

CRESTLINE-LAKE ARROWHEAD WATER AGENCY

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

Ladies and Gentlemen:

The Crestline-Lake Arrowhead Water Agency ("Agency") appreciates this opportunity to submit written comments on the State Water Board's report entitled "Options for Implementation of a Statewide Low-Income Water Rate Assistance Program." The Agency wholeheartedly agrees that all humans have a fundamental right to drinking water. It has been frustrating to watch the cost of supplying water skyrocket for reasons beyond the Agency's control. The Agency has tried its best to keep the cost of water service as low as possible, but most of the factors forcing the cost of water upward are simply beyond the Agency's control. Increasing energy costs, regulatory requirements, environmental costs, and mandated programs have combined to make the cost of this basic necessity of life barely affordable.

We also appreciate the acknowledgement in your report that local public agencies in California are 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. We simply are not allowed by law to do that. The Agency may not have a water rate structure that charges wealthier customers more in order to help provide water service to poor customers at a lesser charge. The charges must be applied equally, and may not exceed the cost of serving the customer receiving that service. Furthermore, if the Agency were to propose a special assessment on property to fund capital costs, the assessment would have to be proportional to the benefit conferred on the property, and therefore could not be structured to place additional burden on some properties to help reduce the burden on other properties. The

State may have revenue options to help provide social service programs to those who are economically disadvantaged, but local public agencies do not.

Here are some specific comments on certain proposals suggested in the written report prepared by State Water Board staff:

1. Table 5 of the report suggests a baseline use which includes 75 gallons per day (or 3 CCF per month) for outdoor use. 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 and 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. 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. 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.
3. 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 rate charges, rather than from fixed rate charges. We believe that this is not only a bad idea, but self-defeating. Our service area includes cabins or vacation homes that are occupied only occasionally by higher income families that can afford them. In those cabins or second homes, monthly water consumption often is less than consumption within low income households occupied full-time. A rate structure that places too much of the financial burden on the variable component of the bill would shift the financial burden of operating and maintaining the water system from customers who are well off to customers who struggle economically. Most of the Agency’s retail water costs are fixed. The Agency 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 should add that in our area a more heavily weighted variable rate structure would not be an effective water conservation tool.

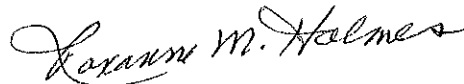
The Agency has no alternative but to set rates and charges that will fund all of its expenses. Every time a new program is required, that further drives up the cost of providing water service, no matter how worthy the purpose. As mentioned previously, the Agency is not allowed to surcharge some customers in order to help subsidize the cost of water service to other customers. Any new program that further increases the Agency’s cost of providing water service to its customers 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 your report, the Agency expresses the following preferences:

- Income tax increases to fund low-income social programs are preferred over local property assessments. Additional local property assessments could impair the Agency'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 returns, is preferred over providing credits on water bills. A new mandate that requires a change in the Agency's billing program in order to provide credits on water bills would again drive up the cost of providing water service to low income customers and wealthier customers alike.

Thank you for inviting comments on the report prepared by the State Water Board staff pursuant to AB 685.

Respectfully,



Roxanne M. Holmes
General Manager