

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Jose Water Company
(U168W) for Approval of Cost Recovery for
PFAS Remediation.

Application 26-04-010
(Filed April 10, 2026)

REBUTTAL TESTIMONY OF KRISTIN COOPER CARTER

September 28, 2026

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1 **I. INTRODUCTION**

2 **Q1. Please state your name and business address for the record.**

3 A1. My name is Kristin Cooper Carter. My business address is PO Box 246, Durham, CA
4 95938. I am the Chief Executive Officer of Grant Management Associates (GMA).

5 **Q2. What is GMA’s role in the Williams Station PFAS funding effort, and what is the**
6 **current status of that effort?**

7 A2. GMA supports San Jose Water Company (SJWC) in evaluating external funding
8 opportunities and preparing the Drinking Water State Revolving Fund Emerging
9 Contaminants (DWSRF-EC) application for the Williams Station PFAS Treatment
10 Project. Our work includes reviewing program requirements, coordinating information
11 needed for the application, assessing potentially eligible costs, and helping align the
12 funding application with the project’s technical, environmental and financing
13 information.

14
15 SJWC and GMA are working toward submission of all four application packages by the
16 end of October 2026. That is a working target, not a completed submission or a
17 guaranteed date; the team has identified the possibility that completion could extend into
18 November. SJWC intends to request \$25 million in principal forgiveness. Application
19 preparation is not an award, a reservation of funds, or a guarantee of eligibility for every
20 proposed cost. The requested amount and any award remain subject to the State Water
21 Board’s review, applicable program limits and availability of funds.

22 **Q3. What is the purpose and scope of your rebuttal testimony?**

23 A3. My testimony addresses the grant-related consequences of the timing of regulatory
24 approval. It explains the limits of the available DWSRF-EC funding, the distinction

1 between submitting an application and being ready to execute a funding agreement and
2 why avoiding an unresolved approval requirement at the agreement stage can help
3 preserve a potential customer benefit.

4
5 My opinion is limited to funding-program requirements and funding execution risk. I do
6 not offer an engineering opinion on project size or alternatives, predict the Commission's
7 decision date, or determine the legal merits of a particular cost-recovery mechanism. I
8 rely on SJWC's Regulatory witnesses and counsel for the applicable Commission
9 authorizations and procedural schedule. The grant-management principle is to advance
10 application preparation and required approvals in parallel, rather than assume that either
11 an award or regulatory approval can be obtained on demand.

12 **II. PROMPTLY RESOLVING SAN JOSE WATER COMPANY'S COST RECOVERY**
13 **APPLICATION WITH THE COMMISSION HELPS BEST POSITION THE**
14 **COMPANY TO SECURE GRANT FUNDING.**

15 **Q4. What does the published funding information show about the DWSRF-EC**
16 **opportunity relevant to Williams?**

17 A4. The program is administered by the State Water Resources Control Board's Division of
18 Financial Assistance (DFA). The adopted SFY 2026–27 EC Supplemental Intended Use
19 Plan identifies a maximum of approximately \$155.7 million available for non-
20 disadvantaged water systems serving at least 25,000 people. Its application summary lists
21 nine complete applications requesting approximately \$130.9 million and seventeen
22 incomplete applications requesting approximately \$161.2 million in that category. Thus,
23 the published requests from complete and incomplete applications exceed the stated
24 availability for that category.¹

¹ State Water Resources Control Board, SFY 2026–27 Emerging Contaminants Supplemental Intended Use Plan, sections V and VIII, printed pp. 3–4 and 8–10. Table 4 application status is as of August 1, 2026; Table 2 funding status is as of June 30, 2026.

https://www.waterboards.ca.gov/drinking_water/services/funding/documents/2026/2026-27-supp-iup-ec.pdf

1
2 These figures are a dated program snapshot, not a statement of uncommitted cash
3 available to Williams today. The application status is as of August 1, 2026, and the plan's
4 funding estimates include anticipated federal funding. Not all applications will
5 necessarily receive their requested amounts, and completion does not guarantee funding.
6 Nevertheless, the published demand supports the opinion that SJWC should not assume
7 funding will remain available while its own readiness issues remain unresolved.²
8

