



Equity, Inclusion, and Affordability Committee

# Panel on Affordability

Item 6a

October 24, 2023

# Today's Agenda

9:30 am –10:00 am **Roll call & Public comment**

**Presentation** – Introduction to current policies and overview of water affordability programs.

10:00 am –11:30 am **Panel on Water Affordability**

- Welcome & Panelist Introductions
- Three Questions on Affordability - *Open to all Panelists*
- Board Questions and Discussion (remaining time)

## EIA Panels on *Affordability*



### August 2023

Panel 1: Discussion of member agency programs

### October 2023

Panel 2: Metropolitan's role in household water affordability

### November 2023

Panel 3: Regulatory requirements impacting costs

### January 2024

Panel 4: Metropolitan's efforts to contain/offset costs

This series of panels will inform the CAMP4W **first year progress report** for the board, specifically regarding **next steps for coming year**

## EIA Panel on *Affordability*

### Subject

- Follow-up to Board's request for discussions on affordability to inform the Board's Climate Adaptation Master Plan for Water (CAMP4W) process
- Expand on initial CAMP4W thematic statements on affordability that will serve as guideposts in the development of evaluative criteria

## EIA Panel on *Affordability*

### Purpose

1. Increase understanding on the various dimensions of household water affordability
2. Explore challenges in implementing low-income rate assistance programs (LIRA)
3. Discuss water affordability criteria to inform a decision-making framework



