Public Comment
Low-Income Water Rate Assistance Program
Deadline: 2/1/19 by 12 noon

DEPARTMENT OF WATER

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Service, Quality, Community

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Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
Post Office Box 100
Sacramento, CA 95812-2000

Re: Comment Letter/Options for Implementation of a Statewide Low-Income Water Rate Assistance Program

Dear State Water Board:

Thank you for inviting written comments on the report entitled "Options for Implementation of a Statewide Low-Income Water Rate Assistance Program (W-LIRA)." We appreciate the State Water Resources Control Board's recognition of the challenges and limitations confronting local public agencies, such as the Department of Water and Power of the City of Big Bear Lake ("DWP"), in providing low-cost water service to economically disadvantaged customers, and to all customers for that matter. We absolutely agree with the Human Right to Water Act that access to water is a basic human need and that all humans have a fundamental right to drinking water, just as they have a right to air and food. It is a resource that nature provides without charge. The cost is in the production and delivery of that resource and in complying with legal, regulatory and safety requirements imposed for the good of the customers and to accomplish societal goals.

It is important to consider, however, that each new legal or regulatory requirement, each worthy goal, drives up the cost. Following is a short list of reasons for the increases in the cost of providing water service:

- When the cost of energy goes up, the cost of delivering the water goes up. So programs to transition to more expensive energy sources drive up the cost of delivering water to all users, including disadvantaged customers.

- New environmental requirements imposed on the construction and operation of water production and delivery facilities increase the cost of providing water service.

- New or more stringent water quality monitoring or treatment requirements drive up the cost of providing water service.

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- Mandatory water conservation programs increase expenses and therefore drive up the cost of providing water service as well.

There are very good reasons for all of these requirements and protections, and together they have caused an increase in the cost of delivering a resource that nature provides for free to people who need it and are entitled to it as a fundamental human right, whether they are wealthy or indigent.

If we have one criticism of the report that has been prepared, it would be that it does not focus sufficiently on ways to decrease the cost of water delivery for all who have the same fundamental right to use it, but rather focuses on ways to take money from some to help subsidize costs that are already too high for others who simply cannot afford it.

We also very much appreciate the acknowledgement that public agency water purveyors in California are now prohibited by law (Propositions 218 and 26) from surcharging one subset of the customer base in order to subsidize the cost of providing water service to another subset of the customer base. No matter how pressing the need, public agencies are not allowed by law to do that. Furthermore, Proposition 13 eliminated the opportunity that previously existed to levy additional taxes based on the assessed value of property, which was another way to assess those who are wealthier to help subsidize the cost of providing water service to the disadvantaged. Now, under Proposition 218, if the DWP were to propose a special assessment on property to fund capital costs, for example, that law would require the assessment to be proportional to the benefit conferred on the property, and therefore could not be structured to place more of the burden on more valuable properties in order to help reduce the burden on less valuable properties. In other words, California law currently prevents public agencies in California from imposing a rate structure or special assessment structure that the report describes as "progressive," designed to place more of the burden on more affluent customers in order to help subsidize the cost of providing water service to disadvantaged customers. The State itself may be in a position to do that, but local public agencies are not.

With that backdrop in mind, we would like to offer specific comments on some of the proposals suggested in the written report, as follows:

1. Table 5 of the report suggests a baseline use of 12 CCF per day for a family of four, which includes 75 gallons per day (or 3 CCF per month) for outdoor use. Since outdoor use is not necessary for human consumption, cooking and sanitary purposes, and therefore is not part of the fundamental human right addressed by AB 685, in our view the cost of water used outdoors should not be subsidized by others. The baseline use for a family of four should not include 3 CCF monthly for the outdoor water use.

2. Table 5 also suggests that the baseline requirement per person per day for indoor use is 55 gallons. We believe that reasonable indoor water use is 50 gallons per person per day, not 55.

3. The proposed "three tier" system suggests a 20% discount for all households that have incomes below 200% of the federal poverty level where monthly water

expenditures (at 12 CCF) are below $90. We do not believe that a 20% discount should be provided no matter how low the monthly bill might be. For example, should a discount be provided even if the monthly expenditure for water service is only $20, thus reducing the monthly bill to only $16? We think there needs to be a floor below which a discount is not provided, in order to prevent inequities from occurring. A discount should not be provided if the monthly bill is already affordable.

4. Appendix L of the report suggests the possibility of asking the Legislature to require or encourage water purveyors to adopt rate structures that recover revenue through variable components of water bills, rather than from fixed rate components. Please do not suggest that to the Legislature. Our service area does include disadvantage communities with homes that are occupied by low-income families on a full-time basis. However, our service area also includes cabins or vacation homes that are occupied only occasionally by families that can afford them. In those cabins or second homes, monthly water consumption often is even less than consumption within low income households occupied full-time. Therefore, a variable rate structure would actually be "regressive" rather than "progressive," shifting the financial burden of operating and maintaining the water system from customers who are well off to customers who struggle economically. A more heavily weighted variable rate structure would also lend uncertainty to the DWP's monthly or annual revenue, whereas the DWP's costs are nearly 95% fixed and the average residential customer uses only 4 CCF per month. Recovering revenue through the variable component of the water bill is simply not effective for DWP's service area. The DWP must continue to operate and maintain its system for the benefit of customers even while they are away and are not actually consuming the water made available to them.

We also offer the following more general comments regarding philosophy and approach. The DWP is not a "for profit" organization. It has no alternative but to set rates and charges that will fund all of its expenses. Every time a new program is required, no matter how worthy the purpose, the cost of providing water service increases. And, as mentioned previously, the DWP is legally barred from surcharging some customers in order to spare other customers their share of the cost increase. Please do not allow the proposed W-LIRA further increase the DWP's cost of providing water service to its customers. Obviously that would make things worse instead of better for low-income customers who have already suffered from increased cost burdens.

As between the revenue-generating alternatives identified in the report, the DWP expresses the following preferences:

- Income tax increases to fund low-income social programs are preferred over local property assessments. Additional local property assessments may impair the DWP's ability to finance capital improvements needed to provide water service as inexpensively as possible. If the objective is to shift economic burden from low-income families to high income individuals, an increase in income taxes imposed on the wealthy is probably a more effective way to do that.

- Sales taxes collected from the sale of luxury or non-essential items are preferred over taxes imposed on the sale of essential goods or services (such as water, for example).

- The alternative of delivering credits on electric or gas bills, or on income tax bills, is preferred over providing credits on water bills. Three thousand community water systems would have to change their billing programs in order to implement a procedure to provide credits on water bills. Again, the expense would drive up the cost of providing water service, and thus would be self-defeating. Furthermore, as discussed in the report, many low-income water users receive service through a master meter and are not even billed directly by the water purveyor.

Again, thank you for this opportunity to comment on the excellent report prepared by the State Water Resources Control Board pursuant to AB 685.

Respectfully,

Reginald A. Lamson
General Manager