



San Diego County Water Authority

4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org



Sent via Electronic Mail to
commentletters@waterboards.ca.gov

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July 26, 2016

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OTHER REPRESENTATIVE

County of San Diego

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

RE: Comment Letter - Proposed Drinking Water Fees

Dear Ms. Townsend:

The San Diego County Water Authority appreciates the opportunity to comment on the Drinking Water Fee Regulations that were revised on July 13, 2016. 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. These comments focus solely on the proposed revisions and are not intended to repeat the comments that were provided in our letter dated June 21, 2016.

Modifications to Fee Structure

While the modifications in the fee structure will reduce the proposed overall fees for the San Diego Region as compared to the State Board's original proposal, we remain concerned about how the revised fee structure will result in disproportionate fee increases that appear to have no relationship to the service being provided by the State Board.

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 \$1.28 million per year under the revised regulations. This proposal would continue to result in an extremely disproportionate fee structure as compared to fees collected under the fee for service approach. While water

A public agency providing a safe and reliable water supply to the San Diego region

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systems with over 1000 service connections are experiencing exponential fee increases, the revised 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.

For fees that are adopted as a result of a statutory change (SB 83, 2015), 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.

Fee Relief for Disadvantaged Communities

The fee structure that was originally proposed provided fee relief for water systems that serve severely disadvantaged communities, which have a median annual household income of 60% of the statewide median. We supported that approach. The revised regulations now provide fee relief to disadvantaged communities with a median annual household income of less than 80% of the statewide median. This change could significantly expand the number of water systems that will be given fee relief. It appears that nearly half of the state could potentially meet the definition of a disadvantaged community. This change could have a significant impact on the overall collection of fees for the program. The Statement of Reasons does not, and should analyze the impact of this change in regulations on the overall fee collection and the potential future increases to water suppliers that do not serve disadvantaged communities.

Thank you for the opportunity to comment on the revised State Board 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,



Robert R. Yamada
Director of Water Resources