



Inland Empire Utilities Agency Regional Water Use Efficiency **Business Plan**

FYs 2024-26

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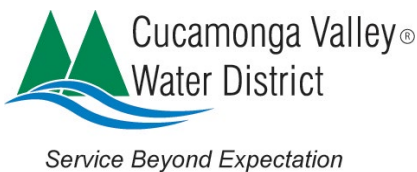


Executive Summary

The Inland Empire Utilities Agency (IEUA/Agency) Water Use Efficiency (WUE) Business Plan (BP/Plan) for programming during fiscal years (FYs) 2024-25 and 2025-26 serves to document recent efforts made towards regional water supply reliability and highlight plans to continue that path forward. In the previous WUE BP, IEUA and its Customer Retail Water Agencies (Customer Agencies), including the Cities of Chino, Chino Hills, Ontario, Upland, the Cucamonga Valley Water District, Fontana Water Company, Monte Vista Water District, San Antonio Water Company, and West Valley Water District established a trial period for the newly established “Core + Flex” program that is currently in its second year of implementation. Given the need to close out the current fiscal year before being able to analyze the program’s design, IEUA will extend the trial period by an additional two years to evaluate the success of the new program and consider what further changes, if any, are merited, and allow sufficient time to implement them.

IEUA will continue to provide regional WUE programming at an annual total budget of \$1.6 million plus additional, short-term programming made available through other external funding sources. Currently, the two sources of external funding are from the Metropolitan Water District of Southern California (MWD) and the Department of Water Resources (DWR) grant funding for the Turnkey Turf Transformation (T3) Program. Additional external funding may be accessible as it becomes available. IEUA’s Customer Agencies will continue to avail themselves of IEUA’s WUE programming options through the *Core + Flex* system.

Changes in external factors have already reshaped the design of IEUA’s WUE Programs and are likely to continue doing so. The Plan describes these factors and how the region is preparing collaboratively for a new era in Southern California water management.



Background

IEUA published the first Water Use Efficiency (WUE) Business Plan in 2010. The **2010 – 2015 WUE Business Plan** identified a mix of regional programs that would be managed and funded by IEUA to achieve a regional water savings goal. The Plan was a five-year roadmap for IEUA and its Customer Agencies, documenting a collaborative perspective on the purpose and general design of IEUA's WUE programming to assure compliance with previous regulatory framework requirements and to maximize opportunities for accessing external funding sources.

Using the latest water savings studies, IEUA was able to identify and document the anticipated water savings to be generated from its regional WUE programs in its Business Plan. IEUA also published annual Regional WUE Program Reports¹ detailing updated program activity, water savings, expenditures, and additional WUE-related efforts. In this way, IEUA's actual program activities could be matched against the anticipated goals.

The **2015 - 2020 WUE Business Plan** identified programmatic goals in support of a regional reduction in per capita water use, as was required by the new regulation known as "20 x 2020" (SBX7-7, 2008). California's urban retail water agencies were required to reduce per capita demands by 20% by 2020. The regulation also allowed for retail agencies to achieve compliance individually or through a regional reduction and IEUA and its Customer Agencies signed an agreement to work together towards a regional goal of 201 gallons per capita per day (GPCD).

As a region, IEUA's Customer Agencies were able to satisfy the requirements of SB 7X-7 and meet their 2020 GPCD goals via the regional goal-setting process. As the 20 x 2020 regulatory framework essentially concluded in 2020, new legislation was chaptered into law in 2018 (SB 606 and AB 1668). The new regulatory framework would establish Water Use Objectives (WUO) for each urban retail water agency and apply increasingly restrictive water use standards for all urban water use, except for indoor use in the Commercial, Industrial, and Institutional (CII) sectors. Due to the complexity of the new framework, the rulemaking process has been extensive and has not yet been finalized.

