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Comments submitted via: commentletters@waterboards.ca.gov

February 1, 2019

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



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

Dear Ms. Townsend:

The Association of California Water Agencies (ACWA) appreciates the opportunity to provide comments regarding the State Water Resources Control Board (State Water Board) draft AB 401 (Dodd, 2015) implementation report entitled *Options for Implementation of a Statewide Low-Income Water Rate Assistance Program* (Draft Report). ACWA represents more than 450 public water agencies that collectively supply approximately 90 percent of the water delivered in California for domestic, agricultural, and industrial uses.

I. Stakeholder Engagement

Comment 1 – ACWA appreciates the State Water Board’s engagement with stakeholders in development of the Draft Report.

In addition to conducting a series of public meetings in 2017 and a very substantive Water Affordability Symposium on April 5, 2018, State Water Board staff held stakeholder meetings in August of 2017 and May of 2018. One or two State Water Board Members also attended the stakeholder meetings. ACWA appreciates this engagement with stakeholders by Board Members and staff which allowed for a real and in-depth dialogue about the pros and cons for different options on issues such as revenue collection and benefit distribution.

II. Program Benefit

Comment 2 – The “basis” for program benefit should be consistent with the Human Right to Water Policy by being calculated for efficient indoor water use

(e.g., 8.8 hundred cubic feet (CCF) per month until 2025) instead of being calculated for indoor and outdoor use (at 12 CCF per month).

Staff is proposing that the benefit be based on 12 hundred cubic feet (CCF) per month for water (e.g., at Pages 4, 6 and 9). At Page 19, staff indicates that the 12 CCF number is based on 55 gallons per person per day for a family of four plus 75 gallons per day of outdoor use. California Water Code Section 106 sets forth the Human Right to Water policy as follows:

“(a) It is hereby declared to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for **human consumption, cooking and sanitary purposes**. (...)” [Emphasis added.]

This state policy for human right to affordable water relates to indoor uses – human consumption, cooking and sanitary purposes. The basis for the benefit should also be calculated for indoor uses. Recent state water use efficiency laws enacted in 2018 set standards for indoor residential water use of 55 gallons per capita per day (GPCD) until 2025, 52.5 GPCD from 2025 to 2030, and 50 GPCD beginning in 2030. These state per-capita-indoor-water-use-efficiency standards are to be used by local water suppliers to develop water use objectives on a service-area basis.

ACWA suggests that the basis for the program be based on the new water use efficiency standards. For example, for 55 GPCD, the basis for a monthly benefit for a family of four would be 8.8 CCF instead of the currently proposed 12 CCF. This would tie the basis to indoor use – consistent with the Human Right to Water policy.

III. Revenue Source

Comment 3 – ACWA concurs with staff’s statements in the Draft Report regarding the “drawbacks” to using local water bills to generate the revenue for the program.

At Page 32 of the Appendices, staff indicates that the two collection approaches evaluated for community water systems would have resulted in a “surcharges between \$7 and 10 per month on single-family account holders.” Staff concludes that the State Water Board should **not** propose using local water bills to generate the revenue for this program. ACWA concurs with that conclusion. **Such “surcharges” would work against keeping water affordable for all Californians.**

Additionally, we urge the State Water Board to be mindful of the local administrative costs for approximately 3,000 community water systems to collect the benefit. The staff recognizes in the report that there is a cost of changing the billing software but does not go into the magnitude of those costs for one system (e.g., \$100,000) or the magnitude

of the combined costs for software modification for approximately 3,000 systems. Similarly we did not see references to the per system cost of a community water system hiring staff to implement a program that involves verifying customer income levels and dealing with fraud – or the combined costs for approximately 3,000 community water systems.

Finally, as was discussed in the stakeholder meeting forum, when **one** state agency (e.g., Franchise Tax Board) collects the revenue (e.g., via personal income tax), the revenue collection is implemented much more efficiently. ACWA appreciates the discussion of other revenue sources besides local water bills in the Draft Report.

IV. Benefit Distribution

Comment 4 – ACWA agrees that it makes sense to use an existing benefit distribution system. ACWA recommends the CalFresh Program option.

At Page 6 of the Executive Summary, State Water Board staff proposes that the State Board envision a statewide program, with benefits distributed through other existing assistance programs. **ACWA agrees with State Water Board staff that it makes sense to use an existing benefit distribution program. That approach is much more efficient.**

CalFresh is a longstanding program in California that helps low-income households afford food by administering electronic benefit transfer (EBT) cards to subsidize essential food costs. CalFresh uses the criterion of 200 percent of the federal poverty level (FPL) which aligns with the “low-income” definition in the AB 401 statute. Further, the delivery of the benefit through CalFresh would not be limited to households that directly pay water bills. So this approach would benefit those renting homes and residents of multi-unit apartment complexes.

