



Equity, Inclusion, and Affordability Committee

Panel on Cost Containment and Offsets

Item 6a

January 8, 2024

Item 6a

EIA Panel on Affordability

Subject

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

Purpose

- Increase understanding of cost containment strategies while addressing water affordability challenges
- Provide summary observations from the series of water affordability panels.

EIA Panels on Affordability



August 2023

Panel 1: Discussion of member agency programs

October 2023

Panel 2: Metropolitan's role in household water affordability

November 2023

Panel 3: Regulatory requirements impacting costs

January 2024

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

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

Meet the Panelists

Janet Clements

President, One Water Econ

Erin Corvinova

Financial Planning Director at San Francisco Public
Utilities Commission

Greg Pierce

Director, UCLA Human Right to Water Lab; Water
Resources Group



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

SFPUC Affordability Policy and MWD Cost Containment

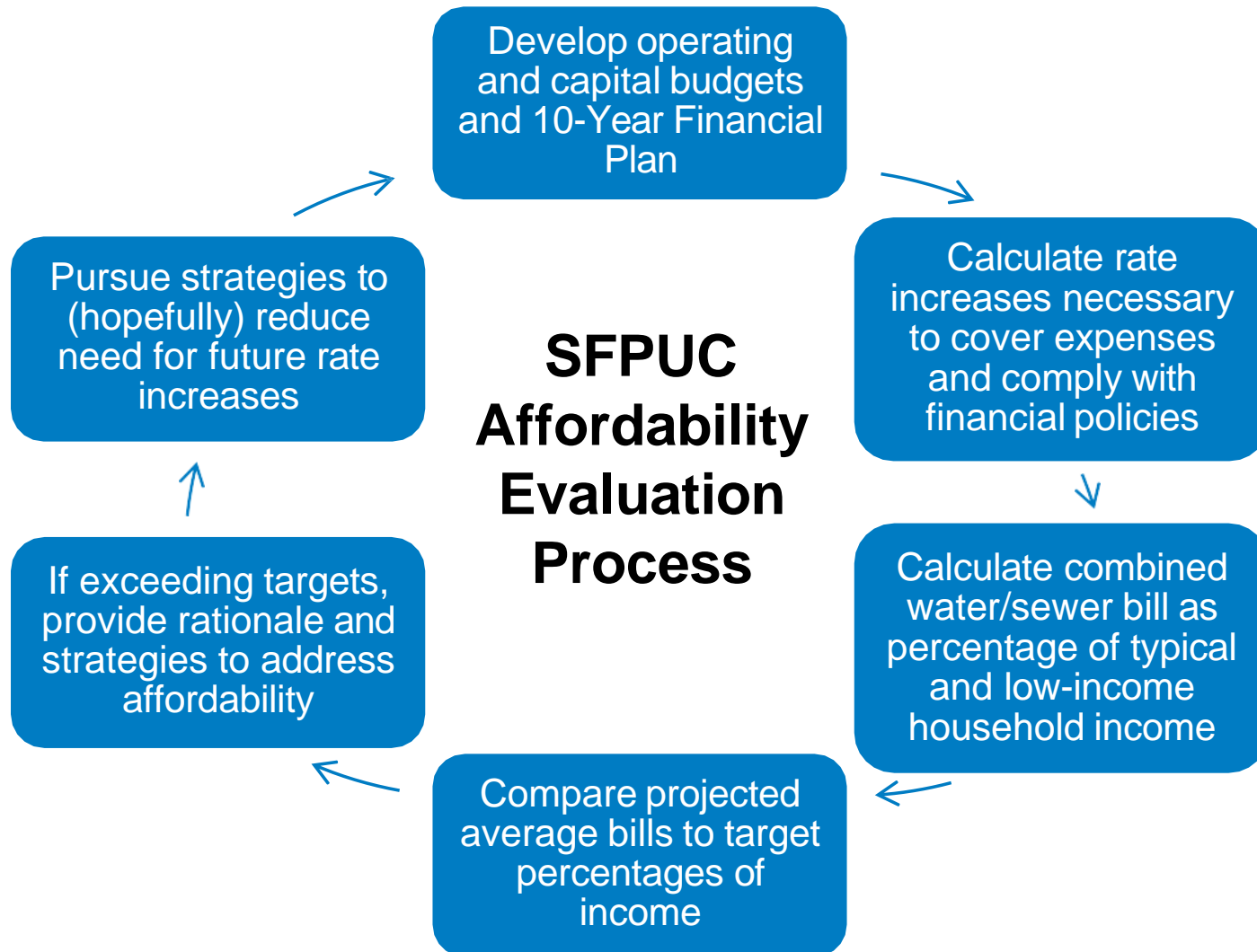
Erin Corvinova, Financial Planning Director,
San Francisco Public Utilities Commission

