

June 6, 2014

Department of Water Resources
Water Resources Branch
Attn: Laura Peters, Senior Engineer
P. O. Box 942836
Sacramento, California 94236-0001

RE: California Water Association Eligibility Request for Water-Energy Grant Program

Dear Ms. Peters:

On behalf of the California Water Association (CWA), the state trade association that represents the interests of 115 water utilities regulated by the California Public Utilities Commission (CPUC), I am writing to respectfully request clarification that grant applicant eligibility under the Water-Energy Grant Program applies to public utilities, as defined in Section 216 of the Public Utilities Code.

In 2004, CWA worked with the Administration and others to ensure that CPUC-regulated public (water) utilities were eligible to receive grant funding from the sale of any general obligation bond authorized by the voters, including Proposition 50. As you may know, the Department of Water Resources (DWR) and the Department of Public Health (DPH) have issued PSPs for Proposition 50 programs, and CPUC-regulated investor-owned utilities (IOUs) have always been included as eligible applicants.

Of note, the CPUC passes through all benefits associated with IOU participation in the Proposition 50 program (and other grant/loan programs) accrue to the utilities' customers. More recently, CWA has spent countless hours working with the Administration, legislature and others to clarify that CPUC-regulated public utilities are eligible to receive grant funding from any state grant program, not just Prop 50 or Prop 84.

If the State's policymakers believe that all water suppliers should participate in reducing greenhouse gas emissions, water use and energy use, then all of the state's water suppliers should have an equal opportunity to compete for grant funds that will advance that purpose. As currently drafted, more than 15 percent of the State's residents, who are customers of CPUC-regulated public water utilities and who pay the taxes that underpin the financing for the grant programs, will not benefit from the programs outlined in the Water-Energy Grant Program.

Per Executive Order 1-17-2014, Order #6, public water utilities have projects that will enhance water supply and can break ground this year. And per Executive Order 4-25-2014, Order #5, public utilities have appropriate conservation and efficiency programs in place.

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Further, the CPUC-regulated public water utilities are responding to the Governor's recent drought emergency proclamations. For instance, the nine largest such utilities, which serve more than 95% of the population under CPUC regulation, are well along with the 20% by 2020 statutory mandate to reduce per capita consumption.

These public utilities also serve disadvantaged communities that fall into the CalEnviroScreen 2.0, Top 20 percent highest scores. For example:

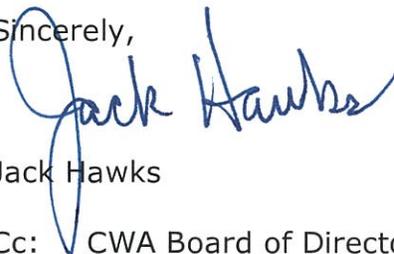
- Stockton – Top 5%
- Bell Gardens – Top 5%
- South El Monte – Top 5%
- Los Nietos – Top 5%
- La Puente – Top 10%
- Rialto – Top 10%
- Imperial Beach – Top 15%
- Oroville – Top 20%
- El Monte – Top 5%
- Southgate – Top 5%
- Fontana – Top 5%
- Parts of San Jose – Top 5%
- Baldwin Park – Top 10%
- Pico Rivera – Top 10%
- Baldwin Hills – Top 15%

In previous PSPs, DWR has stated that "Projects from investor-owned utilities regulated by the California Public Utilities Commission must have a clear and definite public purpose and must benefit water system customers." There is no question that grants received by CPUC-regulated public utilities that are used to help construct CPUC-approved water-energy infrastructure all would have a definitive public purpose and all would benefit water system customers.

The public policy underlying the creation of the Water-Energy Grant Program is to reduce greenhouse gas emissions, reduce water use and reduce energy use. Public utilities can assist the state in accomplishing these goals and their customers should benefit from the program. CWA respectfully asks that DWR allow public utilities to fairly compete for the Water-Energy Grant Program proceeds.

Please do not hesitate to contact me with any questions if you need additional information.

Sincerely,



Jack Hawks

Cc: CWA Board of Directors
Martha Guzman-Aceves
Kip Lipper
Kamyar Guivetchi/Rich Mills/Diana Brooks – DWR
Rami Kahlon – California PUC