



# Decoupling, Water Conservation, & Affordability

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# Overview of Cal Water



- Largest water utility regulated by the CPUC
- Second largest water utility in California
- Serve approximately 2 million Californians

# Cal Water's Approach to Rates



**Affordability**

**Safe Drinking Water &  
Reliable Infrastructure**

**Water Conservation  
& Sustainability**

Quality. Service. Value.®

# CPUC Proposal to Eliminate Decoupling



A well-intentioned but unsound proposal by the California Public Utilities Commission (CPUC) would implement complicated and deeply flawed changes to the way water rates are calculated for millions of residents served by four water providers in the state. This rushed proposal would backtrack on our state's water conservation progress and increase water rates for millions.

# Concerns



There are very legitimate questions and concerns regarding decoupling that need to be addressed, not the least of which is how utilities communicate about rates to customers. Eliminating decoupling, though, is not the best alternative and is likely to:

- Hurt water conservation efforts by rewarding customers who use the most water, driving up medium- and long-term costs.
- Increase monthly water bills for the vast majority of customers and sharply increase them for customers enrolled in LIRA who use the least amount of water.

# What Role Does Cal Water Play in Promoting Water Conservation?



From 2010 – 2019, Cal Water’s conservation initiatives included:



- More than 92,000 high-efficiency toilets
  - More than 47,000 were installed as part of the Bathroom Fixture Replacement Program
  - More than 21,000 were delivered directly to customers



- More than 21,000 rebates for high-efficiency clothes washers



- More than 4,900 smart irrigation controllers
  - More than 4,300 were purchased by customers who were then provided a rebate
  - More than 500 were installed as part of the Smart Irrigation Controller Direct Installation Program, which was launched in 2019



- More than 410,000 high-efficiency sprinkler nozzles and 165,000 spray bodies with pressure regulation



- More than 36,000 conservation kits with high-efficiency plumbing fixtures

# Proven Water Savings



- In the period before the drought, water providers with the conservation rate structure achieved 29% more water savings than providers that did not have the conservation rate structure.
- This difference in conservation amounts to about 7.9 billion gallons of water, enough to meet the needs of approximately 90,000 homes in California for an entire year.

# What Role Is Decoupling Meant to Play in Support of Water Conservation?



Consequently, utilities and their regulators are increasingly looking to a rate mechanism known as "decoupling" to remove the disincentive for utilities to cut energy use . . . [D]ecoupling elevates efficiency up the ladder of utility priorities . . . Rate mechanisms – such as decoupling – are more critical than ever to square utility interests with state and federal energy and environmental policies . . .



While there are short-term revenue impacts to consider, water efficiency keeps costs down for the utility and the ratepayer in the long-term. Efficiency helps to reduce or even eliminate the need for additional infrastructure and treatment capacity to meet growing demand and helps to keep rates lower than they might otherwise be if conservation were not undertaken.



