



CUWA Policy Principles

Water Affordability – September 30, 2015

CUWA's mission is to provide a forum for combining the expertise and resources of its member agencies to advance a reliable, high-quality water supply for the state's current and future urban water needs. CUWA agencies are committed to providing clean and safe drinking water for their customers at all levels of income. The following policy principles summarize CUWA views on water affordability.

- **CUWA agencies serve many disadvantaged customers and therefore recognize that affordability is a major issue in California that must be considered when setting water rates.** Statewide, 20.8% of all households earn an annual income of less than \$24,999 (*U.S. Census Bureau, 2009-2013 5-Year American Community Survey*). Low-income customers typically use less water, but can spend up to 5% of household income on water bills. A recent assessment indicates that the same portion, or about 20%, of CUWA agencies' collective service area is comprised of low-income households. Of the 26 million people in CUWA agencies' service areas, over 5 million are likely struggling with water affordability.
- **CUWA agencies must continue to invest in water supply reliability, yet acknowledge that the associated rising cost of water puts even greater pressure on affordability for low-income households.** CUWA agencies expect the cost of water to further increase to address aging infrastructure, fund demand management programs, and provide safe, reliable, and resilient sources of supply. The scale of aging infrastructure needs is significant – with over \$12 billion in collective expenditures projected by CUWA member agencies over the next 10 years (not including additional expenditures by their retail agencies and the state) – highlighting the persistent challenge of affordability. Statewide, a solution to affordability is needed.
- **CUWA supports access to safe and reliable water for all Californians.** CUWA agencies are committed to providing safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes for all their customers. CUWA agencies are applying a variety of approaches within existing municipal, regulatory, and legislative constraints, to continue making water accessible to low income households in their service areas.
- **CUWA agencies comply with Prop 218, yet recognize it can constrain the application of some utility funds to assist low-income households.** Prop 218 requires charging a fee proportionate to the cost of providing water services, and CUWA supports transparency with cost of service as the basis for water rates structures. At the same time, the proportionality requirement of Prop 218 presents challenges for some agencies to fund dedicated affordability programs. A modification that specifically addresses affordability would enable some water agencies to better meet the local needs of low-income households.
- **CUWA recognizes that pricing mechanisms encouraging conservation can impact water affordability for low-income households and must be carefully considered before implementation.** Pricing mechanisms intended to promote conservation can increase water charges for many users as the fixed costs must be covered for a smaller volume of water. Any such fees on low income households would pose additional challenges for affordability. Once delinquent on water bills, resolving associated debt issues for low income households can be particularly challenging.

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- **CUWA contends that a public goods charge (PGC) is not an effective way to resolve water affordability.** Some have proposed a PGC as a way to raise funds to address unmet statewide water issues. However, a PGC associated with urban water agencies would increase the cost of water service for all users and further exacerbate water affordability issues for low-income households. As noted in the CUWA/CMUA Joint Reliable Water Financing Policy Principles, a PGC could divert funds that would otherwise provide for local water needs and create new inefficiencies. CUWA supports access to safe and reliable water for all Californians, but there are more appropriate ways to meet this important goal. CUWA agencies recommend that the state consider financing alternatives more directly linked to income (e.g., state income or parcel tax) to provide a dedicated fund for affordability.
- **CUWA is committed to identifying strategies that could successfully address affordability within our collective service area.** Given the magnitude of the affordability issue within the population served by CUWA, our agencies are focused on developing community assistance solutions within each agency's service area to the extent legally allowed. Best practices employed to implement or fund these programs include:
 - **Discounted water charges** funded by sources that are unconstrained by Prop 218. Sources include donation programs based on voluntary tax deductible contributions and local non-profit agencies providing community assistance. Such customer assistance programs would make water available at a reduced cost to low-income customers.
 - **Base tier rates** offering a minimal amount of water sufficient for human consumption, cooking, and sanitary purposes (i.e., indoor water use) at a lower cost thereby assisting lower water users, many of whom are low-income customers.
 - **Customer conservation assistance** to reduce demand and water bills by increasing water efficiency within low-income households. Water Savings Assistance Programs have been funded through Prop 84 grant funds.
 - **Partnerships with energy utilities** to provide necessary resources and improve agencies' ability to implement low-income assistance programs, including broadly reaching public education.
 - **Education on the safety and value of utility served tap water** as an inexpensive alternative to bottled water. Consumer savings can go towards household water bills.
- **CUWA's charge is meeting the needs of the State's sizeable low income population that reside within our service areas.** CUWA acknowledges the unique challenges of maintaining affordability in rural areas that are challenged by water quality. We are open to sharing best practices and lessons learned via our website and outreach efforts. At the same time, our priority is to better serve our local populations.