In the meantime, the Customer Agencies expressed a desire for change in the design of IEUA's WUE program. As described in the **2022 – 2024 WUE Business Plan**, IEUA facilitated a series of meetings with its Customer Agencies to understand better what changes were desired. The *Core + Flex* program model was created, intending to:

- 1) Provide the Customer Agencies with more flexibility in their WUE program choices and
- 2) Address equity issues, assuring Customer Agency access to IEUA program funding commensurate with Customer Agency program funding collected on the MEU rate.

Core programs made up 70% of the WUE budget. They were programs that fell under MWD's Tier 1 volumetric rate for treated water at the time, were considered cost-effective, and were deemed to have a regional benefit. Flex programs made up 30% of the WUE budget and provided Customer Agencies with funding for programs they identify as most valuable for their specific service area. Flex programs are not required to have measurable water savings. Still, they must be directly supportive of water use efficiency or conservation.

Recognizing that any new administrative system takes time to implement and work out all the details, IEUA planned to evaluate the effectiveness of the *Core + Flex* program over the next 2 – 3 years.

¹ All IEUA reports related to WUE can be found at www.ieua.org/read-our-reports/water-use-efficiency-reports

The purpose of this **2024 – 2026 WUE Business Plan** is to extend the evaluative process that has started over the past two years to determine the design of IEUA's programming to fit the needs of the region. The Plan suspends the typical WUE Business Plan forecasting of future water savings associated with anticipated programmatic implementation. Instead, it will focus on what measures will be undertaken during this two-year interval to help inform the design of future IEUA WUE programs. Afterward, IEUA plans to return to a five-year incremental WUE Business Plan. Annual reports will continue to document programmatic water saving and other achievements.

FORMAT OF NEXT WUE BUSINESS PLAN

Preparing the next WUE Business Plan towards the end of this two-year interval will allow the region to understand better what changes are necessary for a longer-term plan. Another benefit to this timeline is that the longer-term WUE Business Plan may contribute to the development of the 2025 Urban Water Management Plan as it may effectively synchronize WUE program activity with current regional demand management goals described therein. As such, IEUA plans to prepare the next WUE Business Plan by July 1, 2026.

By 2026, several external factors will be better known. First, the new regulatory framework for *Making Water Conservation a California Way of Life* will have been adopted, along with the establishment of each Customer Agency's WUO. Secondly, the Urban Water Management Plans of IEUA and its Customer Agencies will have been adopted and submitted to the DWR, providing long-term direction on the need for regional demand management programs and water savings investments. Finally, the evolving status of MWD's water conservation program is expected to be better defined by this time.

IEUA will also continue to support its Customer Agencies by pursuing grant funding opportunities on behalf of the region to implement WUE programs, such as the T3 Program. Maximizing access to outside funding opportunities, including MWD's MAAP funding, remains a cornerstone goal of IEUA's WUE program.

RESPONDING TO PROGRESSIVE REGULATORY CHANGES

The Plan is intended to be used as a blueprint to help the region plan and implement WUE activities and programs in the near future. The strategies and programs included in the Plan are designed, in part, to facilitate each Customer Agencies' compliance with the requirements of each successive iteration of regulations, including:

- Assembly Bill (AB) 1420, requiring BMP compliance
- Senate Bill (SB) 7X-7, requiring 20% per capita water use reductions by 2020, and
- SB 606 and AB 1668, establishing a methodology for calculating efficient water use in terms of gallons per capita per day demands

Table 1. Summary of Regulatory Changes over Time Impacting Water Use Efficiency Programs

Regulatory Statute	Requirements	Approach	IEUA Plan
AB 1420 (2007)	Mandatory Best Management Practices (BMP) Compliance	Aligned with actions taken to meet CUWCC* BMP Compliance	2010-15 WUE BP
SB 7X-7 (2008)	Reduce per capita water use by 10% by 2015 and Reduce per capita water use by 20% by 2020	Customer Agencies set their own GPCD reduction goals and also signed an agreement to work with IEUA for an optional regional goal	2015-20 WUE BP
SB 606/AB 1668 (2018)	Customer Agencies are expected to establish annual Water Use Objectives (WUO) for efficient annual urban water use.	Continue to evaluate IEUA's approach to best support the needs of Customer Agencies to meet regulatory and supply reliability goals	WUE BPs for: Fys 2022-23 and 2023-24, Fys 2024-25 and 2025-26, & Fys 2026-27 through 2030-31

