



ENVIRONMENTAL DEFENSE

finding the ways that work

November 22, 2005

Edward Howard
California Public Utilities Commission
Division of Strategic Planning
505 Van Ness Avenue
San Francisco, CA 94102-3298

Dear Mr. Howard,

Environmental Defense appreciates the opportunity to comment on the California Public Utilities Commission's Draft Water Action Plan (Plan). The CPUC is to be commended for its efforts to identify policy objectives that both enhance the operation of CPUC-regulated water utilities and address statewide concerns about water quality and supply. Of particular interest to Environmental Defense is the CPUC's increased commitment to strengthen its water conservation programs. We believe innovative solutions, such as water use efficiency and reclamation, are central to a sustainable water future for California.

We are especially encouraged by the CPUC's commitment to support all its investor-owned utilities in becoming signatories of the Memorandum of Understanding (MOU) and implementing the best management practices (BMP) of the California Urban Water Conservation Council (CUWCC). While not perfect, the MOU lays the foundation for improved statewide conservation through the implementation of cost-effective urban water conservation practices. As a Steering Committee member of the CUWCC, Environmental Defense recognizes the importance of having *all* CPUC investor-owned water utilities become members of the CUWCC and we have seen first hand that membership can carry significant advantages. For one, only signatories have an opportunity to influence the evolution of the Council's 14 BMP's, which have become the minimum standard for cost-effective water efficiency in California. Members also receive technical assistance and are qualified to participate in statewide programs to reduce the costs of implementation. Ultimately, member utilities that adequately meet the requirements of the BMP's are eligible for certification and consequently, greater funding opportunities.

In terms of specific conservation tools, we support the CPUC's efforts to shift from a flat-rate to metered water service, which will effectively send a price signal to the customer and thereby provide an incentive to conserve. Additionally, the proposed shift to increased block rates, which is virtually non-existent among CPUC-regulated water utilities, is a positive change that should result in additional reductions in consumption. In all, the proposed changes to the water

conservation programs should play a key role in helping the CPUC investor-owned utilities provide clean, safe, and reliable water to their customers at reasonable rates.

While the Plan gives considerable attention to the need to strengthen the CPUC's water conservation programs and even refers to the draft California Water Plan Update to illustrate the cost-effectiveness and production potential of water use efficiency, conjunctive use, etc., it is somewhat puzzling that one of the primary objectives of the Plan is also to promote investments in water infrastructure. If sufficient investments are made in "soft-path" strategies such as conservation, it might be possible to avoid building water supply expansion projects. The CUWCC is in the midst of completing a landmark study of the avoided costs and environmental benefits associated with water use efficiency. We hope that the CPUC will take full advantage of the study's findings (due to be released in 2006) to determine the degree to which new infrastructure can be offset by more investments in water use efficiency.

On the whole, the objectives outlined in the CPUC Water Action Plan, particularly related to water use efficiency and equitable rate structures, are an important step in the right direction. We look forward to the successful implementation of the Plan's supporting actions.

Sincerely,

A handwritten signature in cursive script that reads "Ann Hayden". The signature is written in black ink and is positioned above the printed name.

Ann Hayden
Water Resource Analyst