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March 31, 2016

Ms. Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, California 95814

Dear Ms. Townsend:

Subject: Comments on Proposition 1 Chapter 10 Draft Groundwater Grant
Program Guidelines

The Los Angeles Department of Water and Power (LADWP) would like to express appreciation to the State Water Resources Control Board (State Board) and its staff for the thoughtful and timely development of the Draft Groundwater Grant Program (GGP) Guidelines. The \$800 million provided in Proposition 1 (Prop 1), Chapter 10, for GGP is an important source of funding to protect and ensure the availability of valuable local groundwater resources for drinking water supply.

The City of Los Angeles (City) is working to reduce reliance on imported water supplies. This effort consists of a number of strategies, including projects to restore and protect the full use of the City's groundwater basins as a source of water consistent with water rights and historic groundwater use. These efforts have become increasingly critical as California endures multi-year dry conditions and as climate change threatens to permanently alter the State's hydrologic patterns.

In September 2015, LADWP submitted a pre-application for \$317 million in Prop 1 funding for the San Fernando Groundwater Basin (SFB) Remediation Project, which is the cornerstone of the City's efforts to reduce reliance on imported water. LADWP staff also attended the Groundwater Sustainability Funding Program Proposed Scope of Guidelines Meeting held in Los Angeles on November 2015, and submitted a comment letter dated December 4, 2015.

The Draft GGP Guidelines for the renamed Prop 1 Groundwater Grant Program were released February 12, 2016, and reviewed by LADWP staff. LADWP staff also attended the public workshop at the Buena Vista Branch Library in Burbank, California, on

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March 15, 2016. LADWP's comments based on the discussion at the March 15 meeting and the draft guidelines are provided below.

Eligibility Requirements

Section 2.2.2 of the Draft GGP Guidelines require that an eligible project must be identified as a high priority by applicable State or federal regulatory agencies. LADWP requests additional information on how agencies can comply with this requirement, especially for sites or projects that require additional characterization or that lie outside the boundary of existing, high-priority project sites. LADWP also requests clarification on the type of documentation that would satisfy this requirement.

Section 4.4e requires applicants to demonstrate adequate rights-of-way for the useful life of the project. However, applicants who are still in the project planning stage are unlikely to have acquired property or easements at the time of application submittal. LADWP suggests allowing applicants to comply with this requirement through development and submittal of a real estate plan that provides information on steps the applicant will complete to ensure adequate rights-of-way prior to starting construction.

Section 4.8 is titled "Ineligible Project Types," but appears to also include ineligible project expenditures. Based on this title, the meaning of 4.8.c on the acquisition of land through eminent domain is unclear. LADWP is not planning to acquire land through eminent domain, but requests clarification on whether using eminent domain to acquire land needed for a project would deem the entire project ineligible for GGP funding.

Funding Match Requirements

Section 5.4 indicates that the applicant's local cost share may include, but is not limited to: Federal grants and loans, local and private funding, or donated and volunteer ("in-kind") services. LADWP recommends that costs recovered from responsible parties (RP) should be considered as private funding that can be used for local match, provided that proposed reimbursable expenditures are reasonable costs as described in Section 10.15. Costs for LADWP to remediate the SFB are not expected to be fully covered from RPs. SFB contamination was most likely caused by improper storage, handling, and disposal of hazardous chemicals used in aircraft manufacturing, as well as commercial and heavy industrial activities dating back to the 1940s. LADWP expects that many businesses responsible for the contamination no longer exist, and that many previous owners would not be able to significantly support the expected cost of remediation. Consideration of recovered costs as local match would maximize benefits to LADWP ratepayers, many of whom are disadvantaged.

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Section 9.2 describes RP considerations related to a grant agreement. LADWP suggests that grant agreements (also discussed in Section 10.14) include provisions to allow funding from private or RPs to replace local match provided by water agency ratepayers in case costs are recovered after executing an agreement. By including this language in the standard agreement, the applicant and State Board will not have to amend the agreement later, which can be time consuming.

Application Process

Section 6 describes an application process that includes an invitation for applicants to submit a Final Application by a common deadline. LADWP is concerned that the common deadline should consider the complexity of the applicant projects. This is especially important given the proposed application and scoring criteria provided in Appendix F of the GGP Guidelines, which includes "critical" questions requiring a score of four or five for an application to move forward. At the workshop in Burbank, State Board staff responded to LADWP's concerns by describing an interactive process similar to the Water Recycling Funding Program and the Drinking Water State Revolving Fund (SRF) Program that allows for feedback and communication between State Board staff and applicants as the Final Application is developed. LADWP supports this proposal and hopes to see this type of process flexibility described in the final guidelines.

Appendix I describes requirements for a Technical, Managerial, and Financial (TMF) Capacity Analysis for applicants that receive Prop 1 GGP funding for groundwater remediation facilities. LADWP suggests streamlining this analysis by coordinating with the State Board's Drinking Water SRF Program. LADWP submits funding applications to the Drinking Water SRF Program on a regular basis, so a separate TMF Capacity analysis for the GGP may not be warranted.

On behalf of LADWP, I thank the State Board and its staff for the timely and effective work done to develop the GGP. If you have any questions or require additional information, please contact me at (213) 367-1022 or Mr. David R. Pettijohn, Director of Water Resources, at (213) 367-0899.

Sincerely,



Martin L. Adams
Senior Assistant General Manager – Water System

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c: Felicia Marcus, Chair, State Board
Joe Karkoski, State Board
Robert Reeves, State Board
Aparjeet Rangi, State Board
David R. Pettijohn