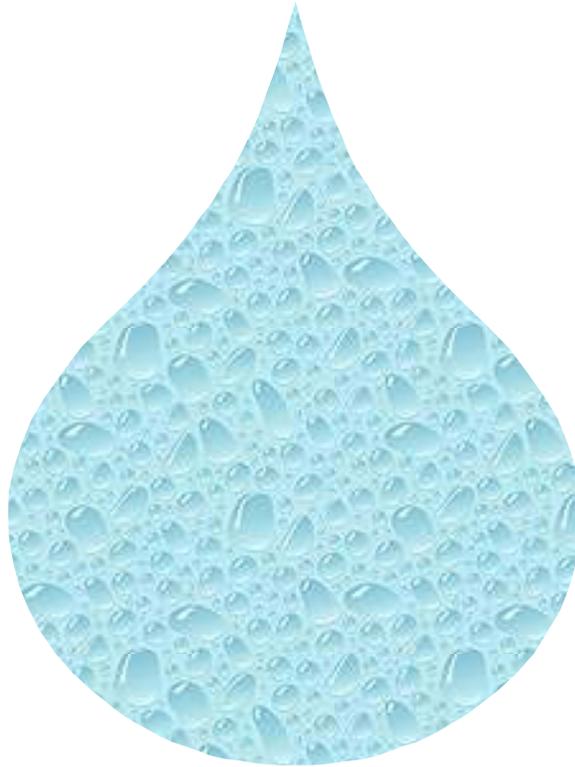


Assessment of Water Utility Low-Income Assistance Programs



**California Public Utilities Commission
Division of Water and Audits**

Seaneen M. Wilson

October 2007

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Assessment of Water Utility Low-Income Assistance Programs

Table of Contents

Executive Summary	1
Chapter 1 - Widespread Support Exists for Water Low-Income Programs.....	3
CPUC	4
NARUC	5
AWWA.....	5
Energy and Telecommunication Low-Income Programs	5
Chapter 2 – California Low-Income Water Assistance Programs & Potential Eligibility .	8
Income Guidelines.....	12
Certification, Verification and Recertification.....	13
Estimating Low-Income Eligibility in California.....	14
Data Used in Estimating Eligible Customers.....	14
Methodology.....	16
Results Based on 2006 ACS Data.....	16
Results Based on 2000 U.S. Census Data.....	17
Comparison.....	19
Estimating Participation Rates.....	21
Recent Historical Costs of Low-Income Programs Provided	22
Assistance Programs Offered to All Class A Water Utility Customers.....	25
Chapter 3 - Affordability for Residents of Multi-Family Housing	26
California.....	26
Programs in Other Jurisdictions	26

Chapter 4 - Alternatives for Improving Existing Programs.....	28
Pooling Program	28
DWA Estimated Cost of Pooling Program	30
Results Based on 2006 ACS Data	30
Results Based on 2000 U.S. Census Data	31
Utility Estimated Cost at 72% Participation	33
Comparison	34
Assessment of Pooling Program	36
Surcharge Based on Meter Size	37
Standardized Discount to Qualifying Water Utility Customers.....	38
Billing Alternatives	38
Assistance with Imminent Shut-Off	40
Leveraging	41
Automatic Enrollment	43
Sliding Income Scale with Diminishing Discounts.....	44
Voluntary Assistance and Community Action.....	44
Leak Repair	46
Acquisition.....	46
Participation in Other Utility Assistance Programs	47
Community Based Organizations (CBO's)	47
LIHEAP for Water?	48
Outreach	49
Alternatives for Low-Income Residents of MFHU	50
Chapter 5 - Cost of Low-Income Assistance Program to Remaining Customers.....	52
Chapter 6 - Water Conservation Order Instituting Investigation (OII)	53
Chapter 7 - Conclusions and Recommendations	54

Index of Tables

Table 1 - Current Water Low-Income Rate Assistance Programs	9
Table 2 - Cost Recovery Mechanisms for Water Low-Income Assistance Programs	11
Table 3 - Water Low-Income Programs by Type of Income Guidelines	12
Table 4 – Current Income Guidelines.....	13
Table 5A - Estimated Eligible Households & Families Based on 2006 ACS Data.....	17
Table 5B - Estimated Eligible Households & Families Based on 2000 U.S. Census Data.....	19
Table 5C – Comparison of Eligibility Estimates.....	20
Table 6 - Participation Rates by Utility	22
Table 7 – Actual Costs of Water Low-Income Assistance Programs.....	24
Table 8 – DWA Estimated Cost of Low-Income Programs at 72% Participation Based on 2006 ACS Data	31
Table 8A – DWA Estimated Cost of Low-Income Programs at 72% Participation Based on 2000 U.S. Census Data.....	33
Table 9 – Utility Estimated Cost of Low-Income Programs at 72% Participation	34
Table 10 – Summary of Pooled Cost Estimates.....	36
Table 11 – Current Bill Paying Assistance Programs	39

Assessment of Water Utility Low-Income Assistance Programs

Executive Summary

The Division of Water and Audits (DWA) summarizes and compares current utility low-income assistance programs and explores alternatives for improving the water low-income assistance programs available to private water utility customers in California. This is an update to a report issued in 2005.¹ The findings of this report are based, in part, on U.S. Census data and the opinion of respected organizations, such as the California Public Utilities Commission (Commission or CPUC), the National Association of Regulatory Utility Commissioners (NARUC), and the American Water Works Association (AWWA). These organizations all agree that a definite need exists for water utility low-income assistance programs.

Since the former report was issued, the Low-Income Oversight Board (LIOB) now advises the Commission on both energy and water low-income customer issues. Additionally, six more water low-income rate assistance programs have been authorized by the Commission. Only one Class A water utility does not currently have a low-income assistance program in place – Suburban Water is in the process of requesting authorization for a program.²

In addition to programs directed specifically to water low-income customers, there are also programs available to all water utility customers, such as assistance with bill-paying, imminent shut-off, and water conservation which can further assist these customers.

In this report, DWA evaluated the following alternatives for improving the assistance programs that are provided for the benefit of qualifying water low-income customers. DWA also provided its recommendations for each alternative. The alternatives discussed include:

- 1) Use of a Pooling program to manage program funds;
- 2) Pooling surcharge based on meter size;
- 3) Bill-paying assistance;
- 4) Assistance when shut-off of service is imminent;
- 5) Leveraging of programs;
- 6) Automatic enrollment;
- 7) Sliding income scale with diminishing discounts;
- 8) Voluntary assistance from the community;
- 9) Leak repair;
- 10) Acquisition of small utilities by larger ones;
- 11) Participation in other utilities low-income programs;

¹ Assessment of Water Utility Low-income Assistance Programs, CPUC – Water Division, Seaneen M. Wilson, May 2005.

² Application A.06-11-010 and I.07-01-022.

Assessment of Water Utility Low-Income Assistance Programs October 2007

- 12) Work with community based organizations (CBO) to alert customers to the availability of assistance programs;
- 13) Low-Income Home Energy Assistance Program (LIHEAP) for water;
- 14) Alternatives for low-income residents of Multi-Family Housing Units (MFHU);
- 15) Water conservation, and
- 16) Outreach.

The annual cost of providing the authorized low-income assistance programs to qualifying Class A water utility customers in 2006, of the six Class A utilities who had such programs, totaled \$2,017,247, ranging from approximately \$700 to over \$1,000,000, depending on the number of qualified customers served by the water utility and the level of participation³. For each of these utilities, DWA estimates that only 0.8% to 37.5% of qualified customers participated in the programs in 2006.

Based on an average of the four large energy utilities' low-income rate assistance program participation rates, reported as of August 31, 2007, 72% of their qualified customers participated in their California Alternate Rate for Energy (CARE) programs.⁴ DWA estimates that the annual cost for a standardized and pooled water low-income rate assistance program, provided to the customers of *all classes* of water utilities, excluding residents of multi-family housing, with a 72% participation rate, would be \$26,778,977/year, at an average cost to non-participating customers of approximately \$23.48/year.⁵ However, with an appropriate rate design, customers who have larger meter sizes, and use the most amounts of water, could pay a larger share, similar to how the energy programs are recovered, and thereby reduce the annual charge for nonparticipating residential customers. All classes of energy utility customers contribute to the energy low-income assistance programs on an equal cents per Kwh or therm used basis.

While there has been significant progress in the improvement and expansion of our water low-income programs since the last report was issued, it is our hope, as well as our goal, that further programs and improvements be instituted to assist our water low-income ratepayers.

³ Based on limited responses to staff data request of Class A water utilities.

⁴ Energy utilities' reports to the Commission, dated September 22, 2007.

⁵ Based on the limited utility responses that DWA received, DWA used census data to develop this estimate. DWA acknowledges that this may overstate the number of eligible customers, because DWA does not have a methodology to translate census tract information to exact utility boundaries.

Chapter 1 - Widespread Support Exists for Water Low-Income Programs

This DWA report consists of a review of the reasons and support for low-income programs, a description of existing programs, affordability for residents of multi-family housing, investigation into alternative assistance programs, cost of program to remaining customers, low-income issues addressed in the current water conservation investigation, and recommendations regarding the next steps in the improvement and expansion of the Commission's regulated water utility low-income programs.

The need for low-income assistance programs is well established. Twenty percent of the United States population has difficulty meeting at least one basic need (payment of utility bills, payment of mortgage/rent, visit doctor/dentist, and purchase of food) and 11% had difficulty meeting at least two of those basic needs.⁶ In California, approximately 12.0% of the state's residents are at the poverty level, while approximately 24% of households earn less than \$29,999 per year and approximately 31% of families earn less than \$44,999 per year. In the areas served by Class A water utilities, an estimated 23.5% of households earn less than \$29,999 per year and an estimated 30.4% of families earn less than \$44,999 per year (Table 5A). For the areas served by Class B, C and D water utilities, an estimated 23.6% of households earn less than \$29,999 per year and an estimated 31.2% of families earn less than \$44,999 per year (Table 5A).

Many organizations have voiced their support for the institution of low-income assistance for Commission-regulated water utility customers, in particular the Commission, the National Association of Regulated Utility Commissioners (NARUC), and the American Water Works Association (AWWA), as detailed below.

The availability of low-income assistance programs for water utility customers complements the many programs in this country that assist those in need, including the federally-funded Low Income Home Energy Assistance Program (LIHEAP), Food Stamps Program, Food Assistance Program, Aid to Families with Dependant Children, and Public Federal Housing Administration Programs, to name just a few. In California, water low-income assistance programs not only complement the aforementioned programs, but also add to the low-income assistance programs provided by the energy utilities, such as the California Alternate Rates for Energy Program (CARE), the Family Electric Rate Assistance Program (FERA), the Low-Income Energy Efficiency Program

⁶ Extended Measures of Well-Being: Meeting Basic Needs, Household Economic Studies, US Census Bureau, June 1999.

Assessment of Water Utility Low-Income Assistance Programs October 2007

(LIEE), and the Medical Baseline Program, as well as the program provided by the telecommunication utilities called the Universal Lifeline Telephone Service Program (ULTS).⁷

CPUC

Historically, the CPUC has been supportive of low-income assistance programs for regulated utility customers. In addition to numerous Commission-ordered energy and telecommunication low-income rate assistance programs, and select water utility rate assistance programs (discussed below), the Public Utilities (PU) Code, in particular, PU Code § 739.8, requires that the Commission consider and implement rate assistance programs for water low-income ratepayers.⁸ This same PU Code also requires that water conservation be considered when developing low-income water customer assistance programs.

With the passage of Senate Bill (SB) 580, in October 2005, the duties of the Low-Income Oversight Board (LIOB) were expanded to include advising the Commission on water low-income customer issues and serving as a liaison for the Commission to those low-income customers.⁹ DWA staff actively participates in the meetings of the LIOB and regularly makes technical presentations to the board that address water utility low-income and water conservation issues.

