



James Nachbaur
State Water Resources Control Board
P.O. Box 100 [95812-0100]
1001 I Street, 17th Floor
Sacramento, CA 95814

April 12, 2023

Dear Mr. Nachbaur:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary for the Making Water Conservation a California Way of Life proposed regulations, as required in the California Code of Regulations, title 1, section (a)(1). Comments are based upon the SRIA and other publicly available information.

The proposed regulation requires urban water suppliers to adopt limits on their residential and commercial customers' aggregate water use starting in 2025. The water usage limits become progressively more restrictive over time and reach their final, lowest levels in 2035. The SRIA estimates that 405 water suppliers that serve about 95 percent of the state's population would be impacted. In 2025, the estimated direct costs on suppliers and customers would be \$4.7 billion, mostly for residential rebate programs for turf conversion and other efficiency measures. These costs would include an estimated fiscal impact on local governments of \$2.9 billion, as the costs would fall largely on publicly owned water utilities. It is our understanding that all of these costs to local governments will be reimbursed by fees on consumers. The fiscal impact would also include increases of \$162 million of state sales taxes and \$21 million of local sales taxes in 2025 from increased spending on efficiency projects. The benefits to suppliers and customers in 2025 would total over \$671 million from avoided water use.

Finance generally concurs with the methodology in the SRIA, with the following exceptions. First, the SRIA must provide the rationale underlying any assumptions that are material to the analysis. The SRIA is missing rationales for some of the assumptions, including, but not limited to the following: 1) The SRIA assumes that the estimated impacts will be not biased by the omission of water use data for the suppliers that did not provide the requested data, which account for about 11 percent of the affected population. However, if those water districts' water usage is significantly different, the estimated costs may be higher or lower. The SRIA must provide an analysis that the omitted suppliers have generally similar water usage patterns to the suppliers that provided data. For example, the SRIA can show that the omitted districts are generally consistent with the state average on publicly available characteristics that are correlated with water use. 2) The SRIA assumes that customers will apply an average use throttling of 67 percent on their faucets and waterheads. If, instead, customers averaged 80 percent or 40 percent then the costs would change accordingly. The SRIA must provide

evidence that the 67 percent assumption is the most accurate or provide a sensitivity analysis to show how the impacts may vary based on average throttling.

Second, the SRIA assumes that California energy costs from 2025 to 2040 will be equal to projected U.S. energy costs over the same period despite acknowledging that historically energy prices have been more costly in the state than nationwide. The SRIA should either adjust the projected energy costs to account for this historical difference or justify the energy cost assumptions.

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 comments, and any responses must be included in the rulemaking file that is available for public comment. If any significant changes to the proposed regulations during the rulemaking process 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,

A handwritten signature in black ink that reads "Somjita Mitra". The signature is written in a cursive, flowing style.

Somjita Mitra
Chief Economist

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