

March 31, 2003

Lorraine Hunt
Office of Information and Regulatory Affairs
Office of Management and Budget
NEOB Room 10202
725 17th Street
Washington, DC 20503.

Dear Ms. Hunt:

On behalf of over 22,000 small and rural drinking water utilities, the National Rural Water Association (NRWA) is pleased to submit comments on the Office of Management and Budgets Draft 2003 Report to Congress on the Costs and Benefits of Federal Regulations that was published on February 3, 2003 (68 FR 5492). NRWA represents the voice of small and rural utilities with a sustaining membership of over 41% of community water systems. No other organization represents such a large proportion of regulated entities that are heavily impacted, particularly by U.S. Environmental Protection Agency regulations.

We thank you for the opportunity to provide comments regarding this important matter.

Sincerely,

Ed Thomas
Senior Environmental Engineer

Attachment

NATIONAL RURAL WATER ASSOCIATION (NRWA)
COMMENTS ON OMB DRAFT GUIDELINES FOR THE CONDUCT OF
REGULATORY ANALYSIS AND THE FORMAT OF ACCOUNTING STATEMENTS

The National Rural Water Association is a federation of state rural water associations representing over 22,000 small and rural water and wastewater utilities. Because of their small size, these utilities typically experience relatively high unit costs in terms of per customer charges for new regulatory initiatives. Consequently, the full and efficient use of benefit/cost analysis, especially as envisioned in the Health Risk Reduction and Cost Analysis (HRRCA) provisions of the Safe Drinking Water Act, are critical to these systems.

The NRWA wishes to commend the OMB for its rational and aggressive approach to development of guidelines for the conduct of benefit/cost analyses required in the regulatory process. In particular, NRWA supports the following provisions: (Note: Citations in the following bullet list refer to white papers prepared by leading experts in the country which NRWA has recently commissioned and which speak to pertinent aspects of the regulatory process. These white papers are available on the NRWA web site at www.NRWA.org)

- ❖ The emphasis on the necessity of accounting for differences between regions and areas of the country. NRWA has recently developed information that clearly demonstrates the wide variance in affordability parameters between metropolitan and non-metropolitan areas. See Rubin - 2001 and Rubin - 2003.
- ❖ The requirement for proper discounting of future benefits and otherwise accounting for latency and cessation lag. As a pertinent example, NRWA has found that such discounting would suggest a reduction of EPA's value of a statistical life by a factor of 3. See Raucher - 2002.
- ❖ The necessity to use incremental net benefits for proper indication of the most cost effective value of MCLs. See Raucher - 2001 and Raucher 2003.
- ❖ The requirement for thorough and transparent analysis of uncertainty in regulation development. This issue is of special concern to NRWA because as its member systems face higher and higher unit costs for regulations it becomes more and more imperative that the benefits of the regulations are realistic and not unreasonably inflated by excessive precaution.. See Raucher - 2002.

There are other provisions that contribute to the overall efficacy of the guidelines, but the aforementioned are the most critical to the small system community. NRWA would be happy to provide additional information as needed.

References:

Robert S. Raucher, 2001, Balancing Benefits And Costs
Robert S. Raucher, 2002, Blending Science with Policy: Precautionary Assumptions and
Their Impact on Benefit-Cost Analyses and Drinking Water Standards
Robert S. Raucher and Nimmi Damodaran, 2003, The HRRCA Review Process
Scott J. Rubin, 2001, Criteria to Assess the Affordability of Water Service
Scott J. Rubin, 2003, Update of Affordability Database