

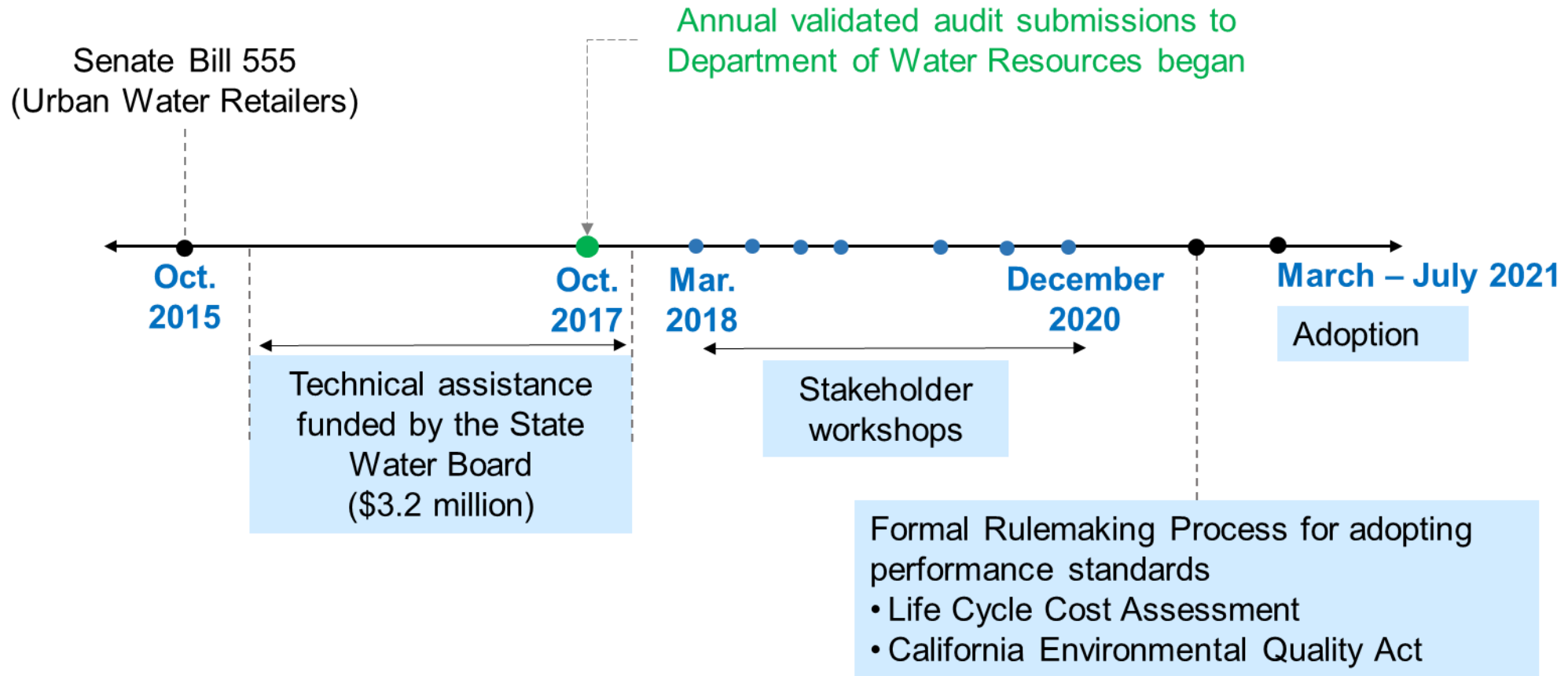
Revised Regulatory Proposal and Process: Water Loss Performance Standards

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Regulatory Context and Timeline



Released Reference Documents

Rulemaking

- Proposed regulatory text
- Initial Statement of Reasons with Economic Impact Analysis

Economic model

- Revised draft economic model
- Draft guidance for model and adjustments
- Summary of changes from previous version

