



February 1, 2019

Jeanine Townsend
Clerk of the Board
State Water Resources Control Board
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Sacramento, CA 95814

ATTN: commentletters@waterboards.ca.gov

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

Dear Ms. Townsend,

San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE), Southern California Gas Company (SCG), Pacific Gas and Electric Company (PG&E) and Southwest Gas Corporation (SWG), (herein referred to as the 'Joint Utilities'), submit this joint comment letter in disagreement with California State Water Resources Control Board's (SWRCB) Options for Implementation of a Statewide Low-Income Water Rate Assistance Program (W-LIRA) Report as required by Assembly Bill 401¹ (hereinafter referred to as the 'Report') that 'the delivery of a drinking water affordability benefit alongside the energy benefit already delivered through energy utility affordability programs has appeal.'² Although these comments are filed on behalf of the Joint Utilities, the group believes the issues raised would affect all California energy utilities. The Joint Utilities appreciate the opportunity to engage in a dialogue and provide constructive feedback on the proposals outlined in the Draft Report dated

¹As required by Assembly Bill (AB) 401 (Dodd) Low-Income Water Rate Assistance Program.

² Options for Implementation of a Statewide Low-Income Water Rate Assistance Program (Report), SWRCB, Appendix H, p. 38.

January 3, 2019.³ Additionally, the Joint Utilities request a workshop be held before the SWRCB files its Final Report to provide continued opportunity for further discussion.

SWRCB's analysis of the advantages and disadvantages of the energy-utility option do not comprehensively reflect programmatic challenges and operational complexities required to deliver monthly energy bill benefits by the Joint Parties. The SWRCB's conclusions underestimate the magnitude of the increased administrative costs and policy risks associated with the energy utilities administration of a water discount. Each energy utility's current billing system and administration of its system is designed to provide affordable and reliable energy service to its distinct energy customers. If SWRCB's proposed energy option is adopted, energy utilities will be forced to go beyond their core competency, which is to deliver energy to their customers, at a time when the utilities' resources and attention are critically needed to deliver safe, affordable, reliable and sustainable natural gas and electricity at competitive rates.

The Joint Utilities recommend the SWRCB discontinue exploring the reliance on energy utilities' billing and technology systems as a viable option to administer a water benefit and instead redirect their efforts towards other options outlined in the report, like exploring CalFresh or stand-alone EBT, as appropriate delivery mechanisms. As laid out in SWRCB's report, there are numerous advantages to CalFresh and this option has support from other water-specific stakeholders, such as the Association of California Water Agencies (ACWA)⁴ and the California Municipal Utilities Association (CMUA)⁵.

The Joint Utilities outline several key points in opposition to the proposal that energy utilities administer a W-LIRA discount. These key points illuminate policy, program administration, and cost challenges that render SWRCB's proposal cumbersome, cost prohibitive, and fraught with unnecessary risks that may expose energy utilities' customers to burdensome rates.

1. Policy Challenges

- a. Transferring the burden to energy utilities for provision of a W-LIRA discount program is not appropriate for energy utilities' customers.
- b. It is unreasonable for energy utilities to have oversight and control over distributing state funding to water consumers.
- c. The proposal contradicts the energy utilities' ratemaking policies to provide fair and balanced rates.

2. Programmatic Challenges

- a. Administration of the W-LIRA Program by energy utilities is likely to cause customer confusion and challenges.

³ https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/.

⁴ ACWA memo to SWRCB on Suggestions regarding Development of a Draft Plan for a Low-Income Water Rate Assistance Program (AB 401, Dodd, 2015 Implementation), October 2, 2018.

⁵ CMUA memo to SWRCB on CMUA Low-Income Water Rate Assistance Program Proposal, January 3, 2018.

- b. The proposed W-LIRA benefit levels are complex and not aligned with the Joint Utilities' California Alternate Rates for Energy (CARE) Program, other low-income assistance programs or the energy utilities' billing processes.
- c. Automatic enrollment for water utilities is not comparable with the energy utilities' enrollment processing.
- d. Integrity of data and data quality would be difficult to maintain in managing data for thousands of water agencies.
- e. Potential shift in utility priorities from crucial programs that ensure safe and reliable systems.