* CUWCC = California Urban Water Conservation Council, which no longer exists

While the basic architecture of the new regulatory framework was established in SB 606 and AB 1668 in 2018, the rulemaking process has proven to be more challenging and slower to implement than anticipated. Until the regulation has been finalized (expected to be by the end of 2024), conjecture on the nature of forthcoming changes is speculative and would be best addressed in the next Plan.



RESPONDING TO DROUGHT, CLIMATE CHANGE, AND REGIONAL SUPPLY RELIABILITY

Another main driver for the design of IEUA's WUE programs is the potential need for demand management programs to improve regional water resources. In 2022, IEUA was one of six MWD member agencies that had drought-related delivery restrictions placed on their service area due to its unique configuration in the MWD system. While many MWD member agencies may receive Colorado River and State Water Project (SWP) supplies, IEUA may only receive SWP supplies, which proved to be challenging during the droughts. These drought shortage conditions have followed three additional periods of supply restrictions since the turn of the twenty-first century.

RESPONDING TO CHANGES IN MWD'S WUE PROGRAMS

The region benefits from having a clear plan for accessing funding made available by MWD for programming outside of the programs they manage. Known as Member Agency Administered Programs (MAAP), MWD currently dedicates a total of \$715,000 to IEUA over its two-year budget period, which corresponds with the two years of the current and previous WUE BPs.

Since MAAP funds are already collected on MWD's rates and charges, IEUA strives to ensure the region is able to claim these dollars and use them effectively. To date, IEUA has managed the majority of the programs that are eligible for MAAP reimbursement. They include:

- Landscape Evaluation and Audit Program
- Large Landscape Retrofit Program
- Pressure Regulator Valve Program
- Landscape Tune-Up Program and
- Small Site Controller Upgrade Program

These water-saving opportunities have remained popular over time, with a steady stream of customers from the region signing up to participate. In FY 2023-24, MAAP funds were also extended directly to the Monte Vista Water District to implement a portion of its AMI installation program. This one-time extension of MAAP funding was made available to any Customer Agency that had a local program that met the MWD's MAAP guidelines within the designated program implementation timeline. Monte Vista Water District was the only Customer Agency that had a qualifying project at the time.

Passive vs. Active Conservation

Reductions in water use happen every day without any financial incentives from water agencies. These reductions are a result of plumbing codes and other legal or regulatory requirements mandating these changes in the design of water-using appliances or behaviors.

Future water demand modeling may take into consideration the fact that continued efficiencies in water use will occur because of passive water conservation, including a response to price elasticity as the cost of water inevitably increases.

The need for WUE programs to reduce future demands may be considered after factoring in savings associated with passive conservation.



Final qualifying MAAP expenses must be filed with MWD by the spring of the second year. IEUA diligently works to proactively identify strategies to ensure it can claim the MAAP funds dedicated to it. Moreover, IEUA also strives to capture other funding for the region, such as MWD's Leak Detection Grant Program, which provides reimbursement for contracted or in-house municipal leak detection services.

Core + Flex in FYs 2022-24

IEUA instituted its *Core + Flex* program on July 1, 2022, with the Customer Agencies submitting to IEUA a completed form beforehand indicating how they would like to assign their Flex funds. The form also identified the amount of Core funds that were allocated for their agency's use. IEUA used the following submitted participation forms:

The initial split of program funding in FY 2022-23 was set at 70% Core and 30% Flex, and the budget was set at \$1.6 million. During this time, IEUA was able to access \$640 thousand in retroactive grant funding. As a result of IEUA activating its Water Shortage Contingency Plan at Level 2 on December 5, 2021, the WUE Program had access to a special account of \$300,000 in drought funds for a total revised FY 2022-23 annual budget of \$2.5 million.