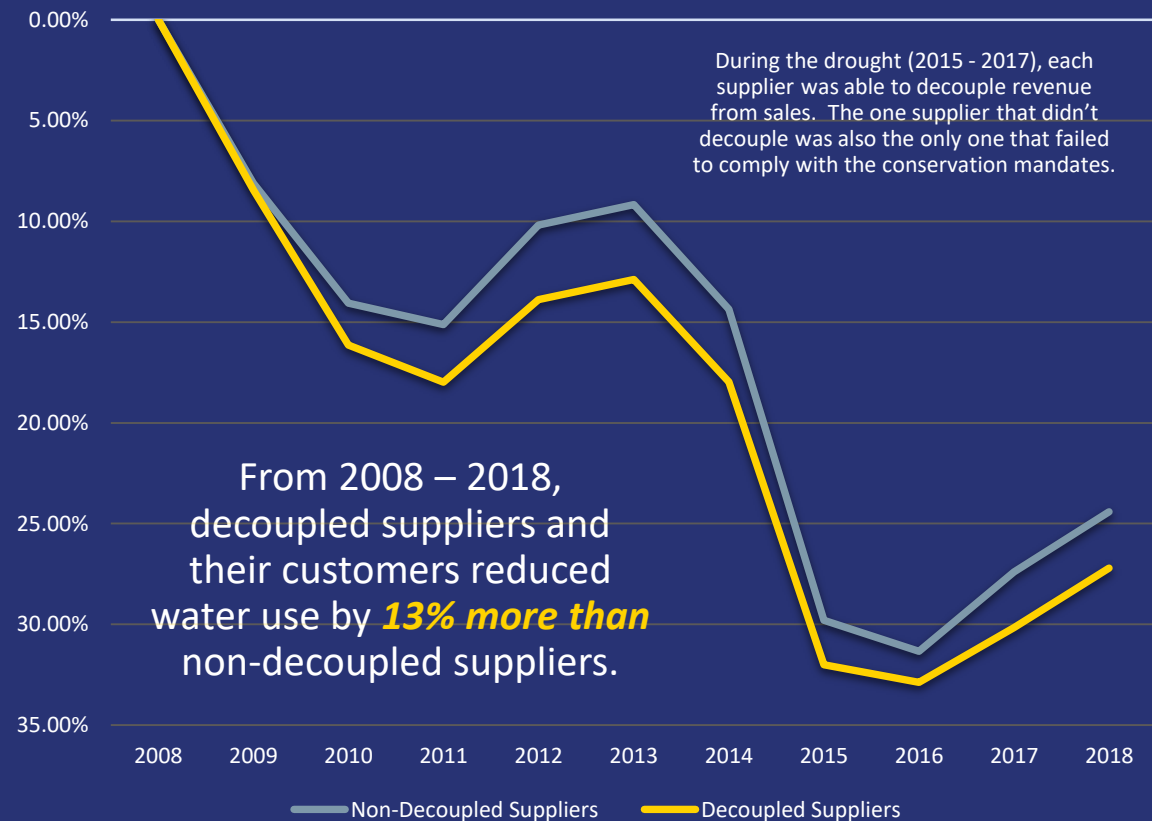


# Decoupled Suppliers Achieved More Significant Water Conservation



- Decoupled suppliers have consistently maintained **greater cumulative reductions** in water use than those that are not decoupled.
- Prior to the drought, decoupled suppliers achieved **29% more water savings** than non-decoupled suppliers.