9 DFA has confirmed in written correspondence, as of September 21, 2026, that seventeen
10 other applications are competing for the remaining approximately \$23 million in EC
11 principal forgiveness for non-DAC systems serving at least 25,000 people. DFA has
12 described the program as "extremely competitive." This more recent information updates
13 the August 1, 2026 Intended Use Plan (IUP) application snapshot and reflects funds
14 already committed since June 30, 2026. It reinforces the conclusion that SJWC should
15 not assume funds will remain available pending resolution of outstanding application and
16 readiness requirements.³
17

18 The EC supplement establishes funding priorities, including PFAS concentrations and
19 potentially the number of households protected per dollar. I therefore use "competitive"
20 to describe competing eligible demand for limited funds, not to suggest that every EC
21 application is decided through a conventional grant-scoring competition or a strictly first-
22 come, first-served queue.⁴
23

² *Id.*, sections V and VIII, printed pp. 3–4 and 8–10.

³ Written responses of Laura Wadsworth, Division of Financial Assistance, State Water Resources Control Board, to questions submitted by SJWC/GMA, September 21, 2026, Questions 3, 5 and 6 (Attachment 1).

⁴ *Id.*

1 SJWC has advised the project team that it does not meet the applicable disadvantaged-
2 community (DAC) requirements. On that basis, the application is being prepared under
3 the limits for non-DAC systems serving at least 25,000 people: up to 50 percent of
4 eligible project costs and \$25 million per public water system. The limit is not a
5 guaranteed award or a separate allowance for every project. The EC program provides
6 principal forgiveness or grants; DAC status affects the applicable funding limits, not
7 whether the program offers principal forgiveness.⁵

8 **Q5. Does submitting the grant application require the Commission first to approve**
9 **SJWC's proposed cost-recovery mechanism?**

10 A5. Based on the current project-team understanding confirmed by SJWC, no. SJWC can
11 pursue submission of its application while the Commission proceeding is pending. That
12 does not mean every application requirement is already satisfied, or that pending
13 authorizations are irrelevant to DFA's subsequent review. The application instructions
14 request applicable CPUC documentation, and the current IUP requires applicable CPUC
15 approvals for transactions contemplated in the funding agreement.^{6,7}

16
17 The important distinction is between initiating the funding process and satisfying the
18 requirements necessary to obtain and use an award. Initial submission does not itself
19 establish application completeness, reserve funding, or authorize execution of the
20 agreement.

⁵ *Id.*, section VIII, Table 4 (non-DAC application summary).

⁶ DFA, DWSRF General Information Package, revised July 2026, printed pp. 5, 9 and 11, CPUC documentation/Attachment G2.
https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/2026/dwsrf-application-general.pdf

⁷ State Water Resources Control Board, adopted SFY 2026–27 DWSRF Intended Use Plan, August 18, 2026, section III, printed pp. 17–22, and section XIII.A.3, printed p. 64.
https://www.waterboards.ca.gov/drinking_water/services/funding/documents/2026/2026-27-dwsrf-iup.pdf

1 **Q6. How does the application advance toward funding, and can you identify a firm**
2 **allocation date for Williams?**

3 A6. No firm allocation date has been established for purposes of my testimony. Application
4 submission, EC Fundable List placement, a funding determination, agreement execution
5 and disbursement are different milestones. The EC supplement allows DFA's Deputy
6 Director to add potentially eligible projects to the EC Fundable List after applications
7 have been submitted. The program includes projects at differing stages of application
8 completeness. Placement on the list is therefore neither a representation that every
9 requirement has been cleared nor a guarantee that funds are reserved.^{8,9}

10
11 A well-developed application gives DFA the information needed to evaluate the project
12 and identify outstanding requirements. The applicant must then respond to technical,
13 environmental, legal and financial review. In my grant-management experience,
14 identifying and resolving those issues promptly reduces avoidable delay in reaching an
15 executable agreement. This is not a claim that the process is strictly first-come, first-
16 served or that early submission establishes an entitlement to funds.¹⁰

17
18 DFA has indicated in written correspondence that the principal forgiveness portion of a
19 funding agreement may be executed approximately one year after submission of a
20 complete application, prior to the loan portion. This guidance reflects a general execution
21 timeline; it is not a guaranteed schedule or a commitment to any specific project. The
22 actual interval depends on fund availability, completion of DFA's technical,
23 environmental and financial review, and satisfaction of all applicable conditions. The

⁸ *Id.*, sections V and VIII, printed pp. 3–4 and 8–10.

