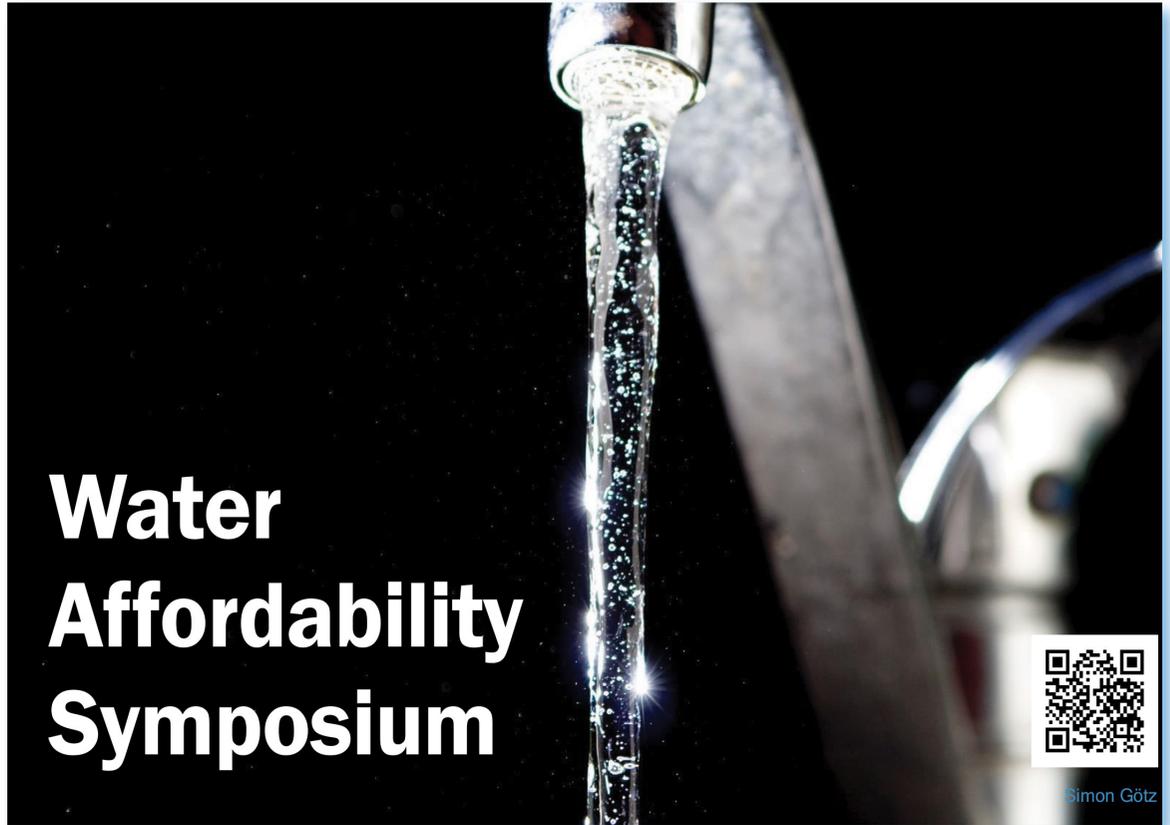
SAVE THE DATE

CWA'S 77TH ANNUAL CONFERENCE

October 29-31, 2018
 Monterey Plaza Hotel

LEGISLATIVE & REGULATORY UPDATE

CWA REPRESENTED AT WATER AFFORDABILITY SYMPOSIUM



In early April, Executive Director Jack Hawks represented the California Water Association at the State Water Resources Control Board’s *Water Affordability Symposium* in Sacramento. State and local officials, water suppliers, and community-based organizations attending the symposium heard from leading researchers and national experts about innovative affordability practices.

Topics of the four panels included: “Foundations of Water Affordability,” “Innovative Affordability Programs Outside of California,” “California’s Affordability Programs,” and AB 401 and the Path Forward.” The afternoon session featured remarks by California State Senator Bill Dodd.

