

November 23, 2005

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

Re: Comments on Water Action Plan

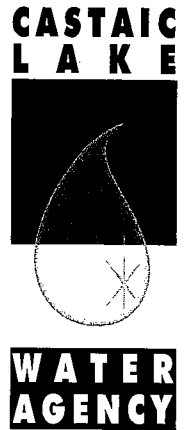
Dear Mr. Howard:

Castaic Lake Water Agency has received the CPUC Draft Water Action Plan and by this letter submits its comments.

CLWA believes that the Draft Water Action Plan correctly identifies water quality, supply reliability, efficient use, and the balance between reasonable rates and financial viability as four key principles that should guide development of objectives for the Draft Water Action Plan. CLWA agrees that those basic principles will be well served by having the CPUC and regulated utilities strive to achieve the six stated Plan Objectives – maintaining the highest water quality standards, strengthening water conservation programs, promoting infrastructure investment, assisting low-income ratepayers, streamlining CPUC decision making, and setting rates that balance investment, conservation, and affordability.

Regarding the Draft Water Action Plan recommendation about water rate structures, specifically encouraging the implementation of increasing block rates: rate structures are determined by local water agencies and utilities. The setting of water rate structures is highly constrained by local economies, local water resources and local political conditions. Local parameters determine where and when such rate structures are “feasible.”

Regarding the objective of promoting water infrastructure investment, the Draft Water Action Plan proposes to allow a water utility’s CPUC-filed Water Management Program (“WMP”) to serve as a basis for approval of needed infrastructure. The Draft Plan also proposes to have the WMP serve as “...a basis for pre-approval of major water supply projects that require a long-term commitment...longer than the three year General Rate Case time frame.” The Draft Plan would require each WMP to include a long-term procurement plan, including infrastructure review, to enable more efficient financial planning for future investments and evaluation of alternative financing techniques. Where a specific project needs to be initiated before the next five-year planning cycle begins, the CPUC would allow the utility to file a separate application to address the project and its compliance with the current long-term procurement plan (Draft Water Action Plan, p. 10).



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*"A PUBLIC AGENCY PROVIDING RELIABLE, QUALITY WATER AT A REASONABLE COST TO THE SANTA CLARITA VALLEY"*

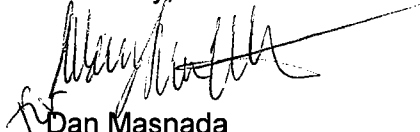
CLWA acknowledges that a WMP can serve as an important infrastructure planning tool within the General Rate Case (GRC) process, and that situations may arise in which a separate application seeking authorization for a large-scale infrastructure project may be warranted and necessary. CLWA is concerned, however, that the proposal to have the CPUC use the WMP “as a basis for pre-approval of major water supply projects that require a long-term commitment” is inconsistent with the intended purpose of the WMP as a long term *planning* document and may conflict with environmental impact review requirements of the California Environmental Quality Act (“CEQA”), Cal. Pub. Res. Code Section 21000 *et seq.* for specific water supply projects.

The WMP serves as a mid- to long-term planning document that enables the utility to report to the CPUC from a long-range perspective on a number of water supply issues. It provides information on water use, water resources, recycled water, water quality, reliability planning, and demand management measures. In that regard, WMPs and Urban Water Management Plans (Water Code Section 10611 *et seq.*) are long-term general planning documents rather than specific action plans for water supply and demand management. Such documents do not substitute for project specific planning. When water suppliers require specific long term projects to be reviewed and approved, detailed project plans are prepared, any required environmental analysis is completed and financial and operational plans are developed.

If review and approval of the WMP were to become the means for obtaining pre-approval of water supply projects, then a serious risk would be presented that the WMP itself would be considered a “project” requiring evaluation and review under procedures specified by CEQA and associated regulations. Rather than assisting the project planning process, injecting CEQA review at the WMP stage would likely create greater burdens than benefits, because many of the water supply projects described or mentioned in a WMP may be at very preliminary stages of development. Thus detailed CEQA review would be speculative, costly and of little practical value.

CLWA respectfully urges the CPUC to preserve the WMP’s role as a long-term planning document that does not signal approval of particular projects referenced within it. If a utility seeks pre-approval of a water supply project that requires a long term financial commitment, i.e., longer than the three year GRC time frame, a long term procurement plan should be prepared and submitted with the GRC that provides a detailed analysis and review of the financing alternatives for consideration by the CPUC. As always, these projects will be subject to the full range of regulatory review, including CEQA, as they reach the stage of actual implementation.

Sincerely,



Dan Masnada  
General Manager

cc: CLWA Board of Directors