By the middle of FY 2022-23, drought conditions had escalated to the point that IEUA and its Customer Agencies faced restrictions in MWD deliveries of water. On December 21, 2022, IEUA extended the declaration of its Water Shortage Emergency Condition, implemented its Water Shortage Contingency Plan at Level 6, and adopted a revised Emergency Water Conservation Program framework. As a result, three changes were made: 1) additional special drought funds were released to help pay for extraordinary conservation efforts, increasing the annual budget from \$2.5 million to \$3 million, 2) the mix of *Core + Flex* was changed to 60% Core and 40% Flex in order to allow for the funding of drought relief programs that might not fit in the "Core" category, and 3) special programming was offered.

IEUA Water Use Efficiency Flex Project Form

Fiscal Year: 2022-2023
 Agency: The City of Chino
 Flex Budget: \$72,876

Flex Projects
 Retail Agencies may allocate Flex Funds to the Flex Projects below.

Project Name	Water Savings	Project Cost	Quantity	Flex Cost
National Theatre for Children	N/A	\$1,199.20 per school	2	\$4796.80
Landscape Training Classes	N/A	\$500 per class	2	\$1,000
CBWCD LEAP & Monitoring				
Residential Pressure Regulation	.0137 AFY	\$685 each		
Program Marketing Materials	Varies	Varies	Varies	
Water Fair	Varies	Varies	Varies	\$500
Subtotal				\$6296.8

*All project costs are estimates and are subject to change. Project activity will be completed up to the not-to-exceed flex cost.

Core Projects – Landscape Services – Additional Funding
 Retail Agencies may allocate Flex Funds to the Core Projects below and increase activity within their service area. These sites are in addition to those serviced through the Core Project allocations.

Project Name	Water Savings	Project Cost	Quantity	Flex Cost
Residential Landscape Tune-Ups	.231 AFY Per Site	\$367 Per Site		
Residential Small Site WBIC Retrofits	.045 AFY Per Site	\$826 Per Site		
Residential Large Site WBIC Retrofits	.343 AFY Per Site	\$639 Per Site		
Subtotal				

*All project costs are estimates and are subject to change. Project activity will be completed up to the not-to-exceed flex cost.

RESPONDING TO TEMPORARY DROUGHT CHANGES IN MWD'S WUE PROGRAM

One of the most impactful drought changes to which IEUA had to respond was a seemingly small change in MWD's Turf Rebate programs. In recent years, IEUA had included a significant amount of its WUE Program dollars, providing an extra dollar on top of MWD's \$2/square foot rebate for turf replacement, resulting in a \$3/square foot incentive for customers in the IEUA service area.

At the beginning of FY 2022-23, \$250,000 (16%) of IEUA's annual WUE Program was dedicated to providing an extra \$1 on top of MWD's Turf Replacement Rebate program.

After MWD declared drought conditions in the State Water Project Dependent Areas (SWP-DA), which included IEUA, it decided to temporarily extend the period in which customers could finish turf replacement projects and remain eligible for the rebate. The original terms of the Turf Replacement Rebate Program allowed customers six months to complete a project after applying for turf replacement funding. Following the change, select applicants were allowed one year to complete their projects and, on occasion, were allotted additional time.

The change created unforeseen accounting difficulties. IEUA was in a position to earmark funds with MWD to honor the rebate applications that were given extensions. These applications were paid around the 12-month grace period or were returned to IEUA whenever time expired or the customer otherwise discontinued their application. The change effectively made annual budgeting very difficult and complex in establishing accurate annual Flex budgets.

The best way to address this issue was to remove the \$1 per square foot financial incentive from MWD's Turf Replacement Rebates and move it into programming, over which it had more control. The region supported the approach for a variety of reasons, including MWD successfully being awarded grant funding to add \$1 per square foot to the Turf Rebates so the transition would be seamless for customers while grant funding lasted.

