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State Water Resources Control Board

**NOTICE OF WORKSHOP AND  
NOTICE OF OPPORTUNITY FOR PUBLIC COMMENT**

**Joint Workshop  
California Public Utilities Commission and  
State Water Resources Control Board**

**Providing Safe Drinking Water through Consolidation of Water  
Systems and SB 623**

**NOTICE IS HEREBY GIVEN** that the State Water Resources Control Board (State Water Board) and the California Public Utilities Commission (CPUC) will hold a joint workshop on providing safe drinking water through consolidation and acquisitions of water systems and a discussion on SB 623, which would create a safe and affordable drinking water fund. The workshop will include expert panels on funding and governance challenges associated with providing safe drinking water. The workshop will also be an opportunity for interested persons to provide input to the State Water Board and CPUC. While a quorum of the State Water Board and CPUC including board members and commissioners may be present, this will be an informational workshop only, and the State Water Board and CPUC will take no formal action. However, comments made at the workshop will become part of the record for CPUC proceeding R.17-06-024. The workshop will be held on:

**Monday, November 13, 2017 at 1:00 PM – 5:00 PM  
State Personal Board Auditorium (1<sup>st</sup> Floor)  
801 Capitol Mall  
Sacramento, CA 95814**

**BACKGROUND**

Under California's Human Right to Water Policy (Assembly Bill 685, Eng 2012), "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption ..." Although most of the state's residents receive drinking water that meets federal and state drinking water standards, many drinking water systems in the state consistently fail to provide affordable, safe drinking water to their customers. Lack of safe drinking water is a problem that disproportionately affects residents of California's disadvantaged communities. The State Water Board estimates that roughly 300 disadvantaged communities in the State receive water from a public water system that does not meet drinking water standards. Many small public water systems in disadvantaged communities lack the technical, managerial and financial capacity to deliver safe drinking water at affordable rates. While larger systems have

FELICIA MARCUS, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

the financial resources to hire well-trained and technically competent water system operators, small systems may find it difficult to retain operators with sufficient expertise. Furthermore, these communities often lack the financial resources to absorb the significant additional costs required in order to treat their drinking water to meet standards. Although the State has been able to assist disadvantaged communities with paying for the capital costs of the treatment systems through financial assistance such as Proposition 1 and the Drinking Water State Revolving Fund, there are no funding sources available to provide funding for long-term operations and maintenance costs. Disadvantaged communities often lack the rate base to demonstrate that they can afford operations and maintenance costs related to treatment of the contaminants, with the result that they are effectively barred from accessing capital improvement funding for this purpose. In contrast, generally larger water systems have the financial capacity both to pay treatment costs and to provide for a well-trained and technically competent workforce of water system operators.

Senate Bill 623 would provide a Safe and Affordable Drinking Water Fund in the State Treasury. It would generate \$2 billion dollars over the course of 15 years to alleviate the financial burden placed on many communities to secure safe drinking water. The source of revenue would be from a diverse group including farms, dairies, homes, and businesses. It is estimated that SB 623 would generate \$110 million dollars annually through a 95 cents monthly contribution from water customers and up to a \$10 monthly contribution from businesses. The other \$30 million would be committed through the agriculture and dairy industry. The Fund would ensure direct assistance towards emergency water and for long-term operations and maintenance cost in disadvantaged communities.

### **Benefits of Consolidation**

Consolidation of water systems is a proven approach to addressing concerns around providing safe drinking water to disadvantaged communities, in support of the Human Right to Water. Consolidated water systems provide economies of scale and can save on operations and maintenance costs by sharing such costs as billing and operational personnel, treatment costs, and new water sources. Furthermore, consolidated water systems often can purchase time-saving equipment that neither system could afford to purchase alone because they can spread costs over a larger customer base. Physical consolidation can also result in lowered monitoring costs. For example, two small water systems may each be required to sample monthly for bacteriological quality in the distribution system, disinfection byproducts annually, and lead and copper every three years, etc. When a receiving water system takes in a subsumed system they may not see an increase in their sampling if the consolidation water system population does not exceed certain thresholds. The subsumed water system could therefore see a saving in monitoring costs, which could be passed on to the consumers. This can functionally reduce monitoring costs by half. Additionally, water sources can often be shared, giving the water systems more flexibility and reliability.

