



ISSUE BRIEF

MUNICIPAL INTEGRATED CONSERVATION PROGRAM – 5TH MANAGEMENT PLAN

ISSUE STATEMENT

The Municipal Non-Per Capita Conservation Program (NPCCP) in the 4th Management Plans for Arizona’s Active Management Areas (AMAs) does not include substantive provisions for collaboration between municipalities and private water companies that provide water service to the municipality. Municipalities and private water companies have different strengths, assets, and tools to encourage the wise use of water in a community. Through a coordinated partnership between the municipality and the private water company, the community and the State can be best served through an optimal demand management strategy.

BACKGROUND

There are a total of 38 private water systems regulated by the Arizona Corporation Commission (ACC) that are considered large municipal providers in the AMA Management Plans, excluding large untreated providers. ADWR defines a large municipal provider as any water provider that delivers more than 250 acre-feet (AF) of water per year for non-irrigation uses. For the purposes of this discussion, “private water company” is defined as any water company that provides water service and is regulated as a private utility by the ACC, and a “public water provider” is any municipal government that operates a water utility as a function of government services.

Four water systems operated by private water companies qualify as large municipal providers in the Pinal AMA. There are 18 water systems operated by private water companies regulated as large municipal providers in the Phoenix AMA. The Tucson AMA has 13 water systems operated by private water companies that are large municipal providers, and the Santa Cruz AMA has 3 water systems operated by private water companies that are large municipal providers. Five of these large municipal provider systems – Johnson Utilities-Pinal, Johnson Utilities-Phoenix, Global Water-Santa Cruz Water Co., Sahuarita Water Co., and Vail Water Co. – hold Designations of Assured Water Supply and qualify to be regulated under the Municipal Gallons Per Capita Per Day (GPCD) Program. The remaining private water companies are regulated under the NPCCP and are required to meet the same conservation requirements as public water providers operating as large municipal providers.

There are differences between private water companies and public water utilities that present a challenge for private water companies to implement certain best management practices (BMPs) outlined in the AMA Management Plans in the most effective manner. Specifically, municipalities that operate their own water utility (i.e. public water providers) are able to implement water conservation programs as a function of city government, creating continuity between water service provision and other aspects of municipal management such as city planning, zoning, city code and ordinances. Private water companies have a limited ability to operate in cohesion with these other aspects of city governance without some formalized collaborative partnership.

ISSUE DESCRIPTION

In the 4th Management Plans, the list of approved best management practices (BMPs) includes several BMPs and specific measures that can only be implemented by a municipality or have limited effectiveness if implemented without the involvement of the municipality. A description of how public/private partnerships can increase the efficacy of BMP implementation is included below for each BMP category.

BMP Category 1: Public Awareness / Public Relations

Programs in this category are designed to increase awareness of the need for and importance of water conservation, to inform customers about the availability of conservation resources and services, and to encourage the public to reduce their water consumption.

Both private water companies and public water providers are able to implement measures in this category independently. However, the success and impact of these types of measures is augmented through collaboration. For example, public messaging on water conservation can be integrated into the branding campaigns of a municipal government (1.1) to establish a community culture that is based in water conservation. The methods for communicating the brand, marketing the conservation program components available to residents, and communicating conservation messages most effectively rely on existing communication channels that are often already being implemented at the municipal government level. Similarly, special events and community presentations (1.2) will be most effective if tied directly to the city and integrated into well-known community events. The impact of water conservation messaging is likely to be much greater if presented by a city official, like a City Council member, who already maintains a rapport with community members and is viewed as a trusted leader in the community. Private water companies are well suited to collaboration on these efforts by supporting development of presentations, providing technical materials, and coordinating with city officials to secure event logistics. Market surveys (1.3) are also most successful if conducted in collaboration. Private water companies may be responsible for preparing a survey that will provide informative data on community needs, while it is appropriate that local government distribute and collect surveys through existing, trusted channels or by including water conservation related questions in other market surveys conducted by the municipality.

BMP Category 2: Conservation Education and Training

Programs in this category are designed to provide customers with the knowledge and skills they need to utilize water efficiently and reduce consumption.

Municipalities have the systems and infrastructure in place to support the advertisement and awareness of community education programs (2.1, 2.2). Many municipalities already offer a variety of adult and youth education programs on various topics. Water conservation education measures implemented by a private water company will reach a larger audience and have more impact if supported by messaging at the municipal level. The most effective conservation education programs will also include targeting schools for both direct education of youth and adult education directed at facility staff for managing water use on campus. The ability of private water companies to support water conservation education in schools can be improved through partnering with local school districts. In addition, private water companies are able to prepare information on low water use landscaping techniques, however distribution to owners of newly constructed homes and new owners of existing homes (2.3) can be improved through collaboration with city officials who keep records of property ownership.

