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August 25, 2017

Max Gomberg, Climate and Conservation Manager
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814

VIA EMAIL: Mary.Yang@waterboards.ca.gov on behalf of Max Gomberg

Re: Comments on Statewide Low-Income Rate Assistance Program, AB 401

Dear Mr. Gomberg:

On behalf of Helix Water District's board of directors and ratepayers, thank you for the continued opportunity to provide comments on the proposed statewide Low-Income Rate Assistance Program. Helix Water District provides drinking water to over 273,000 residents in eastern San Diego County. Following multiple public hearings conducted by the State Water Resources Control Board, we offer the following comments:

1) The feasibility of a low-income water rate assistance program, including the scenarios proposed, needs to be evaluated.

AB 401 tasks the SWRCB with not only developing a plan for the funding and implementation of a low-income water rate assistance program by February 1, 2018, but also evaluating the feasibility of such programs. The materials and scenarios presented by the SWRCB at its public hearings have not included any feasibility analysis.

The SWRCB needs to conduct a thorough analysis of how a statewide public goods tax would impact long-term water rates and affordability for those that exceed the state's proposed threshold of 200 percent of the federal poverty line.

2) A public goods tax will increase water rates and decrease affordability for the two-thirds of Californians not eligible for the subsidy.

As proposed, the low-income water assistance program would make approximately one-third of Californians eligible for a water subsidy, funded by a public goods tax placed on water bills of the remaining two-thirds of Californians. At a time when rising rates have challenged customers statewide, this tax will increase water costs and place an undue financial burden on other ratepayers, especially those with incomes just above the subsidy threshold.



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3) State regulations increase water rates.

If one of the four proposed UCLA scenarios is adopted, water agencies would essentially become tax collectors on behalf of the state. This will place an additional financial and administrative burden on local water agencies for billing, collecting and submitting the public goods tax to the state. Ongoing costs, to ensure that water agencies are taxing the appropriate customers per state guidelines, would be significant given that account holders continually change and some are actually paying for water directly, while others are not. This is especially true for low-income households. This constant maintenance and oversight further increases local water rates.

This is particularly concerning as the state is also proposing an additional water tax to fund safe drinking water in disadvantaged communities under Senate Bill 623, separate from the low-income rate assistance public goods tax. The addition of two taxes to water bills could impair the ability of water agencies to raise needed revenue for local infrastructure maintenance and necessary improvements to continue providing safe and reliable drinking water for all customers, regardless of income level.

4) Compliance with Proposition 218 is necessary.

Proposition 218 specifies that no charge may be imposed for a service unless that service is actually used or immediately available to the owner of property, among other requirements. We recommend that a thorough legal analysis be done of any proposed subsidy available to only a select group of individuals but paid for by others to ensure it is in full compliance with Proposition 218 requirements.

5) Collaboration is required.

AB 401 requires the State Water Resources Control Board to collaborate with stakeholders. To date, multiple public hearings have been held, however their structure included a presentation of scenarios previously developed by UCLA under direction from the SWRCB, followed by a question and answer period. Although informative, this is not collaborative. We suggest the SWRCB create a stakeholder group, which should include a diverse collection of water agencies with varying size, geographic and economic demographics, to look at other options and fully consider impacts of such a program.

6) If a low-income rate assistance program is adopted, it should provide a volume discount for reasonable indoor use.

The four proposed scenarios offer a proposed discount of 20 percent of the drinking water expenditure on 12 hundred cubic feet of water per month, which equates to over



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approximately 74 gallons of water per person, per day, for a family of four. If the discount were based on 55 gallons per person, per day, which is the state's standard, the discount would apply to 9 hundred cubic feet of water per month. Using a higher threshold disincentivizes the efficient use of water.

7) Local agencies, and not the state, should set water shut-off policies for nonpayment.

At multiple State Water Resources Control Board conducted public hearings, attendees have suggested that the state prohibit water agencies from shutting off water service for nonpayment for low-income customers. Disallowing shut offs for low-income customers would substantially increase rates for the remaining ratepayers as revenue is required to recoup the cost of providing water service to all.

This would also further disincentivize conservation, negating tiered rates, if penalties for nonpayment can't be enforced. Local agencies are familiar with their unique customer economic demographics and should retain local decision making regarding appropriate shut-off policies for their communities.

8) Look to the general fund or other social service programs to fund low-income water rate assistance.

Low-income rate assistance is a social issue and could be handled through the context of other social services and partnerships, which water utilities throughout the state have successfully implemented, or be administered through the general fund instead of through a public goods tax placed on water bills.

We share the state's concern regarding water affordability and its impact on low-income households, however we do not feel that instituting a public goods tax on two-thirds of Californians is the best, nor most feasible, solution.

Sincerely,

A handwritten signature in black ink, appearing to read "Carlos Lugo", is written over a large, light-colored, stylized graphic element that resembles a water drop or a wave.

Carlos Lugo
General Manager
Helix Water District