August 25, 2017

Sent via electronic mail to: mary.yang@waterboards.ca.gov

Ms. Mary Yang
Environmental Scientist
Division of Drinking Water
State Water Resources Control Board
1001 I Street
Sacramento, CA 95814

Subject: Comments on Proposed Statewide Low-Income Water Rate Assistance Program

Dear Ms. Yang:

The undersigned water agencies in the San Diego region are pleased to offer comments on the State Water Resources Control Board's (SWRCB) draft plan (Plan) to the Legislature recommending viable approaches for implementing a statewide Low-Income Rate Assistance (LIRA) program for water, as is required by Assembly Bill 401 (2015). Additionally, we thank SWRCB staff for holding several workshops on the topic, including one in San Diego on August 14, 2017.

Water rate assistance for low-income customers within Propositions 218 and 26 constraints is an important topic for thoughtful exploration. Given that Low-Income Rate Assistance Programs for other utility sectors – most notably, the energy sector - have been in existence for many years in California, the idea of developing a Plan for instituting a fully developed LIRA program in the water sector in short order must have seemed a straightforward task to the authors of AB 401. However, workshop discussions over the past two years have uncovered significant complexity in the potential design of a water sector LIRA program[1]. Also, it appears that new program components outside the original scope of AB 401 may be included in the LIRA Plan that have yet to be formally deliberated, such as: water agency rate structures, universal access to water programs, lifeline programs, and policies regarding water shut-offs and reconnections. We recommend that the LIRA Plan stay on point and refrain from incorporating new implementation recommendations. There is plenty of work to be done scoping a viable LIRA program first without further complicating matters.

AB 401 directs the SWRCB to:

> *No later than February 1, 2018, the board shall report to the Legislature on its findings regarding the feasibility, financial stability, and desired structure of the program, including any recommendations for legislative action that may need to be taken.*

We urge the SWRCB to submit a Plan that incrementally and prudently rolls out its envisioned LIRA program over a period of many years – starting small with pilot studies funded by the General Fund and taking the time to study what works well and build on these successes. Moving forward with the implementation of a full-scale program in "Year 1" concerns us greatly since details of a program have yet to be revealed. To date, only high-level concepts have been discussed. A program with annual costs of between $200 and $500+ million[2] must be issued cautiously and studied in its gradual deployment to assure that intended societal benefits are being achieved.

Our agencies have every interest in assuring the affordability of our services. We are public agencies, delivering safe and affordable drinking water to our customers every single day. Our locally elected governing bodies meet and publically consider all programming decisions and are responsive to the needs of their constituents. Given that 100% of revenues collected by public water agencies is invested directly back into that agency for the purpose of providing public water utility service, the concept of "extra revenue" does not exist. Keeping water rates legal, therefore tied directly to cost of delivering water utility service, is at the forefront of concern for public water agencies.

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[1] The SWRCB website posted nine pages of notes taken from public workshops through the end of 2016. These notes give a good indication of the complexity of implementation issues to be taken into consideration. Additional topics may have been introduced during the 2017 Workshops but those notes are not yet available online. www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/docs/summary_meetings_fall2016.pdf

[2] SWRCB proposed these funding levels in its four scenarios.

We cannot support the addition of a water rate surcharge (public goods charge, tax or fee) that is envisioned to be applied to customer water bills (benefitting those with income levels at or below 200% of the federal poverty level) to pay for the LIRA program as we believe the imposition of an additional charge on a customer's water bill will compromise our individual agencies' ability to raise sufficient future funding to maintain critical infrastructure and provide for water supply reliability in the face of climate change and aging infrastructure challenges. Redistributing $500 million each year onto two-thirds of California's households would result in water bill increases of approximately $60 a year. This is a significant water rate increase, even in San Diego, and would serve to exacerbate ratepayer fatigue already being experienced to support existing water agency programs, not to mention future statewide initiatives such as California WaterFix that will further increase water bills. Moreover, a tax on water is regressive in its design which is punitive towards those in the lower middle-class.

We are also aware that alternative options for addressing low-income rate relief, such as SB 231 (Hertzberg), are still working through the legislative process and are designed to accomplish the same or similar goals as AB 401. We ask that the Plan address these potential alternative tools for providing low-income water rate relief that may complement or be redundant with the goals of AB 401. It is important that the Plan not "overdesign" income redistribution beyond an identified need.

One key element of the SWRCB's LIRA Plan's that has yet to be addressed in detail is an analysis of need. Assumptions of need have been solely based upon income levels to date. However, the term "affordability" must also take into consideration the cost of the water service being provided. The residential cost of 8.8 hcf of water[3] in the San Diego region ranges approximately between $60 and $80 per month, representing a proportional cost of less than 2% of a household's income of $49,200 per year – a metric suggesting that the cost of water is affordable for at least a portion of potential LIRA funding recipients.

We would also suggest that as part of its needs assessment, the SWRCB take an inventory of existing local programs to assist with affordability. Many agencies in the San Diego region already provide for low- and/or fixed-income rate assistance through the establishment of a "lifeline" rate. Consistent with Prop 26, such lifeline rates apply a portion of revenues collected through property taxes to the first several hundred cubic feet (hcf) of <u>each and every</u> domestic water bill, thereby providing for affordability above and beyond the actual cost to deliver the service. Offering a lifeline rate is also consistent with tiered, conservation-based rate structures and maintains a financial incentive for customers of all income levels, not just higher incomes, to make conservation a way of life.