3. Cost Challenges

- a. Significant infrastructure and development costs would be required, which may increase the Joint Utilities' customers' rates and administrative costs due to new obligations to track, report, account, and audit for the water-related program funding sources; thereby leading to further energy affordability concerns.
- b. The energy utilities should not be required to provide ongoing program management costs, program verification of customer eligibility, marketing and outreach, benefit distribution, and other services associated for provision of a W-LIRA Program.
- c. Costs for training energy utilities' personnel and other customer-facing contractors to understand the water discount and resolve subsequent water complaints would be significant.

4. Water Challenges (SCE ONLY)

- a. Lacks a definition of affordability
- b. Establishing a universal baseline quantity for eligibility
- c. Benefit level is not scaled to actual usage or bill amount
- d. Sends confusing price signal to customers

Discussion of Key Points

1. Policy Challenges

- a. Transferring the burden to energy utilities for provision of a W-LIRA discount program is not appropriate for energy utilities' customers.

The energy utilities' customers should not bear the burden of subsidizing the administration of the W-LIRA Program. This transfer of responsibility creates challenges with transparency and increases rate pressures on energy utility customers. The State providing funds to energy utilities to offset the costs of implementing the W-LIRA program is also problematic because it creates the potential for inconsistency and inequity due to differences in the sophistication and expense of individual energy utility billing systems. The Joint Utilities oppose this transfer of responsibility to the energy utilities and their ratepayers, and instead support exploration of more viable options for provision of the W-LIRA Program to water customers, specifically the CalFresh or stand-alone EBT options.

- b. It is unreasonable for energy utilities to have oversight and control over distributing state funding to water consumers.

In the Report, "Oversight and control mechanisms that attend to State funding would be newly imposed on the utilities, and new mechanisms may have to be created to ensure that the utilities use the taxpayer funds properly and efficiently to avoid the risk of fraud, waste, and abuse."⁶

Energy utilities will be dealing with new, unfamiliar federal and state funding sources for which they must "continually demonstrate fiscal responsibility"⁷. While the Joint Utilities currently manage a broad portfolio of energy-related funding sources, expanding that portfolio to include water-related funds is unnecessary and would increase complexity to receive, transfer, and remit these funds - all at the additional expense to the energy and/or water customer.

The Joint Utilities support the CalFresh option as the most viable delivery mechanism for the W-LIRA Program. CalFresh already has a mechanism to deliver the benefit to water customers through existing infrastructure without the additional barriers that the energy utilities will face. And as a state agency, CalFresh has experience managing state funds and would likely not require the creation of new mechanisms to ensure taxpayer funds are expended under established state mandates. Distributing the benefit directly to consumers empowers them to manage their monthly budgets and make appropriate decisions given their individual financial situations.

- c. This proposal contradicts the energy utilities' ratemaking policy to provide fair and balanced rates.

⁶ Report, Appendix H,, p. 37.

⁷ Report, Appendix H, p. 37

Requiring that the energy utilities move beyond their core competency to deliver energy and instead provide water utility programs services creates an environment of unfair ratepaying practices. The energy utilities, and the Commission (Commission or CPUC) are tasked to develop fair and balanced rates. The primary goals of utilities are to ensure safe and reliable services, maintain the Joint Utilities systems and customer services, while keeping costs and prices competitive, hence rates are fair and balanced. Furthermore, in the SWRCB's scenario, ratepayers may be subject to paying for fees and costs that are not aligned with each Joint Utilities' system, thereby breaking the reasonable, fair, and balanced construct that each energy utility works to achieve with its rates and shifts the burden to ratepayers that may already be struggling to pay their energy bills. Finally, requiring the Joint Utilities to move beyond their core competency of delivering energy to delivering benefits for water consumers, further creates a potential conflict in each energy utilities' core business model and challenges the primary goals of each organization.

2. Programmatic Challenges

- a. Administration of the W-LIRA Program by energy utilities is likely to cause customer confusion and challenges.

The Report Appendices identify customer confusion regarding the W-LIRA benefit as a major disadvantage of the energy utilities administering the W-LIRA Program. Provision of a water benefit by the energy utilities may be perceived by customers as supporting energy affordability rather than water affordability. Additionally, because the benefit would be provided on the energy bill and not on a customer's water bill if they receive one, it may further cause challenges in customers paying their water bills; leading to further bill delinquency and/or loss of water service. Such an approach is not advantageous for the water or energy utilities and the Joint Utilities oppose such an approach.

