

Water Service Disconnections in California

LAURA FEINSTEIN AND ABBEY WARNER

WHAT ARE WATER SERVICE DISCONNECTIONS?

When a household fails to pay their water bill in full for more than a given period of time – one or two months – their water service can be disconnected. In addition to the original utility bills, additional fees are accrued at each step, from the first late payment through restoration of service. Households that struggle to pay their water bills on time can face serious financial challenges to maintain or restore water service.

Lack of water in the home compromises the ability of people to wash their hands, clean their home, and safely prepare food. Water disconnections are associated with a higher rate of water-borne diseases in the community, and disconnected water renders housing legally uninhabitable and untenable.^{1,2} As such, water disconnections are a serious concern for public health and housing security.

POLICIES ON WATER SERVICE DISCONNECTIONS VARY WIDELY IN CALIFORNIA

Water utilities in California have vastly different procedures on service disconnections. Procedures differ in their notification timeline and process, fees, repayment options, and exempted customer classes. Based on a survey of 16 water utilities in California in January 2018 (Table 1):

- If a customer failed to pay a bill in full, the utility issued a first notice of a pending shutoff. The period of time between bill and first notice ranged from 19 to 38 days.
- The time from first notice of a pending service shutoff to disconnection varied from 10 to 20 days.
- Cumulative fees associated with shutoffs, from late charges through termination and reconnection, totaled as little as \$12 or as much as \$166 per household. These fees were levied at various stages, including upon first notice, disconnection, or reconnection.
- Many utilities did not publicly provide information on payment options or exempted customer classes, suggesting that they may not offer these options. In these instances, tenants whose landlords fail to pay the bill and individuals with special medical needs would be subject to the same late payment policies as other households.

¹ Plum, Alexander, Kyle Moxley, and Marcus Zervos. “The Impact of Geographical Water Shutoffs on the Diagnosis of Potentially Water-Associated Illness, with the Role of Social Vulnerability Examined,” April 28, 2017. <http://wethepeopleofdetroit.com/2017/04/11/water-shutoffs-impact-public-health-a-collaborative-study-with-henry-ford-health-system/>.

² California Civil Code §1941.1(a) and California Health and Safety Code §17920.3.

Table 1. Water Utility Policies on Service Disconnections Vary Widely

	Invoice to First Notice (Days)	First Notice to Shutoff (Days)	Fees	Notification Method	Repayment Options	Exempted Customer Classes
Min	19	10	\$12	Mail (56%) Phone Call (13%)	Payment Plan (43%) Appeal (13%)	Medical Reasons (13%) Tenants (13%)
Max	38	20	\$166	Door Tag (13%) No Info (19%)	Health Extension (6%) No Info (44%)	No Info (75%)
Mean	29	13	\$79			

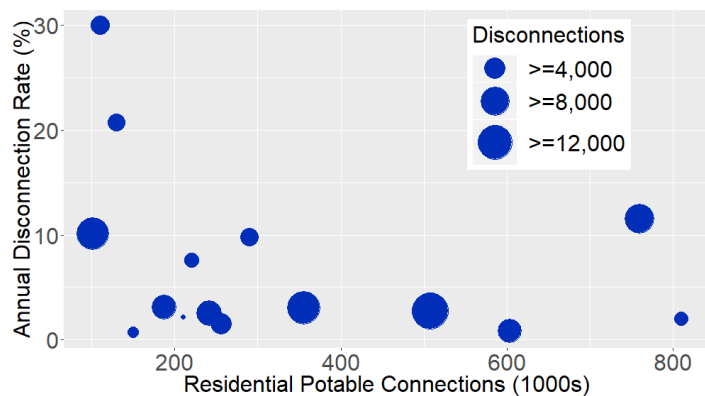
Notes: Based on a survey of 16 California public water systems by the California State Water Resources Control Board, January 2018. Fees are summed for late payment, disconnection, reconnection, and associated charges. Repayment options sums to more than 100 because some utilities offer more than one option. Other columns may not sum to 100 due to rounding.

HOW OFTEN IS WATER SERVICE DISCONNECTED FOR FAILURE TO PAY?

We compiled data on service disconnections for fifteen utilities in California ranging in size from 11,000 to 600,000 residential connections (Fig. 1). The information should be interpreted with these caveats:

- Households fail to pay for a variety of reasons. Some households are unable to afford their water bill, while others fail to pay through carelessness, or because they move away and neglect to close the utility account.
- Variations in rates of disconnections likely reflect factors in the utilities’ control, such as policies on notices and repayment plans, as well as factors outside their control, such as the rate of housing turnover and property foreclosures.
- The datasets did not specify whether repeat disconnections for the same address were counted once or multiple times. Most utilities made the information available on an annual basis, which can include multiple disconnections for the same customer.
- The selection of utilities was not a random sample, but relied upon information from utilities that have shared the information in response to requests from state agencies or private organizations.

Figure 1. Water Service Disconnection Rates in California



Source: Disclosures from individual water utilities, and California Public Utilities Commission 2016 annual reports.

