BEFORE THE PUBLIC UTILITIES COMMISSION OF

THE STATE OF CALIFORNIA

Order Instituting Rulemaking Evaluating the Commission’s 2010 Water Action Plan Objective of Achieving Consistency between the Class A Water Utilities’ Low-Income Rate Assistance Programs, Providing Rate Assistance to All Low-Income Customers of Investor-Owned Water Utilities, and Affordability

Rulemaking 17-06-024
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JOINT ADVOCATES’ COMMENTS ON AMENDED SCOPIING MEMO

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I. INTRODUCTION

In accordance with the schedule set in the Amended Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Amended Scoping Memo) on July 9, 2018, and modified by email ruling dated July 25, 2018, the Center for Accessible Technology; Pacific Institute for Studies in Development, Environment, and Security; Natural Resources Defense Council; The Environmental Justice Coalition for Water; Community Water Center; and Leadership Counsel for Justice and Accountability (collectively the Joint Advocates) submit these timely comments on the two issues that have been added to the scope of this proceeding.

II. DISCUSSION

A. Summary of the Joint Advocates’ Key Recommendations:

- Develop a program to make water affordable to low-income customers without sacrificing conservation goals. Reducing fixed charges for low-volume users makes bills more affordable, while maintaining the conservation signal.

- Exercise caution before enshrining 55 GPCD as a standard for essential indoor water use. Average essential indoor water use in California has been declining and is currently below 55 GPCD. In addition, low-income households tend to be low-volume users.

- Consider special cases. Some low-income households have higher-than-average water needs because of outdated appliances, unrepaired leaks,
medical conditions, the nature of their work, or because they have a large number of occupants. These households may require special consideration of their needs.

- Expand the Energy Savings Assistance Program (ESAP) to promote greater uptake of water conservation and efficiency. The Commission is already a leader in assisting low-income customers to reduce their energy bills. Expanding ESAP’s offerings on water conservation and efficiency would assist low-income customers to meet their water needs affordably.

- Sharing information with municipal water utilities is a promising avenue to extend the reach of utility affordability programs. However, safeguards must be enacted to ensure that personal information is not shared beyond the utilities serving a given customer.

B. Scoping Memo Topic: How best to consider potential changes in rate design such that there is a basic amount of water that customers receive at a special low quantity rate.

In considering potential changes to rate design for water, the Amended Scoping Memo directed parties to assume 4 persons per connection, and the water use of 55 gallons/person/day. Parties were then asked to consider:

- How such a rate design will address fixed cost recovery
- Impacts to low-and moderate-income customers’ bills
• Assisting low-income residential customers behind a master meter in receiving the intended benefits from the proposed rate design change

The Joint Advocates strongly support the intent of the proposal, which is to ensure that the cost of water for Essential Indoor Uses (EIU) is affordable for low-income Californians. The cost of water in California is rising, placing pressure on low-income customers that already struggle to afford basic necessities. The Joint Advocates also support in principle the concept of ensuring that the cost of essential water uses is affordable for customers, rather than providing a percentage discount in the model of California Alternate Rates for Energy (CARE). In 2014, 10 CCF of water cost more than $100 in 28 CPUC-regulated utilities. For customers of unusually high-cost utilities, even a reasonably generous percentage discount on the volumetric charge is unlikely to make water affordable for low-income customers. While the exact design of an effective affordability program is complex and will require extensive deliberation, we applaud the principle of ensuring that a basic volume of water is affordable for all.

The Joint Advocates direct their comments herein at general principles on affordable water. At this stage, the Commission’s proposal does not give a

3 Leadership Counsel on Justice and Accountability, Community Water Center, and Pacific Institute for Studies in Development, Environment, and Security touched more generally on the issue of water systems with unusually high costs in our February 23, 2018 comments on the scoping memo in the section entitled “Strategies to Address System-Level Unaffordability.”
detailed description of the proposed low-income water assistance program. It is not clear, for instance, whether the proposal under consideration would offer a reduced rate for all customers or only for income-eligible customers. Nor is there a detailed rate structure described for the low quantity rate. These details are fundamental determinants of the effectiveness of the program.

