

August 25, 2017

Mary Yang
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

Delivered by email: Mary.Yang@waterboards.ca.gov

Subject: CWA Comments on Statewide Low-Income Customer Assistance Program Scenarios

Dear Ms. Yang:

On behalf of the California Water Association ("CWA") and its more than 100 investor-owned, CPUC¹-regulated member public water utilities (the "IOUs"), thank you for the opportunity to provide comments on the four scenarios currently being proposed by the State Water Resources Control Board ("Water Board") for a statewide low-income customer assistance ("LICA") program.² These four scenarios are the subject of the second round of public meetings on low-income customer assistance, notice of which was provided by the Water Board on June 1, 2017.³

The primary purpose of these comments is to address the five specific questions detailed in the Water Board's June 1, 2017 notice. However, it is also important to note that, on June 29, 2017, the CPUC opened a rulemaking proceeding (R.17-06-024) to examine and consider modifications to the CPUC-regulated water utilities' existing LICA programs.

CWA encourages the Water Board to work closely with the CPUC to develop a synchronized approach to low-income customer assistance that promotes the agencies' common goal that all Californians have access to affordable water without exacerbating or creating new affordability issues in the process. This would help avoid conflicts and duplication of efforts between the CPUC's pending rulemaking proceeding and the Water Board's efforts to develop recommendations to the Legislature for a statewide LICA program.

¹ California Public Utilities Commission.

² CWA believes the nomenclature "Low-Income Customer Assistance" more accurately describes who is being assisted – the customer, not the rate.

³ CWA previously submitted comments to the Water Board on February 7, 2017, in response to a request for public comment in advance of the Water Board's February 8, 2017 LICA workshop.

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Comments

1. Which of the four scenarios presented by UCLA do you prefer, and why?

Each of the four scenarios presented by UCLA brings different issues and perspectives to the discussion, but on the whole, CWA suggests that Scenario 1 – whereby all state households below a well-considered affordability threshold would be eligible to enroll in a statewide LICA program offering a benefit equal to an appropriate discount on the water bill – is the most preferable of the four program alternatives currently under consideration.

As the Water Board is aware, CWA's Class A (10,000+ connections) water utility members have had LICA programs in their service areas for many years. These programs vary to some degree from company to company in order to address district- and company-specific circumstances, but all such programs provide qualifying low-income customers with a discount on their water services. These programs help those customers and further the CPUC's Water Action Plan objective to "set rates that balance investment, conservation, and affordability."⁴

Based upon the experience with the CPUC-authorized LICA programs,⁵ there are challenges associated with implementing a subsidy program on a company-specific basis that CWA believes could be addressed by the rollout of a single, centrally administered statewide program. The primary difficulty results from the demographics within individual water service districts. Where a large percentage of households in a district are eligible for the low-income discount, the contributions of the few go to support the many. This raises concerns about the fairness of the burden placed on non-LICA customers, especially if those non-LICA customers face economic hardship themselves. In CWA's view, statewide support for LICA programs would remedy this problem without creating new burdens for those not eligible for LICA benefits.

At the same time, certain other complications are avoided if the state decides to implement a single program under a centralized administrative body. For example, a statewide program would be easier to communicate and explain to all Californians than a patchwork of programs for which participation would vary depending on the water service provider. The message that those benefits will be replaced by another program should be a straightforward one to communicate and understand and would be easier to explain than, for example, why a household is eligible for one program and not another (or both), or why benefits are delivered differently. Finally, it would be unnecessarily misleading to establish and promote a "statewide program" that excludes more than the 6 million Californians currently served by CPUC-regulated water utilities.

