



San Diego County Water Authority

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November 29, 2010

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OTHER REPRESENTATIVE

County of San Diego

Carolyn Schaffer
Associate Resource Specialist
Metropolitan Water District
700 N. Alameda Street
Los Angeles, CA 90012

RE: Metropolitan's Draft Long Term Conservation Plan

Dear Ms. Schaffer:

Thank you for the opportunity to provide comments on Metropolitan's Draft Long Term Conservation Plan. The Water Authority's comments are attached.

I look forward to discussing these comments and those of the other Metropolitan member agencies at the meeting on Wednesday, December 1, 2010.

Sincerely,

William J. Rose
Water Conservation Program Executive

WJR:tp
Enclosure: Long Term Conservation Plan Comments
cc: Amy Chen, MWD Program Chief

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A public agency providing a safe and reliable water supply to the San Diego region

Summary Comments on MWD's Long Term Conservation Program (LTCP)¹

The LTCP must recognize that conservation is a core supply

- The LTCP should clearly state that the *20% water use efficiency target is a core water supply* and not part of the “uncertainty buffer.” MWD should also reduce its target of alternative water supplies to be developed by the amount of water included in the water use efficiency target.
- The LTCP should reflect that retail agencies have choices of compliance options to meet the 20x2020 requirements. After taking into account the cumulative conservation of the retail agencies within its service territory, *MWD should develop additional “water use efficiency” supplies as part of core water supplies.* The cost of these supplies should be competitive with the avoided cost of alternative water supplies available to be developed by MWD. As a *supplemental, wholesale water supplier* – and particularly in the current high rate environment – MWD must develop lower cost supplies first.

Metropolitan's wholesale conservation programs should be grounded on a requirement that each retail agency pay for its own state-mandated 20 x 2020 compliance

- The LTCP should account for the 20x2020 compliance target as determined by the member agency, or by the retail subagencies served by the member agency. The MWD target cannot be established until the retail agencies have selected their respective compliance targets and methodologies. MWD should make it clear that retail agency compliance with statutory requirements is the foundation of the LTCP.
- The LTCP should provide a *structure to integrate retail compliance with 20x2020 requirements and allow for trading of conservation credits.* MWD should not pay subsidies to retail agencies to meet compliance requirements. MWD can facilitate retail compliance by creating a structure to allow for voluntary trading of conservation credits among member agencies.
- *MWD's LTCP as drafted encourages free riders and creates disincentives to water conservation in Southern California.* Wholesale pricing that understates the true cost of water sends a contrary price signal and obstructs market transformation at the retail level
- *MWD must determine whether it has authority to grant subsidies.* Before adopting the LTCP, MWD must evaluate its legal authority to pay subsidies to member agencies or retail sub-agencies to pay for 20x2020 compliance. This analysis is

¹ This Summary is intended to provide general comments and recommendations on the LTCP rather than respond in detail to the most recent draft. It is difficult to provide meaningful comments on the draft due to the draft's failure to define key terms or distinguish between conservation mechanisms that have widely differing costs and implementation features.

particularly important because of the recent passage of Proposition 26 by California voters.

- *Retail agencies are in the best position to implement market transformation.* Consumer conservation measures are imposed and implemented at the retail level. MWD can support implementation at the local level by working with industry groups and statewide retail suppliers like Home Depot and Rainbird. But MWD does not have the authority to regulate conservation at the retail level, and retail agencies need to have maximum flexibility as conservation programs make short term water use reductions more challenging.

Measurement and verification are essential components of conservation

- Sound conservation programs require *measurement and verification of conservation savings*. Measurement of water conservation solely by reference to average per capita water use throughout the MWD service territory as proposed by the LTCP is an insufficient foundation to support the expenditure of regional dollars and does not recognize the legal obligation all retail agencies have under current state law.
- MWD must implement a *system to account for MWD water supplies* that are available to each of its member agencies in order to have a baseline against which to measure conservation. MWD's *water supply allocation plan* should accommodate voluntary trading among member agencies.

MWD must send correct pricing signals in order to lay the foundation for conservation

- Price to the end user is a significant factor affecting conservation – *as the price of water goes up many consumers will choose to use less*. Significant research on retail price elasticity has already established this premise. MWD must *reform its wholesale rate structure* to send correct pricing signals to its member agencies to develop local supplies or increase conservation efforts. Wholesale pricing is an important component of market transformation at the retail level.
- MWD should *eliminate subsidies* for water conservation. Instead, MWD should *create and manage a "grid" through which retail conservation can be valued and traded*. This is a more appropriate and productive role for MWD and truly represents something it has the unique ability to do as a regional agency serving all of Southern California

MWD must rewrite the LTCP to define key terms and distinguish conservation options

- The LTCP must *define key terms and distinguish various conservation approaches* in order to assess which programs are better implemented by MWD at the wholesale level and which programs are better implemented at the retail level. As drafted, the LTCP does not distinguish regulations, subsidies, devices and full scale water reclamation projects, even though these various methods of conservation have

dramatically different costs and implementation considerations at the wholesale and retail level.

- In its current form the LTCP essentially says that MWD will make the conservation plan up as it goes along and essentially do “more” of what it has been doing in the past. This approach fails to grapple with problems of the past or provide creative leadership for the future of California water supply planning and management.