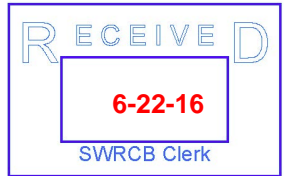




California Association of Mutual Water Companies

www.CalMutuals.org



June 22, 2016

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Ms. Jeanine Townsend, Clerk to the Board
California State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812-0100

SUBJECT: COMMENTS BY THE CALIFORNIA ASSOCIATION OF MUTUAL WATER COMPANIES RE: DRAFT REGULATIONS FOR DRINKING WATER PROGRAM FEES

Dear Ms. Townsend:

We are submitting these comments on behalf of the California Association of Mutual Water Companies ("CalMutuals"), which represents 400 mutual water companies and other small systems across California, regarding proposed fees to support the Safe Drinking Water Program.

In 2015, SB 83 eliminated the "fee-for-service" fee structure that had been in effect since 2001. Under that legislation, the State Water Board was given authority to draft regulations and establish a fee structure based on each water system's total number of connections. The goal of that legislation was to stabilize funding for the safe drinking water program.

We recognize that larger systems represented by other organizations stand for "fee payer equity" given that they may use less assistance than smaller systems in older, smaller and poorer communities – which are typical of our membership. And, while groups like ACWA urge that the fee structure must remain "fair" to medium and smaller systems, we urge the Board to weigh comments from small system advocates and representatives about what comprises fairness.

While the fee structure being developed by the Board may indeed be more beneficial to smaller, more vulnerable systems, larger, wealthier water systems have been the main beneficiaries of bond funding passed by the voters over the last 25 years. While such bond funds cannot generally be applied to compliance with the Safe Drinking Water Act, the bonds have supported robust infrastructure improvements that have permitted the larger systems to devote local funding for compliance programs.

The issue of equity should be viewed from a higher level benchmark. Mutual water companies serve approximately 1.1 million residents of the

state. Our residents pay state income tax, professional taxes and business taxes at the same rates that persons served by larger water systems pay. These taxes support the state's debt repayment on water bonds that have mostly benefited residents who are served by larger water systems. There is no mechanism for pro-rating state taxes on this basis, and there's no consistent mechanism to achieve equity for communities that lack the resources to apply for and administer state bond funds for water projects.

For some larger systems, including larger mutual water companies, the proposed fee structure would increase fees paid to the state by great orders of magnitude over the old fee system. Such dramatic increases would add volatility to those systems' operational expenses and could pose problems in connection with any resulting need to raise water rates under the procedural confines of Proposition 218. This could then have an indirect impact on mutual water companies that purchase imported water from regional water suppliers, and/or who exchange groundwater with public water systems.

To mitigate any potential adverse impact on those larger systems, the State Water Board should consider adding more categories of service, with a minimum fee for all systems, and additional fees past a certain threshold of service connections for the larger systems. The Metropolitan Water District of Southern California and others impose such a fee category on a universal basis called the "readiness to serve charge." Everyone has a stake in the state's ability to reliably administer the Safe Drinking Water Program, whether they regularly use a component of the program or not.

Lastly, we believe it is important that all governmental bodies engaged in regulating public water systems benefit from the proposed operating permit fee increase. Thus, in order to better assist smaller, older and poor water systems, we recommend that the State Water Board pass through funds paid by such systems to county health departments that currently oversee systems with less than 200 connections. Mutual water companies also must report various operational and governance data to other government entities, such as Local Agency Formation Commissions who also lack funding to fully carry out such state mandates. Those agencies would appreciate any financial assistance that could be provided through this fee structure revision.

We generally agree that a fee for service type structure must have components of accountability for the State Water Board. This includes the State Water Board's ability to demonstrate timely responses and good customer service.

We look forward to testifying on behalf of our members as well and thank you for this opportunity to comment on the proposed fee structure.

Sincerely yours,



Adán Ortega Jr.
Executive Director
California Association of Mutual Water Companies

cc: Mrs. Felicia Marcus, Chair
Mrs. Frances Spivy-Weber, Vice Chair
Mrs. Dorene D'Adamo
Mrs. Tam M. Doduc
Mr. Steven Moore