



SANTA CLARA VALLEY WATER DISTRICT

NON-AGENDA

June 25, 2021

Board Policy EL-7 Communication and Support to the Board
The BAOs shall inform and support the Board in its work.

Page	<u>CEO BULLETIN & NEWSLETTERS</u>
	CEO Bulletin: None
3	June 2021 Water Tracker
5	Letters from the City of Monte Sereno and the City of San Jose, regarding Application of San Jose Water Company A21-01-003.
	<u>BOARD MEMBER REQUESTS & INFORMATIONAL ITEMS</u>
	BMR/IBMR Weekly Reports: None
22	Memo from Vincent Gin, DOO, Water Supply, to the Board of Directors, dated 6/11/21, regarding Delta Conveyance Project Webinars.
27	Memo from Vincent Gin, DOO, Water Supply, to the Board of Directors, dated 6/11/21, regarding State Agencies Call for Drought Preparation.
36	Memo from Rick Callender, CEO, to Director LeZotte, dated 6/22/21, regarding Signage Update Cost Estimates.
	<u>INCOMING BOARD CORRESPONDENCE</u>
39	Board Correspondence Weekly Report: 06/24/21
40	Email from John Kolski, to the Board of Directors, dated 6/18/21, regarding Water Use (C-21-0079).
44	Email from Marilee Ankaitis, to the Board of Directors, dated 6/21/22, regarding the Water Rationing Mandate (C-21-0080).
45	Letter from Charles "Chappie" Jones, Vice Mayor, City of San Jose, to CEO, Rick Callender and the Board of Directors, dated 6/18/21, regarding Water Purification Project Negotiations (C-21-0082).
	<u>OUTGOING BOARD CORRESPONDENCE</u>
47	Email from Vice Chair Kremen, to Gloria Geller, dated 6/18/21, regarding the Drought (C-21-0074).
49	Email from Vice Chair Kremen, to Nathan Tauger, dated 6/18/21, regarding Encampment Abatement Policies (C-21-0076).

Board correspondence has been removed from the online posting of the Non-Agenda to protect personal contact information. Lengthy reports/attachments may also be removed due to file size limitations. Copies of board correspondence and/or reports/attachments are available by submitting a public records request to publicrecords@valleywater.org.

CEO BULLETIN

Outlook as of June 1, 2021

Santa Clara County is in an extreme drought per the U.S. Drought Monitor. Due to very low local rainfall, statewide snowpack and imported water allocations, end of 2021 groundwater storage is projected to be in Stage 2 (Alert) of the Water Shortage Contingency Plan without additional imported water supplies or water use reduction. Efforts are underway to secure emergency water supplies and ramp up water conservation programs and outreach. Valley Water will rely more on imported water and water conservation in the next 10 years while Anderson Reservoir storage is unavailable due to the Federal Energy Regulatory Commission (FERC) order to drain the reservoir. On June 9, 2021, the Board of Directors adopted Resolution 21-86, declaring a water shortage emergency condition, calling for water use restrictions of 15% relative to 2019, and urging the County of Santa Clara to proclaim a local emergency. Making conservation a California way of life is especially critical during extreme drought.

Weather

- Rainfall in San José:
 - » Month of May, City of San José = 0.00 inches
 - » Rainfall year total = 5.79 inches or 41% of average to date (rainfall year is July 1 to June 30)
- Snowpack in the Northern Sierra: 5% of normal for June 1 and 1% of April 1 average
- Statewide snowpack: 0% of normal for June 1 and 0% of April 1 average

Local Reservoirs

- Total June 1 storage = 25,235 acre-feet
 - » 26% of 20-year average for that date
 - » 15% of total unrestricted capacity
 - » 40% of restricted capacity (166,140 acre-feet total storage capacity limited by seismic restrictions to 62,362 acre-feet)
- Approximately 320 acre-feet of imported water delivered into Calero Reservoir during May 2021
- Approximately 170 acre-feet of water released from Anderson Reservoir during May 2021. Since the FERC order to drawdown Anderson Reservoir was issued on February 20, 2020, cumulative release from Anderson is approximately 30,050 acre-feet. Majority of released water was for water supply
- Total estimated releases to streams (local and imported water) during May was 4,635 acre-feet (based on preliminary hydrologic data)

Groundwater

- Groundwater levels and storage have declined due to extreme drought conditions. Total storage at the end of 2021 is projected to be in the upper part of Stage 2 (Alert) of Valley Water’s Water Shortage Contingency Plan

	Santa Clara Subbasin		Llagas Subbasin
	Santa Clara Plain	Coyote Valley	
May managed recharge estimate (AF)	4,050	1,400	1,300
January to May managed recharge estimate (AF)	17,000	5,300	6,200
January to May managed recharge, % of 5-year average	78%	76%	92%
April pumping estimate (AF)	7,200	950	3,350
January to April pumping estimate (AF)	23,200	2,950	9,050
January to April pumping, % of 5-year average	138%	100%	123%
Current index groundwater levels compared May levels of last year	Lower	Lower	Lower

AF = acre-feet

Imported Water

- 2021 State Water Project (SWP) and Central Valley Project (CVP) allocations:
 - » 2021 SWP allocation of 5%, which provides 5,000 acre-feet to Valley Water
 - » 2021 South-of-Delta CVP allocations are 0% for Agriculture. For M&I, the allocations are 55% through May 31 and 25% for the remainder of the year. Combined this provides 42,300 acre-feet to Valley Water. Valley Water may receive additional supplies in accordance with the CVP M&I Shortage Policy
- Statewide reservoir storage information, as of June 1, 2021:
 - » Shasta Reservoir at 43% of capacity (51% of average for this date)
 - » Oroville Reservoir at 38% of capacity (45% of average for this date)
 - » San Luis Reservoir at 43% of capacity (55% of average for this date)
- Valley Water's Semitropic groundwater bank reserves are at 93% of capacity, or 326,476 acre-feet, as of April 30, 2021
- Estimated SFPUC deliveries to Santa Clara County:
 - » Month of April = 4,555 acre-feet
 - » 2021 Total to Date: 13,899 acre-feet
 - » Five-year annual average = 48,700 acre-feet
- Board Governance Policy No. EL-5.3.3 includes keeping the Board informed of imported water management activities on an ongoing basis. No imported water agreements were executed under EL-5.3.3 since the last Water Tracker update

Treated Water

- Above average demands of 10,321 acre-feet delivered in May
- This total is 107% of the five-year average for the month of May
- Year-to-date deliveries are 34,878 acre-feet or 109% of the five-year average

Conserved Water

- Saved 74,198 acre-feet in FY20 from long-term program (baseline year is 1992)
- Long-term program goal is to save nearly 100,000 acre-feet by 2030 and 110,000 acre-feet by 2040
- The Board has called for a 25% reduction and a limit of three days per week for irrigation of ornamental landscape with potable water
- Through May, achieved a 12% reduction in water use in calendar year 2021, compared to 2013

Recycled Water

- Estimated May 2021 production = 1,505 acre-feet
- Estimated year-to-date through May = 5,396 acre-feet or 101% of the five-year average
- Silicon Valley Advanced Water Purification Center produced an estimated 1.6 billion gallons (4,864 acre-feet) of purified water in 2020. Since the beginning of 2021, about 1,663 acre-feet of purified water has been produced. The purified water is blended with existing tertiary recycled water for South Bay Water Recycling Program customers

Alternative Sources


- As of December 10, 2019, Valley Water's wastewater contract right from Palo Alto/Mountain View remains at 10,000 acre-feet/year



CONTACT US




For more information, contact **Customer Relations** at **(408) 630-2880**, or visit our website at valleywater.org and use our **Access Valley Water** customer request and information system. With three easy steps, you can use this service to find out the latest information on district projects or to submit questions, complaints or compliments directly to a district staff person.





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June 16, 2021

Hon. Daphne Lee
Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Application of San Jose Water Company A21-01-003

Judge Lee,

Elected officials and staff of the City of Monte Sereno (City) routinely receive inquiries and complaints from the ratepayers in Monte Sereno regarding San Jose Water Company (SJWC) rates and their year after year increases. Our elected City officials volunteer to serve on the board of directors of various joint power authorities and commissions that oversee other services to these ratepayers, including Santa Clara Valley Water Commission, West Valley Clean Water Authority, West Valley Sanitation District, West Valley Solid Waste Authority and Silicon Valley Clean Energy so elected City officials are familiar with executive evaluation and compensation, and the rate setting process.