- b. The proposed W-LIRA benefit levels are complex and not aligned with the Joint Utilities' CARE Program, other low-income assistance programs or the energy utilities' billing processes.

The CARE Program provides an approximate 30-35% discount on customer's electric bills, and a 20% discount on customer's natural gas bills. The Report Appendices proposes three benefit levels⁸: (1) 20% discount to all household below 200% of the

⁸ Report, Appendix H, p. 6.

federal poverty level (FPL) where monthly expenditures are below \$90; (2) 35% discount to all households with incomes below 200% of FPL where monthly expenditures are between \$90 and \$120; and (3) 50% discount to all households with incomes below 200% FPL where monthly expenditures are above \$120. The proposed tiered benefits for W-LIRA do not align with the CARE Program and will impose information technology (IT) and implementation challenges that will likely delay implementation of the W-LIRA Program.

c. The Proposed Automatic Enrollment option for water utilities is not comparable with the energy utilities' enrollment processing.

The statement that the energy utilities use of automatic enrollment is viable and avoids new privacy concerns is misleading⁹. The misalignment with service territory between water and energy utilities, which likely lacks synergy of customers' information on billing accounts, and the number of water customers serviced by non-regulated water entities, render automatic enrollment as an unworkable option for the energy utilities to enroll water customers in a W-LIRA program.

First, as stated in the Report, "energy utilities would need to reconcile multiple water system boundaries within the electric/gas service area in order to determine the dollar amount of the water credit on the bills of eligible customers."¹⁰ It should not be incumbent upon the energy utilities to determine the appropriate boundaries for provision of bill credits to water customers, as the energy utilities are not the experts regarding provision of water. Moreover, this would require analysis by the water utilities, a feasibility study, etc., which will likely increase costs significantly. Both the energy and water utilities will have increased costs that would be borne by the water customer.

Second, an identical match of location and billing system information between the energy and water utility is required for automatic enrollment. If there is not an identical match between the two systems, customers cannot be automatically enrolled. Further, single-fuel energy utilities would need to establish a mechanism to administer the W-LIRA Program in their shared territory to avoid overlap and duplication of the W-LIRA discount, as those customers would also be energy customers in two different energy utilities. Automatic enrollment between the energy utilities and water utilities is not viable and additional options would need to

⁹ Report, Appendix H, p. 36.

¹⁰ Report, p. 37.

be explored. This would require additional costs for the energy utilities' IT improvements, personnel, consultants, training, and any other unknowns.

Third, in California, the CPUC regulated water utilities serve 15 percent of residents. The remaining 85 percent is served by water entities not regulated by the CPUC but are overseen by local governing boards and the State Water Board. Any automatic datashare with these water entities would require concurrence with those entities to share customer data and would create additional privacy concerns. This required concurrence is an additional barrier to automatic enrollment. Automatic datashare requirements will require the transfer of confidential customer information continuously.

The concerns identified in this section create new and significant confidentiality risks for energy utilities to maintain the security of customer information and for the proper provision of the W-LIRA discount across water agencies.

d. Integrity of data and data quality would be difficult to maintain in managing data for thousands of multiple water agencies.

The Report also states that 'each utility would need to superimpose water system boundaries over their service areas and work with the Board on the appropriate benefit level to be provided'.¹¹ The process stated to determine those boundaries underestimates and understates the obstacles inherent in performing such an enormous task. Energy utilities' data personnel are not equipped to 'superimpose water system boundaries' and determine 'appropriate [water] benefit levels' across the energy utilities respective service territories. In contrast to how a customer can move between the 65 available, energy utility service territories, water customers can relocate to any of the 3,000+ water agencies. Maintaining accurate data on each water customer within California could prove challenging, difficult to maintain, and increase potential billing errors.

The Report also points out the need for updated data sharing and data privacy¹² protocols to administer the W-LIRA Program. New data sharing agreements require participation from individual water agencies, each presumably with its own specific perspectives and characteristics. The Joint Utilities' experiences with other energy utilities or agencies is that the process is cumbersome and lengthy and the increased administrative and compliance burden of sharing data with over 3,000 non-energy entities would be far more burdensome. Additionally, administering a W-LIRA discount rate raises increased data privacy concerns with landlords and tenants,

¹¹ Report, Appendix H, p. 37.