A streaming video of the entire symposium is available [online](#) as well as downloadable versions of the [video](#), [audio](#), and [speakers’ bios](#). 📺

QUALITY & SERVICE FOCUS

CAL WATER DEMONSTRATES COMMITMENT TO THE ENVIRONMENT WITH NEW FISH PASSAGE



(L -R) Cal Water Chairman of the Board Pete Nelson, Bear Gulch District Manager Dawn Smithson, Cal Water Vice President of Operations Timothy Treloar, Cal Water VP of Corporate Communications and Community Affairs Shannon Dean, Cal Water Board Member Richard Magnuson, and local residents.

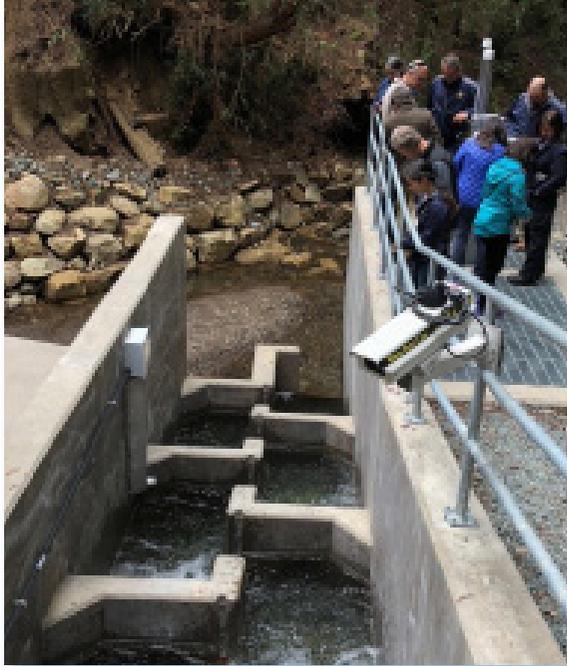
On April 5, California Water Service (Cal Water) hosted a ribbon-cutting ceremony to commemorate the completion of a fish ladder passage in Bear Gulch Creek from which 10 percent of Cal Water’s local water supply is drawn. Previously, steelhead trout were unable to spawn in Bear Gulch Creek due to a dam constructed around the turn of the century. Cal Water collaborated with the California Department of Fish and Wildlife and the National Marine Fisheries Service to develop a plan, which included the fish ladder, to allow the steelhead to move unimpeded upstream and downstream to spawn and repopulate. The ladder is composed of a series of ascending pools through which the fish can move on their migration to and from the ocean.

In a press release, Cal Water District Manager Dawn Smithson noted, “Being a responsible environmental steward and corporate citizen is one of our core values, so building this passage to protect this threatened species was a high priority for Cal Water. If we were unable to draw water from the creek, we would have to rely more on costlier purchased water from third parties. By building the passage, we are able to get more of our local water supply from the creek, while ensuring enough water is released for native fauna at the same time.”

Cal Water representatives were joined at the ribbon-cutting ceremony by Woodside Mayor Chris Shaw, Planning Commissioner Marilyn Voelke, Planning Director Jackie Young, Woodside Fire Marshall Denise Enea, and a staff member representing Assembly Member Marc Berman.

QUALITY & SERVICE FOCUS

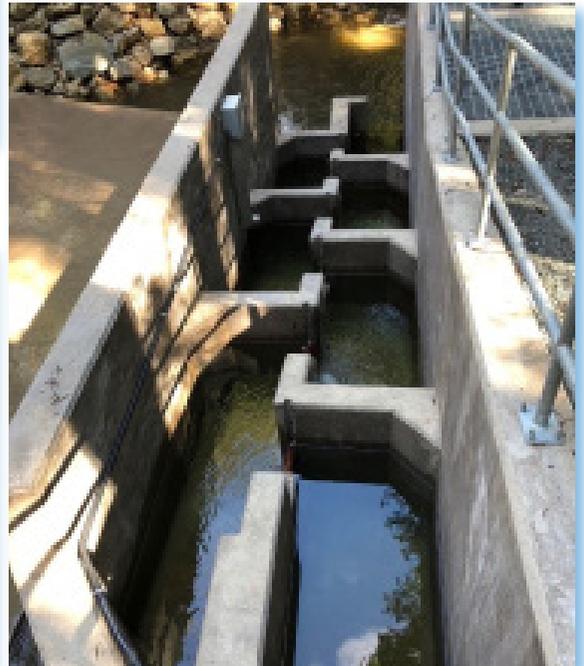
CAL WATER DEMONSTRATES COMMITMENT TO THE ENVIRONMENT WITH NEW FISH PASSAGE
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Inspecting the new fish ladder.



