



February 1, 2019
LEG 2019-0026

Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
1001 I Street, 24th Floor
Sacramento, CA 95814



SMUD Comments Re: Options for Implementation of a Statewide Low-Income Water Rate Assistance Program

Dear Ms. Townsend:

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the State Water Resources Control Board's (Board) Options for Implementation of a Statewide Low-Income Water Rate Assistance (W-LIRA) Program Report and Appendices (Report), as initiated by AB 401 (Dodd-2015). SMUD acknowledges the importance of ensuring that low-income Californians have access to safe, affordable drinking water, and appreciates the progress made toward this commendable goal by the Board's staff in the Report.

SMUD's primary recommendation is that ***the Board discontinue exploring the option of relying on electric utilities to administer the proposed W-LIRA benefit***, and focus remaining analytical attention on the other options in the report, for the following reasons:

- Water discounts and programs are not a core function of energy utilities, and adding this burden will divert resources and attention from our core functions;
- Utility administrative costs that will come with the W-LIRA distribution of benefits will be unduly burdensome and have been underestimated in the Report;
- There are significant jurisdictional and seams issues raised by the energy utility option; and
- Reimbursement of utility start-up costs and ongoing costs is uncertain and raises potential constitutional issues.

In addition, SMUD supports the comments made by CMUA throughout the W-LIRA program development that the CalFresh¹ program, or a modified statewide EBT² program has many benefits that other program distribution options do not.

¹ CalFresh is California's food stamps (SNAP) program.

² EBT is the system used in California for the delivery, redemption, and reconciliation of public assistance benefits, such as CalFresh or SNAP benefits), California Food Assistance Program benefits, and cash aid

Appendix I discusses this option and notes that there would be major benefits to getting the program up and running if it were to use an existing distribution method. SMUD agrees with CMUA that the current administrative costs of CalFresh are not indicative of the incremental administrative costs from adding a water discount to the program. A new EBT program or supplemental EBT program, as well as split-program scenarios as described in Appendix E, are worthy of further consideration.

Finally, SMUD joins other stakeholders in recommending that additional public and stakeholder discussion of the draft report through a workshop or workshops should be pursued. It has been some time since the last public workshop on the concepts and options discussed in this Report, and the Board and stakeholders would benefit from additional vetting and discussion of the material and proposals presented in the report

Detailed Comments

The Report indicates that distributing the benefit by electric or gas utilities is worthy of consideration because, in part, electric and gas utilities currently run low-income rate assistance programs that have high participation rates in California. **SMUD recommends that further consideration of this option be discontinued**, for the reasons below. The final report should recognize that the perceived benefits of electric utility distribution are uncertain and are outweighed by significant disadvantages.

Administering a Water Assistance Program is Not a Core Function of Energy Utilities

Echoing the comments of CMUA and other stakeholders, SMUD suggests that the Report contains many options for benefit distribution, with high participation rates, without the burden of creating an entirely new program that has no nexus to the core function of energy utilities. Administering this program would add an extra burden to the already very-full plate of electric utilities, who are currently focused on our priority state-mandated and suggested activities, such as reducing greenhouse gas emissions, meeting a 60% Renewable Portfolio Standard and a long term 100% clean energy planning goal, facilitating and advancing transportation electrification, doubling energy efficiency savings, and mitigating wildfire risk.

Rolling out an entirely new program that does not have anything to do with our core function will undoubtedly detract from the focus and resources addressing these core state goals. Creating this new program would lead to SMUD staff either being diverted away from their core duties, or new personnel will need to be brought on to start up and run the program. The information technology (IT) involved in making

benefits. EBT is used in all 50 states. California EBT cards can be used at thousands of businesses and ATMs throughout California.

changes to customer billing systems and back-office programs to reflect W-LIRA administration will be extremely complex and could take-away from our IT staff's ability to implement programs and changes related to our core mission that are very important to our management and the state's clean energy goals.

Electric Utility Costs for Water Rate Assistance Would be Unduly Burdensome

The final report should recognize that the benefits of electric utility distribution are outweighed by the administrative costs and the difficulties in the state administering the reimbursement of all electric/gas utility expenses associated with the program. The administrative burden of setting up an entirely new program unrelated to electricity use will be burdensome for electric utilities. It will be even more burdensome for SMUD, and other *electric-only* utilities to administer this program, since we do not directly have water customers. Nearly all our peer electric-POUs are part of a city, county or special district that also provides water and at times other utility services. SMUD provides only electricity services. As a regional utility serving a relatively compact area, SMUD still has 20+ water agencies in our territory that we would need to coordinate with. The report suggests that, if implemented as proposed, we would need each of those water utilities to share accurate customer data, including monthly water usage, on an ongoing basis. We would need to closely track and account for customers moving between water districts and customers gaining or losing eligibility due to changes in household income or size.

Appendix M to the report highlights the roles and responsibilities SMUD would take on if mandated to distribute this water benefit, including: modifying billing systems, using water rate data provided by the board to distribute the benefit based on water system boundaries, perform marketing, education and outreach "as directed by the [Water] Board", and provide the board with invoices. From our perspective, creating a new program to distribute through our customer bills will require the following types of resources: accounting, IT, marketing, and customer service support, including educating call-center workers to answer W-LIRA questions. Changes to work descriptions related to the new program may be complicated by labor union issues.

Therefore, SMUD believes that the 10% administrative overhead estimate for energy utility distribution in the Report is likely far too low given the complexities of setting up a new billing system covering a product or service outside our core function and the ongoing coordination and communication required between electric and water utilities.

