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April 21, 2003

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

VIA FAX 202-395-7245

Re: Comments on the Draft Report to Congress on the Costs and Benefits of Federal Regulation

Dear Ms. Hunt:

The Association of Metropolitan Water Agencies (AMWA) appreciates the opportunity to comment on the Office of Management and Budget (OMB) Draft 2003 Report to Congress on the Costs and Benefits of Federal Regulations. As directors and managers of the nation's largest drinking water systems collectively serving over 110 million people, AMWA members are directly affected by many of the EPA's federal regulations, as well as regulations related to homeland security, such as the Bioterrorism Act. In addition, AMWA members have been members of cost groups organized by the agency to discuss the cost benefit analysis of the arsenic rule and would be willing to further discuss our past experiences to assist OMB in developing guidelines for regulatory analyses.

If you have questions on the attached comments, please do not hesitate to contact me or Erica Michaels on AMWA's staff at the number above or via email at: rnichaels@amwa.net.

Sincerely,

Diane VanDeHei
Executive Director

Cc: Tracy Mehan
Cynthia Dougherty

The Association of Metropolitan Water Agencies comments on the Office of Management and Budget Draft Report to Congress on the Costs and Benefits of Federal Regulation

April 21, 2003

Introduction

The Association of Metropolitan Water Agencies (AMWA) appreciates the opportunity to comment on the Office of Management and Budget (OMB) Draft 2003 Report to Congress on the Costs and Benefits of Federal Regulations. AMWA was formed in 1981 by the general managers of the nation's largest drinking water suppliers to represent them before Congress and federal agencies. Collectively, AMWA member agencies serve over 110 million Americans.

p. 5498-99:

Chapter II. A. Guidelines for regulatory analysis.

General Comments

AMWA members have been participants in groups organized by EPA to discuss the cost benefit analysis of the arsenic rule and would be willing to further discuss our past experiences to assist OMB in developing guidelines for regulatory analysis, as well as review and comment on these guidelines prior to implementation. A collaborative effort among impacted stakeholders to meet and confer with OMB would be productive.

AMWA believes developing a national snapshot of costs and benefits of environmental regulations and drinking water regulations in particular, is difficult and fundamentally flawed for two major reasons.

First, determining costs and benefits for individual contaminants obscures where the costs are borne and where benefits are defined. A more realistic picture could be obtained by considering costs and benefits on a regional or statewide scale, since some regions and states are affected more by certain regulations than others, because source waters vary across regions due to several factors, including the geology, climate, industry and agriculture in the area. For these reasons, considering the costs and benefits derived for individual systems is more defensible since each system will make its own unique determination for how to address a rule based on its individual situation. In addition, water systems do not generally plan capital improvement or treatment modifications

based on a single regulation or contaminant alone, but consider potential future regulations when planning for the long term.

Second, trying to isolate benefits against individual contaminants is also problematic because there can be multiple causes of a disease and conversely, multiple benefits from reducing an agent in the water environment. Short term versus long term benefits are not well correlated in terms of cost-benefit equations, and trying to carve out how much of a contribution a single agent makes in a complex and intertwined public health landscape is futile.

Page 5498, column 2, "The proposal encourages agencies to perform both cost-effectiveness analysis and benefit-cost analysis of major rules.."

AMWA agrees that requiring Federal agencies to prepare *some* documentation of cost and associated risk assessment as part of the regulatory process is appropriate and desirable. Furthermore, in the case of EPA, it is part of their risk assessment/risk management paradigm (See EPA's March 2003 Draft Strategic Plan, Figure 1 of the Cross-Goals Strategies Section). AMWA agrees with OMB that both a benefit-cost analysis and cost-effective analysis should be performed as an integral element of the regulatory process.