



San Diego County Water Authority

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Sent via Electronic Mail to:
DAS-DrinkingWaterFees@waterboards.ca.gov

MEMBER AGENCIES

Carlsbad
Municipal Water District
City of Del Mar
City of Escondido
City of National City
City of Oceanside
City of Poway
City of San Diego

June 21, 2016

Ms. Jeanne Townsend, Clerk of the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

Fallbrook
Public Utility District
Helix Water District

RE: San Diego County Water Authority Comments Regarding SWRCB Draft
Drinking Water Fee Regulations

Lakeside Water District

Dear Ms. Townsend:

Olivenhain
Municipal Water District
Olney Water District

The San Diego County Water Authority appreciates the opportunity to comment on the proposed Drinking Water Fee Regulations. The Water Authority is a wholesale water agency with 24 member retail agencies, serving a population of 3.2 million people in San Diego County. We understand the need to adopt fees that will adequately support the drinking water program and ensure safe water for the all water users in California. We are, however, concerned about the proposal to increase fees and significantly modify the fee structure. The proposed fee structure will drastically increase fees for many water systems in California. Our specific comments are described below:

Padre Dam
Municipal Water District
Camp Pendleton
Marine Corps Base

1. The proposed fee structure will result in disproportionate fee increases that appear to have no relationship to the service being provided by the State Board.

Rainbow
Municipal Water District
Ramona
Municipal Water District
Rincon del Diablo
Municipal Water District

The State Board is moving away from a direct fee for service approach that has worked for many years where agencies are billed in direct relationship to the actual service being provided. Under the proposed fee structure, average water system fees for the Water Authority's member agencies are expected to increase nearly 300 percent going from approximately \$427,000 in 2014-15 to over \$1.4 million per year under the proposed regulations. This proposal would result in an extremely disproportionate fee structure as compared to fees collected under the fee for service approach. Below are some examples of disproportionate fee increases for some Water Authority member agencies:

San Dieguito Water District
Santa Fe Irrigation District
South Bay Irrigation District

Vallecitos Water District
Valley Center
Municipal Water District
Vista Irrigation District
Yuima
Municipal Water District

OTHER REPRESENTATIVE

County of San Diego

Water System	Service Connections	2014-2015 Fees	State Board Proposed Fees	Percent Increase
Carlsbad MWD	28,468	\$ 14,410	\$ 58,936	409%
Helix WD	55,734	42,796	113,468	265%
Oceanside, City of	43,520	26,304	89,040	338%
Otay WD	48,402	20,101	98,804	491%
Padre Dam MWD	23,379	7,777	48,758	627%
Poway, City of	13,779	11,076	29,558	267%
Rainbow MWD	7,132	5,343	16,264	304%
Ramona MWD	9,330	6,499	20,660	319%
San Diego, City of	276,525	46,818	555,050	1185%
Vallecitos WD	20,519	9,169	43,038	469%

While water systems with over 1,000 service connections are experiencing exponential fee increases, the State Board proposal will result in a reduction in fees for smaller water systems, even though those systems require a proportionally greater level of oversight than the large systems. While we support fee relief for disadvantaged communities, the adopted fee schedule should not result in across the board fee cuts for all small water systems.

Fees for large water systems should take into consideration the economies of scale that are inherent in regulating large water systems, and the investments by large water systems that reduce workload on SWRCB staff. The actual fees charged should have some relationship to the service being provided by the State Board or the burden on the State Board for regulating those systems. The adequacy of the fees should be demonstrated in the Statement of Reasons, which should state how the fees that are collected will be spent for the large and small water system programs, and how the proposed fee structure and related expenditures are compatible with Proposition 26, the California Constitution and the law regarding reasonable rate-setting.

2. The proposed fee structure for wholesalers does not enhance revenue stability and is inequitable for wholesalers and their customers.

The proposed fee structure would charge a volumetric fee for water sold by wholesalers, resulting in duplicative fees for the same volume of water sold through consecutive wholesalers. The same end-use customers would pay multiple times for water system oversight through the combined fees for wholesale and retail water suppliers. There is

significant variability in the complexity of wholesaler supplier systems, which is better captured through a fee for service approach. Because there are few wholesalers, and the existing fee structure has resulted in fairly stable fees, the Water Authority recommends a reasonable base fee plus a fee for service approach for wholesale water agencies.

We also recommend modifying the definition of a wholesale water supplier to be consistent with existing regulations. The definition of wholesaler in the proposed regulations is inconsistent with the existing regulatory definition of wholesaler in §64402.30, Title 22, CCR, which states, "A "wholesale system" means a public water system that treats source water as necessary to produce finished water and then delivers some or all of that finished water to another public water system."

3. The proposed regulation does not allow for adequate time for public water systems to obtain approvals and process payment.

The current regulations require fees to be paid within forty five (45) calendar days. Agencies should be given up to ninety (90) calendar days to allow adequate time to obtain approvals and process payments. In addition, the "good cause" provision in the proposed regulations should take into consideration the fee payors' budgeting process and other constraints.

4. The SWRCB resolution adopting the final drinking water fee regulation should provide a commitment to ensure accountability to public water systems and the public.

The new fee structure will result in an overall 80 percent increase in fees collected by the SWRCB to fund the Drinking Water Program. With this significant increase in fees, the SWRCB should be expected to operate under a high level of accountability. While moving to a cost per connection fee structure can be simpler for the State Board to implement, we encourage the Board to include a resolution that directs staff to retain the DART system which is currently used to track Drinking Water Program staff time and continue to make an accounting of Drinking Water Program time spent on each Public Water System. This can help ensure that water systems are able to obtain the service, oversight and support that they require.

The resolution should also direct staff to maintain performance metrics on the Drinking Water Program and report back to the Board annually on those metrics. The Drinking Water Program provides critical services and oversight for all Public Water Systems, and regardless of how fees are assessed, the State Board's metrics should demonstrate that it is providing an appropriate level of service in a timely fashion.

Jeanne Townsend, Clerk of the Board
State Water Resources Control Board
June 21, 2016
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Thank you for the opportunity to comment on the SWRCB Water System Fee Regulations and for your consideration of these comments. If you have any questions regarding these comments, please contact Toby Roy at (858) 522-6743.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert Yamada". The signature is stylized and cursive, with a large initial "R" and "Y".

Robert Yamada
Director of Water Resources