

Date of Hearing: August 19, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 222 (Dodd) – As Amended July 15, 2021

Policy Committee:	Environmental Safety and Toxic Materials	Vote:	7 - 2
	Utilities and Energy		12 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill requires the Department of Community Services and Development (CSD) to develop and administer the Water Rate Assistance Program (WRAP) to provide water affordability assistance for both drinking water and wastewater services to low-income ratepayers. Among other things, this bill:

- 1) Establishes the Water Rate Assistance Fund (Fund) in the State Treasury to provide water affordability assistance, for both drinking water and wastewater services, to low-income ratepayers and ratepayers experiencing economic hardship in California.
- 2) Provides the Fund shall be available, upon appropriation by the Legislature to CSD, in consultation with the State Water Resources Control Board (State Water Board) for all of the following: direct water bill assistance; water bill credits to renters and individuals or households for residential water or wastewater service; and water crisis assistance. Limits administration costs to 10% of appropriated funds.
- 3) Requires CSD, in consultation with the State Water Board, by January 1, 2023, to develop guidelines and fund oversight procedures for implementation of the program. Requires CSD to consult with an advisory group with the following representatives: public water systems; technical assistance providers, including organizations that support federal Low-Income Home Energy Assistance Program (LIHEAP); local agencies; nongovernmental organizations that work with residents of disadvantaged communities; and, representatives from the public, including but not limited to, low-income residents, low-income residents who live in multifamily housing, and residents served by tribal water systems.
- 5) Requires CSD and the State Water Board, in consultation with the advisory group established by this bill, and after a public hearing, adopt an annual fund expenditure plan. Specifies what the annual fund expenditure plan shall include. Requires the fund expenditure plan to be submitted to the Legislature either in the Governor's budget or by separate report.
- 6) Requires, by July 1, 2022, the Public Utilities Commission (CPUC) to establish a mechanism for electrical corporations and gas corporations to regularly share data with the CSD regarding the utility customers enrolled in, or eligible to be enrolled in, the California Alternate Rates for Energy (CARE) program and the Family Electric Rate Assistance program. Requires CSD to coordinate with CPUC to transition customers from CPUC rate assistance programs to WRAP, as provided.

- 7) States this bill does not prevent a public water system that is not regulated by the CPUC from offering a rate assistance program in addition to the one offered by this bill.

FISCAL EFFECT:

- 1) Significant ongoing cost pressure, likely of at least \$100 million annually (Water Rate Assistance Fund), to provide funding for ratepayer assistance.
- 2) CSD estimates ongoing costs of \$1.9 million in 2021-22 and \$1.5 million annually thereafter (Water Rate Assistance Fund) for program modifications, reporting infrastructure, stakeholder engagement, competitive procurement, and third-party auditing of water service providers. CSD notes that its costs are ultimately dependent on the overall amount of funding provided for rate assistance.
- 3) The State Water Board estimates an annual additional cost of \$1.575 million to develop and implement regulations associated with an annual fund expenditure plan, provide full consultative services to CSD that include identifying water systems and their needs, and developing a needs assessment analysis related to water affordability issues.
- 4) CPUC costs are negligible.

COMMENTS:

Background and Purpose. AB 401 (Dodd), Chapter 662, Statutes of 2015, required the State Water Board, in collaboration with the State Board of Equalization and relevant stakeholders, to develop a plan for funding and implementing a Low-Income Water Rate Assistance Program. According to the State Water Board's February 2020 report to the Legislature, "Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance", while drinking water is a basic human need, California households find it increasingly difficult to satisfy this need as the retail cost of water has risen substantially over the last decade and is expected to rise significantly over the coming years. Adjusting for inflation, the average Californian household paid around 45% more per month for drinking water service in 2015 than in 2007.

The report further finds that About half of Californians are served by a community water system (CWS) offering some form of rate assistance, and most of existing programs have low levels of enrollment and limited financial resources. As a result, less than 20% of the state's low-income population served by CWSs currently receive rates assistance benefits.

The report recommends the creation of a statewide water rate assistance program funded by taxes on personal income, business income and bottled water, as most water systems are not able to fund low-income assistance programs. For qualifying customers, the program recommended by the State Water Board will support bill discounts, crisis assistance and a tax credit for renters who pay for their water indirectly through rent. These bill discounts are modeled on the low-income assistance program for customers of CPUC-regulated energy utilities, and the crisis assistance is modeled on the federal energy crisis program known as Low Income Heating and Assistance Program (LIHEAP), administered by CSD in California. The SWRCB estimates the first-year cost for the recommended program, including administrative costs, at \$606 million.

The majority of California's residential water customers are served by cities, special districts and mutual water companies. These utilities are governed by the city council, or other local governing body, which sets their own water rates. As established by Proposition 218 (1996), the majority of these utilities are subject to state constitutional and statutory requirements that ensure water rates are directly tied to the cost-of-service. As a result, these utilities are not able to increase rates in order to fund low-income rate relief programs for customers.

The CPUC has jurisdiction over water companies that provide water service to about 16% of California's residents with annual water and wastewater revenues totaling about \$1.4 billion. As with other investor-owned utilities, the CPUC regulates rates of the water utilities under its jurisdiction, as well as, rules regarding discontinuation of service due to nonpayment. The CPUC has authorized the largest nine water utilities to offer low-income rate assistance programs similar in concept to those provided to electricity customers through California Alternate Rates for Energy (CARE). However, each program varies in terms of the amount of the assistance provided to low-income customers and the collection of the surcharge from non-participating ratepayers to cover the cost of the program. Discounts and surcharges supporting the programs are reviewed in each utility's general rate cases.

This bill establishes a framework for establishes a water rate assistance program but does not pre-determine a funding source or sources. According to the author:

SB 222 would establish a long-needed framework for a statewide water affordability assistance program. The pandemic has dramatically increased attention to this lack of a statewide water affordability program and the real urgency to address it. Access to affordable water is a racial justice and equity issue, and we must ensure equitable access for all Californians to realize the Human Right to Water (AB 685, 2012). The need for water affordability assistance will not magically disappear — it has been a major challenge and gap in our utility safety net for decades, and water affordability challenges will only continue to increase due to the rising cost of water. It is appropriate for the Legislature to develop a policy framework and provide directives, including regarding how to implement future sources of water affordability funding, to the relevant state agency (the State Water Board) in order to respond to the important ongoing challenge of access to affordable water.