The Commission's Water Action Plan, adopted in December 2005, details the policy objectives that are to guide the future regulation of investor-owned water utilities.¹⁰ One of the major objectives of the Water Action Plan is to develop and expand programs to assist regulated water utility low-income ratepayers. Since the adoption of the Water Action Plan, the Commission has authorized six new low-income ratepayer assistance programs for its Class A water utilities¹¹.

⁷ ULTS is both state and federally-funded.

⁸ 739.8.(a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.

(b) The commission shall consider and may implement programs to provide rate relief for low-income ratepayers.

(c) The commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.

(d) In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.

⁹ Prior to passage of SB580, the LIOB was responsible for advising the Commission on electric and gas utility low-income customer issues only and serving as a liaison for the Commission to electric and gas utility low-income ratepayers and representatives.

¹⁰ Adopted by Commission at the December 15, 2005 Commission Meeting.

¹¹ 10,000 customers or more.

NARUC

In March 2004, the NARUC adopted a joint resolution in support of a low-income assistance program for water utility customers (discussed further in Section 5 of this report).¹² NARUC supports the timely development of a water low-income program similar to the LIHEAP program. LIHEAP provides energy efficiency measures, at no cost to qualified low-income clients, as well as some rate assistance to those most in need.

AWWA

In 1998, the American Water Works Association Research Foundation provided grant money to the National Consumer Law Center to support their study of rate design and other issues that affect the rates charged to low-income water utility customers. The study, titled “Water Affordability Programs,” discussed the inability of some customers to pay for water service, offered guidance from similar experience with assistance programs in the energy industry, and promoted the provision of alternative billing and rate structures to low-income customers.¹³

Energy and Telecommunication Low-Income Programs

As referenced above, there are several existing programs available to low-income customers of the regulated energy and telecommunications utilities. These programs provide essential and important assistance to the low-income customers of regulated energy and telecommunications utilities in California.

Low-income customers, who are enrolled in CARE, receive a 20 percent discount off their total electric and natural gas bills and are not billed in the higher electric rate tiers that were created for Southern California Edison (SCE), Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric Company (SDG&E). In addition, CARE customers are exempt from the surcharges that fund the program. Eligible customers are those whose total household income is at or below specific income limits.

¹² NARUC Joint Resolution Supporting a LIHEAP-Equivalent to Assist Low-Income Drinking Water Utility Ratepayers, March 10, 2004.

¹³ Water Affordability Programs, page xxi. “Poor households are typically not refusing to pay for water service; they are becoming more unable to pay for water services....There are important lessons that can be learned from the experience of energy utilities. There are alternative rate structures and billing and collection methods that promise benefits to the utility, to the general body of ratepayers, and to the payment-troubled households. In addition to helping low-income customers maintain service, affordability programs in electric and gas industries have proven to be effective in reducing arrearages, disconnections, and reconnections, as well as the associated costs – benefiting not only the customer but the utility as well.”

Assessment of Water Utility Low-Income Assistance Programs October 2007

Families whose household income slightly exceeds the CARE income guidelines may qualify to receive a FERA discount, which bills some of their electricity usage at a lower rate. FERA is available to the customers of PG&E, Edison, and SDG&E.

LIEE provides all feasible energy efficiency measures and weatherization services, at no cost to qualified low-income households, who meet the CARE income guidelines. Services offered include the installation of items such as attic insulation, compact fluorescent lamps, energy-efficient refrigerators, energy-efficient furnaces, furnace repair, weather stripping, caulking, low-flow showerheads, faucet aerators, water heater blankets and pipe wrap, and minor door and building repairs which reduce air infiltration. Enrollment into CARE (if customer is not already enrolled) and energy education is also provided to all LIEE participants.

The “Baseline Allowance” provides that all residential customers are billed a certain amount of their natural gas and electricity use at their utility company’s lowest residential rate. A further allowance of natural gas and electricity are billed at the lowest rate for customers who rely on life support equipment, have certain medical conditions, or those who have life threatening illnesses or compromised immune systems. The provision of these extra allowances is referred to as the Medical Baseline Program.

PG&E, Edison, and SDG&E also have shareholder-funded emergency payment assistance programs for their customers, which provide cash assistance to help offset the costs of heating and cooling their homes, on a case by case basis. Customers may also make voluntary contributions to these programs.

All costs associated with CARE, FERA and LIEE are recovered on an equal cents per therm or Kwh basis across all classes of customers. CARE and FERA customers are exempt from paying for CARE or FERA, respectively.

ULTS was established by the Commission in compliance with PU Code § 871. This program provides discounted basic residential (landline) telephone services to low-income households. A customer may qualify in two ways: 1) if the customer or another person in their household is enrolled in a qualifying public-assistance program; or 2) the customers total household income is at or less than certain qualifying income levels. To support this and other public programs, an all end-user surcharge is assessed on consumers’ bills for intrastate telecommunications services.¹⁴ Those receiving

¹⁴ All Intrastate telecommunications services except for ULTS billings, charges to other certificated carriers for services that are to be resold, coin sent paid telephone calls (coin in box) and debit card calls, customer-specific contracts effective before 9/15/1994, usages charges for coin-operated pay telephones, directory advertising, and one-way radio paging.

Assessment of Water Utility Low-Income Assistance Programs
October 2007

assistance do not pay the surcharge. The surcharge is determined based on the projected expenses of the program.

Chapter 2 – California Low-Income Water Assistance Programs & Potential

Eligibility

Currently, all Class A water utilities, except Suburban Water, provide some type of low-income rate assistance program for all or some of their customers. They determine eligibility based on the standards used by the energy utility CARE program, which currently approximates 200% of the federal poverty level or below, except as otherwise noted in Table 3.

In the last two years, the Commission has ordered that water low-income programs be started by six Class A water companies that did not previously have them. The six utilities that have implemented low-income assistance programs in the last two years include: Apple Valley Ranchos Water, Great Oaks Water, Park Water, Valencia Water, California-American Water, and California Water Service.

Since these water assistance programs have been addressed on a case-by-case basis, the assistance provided is unique to each utility, sometimes unique to each district within a utility, and is not standardized like the telecommunication and energy programs are. For example, San Jose Water provides a 15% discount off the total bill, while Valencia Water provides a 50% discount off the monthly service charge; and California-American's Monterey district waives the monthly service charge while its Felton district provides a discount of 50% off the monthly service charge.

Considerations such as the number of low-income customers in the service territory, the cost of the program to remaining customers, and whether the customers are on a meter or flat rate, affect the amount and type of rate assistance offered.

In some cases, such as with California-American and Golden State, the assistance programs have been authorized for selected districts; while the programs for the other utilities have been authorized for the entire company.

Table 1 provides a list of currently authorized water low-income assistance programs. Suburban Water is currently in the process of requesting the institution of a water low-income program.¹⁵

¹⁵ A.06-11-010 and I.07-01-022.

Table 1 - Current Water Low-Income Rate Assistance Programs

Company¹⁶	Decision Number	Discount
California American – Monterey District	D.00-03-052	Waiver of Monthly Service Charge
Golden State – Regions II & III	D.02-01-034	15% off Total Bill
San Jose*	D.04-08-054	15% off Total Bill
San Gabriel Valley*	D.05-05-015	50% of the Monthly Service Charge
Apple Valley Ranchos*	D.05-12-020	\$5 off Total Bill
Great Oaks*	Resolution W-4594	50% of Bi-Monthly Service Charge
Park*	D.06-10-036	\$4.50 off Total Bill
Valencia*	D.06-11-051	50% of Monthly Service Charge (\$3-5)
California American – Sacramento District	D.06-11-052	\$5 off Total Bill (approx. 15%)
California American – Larkfield District	D.06-11-052	\$8.50 off Total Bill (approx. 15%)
California American – Felton District	D.06-11-050	50% off Monthly Service Charge (approx. \$19)
California Water Service*	D.06-11-053	50% off Monthly Service Charge (\$3-10)

¹⁶ An asterisk (*) denotes that assistance program is authorized for the total company.

Assessment of Water Utility Low-Income Assistance Programs October 2007

At this time, only Class A water utilities have instituted low-income programs. The Commission does plan to address low-income programs for other classes of water utilities in the future.

Table 2 provides a description of each authorized water low-income program. In order to support their low-income programs, some utilities assess a surcharge on non-participating customers¹⁷, while others record all costs of the program in a balancing or memorandum account for later recovery from non-participating customers via a surcharge. Those customers that receive assistance are exempt from paying for the cost of water low-income rate assistance program.

¹⁷ For example, all general metered customers (not just residential) that are not receiving assistance would pay the surcharge.

Assessment of Water Utility Low-Income Assistance Programs
October 2007

Table 2 - Cost Recovery Mechanisms for Water Low-Income Assistance Programs

Company	Decision Number	Surcharge to Non-Participating Customers	Balancing (✓)/Memorandum Account (*)
California American – Monterey District	D.00-03-052	None Currently	✓
Golden State – Regions II & III	D.02-01-034	None Currently	✓
San Jose	D.04-08-054	\$0.41 per Month	✓
San Gabriel Valley	D.05-05-015	\$0.03/ccf Per month	✓
Apple Valley Ranchos	D.05-12-020	\$1 per Month	✓
Great Oaks	Resolution W-4594	None Currently	*
Park	D.06-10-036	\$2.27 per Month	✓
Valencia	D.06-11-051	\$0.04 per Month	✓
California American – Sacramento	D.06-11-052	None Currently	*
California American – Larkfield	D.06-11-052	None Currently	*
California American – Felton	D.06-11-050	Approximately \$1 per Month	N/A
California Water Service	D.06-11-053	\$0.01 per 100cf or \$0.24-.41 for Flat Rate Customers	✓

Income Guidelines

Water and energy utilities utilize the CARE income guidelines in administering their low-income assistance programs. These CARE income guidelines vary, depending on the size of the energy utility. The four largest energy utilities use income guidelines based on approximately 200% of the Federal Poverty Level, while small multi-jurisdictional energy utilities use income guidelines based on approximately 175% of the Federal Poverty Level. As shown in Table 3, all Class A water utilities use the CARE income guidelines at approximately 200% of Federal poverty, except Golden State. This is because the 175% income guideline level was specifically referenced in the decision that authorized Golden States’ low-income assistance program.

Table 3 - Water Low-Income Programs by Type of Income Guidelines

Group 1 Utilities at Approximately 200% of the Federal Poverty Level	Group 2 Utilities at Approximately 175% of the Federal Poverty Level
California Water Service	Golden State
California American	
San Jose Water	
San Gabriel Valley	
Park	
Apple Valley Ranchos	
Valencia	
Great Oaks	

CARE & LIEE income guidelines (used initially to establish water low-income programs), are updated on an annual basis for inflation and the CARE guidelines currently in effect are presented in

Assessment of Water Utility Low-Income Assistance Programs
October 2007

Table 4. In Resolution E-3524¹⁸, the Commission ordered the Director of the Energy Division (ED Director) to communicate new income levels to the energy utilities by letter not later than May 1 of each year. The Commission further ordered the ED Director to require energy utilities to file revised tariffs effective June 1 of each year reflecting the new income levels. Rules for computing income levels (as set forth in Resolution E-3524, dated February 19, 1998) include, among other requirements, that: (1) The prior period income levels are multiplied by a factor of one plus an inflation factor, which is currently the Consumer Price Index, and (2) All income level amounts are rounded to the nearest \$100.

There is currently no requirement that Class A water utilities update their income guidelines each year when the energy utilities do, though some have via an advice letter filing, including San Jose Water and San Gabriel Valley Water.

Table 4 – Current Income Guidelines¹⁹

Household Size	Group 1 Utilities 200%	Group 2 Utilities 175%
1-2	\$29,300	\$25,600
3	\$34,400	\$30,100
4	\$41,500	\$36,300
5	\$48,600	\$42,500
6	\$55,700	\$48,700
For each extra resident	\$7,100	\$6,200

Certification, Verification and Recertification

In most cases, energy customers self-certify their eligibility for CARE and FERA. That is, they sign a form declaring, under penalty of perjury that they meet the income criteria for participation in

¹⁸ Authorized February 19, 1998.

