



August 21, 2017

Delivered by e-mail to: Max.Gomberg@waterboards.ca.gov

Max Gomberg
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

Subject: Additional Considerations for Development of a Statewide Low-Income Rate Assistance (LIRA) Program

Dear Mr. Gomberg:

The California Urban Water Agencies (CUWA) appreciates the continued dialogue with the State Water Resources Control Board (State Water Board) on water affordability in California. All CUWA's water agencies with retail customers already have an assistance program in place and these should be allowed to continue. CUWA appreciates the effort that the State Water Board has been making to assist those who do not currently have a program available to them, especially given that agencies cannot reach non-customers due to the restrictions of Proposition 218. During the recent round of public meetings, several concepts were raised that CUWA would like to provide additional perspective on. These include:

- **Program Scenarios.** While four potential scenarios were introduced, there was not enough detail regarding how these scenarios would be structured. It would be helpful to review the suggested program design so that constructive comments can be provided regarding ease of implementation and other ancillary considerations. Although AB 401 stipulates that "low income" is defined as "equal to or no greater than 200 percent of the federal poverty guideline level", the scenarios as presented fail to account for the widely varying costs of living in the state, which will result in inequitable distribution of benefits.
- **Non-financial solutions.** Examples were provided regarding alternative assistance efforts such as offering extended payment plans for those in a temporary financial bind. CUWA supports including non-financial alternatives rather than solely relying on a monetary rebate or credit.
- **Shut-off considerations.** The State Water Board appeared to be considering a suggestion to restrict agencies from shutting off service to low income customers who had not paid their bills. Water agencies are in the best position to use appropriate judgement to manage agency finances, as the State Water Board would not have the customer level detail to judge on a case-by-case basis. A unilateral ban on shutoffs would not be appropriate as this is likely to affect an agency's bond rating and financial stability which in turn may cause all customers to pay more and further exacerbate the affordability issue. It would also effectively incentivize water theft, including by customers with the ability to pay their bills.
- **Third-party (private) companies.** A large proportion of low income households may live in multi-family buildings, as underscored in Water Research Foundation's new report *Customer*

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Assistance Programs for Multi-Family Residential and Other Hard-to-Reach Customers (Project #4557). These providers are not always transparent in how the charges are split by resident/unit. This may result in inappropriate charges that can impact affordability. An example of this is a tenant that discovered he had been charged under the assumption that there are 4 people in his apartment, though he lives alone. Some third-party companies also charge exorbitant fees for paying online or for late payment fees. There does not appear to be a standard for how single meter multifamily utilities bills are split, since California law does not specifically regulate how landlords bill their tenants for water and sewer. The design of the Statewide LIRA program should ensure that the benefits of such a program are not negated by these types of practices.

- **Funding sources and impacts.** CUWA is concerned that current financing suggestions to tax or charge a fee for a product that is considered a human right is not sustainable long-term. If water rate increases continue to outpace inflation and increasing numbers of water customers are exempt from a surcharge due to LIRA eligibility, the burden to subsidize any program falls on a progressively diminishing subset.

Given the number of implementation issues needing resolution, CUWA suggests an incremental program that consists of continued leveraging of existing local assistance programs with a pilot of a State-run LIRA in targeted area(s) of most need/unserved residents. This would reduce initial costs and provide practical implementation lessons learned to craft a more robust comprehensive effort. A formal stakeholder process in parallel with this pilot effort could provide invaluable feedback to the State Water Board for the design of the Statewide LIRA.

CUWA would also like to reiterate our previous comments made in our letters dated December 14, 2016 and June 15, 2017 (attached.) We respectfully request ongoing CUWA engagement during your development efforts, including a chance to review the draft plan and report to the Legislature that are being developed. We look forward to continuing our discussions on how to advance implementable solutions to this critical challenge statewide. Please contact Katie Porter at 213.271.2239 if you have any questions on our comments.

Sincerely,



Cindy Paulson, Ph.D.
CUWA Executive Director



Katie Porter, PE
CUWA Staff Engineer

Cc: Ms. Mary Yang, State Water Resources Control Board



December 14, 2016

Delivered by e-mail to: Kathy.Frevert@waterboards.ca.gov

Kathy Frevert
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

Subject: Comments on Statewide Low-Income Rate Assistance Program

Dear Ms. Frevert:

The California Urban Water Agencies (CUWA) appreciates the opportunity to provide input and recommendations on water affordability in California. CUWA is a nonprofit corporation of 11 major urban water agencies collectively delivering drinking water to over two-thirds of California's population. Water delivered by CUWA agencies is a lifeline supporting California's urban populations and the state's \$2.3 trillion annual economy.