While most systems had disconnection rates under 4 percent, six systems had disconnection rates between 7 percent and 30 percent. A total of 79,000 annual shutoffs were reported by the fifteen utilities.

While the results need to be interpreted with caution, the surprisingly high rates of service disconnections by some utilities raises questions about the number and impact of water disconnections in California. It is worth exploring whether differences in disconnection policies, cost of water, water utility billing practices, and poverty contribute to regionally high disconnection rates. The California State Water Resources Control Board (State Water Board) intends to release a larger and more consistently collected data set on water service disconnections in 2018, and these questions should be explored when better information is available.

THE CALIFORNIA PUBLIC UTILITIES COMMISSION HAS ADOPTED PROTECTIVE POLICIES ON DISCONNECTIONS

The California Public Utilities Commission (Commission) has adopted a set of operating rules on service disconnections under their Standard Operating Rules for investor-owned water utilities that are more protective than what is required in California statute. Investor-owned water utilities have more flexibility in offering financial assistance because they are not governed by California Proposition 218, which restricts the ability of municipal water systems to discount services for customers experiencing financial hardship. Policies adopted by the Commission to prevent and shorten service disconnections include:

Medical Exemptions: Gas and electrical corporations do not disconnect service for residential customers who are elderly or disabled, or in cases where a medical professional certifies that discontinuation of service would be life-threatening, as long as the customer is willing to enter into a debt repayment plan.

Appeals Process: Customers are not disconnected if they have followed proper procedures to dispute a bill. Complaints are reviewed by a utility manager, and if an adverse determination is made, the customer can appeal to the Commission.

Cap on Reconnection Fees: The utility may charge no more than \$25 to restore service during working hours, or \$40 outside of regular working hours.

Payment Arrangements: Customers receiving a disconnection notice have the option to make payment arrangements over a “reasonable amount of time.” If customers allege that they are unable to reach a suitable agreement with the utility, they can file a complaint with the Consumer Affairs Branch of the Commission.

REDUCING SHUTOFF RATES AND ENCOURAGING RECONNECTION

Shutoffs are an enforcement tool to ensure that households pay for the water they use. But they are also a lose-lose proposition: shutoffs are costly and result in lost revenue for the utility, while customers lose access to a vital service. Some cities have reduced shutoff rates and increased their revenue collection by altering their policies on debt and service disconnections. In St. Petersburg, Florida, randomly selected customers with outstanding debt were offered the opportunity to restructure their debt and receive financial services before their service was disconnected. Program participants were half as likely to experience service shutoffs

and saved an average of \$140 in fees compared to non-participants. The utility was projected to save money by increasing the revenue collected.³

Limiting the cost of reconnection fees lowers the financial barriers to restoring service. California statute limits reconnection fees for urban water systems not regulated by the Commission to \$50 during working hours, and \$150 at other times, for very low-income households.⁴ For smaller systems and customers that do not meet the income requirements, reconnection fees can be much higher, with 81 urban water systems charging \$75-\$300 to restore service in 2017.⁵

RECOMMENDATIONS

Collect consistent information from public water systems on disconnection rates. Comparable statistics on disconnection rates across California water systems would allow a better understanding of the problem. Reporting shutoffs on a monthly basis would prevent double-counting households that are disconnected multiple times a year. Ideally, this information would also include the average duration of shutoffs. There are efforts underway to incorporate this information in the State Water Board's Electronic Annual Reports.⁶

Resolve the ambiguity of occupied versus unoccupied disconnections. When customers contact the utility to discuss receipt of a shutoff notice or in the event of a service disconnection, utilities should establish if the unit is occupied and track the information. In-person visits to the affected household, standard practice in cities such as San Francisco, provide an opportunity to determine if people are present in the home.

Study the drivers of disconnections. Understanding the causes of service disconnections would guide the development of effective policy interventions. It would be useful to determine the degree to which disconnection rates correlate with factors such as household occupant turnover, household income, cost of water, billing practices, and disconnection policies.

Limit reconnection fees for more customers, and reform Proposition 218 as necessary to do so. The recently enacted provision in the California Health and Safety Code to limit reconnection fees for very low-income customers of urban water systems is a step in the right direction. The effort could be improved by including more low-income customers and smaller water systems.

Conduct household surveys in areas with high disconnection rates. It is difficult to understand the significance of disconnection rates without understanding families' reasons for not paying their bills, the tradeoffs they make with other expenses, and the impact losing water service has on their lives. Personal surveys would help decision makers understand the causes and impacts of disconnections.

³ Moulton, Stephanie, Danielle Harlow, Olga Kondratjeva, and Stephanie Casey Pierce. "Implementation and Impact Evaluation of Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP): Executive Summary." National League of Cities, May 2016. http://www.nlc.org/sites/default/files/LIFT_UP%20FINAL%20EXECUTIVE%20SUMMARY_0.pdf.

⁴ California Health and Safety Code §116914(a).

⁵ State Water Board. "Large Water System Electronic Annual Reports," 2017.

⁶ State Water Board. "Electronic Annual Reporting System." Accessed October 3, 2018. <https://drinc.ca.gov/ear/>.