



Affordability Rulemaking R.18-07-006 Workshop



**Water Division
January 22, 2019**





Commission-Jurisdictional Water Utilities

- The Commission regulates 98 water utilities throughout California providing service to over 1.5 million connections
 - Service to approximately 14% of California’s population
 - 9 Class A utilities
 - » serving more than 10,000 connections
 - » provide service to 96% of connections for Commission-jurisdictional water utilities





Water Affordability Context

Water costs and resulting rates have increased significantly in the last decade

- Increasing wholesale water supply costs
- Expanding water treatment standards
 - » Higher capital investment levels
- Increasing Infrastructure Replacement (mains, pumps, valves, meters and storage reservoirs)
- Sales decrease
 - » Primarily conservation driven





Water Affordability Context

- **Slowing Economy: On the Road to Zero Growth**
 - Demographics Effects – long-term, slowly changing trends
 - Aging Population, Slowing Birth Rate
 - Annual Working Age Population Approaching Zero Growth
 - Productivity Effects
 - Maturing Economy & Diminishing Manufacturing Component
 - Reduced Capital Spending
- **Impact: Stagnant/Decreasing Household Incomes**
 - CA median household incomes unchanged between 2007 and 2017





Water Affordability Policies and Programs

- **Low-Income Programs**
 - Class A water utilities only
 - Smaller Class B, C, and D utilities with high proportions of low-income households make self-funded programs costly
- **Rate Design**
 - Two-part design
 - Increasing block rates
- **Utility Consolidations**
 - Class A acquisitions of B, C and D water utilities
 - Class A acquisitions of public water systems
 - Proposition 218 impacts
 - Class A acquisitions of mutual & other small systems
 - State policy through SWRCB driven by water quality issues





Low-Income Programs

Eligibility

- Mirrors CARE Program of Energy Utilities
- 200% of Federal Poverty Level or below
 - 34% of California households are below 200% FPL
 - Current income eligibility level for 4 person household: **\$50,200**

Outreach

- Majority of customers enrolled through energy/water data exchange (D.11-05-020)
- Other methods
 - Company Website
 - Bill Inserts
 - Public Participation Hearings





Low-Income Programs

Enrollment

- 19% of Residential Customers
 - Range between 10% and near 50% of residential customers
 - 233,300 in 2017 down from a peak of 250,000 in 2013

Discount

- Annual Discount : **\$26 million in 2016**
 - Average customer discount per month: **\$9.50**
 - Represents approximately 15% to 20% of monthly bill
 - Based on energy utility discount levels
 - Discounts do not vary by income levels





Low-Income Programs

Funding

- Low-income programs funded by “non-participating” customers
 - Funding through a regressive surcharge scheme
 - Fixed \$ amount per customer or fixed surcharge per unit of water consumed

Commission Review

- Adjustments to discount benefits and program funding reviewed as needed in utility general rate case proceedings





Statewide Low-Income Water Program

Assembly Bill 401: Low-Income Water Rate Assistance Act

- Approved in October 2015
- Sponsored by Assembly member Bill Dodd
- Further to objectives of AB 685 (2012) Human Right to Water

- Headed by State Water Resources Control Board
 - Research and develop plan and feasibility report
 - Draft report published for public comment January 3, 2019
 - Comments due February 1, 2019





Statewide Low-Income Water Program

Challenges Addressed

- Reach as many eligible households as possible
 - **72%** of low-income household are living in multi-family housing that do not directly receive a water bill
- Avoid Proposition 218 issues with funding
 - Publicly-owned water systems constrained by Prop. 218 in the use of their water fees and charges without voter approval
- Utilize existing benefit delivery infrastructure
 - Minimize administrative obstacles and achieve administrative efficiencies
- Provide tiered benefits
 - Addresses low-income households with high water bills
- Utilize a progressive funding approach
 - Minimize financial impact on middle and lower-middle income Californians





Thank You

