



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 5, 2016

ITEM NO: 7

File ID – 16-0400 – D

SUBJECT: STATE AND FEDERAL LEGISLATIVE UPDATE AND ADOPTION OF THE 2016 LEGISLATIVE PLATFORM

ISSUE:

The issue before the Board of Public Utilities is to receive and file a legislative update at the federal and state levels and consider adoption of the 2016 Legislative Platform.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Receive and file a legislative update covering the state and federal policy matters; and
2. Recommend that the City Council approve the 2016 State and Federal Legislative Platform.

BACKGROUND:

Riverside Public Utilities (RPU) participates in legislative conversations and advocacy on relevant policy issues alongside the legislative team (lobbyists at the state and federal level), the city's legislative team, Southern California Public Power Authority (SCPPA), and various trade associations including but not limited to the California Municipal Utilities Association (CMUA) and Association of California Water Agencies (ACWA). All of the legislative work RPU participates in is in accordance with the City's approved legislative platform. The Utility uses the legislative platform as a lens to analyze legislation and recommend positions to support, oppose or watch.

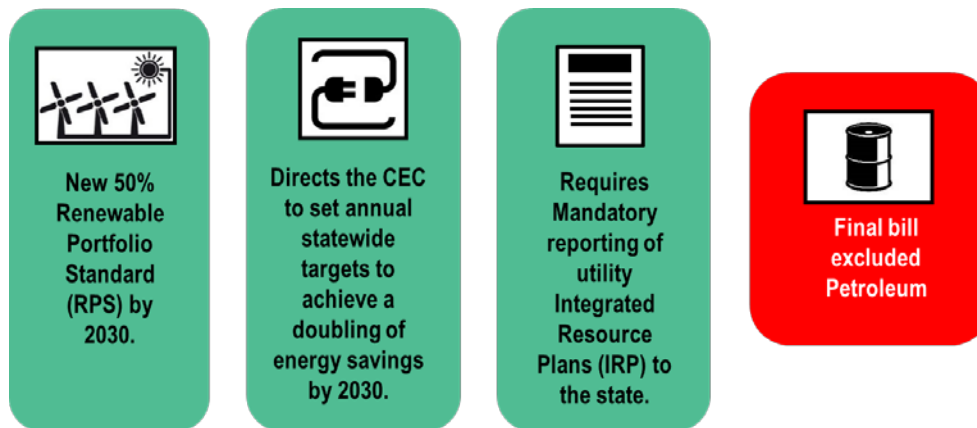
Key components of the platform include:

- Protecting reliable, affordable energy and water delivery to the city
- Supporting efforts to maintain local control
- Protecting ratepayers

In January 2015, during his State of the State speech, Governor Brown announced his plan to reduce greenhouse gas emissions and petroleum use by 50% and to increase the renewable portfolio standard to 50% all by 2030. California, a leader in green energy, currently operates under an RPS goal of 33% renewables by 2020. RPU is currently at 24% renewables and will likely reach the 33% goal before 2020.

SB 350 (De Leon)

In the 2015 legislative session, SB 350 passed both the Assembly and Senate and was signed into law with the petroleum component removed from the bill.



SB 350 passed after much debate which was led by the Assembly moderate Democrats who would not support the bill unless the petroleum component was removed. Locally, Senator Richard Roth and Assembly member Jose Medina supported the final version of SB 350 while Assemblyman Eric Linder voted against the bill. The bill passed through the Assembly with a 52-27 vote and in the Senate with a 26-14 vote. Many of the members of the moderate democrats, including Assembly member Medina, gave floor speeches on the bill before the vote and noted that they saw SB 350 as a first step forward in achieving a greener California and that despite the flaw in the policy it was a starting point for them. Medina noted that Riverside and RPU in particular had concerns with certain pieces of the bill but that he hope to work through those issues during implementation.