Equity, Inclusion, and Affordability Committee

# Panel on Affordability: Current Status

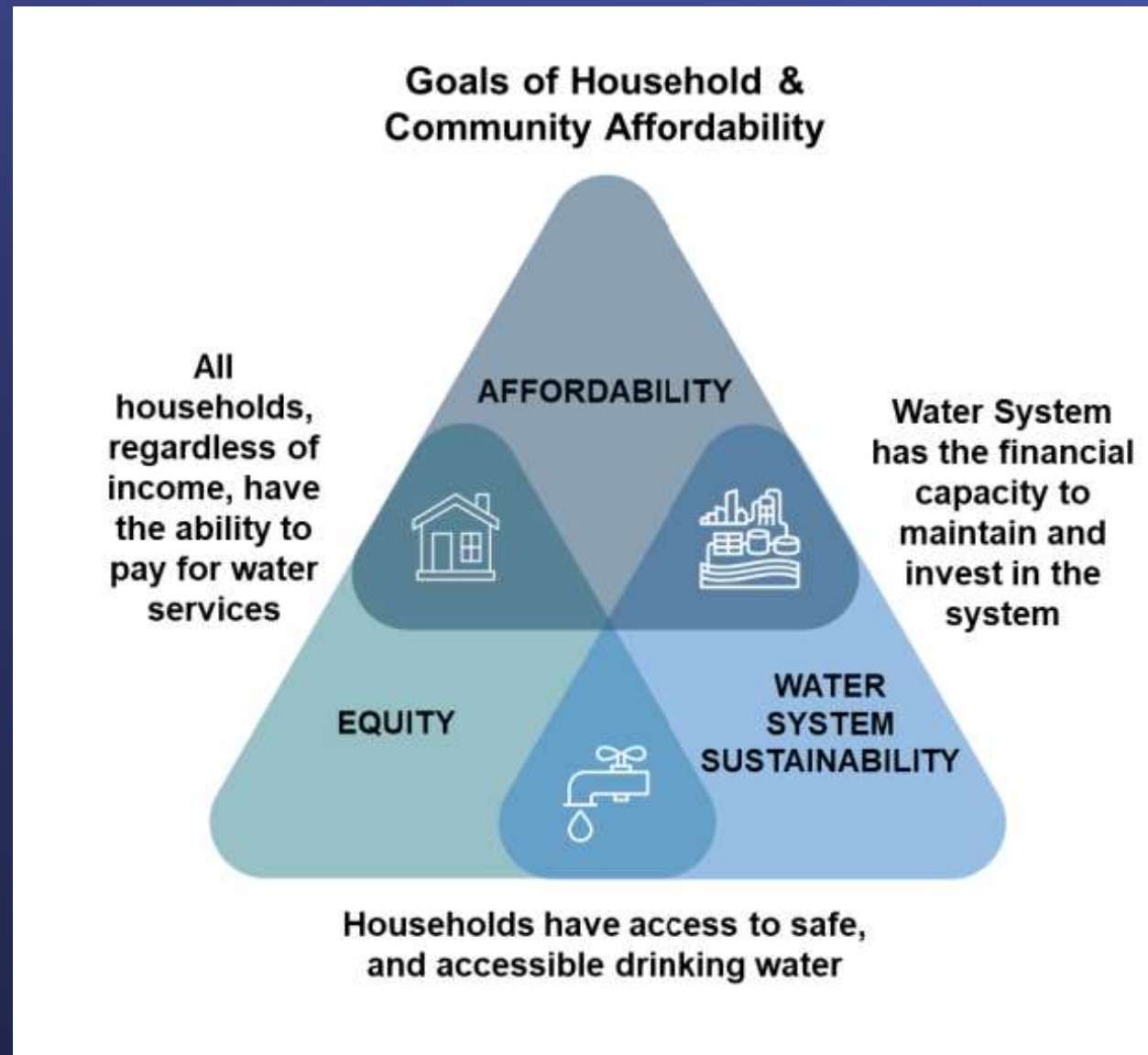
## Historical Perspective



Why should a man get water, the essential element of life, more cheaply than the cost to him of polishing his shoes or paying for his telephone?

**William Mulholland (1927)**

# What do we mean by affordability?



## Drinking Water Affordability Assessment (2021)



# Affordability

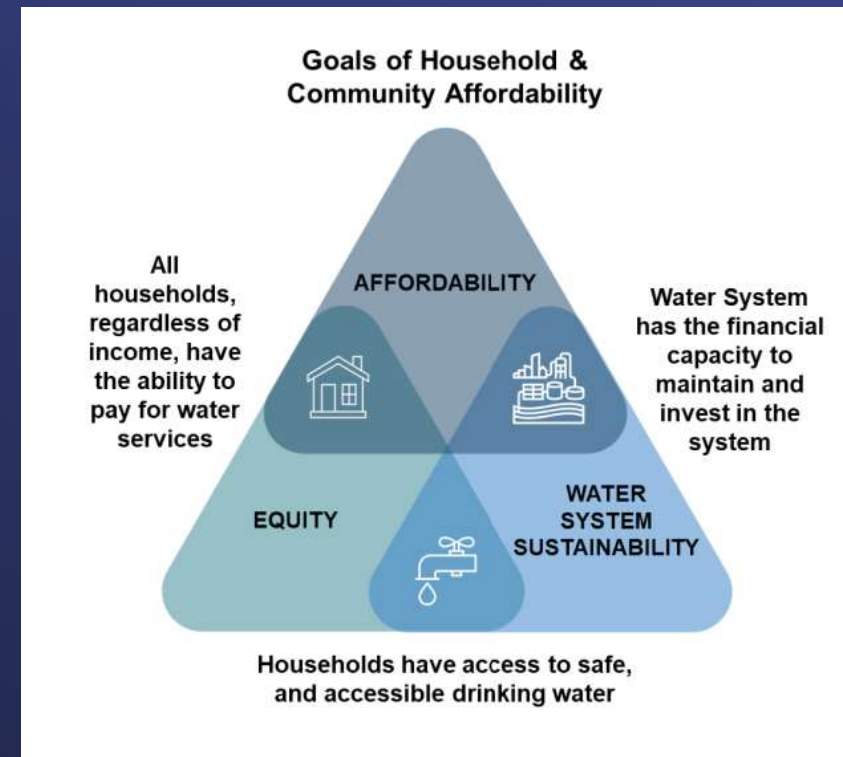
## CAMP4W working definition

“Relative cost burden and elastic ability to access (pay for) service and support member agency efforts to provide affordable supply to their customers.”

CAMP4W Working Memo 2 (Aug. 2023)

### Focus of this presentation:

The ability of a customer to pay the water bill in full and on time without jeopardizing the customer’s ability to pay for other essential expenses



# Human Right to Water

## California's Human Right to Water Policy

### AB 685 (2012)

“...every human being has the right to **safe, clean, affordable, and accessible** water adequate for human consumption, cooking, and sanitary purposes.”