Furthermore, the report's discussion of distribution options is missing a true comparison of administrative costs between those options. As CMUA points out in their comments, the administrative overhead for an incremental EBT program run through existing EBT distribution methods may end up being much lower than other

options, such as electric-bill distribution. Additional information on EBT overhead costs may become available through the legislatively authorized pilot program to help those whose drinking water is unsafe, as mentioned in Appendix J. This seems relevant to discussions of overhead costs and warrants further consideration in the final report.

An Energy Utility Distribution Mechanism Raises Significant Jurisdiction and Duplication Issues

An energy utility mechanism to distribute the W-LIRA benefit implies dramatic changes in electric utility governance and oversight. The Report states that the CPUC and the Water Board would have administrative and oversight responsibilities for a benefit delivered via the electric or gas bill. For IOUs, the CPUC would presumably remain the primary oversight agency as it is today, but the role of the Water Board having administrative and oversight authority over POU implementation of the W-LIRA benefit is a new and significant jurisdictional structure. POUs are themselves government entities overseen by governing boards, and any new oversight by the Water Board is problematic. For example, SMUD is a local government district governed by an independent, publicly-elected, Board of Directors, and maintaining our Board's jurisdiction over the programs we administer is of primary importance.

The Report recommends that SMUD, and other electric-utility program administrators (at least for POUs), would need to regularly "report, account, and audit" for all costs and funding sources, including for program management and marketing and outreach and to "continually demonstrate fiscal responsibility" (App. H, p 37). SMUD does not want to take on a new program that carries with it a new, continuous, reporting, auditing and oversight role to and by the Board. SMUD's publicly elected board would be accountable to ensure appropriate use of state funds, if we were mandated to distribute them as suggested by the Report.

The Report suggests that POU electric assistance programs may need intervention by the Legislature to mandate a program threshold of 200% of the Federal Poverty Level threshold (not all POUs use this threshold). The Report also implies that enrollment in POU assistance programs needs to be improved in comparison to the enrollment in the IOU CARE program. SMUD believes these proposed interventions and implications are inappropriate and problematic aspects of the utility-delivery approach. For example, while SMUD's Energy Assistance Program Rate (EAPR) uses the same 200% of FPL eligibility criteria as CARE (and as proposed for the W-LIRA benefit), EAPR focuses assistance on the population with the most need through a tiered benefit structure similar to the one proposed for the W-LIRA benefit by providing greater assistance to the lowest incomes and highest burdens. SMUD's EAPR program also includes a household-size criterion and a regular income eligibility check for 100% of enrollees, unlike the CARE program, which perhaps explains some of the enrollment difference noted in the Report. In short, the Report makes recommendations about

utility assistance programs without fully understanding the differences and nuances among the variety of utility offerings.

The Report points out that one-third of Californians are already covered by a water rate assistance program and that quite a few POU water agencies that already offer a benefit, but the included list of agencies does not seem to have been exhaustive. In SMUD's service territory, the City of Sacramento and the County of Sacramento offer 20% bill discounts to low income customers.³ These were not listed in the Report. We also have two IOU water companies in our territory that already have a low-income benefit. Together, these programs cover approximately one-third to one-half of our shared-customers. We believe that similar benefits exist around the State. The Report does not provide sufficient information about existing low-income benefits from current water providers that may interact with any new W-LIRA benefit administered by energy utilities. There is substantial potential for duplication and confusion, leading to uneven benefits and/or program costs to address the duplication and customer questions. It is an unnecessary use of public dollars to duplicate assistance programs and provide double payments to customers.

Finally, in the energy utility option discussion, the Report does not address implementation questions regarding interaction of the new W-LIRA benefit with taxes and other aspects of utility bills. For example, our customers are likely to be confused by a water discount on their energy bills, and customers participating in energy efficiency programs may believe that their bill savings are greater or less than actual due to the conflation with a water discount on their bills. This may hinder our energy efficiency efforts. The Report also doesn't contemplate implementation issues such as whether the bill credit comes before or after local taxes, and whether utilities are required to issue checks if credits are greater than a customer's overall monthly energy bill.

The Final Report Should Include Clearer Recommendations About Funding Start-Up Costs and the Reimbursement Process, as Well as Program Oversight

The report does not suggest how electric utilities will be reimbursed for start-up or on-going costs and whether we will be expected to front program start-up costs. We understand that we should expect 100% reimbursement for program costs, but we are concerned that the up-front cost for this program could be very high, and therefore we think the SWRCB needs to contemplate funding start-up costs for this option, as estimated by each electric utility. We cannot use our electric ratepayer funds

³ The City of Sacramento uses SMUD's EAPR enrollment to verify eligibility for their utility discount, which is actually a 20% discount on a customer's joint water/ sewer/ garbage bill.

to pay for start-up or other program costs, as they cannot constitutionally be used to subsidize something like a water program.⁴

Our duty is to our customer-owners and our exercise of power and ratepayer funds must have a nexus to electricity. SMUD is concerned that reimbursement will be insufficient and raise these complexities. SMUD understands that the Commission on State Mandates often rejects or reduces requests for administrative compensation for program costs such as these. Reimbursement may also be problematic in an economic downturn leading to a State deficit crisis. We are concerned that this would leave electric ratepayers to cover any unpaid expenses.

Conclusion

In closing, SMUD appreciates the Board and its Staff's hard work throughout this multi-year policy development process, and we hope you will consider our concerns and comments. We encourage you to remove consideration of the energy-utility administrative option and focus on the development of an alternative option in the final report, and find that this would be aided by an additional public stakeholder discussion before the final report is issued.

Sincerely,

/s/

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/s/

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⁴ Cal. Const. Art. XVI, §6 prohibits gifts of public funds: "An expenditure will be a gift if it is *not made to achieve the entity's designated public purpose* or else the public entity does not receive adequate consideration in exchange for the expenditure" (emphasis added).

/s/

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cc: Corporate Files