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Mr. Lester A. Snow, Executive Director
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Draft Preferred Program Alternative

Dear Lester:

This letter presents the recommendations of the WaterReuse Association of California on the water use efficiency element of the draft Preferred Program Alternative.

The water use efficiency element focuses on formulation of policies which support implementation of efficiency measures at the local and regional level. The Stage 1 Implementation Plan identifies two roles for the CALFED agencies in promoting water use efficiency:

1. Offer support and incentives through expanded programs to provide planning, technical, and financial assistance; and
2. Provide assurances that cost-effective efficiency measures are implemented.

Further definition to these roles requires CALFED answer two questions:

1. What is the optimum combination of incentives and assurances to encourage regional and local agencies and individual water users to act on water recycling opportunities?
2. What is the potential for water recycling to help achieve water supply augmentation, reliability, water quality and ecosystem health objectives of the CALFED program and what is the value of these benefits?

In the absence a detailed analysis of these questions, we have drawn upon recent experience to develop recommendations regarding a potential role for the CALFED agencies to promote water recycling in the Stage 1 Program.

1. Planning and Technical Assistance

It is reasonable to anticipate that the Stage 1 Implementation Plan could increase the amount of water recycling statewide by 35,000 acre-feet per year in each of the first seven years of the program. Anticipated support needed from the state and federal agencies to achieve a 245,000 acre-foot increase in recycling in Stage 1 is as follows:

RECYCLING WATER TO MEET CALIFORNIA'S NEEDS

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a. State Water Resources Control Board

Provide five to six staff positions to administer financing programs, provide planning and technical assistance, assist with public education and implement water recycling laws and regulations. Provide \$1.0 million per year to support basic and applied research and development that would ensure a high degree of public confidence water recycling.

b. California Regional Water Quality Control Boards

Provide one to two staff positions at the San Francisco, Central Valley, Los Angeles, Santa Ana and San Diego Regional Water Quality Control Boards (RWQCB) to administer water recycling laws and regulations, process permits, administer pollutant trading programs and address basin planning issues related to water recycling.

c. California Department of Health Services

Provide five to six PYs to administer water recycling laws and regulations and assist with public education.

d. California Department of Water Resources

Provide five to six PYs to provide planning and technical assistance and assist with public education.

e. U.S. Bureau of Reclamation

Provide five to six PYs to administer financing programs, provide planning and technical assistance and assist with public education.

f. U.S. Environmental Protection Agency

Provide three to four PYs to administer financing programs, provide planning and technical assistance, assist RWQCBs with implementation of pollutant trading programs and assist with public education. Provide \$1.0 million per year to support basic and applied research and development that would ensure a high degree of public confidence water recycling.

1. Financial Assistance

At an implementation rate of 35,000 acre-feet per year, the annual cost for design and construction of the water recycling facilities during Stage 1 would be \$280,000,000 (\$8,000.00 per acre-foot of installed capacity). Maintaining this level of implementation will require substantial financial commitments from CALFED agencies, regional agencies and local agencies. Recent experience suggests the following cost-sharing arrangement would support implementation of 245,000 acre-feet of recycled water development in Stage 1:

- a. Federal Agencies – 12.5% (\$35 million per year).
- b. State Agencies – 12.5% (35 million per year).
- c. Regional Agencies – 25% (70 million per year).
- d. Local Agencies – 50% (140 million per year).

1. Assurances

Actions and mechanisms to assure that cost-effective recycling opportunities are implemented could include:

- a. Adopt water recycling targets for Stage 1 implementation commensurate with the level of support CALFED and the CALFED agencies are able to commit to this effort;
- b. Allocate responsibility for development of the targeted yield among the local and regional agencies on the basis of wastewater flows generated within the agency's service area;
- c. Provide reduced cost or preferential access to CALFED benefits for local and regional water suppliers that meet or exceed their water recycling targets; and
- d. Periodically review progress and be prepared to make adjustments in support functions and water recycling targets as necessary.