January 8, 2024



Background

- **San Francisco Public Utilities Commission**
 - Retail water, power, and sewer provider for City & County of San Francisco
 - Wholesale water provider to 27 public and private agencies
- **Financial planning and sustainability**
 - Ongoing effort to improve capital planning and decision-making process
 - Response to significant expected capital investments (>\$12 billion in next 10 years) driven by regulatory requirements, aging infrastructure
- **What is the affordability policy?**
 - Sits alongside other financial policies – i.e., debt service coverage, reserve policies
 - Sets metrics, targets, and a process
 - Approved November 2023 – expect to learn and build on it over time



SFPUC Affordability Metrics and Water/Sewer Targets

Typical Household = 40th Percentile Income

- Less than 3% of income

Low Income Household = 20th Percentile Income

- Less than 7% of income at approved rates
- Less than 5% of income if in bill discount program

Key Considerations in Developing Policy

Integrated into existing budget and financial planning process

- Minimizes administrative effort and increase likelihood of targets mattering in decision-making
- Rely on simple to calculate metrics

Metrics and targets tailored to our service area

- High cost of living and income inequality vs. high average income
- Retail residential households are indicative of cost to entire customer base

Not a hard limit, but an early warning system to drive action

- Both a challenge and an opportunity to communicate to customers, regulators, elected officials
- Goal is to make changes to meet targets, but sometimes tradeoffs may be necessary

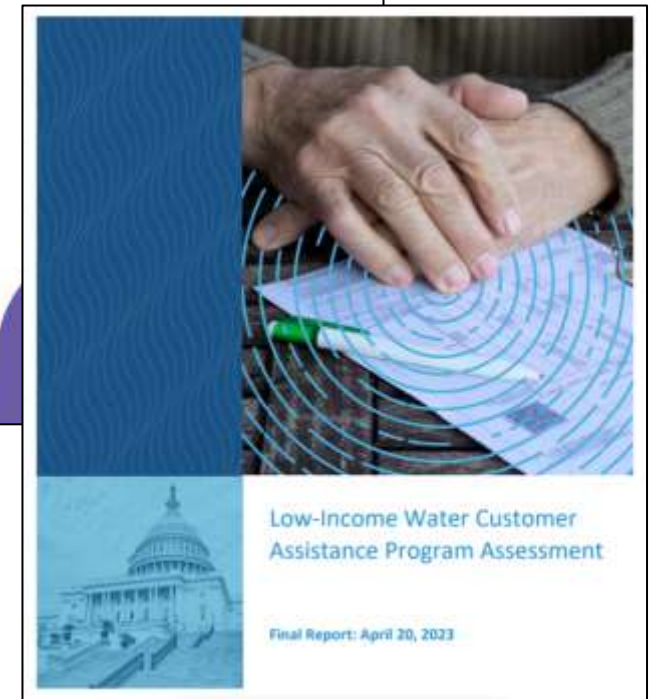
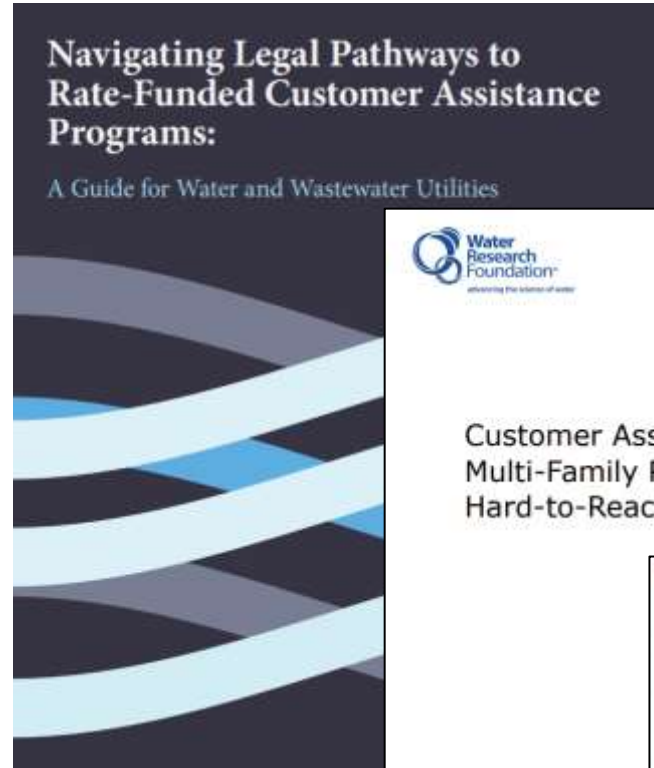
A dynamic splash of clear water against a light background, with droplets and a large circular ring of water forming the central focus.