As of FY 2023-24, the region continues to refrain from adding to MWD's Turf Rebate Program, and only a select few Customer Agencies allocate their Flex funds locally to enhance turf rebates. In addition, only a small portion of IEUA's budget, approximately \$85,000 (5%), is added to MWD's residential device rebates. In contrast, the bulk of IEUA's FY 2023-24 budget (\$1.5 million) funds IEUA-managed programs, as is represented in Figure 2.

Figure 1. MWD/IEUA Programming in Fiscal Year 2023-24.

MWD Direct Programs (SoCal)	Dual Funded IEUA Managed (Regional)	IEUA Funded and Managed (Regional)	Retail Agency Managed (Local)
<ul style="list-style-type: none"> • Rebates • MA Administered Program (MAAP) – Pass through for unique programs • Lead Detection 	<ul style="list-style-type: none"> • Landscape Irrigation Tune-ups, Controller Retrofits, Landscape Evals, Pressure Regulating Valves 	<ul style="list-style-type: none"> • Rebate Add-ons • Memberships • Education • R&D • Grant Funded 	<ul style="list-style-type: none"> • Rebate Add-ons • Locally Funded – Indoor Leak Repair
Funded through MWD Rates, No direct cost to IEUA	\$357K MAAP + \$1.1M IEUA Dollars (MEU & Connection Fees)	\$100K (MEU & Connection Fees) + Grant Funding	

Broadly implemented

Meets unique design of retail agencies

This shift in program funding priorities immediately reduced wait times for IEUA's most popular programming. It freed up budgeted funds for use in the current fiscal year instead of being tied up in commitments to MWD turf rebates.

Historically, approximately 60% of applications for MWD Turf Replacement rebates were completed, and a significant number of customers did not complete their envisioned turf replacement project after submitting their applications. Still, IEUA had to dedicate the funds as though 100% of the projects would have been completed until the application expired. IEUA strived to expend WUE program funding in the year it is committed, whenever possible, to reduce the need to carry forward funding from one fiscal year to the next. The budgetary shift away from regional turf rebates has been beneficial from multiple perspectives:

- Allowing more funding of IEUA-managed WUE programs, thereby reducing wait time for the especially popular programs.
- Reducing the administrative burden of reconciling “committed” vs. “actual” funding for MWD’s Turf Replacement rebates and the need to carry forward IEUA funding from one fiscal year to another.
- Accessing MWD turf grant funding, which temporarily augments the base turf rebate amount of \$2/square foot to \$3/square foot, offsetting the reduction in IEUA funds for the present time.



THE BASIS FOR CORE VS. FLEX AND CHANGING CIRCUMSTANCES

When the *Core + Flex* Program was originally designed, it was assumed that “Core” programs would have a calculated cost per acre-foot that was less than a surrogate cost of purchasing an acre-foot of treated water from MWD. Programs without proven water savings (i.e., education programs) and those with a cost per acre-foot higher than the cost of an acre-foot of MWD’s water were put in the “Flex” program category.

It should be noted that programs offered by the Chino Basin Water Conservation District (CBWCD) are the exception to these categorization guidelines. CBWCD provides these services at no cost to customers within their service area, which is a subset of IEUA’s service area. CBWCD only charges IEUA for services that fall outside of their service area but within the IEUA service area. The programs offered by CBWCD are made available through Flex program funding, even though the cost-effectiveness of the programs would qualify them as Core programs.

IEUA’s main interest in establishing a 70/30 split between Core and Flex funding was to preserve the overall cost-effectiveness of its programs. In 2022, the cost to purchase an acre-foot of (Tier 1) treated water from MWD was \$1,143, which has since increased to \$1,256 in 2024. The rising cost of MWD’s water over time will have the effect of elevating the benchmark for “cost-effectiveness” to the point where most programs with quantifiable savings should qualify as “Core,” leaving only non-quantifiable programs as “Flex.” This consideration may be examined when the program’s future design is next evaluated.