While the Joint Advocates strongly support efforts to ensure that cost is not a barrier to access to water, we also recognize that affordability for low-income customers must be balanced with the goals of financial sustainability for the utility, cost equity within and among customer classes, and sending an effective conservation signal. Balancing the tradeoffs between these goals is challenging, and there is no single pricing instrument that perfectly addresses all goals simultaneously. With these tradeoffs in mind, the following points should be considered.

1) **For most California households, 55 GPCD for four persons accommodates far more than essential water use.**

The Joint Advocates believe that the Commission may have misconstrued the purpose and effect of the standard for indoor water use of 55 gallons per capita per day (GPCD) added to the Water Code §§ 10608.20 and 10609.4 by Assembly Bill 1668 (2018) and Senate Bill 7x-7 (2009). As first proposed by state agencies, the 55 GPCD standard was identified as a target for average indoor water use:

*This standard is defined as the volume of residential indoor water used by each person per day, expressed in GPCD. The indoor residential standard will be used to calculate the residential indoor*
The 55 GPCD standard was based on estimates of total indoor water use averaged across all households, rather than essential levels of indoor use by low-income households. It is well-established that water consumption rises with income,\(^4\) and thus the average use of all households will be higher than the average use of low-income households. While useful for the utility-wide target setting required by AB 1668, the 55 GPCD metric was never intended to describe an average level of EIU for low-income households.

Furthermore, the 55 GPCD standard for indoor water use does not reflect the most recent information available. Rather, it was adopted as a “provisional indoor standard” in California Water Code §10608.20. Its origin was as follows: a Residential End Uses of Water in California study in 1999 found an average indoor water use of 69.3 GPCD.\(^5\) To align with Governor Schwarzenegger’s goal to reduce water use by 20% by 2020\(^7\), DWR recommended a target of 55 GPCD


for indoor water use.\textsuperscript{8} This goal may have been under-ambitious, given that a subsequent Residential End Uses of Water study found that by 2007 per-capita indoor use for California had already declined to 57.5 GPCD, and 47.3 GPCD excluding leaks.\textsuperscript{9} Given that indoor water use continues to decline over time as appliances and devices are upgraded, current average indoor water use in California, with or without leaks, is likely below 55 GPCD.

A more accurate estimate of average EIU is 43 GPCD. This figure is derived from Residential End Use studies in the state, coupled with a predicted decline in indoor water use of about .9\% a year.\textsuperscript{10} Additionally, the average household size in California in 2017 was 2.95 persons; only 29\% of Californians lived in households occupied by 4 or more people.\textsuperscript{11} Consequently, monthly EIU for a household of average size, with average water use, is 5 CCF month. This figure will decline with time as the efficiency of devices in use continues to improve.

As always, averages should be used with caution – there is substantial variation in California in the efficiency of devices, water use behavior, and the number of persons in a household. This is a particular concern for low-income

\textsuperscript{11} U.S. Census Bureau, 2016. 2012-2016 American Community Survey 5-Year Estimates.
households and renters, who may not have the financial means or legal authority to undertake repairs or upgrade the efficiency of their devices. Additionally, persons who live in unusually hot regions such as inland California, who engage in physical labor, or whose work exposes them to pesticides, may require more water for drinking and showering.

The Joint Advocates are not opposed to lowering the average residential bill for 55 GPCD. However, we are uncomfortable with a) mischaracterizing 55 GPCD as a reasonable approximation of average EIU, and b) decreasing the cost of 55 GPCD by lowering the volumetric charge. We describe approaches to lower the cost of EIU even for households with higher-than-average water needs without incentivizing wasteful use below.

2) **Reduce the cost of a basic amount of water by reducing the fixed charge first, preferably by using Consumption-Based Fixed Charges (CBFC).** A secondary option is for the Commission to revert the cap on fixed charges to 30% of revenue.

Under a typical residential rate structure, the majority of the water bill for low-volume users is the fixed charge. The fixed charge also mutes the conservation signal by charging more per-gallon for low-volume users than high-volume users. Given that most low-income users are also low-volume users.