Perspectives on Affordability Within the MWD Service Area: Understanding Affordability Challenges

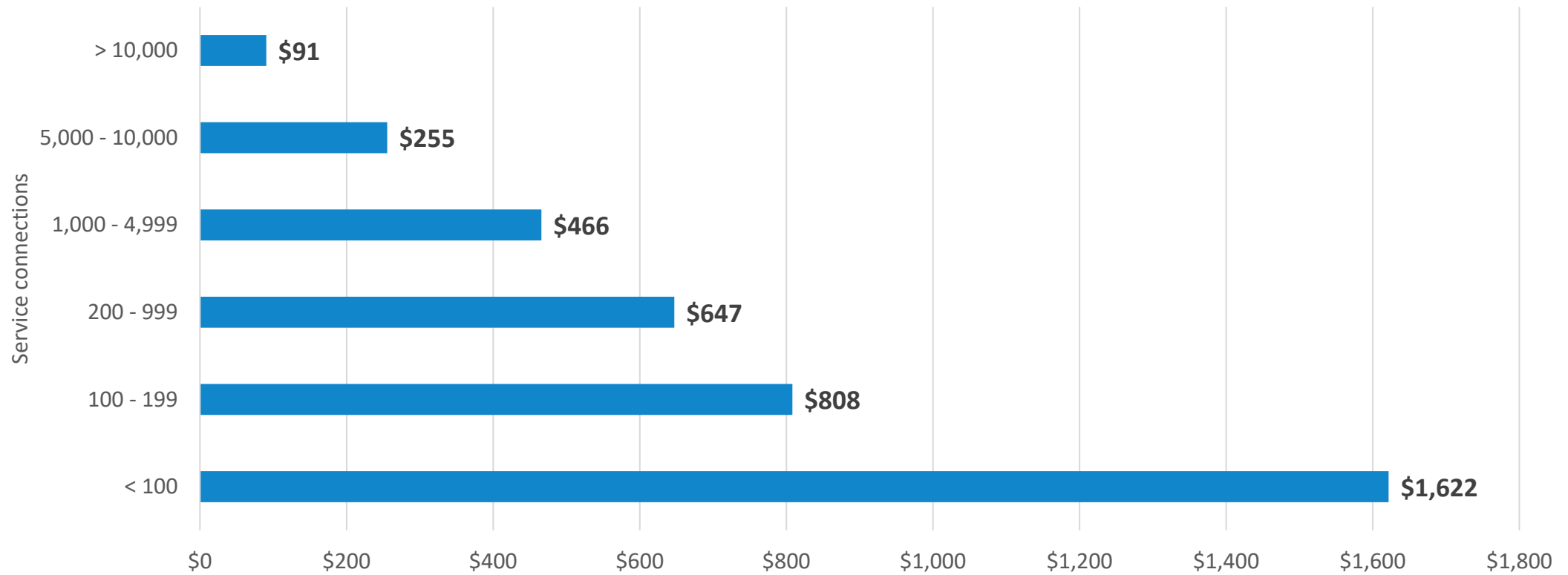
January 8, 2024



- Small woman-owned water economics consulting firm
- Involved in affordability research since 2011
- National level research on affordability metrics and CAPs
- Affordability assessments for utilities across the U.S.
- Most recent effort in CA: Assess affordability of CRVI MCL