¹⁹ Source: Letters from Director of Energy Division dated May 1, 2007.

Assessment of Water Utility Low-Income Assistance Programs October 2007

CARE or FERA. Once the utility receives the form, the customer is put on the appropriate program. However, some customers that become enrolled have their income verified, such as through participation in LIHEAP or LIEE. In addition, energy customers must certify every two years to continue participating.

Telecommunications customers apply for the ULTS program by filling out a form and mailing it in. The applicant must state whether they qualify due to their participation in a public program (from a select group listed on the form) or because of their income level (must provide proof).

Water utility customers apply by filling out a form, similar to that of the energy utilities, in which they self-certify that their income level qualifies them for assistance. Water utility customers may also qualify for assistance if they currently participate (and provide documentation of participation) in an electric, gas, or telephone utility rate assistance program. Qualifying water utility customers must renew their participation in this program every two years, or sooner if deemed necessary by the utility.

Estimating Low-Income Eligibility in California

The estimated eligibility figures in Tables 5A, 5B, and 5C, on pages 17, 19, and 20, illustrate that there is a significant population within the service territories of all regulated water utilities that are in need of assistance and qualify for current low-income assistance programs.

Data Used in Estimating Eligible Customers

In order to estimate the number of eligible families and small households served by all regulated water utilities, the DWA utilized both the 2000 U.S. Census²⁰ data as well as the 2006 U.S. Census American Community Survey (2006 ACS) data for the regions in which the water utilities operate in.²¹

Although this information is the best available to DWA, at no cost, the reader should understand, that there are limitations to the analysis performed by DWA: 1) the income and geographic detail of both the 2000 and 2006 Census data is limited; 2) DWA uses the income guidelines for a household of 1-2 and a family of four as benchmarks, which may result in an over-or

²⁰ U.S. Census Data from Census 2000 Summary File 3 (SF3) – Sample Data. Used Detailed Table P52 – Household Income in 1999 to determine eligible households and Detailed Table P76 – Family Income in 1999 to determine eligible families.

²¹ U.S. Census Data from the 2006 American Community Survey, Detailed Tables B19001 – Household Income and B19101 – Family Income. The U.S. Census defines a family as a group of two or more people residing together who are related. For this reason, DWA used the Household measures to determine an estimate of eligibility for the 1-2 person household. (<http://factfinder.census.gov/>)

Assessment of Water Utility Low-Income Assistance Programs October 2007

understatement of the actual eligible population; and 3) the areas covered by the Census Bureau are not exact matches to the service territory boundaries of the water utilities, which may also over-or understate the actual eligible population.

Even though neither estimate of eligibility is perfectly accurate, the DWA recommends that the results based on the 2006 ACS be used in the present analysis, due to the fact that this is a more recent source of data, therefore is more illustrative of the current measure of low-income residents in the water utility service territories.

DWA's estimate of how many households of 1-2 members would be eligible for assistance provides an estimated floor for the number of eligible customers. For purposes of this analysis, DWA assumes that a household of 1-2 members has qualifying low-income income guidelines of \$29,300²², and a family of 4 members has income guidelines of \$41,500²³ (Table 4). Since the U.S. Census provides ranges of dollars earned by households and families, DWA used the range in which the CARE income guidelines fell. For example, a household of 1-2 falls in the U.S. Census range of \$25,000 to \$29,999. Therefore, this range was used to determine the percentage number of households at the 1-2 member level. Also, the estimated eligibility excludes residents of Multi-Family Housing Units (MFHU), since they are currently not eligible to receive assistance from water utilities (discussed further in Section 3 of this report).

It is important to note that the eligibility estimates for an individual district of a multi-district Class A water utility or the individual company measures for a Class B, C, and D water utility may be very different from the average for a particular utility or for all the Class B, C, and D water utility as a whole, given the different geographical area these service territories are part of. Individual districts or small companies may have a lower or higher percent of residents that are eligible for assistance than the overall averages. For example, even though the average family eligibility for California Water Service is 32.8% (based on 2006 data), the results for that utility range from 18.8% - 51.6%. Similarly, even though the average percent of families eligible for Class B, C, and D water utilities (based on 2006 data) is 31.2%, the individual results range from 18.8% to 52.3%.

Even when the data limitations and estimation shortcomings are considered, this estimate is the best that could be performed internally. If, in the future, the Commission would like a more exact

²² This figure is \$25,600 for Golden State Water, since it uses the CARE income guideline of approximately 175%.

²³ This figure is \$36,300 for Golden State Water, since it uses the CARE income guideline of approximately 175%.

measure of the eligible population, it may hire a demographics consultant, as has been done by the Energy utilities each year to estimate their eligible populations.

Methodology

DWA estimated how many households at the 1-2 member income level would qualify in order to illustrate what the floor for the number of eligible customers would be. DWA then estimated how many families at the 4 member income level, would be eligible for assistance. This analysis provides a very broad approximation of how many households of regulated water utilities may qualify for water low-income assistance.

The number of eligible households (1-2 member income level) was estimated by applying the percentage of households in the utility service territories earning less than \$29,999 to the Total Residential customers served by each utility.²⁴ The number of eligible families (4 member income level) was estimated by applying the percentage of families in the utility service territories earning less than \$44,999 to the Total Residential customers served by each utility.²⁵

The figures in Tables 5A, 5B, and 5C were adjusted to exclude residents of MFHU, since they are currently not eligible to receive assistance from water utilities (discussed further in Section 3 of this report).

Results Based on 2006 ACS Data

As shown in Table 5A, an estimated 23.5%, or 289,011 households out of a total 1,230,366 Residential customers in the Class A service territories or an estimated 30.4%, or 373,455 families in the Class A service territories, would qualify for low-income assistance. An estimated 23.6% of households or 31.2% of families in the Class B, C, and D service territories would qualify for low-income assistance. These estimates are comparable to California as a whole, with approximately 24.0% of California households earning less than \$29,999 and approximately 31% of California families earning less than \$44,999.

²⁴ All Class A water utilities were asked to provide the number of Residential customers served by the utility. For that utility that did not respond to the data request (California Water Service) DWA used the most detailed customer information available in the Annual Report to the CPUC, which is a combination of Residential and Commercial customers. For these utilities, the number of estimated eligible customers is somewhat higher than it would be if Residential only customer figures had been provided.

²⁵ This figure is \$39,999 for Golden State, since it uses the 175% income guidelines.

Table 5A - Estimated Eligible Households & Families Based on 2006 ACS Data²⁶

Company	Total Residential Customers²⁷	Eligible Household Percentage	Eligible Household Customers @ 1-2	Eligible Family Percentage @ 4	Eligible Family Customers
California Water Service²⁸	439,312	24.9%	109,217	32.8%	144,010
Golden State	198,429	24.0%	47,639	28.0%	55,505
California-American	152,349	24.8%	37,744	33.1%	50,491
San Jose	194,924	16.6%	32,443	20.6%	40,165
Suburban	71,035	24.7%	17,578	33.1%	23,528
San Gabriel Valley	86,628	26.5%	22,980	36.0%	31,160
Park/Apple Valley	42,801	26.5%	11,354	36.0%	15,395
Valencia	25,125	26.9%	6,767	36.3%	9,129
Great Oaks	19,763	16.6%	3,289	20.6%	4,072
Class A Weighted Average/Total	1,230,366	23.5%	289,011	30.4%	373,455
Class B, C, D Average	57,895	23.6%	13,683	31.2%	18,050

Results Based on 2000 U.S. Census Data

By utilizing 2000 U.S. Census Data (Table 5B), approximately 27%, or 336,037 households out of a total 1,230,266 Residential customers in the Class A service territories would qualify for low-income assistance at the 1-2 member household level, while approximately 36%, or 443,686 families

²⁶ DWA estimated Golden State's eligibility based on income guidelines of approximately 175%. DWA estimated all other utilities' eligibility based on income guidelines of approximately 200%.

²⁷ Source: Utility Data Responses and 2005 and 2006 Annual Reports to the Commission.

²⁸ California Water Service's total number of residential customers includes commercial customers. California Water Service did not respond to DWA's data request, dated September 21, 2007, wherein DWA requested the number of their residential customers.

Assessment of Water Utility Low-Income Assistance Programs October 2007

in the Class A service territories would qualify for low-income assistance at the 4 member family level. As a whole, approximately 28% of California households earn less than \$29,999, which is comparable to the results for 1-2 member households in the Class A water service territories. As a whole, approximately 38% of 4 member California families earn less than \$44,999, which is slightly higher than the percentage of 4 member families living in Class A water service territories. Also, a higher percentage of residents of Class B, C, and D service territories (approximately 33% of 1-2 member households and 43% of 4 member families) would qualify for low-income assistance than would have in California as a whole.

Table 5B - Estimated Eligible Households & Families Based on 2000 U.S. Census Data²⁹

Company	Eligible Household Percentage	Eligible Household Customers	Eligible Family Percentage	Eligible Family Customers
California Water Service	29.8%	131,103	38.8%	170,370
Golden State	27.5%	54,474	31.9%	63,368
California-American	36.8%	56,099	48.4%	73,750
San Jose	15.3%	29,912	22.2%	43,181
Suburban	23.4%	16,656	35.4%	25,135
San Gabriel Valley	29.7%	25,768	44.4%	38,421
Park/Apple Valley	37.6%	16,077	49.9%	21,364
Valencia	13.7%	3,436	15.4%	3,858
Great Oaks	12.7%	2,512	21.5%	4,240
Class A Weighted Average/Total	27.3%	336,037	36.1%	443,686
Class B, C, D Average	32.7%	18,940	42.8%	24,770

Comparison

One obvious difference between the estimated results based on 2006 data versus 2000 data is that overall; the estimated number of eligible customers is lower using the more recent data. Class A household eligibility is lower by approximately 16 % and family eligibility is lower by approximately 19%. The difference between Class B, C, and D measures based on 2006 versus 2000 data are even more material—household eligibility is approximately 28% lower and family eligibility is

²⁹ As discussed earlier in this chapter, income guideline levels used to determine estimated eligibility based on either approximately 200% or 175% of the Federal Poverty Level. All Class A water utilities that have assistance programs in place, except for Golden State, utilize the 200% figure.

**Assessment of Water Utility Low-Income Assistance Programs
October 2007**

approximately 27% lower using 2006 data. As discussed above, these measures are limited and are only meant to provide a broad approximation of the possible number of customers eligible for low-income programs. The wide range of results between those based on 2006 data and those based on 2000 data support the recommendation that a professional assessment be performed to determine more accurate estimates.

Table 5C – Comparison of Eligibility Estimates

Utility	1-2 Member Households Based on 2006 ACS	1-2 Member Households Based on 2000 U.S. Census Data	Families Based on 2006 ACS	Families Based on 2000 U.S. Census Data
California Water Service	109,217	131,103	144,010	170,370
Golden State	47,639	54,474	55,505	63,368
California-American	37,744	56,099	50,491	73,750
San Jose	32,443	29,912	40,165	43,181
Suburban	17,578	16,656	23,528	25,135
San Gabriel Valley	22,980	25,768	31,160	38,421
Park/Apple Valley	11,354	16,077	15,395	21,364
Valencia	6,767	3,436	9,129	3,858
Great Oaks	3,289	2,512	4,072	4,240
Class A Weighted Average/Total	289,011	336,037	373,455	443,686
Class B, C, D Average	13,683	18,940	18,050	24,770

Estimating Participation Rates

DWA's estimate of participation rates is subject to the same limitations as estimating the number of eligible customers because one of the variables used to calculate these penetration rates is the estimated eligible customers. Table 6 shows the estimated participation rates for those Class A water utilities that have low-income assistance programs in place. DWA estimated this participation rate by dividing the number of customers that currently participate (per utility data responses) in the water low-income programs by the number of estimated eligible customers determined by DWA using 2006 ACS data (Table 5A). These participation rates range from a low of 0.8% in 2006 for Great Oaks to a high of 37.6% in 2007 for San Gabriel Valley. The weighted average participation rate based on responding water utilities averaged 15.2% in 2006 and averages 16.1% in 2007.

