



**CALIFORNIA WATER SERVICE GROUP**  
CALIFORNIA WATER SERVICE COMPANY • CWS UTILITY SERVICES  
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February 25, 1999

Tom Gohring  
CALFED Bay-Delta Program  
1416 Ninth Street, Suite 1155  
Sacramento, CA 95814

RE: Comments concerning "Stakeholder Proposals for Certification of Compliance with the Urban MOU"

Dear Mr. Gohring:

California Water Service Group is a holding company that, through its two operating subsidiaries, the California Water Service Company (Cal Water) and CWS Utility Services (a utility services provider) serves 1.5 million people in 58 communities in California through nearly 420,000 connections. Regulated by the California Public Utilities Commission, Cal Water's service area is composed of 20 distinct and separate operating systems (districts) located in the Sacramento and San Joaquin Valleys; the San Francisco Bay Area; Monterey County; and Southern California. Cal Water's sources of supply are comprised of local groundwater, reservoirs or water purchased from wholesale water agencies.

Having reviewed the two proposals on Urban Water Use Efficiency Certification, we would like to offer our views on some of the key components.

First and most important, it is our understanding that there has been some debate as to whether private water utilities would have equal access to CALFED funding for the implementation of Best Management Practices (BMPs). Needless to say, unless we are exempted from the penalties associated with non-compliance, it would be inequitable to exclude us from the incentives associated with complying with the program.

What's more, because private utilities are regulated by the California Public Utilities Commission (CPUC), it is absolutely critical that the CPUC acknowledges the importance of the CALFED Bay-Delta Program and supports our efforts to implement BMPs and meet the reporting requirements necessary to receive certification. Regulated water utilities have made efforts to keep the CPUC informed of CALFED's process. However, direct communication between the CPUC and CALFED is required in order to facilitate compliance with any CALFED mandates.

As to the provisions in the two proposals, and specifically their differences, we take the following positions:

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We agree with the Kern County Water Agency/Bear Valley CSD (KCWA/BVCSD) that certification should not be denied due to values assigned to environmental costs/benefits in cost/benefit analysis exemptions. Until we are provided with definitive values for environmental costs and benefits, we should not be denied certification on the basis of good faith efforts to estimate such values.

We also take the KCWA/BVCSD position that variances on BMP implementation resulting from the "at least as effective as" standard should be communicated in writing to the California Urban Water Conservation Council (CUWCC) prior to implementation. We oppose the California Urban Water Agencies/Environmental Water Caucus (CUWA/EWC) position that approval of the CUWCC should be required prior to implementation.

On the issue of conditional and suspended compliance, we prefer the CUWA/EWC model, which sets specific time frames for each phase. Having a well-defined process clarifies expectations and leaves less to the discretion of the CUWCC.

As for the formation of a review team responsible for making certification decisions, we favor KCWA/BVCSD's second option. It calls for the creation of a nine-member certification committee made up of three Group 1 and three Group 2 representatives elected by the CUWCC Plenary, and three members-at-large elected by the six team members from Group 1 and Group 2. Certification would require a simple majority vote. Leaving review team appointments to the State, as the CUWA/EWC proposal describes, will unnecessarily politicize the process to the detriment of its success.

In the case of requirements of first-tier wholesalers, we cannot completely favor either proposal. It would seem that an option somewhere between the two would be preferable. If water-based sanctions are to be imposed on direct users of Bay-Delta water, including wholesale water suppliers, it would be in the best interest of these agencies to reach an agreement with retailers to ensure participation necessary to ensure regional compliance. How this is determined should be left to the retailers and wholesalers. The options outlined in the CUWA/EWC proposal should only be used as a guideline.

Lastly, we agree very strongly with the KCWA/BVCSD that only water suppliers subject to a non-compliance finding should have the right to appeal a certification decision. Any party will have the opportunity to provide input on a given water supplier's application for certification, since the process is a public one. But if a water supplier takes on the considerable effort of meeting requirements for certification, and receives that certification from a balanced review team like that described above, it would be offensive and unnecessary to have that certification questioned by a third party.

Thank you for your consideration of our input. We have always taken an active role in promoting water conservation, and we understand the importance of conservation



CALIFORNIA WATER SERVICE GROUP

in the overall effort to solve the problems of the Bay-Delta. CALFED's work is critically important to all Californians, and we appreciate the enormity of the task you and your colleagues have undertaken.

Sincerely,

*Peter C. Nelson*

Peter C. Nelson  
President and Chief Executive Officer