⁹ State Water Resources Control Board, adopted SFY 2026–27 DWSRF Intended Use Plan, August 18, 2026, section III, printed pp. 17–22, and section XIII.A.3, printed p. 64.
https://www.waterboards.ca.gov/drinking_water/services/funding/documents/2026/2026-27-dwsrf-iup.pdf

¹⁰ *Id.*, section III, pp. 17–22.

1 project team should not treat this correspondence as an assured timeline, but it does
2 underscore the importance of submitting a complete application promptly.¹¹

3
4 SJWC must be prepared to document eligible costs, the funding plan for the entire
5 project, required corporate and regulatory authorizations, and satisfaction of applicable
6 environmental and other program requirements. A principal-forgiveness request does not
7 eliminate the need to demonstrate that the remainder of the project can be funded and that
8 the system can operate and maintain the facilities. Disbursement also requires an
9 executed agreement and satisfaction of its conditions.^{12,13}

10
11 The funding schedule will depend on those reviews and available funds. My
12 recommendation is to advance the application and resolve applicable approvals and other
13 readiness requirements in parallel so that SJWC is positioned to act if a funding
14 opportunity becomes available.

15 **Q7. From a grant-management perspective, why pursue applicable Commission**
16 **approvals now rather than defer their resolution until the 2030 General Rate Case?**

17 A7. An uncertain funding schedule is a reason to preserve readiness, not a reason to defer it.
18 The current EC opportunity has competing demand for limited funds, and SJWC should
19 not assume that the same opportunity will remain available until a later rate case. If an
20 applicable Commission authorization remains outstanding when DFA is otherwise ready

¹¹ Email from Laura Wadsworth, Division of Financial Assistance, State Water Resources Control Board, to Elizabeth Brink, SJWC, following meeting of August 13, 2026 (Attachment 2).

¹² *Id.*

¹³ State Water Resources Control Board, Policy for Implementing the DWSRF, amended May 6, 2025, sections VII, X.A.4, XI and XII; read together with the current applicable IUP.

https://www.waterboards.ca.gov/drinking_water/services/funding/documents/srf/dwsrf_policy/dwsrf-policy-final.pdf

1 to execute an agreement, that outstanding authorization could delay SJWC's ability to use
2 the opportunity.

3 My recommendation is not to wait until the 2030 GRC to begin resolving authorizations
4 needed for funding execution. Waiting to resolve a necessary authorization could
5 introduce an avoidable obstacle even if the application itself has already been submitted.
6 I understand that SJWC is pursuing a Tier 2 Advice Letter as an earlier regulatory
7 pathway for Commission approval of the Williams Station project. SJWC's Regulatory
8 witnesses have advised that a Commission decision on that advice letter process in this
9 proceeding could be issued as early as the first quarter of 2027. In contrast, a
10 Commission decision in the upcoming General Rate Case proceeding is expected no
11 earlier than December 2027 and could be much issued much later. From a grant-
12 management perspective, the potential nine-month difference between those two
13 Commission decision dates is material: an authorization resolved in Q1 2027 would be in
14 place should a DFA determination advance within the timeframe DFA has described as
15 typical for projects with complete applications, whereas an authorization not resolved
16 until December 2027 could remain outstanding while DFA's review progresses. If the
17 advice-letter pathway is not available or is unsuccessful, SJWC has indicated that
18 Williams Station could be incorporated into the regular GRC proceeding as a fallback
19 option.

20
21 SJWC's Regulatory witnesses address the precise Commission action, legal merits and
22 procedural availability of the advice-letter mechanism. My funding-management opinion
23 is limited to noting that earlier resolution of an otherwise necessary approval preserves
24 flexibility and reduces the risk of an unresolved condition preventing agreement
25 execution.

1 **Q8. What could occur if Williams were considered for funding while an applicable**
2 **Commission authorization remained outstanding?**

3 A8. If the outstanding authorization is a condition of entering the proposed funding
4 agreement, SJWC would need to satisfy it, or obtain an acceptable resolution of the
5 condition, before closing. An unresolved condition can delay the project's progression.
6 Funding-list placement, a prospective allocation, and an executed agreement should not
7 be treated as interchangeable commitments.^{14,15}

8
9 Whether DFA would hold funds, impose a deadline, defer the project, or consider other
10 projects depends on the applicable program rules and the actual terms of the funding
11 offer. Obtaining applicable approvals earlier can reduce the risk of delay or a lost funding
12 opportunity without assuming that funding has already been secured.

