

March 21, 2025

Liane M. Randolph  
Chair  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**Re: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219**

Dear Chair Randolph,

On behalf of the California Water Association (CWA) and its 84 member utilities, I appreciate the opportunity to provide comments on the California Air Resources Board's (CARB) implementation of Senate Bills 253 and 261. CWA represents regulated drinking water utilities that serve over 6 million Californians, and our members are committed to environmental stewardship and sustainability.

Among CWA's 84 member utilities, four may be subject to the requirements of SB 253 and SB 261 due to their affiliation with nationwide parent organizations that exceed the total annual revenue threshold. These regulations are new for our industry. While some of our members have voluntarily begun to track emissions and corporate Environmental, Social, and Governance (ESG) data to optimize service provision and lower operational costs, most are not familiar with mandated compliance obligations, or the methodologies involved. As a result, we emphasize the significant time, effort, and costs involved in compliance. As regulated drinking water utilities, these costs are ultimately borne by customers, making it critical to avoid undue financial burdens.

Overall, we join in other comments that urge CARB to ensure its regulations are clearly defined, provide adequate time for compliance preparation, do not require reporting before entities have the capacity to do so, and maximize flexibility to minimize unnecessary costs and burdens. Below, we outline key considerations regarding CARB's rulemaking process to ensure fairness, clarity, and alignment with existing regulatory frameworks.

## **Information Solicitation Response**

### **1. Defining "Doing Business in California"**

As CARB develops regulations for identifying businesses covered under these laws, it is crucial to establish clear, objective, and well-understood definitions of "total annual revenues" and "doing business in



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California.” Tying these definitions to widely accepted financial metrics — such as revenues, income, or number of employees — would enhance CARB’s ability to accurately determine which companies are subject to reporting requirements. Additionally, focusing on companies with a significant nexus to California would ensure that compliance efforts target businesses with meaningful greenhouse gas (GHG) emissions in the state.



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To assist CARB in this effort of defining “total annual revenues,” CWA strongly recommends adopting a definition based on generally accepted accounting principles (GAAP). GAAP is a well-established standard that companies already use to prepare and audit financial statements, ensuring consistency and reliability. Given that entities with at least \$500 million in total annual revenues (as relevant to SB 261) are likely already familiar with GAAP revenue standards, aligning CARB’s definition with GAAP would provide a uniform and transparent method for compliance. If CARB chooses not to use a GAAP-based calculation, CWA urges the adoption of another widely accepted and objective standard to maintain consistency across industries.

CWA recommends that CARB not rely on the definition of “doing business in California” from Revenue and Tax Code Section 23101, as it was designed for tax purposes and is not a good fit for the reporting requirements under SB 253 and SB 261. This definition is vague, with unclear terms like “commercially domiciled” and low thresholds that could require companies with only minimal activity in California to comply. Instead, CWA urges CARB to create a definition specifically for the California Climate Laws that focuses on companies with a significant presence and meaningful greenhouse gas emissions in the state.

CWA suggests two possible qualifications for compliance:

- Companies that are either incorporated in California or have their headquarters in the state, or
- Companies that are not headquartered or incorporated in California but have at least 10% of their global income coming from California or 10% of their employees living in the state, based on a two-year average.

This approach would provide clarity, ensure fairness, and focus compliance on businesses with a real connection to California. CWA also believes that each company should be assessed individually, rather than automatically including all subsidiaries or affiliates in the same group.

## **2. Ensuring California-Specific Standards Remain Current**

CARB should ensure that its regulations remain aligned with existing California utility climate planning and reporting requirements. Given the complexity of compliance across multiple jurisdictions, it is crucial that CARB’s standards remain consistent with those of the California Public Utilities Commission (CPUC), and other state agencies, as appropriate. This alignment will help streamline reporting processes, reduce administrative burden, and provide clarity to organizations working to meet these climate-related disclosure requirements. Regular coordination with the CPUC and other regulatory entities will help ensure a cohesive framework that avoids unnecessary duplication of efforts.

Given the evolving landscape of climate-related disclosures, CARB should also establish a process for regularly reviewing and updating reporting requirements to maintain consistency with best practices and avoid conflicts with federal or international standards.