Comparing the monthly costs of water, energy, and telecommunications, the cost of water is typically the lowest of the three. Justifying the need for a LIRA program for water based on the existence of energy and telecommunications LIRA programs is insufficient. A true statement of need must be established first. Further, we disagree with a statement made by

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[3] The Human Right to Water addresses water for human consumption, cooking and sanitary purposes, which assumes 55 gallons per capita per day (gpcd) or 8.8 hcf per month for a household of four.

SWRCB staff during one of the workshops that it was appropriate to "bundle" the costs of utilities to justify the need for a LIRA program for water. The water community stands uniformly opposed to any suggestion that it is proper to establish the need for LIRA benefits based upon costs other than water.

Additionally, imposing a single income metric for LIRA eligibility fails to recognize the wide variability in the cost of living across the state, resulting in program inefficiencies and inequities. Because San Diego's regional cost of living is already much higher than many parts of the state, this increased cost would immediately add to acute problem of housing affordability for those who earn more than 200% of the *federal* poverty level (FPL) but would still qualify as low-income if calculated based on *local* affordability metrics[4][5]. Based upon Area Median Household Income, San Diegans earning up to 300% of FPL qualify as low-income (80% of MHI).

We call on the SWRCB to acknowledge the wide variability in statewide cost of living and design the program such that low-income customers statewide (based on local metrics) will not carry the burden of additional costs to subsidize rates for those at 200% or lower FPL.

With regard to LIRA program administration, the San Diego region seeks to limit impacts on water agencies for managing this program. San Diego water agencies do no currently track the income or number of occupants of its residential accounts. The impacts on our agencies to start collecting, updating, and verifying this kind of data could be substantial, especially for smaller agencies with limited staffing.

Some water agencies, such as the City of San Diego, prefer to have the option to maintain their own LIRA program. As such, we request that the Plan support the administrative flexibility to allow individual water agencies the option of implementing their own LIRA program. Moreover, we ask that each local agency be allowed the ability to customize the design of its LIRA program in a way that makes best sense for its low-income customers within broad policy guidelines, customer data analysis, and local stakeholder involvement.

One particularly vexing issue that has arisen in the workshops is how to consider the need and potential benefits of individuals living in multi-family apartments or other master-metered complexes who do not directly pay for their water bills but for whom the cost of water is incorporated into their rent. SWRCB staff has indicated that one potential way to address this administrative challenge is to provide funding through CalFresh's Supplemental Nutrition Assistance Program (SNAP). CalFresh benefits are accessed by using an Electronic Benefit Transfer (EBT) card, thereby conceptually indirectly offsetting a portion of a household's water bill with income augmentation on this social welfare program.

[4] According to the County of San Diego, a household of four with an annual income of $45,450 qualifies as "very low income", earning just 50% of area median household income. www.sandiegocounty.gov/content/sdc/sdhcd/rental-assistance/income-limits-ami.html.

[5] According to a 2017 Housing Scorecard Analysis completed by the San Diego Chamber of Commerce, 41% of homeowners and 57% of renters are spending 30% or more of income on housing in San Diego County. www.sdchamber.org/wp-content/uploads/2017/03/Housing-Score-Card.pdf.

San Diego agencies question the practicality of this approach. In 2016, it is reported that approximately 4.3 million Californians participated in the CalFresh supplemental food program[6], representing only 11% of California's population, suggesting that CalFresh would have limited application in reaching the anticipated one-third of Californians participating in a statewide LIRA program.

Additionally, our agencies are concerned that the CalFresh approach loses the nexus with water rate assistance that was intended by AB 401. The SWRCB's Plan should promote approaches that maintain good customer relations between a water agency and its customers. Additionally, AB 401 intended to offer funding assistance to those who voluntarily sign up for such assistance, consistent with other public assistance programs. As such, automatic enrollment would not be appropriate.

Recommendations

Given that a statewide low-income rate assistance program will be complex in its design and impose new requirements on water agencies and that will impact a water agency's relationship with its customers, we recommend that the SWRCB's Plan feature an incremental roll out of LIRA program elements.

- Explore other options besides a public good charge for program funding. Some have suggested a bottled water tax as one example in addition to the State General Fund.
- Start with pilot projects and test various approaches. Partner with water agencies in the development of pilot projects and build on successes. Report back to the legislature periodically with lessons learned prior to recommending next steps.
- Take into consideration the wide variability in local costs of living statewide when determining program benefits and costs.
- Allow agencies preferring to have their own LIRA programs to do so. For all agencies, assure streamlined administration of this program such that costs are kept to a minimum.
- Promote a beneficial customer and water agency interface.

The water agencies of the San Diego region are committed to working together with the SWRCB to make solid strides towards assuring the affordability of drinking water statewide. We ask that a draft Plan be made available to us soon so that we may begin its review. Given that the Plan is due to the legislature by February 2018, time is of the essence.

[6] www.cdss.ca.gov/inforesources/Data-Portal/Research-and-Data/CalFresh-Data-Dashboard.

Sincerely,

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Carlsbad MWD

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Mr. Carlos Lugo
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The Honorable Members of the State Water Resources Control Board
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