CUWA's mission is to provide a forum for combining the expertise and resources of its member agencies to advance a reliable, high-quality water supply for the state's current and future urban water needs. CUWA agencies are committed to providing clean and safe drinking water for their customers at all levels of income.

CUWA offers the following comments for your consideration.

- **Affordability is a major issue across all of California.** Low-income customers typically use less water than average users but can spend up to 5% of household income on water bills. A recent assessment indicates that about 20% of CUWA agencies' collective service area is comprised of low-income households. Of the 26 million people in CUWA agencies' service areas, over 5 million are likely struggling with water affordability.
- **California agencies must continue to invest in water supply reliability, yet the associated rising cost of water puts even greater pressure on affordability for low-income households.** CUWA agencies expect the cost of water to further increase to address aging infrastructure, fund demand management programs, and provide safe, reliable, and resilient sources of supply. The scale of aging infrastructure needs is significant – with over \$12 billion in collective expenditures projected by CUWA member agencies over the next 10 years (not including additional expenditures by their retail agencies and the state) – highlighting the persistent challenge of affordability. Statewide, new solutions to affordability are needed.
- **CUWA supports access to safe and reliable water for all Californians.** CUWA agencies are committed to providing safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes for all their customers. CUWA agencies are applying a variety of approaches within existing municipal, regulatory, and legislative constraints, to continue making water accessible to low income households in their service areas.

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- **Prop 218 can constrain the application of some utility funds to assist low-income households.** Prop 218 requires charging a fee proportionate to the cost of providing water services, and CUWA supports transparency with cost of service as the basis for water rates structures. At the same time, the proportionality requirement of Prop 218 presents challenges for agencies to fund dedicated affordability programs with rate revenue. A modification that specifically addresses affordability would enable water agencies to better meet the local needs of low-income households.
- **Pricing mechanisms encouraging conservation can impact water affordability for low-income households and must be carefully considered before implementation.** Pricing mechanisms intended to promote conservation can increase water charges for many users as the fixed costs must be covered for a smaller volume of water. Increased charges for low income households would pose additional challenges for affordability. Once delinquent on water bills, resolving associated debt issues for low income households can be particularly challenging, labor intensive and costly.
- **CUWA contends that a public goods charge (PGC) is not an effective way to resolve water affordability.** Some have proposed a PGC as a way to raise funds to address unmet statewide water issues. However, a PGC associated with urban water agencies would increase the cost of water service for all users and further exacerbate water affordability issues for low-income households. As noted in the CUWA/CMUA Joint Reliable Water Financing Policy Principles which can be found on the CUWA website (www.cuwa.org), a PGC could divert funds that would otherwise provide for local water needs and create new inefficiencies. CUWA supports access to safe and reliable water for all Californians, but believes there are more appropriate ways to meet this important goal. CUWA agencies recommend that the state consider financing alternatives more directly linked to income to provide a dedicated fund for affordability.
- **CUWA is committed to identifying strategies that could successfully address affordability within our collective service area.** Given the magnitude of the affordability issue within the population served by CUWA, our agencies are focused on developing community assistance solutions within each agency's service area to the extent legally allowed. Best practices employed to implement or fund these programs include:
 - **Discounted water charges** funded by sources that are unconstrained by Prop 218. Sources include donation programs based on voluntary tax deductible contributions and local non-profit agencies providing community assistance. Such customer assistance programs would make water available at a reduced cost to low-income customers.
 - **Base tier rates** offering a minimal amount of water sufficient for human consumption, cooking, and sanitary purposes (i.e., indoor water use) at a lower cost thereby assisting lower water users, many of whom are low-income customers.
 - **Customer conservation assistance** to reduce demand and water bills by increasing water efficiency within low-income households. Water Savings Assistance Programs have been funded through Prop 84 grant funds.
 - **Partnerships with other local community agencies** to identify available resources and provide support/emergency relief.
 - **Partnerships with energy utilities** to provide necessary resources and improve agencies' ability to implement low-income assistance programs, including broadly reaching public education.
 - **Education on the safety and value of utility served tap water** as an inexpensive alternative to bottled water. Consumer savings can go towards household water bills.

We support the State Board's commitment to addressing the water affordability issue in California. Keeping water affordable is also a central mission for CUWA agencies as a variety of forces put inflationary pressure on agencies' costs. CUWA agencies use a variety of approaches within existing municipal, regulatory, and legislative constraints to keep water affordable to low income households within their largely urban service areas. We would like to be involved in future discussions including sharing best practices and lessons learned to help advance solutions to this critical challenge statewide.