Table 6 - Participation Rates by Utility³⁰

Company	Participants at 12/31/2006	Participation Rate at 12/31/2006	Participants in 2007	Participation Rate 2007
California Water Service	No Response	No Program	No Response	No Response
Golden State	13,179	23.7%	13,179	23.7%
California-American	852	1.7% (Not all districts had program in place)	2,433	4.8%
San Jose	2,529	6.3%	2,953	7.4%
Suburban	No Program	No Program	No Program	No Program
San Gabriel Valley	11,676	37.5%	11,719	37.6%
Park/Apple Valley	932	6.1% (Not all districts had program in place)	2,417	15.7%
Valencia	No Program	No Program	249	2.7%
Great Oaks	34	0.8%	109	2.7%
Class A Weighted Average	29,202	15.2%	33,059	16.1%

Recent Historical Costs of Low-Income Programs Provided

The cost of providing a water low-income rate assistance program includes the dollar amount of the discount provided, as well as any associated administrative costs incurred in the provision of the

³⁰ Based on data from the 2006 ACS and utility data responses.

Assessment of Water Utility Low-Income Assistance Programs October 2007

program. The benefits of these programs is shown in Table 1 of this report, which include various levels of discounts on part or all of a qualifying customers' bill.

DWA requested the actual cost data from all of the Class A water utilities. To date, all but one utility has responded. Of those that have responded, the costs range from a low of \$724 in 2006 for Great Oaks to a high of \$1,090,457 for San Gabriel Valley (Table 7). As of mid-year 2007, the costs range from \$2,217 for Great Oaks and a high of \$636,606 for San Gabriel Valley. The utilities were also asked to break out the total cost between the discount amount and administrative costs. Of those that responded to this question, administrative costs range from zero for Great Oaks (with just 34 participants in 2006) to approximately 10% for Golden State in 2006 and approximately 61% for California-American in 2007.³¹

³¹ Cost of 2006 Golden State Low-Income program: \$620,000 (Discount) + \$68,000 (Admin) = \$688,000
Admin Cost as Percent of Total = \$68,000/\$688,000 = 9.9%.

Cost of 2007 California-American Low-Income program: \$20,043 (Discount) + \$31,665 (Admin) = \$51,708
Admin Cost as Percent of Total = \$31,665/\$51,708 = 61.2%.

Assessment of Water Utility Low-Income Assistance Programs
October 2007

Table 7 – Actual Costs of Water Low-Income Assistance Programs³²

Company	Total 2006 (Incl. Admin. Costs)	Admin Costs	Participants in 2006	2007 To Date³³ (Incl. Admin Costs)	Admin Costs	Participants in 2007
California Water Service	No Program	No Program	No Program	No Response	No Response	No Response
Golden State	\$688,000	\$68,000	13,179	\$541,000	\$34,000	13,179
California- American	\$7,663	Not Tracked	852	\$51,708	\$31,665	2,433
San Jose	\$184,836	\$54,739	2,529	\$117,784	\$31,470	2,953
Suburban	No Program	No Program	No Program	No Program	No Program	No Program
San Gabriel Valley	\$1,090,457	Only Total Cost Provided	11,676	\$636,606	Only Total Cost Provided	11,719
Park/Apple Valley	\$45,567	\$1,717	932	\$53,839	\$5,313	2,417
Valencia	No Program	No Program	No Program	\$10,760	\$6,446	249
Great Oaks	\$724	\$0	34	\$2,217	\$0	109
Total	\$2,017,247	\$124,456	29,202	\$1,413,914	\$108,894	33,059

³² As a percentage of total program costs, administrative costs range from 0% to approximately 61%. For example, administrative costs were approximately 30% of total program costs for San Jose Water and approximately 4% of total program costs for Park/Apple Valley in 2006.

³³ Cut-off dates for utility responses varied, with some the end of June 2007 while others were the end of July 2007.

Assistance Programs Offered to All Class A Water Utility Customers

In addition to providing programs that are only offered to qualifying low-income water utility customers, there are also programs available to all customers of the utility that also provide assistance to low-income customers.

The majority of Class A water utilities offer some form of assistance with water conservation efforts, which may include education, rebates for water efficient appliances, and water audits of homes and businesses.

All regulated water utilities also offer assistance to all customers that are in imminent danger of having their water shut-off. In cases such as these where a customer is having trouble paying their bill, the utility can set up an alternative bill paying schedule for the customer.

Chapter 3 - Affordability for Residents of Multi-Family Housing

Residents of master-metered multi-family housing units (MFHU), such as apartment houses and mobile home parks, are currently excluded from eligibility for many private and public water utility low-income rate assistance programs. These residents are not directly billed by the water utility for service, so there is no direct customer connection between the resident and the utility.

California

Residents of master-metered MFHU served by CPUC-regulated water utilities are currently excluded from eligibility for water utility low-income rate assistance because of the current interpretation of the PU Code. PU Code § 739.8 makes provision for low-income assistance to “ratepayers” of regulated water utilities. Since residents of MFHU’s are “users” of water and not ratepayers (the landlord is the ratepayer), they are currently excluded from consideration for assistance under PU Code § 739.8. An estimated 27.2% of the population living in the Class A service territories live in MFHU, while an estimated 9.0% of those living in Class A service territories both live in MFHU and qualify for low-income assistance (based on the 4 member family).³⁴ This group of MFHU residents was excluded from the estimated number of eligible water utility customers shown in Table 5A, 5B, and 5C of this report and from the calculation of estimated cost in Tables 8, 8A, and 9.

Even though residents of MFHU are not eligible for low-income rate assistance, water conservation tips and literature are available to them online at most water utility websites. Also, if a municipal water agency supplies water to the utility that serves them, that municipal agency may offer rebates for the purchase and installation of certain low-flow plumbing fixtures to residents of MFHU, even if they are not customers of the regulated water utility.

Programs in Other Jurisdictions

Staff investigated whether other jurisdictions, including both public and private water distribution utilities, were able to resolve the problem of providing water rate assistance to low-income customers living in master-metered MFHU. Based on this research, DWA determined that no stand-alone water distribution utility provides rate assistance to low-income residents of master-metered MFHU. The only water distribution utilities that have resolved this issue are part of a multi-utility municipal provider, such as the Los Angeles Department of Water and Power (LADWP), where the

³⁴ DWA combined the eligibility estimates based on the 2006 ACS (Table 5A) with 2000 U.S. Census data that measured the number of residents of multi-family housing in the water utilities service territories.

Assessment of Water Utility Low-Income Assistance Programs October 2007

water and power are provided and billed by the same entity, so that the residents of a non-metered water MFHU is identified and provided assistance for their water usage through their metered power service. As discussed in the previous section, municipal water suppliers do, on occasion, offer rebates for the purchase and installation of certain low-flow plumbing fixtures to residents of MFHU, even if they are not customers of the municipal water distribution utility.

Chapter 4 - Alternatives for Improving Existing Programs

Many alternatives exist for paying for and administering water low-income assistance programs, as well as the type of assistance offered. Staff discusses many of these alternatives below, recommending the most viable ones.

Pooling Program

As part of a pooling program, revenues would be collected from all regulated water utilities to support the water low-income rate assistance program. These revenues could be collected via a surcharge and put into one “pot.” Each company could make a claim for the costs it incurred in the operation of its low-income programs. This pooling program would be similar to the ULTS program that collects funding from all consumers of all intrastate telecommunications carriers to support discounted basic residential telephone service available to low-income consumers. In this fashion, all non-participating customers would bear an equal burden to support the low-income programs. While the ULTS funds are remitted to and managed by the Commission, one of the large Class A water utilities could manage the fund and administer the program, under the oversight of the Commission.

In order to estimate the cost of a pooled low-income assistance program to non-participating customers, the DWA utilized both the 2006 ACS³⁵ (Table 5A) as well as 2000 U.S. Census³⁶ (Table 5B) data for the regions in which the water utilities operate in. This data has been adjusted in two ways: 1) DWA assumes a 72% participation rate, based the current average participation rate in the Energy CARE program³⁷; 2) DWA assumes a discount of \$7.50 per month per qualifying customer, based on a review of discounts offered by Class A water utilities in currently authorized assistance program; and 3) Since low-income rate assistance is not currently offered to residents of MFHU served by regulated California water utilities, DWA excludes the estimated number of MFHU residents from this cost estimate.

³⁵ U.S. Census Data from the 2006 American Community Survey, Detailed Tables B19001 – Household Income and B19101 – Family Income. The U.S. Census defines a family as a group of two or more people residing together who are related. For this reason, DWA used the Household measures to determine an estimate of eligibility for the 1-2 person household. (<http://factfinder.census.gov/>)

³⁶ U.S. Census Data from Census 2000 Summary File 3 (SF3) – Sample Data. Used Detailed Table P52 – Household Income in 1999 to determine eligible households and Detailed Table P76 – Family Income in 1999 to determine eligible families.

³⁷ Therefore, in order to estimate the cost of a low-income assistance program at 72% participation, the estimate of total customers eligible, as shown in Tables 5A and 5B, are multiplied times 72%.

Assessment of Water Utility Low-Income Assistance Programs October 2007

DWA used the average participation rates of the four largest energy utilities as a proxy for developing the pooling cost estimates, instead of ULTS penetration rates, because the definition of a household for participation in the water programs is more similar to that of the energy utilities.³⁸ The energy utilities have achieved this rate during the last 6 years of aggressive rapid deployment outreach and DWA believes the water utilities could eventually reach similar participation rates. Prior to the 2001 rapid deployment program that began during the energy crisis; the average energy utility participation rate was much lower.

As with the eligibility estimates determined in Section 2 of this report (p. 14 and Tables 5A, 5B, and 5C), the reader should understand that the following cost estimate analysis is faced with the same data and analysis limitations as the eligibility estimates.³⁹

The per customer cost figures developed here represent what the rate would be if a flat surcharge was charged to all non-participating customers. This per customer surcharge amount would be different if the Commission were to adopt DWA's recommendation (proposed later in this section) that the surcharge should vary based on the size of the customers' meter. Those non-participating customers with, say, a ¾ - 1 inch meter would pay less than the estimate shown in this analysis, while those non-participating customers with, say, an 8 inch meter would bear a higher cost. This rate structure would better approximate how the low-income program costs are spread to non-participating energy customers on an equal cents per therm and Kwh basis. Energy customers who consume the most energy pay the highest surcharges.

As DWA pointed out earlier, the use of the 2000 and 2006 census data is currently the best independent source available to DWA, at no cost. If, in the future, the Commission would like a more exact measure of the estimated cost of the low-income program, it may hire a demographics consultant, as has been done for the Energy Needs Assessment.

As with the estimation of eligible customers in Section 2 of this report (p.15, Table 5A), the DWA recommends that the results based on the 2006 ACS be used in the present cost analysis, due to the fact that this is a more recent source of data, therefore is more illustrative of the current measure of the cost of a low-income program to non-participating water utility customers.

³⁸ The 72% average is based on information, as of August 31, 2007, provided in the energy utility reports provided to the Commission, by the four large energy utilities, on September 22, 2007.

³⁹ Limitations include: 1) the income detail of both the 2000 and 2006 Census data is limited; 2) DWA uses the income guidelines for a family of four as a benchmark, which may result in an over-or understatement of the actual eligible population; 3) the areas covered by the Census Bureau are not exact matches to the service territory boundaries of the water utilities; and, 4) by using the income guidelines for a family of four, the analysis may include some families with fewer than four members, therefore overstating the results.

