



September 4, 2014

Ms. Laura Peters, Senior Engineer
California Department of Water Resources
1416 9th Street
Sacramento, CA 95814

Re: Draft Water-Energy Grant Guidelines and Proposal Solicitation Package

Dear Ms. Peters:

On behalf of the California Water Foundation (CWF), I appreciate the opportunity to comment on the Department of Water Resources Draft Water-Energy Grant Program Guidelines and Proposal Solicitation Package (Draft Guidelines).

As noted in our previous comments, this grant program represents an important opportunity for the state to begin defining a funding approach for the water element of AB32 implementation. The Draft Guidelines are a good start, given that there are other related processes, such as the California Public Utility Commission's water-energy proceedings, that have not yet been completed. Hopefully, these Draft Guidelines will be adjusted in future funding rounds to reflect improved methodologies that may emerge from these proceedings, or that DWR may develop should these other proceedings not fully address remaining methodological questions about how to account for embedded energy.

In particular, the Draft Guidelines indicate that applicants should estimate energy used within the individual water service area boundary ("system" level), as well as on a broader level if applicable, including energy used to import water. However, at the August 25th public meeting, DWR noted that only system level energy use would be considered for the purpose of prioritizing grant funds. While we support this decision for this initial round of grants due to remaining uncertainty about how to appropriately include that energy, we believe that future rounds of grant funding should include this portion of the water-energy cycle in determining which projects should receive funding.

Below we offer our comments and suggestions for improving the Draft Guidelines so that the state achieves the greatest water and energy savings and reduction of greenhouse gas emissions (GHG) from this round of funding, and lays the groundwork for future funding.

1. Identify marginal supply. We urge DWR to revise the draft guidelines to require applicants to identify marginal water supply. A key question in evaluating the energy savings from water efficiency is to identify which water is being saved. Calculating energy and GHG savings will not be meaningful without that information.
2. Clarify that energy used for wastewater treatment should be included in the calculation of embedded energy. The Draft Guidelines define embedded energy to include the "amount of energy that is used to collect and transport wastewater for treatment prior to safe discharge" (p.27). The definition should clarify that the energy used to treat the wastewater should also be part of the calculation of embedded energy. This is consistent with Figure 1 in the guidelines.

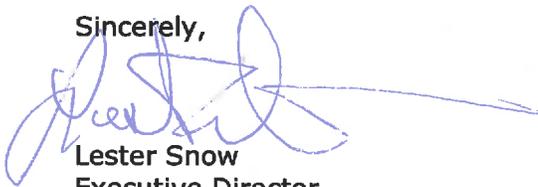
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3. Distinguish between indoor and outdoor water savings. The Draft Guidelines do not appear to require applicants to note whether the water savings will be from indoor or outdoor water use. This will be valuable information to collect. Furthermore, energy savings from decreased wastewater treatment should only be applied to indoor water use.
4. Clarify that behavioral water efficiency programs would qualify for grant funding. In our previous comments, CWF urged DWR to include behavioral approaches in the list of potential projects eligible for these grants. It is not clear from the current draft whether such programs would qualify. Behavioral water efficiency is a new approach that water agencies can rapidly deploy to assist them in coping with the drought, and with an independent evaluation showing water savings of 5% from one such program, we believe these projects should be considered for funding.
5. Improve monitoring and reporting requirements. In our previous comments we urged DWR to pay particular attention in crafting the reporting requirements for these grants. As this is the first round of water-energy grants given by the state, it represents an important opportunity to gather information about marginal water supplies, energy use, and other parameters. While we are pleased that the Draft Guidelines note that "additional consideration will also be given to projects that provide system specific energy intensity and emission factors" (p.13), the Draft Guidelines do not go far enough to spell out requirements for monitoring and evaluation to ensure that these initial projects provide valuable information that can help inform future program development.
6. Include cost-effectiveness in prioritizing projects. Projects appear to be ranked solely on water and energy savings, and on whether the project benefits a disadvantaged community. Cost effectiveness does not appear to be a consideration. However, without cost information, it is not clear that the state will be getting the greatest "bang for its buck." It appears that a program with larger savings would outrank 2 smaller programs that cumulatively might achieve the same savings at lower cost. It would be helpful, in this regard, for DWR to clarify what units are being used in Table 3 in the columns for water and energy savings. "High" and "medium" are relative terms, but will the units simply be absolute savings, or are the unit savings divided by cost?

We appreciate the opportunity to provide input into these Draft Guidelines and look forward to seeing this program and its methodologies continue to develop.

Sincerely,



Lester Snow
Executive Director