13 **III. SAN JOSE WATER COMPANY IS PURSUING PRINCIPAL FORGIVENESS TO**
14 **REDUCE THE OVERALL AMOUNT IT NEEDS TO RECOVER FROM**
15 **RATEPAYERS**

16 **Q9. How would a principal-forgiveness award benefit customers, and what funding is**
17 **SJWC seeking?**

18 A9. SJWC has advised GMA that this application seeks EC principal forgiveness, not an
19 additional repayable DWSRF base-program loan. Successful principal forgiveness
20 applied to eligible Williams costs could reduce the project costs that otherwise require
21 utility funding and potential recovery from customers. The potential benefit is the amount
22 actually awarded, earned and applied under the funding agreement, not necessarily the
23 full amount requested.

¹⁴ State Water Resources Control Board, adopted SFY 2026–27 DWSRF Intended Use Plan, August 18, 2026, section III, printed pp. 17–22, and section XIII.A.3, printed p. 64.
https://www.waterboards.ca.gov/drinking_water/services/funding/documents/2026/2026-27-dwsrf-iup.pdf

¹⁵ EC supplement, *supra* note 1; DWSRF IUP, *supra* note 7, section XIII.A.3, p. 64.

1 DFA has confirmed in written correspondence that EC principal forgiveness recipients
2 will not be asked to pledge assets as security for repayment, and that principal
3 forgiveness funds will not be treated as a secured obligation of the applicant. This is
4 distinct from a standard DWSRF base-program loan, which is a secured obligation and
5 carries repayment requirements. The implications of this distinction for SJWC's
6 financing plan and rate treatment are outside the scope of my testimony; I defer to
7 SJWC's Regulatory witness and counsel for those matters.¹⁶

8 **Q10. What funding-management approach do you recommend while the Commission**
9 **evaluates SJWC's request?**

10 A10. SJWC should continue the application and its work to establish project readiness without
11 assuming an award. At the same time, it should pursue resolution of applicable
12 authorizations and maintain records linking each funding source to eligible project costs
13 and disbursements. This approach preserves the ability to respond to DFA and provides a
14 transparent record of any external funding ultimately received

15 **Q11. Does this conclude your rebuttal testimony?**

16 A11. Yes, it does.

¹⁶ Written responses of Laura Wadsworth, Division of Financial Assistance, State Water Resources Control Board, to questions submitted by SJWC/GMA, September 21, 2026, Questions 3, 5 and 6 (Attachment 1).

Attachment 1



Elizabeth Christensen <elizabeth@grantmanagementassoc.com>

RE: San Jose Water Company — Williams Station PFAS Treatment — DWSRF-EC eligibility and timing questions

1 message

WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@waterboards.ca.gov>

Mon, Sep 21, 2026 at 2:52 PM

To: Elizabeth Christensen <elizabeth@grantmanagementassoc.com>, WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@waterboards.ca.gov>

Cc: Jared Lewis <jared.lewis@sjwater.com>, James Dodenhoff <james.dodenhoff@gmail.com>, Arthine Cossey van Duyne <arthine@waterfunder.com>, Edward Ober <eober@grantmanagementassoc.com>, "Larsen, Jennifer@Waterboards" <Jennifer.Larsen@waterboards.ca.gov>

Hi Elizabeth,

I provided my responses below in [green](#). I want to reiterate that the EC funding that SJWC (Williams Station) is eligible for is extremely competitive and is allocated on a first-come first-served basis. There are 17 other applications competing for the remaining \$23 M in funds for non-DAC systems serving a population of 25,000 or more (see Table 4 from the [EC Intended Use Plan](#)).

Table 4: EC Application Funding Request Summary (\$ in millions)*

	Application Status	No. of Applications	Estimated Funding Requested	Funding Availability for Projects
Population < 25,000 and/or DAC	Complete	12	\$46.5	\$350.0
	Incomplete	34	\$293.8	
Non-DAC systems serving 25,000 or more	Complete	9	\$130.9	\$155.7
	Incomplete	17	\$161.2	
Total Requests		72	\$632.4	\$505.7

* Application status as of August 1, 2026.