### **3. Minimizing Duplication of Reporting Requirements**

To prevent unnecessary administrative burdens, we urge CARB to consider other reporting frameworks like the Greenhouse Gas (GHG) Protocol, the Carbon Disclosure Project (CDP), the Task Force on Climate-related Financial Disclosures (TCFD) framework, and the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosure requirements published by the International Sustainability Standards Board (ISSB). The GHG Protocol is the most commonly used GHG emissions accounting standard worldwide.



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Many entities already engage in extensive climate reporting under these frameworks, and introducing redundant requirements could increase compliance costs without adding meaningful new insights. If discrepancies arise due to changes in federal regulations, we recommend a phase-in period of at least one year to allow organizations sufficient time to adapt to new requirements. Providing clear guidance on overlapping reporting expectations will be crucial in helping entities navigate these evolving regulations effectively.

### **4. Flexibility in Reporting Methods**

Given the evolving nature of climate disclosure standards, CWA recommends that CARB permit reporting entities to maintain flexibility in their chosen reporting methods. Different organizations utilize varying frameworks to measure and disclose their climate impacts, and a one-size-fits-all approach may not be suitable. Therefore, we recommend that CARB allow businesses to continue using established reporting structures while also providing at least a one-year transition period if new reporting methodologies are mandated. This flexibility will ensure that companies can adapt without disruption to their existing sustainability strategies.

### **5. Utilizing Existing Reporting Platforms**

We strongly recommend that CARB allow entities to use existing reporting platforms mentioned in Section 3. By leveraging these established platforms, CARB can reduce administrative costs for businesses while promoting consistency in climate-related disclosures. Allowing organizations to submit reports through platforms would also facilitate a more seamless integration with international reporting obligations, fostering greater transparency and efficiency.

### **6. Third-Party Verification for GHG Emissions**

For SB 253, we support allowing both audit firms and specialized greenhouse gas (GHG) emissions verifiers to conduct assurance services, provided they adhere to widely accepted verification standards. Given the growing demand for assurance services, it is essential that companies have access to a broad range of qualified verification providers to avoid bottlenecks in the assurance process.

We also recommend that CARB provide clear guidelines on the acceptable standards for verification to ensure consistency and reliability in reported emissions data. Expanding the pool of eligible verifiers will improve accessibility and help organizations meet compliance deadlines more effectively.

### **7. Reporting Timelines**

To facilitate a smooth and efficient reporting process, we recommend that CARB establish reporting deadlines based on prior fiscal year data. Specifically, CWA members typically receive relevant data in

February following the reporting year and some publish voluntary ESG reports in April or May. Additionally, in some instances, companies may have fiscal years that differ from the calendar year.

To facilitate efficiency, CARB may consider aligning timing with CDP, which is typically delivered in Q4. Any reporting deadlines should also consider seasonal variations in water utility operations, which may impact the availability of necessary data.



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## **8. Defining Limited and Reasonable Assurance Standards**

CARB should establish clear and consistent standards for defining "limited assurance" and "reasonable assurance" when implementing SB 253. Specifically, CARB should ensure that:

- Assurance standards undergo due process and are publicly available or widely used in GHG emissions verification.
- Assurance providers are experts in GHG emissions accounting and verification.
- Providers are subject to third-party oversight and maintain independence from reporting entities.

CARB should adopt assurance standards in line with established verification frameworks, such as IAASB ISAE 3000 Revised, with a future transition to ISSA 5000. Additionally, CARB must clarify the definition of "reasonable assurance" due to the inherent uncertainties in emissions estimation methodologies.

Furthermore, CARB should review the definition of "reasonable assurance" under the Regulation for Mandatory Reporting (MRR), which currently requires a "high degree of confidence" in reported data.

## **9. Biennial Reporting under SB 261**

For SB 261, CWA recommends allowing entities to submit climate risk disclosures anytime within a two-year period rather than a fixed reporting year. Many organizations operate on multi-year climate risk assessment cycles, and this flexibility would prevent unnecessary redundancy. Allowing entities to integrate CARB reporting into their existing assessment cycles would lead to more robust and meaningful climate risk disclosures.