⁴ 2010 Water Action Plan (available at: <http://docs.cpuc.ca.gov/PUBLISHED/Graphics/125501.PDF>)

⁵ Due to a 2011 decision by the CPUC, the sharing of customer information between energy and water utilities for the purpose of determining eligibility has resulted in very high participation rates by eligible customers in the water utilities' low income customer assistance programs. See (http://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/134999.PDF)

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A second problem avoided by the rollout of a true statewide program under Scenario 1 is that customers of the CPUC-regulated water utilities would not be forced to pay twice for LICA programs – once to pay for a CPUC-authorized program through a bill subsidy and then again to pay for a statewide program that would subsidize non-IOU low-income households. In CWA’s view, requiring IOU-customers to pay twice is inequitable.

CWA wants to emphasize that, in its view, if a statewide program such as that described in Scenario 1 is established, the CPUC-authorized LICA programs should be discontinued in favor of the statewide program. If a statewide effort is viable, the most effective course of action would be to offer the same program to everyone on an equitable basis. This is also why CWA prefers not to have its members subject to Scenario 3, which excludes CPUC-regulated utility customers from the statewide program envisioned in Scenario 1.

CPUC-regulated utilities must derive virtually all of their operating revenues from customer rates. Because Scenario 3 would mean that regulated utilities would continue to finance their LICA programs from non-eligible customers, while public agencies would have (presumably) a hybrid of ratepayer and non-ratepayer funding sources, the CPUC-regulated utilities and their customers would be unfairly disadvantaged.

- 2. Are the estimated costs shown on slide 17 for these four scenarios reasonable and acceptable? Note that they do not include estimated administrative costs, which will depend on the structure of the program and other factors. Note also that slide 19 presents costs for existing LICA programs.**

Whether the estimated costs for any or all of the State Water Board’s four scenarios are “reasonable and acceptable” depends, in large part, on the specific details of the chosen program. Accordingly, the costs must be more fully explored and explained. CWA’s concerns regarding costs are that all appropriate steps should be taken to avoid redundant or preventable administrative expense so as not to create an affordability problem on a larger scale than is presently perceived to exist.

A critical and relevant question is whether the estimated costs are reasonable and acceptable for non-eligible customers to absorb. At this point, water bills for non-eligible customers are considered affordable. Even for eligible low-income households, the water bill itself is not the problem; it’s the fact that all household costs are rising, and that certain low-income households need assistance in paying for their essential household needs, not just the water bill.

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Given the magnitude of the costs shown in Slide 17, the existing pressure on rates from needed infrastructure investment, the new regulatory standards for drinking water and water quality being imposed by the Water Board, the declining sales from drought management and conservation, and the potential funding from ratepayers for new initiatives being considered by the legislature, it is clear that non-eligible customers alone should not be the sole funding source for a statewide LICA program. CWA believes, therefore, that for a host of reasons, policymakers will need to look to tax revenues and other non-ratepayer sources to finance a statewide program. The costs in Slide 17 can only be considered acceptable if non-eligible customers are not the sole funding source.

3. Should additional scenarios be considered, such as those shown on slide 23 at the above link?

Slide 23 presents a variety of possible LICA program features that could be used to revise one or more of the four scenarios currently under consideration. Examples include different thresholds for eligibility and different benefits levels. Regarding these “additional scenarios,” CWA would caution the Water Board not to over-promise what a statewide public purpose program for water affordability can accomplish at this initial stage. Neither AB 401 (2015) nor AB 685 (2012’s “Human Right to Water” measure) defines the term “affordable” and the term means different things to different people.⁶ While CWA does not advocate for specific eligibility or benefits levels, it does note that features such as tiered discounts or percentage of income-based eligibility will create complexities in administration that could undermine the program’s success and cause confusion that does not presently exist.

4. Should the LICA program be available to non-metered households such as multi-family apartments and mobile home parks? If so, how would the program be administered since rates are not paid directly by the low-income households?

