



January 28, 2019

Ms. Jeanine Townsend
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State Water Resources Control Board
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Comment Letter – Options for Implementation of a Statewide Low-Income Water Rate Assistance Program

Dear Ms. Townsend:

Thank you for the opportunity to provide comments on the draft report concerning a low income water rate assistance program. Our mission at the San Juan Water District is to ensure the delivery of a reliable water supply of the highest quality at the lowest reasonable price, so ensuring that water is as affordable as possible is one of our top priorities.

We commend the Board for a thorough analysis of various options to secure funding for water rate assistance and to provide such subsidies. We concur with the Board's conclusion that a tax on water bills would be regressive and costly to administer and that such an option should not be pursued. If this program merits funding, the Board proposes a progressive approach that would include a small increment of income tax on Californians whose incomes exceed \$1 million per year, as well as a tax on sales of bottled water. The latter funding source could be counterproductive, however, given that many low-income households, particularly those composed of recent immigrants, drink bottled water, rather than tap water. The report's recognition of the fact that Proposition 218 precludes using water rate revenue to subsidize water bills for any subset of customers is also notable.

We also support the Board's proposed approach to a mechanism to distribute any water bill subsidies, which would rely on already-established administrative mechanisms that reach a large percentage of the universe of Californians who would be eligible for such a program. These include potential reductions in or rebates through electricity or gas bills, potential delivery via the CalFresh program or even via an electronic banking transaction system. We agree with the Board that attempting to provide such subsidies via water bills would fail to reach Californians who do not receive water bills, which the Board estimates includes at least 72% of the households who would fall under the

eligibility threshold of a household income of less than 200% of the Federal poverty level (FPL.)

The report does have some analytical problems. As just noted, the report states that almost $\frac{3}{4}$ of the households who need water bill assistance do not receive water bills. The report provides generalized data on trends in water rates, and states that the average monthly bill for Californians for 15 ccf of water usage rose by 45% between 2007 and 2015 (based on data from the American Water Works Association.) The report also notes that 72% of households in California whose incomes are below 200% of the FPL do not receive water bills, and typically pay for tap water through their rent. Yet, the data from the U.S. Census Bureau's annual American Community Survey show that average rental prices in California declined between 2007 and 2011, and rose by 9.9% overall between 2007 and 2015. There seems to be little correlation between water bills and rental costs, the latter of which the report identifies as the primary affordability problem for the potential recipients of a water bill subsidy.

Due also to the lack of water bills for most of the potential subsidy recipients, the report's proposed methodology for determining the level of the subsidy does not appear to be workable. The report proposes three tiers of subsidies, based on the monthly cost of the recipient's water bill. Yet, if most of the potential subsidy recipients do not receive water bills, there appears to be no mechanism to define the appropriate level of subsidy.

The most problematic part of the report is Appendix L, "Options for Improving Affordability That Do Not Include Direct Rate Assistance." This appendix purports to discuss three items - 1) progressive rate structures, which can keep rates low for low-water using households; 2) water use reduction strategies, such as conservation rebates or leak repair assistance; and 3) consolidations of financially unsustainable systems. But the sole focus of the chapter is on "progressive" rate structures, which charge customers who use greater amounts of water higher rates via tiered rate structures, with the additional revenues potentially applied to subsidies of low-income customers. The Appendix then goes on to criticize high ratios of fixed charges as an issue for low-income customers (most of whom do not even receive water bills, according to earlier sections of the report.)

This Appendix ends with the following sentences:

"Recognizing that a high proportion of the state's water systems currently employ mixed billing with a substantial fixed charge component, only mandatory state or federal standards regarding drinking water system rate design can overcome this obstacle. Thus, 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. During the drought, Governor Brown directed the Board to examine rate structures via Executive Order B-29-15.112 The Board has determined that there are multiple ways the state could exert additional oversight over rates without violating Proposition 218, including: providing more detailed guidelines or requirements for cost-of-service studies, developing sales forecasts, and enhancing public process associated

with rate increase proposals. Making these actions mandatory, however, would require new statutory authorities.”

From the beginning of the report, the rationale for the proposed water rate assistance program is articulated to be founded on California’s Human Right to Water Act (Assembly Bill 685 of 2012.) This Act defines the policy of the State to be “that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” Yet, the Act also clearly states that **“the implementation of this [legislation] shall not infringe on the rights or responsibilities of any public water system.”**

Water suppliers are obligated to ensure that the water that they deliver to their customers meets all state and federal water quality standards, and is provided at a price that does not exceed the cost of producing and delivering this water. Private sector water suppliers are already subject to oversight by the Public Utilities Commission, and public water agencies are accountable to Boards of Directors or City Councils who themselves are directly elected by ratepayers. There already exists robust oversight of some of the primary managerial functions of a water supplier, namely, the maintenance and repair of their infrastructure, the implementation of budgets to enable such operations, and the establishment of water rates and fees to provide the funding for these budgets. The report fails to make a case for any additional oversight by the State Water Resources Control Board of financial management or ratesetting activities of water suppliers. This is particularly true of any oversight that would result in some direction by the Board to reduce rates, given that the report itself states that water has been underpriced by water suppliers.

The State Water Resources Control Board has extensive expertise in the arenas of public health, water quality, treatment technologies and other technical issues associated with providing a safe water supply. It also manages well the grant and loan programs for drinking water. However, the Board has little or no expertise concerning the financial management and water ratesetting activities of local governments such as water supply agencies and municipal water utilities. The Board should diligently avoid any recommendations to the Legislature to establish or expand any oversight responsibilities concerning these aspects of water supplier operations.

Thank you again for the opportunity to provide input on the draft report.

Sincerely,



Paul Helliker
General Manager