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January 18, 2019

Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812-2000
commentletters@waterboards.ca.gov

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

Ms. Townsend:

We write to you on behalf of urban retail water suppliers Nevada Irrigation District, Paradise Irrigation District, and South Feather Water and Power Agency (collectively the "Districts"). The Districts provide water supplies to foothill and mountain communities in the watersheds and areas of origin in Northern California.

1. The Report Underestimates Administrative Costs.

The draft report concludes, without citation or support, that the Low-Income Water Rate Assistance Program ("LIRA") will include an administrative cost of 10% of the total value of benefits distributed. There is no support for this assumption, and the report accurately recognizes that "most state or federal benefit programs have higher [overhead] rates." The report acknowledges that administration of LIRA programs will be uniquely complex due to the number of beneficiaries who do not directly pay their water bills, and the variety and quantity of California water systems. Overhead costs for the program are likely to be substantially greater than the assumed ten percent (10%).

2. To Address Water Affordability, the Cause of Unaffordability Must be Understood.

In analyzing drivers of cost increase, the Report merely states that "more stringent water quality standards require additional costs for treatment and operator training", and emphasizes the climate change will exacerbate the problem. This is inadequate. The State of California has imposed an unprecedented number of new laws and regulations and unfunded State mandates on

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urban retail water suppliers in recent years. The report contains no analysis of which unfunded mandates have contributed to water rate appreciation, and in what amounts. Examples of factors behind water rate increases that are deserving of study include the State Water Board's modified drinking water fees, more onerous and costly water conservation requirements, water loss audit requirements, and new lead standards for certain drinking water customers. In each instance, the new requirements were imposed on urban suppliers without a comprehensive assessment of how these mandates could be funded at the local level and in a manner that does not disproportionately impact low-income households. These recently imposed state mandates are just a few of the many new unfunded mandates that have increased to cost of providing drinking water to customers, who ultimately must foot the bill.

LIRA can be achieved by rescinding or amending the regulations and unfunded mandates that have caused water rate appreciation, and such an approach will not require a new bureaucracy to implement it, or new taxes and fees to fund it. At a minimum, new potential mandates must be considered with water rates in mind. The Districts urge the SWRCB to conduct or procure an accurate and comprehensive study of the factors behind water rate appreciation in California, including how the State's own increasing mandates contribute to the increasing cost of providing water to customers. To successfully implement a LIRA Program, the State Water Board and the Legislature must understand and appreciate the effect new unfunded mandates have on water rates.

3. **The Report Accurately Recognizes the Water Suppliers Cannot Administer LIRA.**

The Report correctly concludes that the LIRA programs must be administered and funded at the statewide level, not at the water system level. A LIRA Program will require income verification of eligible recipients. Individual water suppliers lack the resources and authority necessary to verify the income of individual ratepayers, and to determine if they qualify for a LIRA subsidy. In addition, imposing such an obligation on water suppliers, even if water suppliers hired consultants to perform the work, would detract from water affordability because the costs of income verification would be passed on to customers in the form of higher rates. The Report correctly recognizes that Proposition 218 limits the ability for water suppliers to fund the LIRA program through imposition of higher rates on higher-income households. The additional cost to suppliers to administer any LIRA Program should be quantified and should not be borne by customers.

4. **The LIRA Program Should be Administered through an Existing Welfare Program or Distributed Through a Tax Credit.**

Helping low-income households with escalating water rates will not be achieved by creation of a new bureaucracy and entitlement program. Instead, the State should allocate the money necessary to fund the proposed LIRA Program to an existing welfare program with a directive that the money or equivalent monetary value be distributed to eligible LIRA recipients. Alternatively, the LIRA program money could be allocated to eligible individuals in the form of a tax credit. These program structures will prevent the additional expenses and inefficiencies that will result from the creation of a new bureaucracy in Sacramento, especially a new bureaucracy within the SWRCB - an agency without the expertise or experience required to develop and

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execute a statewide welfare program. By allocating LIRA funds to an existing welfare agency, or distributing it as a tax credit, the State will minimize new administrative and implementation expenses while maximizing the amount of aid actually delivered to individuals in need. These program structures will also ensure that low income households benefit from the program even if they don't directly pay their water bills.

5. LIRA Should be Funded from the General Fund Surpluses, Not New Taxes.

If LIRA is important to the State of California then it can be funded by general fund revenues, not through new sales and income taxes. The State of California has a budget surplus and is equipped to fund LIRA without new tax increase. The report correctly recognizes that a ballot referendum would be required to impose the proposed bottled water sales tax, and a supermajority vote in both houses of the Legislature would be required under Proposition 26 to impose a new income tax.

Very truly yours,

MINASIAN, MEITH,
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By: _____


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