- Applies to state agencies when revising, adopting, or establishing policies, regulations, or criteria
- Domestic use is generally recognized as **55 gal./person/day (GPCD)**

See Title 23, Div. 3, Chap. 2, Arti. 24, §878.1 (b) (1)

# California Legislature

- ☑ 2015 – AB 401; Low-Income Water Rate Assistance Program
- ☑ 2017 – SB 998; Discontinuation of Water Service
- ☑ 2019 – SB 200; Safe and Affordable Drinking Water Act
- ☒ 2021 – SB 222; Water Rate Assistance Program  
~Vetoed

## U.S. Congress

# Low-Income Household Water Assistance Program (LIHWAP)

- The federal government never funded household water assistance...until Covid
- LIHWAP
  - Created in the Consolidated Appropriation Act of 2021 to help households during the pandemic
  - American Rescue Plan Act provided additional funding
  - Reimbursements end in March 2024 unless Congress authorizes and appropriates additional funds

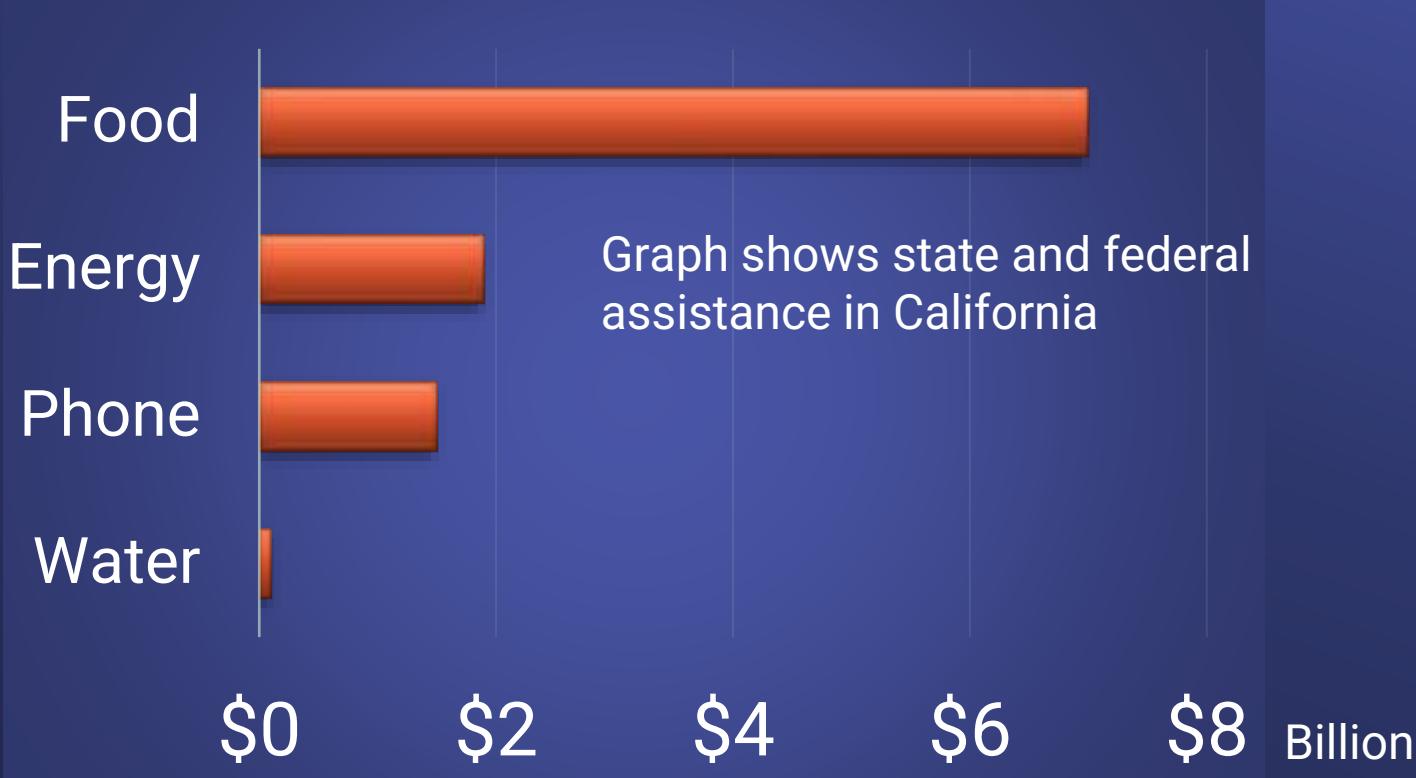
# Low-Income Household Water Affordability Program