1. Institutional and Regulatory Issues

CALFED can effectively promote the removal of institutional and regulatory hurdles facing water recycling projects. For example:

a. Wholesale Water Supply Contracts

Under its draft M&I Water Shortage Policy, the United States Bureau of Reclamation (USBR) proposes to operate the CVP to provide two minimum levels of reliability for M&I customers. One level will show the minimum level of reliability to be 75 percent of historic use adjusted for growth and adjusted for quantities of water associated with the implementation of any extraordinary water conservation action and/or practice. The second level will reflect a level of service adequate to maintain basis public health and safety needs during a catastrophic water supply emergency. The potential for regular water supply shortages of up to 25 percent has stimulated interest among the urban CVP contractors in enhancing water supply reliability. However, under the proposed shortage allocation policy, recycled water supplies that permanently replace CVP deliveries would not result in meaningful improvements in water reliability. Under the shortage allocation formula, a CVP contractor that develops recycled water as a hedge against future cutbacks in CVP deliveries receives only a marginal improvement in supply reliability (one out of every four acre-feet of the recycled water supply actually lessens the impacts of CVP supply reductions). USBR should amend its M&I Water Shortage Policy so not to penalize the

CVP contractor that develops the recycled water. Additionally, CALFED should encourage regional water suppliers to remove contractual barriers to water recycling.

b. Pollutant Trading

CALFED could promote pollutant trading as an effective public policy to encourage both environmental enhancement and water recycling. Through pollutant trading, an NPDES permit holder would be able to secure less stringent effluent limitations than water quality-based effluent limitations by providing funding; or arranging for the implementation of control measures for another source (or sources) of specific pollutants in the vicinity of its discharge. Under this process, the permit holder would receive credit for all or a portion of the mass load reduction realized by such alternative control actions. That credit would be taken into account in the establishment of permit limits for those pollutants for the implementing permit holder. Pollutant trading would not replace current or future regulations, but it could provide an innovative means of compliance. It offers the CALFED agencies a way to promote water recycling as a partial solution to water quality problems within the Bay-Delta system. Pollutant trading offers a number of potential benefits to CALFED:

- 1) Establish a market for innovative environmental management strategies;
- 2) Create an incentive for point and nonpoint source dischargers to participate in cost-effective water quality management programs;
- 3) Promote water recycling as a competitive pollution control strategy;
- 4) Create an economic incentive for dischargers to work together to achieve a regional solution to water quality problems;
- 5) Achieve equal or greater reduction of pollution while reducing the overall cost of addressing water quality problems; and
- 6) Encourage holistic solutions for addressing water supply and environmental management needs.

c. Conflict Between State and Federal Regulations

Conflicting federal, state and local policies and regulations can deter proponents of new uses of recycled water. It is not uncommon for a water recycling project that is in full compliance with state laws and regulations to run into conflicts with the federal or local regulations. For example, Title 22 Water Recycling Criteria authorizes the use of recycled water in the manufacturing of cardboard containers used to hold food products. However, federal food safety inspectors have opined that cardboard boxes manufactured with recycled water are unsuitable containers for food products. CALFED could promote consistent, coordinated regulation of water recycling and facilitate the intergovernmental partnerships that are imperative to a successful water recycling program.

1. Water Quality

Successful water recycling requires source water of reasonably low total dissolved solids (TDS) content. Without the benefit of low TDS Delta supplies to blend with high TDS supplies such as the Colorado River, local agencies are unable to affordably meet customer expectations and compliance with RWQCB discharge requirements becomes problematic. CALFED has the opportunity to address water quality concerns by pursuing strategies to ensure low TDS Delta exports.

2. Education

Local project sponsors are regularly called upon to defend the need for water recycling. CALFED and the CALFED agencies could improve the understanding and acceptance of water recycling through their individual and collective public outreach efforts.

3. Coordination

We support formation of a recycled water advisory committee (consisting of CALFED agencies and other stakeholders) to coordinate development of a detailed water recycling implementation plan.

The WaterReuse Association appreciates the opportunity to comment on the draft Preferred Program Alternative and we welcome the opportunity to work with the CALFED and the CALFED agencies to identify the optimum combination of incentives and assurances to effectively promote water recycling. Please feel free to call me at (619) 523-4661 if you have any questions regarding these recommendations.

Sincerely,



Peter MacLaggan
Executive Director

cc: Byron Buck, CUWA
Deborah Braver, Bay Area Regional Water Recycling Program
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