



CALIFORNIA URBAN WATER AGENCIES



CMUA-CUWA Water-Energy Policy Principles

October 6, 2014

The following policy principles reflect the shared views of the members of the California Municipal Utilities Association (CMUA) and California Urban Water Agencies (CUWA), which together represent 55 municipal water agencies serving more than 27 million people, or over two-thirds of the population of California.

Policy Principles

- **Commitment to Efficiency and Conservation.** Recognizing the importance of the water-energy nexus and the need for greenhouse gas reductions, our agencies are committed to improving efficiency in water and energy usage, with our agencies and our customers. Our agencies, many in concert with their local energy providers, are working on projects to reduce energy usage from conveyance, treatment, distribution, and customer end uses. A number of our agencies are working toward carbon reduction goals, including carbon neutrality, through programs such as renewable energy development and energy efficiency. As noted in CUWA's Water Supply Reliability Report, our agencies continue to aggressively implement water conservation programs, which also save energy.
- **Need for Flexibility in Developing Sustainable Water Portfolios.** Sustainable water supplies rely on diverse sources, and water agencies rely on flexibility in defining supply portfolios to address local and regional needs. The State of California, in its Bulletin 160 State Water Plan, has for many years endorsed and encouraged water supply diversification, and statewide policies must continue to support that flexibility. California's economy depends on a reliable, high-quality water supply, requiring a mix of sources, which may include groundwater, water reuse, rainwater/stormwater capture, and desalination, as well as more traditional sources like imported water. A diversified portfolio of water supply sources provides resilience and greater flexibility to better position urban utilities for addressing future uncertainties, such as climate change. Water agencies must be able to pursue reliable sources of supply to sustain the communities they serve, while simultaneously implementing water conservation programs. We therefore support and are implementing the state policy to achieve a 20 percent reduction in per capita water use by 2020, while also advancing and protecting our ability to develop, in parallel, other sources of supply needed to ensure reliability and economically viable communities. Our agencies would be concerned with any effort or attempt to establish statewide prioritization or preferentially identified water supplies. For example, a "loading order" as used in the energy sector would undermine the critical portfolio flexibility needed in the water sector, especially if such an order would depend solely upon embedded energy in the water source.

- **Distinction of Water from Energy.** The water sector is unique, differing in many ways from the energy sector. Energy-sector business practices would need a rigorous review and evaluation to determine if they are applicable to the water sector.
 - The water sector requires more site-specific, geographically based solutions to address factors such as water quality, reliability, infrastructure, and operations.
 - There are inherent factors specific to water that determine which source options may be the best available, including water rights, cost and rate impacts, environmental regulations, water treatment, distribution system, water pressure requirements, and reduced allocations during drought periods.
 - Electricity can be generated to meet demands, whereas water delivery is directly dependent upon the available source.
 - Unlike the energy sector which is exempt, Proposition 218 cost-of-service requirements present a unique set of financial constraints for the water sector, including the prohibition on charging one group of water ratepayers differently than another group of water users.
- **Focus on End Use. Funding, resources, and regulatory programs directed at customer end uses are needed to reduce energy demand associated with water.** California Energy Commission (CEC) data and reports have shown that most of California’s water-related energy demand is associated with customer end uses (i.e., in-home, business, and farm uses). Our agencies are already investing in multiple financial incentive programs and encouraging customer conservation and efficiency in their water use, which results in energy savings. Greater improvements could be gained with additional State funding to supplement existing utility investments to produce end-use water-energy reductions.
- **Commitment to Performance Oriented Programs.** CUWA and CMUA support performance oriented programs that can be implemented effectively by our member agencies while achieving the desired outcome of water and energy savings. While it is important to have established objectives and goals for water and energy efficiency programs, it is equally important to avoid any unrealistic barriers or mandates that make compliance and success difficult or infeasible.
- **Optimization of Creative Partnerships.** Expanded partnerships between public and private water and energy utilities will achieve greater water-energy savings. Many of our member agencies have been working with investor- and community-owned energy utilities, some for more than 20 years, to develop joint water-energy efficiency programs that provide community-wide water and energy savings. These programs provide associated energy savings that could be increased with expanded cost-effective incentive and credit programs. Building on early successes and progress to date, partnerships can leverage collective knowledge, enable cost-sharing, and increase funding. Funding, resources, and regulatory programs that encourage inventive, innovative, and creative local approaches will enable greater technological possibilities.
- **Public Funding to Produce Public Benefits.** CUWA and CMUA support public funding to achieve public water-energy benefits. Consistent with CUWA/CMUA Reliable Water Financing Policy Principles, funding the public benefits of a given project or program is best accomplished with public money, whether from bonds, the State’s General Fund, or federal appropriation. CUWA and CMUA encourage investment of cap-and-trade revenues in water-energy efficiency efforts. Other proposals, such as a public goods charge on water use, unfairly single out water users to finance

benefits that accrue to the broader public. Our agencies support building on the momentum of State funding for water-energy conservation projects and programs, including funding for greenhouse gas reductions (e.g., the Governor's drought package and cap and trade funds).

- **Flexible Guidance to Enable Better Data Sharing. Data and information need to be shared to advance efficiency in the water-energy nexus, and coordinated for consistency in reporting.** Data and information are important for demonstrating the efficacy of water-energy conservation measures. Regional data collection tools and templates, including methods for logical estimations, are needed to enable reasonable consistency in data sharing while providing flexibility to meet local needs and program budgets. The level of effort and rigor for data collection should be balanced with the benefit derived to enable agencies to focus on results-oriented outcomes. Data collection efforts should be voluntary and complementary to other related efforts to avoid redundancy.
- **Comprehensive Solutions. Water-energy efforts need to align across the energy, water, and wastewater sector regulatory environment and programs to avoid conflicting mandates, duplicative requirements, and unintended consequences.** Cumulative economic impacts of regulatory requirements must also be considered. Our agencies support holistic policy solutions that advance sustainable, comprehensive, cohesive, and science-based approaches to the water-energy nexus. We are committed to coordinating with State agencies, non-profit organizations, and other stakeholders to provide leadership in promoting water-energy efficiency. We recognize that water delivery depends on reliable electric power and that power generation requires a reliable water supply.
- **Consideration of the Full Water Cycle. CUWA and CMUA encourage development of water-energy initiatives that address the full water cycle, including water reclamation and reuse, as well as water supply.** Wastewater reclamation presents an opportunity for further water-energy savings, through optimization, use of more energy-efficient technologies, resource recovery, reuse, and renewable energy generation.