LIHWAP provides emergency assistance,  
not ongoing household affordability

- Benefit
  - Arrearage: \$2,000 for past-due balances
  - Non-Arrearage: \$200 to \$1,030 based on income
- Program elements
  - One-time benefit
  - Benefit paid only to water system
  - Income less than 60% of state median income
  - Proof of income
  - Proof of identification
  - U.S. Citizenship or qualified citizen

# Water Assistance Funding Lags other Basic Services

## State & Federal Assistance Programs



Pierce Gregory et al. (2020) "The Case for State-Level Drinking Water Affordability Programs: Conceptual and Empirical Evidence from California." Utilities Policy

# Measuring Household Affordability

## Affordability

- Percentage of median household income
- Household Affordability Ratio (AR)
  - Ratio of basic water cost to disposable household income for low-income customers
- Hours of labor at minimum wage (HM)

Teodoro, M. P. (2018). "Measuring Household Affordability for Water and Sewer Utilities." *Journal American Water Works Association* 110(1): 13.

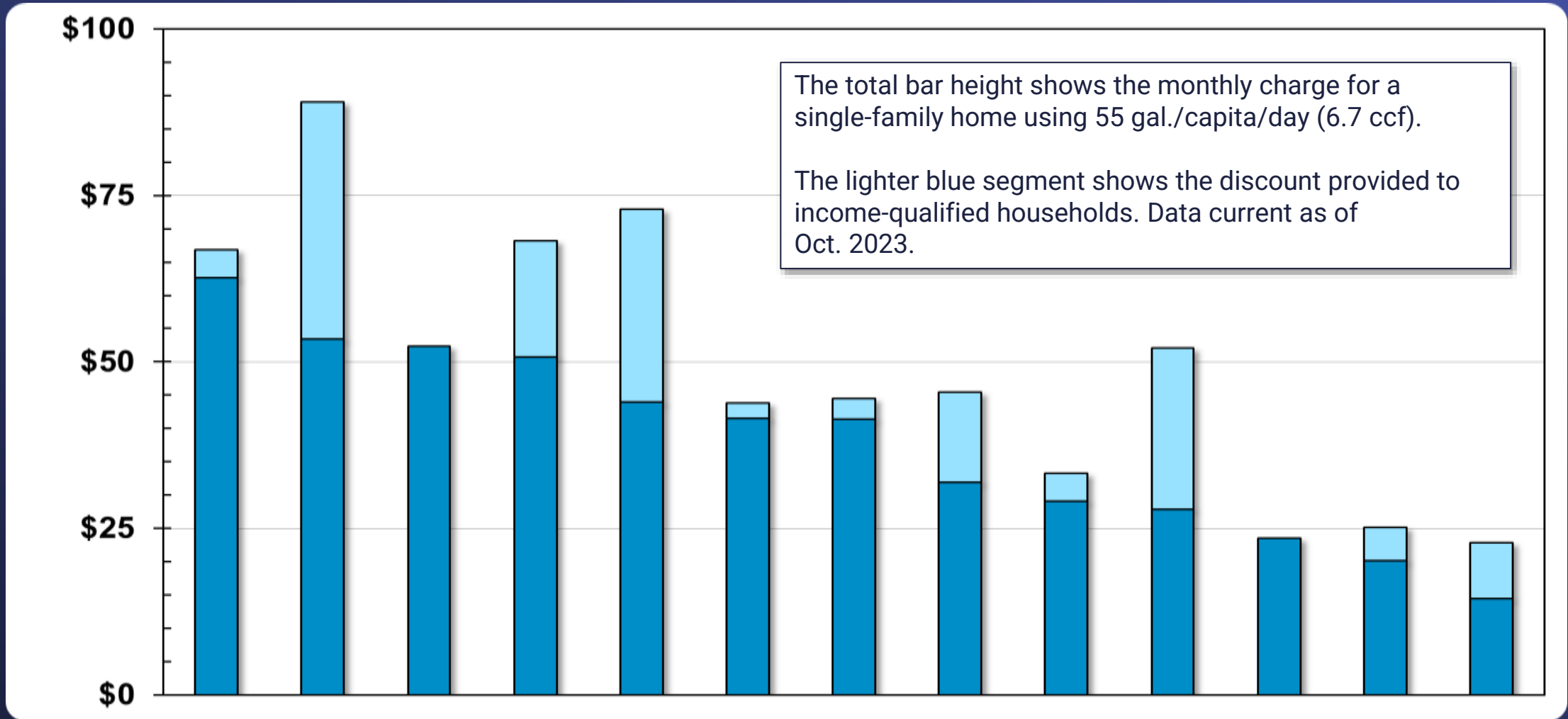
# Affordability Programs

## Common Customer Assistance Programs

- **Bill Discounts:** Utilities reduce a customer's bill
- **Flexible Terms:** Utilities adjust repayment terms
- **Lifeline Rates:** Customers pay a subsidized rate for a fixed amount of water expected to cover basic needs
- **Emergency Assistance:** Utilities provide short-term or one-time assistance to prevent disconnection or restore disconnection following an unexpected hardship
- **Conservation:** Utilities subsidize or provide water efficiency measures aimed at reducing water use and costs (e.g., fixing leaks, rebates for efficient fixtures and appliances, or in-home water audits)



# Customer Assistance at California's Largest Public Water Utilities



13 Largest Public Water Utilities in CA Sorted by Final Cost to Income Qualified Residents

# Water Cost and Assistance Programs

## These Utilities use Many Funding Sources to Provide Customer Assistance Programs

Property-tax  
revenue

Charitable  
donations