### **CPUC Role in Water System Consolidations**

The CPUC regulates investor-owned water utilities across the state of California. The majority of these water systems are small with fewer than 500 service connections. With increasingly stringent water testing/ quality requirements and the need for infrastructure investment, smaller water systems typically do not possess the technical, managerial or financial capabilities to operate viable utilities. As such, the CPUC has had a long standing policy to encourage the consolidation of smaller water systems with larger water systems. This policy was formally memorialized in the Public Utilities Code in 1997 when Chapter 2.5, titled "Public Water System Investment and Consolidation Act of 1997," was added. At the time, the Legislature found that (1) water systems are faced with the need to replace or upgrade the public water system

infrastructure, (2) increasing amounts of capital are required to finance the necessary investment in public water system infrastructure, (3) scale economies are achievable in the operation of public water systems, and (4) providing water corporations with an incentive to achieve these scale economies will provide benefits to ratepayers. These concerns remain valid today and the CPUC continues to make progress in water system consolidation. The CPUC is neutral with regard to the acquiring water system ownership status, i.e. the acquirer may be another investor owned utility, a publicly owned system, or a mutual utility. In addition, since 2014, the CPUC has required its large multi-district water utilities to bring forth consolidation proposals to increase the affordability of water for their customers.

### **State Water Board Role in Water System Consolidations**

Another step towards achieving the Human Right to Water was the enactment of Chapter 27, Statutes of 2015 (Senate Bill 88, Senate Committee on Fiscal Review), which authorizes the State Water Board to require certain water systems that consistently fail to provide safe drinking water to consolidate with, or receive an extension of service from another public water system. Significantly, this law provides liability relief for the receiving water system, whether the consolidation is mandatory or voluntary. The State Water Board posts relevant information about its use of this authority at [http://www.waterboards.ca.gov/drinking\\_water/programs/compliance/index.shtml](http://www.waterboards.ca.gov/drinking_water/programs/compliance/index.shtml).

In addition, the State Water Board actively uses its financial assistance programs to provide incentives that encourage voluntary consolidations. More information can be found at [http://www.waterboards.ca.gov/drinking\\_water/certlic/drinkingwater/waterpartnership.shtml](http://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/waterpartnership.shtml).

### **WORKSHOP OVERVIEW**

The workshop will include staff presentations followed by expert panels on the topics of the role of consolidations in providing safe drinking water and a discussion on SB 623. The panels will be followed by public comments and Board member and Commissioner discussion. While a quorum of the State Water Board and CPUC including Board members and Commissioners may be present, this will be an informational workshop only, and the State Water Board and CPUC will take no formal action.

### **PUPOSE OF WORKSHOP**

The purpose of the joint workshop is to provide information on consolidation efforts and discussion of SB 623 by both the CPUC and the State Water Board as a means of providing safe drinking water, and to receive public input on how these efforts could be strengthened and made more successful.

### **PARKING AND ACCESSIBILITY**

For street parking and parking garage locations please refer to: <http://cityofsacramento.org/Public-Works/Parking-Services/Parking-Map>.

The State Personal Board Auditorium is accessible to persons with disabilities.

### **ACCESS NOTICE AND AGENDA**

To access the notice and the agenda please refer to the State Water Board's Calendar at: [https://www.waterboards.ca.gov/board\\_info/calendar/index.html](https://www.waterboards.ca.gov/board_info/calendar/index.html).

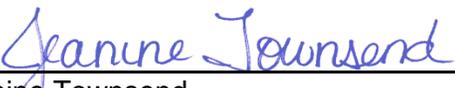
**ADDITIONAL INFORMATION**

Please direct questions about this notice to either:

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November 3, 2017  
Date

  
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Jeanine Townsend  
Clerk to the Board