Elected City officials seated on the boards of all the joint power authorities that the City participates in support zero rate increases unless the operations and maintenance (including labor) are run efficiently and effectively, capital improvement programs are timed and managed appropriately, and assets are financed at the lowest possible cost. Increasing rates is the last alternative to consider, especially during a pandemic.

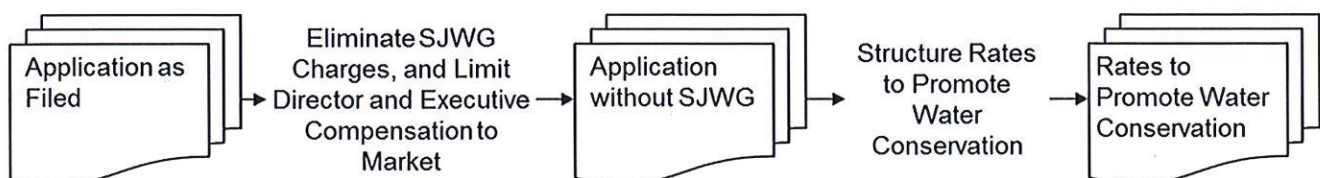
The City agrees with and underscores the items identified by the City of San Jose (San Jose) set forth in their letter to you dated May 11, 2021. For brevity, these items will not be repeated in this letter.

In addition to the items in San Jose’s letter, the City submits these comments on SJWC’s application to increase rates for 2022, 2023, and 2024 (Application).

Through this submission, the City conveys its residents’ concerns about the proposed rate structure changes and increases, and requests that the California Public Utilities Commission (CPUC) ensure that the concerns are addressed.

Overview

The City believes that the CPUC should respond to the Application as set out below.



Eliminate San Jose Water Group Charges, and Limit Director and Executive Compensation of SJWC to Market

In the Application as filed by SJWC, the City believes there are expenses charged by SJWC's parent company, San Jose Water Group (SJWG), and the expenses for director and executive compensation in SJWC are in excess of market rates for a relatively small water utility (377 employees) in a stable geographic market, where demand is falling and supply is shrinking. The details are described below.

The City asks the CPUC to require SJWC to eliminate the excess expenses for SJWG, and excess director and executive compensation in SJWC, which will create a lower cost baseline to use in an updated Application.

Structure Rates to Promote Water Conservation

In filing an updated Application, the CPUC must require SJWC to propose rates that will promote water conservation. As explained in this letter, the supply of, and demand for, water in Santa Clara Valley has changed permanently. All water rates going forward should encourage water conservation for environmental sustainability. While many would prefer to "turn back the clock" or ignore the reality of the effects of climate change, unfortunately the City believes that we must accept where we are and move forward. Failing to promote environmental sustainability, including water conservation, is an intergenerational inequity.

SJWC Corporate Structure

Our ratepayers are justifiably confused by the corporate structure that SJWC operates. SJWG is the legal entity listed on the New York Stock Exchange and SJWC is a wholly owned subsidiary.

The City understands and acknowledges that SJWC owns and manages its water treatment and distribution infrastructure assets in Santa Clara Valley, and SJWC should earn a commensurate rate of return on their assets. That rate of return should be relative to the risk of the business and not a function of management's performance (good or bad) or the legal structure of the water company (e.g., public company, government agency). Further, the City believes strongly that California, and Santa Clara Valley, are at the beginning of yet another multi-year drought and everyone must conserve water.

Importantly, the City also acknowledges that SJWC has a deep and long history serving customers in Santa Clara Valley and has earned a positive reputation with those customers. At the same time, SJWC has evolved over the years and the City believes that the regulated water company (SJWC) is very different than its parent company (SJWG). While SJWG has wholly owned subsidiaries (and their predecessor entities) providing water and wastewater in Connecticut (Connecticut Water Company, Avon Water Company and Heritage Village Water Company), Maine (Maine Water Company), Texas (Canyon Lake Water Service Company) and California (SJWC), there is no benefit to SJWC's ratepayers for being owned by SJWG. In fact, the ratepayers in Monte Sereno believe that there is a cost to all SJWC ratepayers through the ownership by SJWG, and they oppose paying higher rates for being owned by SJWG.

Separate Regulated from Non-Regulated Water Company Financial Results

The City, and our ratepayers, believe SJWG is a financial burden on SJWC, resulting in continued unwarranted requests to increase rates. Originally incorporated in 1866, SJWC was the genesis of SJWG in 1985, when SJWC became a wholly owned subsidiary of SJW Corp. In 2016, SJW Corp reincorporated as SJW Group and subsequently SJWG began to grow through acquisition such that SJWG is the third-largest investor owned pure play water and wastewater utility based on rate base in the U.S., serving nearly 1.5 million people in California, Connecticut, Maine and Texas.

The City noted that SJWC's Affiliated Transactions Procedures, as filed in the Application, were effective November 15, 2016 but have not been updated since then. SJWG has acquired other water companies and the Affiliated Transaction Procedures should reflect the current corporate affiliates. Without updated procedures, the City believes that non-SJWC costs and expenses may be borne by ratepayers. Please refer to page 3 of that document. The City asks that the CPUC request SJWC to perform the calculation set forth in VIII. Internal Controls & Auditing on page 9. The City would like to review the reports filed under Regulatory Reporting (see pages 10 and 11).

Since SJWG has changed dramatically since November 15, 2016, the City requests that the CPUC change the reporting requirement to annual reporting (from biennial reporting). In addition, given the changes in SJWG's corporate structure, the threshold of 30% for allocating costs to an affiliate for ratemaking purposes is too low, given the large number of affiliates. The City requests the CPUC change the threshold to 5% (from 30%).

SJWC has 377 employees, of which 12 are executive officers; in addition, there are 7 non-employee directors. The City, and our ratepayers, believe that there are affiliate transactions that are not accounted for correctly, in both the historic financial results and the financial projections in the years covered by the Application. Specifically, the overhead costs of SJWG allocated to SJWC appear excessive and, at a minimum, exceed the market value of such services.

Further, certain director and executive costs incurred by SJWC appear far in excess of what the true market cost of those directors and executives would be. As mentioned earlier, SJWC is in a mature, not growing, market where the focus of the water company is on reducing usage per meter while managing the shrinking demand for water with the shrinking supply of local water. The director and executive requirements are to manage a workforce of less than 400 employees in a very small geographic footprint. Having an executive team and corporate staff that can manage the investor relations and financial reporting requirements for an SEC registrant with operations in four states, multiple regulatory jurisdictions and three time zones is not required. The City and its ratepayers believe the executive expenses should be borne by SJWG shareholders, not SJWC ratepayers.

Given the lack of transparency between the consolidated financial results of SJWG and the stand-alone financial results of SJWC, the City and its ratepayers have lost faith in the accuracy of SJWC's historic unaudited financial results, and the financial projections and other information filed in the Application.

To address this, the City requests that the CPUC order SJWC to create workpapers that segregate the regulated water company's historic financial results, and the financial projections and other information in the Application, showing the basis of all affiliate transactions and allocation of shared costs. The CEO and CFO of SJWG and SJWC should certify under penalty of perjury that the workpapers are accurate with a combined gross error materiality limit of, say, \$100,000. Then, an independent auditor (e.g., Pricewaterhouse Coopers or Ernst & Young) should perform agreed-upon procedures on those workpapers and issue a report on their findings (as set forth in SSAE 19). The City would be pleased to assist the CPUC in establishing the nature, timing and extent of the agreed-upon procedures.

Subsequent to the Application, the City asks the CPUC to order SJWC to provide full stand-alone, audited U.S. GAAP financial statements for SJWC (including related party transactions) as part of all future rate cases, including those currently in progress. SJWC should establish an independent Audit Committee that is qualified and fully independent of SJWG, both in fact and appearance (i.e., Audit Committee members should not own shares in SJWG and they should not be directors of SJWG).

Structural Changes Affecting Water Rates

The City understands and recognizes the structural changes in Santa Clara Valley facing SJWC in 2021 and beyond. The City believes that the CPUC and SJWC need to acknowledge and consider the following structural changes in Santa Clara Valley in setting rates: (1) The drought conditions will continue and create permanent reductions in water usage, creating structural reductions in the demand for water; (2) the supply of local water is reduced, and groundwater levels and surface runoff must be managed to reduce importing water from outside the local area; (3) the cost to treat water and ensure its safety will increase; and, as a last resort unfortunately, (4) the total cost of water to ratepayers may increase.