Economies of Scale: Findings from the CrVI MCL (Estimated Annual Household Compliance Costs)



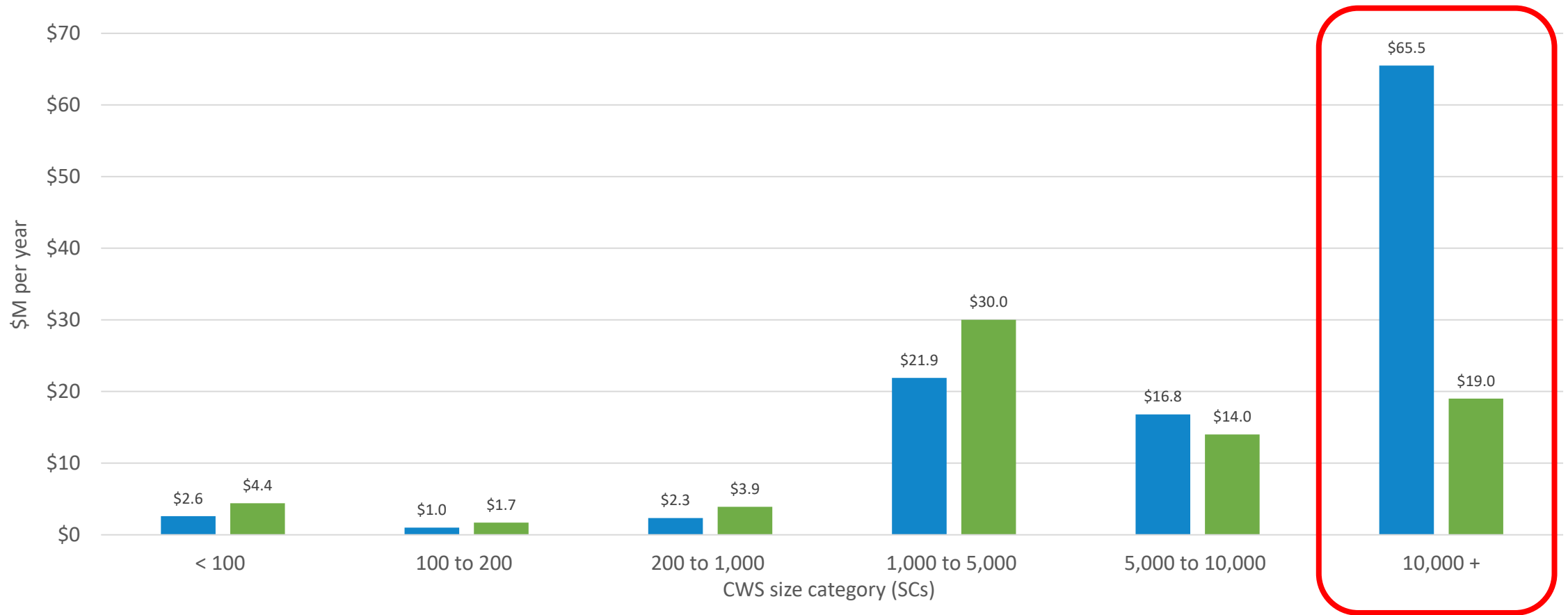
State's Assessment of Financial Need (CrVI MCL)

System level analysis based on several criteria:

- Having a baseline (pre-MCL) medium or high affordability burden.
- Systems on the “Human Right to Water” (HR2W) list
- Systems needing to recover >\$30 per month per service connection to comply with the MCL.