In relevant part, AB 401 (codified at Section 189.5 of the Water Code) directs the Water Board to develop recommendations to the Legislature on its findings regarding the feasibility, financial stability, and desired structure of a Low-Income Water Assistance Program. While the statute defines “low-income” and specifies that the proposed program include various elements, it does not specifically define the class of households or individuals eligible to enroll. Reference to “low-income ratepayers” and “low-income customers” seems to suggest that those eligible would be those who pay a water bill directly. However, as this Question 4 notes, households that live in multi-family apartments or mobile home parks also pay for water, just

⁶ At less than one dollar per person per day for “human consumption, cooking, and sanitary purposes,” many would consider water utility service to be affordable. Others may not, however. Accordingly, water service should be viewed in the context of other household needs – energy, telecommunications/cable/internet, sanitation, garbage, etc.

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not directly to their water service provider. Instead, water charges are often collected through monthly rents.

Before answering this question, CWA recommends that the Water Board consider the new report from the Water Research Foundation, which addresses the specific problem of providing assistance to multi-family residential water users and other hard-to-reach households that are not water utility customers.⁷ This report is a comprehensive review of this subject and provides detailed information into the magnitude of the financial assistance needs of households that do not receive drinking water or wastewater bills. It provides strategies and programs to utility managers that can be used to assist “hard-to-reach” (H2R) water users. It also provides utilities with tools to develop a better understanding of the H2R households in their communities, to evaluate their options for effectively assisting these households.

Among the report’s key findings are:

- Hard to Reach (H2R) households constitute a significant percentage of the population served by water utilities.
- H2R households generally have lower incomes than the average household and often face a greater degree of economic and other life challenges.
- Utilities typically do not have channels in place to effectively communicate and engage with the H2R.
- The most effective and efficient ways for utilities to provide support to the H2R involve partnering with existing and well-trusted community-based organizations (CBOs), and piggybacking onto existing programs that have track records of successfully engaging and providing support to the H2R.

At this point, CWA reserves judgment on this question until it is fully vetted by the Water Board and the affected parties.

5. What state agency (or agencies) should be responsible for administering the LICA program?

In CWA’s view, the state agency (or agencies) that should administer the LICA program will depend, in large part, on the method selected for dispensing the LICA benefit. If, for example, the statewide LICA program benefit is to be distributed in conjunction with, or modeled after, an existing state program such as the CalFresh program,⁸ the California Health and Human Services Agency (through its Department of Social Services) might be the best-

⁷ *Customer Assistance Programs for Multi-family Residential and Other-Hard-to-Reach Customers*; Project #4557; Water Research Foundation; August 2017;
<http://www.waterrf.org/Pages/Projects.aspx?PID=4557>

⁸ <http://www.cdss.ca.gov/calfresh>

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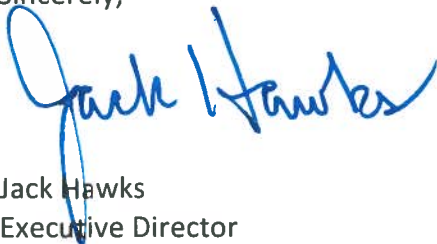
equipped to undertake LICA program administration. If local administration is preferred, delivering benefits through the existing county-based CalWORKs program may be an option.⁹ These programs are staffed with people who have experience with determining eligibility for, and delivering, benefits to those in need. Using existing community-based organizations like those mentioned above will also avoid unnecessary and costly duplication of efforts.

Conclusion

By the above recommendations, CWA hopes to facilitate the development of a path forward to achieve the state's affordability goals without unnecessary expense or burden on water service customers and their water service providers. CWA recognizes that this is a challenging task, primarily because the term "affordable" means different things to different people. While the existing LICA programs administered by the CPUC-regulated water utilities present a constructive guidance opportunity, they also present a challenge in terms of integration, messaging, and customer relations. CWA looks forward to contributing further to this important effort.

If you have any questions or if I can be of any further assistance, please feel free to contact me at jhawks@calwaterassn.com or (415) 561-9650.

Sincerely,



Jack Hawks
Executive Director

cc: Members, State Water Resources Control Board
The Honorable Martha Guzman Aceves, Commissioner, California Public Utilities Commission
The Honorable Clifford Rechtschaffen, Commissioner, California Public Utilities Commission
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⁹ <http://www.benefitscal.org/>