1. Permanent Reductions in Water Usage

Mandatory drought restrictions in water usage are causing permanent reductions in demand, including the following:

- Simple time-based irrigation controllers are being replaced by inexpensive internet-connected irrigation controllers that reduce valve run times when precipitation is expected or has occurred.
- Existing landscaping is being replaced with drought tolerant species and new landscaping is almost entirely drought tolerant.
- While some ratepayers may stop irrigating their lawns (“brown is the new green”) on a temporary basis, other ratepayers are replacing their lawns with artificial turf.
- Swimming pools are being filled in and, in some instances, ratepayers are investing in motorized covers to eliminate most water evaporation.
- Almost all new plumbing fixtures and water using appliances must be low flow although many existing showerheads remain to be retrofitted.

2. Supply of Local Groundwater Levels and Surface Runoff Must be Managed

As declared on May 26, 2021, the federal government announced cuts in water deliveries to urban areas by more than 50%. Earthquake repairs to the dam on the largest local reservoir, Anderson Reservoir, will take several years to complete before filling sufficiently and returning to a functioning water reservoir.

SJWC is financially incented to optimize the blend of surface runoff and groundwater pumping to reduce its overall cost of water. SJWC buys much of its water from Valley Water, the local wholesale water supplier. Valley Water’s water sources include the federal and state projects, which cut water deliveries to Valley Water.

Now, and in the foreseeable future, importing water will be unreliable and expensive.

3. Cost to Treat Water Will Increase

Treating water is mandatory for safety. The technologies and overall treatment costs are not dropping – but increasing. These costs will be passed on to ratepayers, and the City understands this.

4. Total Cost of Water to Ratepayers May Increase

Given the permanent reductions in both demand and supply, and the increase in costs, water bills for ratepayers may increase, notwithstanding a net reduction in usage. The City believes that increasing rates should be a last resort since ratepayers will continue to complain, especially when they see SJWG owning SJWC. Ratepayers must be confident that SJWG is not a financial burden on SJWC. Any increase or change in water rates must provide a clear financial incentive to reduce water consumption.

Structuring Rates to Promote Water Conservation

In the Application, SJWC is requesting an increase in the fixed service charge proportion and reducing the volumetric charge proportion for water. This change will not motivate ratepayers to invest in reducing their demand for water. The CPUC must set rates in this Application that will provide a financial incentive for ratepayers to conserve water. Once most of the ratepayers have reduced their water usage, it may be appropriate to increase the service charge proportion of the bills with a tiered volumetric charge that increases dramatically.

The City appreciates that revenues should not be reduced for SJWC's legitimate operating costs and provide a reasonable rate of return for SJWC.

Promoting Water Conservation

Given the forecasted drought in California and Santa Clara Valley, the City believes that ratepayers should have a financial incentive to reduce their water usage. Reducing the volume of water used requires an investment in physical infrastructure in a home and a change in behavior.

Historically, ratepayers in Monte Sereno have responded to drought conditions by making investments that reduced their water usage. These ratepayers made those investments based on the volumetric charge for water usage, and the continuation of the volumetric charges.

Rates should be a pricing signal that ratepayers use in making investments and changing behavior. As volumetric rates increase, usage goes down. The City acknowledges that certain ratepayers have inelastic demand due to their personal circumstances and individual preferences, and they will pay more for their water usage.

Setting a fixed monthly charge and a volumetric rate creates uncertainty in total revenue to SJWC, because the total revenue depends on the volume of water sold. Having a high monthly charge and low volumetric rate results in stable and easily predictable revenues for SJWC. On the other hand, a low monthly charge and high volumetric rate may result in higher or lower revenues, depending on the volume of water sold.

Sending a pricing signal that the marginal usage of water is at a high cost will cause many ratepayers to manage, and reduce, their water usage. The City believes that ratepayers should be able to make a simple calculation that will show how much their SJWC bill will drop if they reduce their water usage by 15%, and that bill reduction must be noticeable. Trivial cost reductions will not "move the needle" for ratepayers.

The challenge facing SJWC is to predict the water usage by its ratepayers, which is a function of the volumetric rates. Unless water usage is predicted accurately and rate tiers set appropriately, price elasticity may result in revenue vulnerability for SJWC. On the other hand, price inelasticity for high volume water usage will generate additional revenues for SJWC.

SJWC claims to have significant history treating and delivering water, yet they state in the Application that they cannot forecast demand for water accurately. The data available to SJWC is immense – there are at least six meter readings for residential customers each year. The largest variable usage of water is for irrigation – sunshine, temperature and precipitation data is readily available. Further, landscape data is available through satellite images. Population and housing data, and forecasts, are available from public agencies (e.g., Association of Bay Area Governments, Metropolitan Transportation Commission, Valley Transit Authority, etc.). Further, building permit data is available from each local government, showing single family, multi-family and accessory dwelling unit construction activity, which often takes 24 to 36 months to build prior to

occupancy. The City, in response to meeting its Regional Housing Need Allocation (RHNA), has a number of residential housing units that do not appear to be included in SJWC's residential connection projections on WP 7-3A for 2021 through 2024. The City requested municipality level data from Mr. John Tang, Vice President of Regulatory Affairs, San Jose Water Company for residential connections several times, yet the requests were ignored.

To summarize, the City requests the CPUC to use the rate structure as a water conservation tool, which will send a clear price signal so (1) ratepayers will become more conscious of their variable lawn and garden, and landscape water use, and (2) reward those ratepayers who conserve water with lower bills. Said differently, the City believes that it is not fair to ask all ratepayers to pay more for the lawn and garden watering demands of a few. Rather, it is fairer to ask those who demand large amounts of water for irrigation purposes to pay for a higher cost of service.

Further, ratepayers that made investments in the past to reduce their water consumption should continue to be rewarded for making those investments and changing their behavior.

Setting Connection Charges and Volumetric Rates

Under the existing rate structure, connection charges yield 46% of overall residential water revenue and volumetric charges yield 54% of revenue. Under SJWC's proposed rate structure, the revenue yield proportion is projected to increase from connection charges and decrease from volumetric charges, as shown in the table below.

Residential – All Meter Sizes

	Present Revenue 2022		Proposed Rates 2022	
Connection charges (fixed)	\$110,031,989	46.0%	\$153,263,681	55.4%
Volumetric charges	<u>129,074,496</u>	54.0%	<u>123,321,484</u>	44.6%
Total Residential	<u>\$239,106,485</u>		<u>\$276,585,165</u>	

Source: Exhibit E CEH-1, page 1 of 10

Please note that on June 2, 2021, the City requested information from Mr. Tang for connection and volumetric data so the City could analyze residential revenues by meter size; on June 14, 2021 Mr. Tang acknowledged our request yet he did not commit to a response date.

The analysis on the following page is based on available data.

Residential	Present Revenue		Proposed Revenue	
Connection Charges				
5/8 inch meter	\$401,139		\$530,211	
3/4 inch meter	81,418,517		106,721,761	
1 inch meter	24,613,442		32,782,665	
	<u>106,433,098</u>		<u>140,034,637</u>	
All Other	7,160,314		4,841,513	
	<u>113,593,412</u>	47%	<u>144,876,150</u>	54%
Volumetric				
First	23,863,056		48,172,033	
Next	76,238,651		44,663,398	
Subtotal	<u>100,101,707</u>		<u>92,835,431</u>	
Over	27,341,507		31,724,479	
	<u>127,443,214</u>	53%	<u>124,559,910</u>	46%
	<u>\$241,036,626</u>		<u>\$269,436,060</u>	
Total by Meter				
To 1 inch meter	\$106,433,098	52%	\$140,034,637	60%
Volumetric	<u>100,101,707</u>	48%	<u>92,835,431</u>	40%
	<u>\$206,534,805</u>		<u>\$232,870,068</u>	

Source: SJWC Application of Present and Proposed Rates to Bill Analysis for December 31, 2022

The table above shows the connection (fixed) charges for most residential customers is 60% of their bill and the volumetric charges are only 40% of the bill.

In general, the higher the percent of residential water bill that is “fixed” the weaker the conservation signal to ratepayers and the stronger the revenue stability to the water company. Changing the rate structure and increasing revenue stability will reduce revenue variability (financial risk) to SJWC, which is acceptable provided the regulated rate of return decreases significantly. The CPUC should not change the fixed/variable percentage of rates without changing the regulated rate of return.