DWA Estimated Cost of Pooling Program

Results Based on 2006 ACS Data

In developing a rough estimate of the costs for a standardized low-income assistance program, DWA has reviewed the various discounts currently provided to customers, assessed the costs that may be incurred in the administration of this program, assumed 72% participation by eligible customers (based on the current Energy CARE program participation), and assumed that the program would be funded through the use of a Pooling system in which all non-participating customers would pay the surcharge. For estimation purposes, DWA has assumed a discount figure of \$7.50/qualifying customer/month⁴⁰ and an administrative cost figure of \$5/qualifying customer/year.

Based on these assumptions and inputs, with 72% participation and the exclusion of MFHU residents, the estimated average cost of a low-income rate assistance program to a non-participating customer of Class A water utilities would be \$23.20/year (\$1.93/month) (Table 8). These results are contrasted with the costs of a non-pooled program for individual Class A water utility customers, ranging from \$14.39/year (\$1.20/month) for San Jose Water to \$31.63/year (\$2.64/month) for San Gabriel Valley.

The estimated average cost of a low-income rate assistance program to non-participating customers of Class B, C, and D water utilities is \$30.99/year (\$2.58/month).

By combining these populations into a pooled system for all regulated water utilities in California, the estimated average annual cost would be \$23.48 and the monthly cost would be \$1.96. By pooling the costs, there is only a \$0.03 increase over the average monthly cost to Class A water utility customers, which would offset the cost that some customers might face if they had to pay on an individual company basis.

One also must consider the cost to ratepayers of the individual Class A water utilities. For example, the pooled surcharge would be \$0.68/month less than the estimated monthly cost to non-participating San Gabriel Valley customers (highest estimated individual utility cost/customer), while it would be \$0.76/month more for customers of San Jose Water (lowest estimated individual utility cost/customer). (Table 8)

⁴⁰ Based on a review of current discounts provided by Class A water utilities.

Table 8 – DWA Estimated Cost of Low-Income Programs at 72% Participation Based on 2006 ACS Data

Company	Annual Cost	Annual Cost per Non-Participating Customer	Monthly Cost per Non-Participating Customer
California Water Service	\$9,850,253	\$28.82	\$2.40
Golden State	\$3,796,549	\$17.74	\$1.48
California American	\$3,453,558	\$22.50	\$1.87
San Jose	\$2,747,297	\$14.39	\$1.20
Suburban	\$1,609,337	\$27.43	\$2.29
San Gabriel Valley	\$2,131,323	\$31.63	\$2.64
Park/Apple Valley	\$1,053,040	\$30.40	\$2.53
Valencia	\$624,443	\$27.71	\$2.31
Great Oaks	\$278,544	\$15.97	\$1.33
Total Class A⁴¹	\$25,544,344	\$23.20	\$1.93
Total Class B, C, & D	\$1,234,633	\$30.99	\$2.58
Total Combined Class A, B, C, and D	\$26,778,977	\$23.48	\$1.96

Results Based on 2000 U.S. Census Data

Based on the pooling assumptions above and inputs from the 2000 U.S. Census, the estimated average cost of a low-income rate assistance program to a non-participating customer would be \$28.89/year (\$2.41/month) if only customers of Class A water utilities participated (Table 8A). These

⁴¹ Per Customer Figures are Average for utility Class.

Assessment of Water Utility Low-Income Assistance Programs October 2007

results vary greatly for individual Class A water utilities customers, ranging from \$10.02/year (\$0.84/month) for Valencia Water to \$48.16/year (\$4.01/month) for Park/AVR.

The estimated average cost of a low-income rate assistance program to non-participating customers of Class B, C, and D water utilities is \$42.29/year (\$3.52/month).

By combining these populations into a pooled system for all regulated water utilities in California, the estimated average annual cost would be \$29.39 and the monthly cost would be \$2.45. By pooling the costs, there is only a \$0.04 increase over the average cost to Class A water utility customers, which would offset the cost that some customers might face if they had to pay on an individual company basis.

One also must consider the cost to ratepayers of the individual Class A water utilities. For example, the pooled surcharge would be \$1.56/month less than the estimated cost to non-participating Park/AVR customers (highest estimated individual utility cost/customer), while it would be \$1.61/month more for customers of Valencia (lowest estimated individual utility cost/customer). (Table 8A)

Table 8A – DWA Estimated Cost of Low-Income Programs at 72% Participation Based on 2000 U.S. Census Data

Company	Annual Cost	Annual Cost per Non-Participating Customer	Monthly Cost per Non-Participating Customer
California Water Service	\$11,653,279	\$36.10	\$3.01
Golden State	\$4,334,350	\$20.80	\$1.73
California American	\$5,044,491	\$36.88	\$3.07
San Jose	\$2,953,608	\$15.65	\$1.30
Suburban	\$1,719,248	\$29.89	\$2.49
San Gabriel Valley	\$2,627,965	\$42.28	\$3.52
Park/Apple Valley	\$1,461,273	\$48.16	\$4.01
Valencia	\$263,872	\$10.02	\$0.84
Great Oaks	\$290,049	\$16.74	\$1.40
Total Class A⁴²	\$30,348,136	\$28.89	\$2.41
Total Class B, C, & D	\$1,694,262	\$42.29	\$3.52
Total Combined Class A, B, C, and D	\$32,042,398	\$29.39	\$2.45

Utility Estimated Cost at 72% Participation

In addition to its own estimate, DWA also requested that all Class A water utilities provide an estimate of the annual cost of a low-income rate assistance program at 100% participation. DWA has adjusted these figures to 72% participation, so that they are comparable to DWA’s estimates in Tables

⁴² Per Customer Figures are Average for utility Class.

Assessment of Water Utility Low-Income Assistance Programs
October 2007

8 and 8A (Table 9). To date, all but three utilities have responded. For those utilities that did not respond, DWA used it's own cost estimates based on the 2006 ACS data (Table 8).

Table 9 – Utility Estimated Cost of Low-Income Programs at 72% Participation⁴³

Company	Total Annual Cost	Annual Cost per Non-Participating Customer	Monthly Cost per Non-Participating Customer
California Water Service	\$9,850,253	\$28.82	\$2.40
Golden State	\$990,720	\$4.63	\$0.39
California American	\$464,962	\$3.03	\$0.25
San Jose	\$943,200	\$4.94	\$0.41
Suburban	\$1,609,337	\$27.43	\$2.29
San Gabriel Valley	\$2,232,000	\$33.13	\$2.76
Park/Apple Valley	\$609,623	\$17.60	\$1.47
Valencia	\$14,346	\$0.64	\$0.05
Great Oaks	\$278,544	15.97	\$1.33
Total Class A⁴⁴	\$16,992,984	\$15.44	\$1.29

Comparison

One obvious difference between the estimate based on 2006 data versus 2000 data is that the estimated cost is lower for all Class A water utilities using the more recent data. And, lower still when considering the estimates made by the utilities. As discussed above, these measures are limited and

⁴³ DWA determined Annual and Monthly Cost per Customer by dividing the Total Annual Cost estimated by utility by DWA's estimate of non-participating customers (used in Tables 8 and 8A).

⁴⁴ Per Customer Figures are Average for utility Class.

Assessment of Water Utility Low-Income Assistance Programs October 2007

are only meant to provide a broad approximation of the possible cost of a pooled low-income program. The wide range of results between those based on 2006 data, the 2000 data, and the utility estimates, support the recommendation that a professional assessment be performed to determine more accurate estimates.

As the summary of DWA's and the utilities cost estimates illustrate (Table 10), DWA's estimates are higher than those of the utilities (except for San Gabriel Valley Water). As the process of developing a pooled water low-income program progresses, DWA plans on analyzing and resolving this difference. Until a more detailed analysis can be performed, one should use this information as rough benchmarks for what the range of costs would be for a pooled program.

Table 10 – Summary of Pooled Cost Estimates

Company	Utility Annual Cost Estimate @ 72%	DWA Cost Estimate @ 72% Using 2006 ACS	DWA Cost Estimate @ 72% Using 2000 U.S. Census
California Water Service	\$9,850,253	\$9,850,253	\$11,653,279
Golden State	\$990,720	\$3,796,549	\$4,334,350
California-American	\$464,962	\$3,453,558	\$5,044,491
San Jose	\$943,200	\$2,747,297	\$2,953,608
Suburban	\$1,609,337	\$1,609,337	\$1,719,248
San Gabriel Valley	\$2,232,000	\$2,131,323	\$2,627,965
Park/AVR	\$609,623	\$1,053,040	\$1,461,273
Valencia	\$14,346	\$624,443	\$263,872
Great Oaks	\$278,544	\$278,544	\$290,049
Total Class A	\$16,992,984	\$25,544,344	\$30,348,136
Total Class B, C, & D		\$1,234,633	\$1,694,262
Total All Classes		\$26,778,977	\$32,042,398

Assessment of Pooling Program

One of the foundations for the pooling of the ULTS surcharges is that a number of the small telephone companies operate in areas with large low-income populations. Another is that in certain depressed areas, a large portion of the non-qualifying population may have income just barely over the eligibility guidelines and placing a large surcharge on their bills would be a tremendous burden for them.

A pooling program for the water low-income assistance programs would resolve the issue of providing low-income assistance programs to customers of those utilities with a high percentage of qualifying customers. In a number of cases, the majority of customers served by individual districts of multi-district water utilities or small water utilities would qualify for assistance.⁴⁵ In cases like these, it would be unfair to burden the small percentage of non-participating customers with the cost of supporting the assistance program. With the institution of a pooling program, the qualifying customers could receive assistance and the remaining customers would not be over-burdened with supporting the program.

Since the pooling system would allow for the expansion of the low-income assistance program to all water utilities and assumes a higher participation rate than currently exists (weighted average of approximately 16% Table 6), therefore reaching more qualifying low-income customers, total program costs would be greater than they currently are. This higher cost (higher participation in existing programs and more water utilities instituting programs) would have to be weighed against the benefit to qualifying water low-income customers that are currently not receiving assistance.

Surcharge Based on Meter Size

Currently, the majority of water utilities that provide low-income assistance programs charge a set amount of surcharge to non-participating customers to support the program, no matter what the customers' usage or meter size is (Table 2). Only two utilities base their surcharge on usage. Charging the same amount to all customers no matter how large or small their water usage is appears inequitable. Charging based on usage is an improvement, but that means that the surcharge amount will be different every billing cycle and cannot be applied to Flat Rate customers. In order to resolve both of these concerns, DWA recommends that all water utilities be required to base their supporting surcharge on meter size. In this way, those non-participating customers that have a larger meter (this analysis assumes a larger meter results in higher usage) will pay more than, say, a residential customer with a $\frac{3}{4}$ or 1 inch meter, using less water. Flat rate customers, which are normally restricted to customers with a $\frac{3}{4}$ or 1 inch meter, would be charged a surcharge for that size meter.

This meter-size based rate is more equitable than a set rate surcharge in spreading the cost of the low-income program equally to all customers no matter what their usage. This would be an improvement over the surcharge based on usage because it is simpler to administer, does not change

⁴⁵ Even though average eligibility results are shown in Tables 5A and 5B, the data points that are averaged together that represent the individual districts of multi-district Class A water utilities or smaller Class B, C, and D water utilities may have a lower or higher percent of residents that are eligible for assistance.

from month to month, and can be applied to both metered and flat rate customers. The customer would know what their surcharge would be every month and the utility doesn't have to recalculate the surcharge amount every billing cycle. Also, this rate could easily be determined using the current ratios used in the development of general metered rates that are based on different meter sizes.