EVALUATING THE BENEFITS OF FLEX FUNDING

One of the aspects of the *Core + Flex* program that is evolving in terms of understanding its full benefit and desirability has been the ability for Customer Agencies to access IEUA/MWD funds through the “Flex” part of the program. While IEUA has occasionally funded local WUE programs prior to the *Core + Flex* program, the institutionalization of the annual application process in which Customer Agencies select how to spend their “Flex” funds has provided the ability for the Customer Agencies to develop more customized programs locally that might be more experimental in design and onboard services that directly meet their WUE needs.

Examples include:

- Cucamonga Valley Water District Multi-family Toilet Tank Retrofit Program
- Monte Vista Water District’s Low-income Leak Detection and Repair Program
- The City of Ontario’s CII WUE Data Management Software for meeting conservation requirements

Core + Flex in FYs 2024-26

As described previously, IEUA plans to spend fiscal year 2024-25 evaluating the success of the design of the *Core + Flex* program as employed in fiscal years 2022-23 and 2023-24. The metrics for this evaluation should be available in FY 2024-25 and considered for FY 2025-26. Metrics include:

- Ability to spend full annual budget
- Ability to maximize MWD reimbursements through MAAP funds and other grant funds
- Satisfaction with IEUA’s managed programs by IEUA Customer Agencies and customers
- Distribution of program benefits among Customer Agencies in relation to contributions
- Program accountability and transparency
- Ability of the *Core + Flex* Program to adapt to changing circumstances
- Others, if applicable

IEUA plans to consult with its Customer Agencies to evaluate these performance metrics in FY 2024-25 and utilize this information to provide a comprehensive review of the *Core + Flex* Program. It is recommended that during the next two years, IEUA’s WUE budget remain stable at \$1.6 million gross, plus grant-funded projects (Turnkey Turf Transformation Program). IEUA also proposes establishing the *Core + Flex* funding to be split 50/50 during this two-year period in order to provide greater flexibility to its Customer Agencies to select preferred programming options that best meet their local needs. IEUA plans to continue to offer the services of a consultant to evaluate the impact that the new conservation regulations will have on the Customer Agencies and prepare inaugural Water Use Objectives (WUO) by January 1, 2025, and thereafter, as needed. While not a conservation program, these services are essential for Customer Agencies to be prepared to comply with the new conservation regulations.

With this information in hand, IEUA may include consideration of the latest information on the new regulatory framework for *Making Water Conservation a California Way of Life*, current information related to future demand modeling and anticipated regional supply reliability, and the current design of MWD’s WUE Programs. Within the next two years, IEUA plans to recommend a preferred administrative approach going forward, leaving time in the last two quarters of FY 2025-26 to articulate this pathway forward in IEUA’s next WUE Business Plan for FYs 2026-31 (five-year term).



IEUA seeks to establish an administrative approach in 2026 that is sufficiently durable to sustain the region's goals for overall WUE. Additional considerations for the next WUE BP that may be augmented after consulting with the Customer Agencies may include:

- An updated Communications Plan to provide regional messaging related to Making Water Conservation a California Way of Life, including the ban on irrigating non-functional turf.
- Consideration of System Leak Detection as an ongoing program.
- Additional programmatic flexibility to consider a permanent 50/50 split between *Core* + *Flex* or potentially a higher percentage for Flex funding.
- Additional support to help the Customer Agencies meet their Water Use Objectives.

TURNKEY TURF TRANSFORMATION PROGRAM

This two-year period will include a special grant-funded program for which IEUA was able to secure State grant funding. With approximately \$2.5 million dedicated to the IEUA region, the T3 Program will provide no-cost turf removal and relandscaping services to public institutions and high-visibility CII sites to showcase and promote relandscaping as a priority for living sustainably in Southern California. IEUA has also applied for an additional \$2.5 million in federal funding to double the square footage of turf to be replaced. IEUA has continuously played a role in securing grant funding to implement water-use efficiency programs that benefit the region. All administrative costs are anticipated to be reimbursed by the grant(s), and no local matching funds are anticipated.

LOOKING FORWARD

IEUA and its Customer Agencies will continue to implement key programs, measures, education, and outreach during the next two years of this WUE Business Plan Update. IEUA plans to prepare another update in late FY 2025-26.