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high fixed charges also create socioeconomic inequity. Their sole (though important) virtue is that they create revenue stability for the utility. A compelling means to achieve revenue stability while also delivering customer equity is through CBFC. A secondary option, which is imperfect but preferable to the current policy, is to reverse the Commission’s Decision 16-12-026 to allow Class A and B water utilities to recover up to 40-50% of revenue through fixed charges, returning to the 30% maximum previously in place. Recovering no more than 30% of revenue from fixed charges was a Best Management Practice put forward by the California Urban Water Conservation Council and is a key strategy in meeting future demand in the most cost-effective way.

3) **Reducing fixed charges or offering a steeper discount on a smaller volume of water lowers the total bill for EIU while not promoting wasteful uses.**

Steeper discounts on smaller volumes of water yield the same affordability benefits for larger households, while not encouraging small households to use more. For a family that uses 9 CCF a month, a 100% discount on the volumetric charge up to 2.25 CCF yields the same reduction in the total bill as a 25% discount on the volumetric charge up to 9 CCF.

For many low-volume water users in the state, the majority of their bill is represented by the fixed charge. For the majority of California water systems,

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more than half the monthly bill for a customer using 6 CCF/month in 2015 was to cover the fixed charge.\textsuperscript{15}

Given that high fixed charges are also counterproductive for conservation goals, the Joint Advocates recommend focusing on reducing the bill for EIU through lowering fixed charges first. A secondary option is to offer a deeper discount on a smaller volume of water.

4) \textbf{Assisting low-income residential customers behind a master meter, and renters/non-account holders}

Non-account holding customers are difficult to reach with affordability programs. Non-account holding customers are principally occupants of master-metered multifamily dwellings (such as renter-occupied apartments, or owner-occupied condominiums), and renters of individually metered dwellings where the water utility account is in the landlord’s name. We refer to these groups as “Hard-To-Reach” (H2R) customers.\textsuperscript{16}

At a minimum, utilities should be encouraged, if not required, to collect and code their multifamily accounts with the number of dwelling units per master meter. This is not uncommon in California, although not prevailing practice. Where the number of households can be assigned to a multifamily account, then a rate design similar to the single-family residential rate class can be adopted, including a basic tier or low quantity rate for low income

\textsuperscript{15} Pierce, G., 2018. Assessing Potential Alternatives to a Direct Monetary Benefit or Credit Statewide Drinking Water Affordability.

households. For utilities where this information is not routinely collected, utilities could be required to offer an option for the building owner to apply, with the owner providing documentation of the number of dwelling units and the current rents. If necessary, rents can be used as a proxy for income for purposes of qualifying a building for a low-income tiered rate, since there is a correlation between low-income households and low-cost housing.17

One of the most intractable problems in reaching renters is that landlords will not necessarily pass on a discounted water rate to the tenants. The State Water Resources Control Board has discussed options that may be effective, including a discount for water rates delivered on energy bills which are less likely to be master-metered. Two promising avenues for water utilities to reach low-income renters are to work with affordable housing operators to make their buildings more water-efficient, and efforts to shrink the H2R population.18 We discuss how to support affordable housing operators below, in point 5. To shrink the H2R population, there are several options. Either the utility or the building owners can install submeters in multifamily homes, and renters of submetered or individually metered homes can be required or encouraged to establish water utility accounts in their own name.

5) Develop conservation, efficiency, and leak repair programs that address the needs of low-income customers, renters, and multifamily housing.

18 Ibid.
Reducing the cost of a basic volume of water is only half the equation to make water more affordable. It must also be accompanied by programs that assist low-income customers to meet their basic needs with a modest volume of water through leak repair and device upgrades. The Commission already addresses this need for its energy customers through its Energy Savings Assistance Program (ESAP). The Commission should modify ESAP to expand its efforts in the area of water conservation and efficiency.