Regulatory proposal

- Fact Sheet on proposed regulation
- Proposed water loss standards
- Questionnaires: Data quality, Asset management, Pressure management
- Alternative compliance pathway (Offramp) - Criteria

Revised Regulatory Proposal - Overview

- ❑ Compliance with supplier-specific standards by 2028 water loss audit
 - 5 gallons per connection per day buffer above standard
 - Can comply using 2026 or 2027 water loss audits
- ❑ Questionnaires – 2023, 2024 and update in 2027
 - ❑ Data quality
 - ❑ Asset Management
 - ❑ Pressure Management
- Adjustments to input values to economic model by July 2023
- Variances for extenuating circumstances and disadvantaged communities
- Alternative compliance pathway (Off-ramp) – Suppliers with low loss and high data quality – by January 2023
 - ❑ Maintain real loss at threshold
 - Questionnaires not required

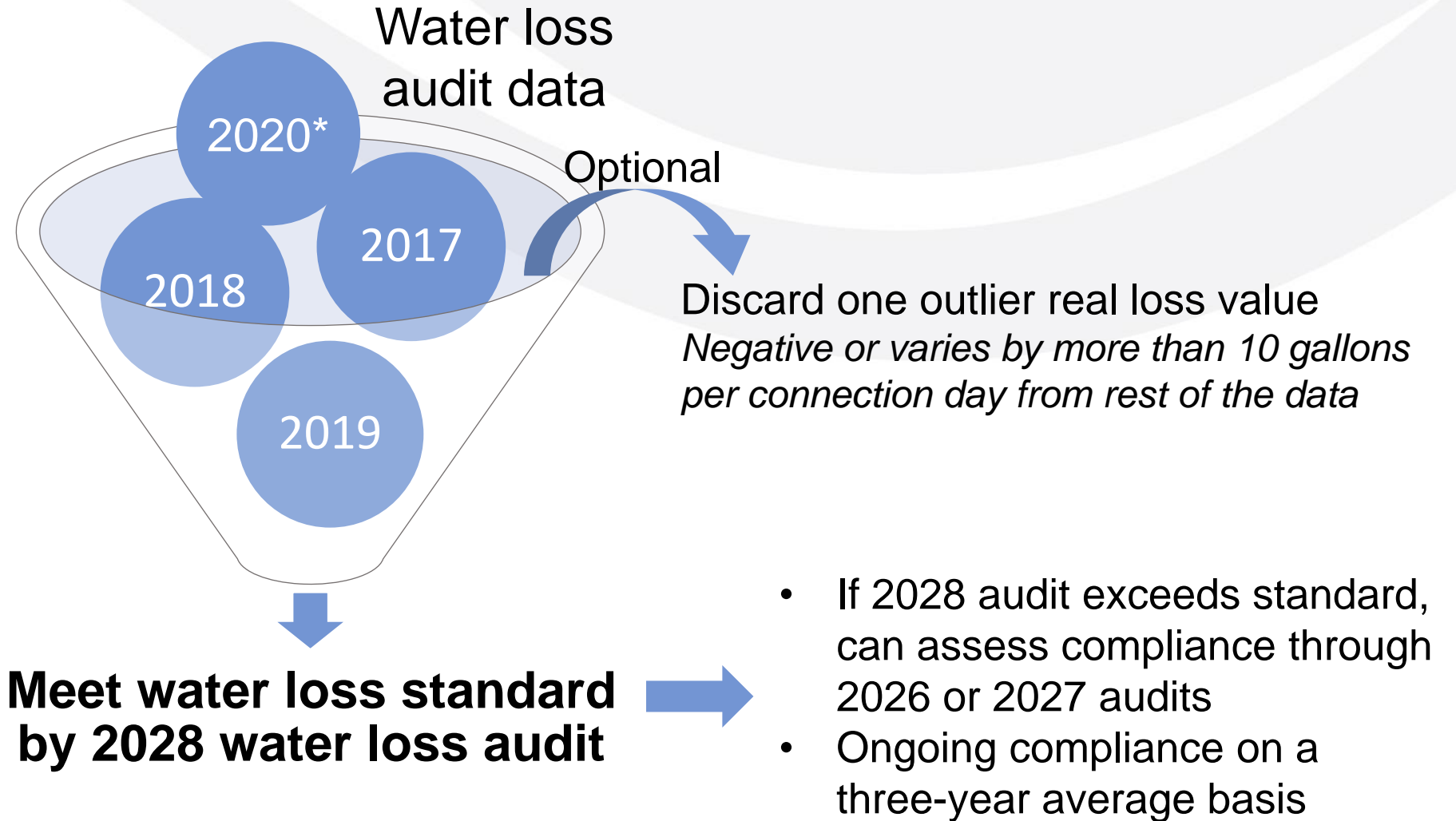
Performance Standards

- Performance standards calculated using default input data
- Only suppliers with positive net benefit required to reduce real loss
- Scope for customizing for each supplier – Supplier-specific data is key
- Suppliers may opt to enter data in model and send to State Water Board during formal rulemaking
- Adoption- Each supplier gets a standard
 - Default or supplier-specific inputs
- New and revised data collected in 2021 and 2022
 - Justification for Adjustments to State Water Board - Guidance

Economic Model and Data Quality

- Economic model revised
- Peer review of economic model in progress
- Due dates extended:
 - Adjustments to input values for economic model due by July 1, 2023 (optional)

Baseline and Compliance



Questionnaires

- Responses to questionnaires on
 - Data quality – January 1, 2023