Please contact Katie Porter at 213.271.2239 if you have any questions on our comments.

Sincerely,



Cindy Paulson, Ph.D.
CUWA Executive Director



Katie Porter, PE
CUWA Staff Engineer

Cc:

Mr. Max Gomberg, Climate and Conservation Manager, State Water Resources Control Board



June 15, 2017

Delivered by e-mail to: Max.Gomberg@waterboards.ca.gov

Max Gomberg
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

Subject: Further Comments on Statewide Low-Income Rate Assistance Program

Dear Mr. Gomberg:

The California Urban Water Agencies (CUWA) appreciates the continued dialogue with the State Water Resources Control Board (State Water Board) on water affordability in California. CUWA is a nonprofit corporation of 11 major urban water agencies collectively delivering drinking water to over two-thirds of California's population and is committed to providing clean and safe drinking water for their customers at all levels of income. CUWA agencies use a variety of approaches within existing municipal, regulatory, and legislative constraints to keep water affordable to low income households within their largely urban service areas. One of these approaches is a low-income rate assistance (LIRA) program; however current programs are heavily affected by Proposition 218 as rate assistance is constrained by the source of funds to the LIRA programs, and those choosing to apply since the programs are voluntary.

The State Water Board has been seeking input on development and implementation of a statewide LIRA program. In addition to our comment letter dated December 14, 2016, CUWA suggests that the following concepts be considered:

- **Consumer comparisons.** Recognize the substantial differences and exercise caution when presuming a consumer's utility options are similar across various utility services. Consumers living in apartments or condominiums may not have the ability to establish a water utility account. In some cases, there may be a third party such as a landlord or utility billing service (master meter) that pays the water bill while for other utilities there is an individual meter. Program elements in one utility sector may not be directly applicable to another sector and may vary by location.
- **Program efficiency and alignment.** Design the program so that a maximum percentage of funds collected would go to households vs. administration of program. Continue utilizing existing agency programs for assistance (local implementation) and consider a complementary centralized statewide program for entities that may not be able to or do not wish to develop their own program. A statewide program should be aligned with other social services to avoid duplication of administrative systems.
- **Eligibility determinations.** Consider factors other than Median Household Income (MHI) and federal poverty guidelines to determine eligibility. An option that could minimize administrative duplication in determining eligibility is to utilize the CalFresh (food stamp) program as it is already structured to assist income limited participants.

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- **Benefit eligibility.** Make customer participation and funding assistance prospective only, and not retroactive.
- **Implementation flexibility.** Allow agencies to determine eligibility criteria based on their local area (e.g. Council District or Ward) and conditions and other applicable requirements such as city or county charters, the Municipal Utility District (MUD) Act, or Proposition 218; there should not be a one size fits all solution. Criteria that CUWA has found effective include:
 - Verification of income requirements (both for initial program qualification and periodic verification of continued eligibility). If using another entity's process (e.g. electric utility low-income program) to determine eligibility, ensure those applications are appropriately verified.
 - Establishing that the participant is a direct customer of record of the agency, individually metered, and receives a water bill.
 - Consideration of number of individuals within the household to determine level of assistance.
- **Resolution of implementation issues.** Gather information to make informed decisions. Several issues are complex and require additional elaboration and discussion. For example:
 - Identifying the vehicle to provide the benefit to eligible households.
 - Individuals that may qualify for a LIRA program based on income or other criteria may not be the customer of record (e.g. renters). Further discussion should be held to explore how to reach all eligible households, such as alignment with other social services programs.
 - Some individuals may not be willing to provide information regarding their income, proof of identity, or number of members in the household. Solicit feedback on how to handle those who are not willing to provide proof of eligibility, even though they would be eligible.
 - Transparency is important. CUWA believes that access to safe, affordable drinking water for all Californians is a larger social welfare issue and should be addressed in the context of other social services. With this being the case, moving to a charge on water bills seems inappropriate. In addition, current billing systems may not be able to handle additional credits, fees, or charges or would require an administrative investment to update programming to maintain transparency on billing statements.

We look forward to participating in the upcoming round of workshops this and next month, and will provide our comments on the program scenarios in a separate letter. CUWA supports the State Water Board's commitment to addressing the water affordability issue in California and would like to continue discussing how to advance implementable solutions to this critical challenge statewide. Please contact Katie Porter at 213.271.2239 if you have any questions on our comments.

Sincerely,



Cindy Paulson, Ph.D.
CUWA Executive Director



Katie Porter, PE
CUWA Staff Engineer

Cc: Ms. Mary Yang, State Water Resources Control Board