

February 1, 2019 Comments submitted via: commentletters@waterboards.ca.gov



Paul Schubert, Chair
Kerry Schmitz, Vice
Chair

Ms. Jeanine Townsend
Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th floor
Sacramento, CA 95814



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- California American Water
- Carmichael Water District
- Citrus Heights Water District
- Del Paso Manor Water District
- El Dorado Irrigation District
- Elk Grove Water District
- Fair Oaks Water District
- Folsom, City of
- Golden State Water Company
- Lincoln, City of
- Orange Vale Water Company
- Placer County Water Agency
- Rancho Murieta Community Services District
- Roseville, City of
- Rio Linda / Elverta Community Water District
- Sacramento, City of
- Sacramento County Water Agency
- Sacramento Suburban Water District
- San Juan Water District
- West Sacramento, City of
- Yuba City, City of

Re: Comment Letter – Options for Implementation of a Statewide Low-Income Water Rate Assistance Program

Dear Ms. Townsend:

The Regional Water Authority (RWA) appreciates the opportunity to comment on the State Water Resources Control Board (Water Board) draft report “Options for implementation of a Statewide Low-Income Water Rate Assistance Program” (Report) required under AB 401 (Dodd, Chapter 662, Statutes of 2015). RWA is a Joint Powers Authority comprised of 21 water providers serving 2 million people in the greater Sacramento region. Our mission is to protect and enhance the reliability, availability, affordability and quality of water resources for our members. As part of meeting their mission, RWA members are continuously working to address the human right to water by providing high quality, reliable, affordable water to all of their customers, regardless of income. Doing so requires simultaneously and carefully balancing all challenges that they face.

The Sacramento region has demonstrated and proved success meeting water quality and accessibility standards of the human right to water during all water supply conditions – including the recent severe drought – through increasingly coordinated local water supplies. This success has been documented in numerous publicly available sources, including the Water Board’s human right to water webportal.¹² Continued success will be an ongoing challenge. The region has low-income and disadvantaged communities comparable to statewide averages.³ Additionally, like much of the state, rapidly rising housing costs are driving increases in the cost of living. In Sacramento, rent prices have increased faster than all other major U.S. metropolitan areas.⁴

Associates

- County of Placer
- El Dorado County Water Agency
- Sacramento Area Flood Control Agency
- Sacramento Municipal Utility District
- Sacramento Regional County Sanitation District

¹ https://www.waterboards.ca.gov/water_issues/programs/hr2w/

² https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/docs/emergency_reg/uw_self-cert_summary.pdf

³ Appendix E Disadvantaged Community and Environmental Justice Outreach Report. American River Basin Integrated Regional Water Management Plan - 2018 Update.

<https://rwah2o.org/programs/integrated-regional-water-management/american-river-basin-irwmp-2018-update/>

⁴ <https://www.sfgate.com/realestate/article/sacramento-rent-cost-price-increase-move-13047697.php>

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RWA appreciates the report drawing a distinction between safe drinking water and affordability. Both are part of the human right to water, but are separate components, that require different but interrelated solutions. Safe drinking water generally involves both immediate and long-term, but definable infrastructure and operations challenges. Affordability is not well defined, and is a complicated policy decision that is dependent on many factors, including the proposed level of assistance. This is likely why the report evaluates affordability programs that range in annual costs from \$1.3 million to over \$1.2 billion. RWA strongly supports the Water Board recommendation that affordability programs not be funded through fees on water systems, and would like to see the same reasoning to apply to safe drinking water proposals.

RWA believes there is significant alignment between our mission and the effort to achieve affordability. We encourage the Water Board to maintain the integrity of the recommendation for progressive funding sources, and recommend a straightforward administrative approach. As this report is finalized, we hope that the Water Board will collaborate with water suppliers in order to effectuate all components of the human right to water for all Californians.

RWA supports water affordability approaches that are balanced.

RWA supports the recommendation for a progressive funding source and concurs with the recommendation that the Water Board not pursue a fee on community water systems' bills. RWA believes that a fee on community water systems would be counterproductive to achieving the human right to water. To make this point clear, RWA would like to highlight a consideration from the compendium to this report from the Office of Environmental Health and Hazard Assessment (OEHHA).⁵ In that report, OEHHA describes the situation of a hypothetical system with high water quality scores and high accessibility scores, but also affordability challenges:

“Strategies to address the affordability challenges of this system should be explored with care. The fact that water quality and accessibility are high could be a function of the fact that water bills adequately cover the technical, managerial and financial needs of the system. A simple decrease in rates could potentially compromise the system’s high water quality. The tool helps highlight the need to balance decisions that impact one component, with potential consequences affecting other components.”

Additionally, the OEHHA report states that “part of keeping water affordable means ensuring that the financial capacity of water systems is sustainable.”

⁵ Office of Environmental Health Hazard Assessment "A Framework and Tool for Evaluating California’s Progress in Achieving the Human Right to Water"
<https://oehha.ca.gov/media/downloads/water/report/hr2wframeworkpublicreviewdraft010319.pdf>

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The causes of, and solutions to, water affordability issues are systemic.

It should be recognized that the cost of water is rising in large part because of significant cost pressures coming from new and ongoing regulatory requirements, including water conservation. According to the Department of Water Resources, 85 percent of water resource investment in California comes from local sources, and that percentage has been increasing steadily over the last decade.⁶ Any State reliance on water rates for funding would exacerbate affordability challenges, while simultaneously limiting the ability of water suppliers to address the other components of the human right to water. In particular, to the extent that the State compels increases to local water rates, that will limit the funds that local agencies will be able to invest in adapting their water supplies and operations to address – affordably – climate change’s effects on their local water supplies.