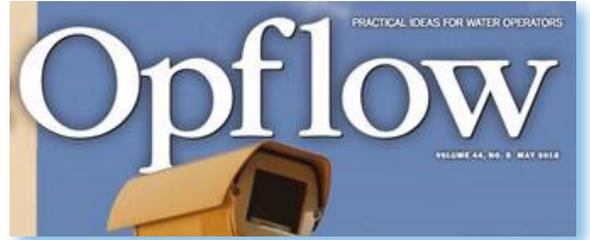
Cal Water's Bear Gulch Creek Fish Ladder Passage



MEMBER SPOTLIGHT

CAL AM FEATURED IN MARCH EDITION OF AWWA'S *OPFLOW*

California American Water (Cal Am) was featured in the article, “Drought and Supply Limits Drive Sustainability Initiatives,” published in the March edition of the American Water Works Association’s *Opflow*. The article highlights Cal Am’s water conservation and sustainability efforts on behalf of the more than 650,000 people served by the utility, as well as lessons learned during the recent California drought.



Emphasizing the impact of overdrafting Mother Nature, Cal Am’s Manager of Field Operations Patrick Pilz said, “We take more water out than rain and snowfall replenishes, and we see the resulting effects in the loss of natural groundwater storage and water quality issues.”

The article describes several strategies Cal Am has employed to encourage customers to conserve water, including the introduction of various rate structures, indoor efficiency retrofits, and outdoor water-use restrictions. The utility also incorporated new technology to track water use such as geospatial mapping to refine targeting efforts. Cal Am also implemented pilot programs that feature advanced metering with an integrated system of smart meters, communication networks, and data management systems. In addition to using technology, Cal Am has provided water efficiency coaching for nonresidential customers and public education and stewardship training for customers, children, and landscaping companies. The success of these strategies is evident in Cal Am’s Monterey service area, which “has routinely been among California’s top-performing areas for low water use.”

In keeping with the various lessons learned, such as the value of forming partnerships with other water utilities to gain knowledge and share experiences, Cal Am recognized the importance of continuing to evaluate and improve its conservation efforts. Some of the changes in the works include focusing on landscaping retrofits since indoor retrofits are approaching saturation; retrofitting rental units with low-flow fixtures; continually refreshing conservation messages based on the results of focus groups conducted with customers; and working to increase water supply sustainability using best practices in integrated water resource management. 🌍

POINTS OF INTEREST

CAL AM SPONSORS MEMORIAL DAY CEREMONY TO HONOR VETERANS

On Memorial Day, California American Water (Cal Am) sponsored the Truman Center for National Policy Rose Ceremony at Fort Rosecrans National Cemetery, the second largest national cemetery located in San Diego.

The annual Ceremony was launched in 2015 to connect the military population with the greater San Diego community and reflect on the sacrifices of Americans who gave their lives serving the country. The Truman Center invited community leaders and elected officials to join a small group of veterans and hear the stories of men and women lost while defending the nation.

Since its inception, the ceremony has grown exponentially from 20 volunteers distributing 1,000 roses in 2015 to 6,600 roses distributed by 140 volunteers in 2016 and more than 950 volunteers distributing more than 30,000 roses in 2017. This year, Cal Am representatives Brian Barreto, External Affairs, and Rich Svindland, President, joined Manuel Quintero, HR Business Partner, and more than 600 volunteers to place a rose at each grave marker at Fort Rosecrans. More than 30,000 roses were distributed throughout the cemetery during Ceremony.



(L-R) Brian Barreto, External Affairs California American Water; Megan West, Mayor Pro Tem Mark West, City of Imperial Beach; Rich Svindland, President California American Water; and Manuel Quintero, HR Business Partner, California American Water participate in the Truman Sunrise Rose Ceremony.