 - Pressure Management – July 1, 2024, Update in 2027
 - Asset Management – July 1, 2024, Update in 2027
- Draft questionnaires modified for consistency and data quality
- Apparent loss
 - Resolution
 - Tracking
 - Red flags

Variations

Disadvantaged communities

- Compliance assessed in 2031 for suppliers with:
 - Service areas designated as disadvantaged
 - Designation based on 80% of Median Household Income
 - Over 25% required real loss reduction
 - Benefit-cost ratio over 2022 through 2028 of less than 2

Extenuating circumstances

- Variance process based on extenuating circumstances
 - Example: Fire, Financial crises

Alternative Compliance Pathway (Off-ramp)

- Suppliers with low real loss and high data quality
- Suppliers maintain real loss at or below threshold
 - Responses to questionnaires not mandatory
- 16 gallons per connection per day or 1184 gallons per mile per day
 - Previously 10 gallons per connection per day
 - Threshold changed to 20th percentile of real loss
- Due date extended to align with water loss audit submission
 - Suppliers must meet criteria by January 1, 2023 to qualify

Alternative Compliance Pathway (Off-ramp)

- Baseline real loss (2017 through 2020) and underlying data quality criteria to qualify
- Suppliers may also qualify by meeting criteria and using 2021 and 2022 water loss data
 - Adjustment would create new three-year baseline of 2020 through 2022
- Allowed variation in real loss corrected to 740 gallons per mile per day from 200 gallons per mile per day
 - Based on the median of the reported data: 74 connections per mile

Added flexibility in proposed regulation

Compliance

- Can assess compliance in 2028 based on 2026 or 2027 audit
- 5 gallons per connection per day cap above standard