M Cubed, the consultants that SJWC selected and engaged to forecast revenues claim to be extremely accurate with their forecasts. Given their accuracy, SJWC should be confident with M Cubed’s forecast through the years covered by the Application.

The City asks the CPUC to direct SJWC (M Cubed) to forecast revenues with at least one additional scenario – maintaining the current fixed/variable rate structure (i.e., 46.0%/54.0%). This scenario would then make the comparison between the current rate structure and proposed rate structure in the Application more valuable because the price elasticity of demand would be shown explicitly. Understanding the price elasticity of demand will show the true impact of changing the rate structure as requested by SJWC in the Application.

Related to other applications by SJWC, considering the sharp increase in the fixed connection charge (from 46.0% to 55.4%) and the reduced effect of volumetric charges, the City and its ratepayers are confused regarding why SJWC would consider the AMI project. Fundamentally, the value of advanced meters to ratepayers is so cost signals are known quickly to those ratepayers so they can adjust their behavior, identify water leaks and manage their cost of water. The value of advanced meters corresponds to higher volumetric rates for water – with low marginal rates for water, ratepayers really won’t care about their usage.

To be clear, the City would like to see low fixed connection charges with high volumetric charges that increase significantly in higher tiers. The City appreciates that SJWC seeks financial sufficiency through its rate structure and rate stability. Ideally, rates should be structured to reduce costs for low usage ratepayers, helping to make water affordable for basic uses. The rate structure should divide fairly the “cost of service” across all ratepayers.

Conserving Water – SJWC Must Analyze Water Leakage to Focus Repairs

Our ratepayers believe that SJWC has an opportunity to conserve water by measuring and monitoring water flows within its water distribution system. While SJWC claims to have an extremely low rate of non-revenue water, the cost of non-revenue water usage is passed on to ratepayers and SJWC has no incentive to reduce non-revenue water. The CPUC should consider providing SJWC with an allowance for non-revenue water, regardless of the amount of non-revenue water. This would provide SJWC with an incentive to prioritize investments to reduce non-revenue water usage and allow SJWC to earn a non-regulated rate of return on those investments. Measuring water flows within the water distribution system in real time would contribute to environmental sustainability, increase the net supply of water, and provide an additional rate of return for SJWC – a “win” for all stakeholders.

As noted in SJWC’s 2020 Annual Report on Form 10-K, SJWC does not have the ability to measure water losses and, instead, estimates the water losses in its water distribution system:

“SJWC’s unaccounted-for water for 2020 and 2019 approximated 6.5% and 7.2%, respectively, as a percentage of production. The unaccounted-for water estimate is based on the results of past experience and the impact of flows through the system, partially offset by SJWC’s main replacements and lost water reduction programs.”

The only other information on distribution water losses is in Exhibit H, Urban Water Management Plan, with the footer stating, “January 2021.” The contents of Exhibit H include the 2015 Urban Water Management Plan, June 2016 Final Report.

Clearly, this is out of date and cannot be relied upon in the Application, filed in 2021. Notwithstanding that the documentation is obsolete, the City is particularly interested in 4.3 Distribution System Water Losses on page 4-3 and how SJWC has managed water losses since the report was filed.

Further, the City would like to review updated information in 4.5 Water Use for Lower Income Households, which refers to RHNA. The City believes the CPUC should request SJWC to reconcile the number of residential water service connections and volumetric usage in the Application to the RHNA requirements of the jurisdictions that SJWC serves.

SJWC Cannot Analyze Water Leakage to Focus Repairs and Replacement

The table on the following page shows that, for a water company in a drought situation, SJWC has not been able to reduce its unaccounted for water losses. The unaccounted for losses are over 11% of purchased water.

<i>In KCCF</i>	2015	2016	2017	2018	2019 <i>Actual</i>	2019	2020	2021	2022	2023	2024
Total Potable Supply	45,067	44,201	47,519	48,994	48,571	49,379	51,765	48,917	48,878	48,666	48,695
Total Potable Sales	(42,069)	(40,452)	(43,373)	(45,513)	(44,965)	(45,980)	(49,594)	(45,367)	(45,330)	(45,134)	(45,161)
Unaccounted for Losses	2,998	3,749	4,146	3,481	3,606	3,399	2,171	3,550	3,548	3,532	3,534
<i>Unaccounted of Supply</i>	6.7%	8.5%	8.7%	7.1%	7.4%	6.9%	4.2%	7.3%	7.3%	7.3%	7.3%
Purchased Water	26,486	26,956	28,442	29,737	27,192	29,662	26,949	28,316	29,938	30,132	30,132
Unaccounted for Losses	2,998	3,749	4,146	3,481	3,606	3,399	2,171	3,550	3,548	3,532	3,534
<i>Unaccounted of Purchased</i>	11.3%	13.9%	14.6%	11.7%	13.3%	11.5%	8.1%	12.5%	11.9%	11.7%	11.7%

Source: Exhibit F WP 7-1B

Inconsistent Information on Water Losses/Non-Revenue Water

On February 4, 2021, Mr. Tang sent an email to elected officials in SJWC’s service territory inviting everyone to a webinar on Advanced Leak Detection. Our Councilmember, Mr. Bryan Mekechuk, attended the webinar and asked a number of questions, to which the presenters could not respond. Subsequently, Mr. Mekechuk requested Mr. Tang to respond to the questions on water losses, which he did via email on February 23, 2021 (see Appendix). Twenty minutes after Mr. Tang sent the email, Mr. Mekechuk requested the calculations on the Infrastructure Leakage Index to which Mr. Tang never responded.

The information on non-revenue water provided by Mr. Tang is inconsistent with the water losses reported on WP 7-1B (in the table above). For example, the Unaccounted for Losses in 2020 are 2,171 KCCF, which is 4.2% of Total Potable Supply (51,765 KCCF). In the data provided by Mr. Tang in the Appendix, the addition error is 4.1% for the same time period.

Clearly, something is wrong.

It appears that SJWC’s water distribution system is operated as an “open network” without any deliberate zoning of discrete supply and distribution zones for measuring and monitoring purposes. By zoning the water distribution system, and real time monitoring of the flows across zones, SJWC could identify zones with high leakage rates. Over time, the zones could be split into sub-zones for greater accuracy. Ultimately, measurements across zones could be compared to monitor minimum night flows in real time, which will identify background leaks.

Although SJWC claims to use state-of-the-art water leak identification technologies, SJWC does not measure water flows by zone within its water distribution system. Monitoring water flows in real time by zone within its distribution system would provide data to allow SJWC to reconcile water sent to a group of customers with water used by those customers. The difference between water distributed and water used is, largely, due to water leaks. Having identified zones where water leaks are occurring would allow SJWC to then pinpoint leaks within that zone with its advanced leak detection technologies.

Note that the zones and water flow measuring and monitoring described above are not part of the AMI water meter replacement program – these zones and corresponding water flow measuring and monitoring are within SJWC’s water distribution system before that water reaches a customer meter.

Hon. Daphne Lee
Re: Application of San Jose Water Company A21-01-003
June 16, 2021

It is discouraging that Chapter 18 in the Application, Water Conservation, is noticeably silent on reducing water losses through SJWC's water distribution system. The City believes this is an opportunity for SJWC.

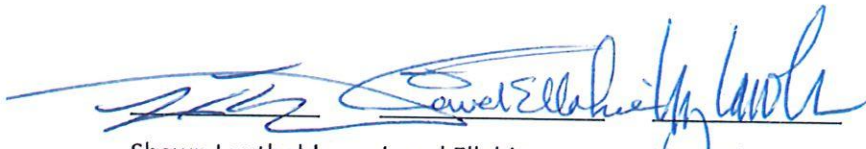
Summary

Among other items set forth in this letter, the City requests the following:

- SJWC only charge ratepayers for costs incurred and assets used to provide water treatment and delivery to its ratepayers. SJWC's cost structure, including its right-sized and compensated directors and executives, should support promoting water conservation and managing shrinking demand with shrinking supply.
- With a lower cost structure, the CPUC approve a rate structure that promotes water conservation by providing clear pricing signals that reward ratepayers that invest in reducing their water usage and change their behavior.
- The CPUC require SJWC to produce and certify under penalty of perjury workpapers showing all affiliated transactions and segregating the regulated from unregulated costs, and engage an independent auditor to perform agreed-upon procedures on those workpapers and report on their findings.

Again, the City supports San Jose's letter to the CPUC and, in addition, requests the items above.

