Huff, Gwen

From: Osann, Ed [eosann@nrdc.org]
Sent: Wednesday, September 22, 2010 5:56 PM
To: Water Use Efficiency
Cc: cchorneau@ccp.csus.edu; Ronnie Cohen; Obegi, Doug
Subject: NRDC Comments on U5 Process Water Regulations
Attachments: DWR U5 -- Straw Recommendation for Process Water.docx

Attached please find the comments of the Natural Resources Defense Council regarding the draft process water exclusion regulation discussed by the Urban Stakeholders Committee U5 Work Group meeting on September 16 in San Diego. Rather than submit a detailed critique of the staff's Sept. 14 draft regulation, the attached straw proposal offers a revised approach to the key issue of water supplier eligibility for process water exclusion.

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Straw Recommendation for Urban Stakeholders Committee – Project U5 – Process Water Exclusion

The purpose of this straw proposal is to provide a straightforward test for both DWR and an urban retail water supplier with a substantial percentage of industrial water use in its service area to use to determine its eligibility to exclude industrial process water (which is shielded by statute from local requirements to reduce water use) from its calculation of gross water use in order to avoid a disproportionate burden on another customer sector.

DWR staff has found the common usage of the term "substantial percentage" to mean 20% or more. However, the key consideration in assessing "disproportionate burden" is to determine <u>how much the gpcd water savings target for non-industrial sectors would be increased</u> unless a process water exclusion were allowed.

Where industrial water use is 20% of total use AND process water is deemed to be 100% of industrial water (and voluntary measures to improve efficiency of process water use are unavailable or unacceptable), the inclusion of process water use could result in a 25% increase in the gpcd savings target for the non-industrial sectors of water use. Even in the more likely case where process water is somewhat less than industrial water, a 19% increase in the gpcd savings target for non-industrial sectors would result if process water comprised 80% of industrial water use. These levels of shift could be deemed disproportionate and also be viewed as burdensome if cost-effective opportunities to save water in non-industrial sectors are limited.

- Retail water suppliers with industrial water use of 20% or more should qualify for the exclusion of verified levels of process water from their gross water calculation.

At the other end of the spectrum, where industrial water use is 8% of total use, even when 100% of industrial water use is deemed to be process water, the gpcd savings target for non-industrial sectors would increase by less than 9%. In the more likely case that process water makes up no more than 80% of industrial water, the shift to other sectors would be less than 7%. These small shifts cannot be viewed as imposing a disproportionate burden.

- Retail water suppliers with industrial water use of less than 8% should not qualify for the exclusion of process water from their gross water calculation.

For water suppliers with industrial water use between 8% and 20 % of total water use, eligibility for exclusion of <u>documented</u> amounts of process water should require the water supplier to --

- certify the sufficiency of its water conservation program with DWR under the provisions of AB 1420 [indicating that numerous water efficiency measures have already been implemented]; AND
- meet any ONE of the following criteria –
  1) Non-industrial water use for the base period is 145 gpcd or less [placing the system in the bottom quartile, suggesting a potential for demand hardening]; OR

2) The water supplier's avoided cost of water as calculated with the CUWCC Avoided Cost Model (incorporating both short- and long-run costs) is less than $100 per acre foot [suggesting somewhat limited opportunities for expanding cost-effective investments in water efficiency]; OR
3) The number of residential customers participating in low income utility assistance programs such as CARE and LIHEAP is double the statewide average [indicating somewhat greater likelihood that costs shifted to non-industrial sectors could be burdensome; other measures of poverty and household income could be used instead].

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