

Bethany Robinson
Division of Drinking Water
850 Marina Bay Parkway
Richmond, CA 94804

November 12, 2021

Dear Ms. Robinson:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for Water Loss Standards for Urban Water Suppliers, as required in California Code of Regulations, title 1, section 200(a)(1) for major regulations. Comments are based upon the SRIA and other publicly available information.

The proposed regulations require the State Water Board to develop water loss performance standards for all 366 urban retail water suppliers (suppliers) in the state who manage a total of 567 water systems. Standards include reporting requirements and minimum water loss thresholds for suppliers with full implementation expected by 2031. Since compliance may impose a financial burden on small businesses, the regulations have built in mechanisms to help businesses manage costs and the SRIA assumes that small businesses will be able to comply. The SRIA estimates that 265 water systems are potentially impacted by the proposed regulations. The SRIA only reports costs for select years, including an estimated direct cost of \$20 million dollars on the 265 affected systems in 2028, driven by leak detection costs. Costs are expected to be passed on to all consumers statewide, causing monthly water bills to increase by about \$0.20 per household in the first year of implementation, before leading to savings on water bills of around \$10 per year by 2028. Total direct benefits, estimated as the value of water saved by 460 systems who report data to the Board, are estimated at \$155 million in 2028. Fiscal costs include compliance costs of \$17 million in 2028 to local governments, who own 77 percent of the 265 impacted water systems, and enforcement costs to the Board averaging \$300,000 annually expected to be absorbed in the existing budget.

Finance generally concurs with the methodology with the following exceptions. First, the SRIA should report costs, benefits, and fiscal impacts annually for each year through 12 months after full implementation. Currently, the SRIA only reports impacts for select years. Since full implementation is expected by 2031, the estimates of costs, benefits, and fiscal impacts should be reported for each year through 2032.

Second, the SRIA must estimate costs, benefits, and fiscal impacts based on a consistent universe of affected entities. Currently, benefits are estimated for 460 systems that have reported water audit data while costs and fiscal impacts are calculated for the 265 potentially impacted systems. Hence benefits are currently inflated and should be corrected to only reflect water loss reduction for the 265 impacted systems or the SRIA should provide a justification and updated costs and fiscal impacts if other systems are also expected to change behavior due to the regulations. Similarly, the SRIA should estimate household water bill impacts based on the households served by the affected water systems only or provide a justification for why the current approach of dividing among all 13 million households in the state is appropriate.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

Signature on file

Somjita Mitra
Chief of Economic Research

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Mr. Jared Blumenfeld, Secretary for Environmental Protection, California Environmental Protection Agency