Sincerely,



Shawn Leuthold
Mayor

Javed Ellahie
Mayor Pro Tempore

Liz Lawler
Councilmember

DocuSigned by:
Rowena Turner
28AB3DCDD5384B7...

Rowena Turner
Councilmember



Bryan Mekechuk
Councilmember

- cc Mr. Sam Liccardo, Mayor, City of San Jose
 Ms. Colleen Winchester, Senior Deputy City Attorney, City of San Jose
 Mr. John Tang, Vice President of Regulatory Affairs, San Jose Water Company
 Mr. Makunda Dawadi, Public Advocates Office, California Public Utilities Commission
 Dr. Patrick Kearns, Water Rate Advocates for Transparency, Equity and Sustainability
 Ms. Katharine Armstrong, Director, San Jose Water Company, Director, San Jose Water Group
 Mr. Walter J. Bishop, Director, San Jose Water Company, Director, San Jose Water Group
 Mr. Carl Guardino, Director, San Jose Water Company, Director, San Jose Water Group
 Mr. Gregory P. Landis, Director, San Jose Water Company, Director, San Jose Water Group
 Ms. Debra C. Man, Director, San Jose Water Company, Director, San Jose Water Group
 Mr. Daniel B. More, Director, San Jose Water Company, Director, San Jose Water Group
 Mr. Eric W. Thornburg, Director, San Jose Water Company, Director, San Jose Water Group
 Mr. Robert A. Van Valer, Director, San Jose Water Company, Director, San Jose Water Group
 Ms. Mary Ann Hanley, Director, San Jose Water Group
 Ms. Heather Hunt, Director, San Jose Water Group
 Mr. Douglas R. King, Director, San Jose Water Group
 Ms. Carol P. Wallace, Director, San Jose Water Group

Mr. Tony Estremera, Board Chair, Valley Water
Mr. Gary Kremen, Board Vice Chair, Valley Water
Mr. Brian Loventhal, City Manager, City of Campbell
Ms. Laurel Prevetti, Town Manager, Town of Los Gatos
Mr. James Lindsay, City Manager, City of Saratoga
Mr. Mike Wasserman, President, Santa Clara County Board of Supervisors

Appendix

		A		B	C	D		E	F
AWWA Report Year	Total Water Supplied (MG)	Non-Revenue Water (MG)	Non-Revenue Water (%)	Real Losses (MG)	Apparent Losses (MG)	Unbilled- Unmetered Water (MG)	Infrastructure Leakage Index (ILI)	A-(B+C+D)	E/B
2007	49,213.321	3,482.439	7.10%	2,535.623	808.523	138.293	2.23	0.000	0.0%
2008	49,030.963	3,430.036	7.00%	2,200.493	1,105.983	123.560	1.92	0.000	0.0%
2009	44,960.983	3,148.950	7.00%	1,819.410	1,232.357	97.183	1.59	0.000	0.0%
2010	42,775.439	2,742.746	6.40%	1,563.052	1,058.064	121.630	1.34	0.000	0.0%
2011	42,885.171	3,204.021	7.50%	2,348.448	735.153	120.420	2.01	0.000	0.0%
2012	45,095.191	2,334.989	5.20%	1,342.193	871.486	121.310	1.16	0.000	0.0%
2013	45,249.386	2,834.861	6.30%	2,154.573	571.317	108.971	1.86	0.000	0.0%
2014	44,174.697	2,694.784	6.10%	1,991.356	593.957	109.471	1.71	0.000	0.0%
2015	35,096.893	2,563.914	7.30%	1,955.541	505.408	102.965	1.68	0.000	0.0%
2016	33,284.906	2,490.573	7.50%	1,984.079	424.897	67.347	1.70	14.250	0.7%
2017	33,394.599	2,706.755	8.10%	2,200.843	432.349	59.211	1.91	14.352	0.7%
2018	36,481.140	2,698.512	7.40%	2,002.480	631.220	46.395	1.45	18.417	0.9%
2019	35,948.488	2,665.336	7.40%	1,947.901	622.406	43.506	1.41	51.523	2.6%
2020	36,312.555	2,738.350	7.50%	1,970.977	628.173	58.268	1.43	80.932	4.1%
Average	40,993.124	2,838.305	7.00%	2,001.212	730.092	94.181	1.67		

Source: Mr. John Tang, Vice President of Regulatory Affairs, San Jose Water Company
 Email February 23, 2023

COLLEEN WINCHESTER
Sr. Deputy City Attorney
Direct Line: (408) 535-1946

May 11, 2021

Hon. Daphne Lee
Administrative Law Judge
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Application of San Jose Water Company A21-01-003

Judge Lee:

The City of San José (City) submits this comment on San José Water Company's application to increase rates for 2022, 2023, and 2024 (Application). San José Water Company (SJWC) is the largest provider of water services to the San José community and the City itself is a large customer. Through this submission, the City conveys its residents' concerns about the proposed rate increases and requests that the California Public Utilities Commission (CPUC) ensure that they are addressed.

I. Background on City Process

City officials and staff routinely receive inquiries and complaints from the public regarding SJWC rates. On March 23, 2021, the City provided a forum for its residents to raise questions regarding SJWC's Application and the ratemaking process. Both SJWC and the CPUC's Public Advocates Office attended the meeting and responded to the issues raised.¹ In addition to those who actively participated in the meeting, residents provided over 196 written comments for consideration. The City requests the CPUC and its Public Advocates Office "obtain the lowest possible rate for service consistent with safe and reliable service levels" consistent with the statutory mandate.

¹ The City provides the transcript of the meeting with this comment letter. In addition, a video of the meeting and public comments are available online at [City Council - Mar 23rd, 2021 \(granicus.com\)](#) (Item 3.3, starting 5:30:33 on video).

II. Opposition to Application

Not unexpectedly, ratepayers uniformly oppose increases. They generally recognize that there are costs associated with clean and safe water, but challenge increased burdens on ratepayers, question whether there are cost saving measures or alternatives, and request a forensic accounting.

In addition to the general concerns about fairness, opposition to rate increase is summarized in four main categories: (1) the pandemic-related burden on ratepayers; (2) rates are too high and the process is not comprehensible; (3) projects should be itemized with end dates; and (4) ratepayers should not bear the costs of the merger with Connecticut Water Company.

A. Pandemic-related burden on ratepayers.

The ongoing pandemic places additional strain on residents who already contend with high increases in water, a necessity. Both the City's Municipal Water System and the wholesale supplier, Valley Water, chose to forego increases effective July 1, 2020 to ease this burden. In contrast, SJWC implemented its full rate increases authorized before the emergency, and now frontloads large increases to become effective on January 1, 2022, eight months from now. The economic recovery will lag the end of immediate health risks posed by the pandemic.

SJWC's initial Application seeks an increase to a typical residential customer (3/4 in. meter using 22 ccf water) of 18.73% in 2022, followed by 3.23% in 2023, and 3.38% in 2024. SJWC subsequently modified its request and now the typical residential customer would bear increases of 9.36% in 2022, 3.80% in 2023, and 4.11% in 2024.

To the consumer, this appears to be a frontloaded increase. SJWC contends that smoothing already exists as the increase is tied to the proposed capital expenditure schedule. The Commission should ensure that SJWC's Application is viewed through the lens of the pandemic and rates fairly adjusted considering the challenges it presented to all customers.

B. Complexity regarding ratemaking process increase.

Ratemaking is a highly specialized process, practically incomprehensible to the ordinary consumer. Even the most diligent ratepayer who is fully engaged in this Application proceeding would not be able to budget for their water-related expense. There will be further increases throughout the three-year period, such as those in balancing accounts or increases in wholesale water costs which are awarded through the Advice Letter process. Further, there will be a cost of capital application, request for funding for alternative meter technology, a pandemic-related financial losses Advice Letter, and two other authorized projects outside of the general rate case. The impact of these

separate proceedings is unknown, and residents struggle to understand why rates continue to climb. The CPUC Fact Sheet for the Public Participation Hearing also does not advise the consumer of additional likely increases. SJWC's website includes a user-friendly, simplified explanation of the rate setting process, but a customer still cannot anticipate (and budget) this necessary expense. All potential rate increases should be summarized and conveyed in a way that makes sense to all members of the community, not just experts in ratemaking. If this is impossible, then ratemaking procedures should be changed.

C. Transparency regarding duration of projects and the requested increase.

In every rate application, SJWC requests increases to support new projects or rehabilitation of pipe. According to SJWC, its asset management and capital project submission is over 6,000 pages. In response to the City's questions about the projects, SJWC provided a list and further agreed to an annual status update. The City understands that the general rate process includes an evaluation of whether projects that were funded with prior increases are itemized, with a status, and anticipated end date. Members of the public should also have easy access to this project list.