Since California counties are already administering the CalFresh program, a water subsidy could be added to the EBT cards with the existing food subsidy for households that meet the parameters of the low-income water rate assistance program. There are already existing administrative processes for verifying customer eligibility and auditing for fraud. ACWA recognizes that the enrollment process takes some time, but the enrollment process helps to reduce fraud regarding income levels. (There was a significant discussion on the issue of fraud at the May 18, 2018 stakeholder meeting.)

State Water Board staff note at Page 25 that participants in CalFresh must demonstrate their legal permanent residency status. That is true, but the State could augment the California Food Assistance Program (CFAP) which the State maintains for applicants who cannot receive the CalFresh food subsidy due to their immigration status.

Comment 5 – Benefit distribution via the monthly bills for approximately 3,000 community water systems has many drawbacks, including that it would be very inefficient and would work against water affordability.

ACWA appreciates that Appendix K goes into detail about the broad disadvantages of using water community water systems to distribute the benefit. For example, staff explains how many California households, and in particular low-income households, do not pay a water bill directly to the community water system. Staff notes at Page 47 that “they are inadvertently made ineligible for the program even though they are indirectly paying the cost of water.”

As noted in Comment 3, having approximately 3,000 community water systems change their billing systems and hire the staff needed to implement the program results in implementation costs that work against water affordability. As noted in Comment 4, **ACWA agrees that it makes sense to use an existing benefit distribution system.**

V. Proposed Program Scenario Factors

Comment 6 – A single-“tier” approach with a set benefit amount (a flat rate) is a better approach than the proposed three-tier structure to distributing the benefit.

The Draft Report proposes three tiers as potential program benefit levels. (Please see Text Box 1 on page 6 for the complete details.) ACWA suggests instead that a single-“tier” approach be used. The Draft Report states at Page 6 that “...because the average monthly water bill is around \$60 per month, most low-income households would be in Tier 1.” Indeed, from Table 7 on Page 21, the estimated percentage is 93 percent of the households would fall in Tier 1. Using three tiers would unnecessarily complicate the program.

Similarly, ACWA’s suggests having a set benefit amount (a flat rate) as opposed to setting the benefit amount on the “consumption level of 12 CCF each month for each of the 3,000 community water systems” as proposed on Page 6. This aspect of the proposal would also unnecessarily complicate administration.

VI. Public Water System Rate Structures

Comment 7 – The State Water Board should NOT recommend to the Legislature that there be additional state oversight and direction on how public water systems set rates. This draft proposal should be deleted.

ACWA and our members were surprised to see in Appendix L a draft proposal that is quoted here:

“(…) one of the Board’s proposals is for the Legislature to evaluate (or direct the Board to evaluate) options for additional state oversight and direction on how public water systems set rates.”

The proposal in the draft Appendix L appears to be premised on a notion that there is one correct way for a public water system to establish a rate structure. That just is not the case. It is critical to having a reliable water supply in California that public water systems have self-determination of fiscally-sound rate structures given their individual circumstances (e.g., service characteristics, infrastructure needs, and operational requirements). The circumstances for each system are different.

The text in Appendix L, regarding an example that is intended to support the draft proposal, helps make this point by stating that “this analysis does not attempt to fully explain the complexity of rate structure design and the constraints which different types of CWS face in rate design and revenue recovery.”

AB 401 requires the State Water Board to develop the AB 401 plan “in collaboration” with relevant stakeholders. There were robust discussions in the stakeholder meetings regarding many issues such as revenue collection and benefit distribution. ACWA greatly appreciates those discussions. However, we do not recall discussions in the stakeholder meetings, let alone collaboration on, the idea of additional state oversight on how public water systems set their rates.

ACWA suggests that the State Water Board stay focused on the very complex task at hand - developing a workable plan for a low-income water rate assistance program. We urge the State Water Board to **delete this draft proposal regarding rate structures.**

Thank you for the opportunity to provide comments on the Draft Report. I am available to discuss ACWA’s comments at (916) 441-4545 or at cindy@acwa.com.

Sincerely,

A handwritten signature in black ink that reads "Cindy Tuck". The signature is written in a cursive, flowing style.

Cindy Tuck
Deputy Executive Director for Government Relations

cc: The Honorable Felicia Marcus, Chair, State Water Board
The Honorable Members, State Water Board
Ms. Eileen Sobeck, Executive Director, State Water Board
Mr. Eric Oppenheimer, Chief Deputy Director, State Water Board
Mr. Max Gomberg, Climate and Conservation Manager, State Water Board
Ms. Melissa Sparks-Kranz, Regulatory Advocate, ACWA