

# Benefits Working Group Meeting

September 25, 1998

September 28, 1998

## EXECUTIVE SUMMARY

### Alexandria, VA

**1. Attendance:** absent -- Thomas Dietz, alternate (for Bill Allan) -- Arlen Whitebird, all other Working Group Members in attendance

**2. Background and Issues Discussed:**

The Safe Drinking Water Act (SDWA) amendments of 1996 require that EPA fully consider both quantifiable and non-quantifiable benefits that accrue to drinking water regulations; these benefits must be compared with the projected costs of the regulations. EPA will be developing a number of regulations over the next few years which will need to consider costs and benefits in accordance with the new requirements. Development of cost information, while challenging, is fairly well understood. Benefits assessment, by contrast, is less well understood.

The charge to the working group was: to review those quantifiable and non-quantifiable benefits that could be considered when developing drinking water regulations and provide recommendations to the Agency on which benefits should be evaluated in developing its regulations. In addressing the charge, the following questions were considered: 1. What categories of benefits (both qualitative and non-qualitative) should EPA routinely consider in the process of developing its drinking water regulations? 2. How (specifically) should EPA consider qualitative (non-monetizable) benefits in its rulemaking process? 3. How should EPA ultimately compare the results of its benefits evaluations with its cost analysis when developing drinking water regulations?

This was the second face-to-face meeting of the working group. The first meeting had addressed the first question associated with the charge, along with related issues. In this meeting, following several presentations by EPA staff, the group addressed the remaining two questions associated with the charge. A case study was used to illustrate the issues, and was discussed in detail. The EPA presentations included "Definitions (A Review of Terminology)," Contaminant Identification and Selection under SDWA," "Cost-Benefit Analysis and Qualitative Information," and "Latent Health Effects."

**3. Issues Resolved:** The Working Group agreed on the following recommendations.

Recommendation #1: Categories of Benefits

The Working Group identified six categories of benefits that can result from drinking water regulations: (1) health risk reductions; (2) taste and odor improvements; (3) reduction of damage to water system materials; (4) commercial water treatment cost reductions; (5) benefits due to source water protection (e.g., ecological benefits and non-use benefits); and (6) benefits derived from the provision of information on drinking water quality (e.g., a household's improved ability to make informed decisions concerning the need to test or filter tap water). The members agreed on the following recommendation:

EPA should focus its benefits analysis efforts primarily on assessing effects on human health, defining these effects as clearly as possible and using the best available data to value them.

#### Recommendation #2: Assessing Health Risks and Valuing Benefits

The analysis of health risks is central to EPA's ability to establish the appropriate MCLG and to assess the benefits of alternative levels for the MCL. The Benefits Working Group discussed several concerns related to the valuation of health benefits, and agreed on the following recommendation:

EPA should devote substantial efforts to better understanding the health effects of drinking water contaminants, including the types of effects, their severity, and affected sensitive subpopulations. Better information is also needed on exposures and the effects of different exposure levels, particularly for contaminants with threshold effects. These efforts should pay particular attention to obtaining improved information concerning impacts on children and other sensitive populations.

#### Recommendation #3: Addressing Uncertainty

The Benefits Working Group discussed several concerns related to addressing uncertainty in benefits analysis, and agreed on the following recommendation:

EPA should clearly identify and describe the uncertainties in the benefits analysis, including descriptions of factors that may lead the analysis to significantly understate or overstate total benefits. Factors that may have significant but indeterminate effects on the benefits estimates should also be described.

#### **4. Next steps:**

A new draft of a working group report to NDWAC, including the recommendations cited, will be prepared and distributed. At least one additional recommendation on the use of qualitative information and the comparison of cost to benefits information will be included, based on the discussion of this meeting. A followup teleconference is planned, after which a report will be submitted to NDWAC.