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October 21, 2019

Chair Joaquin Esquivel  
 c/o Jeanine Townsend, Clerk to the Board  
 State Water Resources Control Board  
 P.O. Box 100  
 Sacramento, CA 95812-200

*Electronic Transmission*

**Subject: Comments on the Development of Water Loss Performance Standards**

Dear Chair Esquivel,

The Mountain Counties Water Resources Association (MCWRA) thanks you for the opportunity to comment on the proposed framework for water loss performance standards as presented by State Water Resources Control Board (State Board) staff at the September 23, 2019 stakeholder workshop. MCWRA appreciates the State Board staff's efforts to develop an economic model and framework that can be utilized to develop agency-specific water loss standards. However, there are concerns that the information and assumptions included in the economic model, as presented, could lead to inequitable targets that require costly, ineffective actions to avoid enforcement for the members in the mountain counties.

Specifically, MCWRA has the following concerns regarding the proposed framework:

- **Default assumptions in model do not provide appropriate agency-specific standards.** As currently constructed, the State Board staff's modified version of the UC Davis economic model intends to use default data derived from limited datasets or national data derived from systems that may vary significantly from those used by individual California water suppliers. The proposed economic model and the use of default values and profiles to fill in

data gaps will result in setting inappropriate individual performance standards. The model needs to be further developed in a manner that allows for water supplier-specific inputs, so that appropriate water loss standards can be derived.

- **Model needs to be peer-reviewed and tested.** State Board staff was tasked with the difficult mandate of setting appropriate economical water loss standards that are water supplier-specific. The current economic model has not been fully developed, reviewed, or tested, and therefore, it should not be used to set water loss standards. The model must be peer reviewed and beta tested prior to being utilized for setting standards and calculating economical intervention strategies. A peer review will ensure the appropriate metrics are considered, and a beta test will ensure that formulas and weighting are done in an appropriate manner.
- **Model does not account for margin of error to ensure water loss standards are economical.** The model contains numerous variables and assumptions, and the accuracy of any one variable affects the results of the model. The sensitivity in the model could result in a standard that overestimates the level of water loss reduction that is economical. To ensure that the standards are set at a level that is economical for each water district, a margin of error needs to be integrated into the model.
- **Model inappropriately uses customer retail unit cost.** The model overestimates the amount of water loss reduction that is economical by utilizing the Customer Retail Unit Cost. MCWRA recommends the State Board utilize the Variable Production Cost, which is consistent with industry standards, when accounting for the costs and benefits of real water loss. Using the Customer Retail Unit Cost for the model conflicts with the IWA/AWWA water audit methodology, which uses variable production cost for real losses and retail unit cost only for apparent losses.
- **Model assumptions regarding increased cost of water are unreasonable.** The model unreasonably presumes an 8.2% annual increase to the cost of water. This flaw in the model assumptions is skewing the results, which will in turn require a water supplier to take additional actions that are not economically justified.
- **Model's use of default leakage profiles is problematic.** There are many variables that will impact a leak profile. Defaulting to an assigned leak profile, such as those included in the proposed model, could inflate the calculated benefits of water loss reduction actions. Additional study is required before it can be determined that the leak profiles provided in the model are representative of all utilities across the state. Inaccurately assuming a leak profile could lead to an infeasible target for water suppliers that may require actions that are not cost effective.
- **Model's assumption regarding leak surveys is unrealistic.** The model assumes that a water supplier can survey 1/3 of its water system each year. This is an unrealistic assumption. Many water suppliers in the mountain counties are in disadvantaged communities with large service areas. The additional staffing and costs necessary to conduct these surveys in these communities will result in either additional costs to its ratepayers or reallocation of already stressed resources away from operations or needed capital improvements. The State Board should give consideration and provide financial assistance to these communities to assist with water system surveys.

- **Model uses inappropriate default values for estimating cost-effective and feasible pressure reduction.** Water pressure is highly specific to each utility in the mountain counties and should be based on a utility-specific hydraulic model. The model uses inappropriate default values for estimating cost-effective and feasible pressure reductions. This approach is not agency-specific and fails to account for the variety of factors that inform appropriate pressure in a system. An opt-out option for pressure management should be included for water suppliers that have sufficient information to conclude that pressure management is not a cost-effective or feasible strategy for reducing water loss in their systems.
- **Pipe replacement should not be regulated as part of the water loss standard.** The State Board indicated it is considering the inclusion of pipe replacement requirements within the standards. Many factors determine the need to replace pipes. Water suppliers prioritize pipe replacement as part of its capital improvement plan based on the unique needs and abilities within their service area. Pipe replacement should not be regulated as part of a water loss standard.
- **Inappropriate water loss standards undermine water supplier's mission of providing reliable and affordable water service.** Meeting overly onerous and ineffective water loss standards may entail redirecting limited resources from other priority areas like infrastructure replacement and upgrades, especially in disadvantaged communities. Water management requires a portfolio approach in which water suppliers apply the appropriate level of funding and actions for each solution to reach the most cost effective and beneficial result. It is critical that the water loss standards appropriately account for agency-specific factors in the mountain counties, to ensure that the standards reflect economical actions that are in the best interests of customers in their communities. State Board actions for uncertain results could increase the cost of water, resulting in rate increases or loss of services.

Additional data and analysis is needed before individual water loss standards can be calculated and standards implemented.

Thank you for considering these concerns.

Sincerely,



John Kingsbury, Executive Director  
Mountain Counties Water Resources Association

c: MCWRA Board of Directors