



August 22, 2017

Ms. Felicia Marcus  
Chair, State Water Resources Control Board  
c/o Mary Yang  
1001 I Street, 24th Floor  
Sacramento, CA 95814

**Submitted Via Email:**  
[Mary.Yang@waterboards.ca.gov](mailto:Mary.Yang@waterboards.ca.gov)

**Subject: EMWD Comments on AB 401 Implementation/Development of a Statewide Low-Income Rate Assistance (LIRA) Program**

Dear Chair Marcus:

On behalf of Eastern Municipal Water District (EMWD), a water, wastewater and recycled water provider in western Riverside County, we would like to thank the State Water Resources Control Board (State Board) for conducting the recent series of public meetings to review potential scenarios to provide affordable drinking water to low-income Californians.

EMWD supports water affordability objectives and the District would like to suggest the following recommendations for consideration as the State Board seeks to implement AB 401 (Dodd, 2015) Low-Income Rate Assistance (LIRA) Program to address water affordability.

- 1. Consider a LIRA Program that is Consistent with Conservation Objectives and Encourages Water Use Efficiency:** Pursuing LIRA alternatives that provide for greater financial assistance on water bills over \$100, such as those outlined in *#2 Program Scenario: Tiered Statewide Program*, which encourages greater water consumption. This approach contradicts the policy priorities the state intended to make “Water Conservation a California Way of Life”. A larger discount for higher water bills creates an incentive to use more water, which directly contradicts the ongoing efforts by state agencies to reduce water consumption. Investing in the scenarios that incentivize waste represents an inconsistency in the policy priorities and recommendations of the state.

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2270 Trumble Road • P.O. Box 8300 • Perris, CA 92572-8300

T 951.928.3777 • F 951.928.6177 [www.emwd.org](http://www.emwd.org)

- 2. Allocation-Based Tiered Rates Provide an Alternative Method for Addressing Water Affordability:** Allocation-based tiered rates provide a viable alternative compliance method to the low-income rate assistance benefit proposals currently under consideration, and should remain an option for addressing water affordability. Allocation based tiered rates enable residents to control the cost of their water and pay less if they stay within their Tier 1 allocation. Tier 1 water is sold at substantially less than the overall melded cost of water, providing an effective subsidy, while still being compliant with Proposition 218 prohibitions on cross-subsidy. This is similar in nature to a “baseline allowance” that is assessed by electricity providers and this method also accommodates larger household sizes, as household size is a factor in water budget determination for Tier 1. Rate making methods that allow residents to control the costs of their water, such as allocation-based rate structures, empowers low-income residents to address water affordability concerns.

Consideration of allocation-method tiered rates as an approach for addressing affordability concerns also aligns with statewide policy objectives to reduce water consumption, as those residents that use the least amount of water pay less for the water they receive. This is consistent with the values expressed in the statewide water use efficiency framework, and complements existing and future conservation policy objectives.

- 3. Fully Examine the Local Administrative Costs and Burdens Associated with Collection and Distribution of the LIRA Benefit:** Implementing a LIRA program has significant administrative costs for agencies, with a range that will depend upon how the program is implemented. Billing and accounting systems will have to be modified to incorporate the collection of the proposed fee, and customer bills for both print and electronic formats, will have to be modified. Whether the proposed program funds are remitted to the state or whether water agencies are asked to apply the benefit directly to the eligible LIRA participants, additional programming modifications will be required. All of the programmatic changes will come with a significant expense for most agencies. Additionally, to the extent that local water retailers will be required to determine program eligibility, there will be additional staffing and auditing costs to ensure that the program is implemented properly and that ratepayer resources are directed as intended.
- 4. Restricting a Water Provider’s Ability to Shut-off Water will have Unintended Consequences:** During the public workshops, there were a significant number of public comments seeking to restrict water providers from being able to shut-off water for non-payment. Efforts to restrict the ability of water providers to shut-off water service for failure to pay will result in significant unintended consequences for communities, retail water agencies, and the state as a whole. Assembly Member Eng’s note into the

Historical and Public Record very clearly detailed that it was not the author's intent for AB 685, which established the Human Right to Water in California, to be used as a means for deterring a public water systems ability to terminate water service for nonpayment of water bills or for any violations of a rule or regulation adopted by a public water system or regulatory agency.

Without a means to discourage non-payment for service, there will be no recourse for water providers seeking to receive payment for service other than turning off service and sending the account to a collection agency. In general, collection rates for utility accounts are very poor, generally under 10 percent. Accordingly, this is a costly alternative, for both the water provider and the ratepayer, and will further result in rate instability for the public water system. Rate instability is an unattractive feature for bond rating agencies, therefore driving down bond ratings. Poor bond ratings would make costs of borrowing higher, if public bond market access is even still possible. Higher interest rates then would drive-up the cost of providing critical infrastructure, and result in high water rates for the customers of that system. This will in-turn work against water affordability objectives.

It is EMWD's practice to actively work with customers to develop payment plans and other alternatives to facilitate payment without burdening the ratepayer, which allows for uninterrupted service and also allows EMWD to meet its financial obligations. Restricting the ability to shut-off water service, also eliminates opportunities for local water providers to work cooperatively with their ratepayers to find solutions.

5. **Government Agencies Currently Serving Low-Income Populations Provide the Greatest Opportunity for Advancing a Cost Effective Solution:** State agencies, such as CALFresh, that currently provide assistance to low-income populations provide the greatest opportunity to implement a successful LIRA program. Agencies that are established to provide welfare services for state and federal agencies have the resources, data, and checks-and-balances in-place to manage, assess, and update program participation. Water providers do not have the expertise, staff or resources to conduct the extensive verification needed, and these agencies already have the structure in-place to allocate the benefit to the qualified residents. Expanding the services that are already provided by existing state agencies would limit liability, duplication of services, overlapping responsibility, and administrative costs.
6. **Implementation Over-Time Provides the Greatest Opportunity for Program Success:** The State Board will be tasked with managing and implementing a statewide water affordability program that will produce several hundred million dollars annually. This program will be burdensome to operate and will require adjustments overtime. Water

Ms. Felicia Marcus:

August 22, 2017

Page 4

providers will need time to update billing systems, verify the data, conduct outreach to the community, and inform ratepayers – both the ratepayers contributing to the program and to the customers receiving the benefit – that the program that is forthcoming.

State Board staff have shared that the intent is to have a program established and ready to operate by 2019, assuming enactment of legislation in 2018. This aggressive timeline does not allow for the necessary groundwork to be put into place to ensure the successful rollout of a fully vetted program. EMWD is requesting that the State Board consider all alternatives, including alternative compliance such as allocation-based rate structures, and a program rollout that includes opportunities for pilot projects and accommodates billing system adjustments.

Water affordability continues to be a challenging issue to address especially when framed by state constitutionality constraints, source funding limitations, and policy considerations; however, we very much appreciate the opportunity to share our program recommendations and to continue to be involved in the program development process. We hope you will consider EMWD as a resource as conversations progress on the topic of a low-income water rate assistance program. Please contact me at (951) 928-6130 or by email at [jonesp@emwd.org](mailto:jonesp@emwd.org), if you have any questions or concerns.

Sincerely,



Paul D. Jones II, P.E.

General Manager

c: Members, State Water Resources Control Board  
Mr. Gordon Burns, Undersecretary, California Environmental Protection Agency  
Ms. Eileen Sobeck, Executive Director, State Water Resources Control Board  
Mr. Max Gromberg, Climate and Conservation Manager, State Water Resources Control Board