



Cindy Forbes
State Water Resources Control Board
Division of Drinking Water
1001 I Street
Sacramento, CA 95814

October 24, 2016

Dear Ms. Forbes:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and the summary (Form DF-131) for the proposed regulations on maximum contaminant levels for 1,2,3-Trichloropropane (1,2,3-TCP), as required in California Code of Regulations, title 1, section 2002(a)(1). As proposed regulations were not submitted with the SRIA, these comments are solely based on the SRIA.

The SRIA describes proposed regulations that set a maximum contaminant level for 1,2,3-TCP in drinking water of 5 parts per trillion (ppt), which will require treatment of water coming from around 300 wells serving around 1 million people in 18 counties. While some water systems may be able to switch to alternate sources, many systems will have to invest in treatment facilities. These facilities are estimated to cost around \$100 million to install over three years (2018-2020), and around \$22 million each year to operate beginning in 2021. These costs would be passed on to customers, estimated to be an additional \$14 per month per household. However, if households were relying on bottled water, this would cost around \$72 per month, and having treated tap water would be a cost savings. As 1,2,3-TCP is a carcinogen, the proposed regulation is estimated to avoid around 2.5 cancer cases per year for the next 70 years in the affected population.

Finance generally concurs with the methodology used to estimate annual impacts under the proposed regulation. The analysis generally meets the requirements, with two exceptions. First, the impacts to businesses that are required to use potable water in their operations should be included. These businesses would also face higher costs of purchasing treated water or installing their own filtration systems. These impacts should be discussed to the extent possible. Second, if there are federal or state funds available to help water systems invest, this would lower costs to local ratepayers, but may entail fiscal costs. Again, these impacts should be discussed to the extent possible.

There are several features of the SRIA that are particularly helpful to the reader: the geographic data presented, the detailed discussion of the mechanisms by which the proposed regulation would affect individuals, and the analysis of alternatives. While the choice of doing nothing is rarely informative, 1,2,3-TCP is regulated much less stringently (if at all) in other states. The second alternative, however, is more informative, in that it shows the tradeoff between a lower reduction in cancer cases versus cost savings in having fewer water systems install treatment facilities.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. 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,



Irena Asmundson
Chief Economist
Department of Finance

cc: Ms. Panorea Avdis, Director, Governor's Office on Business and Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Robert Brownwood, State Water Resources Control Board
Mr. Mark Bartson, State Water Resources Control Board
Ms. Conny Mitterhofer, State Water Resources Control Board