Reliable, affordable, high quality water is a foundational element of a healthy economy. California water suppliers have historically provided that foundation. The disparity between the top and the bottom of the economic ladder has not been created by water affordability. The cost of water is not the root cause of the broader affordability challenge in California. The broader affordability challenge is tied to the fact that 34 percent of Californians are at 200 percent of the Federal Poverty Level or below. The solution to the broader affordability challenge will be found in addressing broader income disparities and cost of living pressures.

A solution to affordability challenges can only be achieved through a well-defined target.

The Report defines affordability as a 20, 35, or 50 percent discount on a water bill ostensibly to cover 12 centum cubic feet (ccf) of water for both indoor and outdoor use for a family of four. The compendium OEHHA report selects 6 ccf to look at affordability on the basis that this amount of water “falls within the range of basic needs water consumption for California, while aligning with the state’s water conservation goals.”⁷ At the recently conducted California Public Utilities Commission (CPUC) workshop on affordability of utilities,⁸ there was discussion of how to define affordability. The CPUC is not currently able to identify a reasonable standard to define affordability for utility services including energy, telecom, water and wastewater generally or specifically for water service. Regional differences in the cost of other essential services account for differences in cost of living and the ability to pay. The CPUC proceeding is working towards an affordability metric and solution that applies across all utilities and can be evaluated over time.

⁶ <https://water.ca.gov/-/media/DWR-Website/Web-Pages/Programs/California-Water-Plan/Docs/Update2018/PRD/California-Water-Plan-Update-2018-Public-Review-Draft.pdf>

⁷ AB 1668 (Friedman, Chapter 15, Statutes of 2018) and SB 606 (Hertzberg, Chapter 14, Statues 2018)

⁸ <http://www.cpuc.ca.gov/calEvent.aspx?id=6442459948>

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These differences on quantity of water and design of benefit must be resolved if an effective program is to be implemented.

Achieving affordability does not depend on expanded Water Board authority and assistance should be targeted to those most in need.

AB 401 requires the Water Board to develop a plan for funding and implementing a low-income water rate assistance program. AB 401 does not require the plan to be dependent on Water Board implementation. The Report recognizes that 72 percent of Californians who would be eligible for a benefit do not receive a water bill. This is a foundational challenge to implementation that does not easily lend itself to Water Board oversight.

The Report lays out a program with an annual administrative cost of \$55 million. The \$55 million buys the ability to accurately calculate, not pay for, a benefit for less than 3 percent of eligible households. The need to spend \$55 million is the direct result of the three tiered approach proposed. A single tier approach would eliminate or greatly reduce this expenditure.

The Report states that “providing all low-income households with financial assistance to help pay their water bills is a small, but important way the state can support provision of basic necessities for all Californians.” This is undeniably true, but does not naturally flow to the recommendation the Water Board should oversee a costly administrative program that depends on detailed oversight over water system rates. This design is both an intrusion on local elected decision making and is not a wise expenditure of \$55 million annually when options to reach the same population through existing low income assistance programs exist.

Furthermore, a benefit based solely on water affordability does not connect those most in need with a benefit and may miss the mark on providing a benefit that is most reflective of the need. This misses the mark because the cost of water service is tied to the cost of acquiring, treating and delivering water, and not to the cost of living. Public-agency water suppliers are, by law, not for profit and charge only the true cost of service.⁹ Private water utilities’ rates are regulated closely by the CPUC. Affordability, however, is directly tied to the cost of living, including housing, childcare, food, transportation, medical, utilities and other needs relative to a household’s income available to cover those costs.

Ultimately, this means that there is little or no correlation between the places where Californians face the greatest affordability challenge and the benefit they would receive from implementation of the Water Board’s plan. For example, in Marin County, the second highest cost county in the

⁹ Proposition 218, passed in 1996 requires certain local government taxes, fees, and assessments to go before the voters for approval. Proposition 218 specifically requires fees only cover the actual cost of service.

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state¹⁰, eligible households would fall into the lowest benefit tier. The program would provide a benefit of \$16.50 a month where the monthly cost of making ends meet for a family of four is \$9,212.

If the goal is to ensure that Californians have help making ends meet, a direct path to assistance adjusted for affordability considerations would be the most efficient path. A single tier with a flat benefit and a cost of living enhancement would provide greater benefit to Californians in need and greatly reduce unnecessary administrative expenditures.

The human right to water must be achieved in collaboration.

In order for the human right to water to be realized, water for basic needs must be affordable. However, affordability alone is not beneficial if it comes at the detriment of reliability and quality. RWA feels strongly that we must be included in the design of any affordability program to ensure the program support the achievement of all components of the human right to water.

We appreciate the Report recognizing that progressive funding sources are required to balance all that is necessary to achieve the human right to water. And, would like to collaborate on approaches that minimize administrative expenses and maximize funding assistance to those with the greatest need.

RWA looks forward to working with the State and Legislature to develop a program that most efficiently addresses affordability and improves the ability to achieve the human right to water in California.

Sincerely,



John Woodling
Executive Director

¹⁰ <https://calbudgetcenter.org/resources/making-ends-meet-much-cost-support-family-california/>