¹² Report, p. 24

especially if landlords pay their tenant's water bills. Energy utilities are not equipped to decide what data and personal customer information is privy to tenants regarding their water bills and what information is private.

- e. Potential shift in utility priorities from crucial programs that ensure safe and reliable electric systems.

Development, training and administration of the W-LIRA program by the Joint Utilities could shift focus and resources away from essential energy utility programs, including programs such as wildfire management and natural gas infrastructure clearance. This shift could hinder policies and procedures that seek to prevent outages and accidents.

3. Cost Challenges

- a. Significant infrastructure and development costs would be required, which would increase the Joint Utilities' administrative costs and in turn customers' rates due to new obligations to track, report, account, and audit for the water-related program funding sources; thereby leading to further energy affordability concerns.

The Report notes that “each [electric and gas utility] would need to modify its billing system to add the monthly W-LIRA credit.”¹³ However, the Report does not account for the complexity, administrative commitment and significant costs required to implement. Most energy utilities' billing systems are designed to meet particular energy utilities' needs to manage customer accounts, rates, associated discounts, cycle-billing timeframes and other energy-related customizations. Introducing an additional water calculation to the existing energy utilities' billing operations would require the system to operate above its current capabilities, calculate rate nuances across the 3,000 California water agencies¹⁴, reconcile water boundaries and specifications, apply the appropriate water benefit level, and determine the exact water credit amount.¹⁵ This would happen for each individual customer or master-metered tenant of a landlord. Although the Report mentions many complications, it does not provide specific details of all the issues and challenges each energy utility would encounter to implement the W-LIRA discount. The timeline to augment

¹³ Options for Implementation of a Statewide Low-Income Water Rate Assistance Program, SWRCB, p. 24

¹⁴ Report, p. 34

¹⁵ Report, Appendix H, p. 37

billing systems with complicated algorithms would require substantial programming efforts. Early estimates suggest at least two years to develop this capacity at the expense of delaying other necessary billing system upgrades already ordered by the CPUC for existing gas and electric customers.

The Report asserts that increased administrative costs and management needs will be incurred¹⁶ and “the administrative costs of the current CARE programs would be substantially increased for implementation of a W-LIRA program.”¹⁷ The fundamental problem with frequent references to significant but unknown additional,¹⁸ administrative costs cannot be overstated. The Joint Utilities agree that new costs associated with tracking, reporting, and auditing water-related funding sources will be significant. Customers look for every opportunity to save money and keep their utility bills affordable, whether it’s water or energy, and they will not welcome any new administrative costs due to energy utilities taking on new business outside of their core capabilities or intended services. This again is outside of the reasonableness of ratemaking edict of fair and balanced rates.

- b. The energy utilities should not be required to provide ongoing program management costs, program verification of customer eligibility, marketing and outreach, benefit distribution, and other services associated for provision of a W-LIRA Program.

The Report projects \$606 million in first year benefit distribution and program administration for the W-LIRA program.¹⁹ Although the report proposes the establishment of a progressive tax to fund costs associated with W-LIRA, the Report also proposes to transfer the responsibility of program administration to the energy utilities. The Joint Utilities oppose any such requirement. CalFresh has asked about managing the W-LIRA Program and is well positioned to administer the program.

- c. Costs for training energy utilities’ personnel and other customer-facing contractors to understand water discount and resolve subsequent water complaints would increase significantly.

There will be significant costs to train energy utility personnel on new water discount guidelines. Energy utilities’ Customer Service Representatives (CSRs) will be expected to possess detailed knowledge of water discount calculations and potential

¹⁶ Report, Chapter 4: Options for Benefit Distribution and Appendix H: Analysis of Benefit Delivery Methods

¹⁷ Report, p. 37.

¹⁸ Report, Appendix H, p. 37

¹⁹ Ibid, p. 6.

resolutions for any errors. CSRs and other front-line support staff that receive billing inquiries from customers about their water discount, will have to assess the problem, and promptly resolve the issue. Additionally, the need for extensive water-related training would also need to be conducted for the multitude of existing customer-facing contractors in programs like the Energy Savings Assistance (ESA) Program, the Moderate Income Direct Install (MIDI) Program and others who assist customers in understanding their energy bills and offer energy education advice to reduce energy use. This new training would need to be extended to water bill savings strategies as well.