One of the greatest challenges in effectively serving low-income customers is that the households that are the most cost-sensitive have the greatest difficulty paying the up-front costs to repair leaks, upgrade devices, and replace landscaping. Traditional conservation and efficiency programs often rely on customers to pay up-front costs and receive rebates later, a strategy that does not meet the needs of customers with little capital on hand. Low-income households also often live in rental housing, where tenants have no authority to replace fixtures or major appliances, and landlords may have other priorities. Low-income families often skip showering, washing dishes, and doing laundry in order to reduce their expenses. Enabling them to fulfill those needs with less water not only reduces their utility bills, it allows them to improve their health, hygiene, and quality of life.

There are major opportunities for greater conservation and efficiency among H2R customers, as noted in the Water Research Foundation’s recent report

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on Customer Assistance Programs for Multifamily Residential and Other Hard-to-Reach Customers.\textsuperscript{20} In Chapter 9, WRF reviews the evidence that conservation and efficiency programs for H2R customers have yielded major savings. Among the literature they cite is a U.S. Government Accountability Office report\textsuperscript{21}, which found that savings from water conservation and efficiency investments could reduce costs and pay for themselves in a short period of time. Another study found major opportunities to reduce water and wastewater bills through retrofits of multifamily housing. Shallow retrofits translated to reducing 57\% of base use, while deep retrofits translated to reducing 66\% of base use.\textsuperscript{22} More recently, Cascade Water Alliance piloted a Low-Income Conservation Assistance Program to offer free household audits and device upgrades. The typical participant reduced their water use by approximately 14\%.\textsuperscript{23}

Finally, conservation and efficiency programs can be directed to multifamily housing, and thereby benefit customers who may be ineligible for low-income rate assistance because they do not have an account in their name. This can be particularly important for owners and residents of deed-restricted affordable housing. California Housing Partnership Corporation, an advocate

for deed-restricted affordable housing and low-income renters, reports that many owners of affordable rental homes prefer assistance with conservation and efficiency upgrades to their properties as a means of controlling their water costs over bill discounts. This sector is important to serve because they offer affordable rental homes to low-income families, and they have strict regulations on rent and utilities that prevent properties from passing water costs to tenants. Rising water bills affect their ability to continue to deliver affordable and high-quality housing to families in need.24

6) **Consider a medical baseline program for water, similar to energy utility program.**

The Scoping Memo recognizes that there is a basic water requirement below which households cannot conserve, and it sets assumptions for this basic consumption level. Joint Advocates support this concept. However, some individuals may require greater levels of water consumption than average, based on medical need. For example, home dialysis patients typically require 11 to 32 GPCD for treatments.25 Individuals with hyperhidrosis, diabetes, or certain prescription medications require additional water to stay hydrated. Such households should be allowed to obtain a greater allocation of water at the lowest available rate, based on a showing that increased water consumption is medically necessary.

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24 Collin Tateishi, email to L. Feinstein, 9/7/2017.
A program to allow such increased allocations based on medical need would appropriately be modeled on the existing Medical Baseline program for electricity. This program is codified at California Public Utilities Code Sec. 739(c), and it allows customers of energy utilities who provide medical certification of need for increased energy use to obtain increased allocations of electricity at the lowest tier rate (customers enrolled in the Medical Baseline program are also excluded from being defaulted onto time-of-use rates).

While there is no statutory mandate for a Water Medical Baseline program, it would be appropriate for the Commission to use its discretion to provide additional assistance to customers who make a medically-based showing of increased demand for water as part of its effort to ensure that customers have access to an appropriate amount of water to meet basic needs at an affordable rate.

7) Consider a targeted discretionary program for households with more than the average number of people, modeled on FERA.

In addition to recognizing that some customers may need more water than average due to a medical condition, the Commission should also recognize that larger households will need more water than smaller households in order to meet basic indoor needs. The Commission has previously used its own discretion to develop support programs for larger households that have greater energy needs. In particular, the Commission has created the Family Electric Rate Assistance program (FERA) to provide electric rate relief to low-middle income customers with larger households. The FERA program serves larger households whose
income is slightly higher than the California Alternate Rates for Energy allowances. Specifically, FERA serves households with at least three people and an income between 200-250% of the federal poverty level. This program is not required by statute, but was created by the Commission based on its determination that rate relief was needed for large households based on their greater consumption of electricity.

