



September 12, 2023

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

**RE: SB 3 (Dodd)- Discontinuation of residential water service: community water system
Request for VETO**

Governor Newsom,

The California Association of Mutual Water Companies (CalMutuals) and the Community Water Systems Alliance (CWSA) respectfully request a veto of SB 3, as proposed by Senator Bill Dodd. CalMutuals represents 500 small not-for-profit water systems statewide, many serving disadvantaged communities. Our members are not represented by larger organizations such as the Association of California Water Agencies (ACWA) or the California Water Association (CWA) that are investor owned utilities. While the bill purports to provide support for small systems, it falls short in two critical areas for the small, not-for profit water utilities we represent:

- First, it lacks dedicated financial resources and technical assistance for small water systems, especially those serving disadvantaged communities, to successfully implement its provisions. Discussions about this bill have oversimplified its demands, suggesting that these systems can simply borrow an existing water shutoff policy from a larger water system and adapt it for their use. However, additional requirements need to be met, such as hand delivery of notices, managing confidential medical and income information, and restructuring of billing systems. Larger systems have had to hire additional staff to implement similar requirements in SB 998, but most smaller systems will not have the resources to do so.
- Second, it fails to provide access to funding to mitigate the financial impact of the delayed collection of arrearages. The arrearages program extension provided by SB 122 (2023) offers relief for stressed systems and families struggling to pay their water bills during the pandemic. However, SB 122 will not address the delayed collection of arrearages and the negative impacts on the financial reserves of small systems under SB 3.

This bill amends the code sections added by SB 998 (Dodd), originally passed in 2018, for larger systems, i.e., those with more than 200 service connections. However, the impact of this bill differs greatly for smaller systems, which have limited budgets and are often run by volunteers and contract operators. Many of these smaller systems already have effective policies and practices in place for working with customers who struggle to pay their utility bills. Unfortunately, the sponsors of this bill did not consider these existing policies and practices when creating a one-size-fits-all policy regarding water shutoffs. They also failed to provide evidence of widespread customer due process issues that would justify the cost or need of this new legislative proposal.

Merely referencing possible "statewide training," and only *if* funding is available, is not enough when considering the vulnerability of small systems in an increasingly demanding regulatory environment. This year, in addition to the proposed obligations of SB 3, small systems are being called on to implement an array of drought planning improvements (SB 552) and to adopt treatment to remove contamination from PFAS and hexavalent chromium to very low levels. Regardless of the system's size, dedicated resources and support from the state are crucial in safeguarding water quality and ensuring affordability, especially for smaller systems.

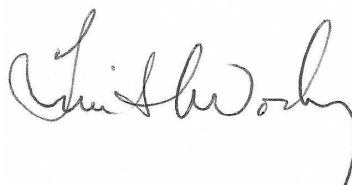
SB 998's impact is not yet fully understood as its full implementation was delayed until after the pandemic. Creating legislation replicating its effects for smaller, less financially capable systems appears premature. The technical, financial, and managerial impacts on larger systems should be thoroughly analyzed before extending its applicability, particularly since its implementation costs were previously underestimated. The State Water Resources Control Board is cited in legislative analysis concluding that the enforcement and technical assistance costs to implement SB 3 would be greater than the higher than estimated and unmet on-going costs of implementing SB 998. Many systems report the same percentage of customers continue to be impacted by potential shutoffs as existed before SB 998s enactment. However, the water system and the customer carry additional debt and costs due to provisions introduced by this bill.

Overall, CalMutuals remains committed to supporting legislative efforts to help the State deliver on its promise that every person has the right to clean, safe, and affordable drinking water while ensuring the overall health of our water systems. However, we do not believe SB 3 furthers this goal and respectfully request a veto.

Respectfully,



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CA Association of Mutual Water Companies



Timothy Worley
Managing Director
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