D. Costs and Expenses related to the Connecticut Water Acquisition.

SJWC's parent company, San José Water Group, recently acquired Connecticut Water Service, Inc. (CTWS). SJWC agrees that the California ratepayers should not absorb the costs of its parent company's acquisition. It repeatedly promised the Commission and the public that these expenses will not be recouped through SJWC rate increases.² There should be a public reporting of the expenses of the acquisition, including consultant and attorney's fees, the premium for goodwill, executive severance payments, the cost of proxy statements, the increase in debt, and documentation that these costs are not recovered through SJWC rate increases. The Connecticut Public Utilities Authority (CPUA) ordered this accounting in its ratemaking proceedings, so this request should create a minimal burden upon SJWC.³

At the March 23, 2021 City Council meeting, SJWC assured Mayor Liccardo that it invites "a complete and transparent review" of the acquisition of CTWS to ensure that it had no impact on the consumers in California. (Transcript, 69:23 – 70:9.) The City requests that the CPUC accept this invitation and account for the costs of acquisition of Connecticut Water, including the costs and expenses as identified by the CPUA. The CPUC dismissed its Order of Investigation in part upon the grounds that this ratemaking

² See, for example, Joint Reply Comments of SJW Group and San José Water Company on Proposed Decision of ALJ Bemserderfer, CPUC OII I-18-07-007, p. 2 – 3.

³ Application of SJW Group and Connecticut Water Service for Approval of Change of Control, Connecticut Public Utilities Regulatory Authority, Document 19-04-02, Revised Settlement Agreement, Section I (¶¶4-6.)

proceeding would protect the California consumer. The CPUC should now make sure that it does.

III. Conclusion

SJWC is working to regain public trust as shown by its updated website, participation in the City's meeting, and responding to City inquiries. The CPUC process, however, tests SJWC's representations and actions. The City's residents' concerns should be addressed.

Very truly yours,

NORA FRIMANN, City Attorney

By: 

COLLEEN WINCHESTER
Sr. Deputy City Attorney

CDW/vvb
Enclosures:

1. Transcript of March 23, 2021 Council Meeting
2. SJWC's April 2, 2021 Response to Mayor Sam Liccardo's March 23, 2021 Memorandum

BOARD MEMBER REQUESTS and Informational Items

TO: Board of Directors**FROM:** Vincent Gin**SUBJECT:** Delta Conveyance Project Webinars**DATE:** June 11, 2021

The California Department of Water Resources (DWR) recently announced a series of four webinars that will provide information on the Draft Environmental Impact Report (EIR) for the Delta Conveyance Project (DCP). The webinars will take place between July and September and each will feature presentations from technical staff on impact findings for a specific topic area. The areas of focus will be Operations of the State Water Project (SWP) and Delta Conveyance, Fisheries, Climate Change, and Environmental Justice. During each webinar, there will be an opportunity to ask clarifying questions on the material presented. DWR released an announcement on June 10, 2021 with the schedule, registration information, and topic details (Attachment 1).

The DCP EIR is currently in process with a public draft planned to be released in mid-2022 for review and comment. Valley Water is actively involved in DCP planning and is reviewing administrative draft EIR documents as part of a collaborative process prior to the release of the public draft.



Vincent Gin, P.E.
Deputy Operating Officer
Water Supply Division

Attachment 1: DCP Webinar Announcement



June 10, 2021

Delta Conveyance Project to Host Informational Webinars

Schedule and Topics Announced

[Haga clic aquí para ver este aviso en español.](#)

The Department of Water Resources (DWR) is hosting four informational webinars between July and September 2021 to provide background information related to preparation of the Draft Environmental Impact Report (EIR).

While not a requirement of the California Environmental Quality Act, DWR is planning the webinars to keep the public and interested stakeholders informed about the current progress related to preparation of the Draft EIR. Each webinar will feature presentations from technical

staff about the approaches, methodologies and assumptions to be utilized in conducting impact analyses in the Draft EIR. Information about impact findings and specific mitigation measures is not expected to be available but will be included in future outreach efforts following publication of the Draft EIR.

All information and materials related to the webinars can be found [here](#).

Webinar Schedule and Registration Information

- **Operations of the State Water Project and Delta Conveyance**
Wednesday, July 14, 2021 | 6:00pm – 7:30pm
[REGISTER HERE](#)
- **Fisheries**
Tuesday, August 3, 2021 | 6:00pm – 7:30pm
[REGISTER HERE](#)
- **Climate Change**
Wednesday, August 25, 2021 | 6:00pm – 7:30pm
[REGISTER HERE](#)
- **Environmental Justice**
Thursday, September 16, 2021 | 6:00pm – 7:30pm
[REGISTER HERE](#)

Topic Details

- **Operations of the State Water Project and Delta Conveyance**
 - State Water Project (SWP) basics, including how water moves through the Delta and current SWP operations
 - Future challenges and risks to SWP
 - Methods to model operations for Delta Conveyance Project environmental review
 - Interpretation and use of modeling results
 - Water quality requirements and related operational constraints
- **Fisheries**
 - Environmental setting details, including fish species evaluated, migration patterns and fish life cycles
 - Fish screen considerations
 - Models, data and analytical methods being used for evaluating potential impacts
- **Climate Change**

- DWR's overall climate change planning efforts, including the Department's Climate Action Plan
- Purpose of climate change analysis for the Delta Conveyance Project
- Current climate change data
- Approach to climate resiliency evaluation in the Draft EIR
- Climate change and other resource area analytical methods being used for evaluating potential impacts, including for air quality and traffic
- **Environmental Justice**
 - Environmental Justice (EJ) Survey results overview, including lessons learned about EJ outreach in the Delta
 - Environmental Justice evaluation methodology to be included in the Draft EIR, including National Environmental Policy Act methods considered and the use of EJ Survey data

Webinar Format

The webinars will include a presentation and an opportunity to ask clarifying questions regarding the material presented.

The webinars will be conducted using Zoom and can be accessed through the internet or by using your phone. For instructions on how to use Zoom, click [here](#). Closed captioning will also be provided. Meeting material will be available in English and Spanish, and a simultaneous Spanish translation will be offered during each webinar.

Additional information regarding planned webinar topics will be sent out and posted prior to each session, along with the Zoom link and call-in information.

If you cannot attend but are interested in the information covered, the presentation and a video recording of each webinar will be made available. If you have any questions on the content covered before or after each event, please email DeltaConveyance@water.ca.gov.

About the Delta Conveyance Project The proposed Delta Conveyance Project would modernize the water transport infrastructure in the Sacramento-San Joaquin Delta (Delta) by adding new facilities to divert water and upgrading the current conveyance system to also include a tunnel for conveyance. If approved, these updates would ensure climate resiliency and the reliability of the state's largest source of safe, affordable and clean water for 27 million Californians, 750,000 acres of farmland and continued support for local water supply projects such as regional stormwater capture, water conservation, recycled water and groundwater management. The Delta is the center of California's vital water distribution system and a critical link in how water is moved to all parts of the state, however, the infrastructure that moves this water through the Delta is outdated and at risk of failure due to sea level rise or seismic activity. The infrastructure updates proposed as part of the project would give DWR the flexibility to

divert, move and store water, consistent with all regulatory requirements, when it becomes available for use when supplies may otherwise be limited.

The project is currently in the initial planning and permitting phase, including compliance with state and federal environmental review processes and all other required regulatory approvals. Additional project-related information and resources can be found [here](#).



Delta Conveyance Project

CALIFORNIA DEPARTMENT OF WATER RESOURCES
[CONTACT US](#) | WATER.CA.GOV/DELTA CONVEYANCE

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TO: Board of Directors**FROM:** Vincent Gin**SUBJECT:** State Agencies Call for Drought Preparation**DATE:** June 11, 2021

On June 9, 2021 the California Public Utilities Commission (CPUC), State Water Resources Control Board (State Water Board) and California Department of Water Resources (DWR) drafted a joint press release that calls on local and regional water suppliers to increase promotion of conservation efforts and to develop a contingency plan in the case of water supply issues (Attachment 1). This press release comes a day after individual notices were sent out by CPUC and the State Water Board detailing more specific requests to water suppliers.