In a similar manner, the Commission should consider creating a comparable program targeted at serving the needs of larger households, based on the statutory recognition that “access to an adequate supply of healthful water is a basic necessity of human life,” and the mandate that it “shall be made available to all residents of California at an affordable cost.” For example, if the Commission decides to set an eligibility standard for water assistance at 200% of FPL, the Joint Advocates recommends also offering some assistance to larger households at 200-250% of FPL. Joint Advocates will be prepared to put forward a more detailed proposal for a Family Water Assistance program as this proceeding develops.

8) **Consider Rulemaking on Affordability Metrics**

In addition to the focus in this docket on ways to ensure that customers have access to an adequate supply of water at an affordable cost, the CPUC has just opened a Rulemaking specifically to address utility affordability, including

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26 See D.04-02-057. The program was initially based on then-existing tier definitions. It was modified to become a line-item discount of 12% in D.15-07-001, but the eligibility criteria remain the same.
27 D.04-02-057 at pp. 49-60.
affordability of water. This Rulemaking, R.18-07-006, was initiated on July 23, 2018, and it is expressly intended to consider how to evaluate the affordability of water, energy, and telecommunications services, with stated goals to “develop a framework and principles to identify and define affordability criteria for all utility service” and to “develop the methodologies, data sources, and processes necessary to comprehensively assess the impacts on affordability of individual Commission proceedings and utility rate requests.”

While this docket should move forward without delay, the Commission should closely monitor relevant activity in R.18-07-006 to ensure that steps taken in this proceeding to advance the accessibility of affordable access to adequate supplies of water are recognized in the affordability docket, and vice versa. This may include providing notice to parties on the service list for the affordability docket when planning the workshop or workshops anticipated in the Amended Scoping Memo of this proceeding or otherwise coordinating as appropriate to ensure that all Commission efforts to consider water affordability move forward in the most effective manner possible.

C. Whether the California Public Utilities Commission (Commission) should adopt criteria to allow for sharing of low-income customer data by regulated investor-owned energy utilities with municipal water utilities

In considering this question, the Amended Scoping Memo instructs parties to address the following factors:

• How data sharing can promote comprehensive low-income programs to better assist low-income customers of the Commission-jurisdictional energy utilities

• How data sharing can provide more efficient management of municipal water utilities’ low-income programs.

With these factors being taken into consideration, Joint Advocates provide the following response:

1) **The Joint Advocates Support Information-Sharing Efforts as an Avenue to Promote Water Affordability for Low-Income Californians, Subject to Basic Privacy Protections**

   California Alternate Rates for Energy (CARE) is a model customer assistance program because of its high enrollment rates and inclusive policies. The enrollment rate in CARE far exceeds comparable municipal water affordability programs. Sharing information on the households enrolled in CARE with municipal water utilities will increase enrollment.

2) **Information-Sharing Must Protect Customer Privacy**

   California’s Constitution protects its residents and those present in California from unreasonable incursions into their privacy. Joint Advocates assert that residential utility customers have a reasonable expectation to privacy with regard to any information collected by a utility. Information on income and number of occupants in a home could be highly sought after by investigators looking to uncover fraud in welfare programs in which the same households (or relatives or associates, thereof) may participate. Even the remote possibility that customer
information could be shared with other welfare organizations or law enforcement agencies could undermine enrollment and effectiveness of the program.

Therefore, protections should be put in place to ensure any customer data shared between investor-owned, Commission-regulated energy utilities and municipal water utilities not be shared beyond the utilities serving overlapping service areas. In the event that the courts seek customer information held by either by Commission-regulated or municipal water utilities, the utilities should have in place a policy to protect utility customers’ privacy interest to the maximum extent permitted by law.

III. CONCLUSION

The Joint Advocates appreciate the opportunity to comment on the issues that have been added to the Amended Scope of this proceeding and look forward to addressing these issues further during the course of this proceeding.
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[Authorized to file for Joint Advocates]

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