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General Counsel



El Dorado Irrigation District

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Division 1

Pat Dwyer – *Director*
Division 2

Jim Abercrombie
General Manager

In reply refer to: LBP2019-002 and M0119-003

January 31, 2019



Ms. Jeanine Townsend
Clerk to the Board
State Water Resources Control Board
P.O. Box 100
Sacramento, CA 95812-2000

Via Email and U.S. Postal Service
Jeanine.Townsend@waterboards.ca.gov

**Re: Comments on Draft Options for Implementation of a
Statewide Low-Income Water Rate Assistance Program**

Dear Ms. Townsend:

El Dorado Irrigation District (“EID”) appreciates the opportunity to comment on the State Water Resources Control Board’s (“Water Board”) draft report, “Options for implementation of a Statewide Low-Income Water Rate Assistance Program” (“Report”), dated January 3, 2019. EID has actively participated in the Water Board’s outreach efforts during the development of the Report and appreciates the time and effort that Water Board staff and Board Members dedicated to this effort. EID has reviewed the comments submitted by the Regional Water Authority (of which EID is a member agency) and incorporates those comments herein by reference. EID has also reviewed the comments submitted by the Association of California Water Agencies (of which EID is also a member agency) and likewise incorporates those comments herein by reference.

AB 401, the Low-Income Water Rate Assistance Act (the “Act”), required the Water Board, in conjunction with relevant stakeholders, to develop a plan for funding a Low-Income Water Rate Assistance Program. The Act directed the Water Board to include certain specific elements in the plan, including a description of “the method for collecting moneys to support and implement the program,” and a description of the mechanism for providing funding assistance under the program. The Water Board’s Report includes these elements, as required by the Act, and EID commends the Water Board, in particular, for recommending a “method of collecting moneys to support and implement the program,” that avoids adding surcharges directly to the water bills developed by local public water agencies. The Report correctly acknowledges some of the challenges associated with such an approach in Appendix G. Fundamentally, however, beyond the challenges articulated in Appendix G, rate-setting is, and should continue to be, undertaken solely by the local agency itself.



EID strongly objects, therefore, to the Report’s recommendation, included in Appendix L, that the Legislature evaluate, or direct the Water Board to evaluate, options for additional state oversight and direction on how public water systems set rates. Without providing any detail or additional references, the Report states that “the Board has determined that there are multiple ways the state could exert additional oversight over rates without violating Proposition 218, including: providing more detailed guidelines or requirements for cost-of-services studies, developing sales forecasts, and enhancing public process associated with rate increase proposals.” For the reasons set forth below, EID encourages the Water Board to provide substantially more detail regarding these determinations or delete this reference from the Report.

First, it is difficult to understand how the Water Board, which bears no resemblance to a public water agency governed by a locally elected legislative body and which has demonstrated no experience or expertise in the development or evaluation of the costs to provide retail water service could develop more detailed guidelines or requirements for conducting cost-of-service studies. Costs-of-Services studies require a complex understanding of the business of providing water service—something the Water Board unfortunately lacks, as demonstrated by, for example, its emergency regulations mandating conservation targets during the most recent drought. Moreover, legal challenges to the cost-of-service studies developed by local public water agencies and the rates adopted pursuant to those studies have become a cottage industry for plaintiffs’ attorneys. Adding additional requirements on how such studies are accomplished will only exacerbate that problem.

Second, the suggestion that the Water Board could exert additional oversight of a local agencies’ rate-setting by developing sales forecasts is perplexing. EID, for example, already develops annual water sales forecasts based upon locally derived data. It is difficult to understand how the Water Board would add value to that process.

Finally, the Water Board’s assertion that the Water Board could, “enhanc[e] [the] public process associated with rate increase proposals,” is, presumably, well-intentioned. Less clear, however, is whether this statement is also well-informed. In EID’s recent experiences, the public process associated with rate increases is painful and frustrating for everyone involved, both the public and the agency alike. No one wants to learn that their water rates are increasing, and the difficulty on local public water agencies of persuading their constituents to support, or at least avoid protesting, such increases cannot be overstated. The challenge often results in turnover in the elected governing bodies’ membership. If the Water Board can meaningfully add value to that process, EID welcomes the help, but adding additional regulatory or bureaucratic hoops to an already painful process is not likely to improve water affordability for anyone. In sum, EID encourages the Water Board to avoid adding any elements to its draft Report that would impede on the rate-setting authority of locally elected legislative bodies.



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EID appreciates that the Report considers options for improving affordability beyond direct rate assistance (Appendix L), but encourages the Water Board to expand its analysis of the factors driving cost increases in water rates and make recommendations for how to reduce those costs. Section 189.5(d) of the Act states as follows:

“The plan may also include recommendations for other cost-effective methods of offering assistance to low-income water customers besides rate assistance, including billing alternatives, installation of water conservation devices, and leak repair.”

Appendix L adequately addresses billing alternatives, conservation devices and leak repair, but the Water Board should not stop there. The Report identifies several important drivers of water rate increases including increasing supply costs, expanding water treatment standards, higher expectations of operators, climate change adaptation, and necessary capital investments. The report stops short, however, of analyzing whether there are actions that could address those or other cost drivers in order to reduce or mitigate water rate increases for all Californians. EID encourages the Water Board to explore this area further.

In conclusion, EID commends the Water Board for the thoughtful approach it took in developing the Report. The report appropriately avoids making recommendations that would unduly burden the thousands of local public water agencies by requiring surcharges on water bills. EID encourages the Water Board to avoid adding any elements to its draft Report that would impede the rate-setting authority of locally elected legislative bodies. EID also encourages the Water Board to analyze whether there are actions that could address the drivers of water rate increases in order to reduce or mitigate such increases for all Californians.

Thank you for considering these comments.

Sincerely,

A handwritten signature in blue ink that reads 'Jim Abercrombie'. The signature is written in a cursive style with a large, looping initial 'J'.

Jim Abercrombie
General Manager

JA:BP:pj

cc: EID Board of Directors
Brian D. Poulsen, Jr., EID General Counsel
Bob Reeb, Reeb Government Relations, LLC