### **Clarification Requests**

To ensure clarity and avoid ambiguity in regulatory implementation, we seek additional clarification on the following points:

- **Revenue Threshold Compliance:** If an entity temporarily exceeds the revenue threshold for SB 253, does this automatically subject them to reporting requirements in subsequent years, even if their revenue later falls below the threshold? We recommend providing a clear standard for continuity in compliance obligations.
- **Application of Reporting Relief Provisions:** Under SB 261, how will reporting relief provisions interact with emerging global standards that have mechanisms to address reporting challenges, such as IFRS S1 and S2? Will entities that comply with these international frameworks be granted exemptions or modified reporting requirements?

- **Proxy Data for Acquisitions and Mergers:** Under SB 253, can entities use proxy data for newly acquired assets or merged entities when historical emissions data is unavailable? If so, what methodologies would be acceptable for such estimations?



### Additional Feedback and Considerations

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These regulations are largely new to our industry, and many of our members are still familiarizing themselves with compliance requirements, climate data collection methodologies, and reporting processes. Some have begun assessing climate-related risks and adaptation strategies, particularly following the CPUC's 2018 Order Instituting Rulemaking (R-18-04-019) to integrate climate change adaptation into electric and gas utility proceedings. While drinking water utilities are not yet formally required to comply, some have voluntarily conducted studies. Additionally, some members of our drinking water utilities have begun to voluntarily participate in more structured climate disclosure frameworks such as:

- **Carbon Disclosure Project (CDP):** A global nonprofit organization that facilitates environmental disclosure for companies, cities, states, and regions, aiming to promote transparency and action toward a sustainable economy.
- **Task Force on Climate-related Financial Disclosures (TCFD and IFRS S2):** Provide a standardized framework for companies to disclose climate-related financial risks and opportunities. IFRS S2, Climate-related Disclosures, integrates and is consistent with the recommendations and recommended disclosures of TCFD but differs with respect to its guidance for reporting companies.
- **Global Reporting Initiative (GRI):** Offers sustainability reporting standards to help organizations disclose their environmental, social, and governance (ESG) impacts in a structured and comparable manner.
- **Sustainability Accounting Standards Board (SASB):** Provides an industry-specific framework for disclosing sustainability-related risks and opportunities related to financial performance.

Still, energy and gas utilities, along with other large organizations, have much greater expertise in collecting data and reporting emissions, as they are already subject to established climate reporting requirements. In contrast, the majority of CWA members have not yet begun the process of collecting and analyzing data on climate risks, impacts, and energy emissions.

Given this, CWA wants to underscore the financial burden these regulations could place on members who are not already voluntarily reporting on some or all these topics, but would now be required to comply. For many drinking water utilities, the need to collect and analyze emissions data and assess climate risks represents a new operational challenge. The unique nature of drinking water utilities — many serving diverse and geographically disconnected communities — further complicates this task. These efforts often require specialized consultants, as well as investments in new systems and technologies, which can strain utility budgets. These costs, in turn, could be passed on to the customers these utilities serve, potentially increasing water prices and contributing to financial hardship.

As CARB expands its regulatory scope to include large drinking water utilities, it is also important to highlight that CPUC-regulated drinking water utilities serve just 15% of the state. As such, these reporting



requirements have the potential to create an incomplete and misleading data set, in addition to an inequitable burden.

We urge CARB to ensure that its regulations are clear, achievable, and provide sufficient time for compliance preparation. Accommodating the unique challenges faced by drinking water utilities and minimizing unnecessary costs will be essential to avoid placing undue financial strain on both the utilities and their customers.

Finally, several of CWA's member companies, either directly or through their subsidiaries, provide critical services to U.S. military bases. Given the national security implications of these operations, it is essential that any regulatory framework account for the need to protect sensitive information. We respectfully request that CARB include an exception for any data or disclosures that, in good faith, cannot be released due to national security considerations or other confidentiality and sensitivity requirements. This approach would ensure compliance without compromising security protocols or operational integrity.

Overall, we encourage CARB to recognize the specific challenges faced by drinking water utilities and consider providing tailored guidance and support to help them navigate the compliance process. Doing so will help prevent undue burdens on certain systems and their customers, particularly in vulnerable or underserved communities.

We appreciate CARB's efforts to address climate risks while considering the feasibility of implementation and look forward to continued collaboration and the opportunity to provide further input. Thank you for your time and consideration.

Sincerely,



Jennifer Capitolo  
Executive Director



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