BMP Category 3: Outreach

Programs in this category are designed to provide customers with consultations, audits, or retrofits designed to conserve water or improve water use efficiency.

Similar to the categories discussed above, measures in this category can be implemented by either a private water company or a public water provider. Implementation efficacy, however, will be improved through collaboration between a private water company and the local municipal government. The participation rate of landscape consultations (3.2) and water budget programs (3.3) can be increased if these offerings are advertised in an integrated manner at the city level. By providing residents and businesses with multiple opportunities to learn about and engage in these programs and conservation measures, private water companies will be able to reach a larger audience. Customer high water use inquiry resolution and notification (3.4, 3.5) are best implemented by the private water company, while water waste investigations (3.6) may be most appropriate to implement by city government officials through enforcement of ordinances and municipal codes. By establishing a system of collaboration between private water companies and the local municipal governments, continuity and efficacy of water conservation will be increased.

BMP Category 4: Physical System Evaluation and Improvement

These programs ensure that the water system is being well-maintained and is running at optimal efficiency or will become more water efficient as a result of one or more physical water system improvements.

Water providers, whether private or public, are best suited to implement measures related to physical system improvements (4.1 – 4.4). However, municipalities served by private water companies can support the implementation in two ways. Municipalities served by private water companies can support filings, made by those private water companies to the ACC, by testifying in support of water system improvements and increased funding for reducing lost and unaccounted for water. Municipalities can also support implementation of BMPs in this category through cost sharing agreements or seed funds to begin improvements sooner than would otherwise be possible.

BMP Category 5: Ordinances / Conditions of Service / Tariffs

Programs in this category are designed to reduce water use within the service area by limiting or reducing water used for specific purposes. Ordinances apply to cities and towns, and tariffs apply to private water companies regulated by the Arizona Corporation Commission. A water provider that is not part of a municipality can receive credit if it works with local or county jurisdictions to implement a new ordinance.

Many of the BMPs in this category are best suited to implementation through city action. For example, low water use landscaping requirements (5.1, 5.5, 5.11), water waste ordinances (5.2), plumbing requirements (5.3, 5.10), rules regarding water features (5.4), and greywater/rainwater capture requirements (5.6) are all measures that can be written into city code and zoning code. In addition, city government has systems in place to monitor and enforce these actions, resulting in more effective and long-lasting water conservation outcomes. Private water providers are well suited to working with customers to develop water use plans (5.12), however private water companies may benefit from city government support in identifying entities that must meet the requirement and enforcing compliance. As mentioned previously, substantial and effective water conservation through implementation of measures in this category is most likely to be realized through a cohesive and collaborative approach at the local level.

BMP Category 6: Rebates / Incentives

Programs in this category are designed to provide users with an incentive for implementing a water conservation practice. The program can include rebates or other incentives such as grants, fee reductions or waivers.

Municipalities can help private water companies establish rebate and incentive programs (6.1 – 6.18) by committing funds to support the first year of program implementation. Because private water companies regulated by the ACC are required to demonstrate an increase in costs in order to justify a rate increase that is approved by the ACC (A.R.S 40-250), the program must be in place before a private water company can begin to recover costs associated with implementation. This presents a disincentive for private water companies to make the investment to implement rebate and incentive programs. By collaborating with the municipal government, a private water company will be more likely to invest in the establishment of rebate and incentive programs.

Category 7: Research/Innovation Programs

Programs in this category are designed to encourage water providers to conduct systematic evaluations of conservation measures already implemented, to implement state-of-the-art water conservation technologies and techniques, or to develop or try new technologies and techniques.

Private water companies and public water providers are equally able to implement the measures in this category however, collaboration between municipalities and private water companies has the potential to increase the impact of implementing these BMPs. Collaboration between local government and a private water company may allow for more diverse regional partnerships (7.1) and more impactful research opportunities (7.2) by leveraging the connections and capabilities of both entities. Additionally, a private water company that has established a relationship with the local government in the service area can suggest a pilot program to test a new technology (7.4) on city property, which may increase opportunities to implement customer awareness and education campaigns related to the pilot project and water conservation outcomes.