If the DWSRF EC funding runs out before SJWC can submit a complete application, would they be interested in a low-interest ([historically around 2%](#)) loan? These funds are available every year and do not have a sunset date. EC funding and drinking water loan funding uses the same application, and both are accepted on a continuous basis.

Please let me know if you have any other questions or would still like to set up a meeting to discuss.

Thanks,



Laura Wadsworth, P.E. (she/her)
Water Resource Control Engineer

DIVISION OF FINANCIAL ASSISTANCE
Loans and Grants Branch | SRF Water Quality Unit

Email: Laura.Wadsworth@Waterboards.ca.gov

Phone: +1 (916) 327-4838

State Water Resources Control Board
1001 I Street, Sacramento CA 95814
Website: www.waterboards.ca.gov

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From: Elizabeth Christensen <elizabeth@grantmanagementassoc.com>

Sent: Monday, September 21, 2026 11:28 AM

To: WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@Waterboards.ca.gov>; Larsen, Jennifer@Waterboards <Jennifer.Larsen@Waterboards.ca.gov>

Cc: Jared Lewis <jared.lewis@sjwater.com>; James Dodenhoff <james.dodenhoff@gmail.com>; Arthine Cossey van Duyne <arthine@waterfunder.com>; Edward Ober <eber@grantmanagementassoc.com>

Subject: San Jose Water Company — Williams Station PFAS Treatment — DWSRF-EC eligibility and timing questions

Caution: External Email. Use caution when clicking links or opening attachments. When in doubt, contact DIT or use the Phish Alert Button.

Attn: Laura Wadsworth, P.E.

Dear Laura,

Thank you again for your help on the August 13 call and for your written follow-up. San Jose Water Company is now finalizing its DWSRF Emerging Contaminants application for the Williams Station PFAS Treatment Project and, based on our discussions and your guidance, plans to request EC principal forgiveness only (no base-program loan at this time), with a target submission in late October.

As the application comes together, we have a few Williams-specific questions that we could not resolve from the DWSRF Policy, the 2026–27 IUP, or the EC Supplemental IUP. Because several of them turn on how SJWC's construction schedule aligns with the funding agreement, we'd welcome a 30-minute Teams call with you, the SJWC team, and our team at your convenience; we're sending the questions ahead so you have them in advance. We're glad to take written responses instead if that's easier.

Construction timing and eligible costs

1. Where does the Division establish the Eligible Construction Start Date for a project that is already under construction at the time the financing agreement is executed? **The eligible construction start date corresponds to when environmental review is complete. Any construction prior to the eligible construction start date will not be eligible for reimbursement.**

2. Under what circumstances would the Division issue a construction authorization letter under DWSRF Policy Section XI.B.1.e, establishing a construction-eligible cost date prior to execution of the financing agreement? We note the Policy conditions such a letter on completion of the Division's environmental review. **Upon request from the applicant, we can issue a construction authorization letter that establishes an eligible construction start date of when environmental review is complete.**
3. SJWC has incurred approximately \$3.5 million in planning, design, CEQA, and related readiness costs to date. Please confirm whether these costs are eligible for EC principal forgiveness and what Eligible Work Start Date and documentation would apply. **The Eligible Work Start date for this funding program is 11/15/2021. We can reimburse for soft costs that were incurred after that date.**

Scope eligibility

4. For a project whose primary purpose is PFAS removal, how does the Division view supporting site and civil work — grading, yard piping, site drainage, and electrical and standby power serving the treatment facility — under the Section VI requirement that the primary purpose be to address PFAS or emerging contaminants in drinking water? **For this funding source we are able to include all work that is required for the PFAS removal. Grading, yard piping, site drainage, and electrical and standby power serving the treatment facility would all be eligible. However, components that are separate (i.e. an arsenic treatment system that is co-located) would not be eligible.**
5. Beyond the \$25 million EC principal-forgiveness ceiling for a non-DAC system, is Williams Station eligible for any additional subsidization, such as Green Project Reserve or federal additional-subsidization set-asides? If not, we'd appreciate confirmation so we can close that question internally. **Williams Station is only eligible for the \$25 million DWSRF EC principal-forgiveness. I want to reiterate that this funding is extremely competitive and is allocated on a first-come first-served basis. There are 17 other applications competing for the remaining \$23 M in funds for non-DAC systems serving a population of 25,000 or more (see Table 4 from the [EC Intended Use Plan](#)).**