Standardized Discount to Qualifying Water Utility Customers

The Commission should also consider developing a standard discount applicable to all qualifying water utility customers, similar to the standard discounts provided through the Energy CARE and the ULTS assistance programs. As illustrated in Table 1 of this report, different programs are currently offered by Class A water utilities; some provide a set discount amount to qualifying customers while others provide a percent discount on the total bill or the service charge. The DWA has not determined what a standard discount should be or whether one is appropriate at this time, but has identified some issues which the Commission could consider in assessing a standard discount, including: 1) Determine whether a standard discount should equate to the same dollar amount or same percentage of the bill from one utility program to another; and 2) Determine a consistent and equitable discount to all water utility customers while still allowing for consideration of company specific requirements. These and other relevant issues could be addressed in some form of Commission proceeding, which would provide an opportunity for all interested parties to offer alternatives and comment on the issues raised.

Billing Alternatives

Water utilities can adjust how it bills a low-income customer. Some low-income customers find that it is easier to budget and set aside the funds for a monthly bill instead of bi-monthly or quarterly billing, thus avoiding rate shock at the end of a two or three month period.⁴⁶ Currently, all classes of water utilities regulated by the Commission provide some form of bill-paying assistance to all of their customers when that customer is in imminent danger of having their water shut-off.⁴⁷

⁴⁶ Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-Income Water Customers, A study sponsored by the American Water Works Association (AWWA) Water Utility Council, November 2004, p. 22; and Water affordability and alternatives to service disconnection, Journal, AWWA, October 1994, p. 65.

⁴⁷ Per Rule 11, if a customer initiates a billing complaint or requests an extension of payments within a specific amount of time, or if the customer is elderly, handicapped, or water service is required by a physician, some form of billing assistance is agreed to between the utility and customer, so that the customers' water is not shut-off.

Table 11 – Current Bill Paying Assistance Programs

Company	Rule 11 Assistance	Military Family Relief	Payment Extensions	Installment Payment Plan	Payment Arrangements
California Water Service	✓				
Golden State Water	✓	✓			
California-American	✓				
San Jose Water	✓				✓
Suburban	✓	✓	✓		✓
San Gabriel Valley	✓		✓	✓	✓
Park/AVR	✓		✓		
Valencia	✓				✓
Great Oaks	✓				

Another aid is the averaging of usage for a 12-month period, often called leveled billing, so instead of having to pay varying amounts during the different seasons of the year, the customer pays the same amount every month, which helps the low-income customer in scheduling and budgeting for their water bill.⁴⁸

The budget and average billing assistance programs can be provided by any water utility. The program would consist of a simple process in which a customer requests assistance with paying a bill, a determination by the utility and customer is made as to whether budget or average billing is preferable, and both parties sign an agreement to abide by the terms of the billing assistance program. If the customer does not abide by the agreed to payment plan, they would be required to return to a normal billing plan. Any billing assistance program would have to be authorized by the Commission.

These latter payment plans may be counter to conservation objectives to certain customers (i.e., price signals linked to water usage), but in general, are good for both the utility and the low-income customers. With an alternative billing plan in place, the utility can rely on a stable income stream

⁴⁸ Thinking Outside the Bill: A Utility Manager’s Guide to Assisting Low-Income Water Customers, A study sponsored by the American Water Works Association (AWWA) Water Utility Council, November 2004, pg. 22 -23.

from these customers and the customers' bill will be a constant amount, which, as a known quantity, is easier to budget for. Also, billing assistance programs benefit all customers – not just qualifying low-income customers but any customers that may desire a set amount to pay each month.

It is important for the water utilities to ensure that all their customers are aware that billing assistance programs exist and are available to them.

Assistance with Imminent Shut-Off

All regulated water utilities in California have a standard form of assistance for those facing imminent shut-off of their water service. This assistance, identified as Rule 11, states, in part, that if a customer initiates a billing complaint or requests an extension of payments within a specific amount of time, or if the customer is elderly, handicapped, or water service is required by a physician, their water will not be shut off and some form of payment arrangement may be set up. In addition to Rule 11, some Class A water utilities provide this same assistance to military families.

In its current format, this rule requires that the customer request assistance from the utility. Because of Rule 11, customers have been allowed to set up payment plans and avoid having their water shut off. On occasion, though, a customer has requested assistance and was told there was nothing that could be done (in violation of Rule 11).

In order to ensure that each and every customer is provided with assistance if they are having trouble paying their bill and are in imminent danger of having their water service shut off, the service provided under Rule 11 should become more proactive. The Commission could provide a standard revision to Rule 11, requiring the water utilities to contact a customer automatically if they are in imminent danger of having their water shut off and not wait for the customer to contact them. This may require some extra time on the part of water utility customer service staff to develop a tracking program and then contact the customer. In the long-run, this method would likely save time spent by the customer service staff as well as other administrative and field staff that would have been called to shut-off and then re-connect a customer.

As with the bill-paying assistance, the shut-off assistance program benefits a larger population – not limited to just qualifying low-income customers but could also be provided to customers that may temporarily need such assistance. It is important, though, for the water utilities to ensure that all their customers are aware that shut-off assistance programs exist and are available to all customers.

Assessment of Water Utility Low-Income Assistance Programs October 2007

This program will also save time and trouble for the water utility customer, since they will not have to take the time and effort to have their water turned back on and will not have a record on their credit report of not paying a bill.

Leveraging

Leveraging is defined as two entities working together to provide service in a more efficient manner. Instead of individual entities, such as two utilities, or a utility and a government agency, etc. developing individual conservation programs and making two separate visits to a customer's residence to install conservation equipment, they could coordinate the deployment of the conservation programs, thereby making only one visit to the low-income customer's home. Utilities could also jointly fund programs and produce joint advertisements and notifications of program availability in order to reduce the overall cost of these programs, as well as build awareness for two instead of just one program. Outreach, enrollment and implementation costs could all be reduced. In this way, there is no duplication of efforts, the utilities save money by coordinating their efforts, and the customer is not inconvenienced by having to wait for a utility representative at their residence on two separate occasions.

The regulated energy utilities operating in California have already instituted this type of coordinated effort as part of their low-income assistance programs, including a coordinated outreach effort to potential CARE and LIEE customers, contracted providers of low-income energy efficiency services, and the Department of Community Services & Development's network of CBO's which provide LIHEAP.⁴⁹ In order to serve the low-income community as effectively as possible with the funds available, the Commission authorized four leveraging scenarios in D.01-05-033: 1) the purchase of energy efficient refrigerators and air conditioners in bulk by the utilities, which are then installed by a LIHEAP provider, which allows for LIHEAP funding of additional weatherization; 2) utility contracts with a LIHEAP agency to provide its LIEE program, using funds from both LIEE and LIHEAP; 3) development of a Memorandum of Understanding (MOU) between a utility and a LIHEAP provider to coordinate the LIHEAP and LIEE efforts for an individual customer or a low-income neighborhood in the utility's service territory; and 4) that all funds expended for these leveraged programs be used exclusively in the area served by the regulated energy utility.⁵⁰

⁴⁹ CPUC D.01-05-033, D.02-07-033, and D.03-02-070.

⁵⁰ CPUC D.01-05-033, pg.23-24.

Assessment of Water Utility Low-Income Assistance Programs October 2007

These programs not only allow for the coordinated provision of low-income assistance programs, but also the coordinated funding of them as well, allowing each program's funds to assist more people than either program do by themselves.

Many Class A water utilities already coordinate with their wholesale water agencies to provide water conservation information and products to their customers.

Options that Commission-regulated water utilities could institute include the coordination by energy and water utilities, and LIHEAP, to deploy energy and water conservation tools at the same time or the sharing of customer data in order to identify low-income customers served by both utilities in order to assist in enrolling eligible customers in all the utility low-income rate assistance programs they qualify for. Even without a low-income directed water conservation program similar to the LIEE program in place, energy utilities already provide certain water conservation items to their qualifying low-income customers, such as low-flow shower heads, faucet aerators, and hot water tank and pipe insulation in order to save energy in the production of hot water. With this extra effort on the part of the energy utilities, these water customers treated with LIEE assistance are already saving water as well as energy, through the implementation of these conservation tools. Even with these efforts by the energy utilities, further water conservation efforts could be offered by water utilities, including installation of cold water conservation measures.

Another possible option, that of the sharing of customer information, would identify income – qualified customers that are served by both the energy and the water utility. Energy utility low-income programs have been in operation for many years; with 67% to 76% of their eligible customers participating in CARE.⁵¹ Also, since energy service is normally sub-metered, the energy utility list of qualifying customers would include some residents of MFHU's whose water is master-metered. This exchange of customer data would increase the effectiveness of the water low-income program by reaching those customers that either don't know that assistance is available or are master-metered residents of MFHU. However, energy utilities could also benefit because some of the water program participants may not be participating in CARE. This option is explored further under the Automatic Enrollment Section of this report.

A coordinated effort between energy and water utilities, and LIHEAP; and water utilities and the wholesaler water agencies, benefits everyone involved, including customers. Even though there will be some need at the inception of this effort to develop a program, once it is in place, it will save

⁵¹ Utility Monthly Reports on CARE and LIEE, August 21, 2007.

the utilities money by reducing the staffing and dollars spent by each individual utility and will provide the customers with all the information and tools they need to become conservation conscious in one visit. The DWA encourages the Commission to require both energy and water utilities to engage in coordinated conservation efforts, where service areas overlap. For example, California Water Service operates, in part, in PG&E's service territory, and Park/AVR operates in SCE's and SCG's service territories.

Automatic Enrollment

Automatic enrollment would allow the water utilities to enroll qualifying customers in their low-income assistance program without the customer ever having to request the service or fill out a form. The water utility would access the name and address data of customers from other utility low-income rate assistance program participation, in order to determine if the water customer qualified for water low-income assistance. This information on whether the customer qualifies could be provided by energy utilities that operate in the same service area or by government agencies that provide assistance to low-income residents, like LIHEAP. The main hurdle to instituting a program like this is how to address the issue of privacy.

One of the sources of personal information in past proposals has been the Medicare/Medicaid program, administered by the California Department of Public Health (CDPH). CDPH has voiced concern that sharing this information would violate the Health Insurance Portability and Accountability Act (HIPAA), which requires the protection and confidential handling of protected health information. To date, no resolution for this concern has been achieved. The Department of Community Service and Development (DCSD) and the administrator of LIHEAP regularly share participant information, and the energy utilities automatically enroll customers based on shared information between them.

Automatic enrollment plans would allow for greater participation by qualifying customers and would increase the penetration level for low-income programs. The very serious and essential hurdle to overcome is when an agency wants to institute automatic enrollment to address the issue of privacy. Both the law and common courtesy require that the privacy of the customers be protected. However, these concerns are not insurmountable and water utilities located in a CPUC-regulated energy utility's service area could share participant information pursuant to an order of the Commission. In addition, water utilities may be able to enter into a memorandum of understanding or a contract with DCSD, as the energy utilities have done, to share participant information to achieve automatic enrollment.

Sliding Income Scale with Diminishing Discounts

Water utility customers, such as the working poor and the elderly that are on a fixed income, may find it difficult to pay their bills. If these customers are not eligible for low-income assistance, not only do they not receive assistance; they also have to pay the surcharge to support the program. Even though they don't qualify for full assistance under the current income guidelines, a sliding scale program could be set up that provides them with some discount, albeit less than that offered to qualified low-income customers. For example, a customer whose income is at, say, 225% of the federal poverty level could receive 75% of the full discount offered to qualifying customers, and a customer whose income is at 250% of the federal poverty level could receive 50% of the full discount offered to qualifying customers. These customers could also be deemed exempt from paying the surcharge to support these programs.

Another option would be to implement a program for water customers that is similar to FERA, the energy assistance program for families of three or more that have a total household income between approximately 200% - 250% of the federal poverty guidelines.⁵² FERA exempts these qualifying households from Tier 3 rates for their electric usage.⁵³ This program provides these families relief from some of their energy burden, but still provides a conservation incentive because their electric usage beyond Tier 3 levels would be billed at the Tier 4 and 5 rates. A FERA-type water program could provide a similar type of discount (up to a certain level of usage) to families of three or more with qualifying household income⁵⁴. This would provide some assistance to those that are just outside the qualifying income levels for current water low-income assistance programs.