Lease and  
rental income

Late payments  
and delinquency  
charges

Rate  
revenue

Utility tax  
waiver

Metropolitan  
and  
Household  
Affordability

How can Metropolitan address  
household affordability?

# Metropolitan and Household Affordability

## Policies

### Metropolitan supports efforts to provide access to safe and affordable drinking water to all residents

- Support actions that prioritize providing safe and affordable drinking water to disadvantaged communities
- Support actions that meaningfully improve water affordability throughout the region at both the individual and the water system level without burdening existing ratepayers
- Support funding to help water systems provide low-income ratepayer assistance programs

Metropolitan's Legislative Priorities and Principles (2023)

# Metropolitan and Household Affordability

## Scope of Purpose

## Metropolitan's Authorized Purpose

May “provide, sell, and deliver water at **wholesale** for municipal and domestic uses and purposes.” MWD Act, Sec. 130(c)

- Customers are Member Agencies—not retail customers (households)
- May take on various functions, including conservation to meet its wholesale purpose

May set rates for services that “shall be **uniform** for like classes of service throughout the district.” MWD Act, Sec. 134)

Metropolitan  
and  
Household  
Affordability  
  
Authority

## Metropolitan's Legal Framework

- As a special district, Metropolitan's powers are granted by the Metropolitan Water District Act
  - *Single Purpose Entity*
- Unlike cities, Metropolitan does not have inherent or police powers

# Meet the Panelists

## **Joe Mouawad**

General Manager, Eastern Municipal Water District

## **Jennifer Capitolo**

Executive Director, California Water Association

## **Jennifer Clary**

California Director, Clean Water Action/Clean Water Fund

## **George Rofail**

Chief Customer Officer, Los Angeles Department of Water and Power

# Panel on Affordability

## Question 1

What **factors or policies** would you **change** to meaningfully improve household water affordability?