Agreement terms

6. **Just to confirm:** For a financing agreement consisting solely of EC principal forgiveness, DFA will not require SJWC to pledge revenues, assets, or other security. SJWC's Finance group is evaluating the agreement against its debt policies and needs to understand whether the principal-forgiveness component is treated as a secured obligation. **Projects receiving principal forgiveness will not be asked to pledge anything for security and repayment and the project funds will not be treated as a secured obligation of the applicant.**
7. SJWC expects to bid the project in December 2026. Please confirm when Build America, Buy America provisions must be incorporated into the bid documents and when the product-compliance inventory is due (at application, Fundable List placement, or agreement execution), so the specifications are structured correctly the first time. **The bid documents should include Build America, Buy America provisions from the beginning. A product-compliance inventory should be maintained throughout the project and we will check compliance letters at site visits and before closeout of the project.**

Thank you for your continued assistance. Please let us know a few times that would work for a call, and we'll coordinate on our side.

Best regards,

Elizabeth Christensen

Elizabeth Christensen

Senior Associate

Grant Management Associates

elizabeth@grantmanagementassoc.com

www.grantmanagementassoc.com

<https://www.usu.edu/science/proposal-development/>

858-442-6519 (cell)

Attachment 2



Elizabeth Christensen <elizabeth@grantmanagementassoc.com>

RE: Seeking guidance regarding the interpretation of principal forgiveness provisions for a project that serves both disadvantaged and non-disadvantaged communities Ex

1 message

WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@waterboards.ca.gov>

Thu, Aug 13, 2026 at 12:10 PM

To: Arthine Cossey van Duyne <arthine@waterfunder.com>

Cc: "Larsen, Jennifer@Waterboards" <Jennifer.Larsen@waterboards.ca.gov>, Edward Ober <eober@grantmanagementassoc.com>, Elizabeth Christensen <elizabeth@grantmanagementassoc.com>, James Dodenhoff <james.dodenhoff@gmail.com>

Hi Arthine,

Thanks for meeting today. I wanted to follow-up on a few things:

1. The "Affordability Score" and "Certification for Agreement Terms" forms are only required if you apply for a DWSRF loan in addition to DWSRF EC funds.
2. Our interest rate for loans changes every year based on ½ the general obligation rate but it generally around 2%.
3. Regarding funding timeline, we can execute the principal forgiveness portion of the funding before the loan portion. This means you can expect the PF about a year after submitting a complete application and then the funding agreement can be amended to include the loan portion once the project is added to the DWSRF fundable list for the 2027-28 fiscal year.

Please let me know if you have any additional questions.

Thanks,

**Laura Wadsworth, P.E.** (she/her)

Water Resource Control Engineer

DIVISION OF FINANCIAL ASSISTANCE
Loans and Grants Branch | SRF Water Quality Unit

Email: Laura.Wadsworth@Waterboards.ca.gov

Phone: +1 (916) 327-4838

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[1001 I Street, Sacramento CA 95814](#)
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From: Arthine Cossey van Duyne <arthine@waterfunder.com>
Sent: Wednesday, August 12, 2026 11:15 AM
To: WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@Waterboards.ca.gov>
Cc: Larsen, Jennifer@Waterboards <Jennifer.Larsen@Waterboards.ca.gov>; Edward Ober <eoher@grantmanagementassoc.com>; Elizabeth Christensen <elizabeth@grantmanagementassoc.com>; James Dodenhoff <james.dodenhoff@gmail.com>
Subject: Re: Seeking guidance regarding the interpretation of principal forgiveness provisions for a project that serves both disadvantaged and non-disadvantaged communities Ex

Thank you, Laura.

I sent a placeholder meeting invitation for tomorrow, 8/13 at 10:30a with our team. Dial in details will be shared later. I wanted to reserve this time on your calendar. Because, we have more questions.