Comparison to the State's Assessment



State estimate of need: \$73 M

Our estimate of need: \$110 to \$123 M

■ OWE/Raucher Estimate ■ State Estimate

Independent Affordability Assessment

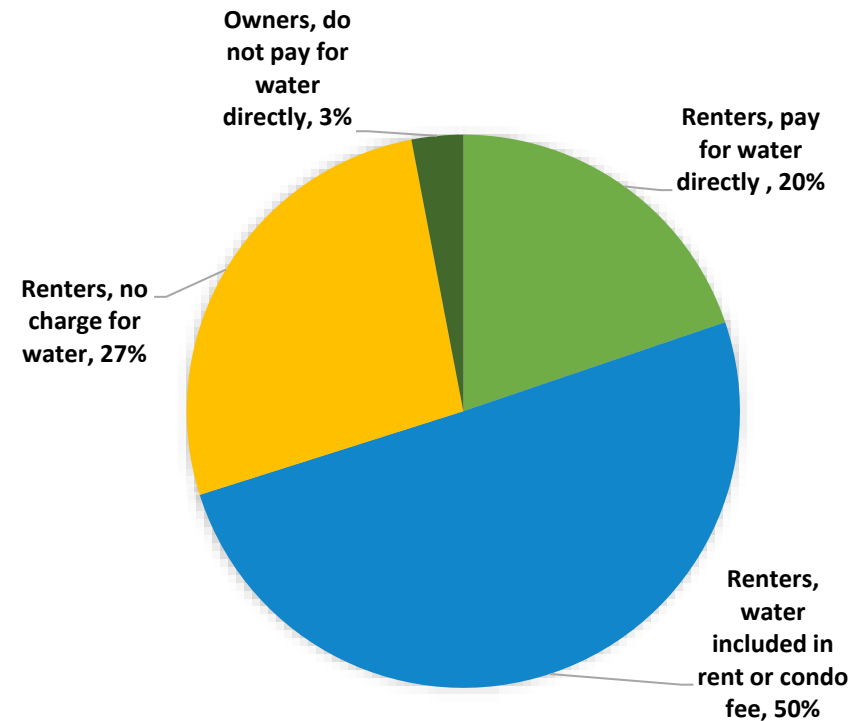
- **Household Burden Indicator (HBI):** basic water service costs as % of 20th percentile household income (i.e., LQI)
- **Poverty Prevalence Indicator (PPI):** % of households at or below 200% of Federal Poverty Level
- **HR2W list**
- **Low-income *households* in non-designated systems.**

HBI: Water sector costs as a percent of upper limit of LQI	PPI: Percent of households below 200% of the FPL		
	≥ 35%	20% to 35%	< 20%
> 10%	Very high burden	High burden	Moderate-high burden
7% to 10%	High burden	Moderate-high burden	Moderate-low burden
< 7%	Moderate-high burden	Moderate-low burden	Low burden

Affordability Matrix for HBI and PPI (Raucher et al. 2019)

