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New Study: Utility Water Conservation Programs Save Water, Lower Customer Bills

SB 1469 (Bradford & Becker): Granting Water Utility Decoupling Makes It Easier to Achieve Significant Water Conservation

SAN JOSE, Calif., April 06, 2022 (GLOBE NEWSWIRE) -- California Water Service (Cal Water), the largest water utility regulated by the California Public Utilities Commission, released a new [study](#) today demonstrating that its water conservation efforts from 2008 to 2019 significantly lowered water use, which decreased operating costs and in turn reduced customer bills by as much as 20 percent from what they would have been without the conservation efforts.

Water conservation has been shown time and again to be the lowest-cost source of supply, because when less water is used, costly investments required to produce additional water supplies can be deferred and potentially avoided. This study, "The Economic Value of Water Efficiency," is yet another proof point showing that water conservation promotes affordability.

Because of its commitment to both water conservation and affordability for customers, Cal Water supports SB 1469 (Sens. Bradford/Becker, Asm. Rivas), a bill that allows water utilities to implement decoupling. Decoupling is a tool that ensures that water utilities do not benefit when they sell more water.

Cal Water substantially increased its water conservation efforts beginning in 2008, when the California Public Utilities Commission (CPUC) allowed the company to establish a pilot program that implemented decoupling. An August 2020 decision by the CPUC ordered that decoupling would end beginning in 2023. Passage of SB 1469 would allow this valuable mechanism to continue and enable utilities to continue to promote conservation, which is especially critical in California given the drought environment.

"As California learns to adapt to more frequent and severe droughts and aims to make conservation a way of life, it is critical we better understand and leverage policies and conservation practices that result in the most bang for the buck," said Martin A. Kropelnicki, President and CEO. "Our study shows that conservation practices work to not only save water, but also save customers money. Passage of SB 1469 will ensure we are able to keep our focus on water conservation efforts that will be critical to adapting to climate change and, at the same time, improve water affordability."

"SB 1469 is common-sense policy. We know decoupling will help lower water use, we know customers will pay less when they use less water, and we know conservation is the most cost-effective way to increase water supplies," said Senator Steven Bradford, D-Gardena. "This is a classic win-win-win bill."

“California needs to take strong action to address ongoing drought and climate change,” said Senator Josh Becker, D-Peninsula. “Decoupling has a proven track record of decreasing water use and lowering water bills.”

The water conservation initiatives supported by SB 1469 not only help water suppliers adapt to climate change but are also an important tool to reduce greenhouse gas emissions. California’s Department of Water Resources estimates that about 12 percent of California’s total energy use is related to water, including pumping, treatment, and distribution. Reducing the amount of water used creates a corresponding reduction in energy use.

“This study demonstrates that Cal Water’s investments in water efficiency not only saved water but also saved customers money on their water bills, and the results align with similar analyses the Alliance for Water Efficiency has conducted for Los Angeles; Tucson, Ariz.; and other communities,” said Ron Burke, President and CEO of the Alliance for Water Efficiency. “Passage of SB 1469 is needed to ensure water agencies aren’t penalized for water efficiency programs that address California’s water crisis and lower water bills.”

There is empirical proof that utilities with decoupling mechanisms are better able to promote and achieve significant levels of water conservation than those without. A peer-reviewed study of California’s last drought found that CPUC-regulated water suppliers that were able to implement decoupling “adopted more aggressive conservation measures, were more likely to meet state conservation standards, and conserved more water.”¹

“Conservation is the most cost-effective means of ensuring there are sufficient water supplies for both people and our environment,” concluded Kropelnicki. “SB 1469 will encourage conservation and benefit customers, the environment, and fulfill Cal Water’s commitment to enhancing the quality of life in the communities it serves.”

Details about the Study

In this new study, third-party experts A & N Technical Services, Inc., in collaboration with M.Cubed, analyzed water usage, operating costs, and customer bill impacts between 2010 and 2019 in five of its diverse service areas, after Cal Water implemented tiered water rates, converted additional customers from flat-rate to metered service, and substantially expanded its conservation programs.

The study evaluated Cal Water’s Bakersfield, Chico, East Los Angeles, Selma (Fresno County), and South San Francisco service areas. They were chosen because they span the diversity within Cal Water’s districts in terms of geography, climate, supply sources, and socio-demographics.

Despite these differences, the analysis found that customers in all service areas reduced water use and saved money; however, regions that relied on more expensive surface water benefited most.

Table ES-1 Results: Estimated Percentage Reduction in Customer Bills

| Service Area | Estimated 2010-19 Cumulative Operating Costs w/o Conservation (in millions) | Actual 2010-19 Cumulative Operating Costs (in millions) | Percent Bill Reduction Due to Conservation, 2010-2019 |
|---------------------|--|--|--|
| Bakersfield | \$813.9 | \$788.0 | -3.2% |
| Chico | \$249.5 | \$240.9 | -3.4% |
| Selma | \$58.0 | \$54.5 | -6.0% |
| East Los Angeles | \$447.9 | \$359.0 | -19.9% |
| South San Francisco | \$275.8 | \$234.5 | -15.0% |

Bakersfield, Chico, and Selma showed a lower savings rate than East Los Angeles and South San Francisco because those areas rely more on local groundwater. Groundwater costs will likely increase significantly, however, given overdraft concerns and regulatory changes expected to require substantial future capital investments in new sources of surface or recycled water supplies.

About Cal Water

California Water Service serves about 2 million people through 492,600 service connections in California. The utility has provided water service in the state since 1926. Additional information may be obtained online at www.calwater.com.

This news release contains forward-looking statements within the meaning established by the Private Securities Litigation Reform Act of 1995 ("Act"). The forward-looking statements are intended to qualify under provisions of the federal securities laws for "safe harbor" treatment established by the Act. Forward-looking statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the Company, the water utility industry and general economic conditions. Such words as will, would, expects, intends, plans, believes, estimates, assumes, anticipates, projects, predicts, forecasts or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. They are subject to uncertainty and changes in circumstances. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different than expected or anticipated include, but are not limited to: natural disasters, public health crises, pandemics, epidemics or outbreaks of a contagious disease, such as the outbreak of coronavirus (or COVID-19), governmental and regulatory commissions' decisions, including decisions on our GRC and on proper disposition of property; consequences of eminent domain actions relating to our water systems; changes in regulatory commissions' policies and procedures; the timeliness of regulatory commissions' actions concerning rate relief and other actions; changes in water quality standards; changes in environmental compliance and water quality requirements; electric power interruptions; housing and customer growth trends; the impact of opposition to rate increases; our ability to recover costs; availability of water supplies; issues with the implementation, maintenance or security of our information technology systems; civil disturbances or terrorist threats or acts; the adequacy of our efforts to mitigate physical and cyber security risks and threats; the ability of our enterprise risk management processes to identify or address risks adequately; labor relations matters as we negotiate with unions;

changes in customer water use patterns and the effects of conservation; the impact of weather, climate, natural disasters, and diseases on water quality, water availability, water sales and operating results, and the adequacy of our emergency preparedness; and, other risks and unforeseen events. When considering forward-looking statements, you should keep in mind the cautionary statements included in this paragraph, as well as the annual 10-K, Quarterly 10-Q, and other reports filed from time-to-time with the Securities and Exchange Commission (SEC). The Company assumes no obligation to provide public updates of forward-looking statements.

¹ Teodoro, M., Zhang, Y., & Switzer, D. (2018). Political Decoupling: Private Implementation of Public Policy. *Policy Studies Journal* 48(2), 401-424. <https://doi.org/10.1111/psj.12287>.