Training and education about water-specific issues brings added risk and liability. The opportunity to provide inaccurate information or advice that leads to unintended, negative consequences only increases the energy utilities' risk profile, and moves beyond their core competencies.

4. Water Challenges (SCE ONLY)

In addition to being an investor-owned energy utility, SCE also serves as the water utility for the Catalina Islands. SCE has reviewed the Report in its role as a water utility and presents these additional comments to the Report. The following represents the comments submitted on behalf of SCE only.

a. Lacks a definition of affordability

The SWRCB, in collaboration with the CPUC, should adopt a definition of affordability for water service to inform the low-income rate assistance program. By adopting a definition of affordability and encouraging utilities and water systems to implement self-funded and administered low-income water rate assistance programs where feasible, the State can focus on monitoring and enforcement (a role which the State Water Board already serves) and reduce the required level of administration of a statewide program. For example, the CARE program provides guidelines for eligibility, discount range, and penetration²⁰ for investor-owned electric and gas utilities.²¹ The State Water Board and/or CPUC can monitor and enforce utilities' compliance with affordability directives during the routine course of business. Utilities can report on the status/effectiveness of their LIRA programs during regularly scheduled compliance reporting periods, such as annual reports. An example affordability metric is percentage of median household income (MHI) spent each month on potable water service. While the percentage value is up for debate, the

²⁰ Penetration refers to the level of enrollment of eligible households.

²¹ Public Utilities Code, Section 739.1.

metric is effective in target income and expense for individual budget planning purposes. The State Water Board Environmental Protection Agency (EPA), and the United Nations (UN) have all defined percent of MHI as a means to benchmark water service affordability.²²

b. Establishing a universal baseline usage quantity for eligibility

The SWRCB should consider adopting an alternative approach to determine eligibility and discount level than using a universal baseline value of 12 centum cubic feet (CCF). Each water system or service district is unique and defining a universal standard baseline value to determine the amount of monetary assistance (benefit) fails to consider the actual essential human need (i.e., baseline quantity) and/or rate design of individual water systems. The State should also consider removing outdoor water use from the baseline quantity as outdoor water use is discretionary and not essential for “human consumption, cooking, or sanitary purposes” under AB 685.²³ Typically, customers eligible for low-income assistance have low outdoor water demands.

The use of the 200% of the FPL is appropriate as it is consistent with program eligibility under CARE.²⁴

c. Benefit level is not scaled to actual usage or bill amount

Mandating a percent discount, without defining affordability or tying the benefit amount to actual bills and actual usage is less equitable than the CARE approach. Using a standard value (12 CCF) as the basis of determining bill affordability diminishes the significance of actual usage and bill amounts in favor of a “value judgement.” This method of calculating benefit (discount) level may also provide a disproportionate (inequitable) discount to a water user with low basic human needs and a reasonable water bill than a larger household with usage possibly exceeding 12 CCF per month. By providing a discount on the total monthly bill, the discount scales relative to usage, which helps to better account for household size. This way the discount level is set, based on guidelines outlined by the State (as for the CARE program), and customers receive an equitable discount based on their actual level of usage. The point of consideration for the uniqueness of water systems is also made in the Public Utilities Code, which indicates “the commission make take into account variations in water needs caused by geography, climate and the ability of

²² State Water Board: 1.5%, EPA: 2.0%, UN: 3%.

²³ Senate Bill (SB) 685.

²⁴ Public Utilities Code, Section 739.1.

communities to support these programs.” While the funding and distribution mechanisms can be administered at the State level, the basis for essential need must consider the varying nature of water systems throughout the state.

d. Sends confusing price signal to customers

Water is also a historically underpriced commodity and utility revenues may not accurately reflect the full costs of service. Adopting a program which mutes the price signals of rate assistance, conservation, and actual price of water service will perpetuate this issue. Confusing and/or muted price signals are particularly evident if energy utilities are required to distribute the rate assistance to water consumers. The State should seek to equitably balance the needs of conservation, low-income affordability, infrastructure investment and revenue stability.

The Joint Utilities appreciate the State Water Resource Control Board’s consideration of these comments and suggestions on behalf of the Joint Utilities. We will work with staff and look forward to ongoing discussions and collaboration.

cc Commissioner Clifford Rechtschaffen
Commissioner Michael Picker
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