Baseline water loss

- One outlier year in baseline water loss
- 2017 through 2020 audits

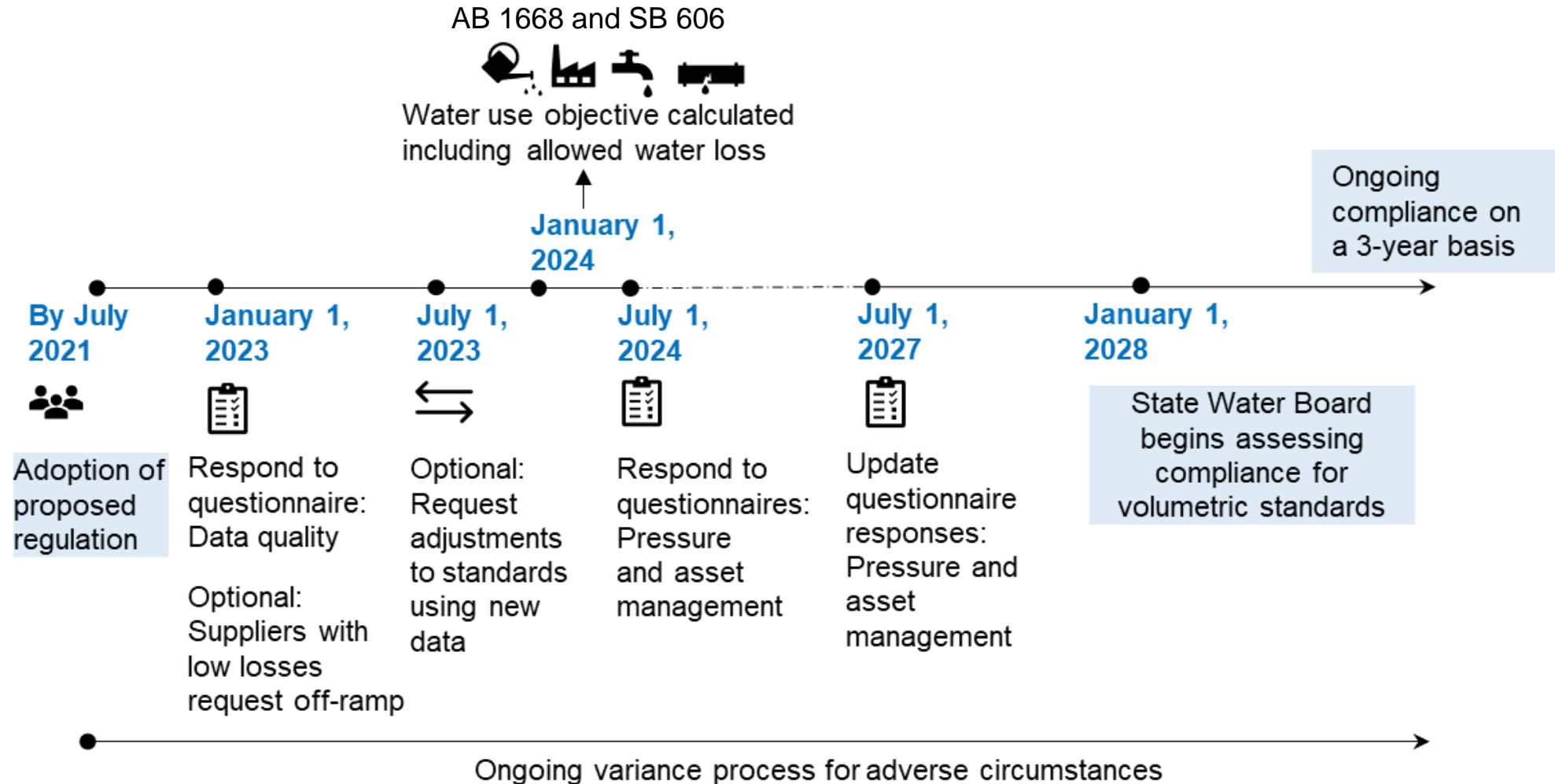
Adjustments

- Opportunity for new data from implementation
- Additional year to adjust standard
- Due by July 2023

Alternative compliance pathway

- Maintain current water loss
- No responses to questionnaires required
- Proposed loss threshold: 16 gallons per connection per day or 1184 gallons per mile

Implementation Timeline



Timeline and next steps

- Peer review publicly available: mid-January
- Initiation of formal rulemaking with 45-day comment period
 - Suppliers may send to State Water Board with supporting justification
 - System-specific values entered in the economic model
 - Accurate baseline excluding an outlier
- Subsequent revisions if needed: 15-day comment periods
- Adoption between May through August 2021
 - Each supplier gets a standard - Default or supplier-specific inputs
- Adjustments based on new and revised data from 2021 and 2022 with justification - Guidance