### Cumulative Reduction in Water Use per Customer



# Customers Financially Benefit from Conservation



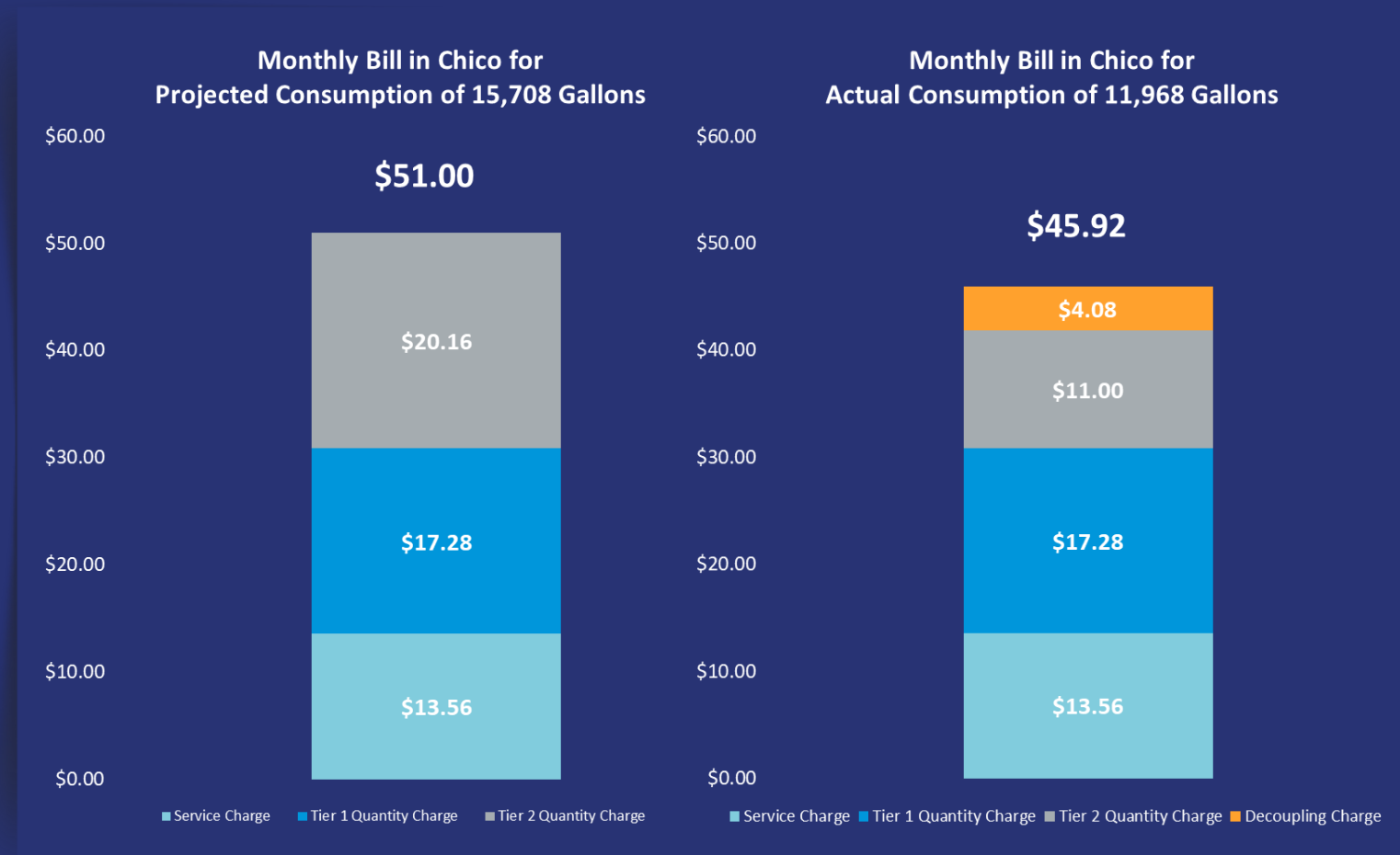
- A preliminary analysis of Cal Water data confirms that water conservation efforts result in real reductions in operating costs, resulting in **lower monthly bills for customers**.
- A growing body of research concludes that **conservation reduces customer bills**, including reductions of 27% for LADWP customers and 47% in Westminster, Colorado.

Estimated Economic Benefit of Water Efficiency from 2010 - 2019		
Service Area	Avoided Cost	Customer Bill Reduction
Bakersfield	\$25.9 million	3.2%
Chico	\$8.6 million	3.4%
Selma	\$3.5 million	6.0%
East Los Angeles	\$88.9 million	19.9%
South San Francisco	\$41.3 million	15.0%

# Bills Decrease when Customers Reduce Water Consumption



Even when temporary charges are implemented to true up the difference between projected and actual sales, customers who conserve **see their monthly bills decrease.**



# How Much Do WRAM Surcharges Impact Customer Bills?



Customer-level monthly billing data from 2019:

- Median monthly decoupling charge for single-family residential customers was **\$2.47**.
- Median total monthly bill for all single-family residential customers was **\$53.58**.



# Can the Challenges of Decoupling be Addressed without Losing its Benefits?



There are a number of alternatives to eliminating decoupling that could address its shortcomings without sacrificing its benefits. These types of alternatives should be analyzed before backtracking on such an important tool.

- Including decoupling charges and credits in base rates so that the customers with the lowest water use benefit the most.
- Excluding the lowest tier of consumption from decoupling charges.
- Excluding LIRA customers from decoupling charges.
- Pre-approval of specified drought / water shortage contingency rate methodologies.



# Thank you!!