Either of these additional assistance programs would increase the number of customers that could receive valuable assistance. This would increase the cost to those that don't qualify for the programs, but additional needs-based households would receive assistance, easing their overall financial burden.

Voluntary Assistance and Community Action

A number of private and public water utilities provide assistance to low-income and needs-based customers that is funded through voluntary customer, corporate, and community contributions. Some programs provide financial assistance while others provide plumbing repair service as well.

⁵² FERA was adopted as a program for large lower-middle-income families in D.04-02-057, Ordering Paragraph 2.

⁵³ Thereby, these qualifying families' electric usage that is between 130% of baseline and Tier 4 levels is billed at Tier 2 rates instead of Tier 3 rates. Tier 2 rates are lower than Tier 3 rates, thereby providing the discount.

⁵⁴ Utilizing FERA qualifying income guidelines of between approximately 200% - 250% of the federal poverty guidelines.

Assessment of Water Utility Low-Income Assistance Programs October 2007

American Waters **H20** program was developed to address the needs of low-income customers. This program provides rate assistance, water conservation devices, and educational pamphlets. Funding for this program is provided by the utility and voluntary contributions from customers and the community. Community organizations, such as the Salvation Army, United Way, and local community action groups assist the utility in administering the program. Currently, **H20** programs that are partially funded by customer and community contributions operate in American Waters service territories in Kentucky, Illinois, Iowa, Missouri, New Jersey, Ohio, Pennsylvania, Tennessee, and West Virginia.

The **Water Access Volunteer Effort (WAVE)**, based in Detroit, Michigan, is a non-profit corporation that provides financial assistance to qualifying low-income residents of Detroit. **WAVE** is funded by voluntary donations from customers of the Detroit Water and Sewerage Department (WSD) and corporations. **WAVE** partners with government, businesses, community organizations and the public to ensure safe and continuous water and sewer service.

The City of Atlanta Department of Watershed Management has instituted the **Care & Conserve** program to provide financial assistance, assistance with plumbing problems, and installation of water conservation devices to qualifying residents. To qualify, the family or individual must be a low-income resident, experiencing a hardship, or having difficulty paying water and sewer bills. The **Care & Conserve** program is funded through voluntary contributions from customer and corporations as well as a grant from the U.S. Department of Housing and Urban Development as a Community Development Project. The City of Atlanta administers the program with the Southeast Energy Assistance – Care & Conserve Fund.

These types of programs could easily be set up in California using the existing programs discussed above as models. During the planning and implementation phases of such a program for all Class A water utilities, the Commission could authorize a pilot program in California-American's districts. Since a number of its affiliates already have programs in place expanding those programs to California-American's California districts should be straight-forward. The results of such a pilot could be used to assist the Commission in designing such programs for the other utilities.

Leak Repair

Leak repair and assistance as well as the purchase and installation of low flow plumbing items reduces the use of water, therefore lowering the quantity charge paid by the customer.⁵⁵ These types of programs are already in place for the low-income water customers in the service areas of Aqua Pennsylvania, Pennsylvania-American⁵⁶, Denver Water, and the Phoenix Water Services Department. Our own utilities operating in California have offered variations on these programs over the years, but not on a consistent basis and not based on a standard authorized program.

As with the voluntary contribution program, this type of program could easily be set up in California using the existing programs discussed above as models. Low-flow plumbing fixtures, such as faucet aerators and low-flow shower heads are relatively low-cost and can be easily installed. Also, leak repair can often be achieved at a relatively low-cost, while the reduction in monthly water bills should be dramatic.

Acquisition

The cost of complying with water quality requirements and replacement of infrastructure is something all water utilities must incur, but a large company has greater economies of scale than a small one, therefore the costs it incurs are lower, comparatively, than those incurred by a smaller company.⁵⁷ Therefore, if a large company purchases a small company, the customers of that small company should benefit from the economies of scale enjoyed by the larger company which translates into lower rates for required services.

DWA actively works with all of the regulated water utilities in an effort to facilitate transactions such as these. Also, PU Code § 2718-2720 provide incentives to the purchasing water utility to acquire small troubled water utilities.⁵⁸

⁵⁵ Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-Income Water Customers, A study sponsored by the American Water Works Association (AWWA) Water Utility Council, November 2004, pg. 19 and 23; Water affordability and alternatives to service disconnection, Journal, AWWA, October 1994, pg. 67-69.

⁵⁶ Pennsylvania-American's H2O – Help to Others Program Assists 5,864 Households in 2001, Pennsylvania-American News Releases, February 1, 2002.

⁵⁷ Information for States on Developing Affordability Criteria for Drinking Water, United States Environmental Protection Agency, February 1998, p.7.

⁵⁸ **2718.** This chapter shall be known and may be cited as the Public Water System Investment and Consolidation Act of 1997.

2719. The Legislature finds and declares all of the following:

(a) Public water systems are faced with the need to replace or upgrade the public water system infrastructure to meet increasingly stringent state and federal safe drinking water laws and regulations governing fire flow standards for public fire protection.

(b) Increasing amounts of capital are required to finance the necessary investment in public water system infrastructure.

(c) Scale economies are achievable in the operation of public water systems.

Participation in Other Utility Assistance Programs

All utilities, be they water, energy, or telecommunications, should encourage their own customers, to participate in the low-income assistance programs of other utilities and federal, state, and local programs that assist with utility bills. The less the customer has to pay for the other bills, the better able they are to pay for that utility's bill.⁵⁹

This program would financially benefit the customer by making them aware of other assistance programs and also benefits the utility by making more customers aware of assistance programs, thereby easing the customers' financial burden - making them more able to pay their utility bill on time and in full.

The only hurdle to overcome is bringing the utilities and agencies together in order to coordinate their information efforts. The LIOB would be a perfect conduit for setting up this type of discussion. Customers could also be provided a link to the Commission's web site where low-income customer assistance information is located.⁶⁰

Community Based Organizations (CBO's)

Water utilities can work with CBO's to ensure that its low-income customers are aware of available assistance programs offered by the water utility.⁶¹ The water utility could also contract with a CBO to help find and enroll its low-income customers in its programs. These same CBO's may also

(d) Providing water corporations with an incentive to achieve these scale economies will provide benefits to ratepayers. **2720.** (a) The commission shall use the standard of fair market value when establishing the rate base value for the distribution system of a public water system acquired by a water corporation. This standard shall be used for ratesetting.

(1) For purposes of this section, "public water system" shall have the same meaning as set forth in Section 116275 of the Health and Safety Code.

(2) For purposes of this section, "fair market value" shall have the same meaning as set forth in Section 1263.320 of the Code of Civil Procedure.

(b) If the fair market value exceeds reproduction cost, as determined in accordance with Section 820 of the Evidence Code, the commission may include the difference in the rate base for ratesetting purposes if it finds that the additional amounts are fair and reasonable. In determining whether the additional amounts are fair and reasonable the commission shall consider whether the acquisition of the public water system will improve water system reliability, whether the ability of the water system to comply with health and safety regulations is improved, whether the water corporation by acquiring the public water system can achieve efficiencies and economies of scale that would not otherwise be available, and whether the effect on existing customers of the water corporation and the acquired public water system is fair and reasonable.

(c) The provisions of subdivisions (a) and (b) shall also be applicable to the acquisition of a sewer system by any sewer system corporation or water corporation.

(d) Consistent with the provisions of this section, the commission shall retain all powers and responsibilities granted pursuant to Sections 851 and 852.

⁵⁹ Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-Income Water Customers, A study sponsored by the American Water Works Association (AWWA) Water Utility Council, November 2004, pg. 25-28.

⁶⁰ <http://www.cpuc.ca.gov/static/lowincomeprograms.htm> .

⁶¹ Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-Income Water Customers, A study sponsored by the American Water Works Association (AWWA) Water Utility Council, November 2004 p. 28; and Water affordability and alternatives to service disconnection, Journal, AWWA, October 1994, pg. 64-65.

be able to assist the low-income customers in determining whether they are eligible for other assistance programs available in their area that the customer may not be aware of. If they are eligible and take advantage of these other programs, it will provide another source of assistance that will help the customer pay their bill.⁶²

As with the coordinated effort discussed in the previous section, this program financially benefits customers by making them aware of available assistance programs, and thereby provides utilities with a more reliable income stream. The LIOB could also be the conduit for discussions between water utilities and CBO's – most likely as part of the coordinated effort discussed in the previous section

LIHEAP for Water?

Currently, local and regional water utility low-income assistance programs exist across the U.S., but there is no nationwide program in place that provides the same type of assistance as the federally-funded LIHEAP, which is available to energy utility customers.⁶³ LIHEAP provides free installation of energy efficiency measures as well as assistance with utility bill payment to eligible low-income customers of energy utilities.⁶⁴

In March of 2004, the NARUC adopted a resolution wherein it resolved to conceptually support and encourage the timely development of effective assistance programs for low-income ratepayers of drinking water systems.⁶⁵ The resolution went on to state that the NARUC Committees on Water and Consumer Affairs would “work closely to develop effective programs to assist low-income water utility ratepayers, considering, but not limited to LIHEAP as a potential model.” As a result of this resolution, NARUC tasked the National Regulatory Research Institute (NRRI) to survey

⁶² Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-Income Water Customers, A study sponsored by the American Water Works Association (AWWA) Water Utility Council, November 2004, p. 28.

⁶³ The LIHEAP is funded through a Block Grant from the Federal Department of Health and Human Services (DHHS), and is administered in California through the California Department of Community Services and Development (CSD). The California CSD partners with the United States Department of Energy (DOE), the DOE Weatherization Assistance Program (DOE WAP), and independent service providers to provide assistance. Income eligibility to receive LIHEAP in California assistance equates to 60% of California's median income.

⁶⁴ The LIHEAP weatherization program provides free weatherization services to improve energy efficiency, such as weather-stripping, insulation, caulking, water heater blankets, and compact fluorescent lamps. The program also provides financial assistance to offset the cost of heating/cooling the home and emergency financial assistance in the case of: 1) an energy-related or life-threatening emergency in the household, 2) receipt of a disconnect notice, or 3) service termination by the utility.

⁶⁵ NARUC Joint Resolution Supporting a LIHEAP-Equivalent to Assist Low-Income Drinking Water Utility Ratepayers, March 10, 2004.

and study various aspects of water utility low-income programs.⁶⁶ Among other issues, the NRRI addressed a possible LIHEAP type program, identified as a Low Income Water Assistance Program (LIWAP). Responses from both regulatory commissions and water utilities were mixed regarding the usefulness of a LIWAP program, with responses ranging from “very useful” to “to a limited extent” to “not useful”.

In assessing the usefulness of a federally funded program, the NRRI stated that a “documented problem” with the LIHEAP is that many of those customers that are eligible do not participate.⁶⁷ NRRI is concerned that a LIWAP might be faced with this same issue. Some possible reasons suggested by the NRRI for the low participation rate include lack of awareness that the program exists, that the amount of assistance provided isn’t worth the effort to enroll, and that some customers are reluctant to accept assistance.

The NRRI also discussed alternatives to a federal low-income water program, stating that programs at the local level are able to address the specific financial concerns of the area they operate in. The NRRI report also mentioned the statewide pooling program that has been under discussion in California as an alternative that addresses the difficulty that some small water utilities might have in supporting low-income assistance programs.

So, the question remains – Should a LIHEAP type program be instituted for low-income customers of water utilities? As the NRRI survey results show, there is no consistent position, either from commissions or water utilities, as to whether a federally-funded program should be instituted. There are also concerns that problems inherent to the LIHEAP will also be evident in a LIWAP.

DWA believes that some solutions to these concerns may include effective outreach, working with local community based organizations, and simplification of the sign-up process. A federally funded program would also benefit non-participating customers by relieving their financial burden of supporting the low-income assistance program in rates.