In its memo, the CPUC encourages investor-owned utilities to remind water customers of ongoing dry conditions, encourage water conservation best practices as learned in the 2012-16 drought, and contact the State Water Board if they have water systems projected to be unable to meet demands (Attachment 2).

The State Water Board sent a notice urging public water utility managers to closely evaluate their water supply, develop a contingency plan to mitigate water supply problems that may be brought on from current and future dry conditions, and encourage voluntary water conservation from customers (Attachment 3). They outline specific actions to include in a water supply evaluation and contingency plan, such as:

- data collection on well and storage tank water levels
- measures like curtailment of non-essential water use
- interconnections to neighboring utilities to share production capacity
- installation of treatment on standby sources with water quality issues
- Mutual Aid and Assistance Program membership for emergency preparedness

With Valley Water's recent declaration of water shortage emergency condition and mandatory reduction in water use, we are actively engaged in drought preparation and well on our way to meeting the steps outlined by the CPUC, State Water Board, and DWR. Valley Water will continue to prepare and plan for current and future drought conditions.



Vincent Gin, P.E.
Deputy Operating Officer
Water Supply Division

Attachment 1: CPUC, State Water Board, and DWR press release

Attachment 2: CPUC memo

Attachment 3: State Water Board notice



FOR IMMEDIATE RELEASE

PRESS RELEASE

Media Contacts:

Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

Jackie Carpenter, 916.508.9563, jackie.carpenter@waterboards.ca.gov

Ryan Endean, 916.798.1701, ryan.endean@water.ca.gov

STATE AGENCIES CALL ON WATER MANAGERS TO PROMOTE WATER CONSERVATION

SACRAMENTO, June 9, 2021 – With California experiencing its second consecutive dry year, the California Public Utilities Commission (CPUC), the State Water Resources Control Board (State Water Board), and the California Department of Water Resources (DWR) called on local and regional water suppliers to increase their conservation efforts, develop a contingency plan in the event of water supply problems, and urge Californians to save water amid ongoing dry conditions.

Sustained preparation and drought planning are critical to meeting the challenges posed by ongoing dry conditions, which have been exacerbated by the effects of climate change. Most of California’s water systems were able to manage drought impacts and maintain the high quality of water delivered to their customers during the last drought by taking actions early.

With widespread drought or near-drought throughout many portions of the state, Governor Gavin Newsom has declared a state of emergency for 41 counties – representing 30 percent of the state’s population – and the state is moving urgently to address acute water supply shortfalls while comprehensively building water resilience.

In response to Governor Newsom’s emergency proclamations, the State Water Board sent [notices to public water utility managers](#) yesterday encouraging water source contingency and conservation planning as we head into summer and face the possibility of another dry year in 2022.

Water systems that project they will face water shortages and be unable to meet demands should contact the appropriate State Water Resources Control Board Division of Drinking Water District Office. For a map of district offices and their contact information, visit waterboards.ca.gov/drinking_water/programs/districts.

DWR is using its [household water supply shortage reporting system](#) and other tools to track where domestic wells are going dry and coordinate response efforts, including urgent financial assistance. DWR and other state agencies are also partnering with local water suppliers to promote conservation tips and messages through the [Save Our Water campaign](#), which remains a trusted information source on using water wisely.

To encourage Californians to reduce water use and conserve supplies, the CPUC is [calling on](#) water utilities under its jurisdiction to remind consumers of water conservation best practices learned from the 2012-16 drought and encouraged water utilities to promote water conservation programs. For additional information about the CPUC's work to prepare for drought, lessons learned from the 2012-16 drought, and information regarding voluntary water conservation efforts, please visit www.cpuc.ca.gov/droughtinfo.

To learn more about current conditions, the state's response, and informational resources, please visit the state's drought preparedness website: <https://waterresilience.ca.gov/drought-preparedness>.

###

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 8, 2021

To: All Investor-Owned Water Utilities

SUBJECT: Ongoing Dry Conditions in California – Preparation for Drought Impacts Statewide

Dear Water Utilities:

With California experiencing its second consecutive dry year and due to the effects of climate change, we are all reminded that drought planning and conservation are a California way of life. Earlier this year, Governor Newsom took actions¹ to respond to drought conditions across California by declaring 41 counties under a drought state of emergency.

On behalf of the CPUC, I call on the investor-owned utilities (IOUs) to remind your water customers of ongoing dry conditions and encourage actions to reduce water usage.

Two years of low precipitation and the most recent snow survey conducted by the Department of Water Resources (DWR) on April 1, 2021, show California's snowpack well below normal, and the continued hydrologic conditions since 2020 are similar to the drought years from 2012 to 2016. We must be prepared if the years to follow are similarly dry. As leaders of water utilities, you should already be fully aware of the continuing dry conditions and may have implemented early measures to address these conditions. I encourage you to build on these early efforts.

To learn more about current conditions, the state's response and informational resources available to the public, please visit the state's drought preparedness website: <https://waterresilience.ca.gov/drought-preparedness/>.

The IOUs are encouraged to remind all Californians under its jurisdictions how to conserve water based on the best practices learned from the 2012-16 drought, including the drought procedures and guidance previously adopted with

¹ <https://www.gov.ca.gov/wp-content/uploads/2021/04/4.21.21-Emergency-Proclamation-1.pdf>
<https://www.gov.ca.gov/wp-content/uploads/2021/05/5.10.2021-Drought-Proclamation.pdf>

Standard Practice U-40² (SP-40). IOUs are also encouraged to promote DWR's Save Our Water Program (<https://saveourwater.com/>) or other water conservation programs.

Water systems that project they will face water shortages and be unable to meet demands should contact the appropriate State Water Resources Control Board, Division of Drinking Water District Office. For a map with contact information, visit

https://www.waterboards.ca.gov/drinking_water/programs/districts/.

For information about what the CPUC is doing to prepare for drought, lessons learned from the 2012-16 drought, and information regarding voluntary water conservation efforts please visit <https://www.cpuc.ca.gov/droughtinfo/>.

Please direct any questions to Terence Shia, Director, Water Division, at Water.Division@cpuc.ca.gov or Water Division, 505 Van Ness Avenue, San Francisco, CA 94102-3298.

Sincerely,



Marybel Batjer, President
California Public Utilities Commission

CC: Commissioner Martha Guzman Aceves
Commissioner Clifford Rechtschaffen
Commissioner Genevieve Shiroma
Commissioner Darcie Houck
Rachel Peterson, Executive Director, CPUC
Terence Shia, Water Division Director, CPUC
Grant Mack, Office of Government Affairs Director, CPUC

²https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Water/Standard_Practice_U40W_2014_wo.pdf

Notice to Public Drinking Water Systems

Ongoing Dry Conditions in California – Prepare for Drought Impacts Statewide

Water Source Contingency and Conservation Planning

June 8th, 2021

With California experiencing its second consecutive dry year, and due to the effects of climate change, we are all reminded that drought planning and conservation are now a California way of life.

The first six months of water year 2021 rank as the fourth driest on record. With warm temperatures and extended dry conditions, melting Sierra Nevada snow is soaking into parched ground rather than running into reservoirs. On some streams, runoff is lower now than during the critically dry year of 2014–15.

These conditions may contribute to reduced yield from your ground and/or surface water supply sources, challenges with water quality, and difficulties in meeting normal system demands resulting in water shortages or low pressure during peak demand periods, such as those that normally occur in the late summer and early fall months.

Sustained preparation and planning are critical. Most of California's water systems were able to manage drought impacts and maintain the high quality of water delivered to their customers during the last drought by taking actions early.

The State Water Resources Control Board urges you to prioritize three actions: 1) closely evaluate your water supply; 2) develop a contingency plan to mitigate any water supply problems that might result from current and future conditions, and 3) encourage your customers to conserve water voluntarily. The following components should be included in your system evaluation and drought contingency plan:

Evaluate Your Water Supply

An accurate determination of the system source capacity, including ground water levels, well yields, well-pumping capacities and pump bowl settings (depth to the pump's intake). The information you collect should include the following:

- a. **Monitor the depth-to-ground-water level in your wells under both pumping and non-pumping conditions:** Depth-to-groundwater is a very good indicator of well capacity. Too often, a well's pumping capacity is used as the sole indicator of pumping conditions with no attention given to ground water depth. As a result, depletion of the ground water table over time may not be apparent. In addition, not monitoring groundwater levels over pump bowls can ruin good pumping equipment if excessive drawdown in the groundwater table allows air to enter the pumping equipment. **If water levels drop below your pump bowl settings, significant damage to pump impellers, bearings and motors is likely to occur. As a result, your system could be without water until a new pump can be installed, and you might encounter significant equipment and labor costs to replace burned-out pumps and motors.**

- b. **Read and record well pumping capacity:** We *strongly* recommend that you read and record your well flow totalizing meter on a regular basis. This can help you monitor usage and identify your degree of water loss or "unaccounted-for-water." Unaccounted-for-water is the difference between the water you produce from your sources and the amount actually delivered to customers.

