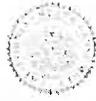


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Dear Assemblymember Rendon:

Thank you for your time and efforts as Chair of the Assembly Water, Parks & Wildlife Committee, and leader of the Assembly Water Bond Working Group, in crafting the Assembly water bond legislation, AB 1331. We find there is an important omission which, by this letter, we are asking you to address in the next amended version of the bill.

Specifically, the bill by its terms, limits eligibility for drinking water programs to public agency water suppliers only. We believe this is an oversight, and respectfully request that eligibility be broadened to include all of the state's California Public Utilities Commission (CPUC)-regulated water suppliers.

The purpose of the drinking water-related grant programs is to allow water suppliers to construct necessary drinking water infrastructure at the least cost to the water suppliers' ratepayers. For ratepayers of public agency water suppliers and privately-owned water suppliers alike, any grant funds or low-interest loans received from the state reduces the cost of infrastructure to those customers, and the lower cost is reflected in lower customer rates.

The CPUC, as part of its Water Action Plan, encourages the regulated water utilities to seek grants and low interest loans where they are available, in order to lower the cost of infrastructure to their customers. To ensure that the water utilities' shareholders are not enriched by public dollars, the CPUC has long-established procedures that ensure that grant-funded infrastructure is not included in rate base; the benefit goes directly to water companies' ratepayers in the form of lower rates. This is especially important in low-income communities whose ratepayers cannot afford the cost of necessary infrastructure improvements, many of which are served by CPUC-regulated water suppliers.

Allowing CPUC-regulated water suppliers to be eligible to apply directly for bond funds is also a matter of equitability. It is unfair to exclude the customers of CPUC-regulated utilities from potentially realizing the benefits of the bond funds, because as taxpaying residents, they share the burden of bond repayment; accordingly, they should have an equal opportunity to share in the benefits.

For these reasons, we respectfully request that AB 1331 be amended to extend eligibility to CPUC-regulated water utilities. We have attached suggested amendments for your consideration and convenience.

Thank you for your consideration of our perspective.

Sincerely,

Members of the State Assembly



Suggested Amendment:

79714. Eligible applicants under this division are public agencies, federally recognized Indian tribes, nonprofit organizations, public utilities, and mutual water companies. To be eligible for funding under this division, a project proposed by a public utility that is regulated by the Public Utilities Commission or a mutual water company shall have a clear and definite public purpose and shall benefit the customers of the water system.

Language from the current version of AB 1331:

79714. Eligible applicants under this division are public agencies, federally recognized Indian tribes, and nonprofit organizations. A public agency may use funding authorized by this division to benefit recipients of water from public utilities or mutual water companies that operate a public water system if the funding provides public benefits.

Language from the 8/26/13 version of AB 1331 regarding public benefit:

79714. Eligible applicants under this division are public agencies, nonprofit organizations, public utilities, and mutual water companies. To be eligible for funding under this division, a project proposed by a public utility that is regulated by the Public Utilities Commission or a mutual water company shall have a clear and definite public purpose and shall benefit the customers of the water system.