Thank you,

Arthine

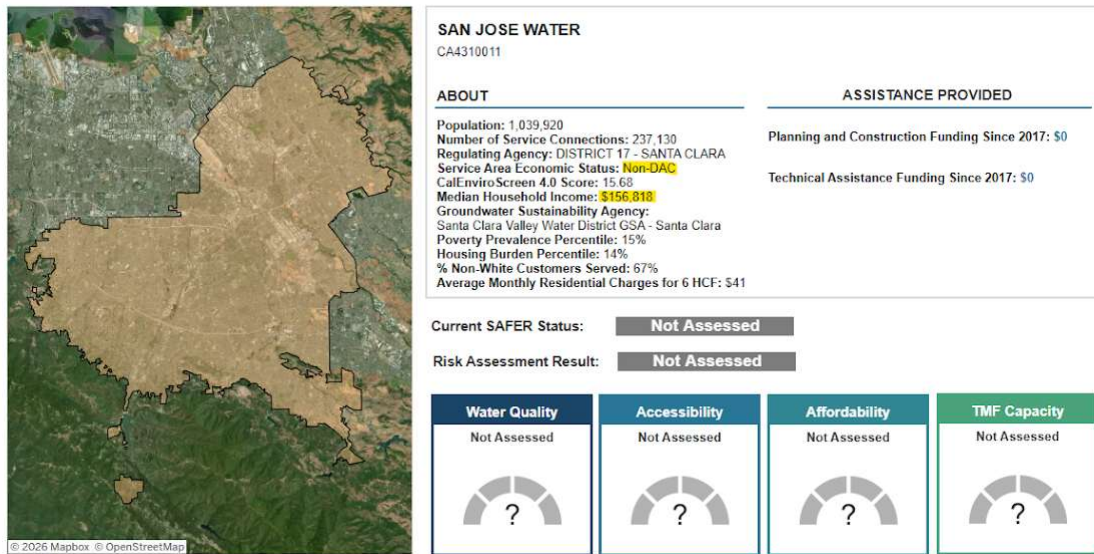
On Wed, Aug 12, 2026 at 11:03 AM WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@waterboards.ca.gov> wrote:

Hi Arthine,

Thanks for reaching out. I addressed your questions below in green:

1. Principal Forgiveness Limits

How does DFA determine the applicable principal forgiveness limit for an Emerging Contaminants project when the applicant water system serves both DAC and non-DAC populations? Specifically, under what circumstances would principal forgiveness beyond the standard \$25 million limit be considered for a project serving disadvantaged communities? For the EC program, we determine whether a system is DAC or non-DAC using the [SAFER Dashboard](#). San Jose Water Company is considered a non-DAC (see results below) and so, according to our 2026-27 draft [DWSRF EC IUP](#), the limit for EC principal forgiveness funding would be up to 50% of eligible project costs up to \$25M. This pot of funding is extremely competitive and we project to allocate all the available funds by the end of this fiscal year (June 2027).

**Table 3: Maximum Emerging Contaminants Grant/PF per Water System**

Type of Community	Percentage of Total Eligible Project Cost	Maximum Amount of grant/PF ²
DAC Systems and/or Systems That Serve a Population Under 25,000	up to 100%	No maximum
Non-DAC Systems That Serve a Population of 25,000 or greater	up to 50% ¹	\$25,000,000
Notes: 1. Funding amount will be determined by DFA based on percentage of project cost and incorporated into the agreement between the State Water Board and Recipient. 2. The Deputy Director of DFA may increase the funding that eligible projects/systems have received under previous EC supplemental IUPs to the current EC supplemental IUP maximum funding amounts.		

2. Project Service Area and Benefiting Population

For purposes of evaluating DAC eligibility and principal forgiveness, does DFA assess the applicant's entire water system, or may the evaluation be based on the facilities, service area, or customer population that directly benefits from the proposed project? **For purposes of evaluating DAC eligibility and principal forgiveness, we assess the applicant's entire water system.**

In our case, if the proposed project is limited to facilities serving the Williams Station service area and those facilities primarily benefit customers located within DAC census tracts, would DFA evaluate principal forgiveness based on that benefiting population, or on the characteristics of the applicant water system as a whole? **Even though Williams Station is a DAC within a non-DAC system, we determine funding eligibility based on the applicant water system as a whole. This is for legal reasons.**

3. Relevant Guidance or Precedent

If available, are there existing policies, examples, or prior projects that illustrate how DFA evaluates principal forgiveness for projects serving a subset of a larger water system, particularly where the benefiting population is predominantly located within DAC census tracts? **There are no examples or prior projects because the EC funding program does not have the option to designate DAC based on % of service area that is DAC.**

Please let me know if you have any other questions and would still like to set up a meeting to discuss.

