



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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Sent via ELECTRONIC EMAIL to: Mary.Yang@waterboards.ca.gov

August 25, 2017

Mary Yang
Environmental Scientist
Office of Research, Planning and Performance
State Water Resources Control Board
1001 I Street, 17th Floor
Sacramento, CA 95814

Re: California Municipal Utilities Association Comment Letter – LIRA Program Scenarios.

Dear Ms. Yang,

The California Municipal Utilities Association (CMUA), representing 40 public water agencies that serve over 70 percent of Californians, appreciates the opportunity to comment on the development of a Low-Income Water Rate Assistance Program Plan (Plan). CMUA recognizes the State's goal of ensuring Californians have access to clean, safe and affordable drinking water and believes that Low-Income Water Rate Assistance Programs can be an important component of reaching this goal.

As a key stakeholder in the development of AB 401 (Dodd, 2015), CMUA is concerned by the direction of the current proceedings, which suggest that a statewide administered program in conjunction with a statewide water tax is the only feasible solution. California Water Code (CWC) Section 189.5(b)(2) directs the State Water Resources Control Board (Board) and its staff to develop "recommendations regarding the structure of the program, particularly whether it will be administered by the state or locally administered." California is a unique state with varying hydrological regions and a large, diverse population. It is the hope of CMUA and its members that the draft Plan acknowledge the complete statutory intent of AB 401, recommend other cost-effective methods besides rate assistance, and explore locally administered programs more closely. It is important to also note that CMUA firmly believes a public goods charge on water collected locally and redistributed statewide is not an appropriate funding mechanism for a public benefits programs.

CMUA strongly disagrees with the direction of the questions posed in the "Topics for Comment at Public Meetings Summer 2017" document, however, CMUA strives to be a constructive participant in this important discussion and as such, will answer these questions in a productive manner.

1. Greater Stakeholder Engagement is Necessary for a Successful Plan

While the Board's outreach in 2016 and 2017 is a reasonable start, it has fallen far short of the collaboration requirement stated in CWC Section 189.5(b). The public workshops conducted to date have lacked substantive collaboration with stakeholders and Board staff has presented a very limited set of scenarios for consideration. CMUA requests that the Board expand stakeholder engagement by establishing a workgroup to facilitate more robust discussion on and development of Plan recommendations, in addition to another round of workshops to aid in the development of the Plan. Additionally, CMUA recommends that Board staff research federally and *publicly owned utilities'* existing water and electricity rate assistance programs as part of the Plan presented to the Legislature.

2. The Proposed Scenarios Do Not Reflect Legislative Intent.

CMUA believes the four scenarios presented by Board staff and UCLA researchers are not acceptable and do not reflect the statutory intent of AB 401. CMUA would like to propose an alternative scenario in which existing, well-functioning local water rate assistance programs will continue to operate as approved by their ratepayers. For ratepayers not covered by an existing low-income water rate assistance (LIWRA) program, a unified statewide system must be funded through existing mechanism(s), such as a general fund allocation, federal grants, and/or Cap-and-Trade Auction proceeds, or a combination of funding pools.

CMUA also requests that Board staff develop scenarios for other cost-effective methods of low-income assistance to water customers *besides rate assistance*, as allowed under CWC Section 189.5(d). Local water agencies already administer various water use reduction and conservation customer programs, many of which provide greater benefits/incentives specifically to low-income customers. These existing local programs help reduce customer water use and thus, reduce customer water costs; scenarios that leverage or build-off these existing local programs should also be considered.

3. Local Agencies Provide the Best Vehicle for Administration of LIWRA Programs.

Existing, local water rate assistance programs, which, according to UCLA researchers and Board staff, cover 50% of eligible Californians already incorporate the goals of CWC Sections 189.5(b)(3) and 189.5(d). With publicly and privately-owned utilities offering half of eligible Californians some form of water rate assistance, maintaining these existing administrative structures instead of replacing them with a statewide program would achieve the goal of exploring "cost-savings measures." Additionally, local agencies are more responsive to local conditions and can develop their customer programs to better meet a communities' need, such as the installation of water conservation devices, leak repair and indoor/outdoor water audits; all of which help reduce customer water costs. In fact, some of the locally administered programs provide greater bill offsets than the proposed 20-34% by the Board. CMUA requests the Plan incorporate a cost-benefit analysis comparing the administrative costs of a new statewide program versus utilizing the existing administrative structures and/or programs at the local agency level. The cost-benefit analysis would also need to factor in local agencies' existing water reduction and conservation programs that effectively reduce customer water costs and partnerships with non-profits and other stakeholders who perform outreach to ratepayers in the local agencies' service areas.

4. The State Water Resources Control Board must address Proposition 218 Restrictions in the Plan.

CMUA urges the Board to acknowledge the restrictions Proposition 218 places on publicly owned water agencies as required by CWC Section 189.5(1). CMUA would support language that encourages the Legislature to consider reforms to Proposition 218 to make it easier for local agencies to voluntarily adopt water rate assistance programs.

The Board must recognize that fiscal stability is a key component of any public-water system's ability to deliver clean, safe and affordable water. The proposed scenarios on slide 23 of the PowerPoint presentation, which recommend using a percentage based discount on water rates would only serve to destabilize local agencies' budgets by allowing discount rates to vary monthly. CMUA recommends the Plan acknowledge that rate-setting decisions occur at the local level and water agencies should have the maximum degree of flexibility to develop rate structures that are effective for their communities.

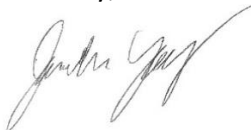
5. Local Agencies Already Provide Eligibility Verification.

Program eligibility is an important element in ensuring that any rate assistance program maximizes its effectiveness. CMUA suggests the Plan highlight the need to keep water rate assistance programs limited to metered households only and that stringent income eligibility verification measures be determined by the administering body. To minimize costs, local agencies would maintain their current eligibility verification processes. Under a unified statewide program, the Franchise Tax Board would be responsible for verifying eligible households via income tax information.

CMUA thanks the Board and its staff for the opportunity to provide comments on the development of the Plan. If you should have any questions or comments on the content of this letter, please contact Jonathan Young, Regulatory Advocate with CMUA, at (916) 326-5806.

Thank you for your time and consideration.

Sincerely,



Jonathan Young
Regulatory Advocate
California Municipal Utilities Association

CC: The Honorable Felicia Marcus, Chair, SWRCB
The Honorable Steven Moore, Vice Chair, SWRCB
The Honorable Tam M. Doduc, Member, SWRCB
The Honorable Dorene D'Adamo, Member, SWRCB
The Honorable E. Joaquin Esquivel, Member, SWRCB
Max Gomberg, Climate and Conservation Manager, SWRCB