The State Budget

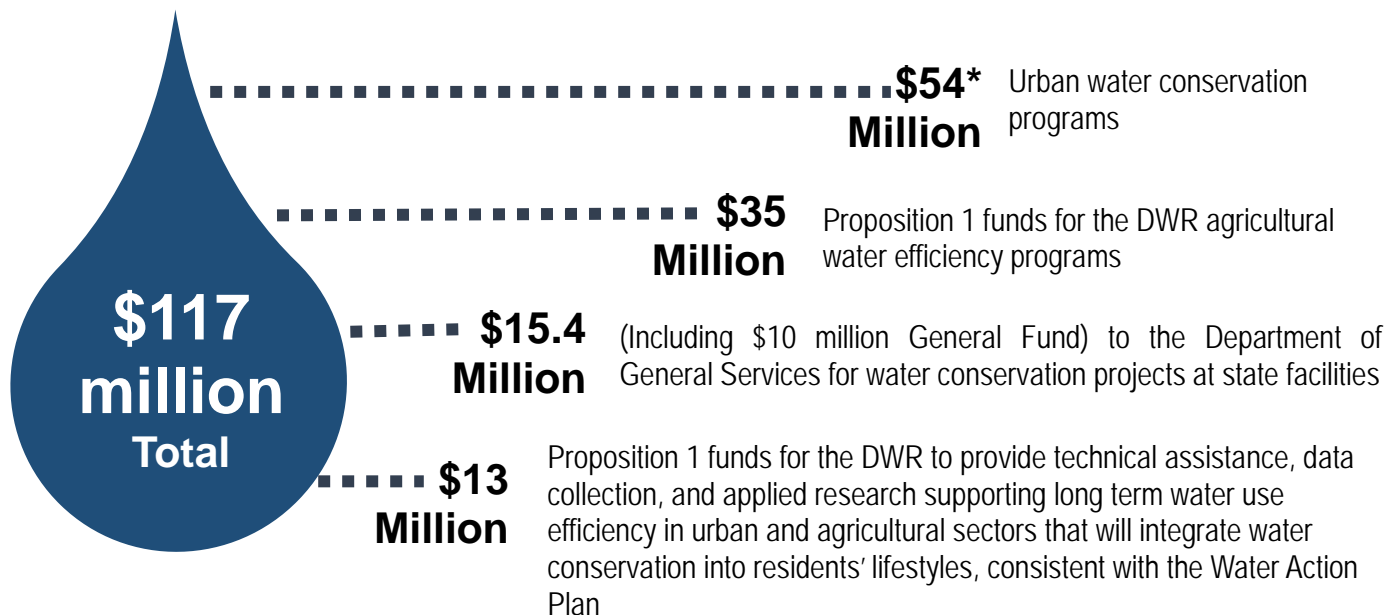
The State Budget was passed on June 15, 2015, with multiple budget trailer bills winning passage on June 22, both well ahead of the deadline of June 30, 2015. Riverside monitored many of these conversations.

On the water front, in an effort to accelerate the implementation of local water infrastructure projects statewide, the State Budget (Budget) includes \$1.5 billion in Proposition 1 funds. Riverside monitored two of these items closely which could be of benefit in the future. The first measure was water recycling. This includes \$210.7 million for water recycling, desalination and advanced treatment projects to enhance local water supply resiliency. The second is storm water management with \$101 million for multi benefit storm water management projects that also contribute to local water supplies. This could apply to Riverside's Santa Ana River Rubber Dam Project.

In addition to this, \$110 million went to the Department of Water Resources to assist with groundwater sustainability and desalination projects. The Budget includes \$114.9 million (\$107.5 million General Fund) for emergency response to assist drought impacted communities and prevent catastrophic wildfires.

The budget also included \$117 million to fund programs and projects that save water this includes:

Funding for programs and projects that save water



***\$54 million** for the following urban water conservation programs:

\$13 million Proposition 1 funds for the DWR to implement consumer rebate programs for the replacement of inefficient water consuming appliances, such as toilets, consistent with the Governor's April 1, 2015 Executive Order that identifies actions to save water.

\$27 million Proposition 1 funds to replace lawns, with priority for underserved communities, throughout the state with water efficient landscaping, consistent with the April 1 Executive Order.

\$10 million Proposition 1 funds to implement the CalConserve program, which will enable homeowners and businesses to finance water efficiency upgrades through a revolving loan program.

\$4 million General Fund to continue Save Our Water, the statewide public education campaign focused on helping all Californians reduce their water use.

Federal Legislation

Last year, the House and the Senate worked to create comprehensive energy legislation but fell short of a final bill before the year was over. While the chances of having bi-partisan comprehensive legislation being passed into law during an election year, the bills that were created and the conversations that did take place served as a marker for where the parties were on issues related to energy. Federal efforts were led by in the Senate, by Senator Lisa Murkowski (R-AK) and in the House by the Energy and Commerce Committee and Chairman Fred Upton (R-MI). Topics that were included in the energy conversation included: reduction of greenhouse gases, increased energy efficiency, economic development, grid reliability, electric transmission and increased cyber security. Congressional leaders hope to have something finalized and ready for votes by the end of summer or early fall, however political wrangling may slow progress.

