



Water agencies continue to invest millions each year to maintain California's aging water infrastructure.

Water plays a critical role in sustaining the social and economic fabric of the State of California. To continue providing reliable, high-quality water supplies, the California Urban Water Agencies (CUWA) members have invested approximately \$21 billion in projects and programs over the last 20 years. These investments have supported extensive efforts on demand management, comprehensive water supply diversification, and ongoing infrastructure improvements to improve system reliability. All of these investments to date have helped CUWA agencies respond to drought, prepare for climate change, and support the state's economy.

Ongoing investments are helping to provide for California's future water needs. CUWA agencies are effectively responding to drought through substantially increased expenditures on customer outreach, conservation rebate programs, and acquisition of supplemental supplies. To repair aging infrastructure, CUWA agencies are projecting to collectively invest more than \$12 billion over the next 10 years (not including additional expenditures of their retail agencies and the state).

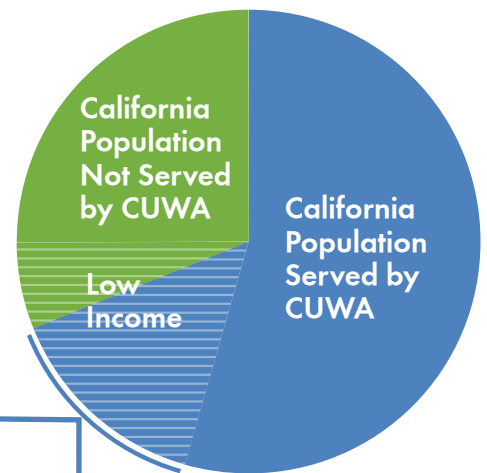
WHO IS CUWA?

Established in 1990, California Urban Water Agencies (CUWA) is a nonprofit corporation of 10 major urban water agencies that collectively deliver drinking water to approximately two-thirds of California's population. The water delivered by the 10 CUWA member agencies is a lifeline that supports California's urban populations and the bulk of the state's \$2 trillion economy.

ADDRESSING AFFORDABILITY ISSUES

Drought response and local water system investments continue to increase the cost of providing water service. These costs are largely passed on to ratepayers, many of whom are already struggling with affordability. CUWA's Water Affordability Policy Principles note that 20.8% of all households in California earn an annual income of less than \$24,999 (U.S. Census Bureau, 2009-2013 5-Year American Community Survey). A more recent assessment indicates that approximately the same portion, or about 20%, of CUWA agencies' collective service area is comprised of low-income households.

As the majority of California's economically disadvantaged households are served by CUWA agencies, our member agencies are exploring long-term solutions to increasing water bills. CUWA supports access to safe and reliable water for all Californians and is committed to identifying strategies that could successfully address affordability within our collective service area.



CUWA and its retail members serve more than 5 million people struggling with affordability.

Figure 1. A majority of California's low-income households are served by CUWA member agencies.

PROVIDING RELIABLE, RESILIENT WATER SUPPLY

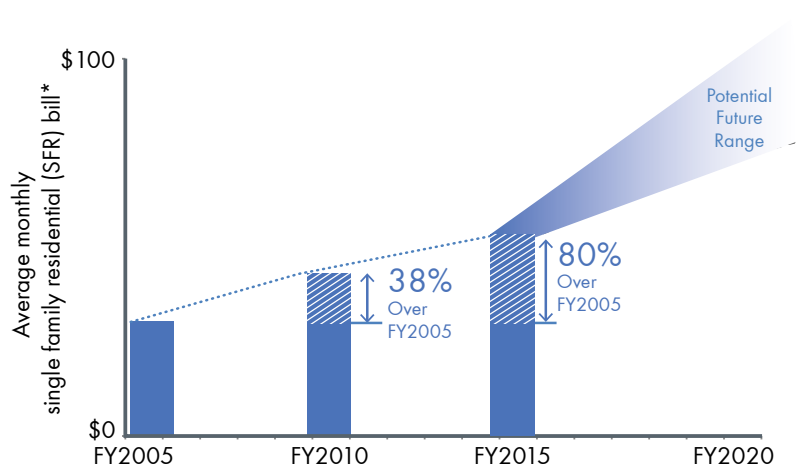
California's prolonged drought reinforces the need for long-term resilience in our state's water supplies. Urban utilities need diverse and flexible supply sources to address future uncertainties such as climate change, drought, and changing patterns of water use. Regardless of the current water year, our state's urban water agencies must make long-term investments to create diverse and reliable supply sources, including improved surface and groundwater storage and a range of supply options (e.g., demand management, potable and non-potable reuse, and desalination, as well as more traditional sources like imported water).

EXPLORING FUTURE FUNDING ALTERNATIVES

CUWA agencies are exploring alternative strategies to fund system maintenance and provide reliable 24/7 service. Despite lower revenues from drought-induced water use reductions, greater funds are needed for supplemental supplies and expanded demand management. Agencies need to retain flexibility in setting local rates to overcome this cash-flow conundrum.

Some have proposed a public goods charge (PGC) as a way to raise funds to address unmet statewide water issues. A PGC associated with urban water agencies would increase the cost of water service for all users, including economically disadvantaged customers. As noted in the CUWA/CMUA Joint Reliable Water Financing Policy Principles, CUWA is concerned that a PGC would divert funds otherwise providing for local water needs and create new inefficiencies.

CUWA believes there are more appropriate ways to provide access to safe and reliable water for all Californians. Before a water fee or surcharge is proposed, the state should specify which problems will be addressed and how the revenues will be used. CUWA agencies recommend that the state consider financing alternatives more directly linked to income (e.g., state income or parcel tax) to provide a dedicated fund for affordability.



Not adjusted for inflation.

Figure 2. CUWA retail agencies' residential customers are paying significantly more for water with increasing costs.