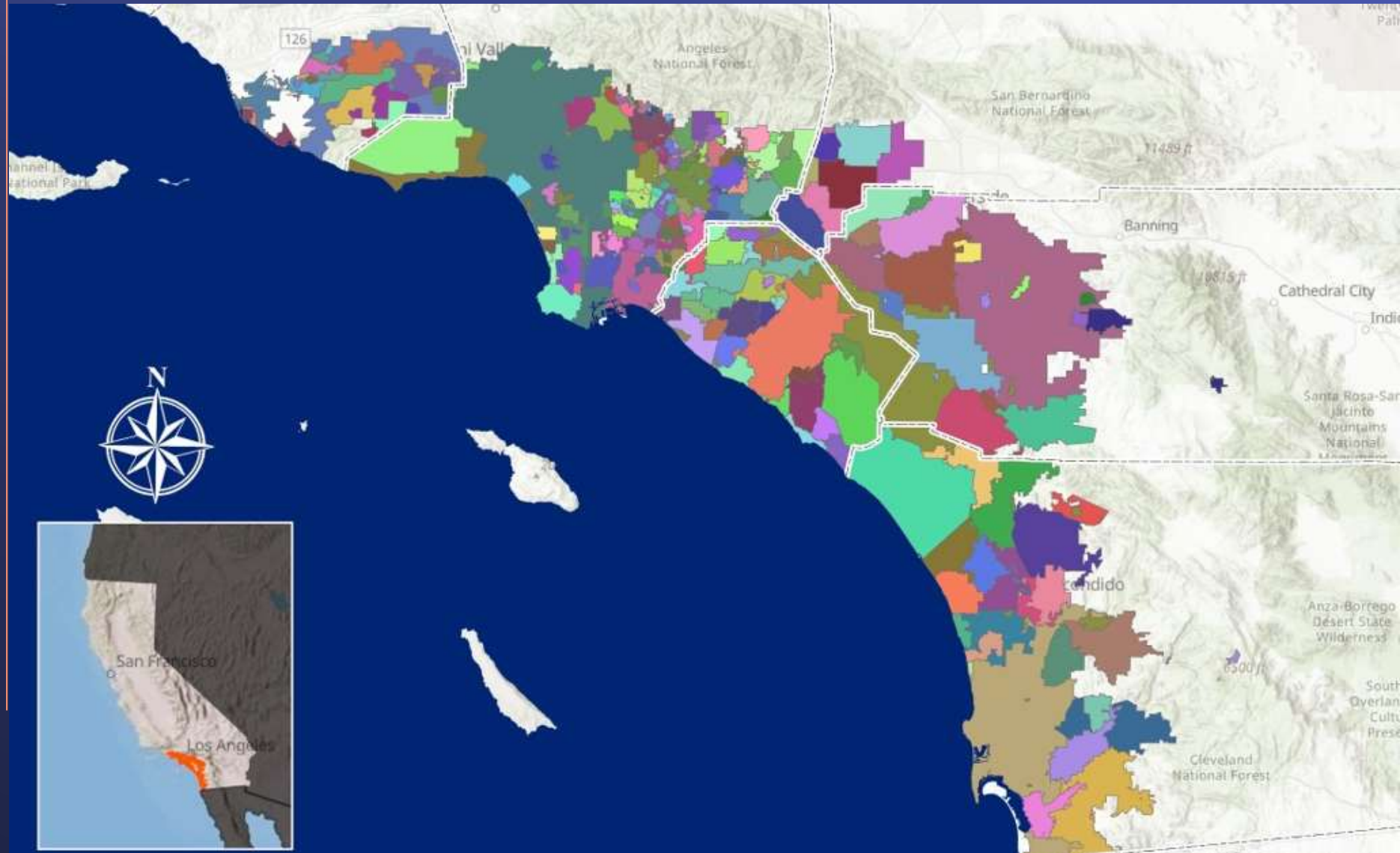


# 300+ Retailers & Utilities

Metropolitan's Service Area

## Metropolitan

- Voluntary Co-Operative
- Limited Purpose Entity
- No direct connection to retail customers
- No Governing Authority over Members
- No Authority to direct rate structures by Members



# Panel on Affordability

## Question 2

What should **Metropolitan's** role be in advancing **household water affordability** in our service area?

# Panel on Affordability

## Question 3

How could household water affordability programs address California's Human Right to Water policy and promote environmental justice?

