

SWEETWATER AUTHORITY

Governing Board

May 22, 2024

REVISED



Update on Making Conservation a California Way of Life Regulatory Framework

CONCLUSION

This is an information item.

OVERVIEW

Background

In 2018, Senate Bill 606 and Assembly Bill 1668 were passed by State Legislature to develop a regulatory framework aimed at reducing urban water use state-wide and to help the state's overall water supply adapt to new challenges brought forth by climate change. SB 606 and AB 1668 directed the California Department of Water Resources (DWR) to provide regulation recommendations to the State Water Resources Control Board (SWRCB) that include both unique efficiency standards for each Urban Retail Water Supplier (URWS), and also performance measures for commercial, industrial, and institutional (CII) water use.

In August 2023, the SWRCB began the formal rulemaking process for the regulatory framework known as "Making Water Conservation a California Way of Life."

The draft proposed regulation includes an "Urban Water Use Objective" (UWUO) for each URWS. This objective is specific to each URWS and is the calculated sum of efficiency budgets for the following urban water uses: residential indoor water use, residential outdoor water use, real water loss and CII landscapes with dedicated irrigation meters. Each exact efficiency budget is proposed to be calculated using a state-wide efficiency standard, and, where applicable, incorporates agency-specific characteristics, including population, climate and measured landscape area. Additional considerations in an agency's overall UWUO include "variances" for specific unique uses, and bonus incentives for potable reuse water.

In order to comply with the proposed regulations, each URWS needs to meet its individual overall objective, not necessarily each individual component of it. An exception to this is the budget for water loss, which is set by a separate regulation. Additionally, each URWS will need to comply with CII performance measures, which are meant to identify both indoor water use at CII sites, in addition to outdoor CII sites that do not have a dedicated irrigation meter. An overview of the calculations for each efficiency budget as set forth in the proposed standards and proposed compliance timelines are included in Attachment 1.

Rulemaking timeline and key dates

Authority staff has been monitoring and engaged in the rulemaking process since the inception of the proposed regulations. Key dates regarding the rulemaking process, including public comment letters submitted by Sweetwater Authority (Authority) or in which the Authority was a signatory, are highlighted below:

Date	Action
August 18, 2023	SWRCB released Proposed Regulatory Text for Making Conservation a Way of Life
November – December 2023	First Public Comment Period <ul style="list-style-type: none"> Authority submits comment letter to SWRCB (Attachment 2)
March 12, 2024	SWRCB released updated Proposed Regulatory Text for Making Conservation a California Way of Life (version 2)
March 12 – March 27, 2024	Second Public Comment Period <ul style="list-style-type: none"> ACWA coalition letter submitted with Authority as signatory (Attachment 3)
May 20, 2024	SWRCB released updated Proposed Regulatory Text for Making Conservation a Way of Life (version 3)
May 20 – June 4, 2024	Third Public Comment Period
Summer 2024	Consideration for adoption of rule
January 1, 2025	Rule becomes effective, if adopted

Legislative Analyst's Office Report on proposed regulations

SB 606 required the state's Legislative Analyst's Office to submit a report (Attachment 4) on implementation of the proposed regulation. That report, released in January 2024, identified key areas where the proposed regulation will present challenges for water suppliers. Specifically, the report finds the regulations:

- Add significant costs
 - A net cost of \$7.4 billion was estimated in an independent review performed by a private consulting firm. SWRCB's own assessment estimates a cumulative net benefit of \$2.5 billion. The report notes that costs associated with the proposed regulation would be primarily borne by water suppliers and its customers.
- Could disproportionately affect lower-income customers
 - As water suppliers face additional costs related to implementing the proposed regulation, and also potential revenue reductions by selling less water, suppliers may have to increase rates.
- Add complexity, specifically in the requirements for CII customers
- May be difficult to achieve for some water suppliers, specifically regarding the UWUO
- Build in aggressive timelines for implementation

The report also notes that according to SWRCB's estimates, the proposed regulations at full implementation are estimated to result in a water-savings of one percent of total state water use.

Though the report was released prior to SWRCB's two updates to the proposed regulatory text, staff considers the challenges identified in the report as still valid.

Anticipated Impacts

Based on Authority customers' overall efficient water use, and in analyzing provisional data provided to the Authority from the SWRCB based on the proposed regulation, the Authority does not at this time anticipate any reduction in water use will be necessary to meet the agency's UWUO upon implementation of the regulation and throughout the proposed compliance timeline.

However, staff anticipates significant staff time, and potential financial resources, will be necessary to comply with regulation implementation, specifically the robust CII requirements. These requirements include conversion of certain CII customers to dedicated irrigation meters, and implementing complex CII performance measures, which may necessitate additional funding for outreach and incentive programs. Additional staff time might also be required for annual reporting requirements.

Outreach to customers

Once the regulations are adopted, communication with Authority customers will be an important step in implementation. Staff anticipates that customers will encounter state-wide and regional messaging regarding the regulation. However, because each UWRS's UWUO is unique, it is important that customers receive clear information from the Authority on how the regulation may impact them. Outreach will include messaging in the customer newsletter, the Authority's website and speaking points for Customer Service staff. Additionally, the Board may consider assigning the regulations as a topic for discussion at a future Community Advisory Work Group meeting.

FISCAL IMPACT

Further data collection and analysis will be necessary upon finalization of the regulation to determine fiscal impacts.

NEXT STEPS

The is an information item.

Staff Contact:

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SUPPORTING INFORMATION

Attachments

Attachment 1 – Presentation: Making Conservation a California Way of Life Regulatory Framework Update - Revised

Attachment 2 - Sweetwater Authority Comment Letter - Draft Water Use Efficiency Regulations - October 17 2023

Attachment 3 - ACWA Coalition Comment Letter - Making Conservation a CA Way of Life - March 27 2024

Attachment 4 – LAO Report – Early Implementation of Urban Water Use Efficiency Requirements

Strategic Plan

Strategic Plan Goal No. 4 – Environmental Stewardship

- Objective ES1 - Increase conserved water supplies through water efficiency education and assistance programs and outreach efforts, new technology, strategic partnerships with public and private agencies, and developing effective rate setting strategies (Source: State Water Resources Control Board Regulations)