Outreach

DWA acknowledges that water low-income rate assistance programs have just recently gotten off the ground. However, even so, DWA is concerned with the current participation rates of these programs. Many eligible customers are apparently not aware of the programs or participation rates

⁶⁶This analysis was performed at the behest of the National Association of Regulatory Utility Commissioners (NARUC) Committees on Water and Consumer Affairs.

⁶⁷ NARUC Joint Resolution Supporting a LIHEAP-Equivalent to Assist Low-Income Drinking Water Utility Ratepayers, March 10, 2004, p.16.

would have been higher. DWA recommends that the Commission encourage energy utilities to share successful outreach methodologies with the water utilities, which would assist the water utilities in improving their outreach efforts. The energy utilities have stepped up their outreach over the last six years with dramatic results.

Alternatives for Low-Income Residents of MFHU

As discussed earlier, given the current language and interpretation of the code, assistance to qualifying residents of master-metered MFHU are excluded from receiving low-income assistance from regulated water utilities. Several solutions to this dilemma exist, including: 1) revision of the code via legislation; 2) interpretation of the code by the Commission to include qualifying residents of master-metered MFHU as indirect “ratepayers”; 3) exchange of customer data with energy utilities; and 4) provision of water conservation tools if a certain percentage of master-metered MFHU residents qualified for water low-income assistance.

The code could be revised via legislation, changing the term “ratepayers” to “users of water.” These “users of water” (or non-customers) that qualify, could then apply for the same assistance as ratepayers. Landlords would not need to be involved, because the qualifying non-customer would contact the utility directly to apply for the assistance. A check could then be sent directly to the qualifying non-customer by the utility.

Another alternative could include the provision of customer information from energy utilities to water utilities. Since some MFHU’s are sub-metered for power, such as apartment buildings, energy utilities would have information regarding which residents of MFHU qualify for low-income assistance. This information could be shared with water utilities in order to identify who of their customers would qualify for water utility low-income assistance.⁶⁸ Once these customers were identified, either the energy utility could provide a supplemental discount (paid for by the water utility) or the water utility could directly provide the qualifying resident with the discount. There are some concerns with this alternative. Energy utility customers may be concerned that their privacy is being invaded by providing personal and economic information to another utility. Also, not all regulated water utilities operate in territories served by regulated energy utilities. Since the Commission can’t require municipal energy providers to provide customer information to regulated water utilities, this alternative would not resolve the issue for all MFHU residents.

⁶⁸ Many of the mobile home parks are still master-metered.

Assessment of Water Utility Low-Income Assistance Programs October 2007

A non-rate adjustment alternative to resolving this issue would be to develop a program that provides water conservation tools, such as faucet aerators, low-flow shower heads, and high efficiency toilets, to MFHU's wherein a certain percentage of residents are low-income. This program could be included as part of the above exchange of information with energy utilities, or, regulated water utilities could work with CBO's to identify areas where low-income individuals may reside. MFHU's in those areas could be identified and the CBO or regulated water utility could survey the residents to determine if they qualify for the program. The landlord would be contacted to determine if they were agreeable to the retrofit. Drawbacks of this plan are that the low-income customer does not receive any monetary benefit, and as with the sharing of information from the energy utility, privacy concerns exist in sharing personal and economic data with the water utility.

As we work towards the development of a program to resolve this issue, it is important to remember that, even though there are drawbacks to the alternatives discussed in this report, they remain viable possibilities – the interested parties just need to continue working towards a resolution that will both benefit the residents of master-metered MFHU and protect their privacy.

Chapter 5 - Cost of Low-Income Assistance Program to Remaining Customers

In part, PU Code § 739.8 states that “In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.” Therefore the ability of non-low-income customers to pay for the assistance program and the cost-effectiveness of the program must be determined in the assessment of any proposed program. As discussed in Section 5 with regards to Pooling, the rates of some customers will go down while others would have to shoulder a much higher rate to support the low-income assistance program.

This is not to say that less should be provided to qualifying customers, but that the most should be provided with the funds available and that non-participating customers should not be disadvantaged by the provision of an assistance program. The cost effectiveness and affordability of the various assistance options should be assessed based on a number of criteria; including the cost of the program, any reduced costs to remaining customers, the value of any water saved, the ability of remaining customers to pay for it, policy goals of both the utilities and the Commission, and the laws governing the provision of low-income rates and programs.⁶⁹

⁶⁹ Water Affordability and Alternatives to Service Disconnection, Journal, AWWA, October 1994, p. 71.

Chapter 6 - Water Conservation Order Instituting Investigation (OII)

Currently, all Class A water utilities have some form of a water conservation program in place, though a standard program does not exist. In an effort to address the development and expansion of water conservation programs, how the programs will be paid for, and the effect on and provision to low-income customers, the Commission has instituted an investigation in which it is addressing these and related issues as they relate to Class A water utilities (I.07-01-002).

Of particular interest to the low-income community, Phase II of this proceeding will address the effect of water conservation rate design on as well as the provision of specific conservation programs to low-income customers. Examples of issues/questions that may arise include:

- ◆ If the new conservation rate design includes a lower service charge and the low-income discount is based on a percentage of that service charge, how will an existing low-income discount be maintained while maintaining the new conservation rate design?
- ◆ In order to ensure that water low-income customers are informed about water conservation programs offered by the water utility, the low-income customer could receive notices directed specifically to the low-income community regarding programs offered by the water utility, or the water utility could coordinate with CBO's to educate the community about available programs.
- ◆ In order to provide further rate assistance to low-income customers, water conservation tools, such as faucet aerators or high-efficiency toilets, could be provided at little or no charge to qualifying customers.

As long as low-income discounts are maintained, low-income customers are informed about available conservation programs, and some programs are developed specifically for low-income customers, they will benefit from water conservation efforts by using less water, thereby paying less. The DWA applauds the Commission for addressing these very important issues in the Water Conservation OII. This attention to the low-income population of California is just one more illustration of the CPUC's concern with those in need and its dedication to assisting them.

Chapter 7 - Conclusions and Recommendations

Based on the investigation and assessments discussed above, the DWA recommends that the Commission consider some or all of the alternatives and proposals discussed in this report. In particular, the DWA proposes that the Commission consider institution of a standard water low-income assistance program that would be applicable to all users of water and could be paid for via a pooled fund that is administered by one of the regulated water utilities or in conjunction with a CBO. Such a standard program would address the issue of affordability as well as inclusion of residents of meter-metered MFHU's.

By instituting the alternatives discussed in this report, many more avenues of assistance would be available to both the water low-income community as well as those customers that are temporarily in financial trouble. The majority of these programs would provide material benefits to customers in need. Even though some of the alternatives have drawbacks, the DWA has suggested viable solutions that could be easily instituted. As with any new program, the Commission or other agency that proposes to institute these programs, should perform their own assessment, based on the laws governing regulation of water utilities in their area, the affordability of the program, as well as specific needs/requirements of their customer base, the region it operates in, and the utilities involved. DWA's suggested recommendations to address the many complex issues raised in this report are as follows:

◆ While charging a surcharge based on usage to support a low-income assistance program is an improvement over charging the same amount to all customers, basing the surcharge on usage still means that the surcharge amount will be different every billing cycle and cannot be applied to Flat Rate customers. In order to resolve both of these concerns, DWA recommends that all water utilities with low-income assistance programs base their supporting surcharge on meter size. In this way, those non-participating customers that have a larger meter (this analysis assumes a larger meter results in higher usage) will pay more than, say, a residential customer with a $\frac{3}{4}$ or 1 inch meter, using less water. Flat rate customers, which are normally restricted to customers with a $\frac{3}{4}$ or 1 inch meter, would be charged a surcharge for that size meter. This meter-size based rate is more equitable than a set rate surcharge in spreading the cost of the low-income program equally to all customers no matter what their usage, is an improvement over the surcharge based on usage because it does not change from month to month, and can be applied to both metered and flat rate customers.

◆ Institute bill-paying assistance and make it available to all utility customers. This program allows the water utility to adjust how it bills a customer. The utility can allow the customer to pay their bill on a monthly basis instead of bi-monthly or quarterly, or averages the estimated bill, so that the customer pays the same amount each month.

Assessment of Water Utility Low-Income Assistance Programs October 2007

These alternative payment plans provide a constant bill amount, which is easier for the low-income customer to budget.

◆ As with bill-paying, shut-off assistance is offered to all customers – in this case when the customer is in imminent danger of their service being shut-off. Even though a program is in place, revisions to the program should be instituted, adding a requirement that the water utility contact a customer automatically if they are in imminent danger of having their water shut off instead of waiting for the customer to contact the utility.

◆ The leveraging of outreach and/or conservation efforts between energy and water utilities, and water utilities and wholesalers benefit both customers and the utilities. Even though there will be some need at the inception of this coordinated effort to develop a program, once it is in place, it will save the utilities money by reducing the staffing and dollars spent by each individual utility in the provision of outreach and/or conservation services to their customers and will provide the customers with all the information they need to become water and energy conservation conscious in one visit. The DWA encourages both energy and water utilities to engage in coordinated conservation efforts.

◆ Automatic enrollment would allow for greater participation by qualifying customers and would increase the penetration level for low-income programs. The very serious and essential hurdle to overcome if an agency wants to institute automatic enrollment is how to address the issue of privacy. Both the law and common courtesy require that the privacy of the customers be protected.

◆ Many of the working poor and the elderly that are on a fixed income may not be eligible for current water low-income assistance. Not only would they not receive assistance, but they would also have to pay the surcharge to support the program. Even though implementing a program designed to assist these customers would increase the cost to non-participating customers, providing a sliding scale of discounts and surcharges for these customers that are just outside the income guidelines, additional needs-based customers would receive assistance, easing their financial burden and possibly reduce bad-debt write-offs and collection costs.

◆ Voluntary assistance, funded through customer, corporate and community contributions that provide monetary assistance to both low-income customers as well those customers experiencing temporary financial trouble.

◆ Provision of leak repair service and assistance with the purchase and installation of low-flow plumbing items which help low-income customers reduce their water use, thereby lowering the water service bill they pay.

◆ Through the purchase of a small water utility by a large one, the customers of the small water utility should benefit from the economies of scope and scale enjoyed by the larger company. This should translate into lower rates. DWA actively works with all of the regulated water utilities in an effort to facilitate transactions such as these.

Assessment of Water Utility Low-Income Assistance Programs October 2007

- ◆ Water, energy, and telecommunications utilities should work together to ensure that all of their customers are aware of the other utilities assistance programs. Water utilities should also work with CBO's to ensure that its low-income customers are aware of available assistance programs offered by the water utility. These coordinated efforts would greatly benefit customers by making them aware of available assistance programs.
- ◆ Currently, there is no nationwide program in place that provides the same type of assistance for water utility customers that is provided to energy utility customers through the federally-funded LIHEAP program. Even though there is no consistent position among those surveyed by the NRRI as to whether a water federally-funded program should be instituted, there is no question that this type of assistance would relieve some of the financial burden currently being carried by non-participating customers of water utilities who support the program through rates. The Commission should voice support for the establishment of such a program.
- ◆ PU Code § 739.8 requires, in part, that proposed low-income programs be assessed in light of the ability of non-participating customers to pay for the assistance program. This is not to say that less should be provided to qualifying customers, but that the most should be provided with the funds available and that non-participating customers should not be disadvantaged by the provision of an assistance program. In addition to affordability, the DWA believes that cost-effectiveness, the policy goals of the Commission and utilities, as well as all laws governing the provision of low-income rates, be considered in determining the cost of a water low-income assistance program.
- ◆ In an effort to address the development and expansion of water conservation programs, how the programs will be paid for, and the effect of conservation programs on and provision to low-income customers, the Commission has instituted an investigation in which it is addressing these and related issues as they relate to Class A water utilities (I.07-01-002). Low-income customers will benefit from water conservation efforts by using less water, thereby paying less for water service.
- ◆ DWA recommends that the Commission encourage the energy utilities to share successful outreach methodologies with the water utilities, which would assist the water utilities in improving their outreach efforts.