PROPOSED INTEGRATED CONSERVATION PROGRAM

Discussions in the Municipal Subgroup meetings hosted by ADWR to inform drafting of the 5th Management Plans include suggested changes to BMP requirements that may pose additional challenges for private water companies to meet conservation requirements. For example, there is a proposal to include a requirement in the 5th Management Plans that providers implement BMPs from a minimum number of BMP categories based on the size of their service area. This may be a challenge if the BMPs in one or more categories are outside of the legal authority or reasonable ability of a private water company to implement.

To remedy this situation going forward, ADWR could consider adding provisions to the draft 5th Management Plans allowing for recognition of public-private partnerships to meet water conservation goals. An Integrated Conservation Program would be a formalized partnership for the purpose of collaborative water conservation efforts between a private water company and the municipal government in the water company's service area. Incorporation of an Integrated Conservation Program into the 5th Management Plan municipal conservation requirements would enable any private water company to work more fluidly with the municipality it serves to provide broad and comprehensive water conservation programming that addresses several specific water conservation measures.

Successful design and implementation of an Integrated Conservation Program component of the existing Municipal NPCCP will require additional provisions and updated requirements to be written into the municipal conservation requirements of the 5th Management Plans. Additional provisions under the NPCCP would include the process that a private water company would be required to follow in order to establish an Integrated Conservation Program with the municipal government in its service area. Below are several options for consideration that may be appropriate to add or update to support an effective Integrated Conservation Program component of municipal water conservation requirements. This is not an exhaustive list of the possible provisions under this program. In addition, it is not intended that all suggestions below are incorporated, as some may be contradictory or redundant with other potential provisions.

Formalization of partnership

- Require the entities in the partnership to sign a Memorandum of Understanding that formalizes the relationship, outlines the specific roles and responsibilities of each entity, and provides a term upon which the agreement must be reviewed and renewed, updated, or abandoned.
- Allow for water providers to indicate municipal partnership in the required Provider Profile, including documentation of the agreement (MOU).
- Establish system of verification to ensure that partnership is a two-way collaboration.
- Identify a staff member from the private water company and/or the municipal government that is responsible for coordinating and liaising to ensure an effective and functional partnership.

BMP Requirements

- BMP requirements remain unchanged and tier system for points requirements applies.
- BMP requirements are updated to provide points to providers that are engaging in the Integrated Conservation Program.
- BMP list is different for participants of the Integrated Conservation Program.
- Allow municipalities that are not water providers to accrue BMP credits and transfer credits to the private water company operating in the service area where the BMPs are implemented.
- Consider allowing private water companies to transfer BMP credits from one service area to another within the same AMA to satisfy regulatory requirements if the company is otherwise unable to implement the necessary BMPs in a service area. This would allow for efficient distribution of water conservation measures in the areas that can benefit most while ensuring flexibility for providers to meet regulatory requirements.

Reporting Requirements

- Private water company is required to report all conservation programs initiated/funded/led by the private water company.
- Private water company is required to report funding received by the city to support BMP implementation.
- Private water company is required to report all city actions that qualify for BMP points in the required Conservation Efforts Report (CER).
- City officials must sign off on CER prepared by private water company before it is submitted.
- CER must specify conservation measures instituted/initiated by city, by the private water company and in collaboration.
- Additional requirements for tracking and reporting program effectiveness.

Coordination with ACC

- Interagency policy with ACC to place the regulatory responsibility with ADWR and increase communication efficacy between regulators.
- Continued interagency coordination between ADWR, ACC, ADEQ and others to streamline and harmonize reporting requirements.
- Formalized system of record keeping and compliance verification for regulated entities.

SUMMARY AND CONCLUSION

There is an opportunity in the drafting of the 5th Management Plans to increase the effectiveness of municipal water conservation programs by creating a suitable regulatory structure for private water companies to work collaboratively with municipal governments towards shared water conservation objectives through establishment of an Integrated Conservation Program. Current Municipal NPCCP requirements in the 4th Management Plans include several BMPs that are not well suited to implementation by a private water company or that would be best suited for joint implementation. The establishment of a formalized regulatory structure for a collaborative Integrated Conservation Program in the 5th Management Plans will provide a pathway and increased incentive for private water companies and municipalities to implement additional BMPs and achieve substantial water conservation. Such a regulatory structure will also facilitate more integration between ADWR and ACC regulations and place the responsibility for compliance with ADWR where it is best managed. By leveraging the ability and legal authority of private water companies and municipal governments in an integrated manner, it is possible to enhance conservation outcomes and further progress towards sustainable water management in the AMAs.