- c. **Monitor and record the water levels in your system storage tanks during various high-demand periods of the day:** We recommend that you monitor and record the level of the water in your storage tanks at the same time each day, which will help you identify increasing system demand or reduced source capacity conditions that can lead to major supply problems.

- d. **Repair any obvious leaks in your storage tanks and distribution system.** If your distribution system is over 25 years old, consider starting a leak detection program to identify and repair leaks in your distribution system that may not be obvious, particularly unaccounted-for-water losses. Water that is not wasted through unrepaired leaks will be available to customers when needed. It will also save you money, because you will consume less power for pumping water that will ultimately be wasted anyway.

Create a Contingency Plan

To start your drought contingency plan, review your past water use data and anticipate upcoming demand. Then, plan appropriately for anticipated shortages. Minimally, your plan should include:

- a. **Serious water conservation measures that will help mitigate water shortage problems:** If your system has experienced water shortages in prior years, and additional source capacity has not been brought online, it is imperative to begin conservation efforts immediately. Outdoor watering, and other non-essential water use should be curtailed.

- b. **A temporary or permanent interconnection to a neighboring utility that has excess production capacity:** Such interconnections should be discussed with the appropriate [Division of Drinking Water District office](#) before implemented. Arrangements for an interconnection should be made ahead of an emergency, so now is the time to plan one if appropriate.
- c. **Installation of treatment on standby sources that have water quality issues:** If you anticipate that you will need to treat standby sources to maintain drinking water quality standards, begin the planning and permitting process now and install the necessary equipment as soon as possible. Treatment equipment and constructional materials are already in tight supply and may not be available later to cover an emergency installation. Some treatment requires testing before it can come online, and this should be considered in your planning timeline.
- d. **Join a Mutual Aid & Assistance Program:** Belonging to mutual aid associations, such as California Water/Wastewater Agency Response Network (CalWARN), will give you access to information on topics like emergency preparedness, disaster response, and mutual assistance processes for public and private water and wastewater utilities. Benefits include a mutual assistance agreement, process for sharing emergency resources among signatories statewide, and resources to respond and recover more quickly from a disaster or drought.

It is important that even for systems that use groundwater wells that have never experienced an outage, you take steps to verify water table depth and well pump settings as indicated above. If you believe your water system will be facing water shortage problems, we recommend you contact your district office to alert them and work through the steps needed to remain in compliance.

Create awareness that voluntary conservation is critical

Conservation extends existing supplies, helping to ensure California's communities and ecosystems weather this crisis. The State Water Board urges you to work with all customers in your service area to voluntarily reduce:

- a. Watering of outdoor landscapes that causes incidental runoff onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures.
- b. Individuals washing privately-owned cars with a hose, unless they are using a positive action shut-off nozzle.
- c. Applying potable water directly to driveways and sidewalks.
- d. Using potable water in an ornamental fountain or other decorative water feature.

- e. Using water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall.
- f. Serving drinking water that was not requested in eating or drinking establishments.
- g. Irrigating turf on public street medians or publicly owned and/or maintained landscaped areas between the street and sidewalk.

The State Water Board also encourages you to coordinate with:

- a. Hotels and motels to ensure they allow guests to opt out of having towels and linens laundered daily.
- b. Homeowners' associations, community service organizations, or similar entities to ensure they support water-efficient landscaping.

For more information about water supply planning, water conservation, drought-related events, and more, visit the Water Board's new [drought webpages](#). They include a new visualization tool that allows you to explore water system supplies and demands. The [water conservation portal](#) offers water-saving tips and suggested conservation measures, references to policies and laws, and more resources. These pages will be continuously updated so check back regularly.

Thank you for your continued partnership in ensuring Californians have access to high quality water. Together, we can make every drop count.

TO: Director Linda J. LeZotte, District 4

FROM: Rick L. Callender, Esq,
Chief Executive Officer

SUBJECT: Signage Update Cost Estimates

DATE: June 22, 2021

Per your request, this memo lays out the cost estimates for the signs that will be presented to the Valley Water Board of Directors during tonight's Board meeting. All funding for the signage program was included in the budget approved by the Valley Water Board of Directors in Fiscal Years 2020 and 2021.

1. How much will these signs cost?

Below are cost estimates provided by our signage consultant Hunt Design. These are estimates only and actual cost would be requested from local sign fabricators when signs will move from design to implementation stage.

1. Campus Site ID (main entry sign): \$12,500-\$16,500 Elements include:

- 1 location
- Internally illuminated push through letters and Valley Water logo.
- Perforated aluminum panel and internal structure with fabricated metal graphic panels.
- Internal illumination cost and details will be reviewed with a fabricator.

2. Primary Site ID (secondary entry signs, e.g. entry to old Administration building): \$10,500-\$13,500 Elements include:

- 2 to 3 locations
- Internally illuminated push through letters and Valley Water logo.
- Internal illumination cost and details will be reviewed with a fabricator.

3. Headquarters Brick Sign: \$4,450-\$7,740 Elements include:

- 1 location
- Dimensional letters and logo with closed backs securely installed on metal tube support frame.
- Below the logo, the district's full name as dimensional letters will be installed on a panel painted to match the architectural building stucco color to blend in with the HQ entrance environment.

4. Headquarters Boardroom Glass Sign:

- 1 location
- The options on **slide 6** (matching existing sign aesthetic) will cost about **\$2,000** if the existing glass can be repurposed. If the existing glass needs replacement, the slide 6 options will cost about **\$4,000 to \$6,000**.
- The options on **slide 7** where glass is being removed and white paneling and raised letters are being added will cost about **\$5,000 to \$7,000**.
- The options on **slide 9** where white decal letters are installed on new glass or acrylic panel with gradient color will cost about **\$5,000 to \$7,000**.

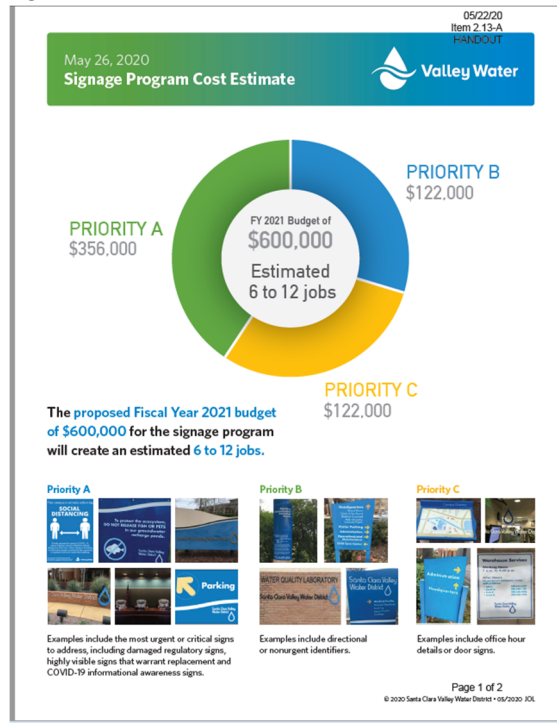
2. Where is funding coming from?

Funding for Valley Water’s Signage Program was approved on May 26, 2020, for Facilities Project No. 60101005. This project is 100% allocated to General Fund, Fund 11. This project goal is to maintain and replace deteriorated Valley Water signs. Funding for this project includes the cost of fabrication of new and replacement of damage Valley Water signage, implementation, and maintenance of campus signage for the years 2020 to 2025.

3. What will the rest of this fund cover?

Per the handout previously provided to the Board on May 26, 2020, regarding this project (see screenshot), this project covers all Valley Water signs and is all inclusive. This includes the following:

- Campus monument signs
- HQ Brick sign
- HQ Glass sign
- Facility signs
- Campus directional signs
- Health and Safety signs
- Campus map kiosk
- Campus notice signs
- Parking signs
- Legacy signs and Creek markers
- Interior signs
- Repair and maintenance, etc.



Rick L. Callender, Esq.
Chief Executive Officer
Valley Water

cc: Board of Directors