



April 11, 2022

The Honorable Steven Bradford
California State Senate
1021 O St., Ste. 7250
Sacramento, CA 95814

The Honorable Josh Becker
California State Senate
1021 O St., Ste. 7250
Sacramento, CA 95814

Re: Senate Bill 1469

Dear State Senators Bradford and Becker:

On behalf of the Alliance to Save Energy (the Alliance), I write in support of Senate Bill 1469. The Alliance to Save Energy is a bipartisan, nonprofit coalition of business, government, environmental, and consumer leaders advocating to advance energy efficiency policy and represents an association of leading voices that collaborate to inform state and federal energy efficiency policies and standards.

In 2008, the California Public Utilities Commission (CPUC) first implemented a pilot program that introduced revenue decoupling for water utilities to transition Class A water utilities to conservation rate designs and encourage greater investment in customer conservation programs. The pilot program demonstrated great success in both increasing water conservation and in saving ratepayers money. In response to the pilot program, on February 18, 2022, California State Senators Bradford and Becker introduced Senate Bill 1469 to the California State Senate to amend Section 739.10 of the Public Utilities Code, to implement revenue decoupling for all California water utilities.

The Alliance finds it important to voice support for the bill, as water and energy are resources that are reciprocally and mutually linked. Meeting energy needs requires water, often in large quantities, for mining, fuel production, hydropower, and power plant cooling; and energy is needed for pumping, treatment, and distribution of water and for collection, treatment, and discharge of wastewater. This interrelationship is often referred to as the energy-water nexus or the water-energy nexus. There is growing recognition that "saving water saves energy." Energy efficiency initiatives offer opportunities for delivering significant water savings, and likewise, water efficiency initiatives offer opportunities for delivering significant energy savings.

However, the growing climate crisis has amplified vulnerabilities that exist in the system through severe weather events - such as the ongoing California droughts. Around 21,414 gigawatt-hours (GWh), or 11.22 percent of California's electricity is provided by hydroelectric turbines operating on large water reservoirs.¹ Because a large portion of California's electricity is dependent on water, droughts are straining California's electric grid and contributing to the state's rolling outages, increasing costs to ratepayers at an exuberant rate. This underscores the dramatic impact California communities will continue to face, unless policymakers address this problem head-on, strengthening resilience and increasing conservation efforts through policy mechanisms such as revenue decoupling.

Revenue decoupling is a widely used tool with energy utilities to eliminate or reduce the dependency of the utility's revenue on the level of sales. Senate Bill 1469 presents an opportunity to use this mechanism to remove the throughput of sales, severing the relationship between sales volume and utility revenue. Just as the pilot program presumed, removing the incentive of sales allows for the introduction of conservation measures for water resources, and as a consequence, energy resources as well. Revenue decoupling will allow water utilities to shift focus to water conservation - a much-needed effort in California, considering that 87% of the state was recently identified with severe drought conditions.² The introduced bill will effectively address issues of water conservation, while potentially adding additional resources for energy production, leading to the most cost-effective savings, and multiplying the resilience benefits.

Senate Bill 1469 will leverage water rates to meet California's already progressive energy utility rates, positioning California as the leader once again in both water and climate issues, by aligning policy with the state's water and energy efficiency goals. As impacts of the climate crisis worsen, droughts and water scarcity will deepen in California. The only path forward to destress California's power grid and prevent ratepayers from paying billions of dollars in avoidable energy costs is by aligning policy with the best water conservation efforts.

For these reasons, we strongly support Senate Bill 1469.

Sincerely,



Olivia Leos
Senior Associate
Alliance To Save Energy

¹ https://ww2.energy.ca.gov/almanac/renewables_data/hydro/index_cms.php#:~:text=In%202020%2C%20hydro-produced%20electricity%20used%20by%20California%20totaled,with%20an%20installed%20capacity%20of%2014%2042%20megawatts%20%28MW%29.

² <https://www.drought.gov/states/california.>