

Ratepayer Perspectives on the Facilitation
of Public Private Partnerships
by the California Public Utilities Commission



Current Initiatives

- Water – Energy Nexus
- Recycled Water Partnerships
- Affiliate / Excess Capacity





Water – Energy Nexus

“To Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Sector to Promote Water-Energy Nexus Programs”

- 2013 Rulemaking Opened by CPUC (R.13-12-011)
- Explore conservation partnerships (Public and Private)
- Develop cost-effectiveness tools and allocation strategies
- ORA’s goal is to facilitate voluntary, cost-effective partnerships between Energy IOUs and Water Entities





Water – Energy Nexus

- Policy goals of the Rulemaking:
 - Develops calculator for estimating costs and benefits to Energy IOUs and Water Entities for partnership projects
 - Develops methodology to assess cost effectiveness of partnership projects
 - Develops CPUC policy for cost allocation of water-energy partnership projects
 - Addresses barriers to partnerships



Water-Energy Nexus Partnerships

- **Water/Energy Nexus** – The interdependent relationship between water and energy resources.
 - The treatment, heating, and conveyance of water is one of California’s largest uses of energy
 - Approximately 19% of total electric and 30% of natural gas use in CA is used to transport and treat water, treat and dispose of wastewater, and heat and consume water.¹
 - Water is also used to generate energy
 - Saving water saves energy, and saving energy saves water

¹ “California's Water-Energy Relationship”, California Energy Commission, 2005, Appendix B





Why Partner?

- Benefits may not outweigh the costs for either water or energy ratepayers alone.
 - However, the combined benefits can outweigh the total costs.
- Partnerships allow water and energy ratepayers to realize benefits from a project that would not otherwise be cost effective.
- Hypothetical Simplistic Example: Total Project Cost = \$1 Million

Ratepayers	Benefits	Benefit-Cost Ratio w/o Partnership	Costs with Partnership	Benefit-Cost Ratio with Partnership
Energy	\$750K	0.75 to 1	\$500K	1.5 to 1
Water	\$750K	0.75 to 1	\$500K	1.5 to 1





Current Water-Energy Partnership Projects

- Customer rebate programs - clothes washers, shower heads, sprinkler heads, etc.
- Water leak detection programs
- Joint customer outreach programs
- Comprehensive energy audits of water facilities



Recycled Water Programs

“Developing Comprehensive Policy Framework and Minimum Project Criteria Requirements For Recycled Water Projects”

- CPUC Final Decision August 2014 (D.14-08-058)
- Facilitate and/or incentivize the use of cost-effective recycled water where it is or can be made available
- Reduce or eliminate barriers to collaboration between public agency and investor-owned wholesale and retail recycled water purveyors
- Establish CPUC guiding principles for rates, allowing “cost-shifting” when benefits accrue to potable water customers.



Recycled Water Programs

- State Water Resources Control Board (SWRCB) recycled water policy goal:
 - increasing California's use of recycled water by at least one million acre-feet per year (AFY) by 2020 and
 - by at least two million AFY by 2030.
- The SWRCB's policy goals also include substituting as much recycled water for potable water as possible by 2030.
- In 2013, there were six CPUC regulated water utilities providing tariffed recycled water service to their customers.
- 2013 total recycled water was 11,996 Acre Feet (AF) compared to 783,248 AF of potable water produced.
- Recycled water for regulated IOUs was about 1.5% of total potable water supply.



Recycled Water Programs

- The Decision provides additional flexibility and accommodation for Recycled Water Projects and CPUC review with the following required information:
 - **Tier 3 Advice Letter Filings:** If revenue impact is less than 5% utilities' revenue requirement.
 - **Cost-Benefit Analysis:** Demonstration of prudence for each project, using comparative analysis to consider all costs and benefits for customers in the project service area.
 - **Environmental Review:** Projects must be exempt from review under NEPA or CEQA (lead agency may have certified).
 - **Direct Potable Reuse:** Projects must not require direct potable water reuse.





Affiliate Transactions / Excess Capacity

“Adopting Standard Rules and Procedures Governing Affiliate Transactions and the use of Regulated Assets For Non-tariffed Utility Services”

- CPUC Final Decision October 2010 (D.10-10-019)
- “There are appropriate uses of excess capacity or slack resources which can benefit the utility...and ratepayer”
- Methodology for Water IOUs to allocate revenue from non-tariffed utility services between ratepayers and shareholders depending upon whether the service is active or passive