The drought has also been a topic of major conversation in Washington as it has been in California. On June 12th, 2015 the White House announced additional monies in federal aid to states affected by the drought. Within this package, the Department of Labor will provide **\$18 million** for a National Dislocated Worker grant to employ up to 1,000 California workers displaced by the drought, workers will be employed for up to six months by public and nonprofit agencies focused on reducing wildfire risk; drought resilience; and, improving water efficiency. The Bureau of Reclamation will provide **\$6.5 million** over two years to support water management improvement projects. RPU will be tracking these dollars for potential use once specific guidelines are released. The Department of the Interior will provide **\$10 million** for projects that reduce the risk of major wildfires. The Department of Agriculture will expand a crop insurance program that allows farmers to keep exceptionally bad crop years out of their coverage calculations, providing **\$30 million** for FY 2016 and **\$42 million** for FY 2017.



Examples of some specific issues the drought bills address:

- Creation of a Water Sense program within the EPA, to identify, label and promote water efficient products, buildings, landscapes, etc.
- Drought Risk Assessment and Management: administrator shall develop and submit to Congress a strategic plan for assessing and managing the risks of drought to drinking water provided by public water systems
- Providing extensive drought relief in the State of California through changes to storage capacity by requiring federal agencies to use current data when regulating, allowing increased collection of water during periods of precipitation, and streamlining other relevant regulations.
- HR. 2892 (Valadao) the Western Water and American Food Security Act of 2015 is set to be on the floor for discussion the week of July 13th.

Of these bills, many (especially in the House) are sponsored or co-sponsored by members of the California delegation. HR. 2892 (Valadao) the Western Water and American Food Security Act of 2015 and the California Emergency Drought Relief Act of 2015 (Feinstein) have been reviewed in a Senate hearing although next steps for either bill are unclear. These bills focus on access to water resources primarily in the central valley and place a heavy emphasis on assistance for disadvantaged communities.

Waters of the U.S. Rule

On August 28th, 2015 the Environmental Protection Agency (EPA) released their final Waters of the U.S. Rule which was set to go into effect 60 days after publication. Riverside submitted comments during the hearing process and expressed concerns. Riverside asked that water conveyance systems, including ditches and water infrastructure (such as groundwater recharge basin and water reuse facilities), be excluded from the rule.

Pieces of the final rule that are most relevant to Riverside include:

- Adjacent waters—the final rule establishes distance limits, based on waters that are defined as “neighboring,” which is an aspect of “adjacent.”
- Tributaries—the final rule removes wetlands and other waters that typically lack a bed and bank and an ordinary high water mark from the definition of “tributary” and moves such waters to “adjacent waters.”

- The final rule identifies two sets of waters for purposes of conducting a case-specific significant nexus analysis to determine if CWA jurisdiction applies, narrowing the scope of waters that could be assessed under a case-specific significant nexus analysis compared with the proposed rule.
- The final rule redefines and excludes ditches.
- The final rule refines proposed exclusions (e.g., artificial lakes and ponds, and certain water-filled depressions).
- The final rule adds exclusions for features that were not previously excluded (e.g., storm water management structures and systems, water distribution and wastewater recycling structures, groundwater recharge basins, and puddles).

Despite this rule being finalized, Attorneys General from 13 states filed a lawsuit in the United States District Court for the District of North Dakota seeking an order declaring the rule to be unlawful and prohibiting the agencies from implementing the rule. Congress attempted to prevent the rule from final implementation or requiring that EPA and the Army Corps of Engineers restart the rulemaking but were unsuccessful in their efforts. However, implementation has been put on hold due to the ongoing legal battle which now includes 27 states in total.

Municipal Bonds

For several years, the specter of ending or capping the tax exempt status of municipal bonds has been of great concern to local governments and RPU. This would likely occur in the context of tax reform which has been an aspiration of both parties in recent years. To date, no tax reform legislation has been proposed by the Senate Finance Committee or the House Ways and Means Committee.

Early in 2015, the Senate Finance Committee established tax reform working groups. The working groups sought input from a variety of stakeholders throughout the spring. The working groups recently released reports on their recommendations and in an encouraging step, they did not recommend that municipal bonds be taxed. Riverside's talking points on the issue continue to be:

- Tax exempt bonds are key to funding projects while maintaining affordable rates
- Elimination of tax exempt financing will significantly increase RPU's borrowing costs.

In the Fall of 2015, language allowing WIFIA monies to be used alongside tax exempt bonds (WIFIA fix) was included in the transportation package, The DRIVE Act. Putting the language in the body of a "must pass" bill allowed it to go through both the House and the Senate and the bill was signed by the President at the end of 2015. This year in 2016, efforts are being made to ensure that WIFIA dollars are made available in the 2016 federal budget so that the program can be put to use.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Kevin S. Milligan, Public Utilities Deputy General Manager
Approved by: Girish Balachandran, Public Utilities General Manager
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Presentation
2. Draft 2016 RPU State Legislative Platform
3. Draft 2016 RPU Federal Legislative Platform