Thanks,



Laura Wadsworth, P.E. (she/her)
Water Resource Control Engineer

DIVISION OF FINANCIAL ASSISTANCE
Loans and Grants Branch | SRF Water Quality Unit

Email: Laura.Wadsworth@Waterboards.ca.gov

Phone: +1 (916) 327-4838

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From: Arthine Cossey van Duyne <arthine@waterfunder.com>

Sent: Tuesday, August 11, 2026 3:39 PM

To: WB-DFA-EC-PFAS-Funding <DFA-EC-PFAS-Funding@Waterboards.ca.gov>

Subject: Seeking guidance regarding the interpretation of principal forgiveness provisions for a project that serves both disadvantaged and non-disadvantaged communities Ex

Caution: External Email. Use caution when clicking links or opening attachments. When in doubt, contact DIT or use the Phish Alert Button.

Dear DFA Emerging Contaminants Team,

Our team is developing a potential Drinking Water State Revolving Fund Emerging Contaminants (DWSRF-EC) funding application and would appreciate your guidance regarding the interpretation of principal forgiveness provisions for a project that serves both disadvantaged and non-disadvantaged communities.

Based on our review of the DWSRF-EC program guidance and Intended Use Plan, our understanding is that principal forgiveness is generally limited to **\$25 million per water system**, with the potential for additional principal forgiveness, up to **\$50 million**, at the discretion of the Deputy Director if available funding remains. We have also reviewed the program's discussion of projects serving disadvantaged communities but would appreciate clarification on how DFA applies these provisions in practice.

Our project presents a circumstance that we have not found specifically addressed in the published guidance.

The proposed project exceeds \$25 million in eligible costs. The applicant is a community water system that serves both disadvantaged and non-disadvantaged areas. The table below shows the DAC census tracts as a proportion of all census tracts at the Station level and at the full service territory level:

	Williams Station Service Area	SJWC Total Service Area
Population	156,146	301,510
Census Tracts	31	65
DAC* Census Tracts	1	2
% of DAC* Census Tracts	3.2%	3.1%

* DAC census tracts are those with MHI $\leq$ 80% of statewide MHI

The language on page 2 of the General Information Package reads: *"Enter the current year median household income of the applicant or project service area."* The use of "or" here suggests that we have the option to define the project service area as a subset of the total system service area. This seems logical in this case because the smaller number of census tracts in the table above are served primarily by the Williams Station, while water from Williams Station may be distributed elsewhere throughout the SJWC system in the event of a system-wide emergency. We interpret this broad utilization as a co-benefit, but because the primary service area for Williams Station is the subset of census tracts, we think it appears reasonable that we define the service area as only those census tracts served by Williams Station on a regular basis.

However, a substantial portion of the proposed project infrastructure and the customers expected to benefit from the improvements are located within disadvantaged community (DAC) census tracts.

Before advancing engineering and application development, we would appreciate DFA's guidance on the following questions:

1. Principal Forgiveness Limits

How does DFA determine the applicable principal forgiveness limit for an Emerging Contaminants project when the applicant water system serves both DAC and non-DAC populations? Specifically, under what circumstances would principal forgiveness beyond the standard \$25 million limit be considered for a project serving disadvantaged communities?

2. Project Service Area and Benefiting Population

For purposes of evaluating DAC eligibility and principal forgiveness, does DFA assess the applicant's entire water system, or may the evaluation be based on the facilities, service area, or customer population that directly benefits from the proposed project?

In our case, if the proposed project is limited to facilities serving the Williams Station service area and those facilities primarily benefit customers located within DAC census tracts, would DFA evaluate principal forgiveness based on that benefiting population, or on the characteristics of the applicant water system as a whole?

3. Relevant Guidance or Precedent

If available, are there existing policies, examples, or prior projects that illustrate how DFA evaluates principal forgiveness for projects serving a subset of a larger water system, particularly where the benefiting population is predominantly located within DAC census tracts?

Our objective is to ensure that we define the project scope and develop our application in a manner that is fully consistent with DFA's interpretation of the DWSRF-EC program before investing significant engineering and financial resources.

If a brief discussion would be more helpful than a written response, we would welcome the opportunity to schedule a call at your convenience.

Thank you for your time and consideration. We appreciate your guidance and look forward to your recommendations

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Arthine Cossey van Duyne
CEO & Principal Consultant

Mobile: (415) 841-3082
<http://www.waterfunder.com>
Home River: Stevens Creek
Drinking Water: The Tuolumne River