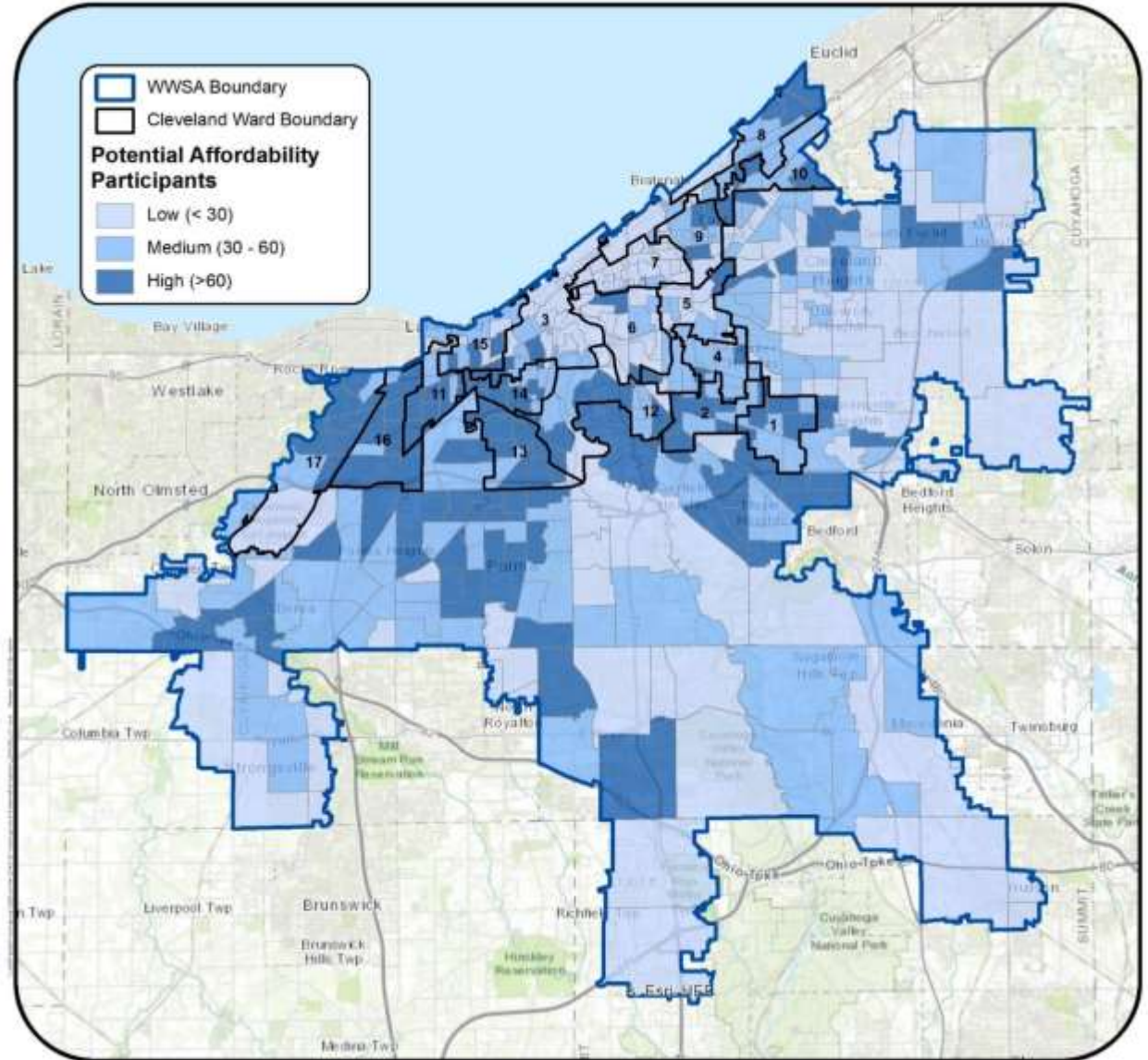
What are the Characteristics of These Customers? Example from Large Metro Sewer District

- **40%** of households in District earn \leq 200% of FPL
- **65%** of these households are RENTERS



Low-Income customers not eligible for District CAPs

Identifying Strategies and Opportunity Areas



Questions and Discussion



Janet Clements

jclements@onewaterecon.com

Perspectives on MWD Cost Containment and Water Affordability Challenges

January 8, 2024

Greg Pierce, PhD

Director, Human Right to Water Solutions Lab,
Luskin Center for Innovation

Co-Director, UCLA Water Resources Group
Faculty, UCLA Urban Planning

UCLA

Luskin
Center for Innovation

2012 - Human Right to Water (HR2W)

Water Code Section 106.3, the State statutorily recognizes that:

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



UCLA Human Right to Water Research

[HRWS Lab Home](#) | [About the HRWS Lab](#) | [L.A. County Water Governance Mapping Tool](#)

UCLA Human Right to Water Solutions Lab

Supporting policy and advocacy, civic engagement, and leadership development solutions to advance the Human Right to Water across the United States

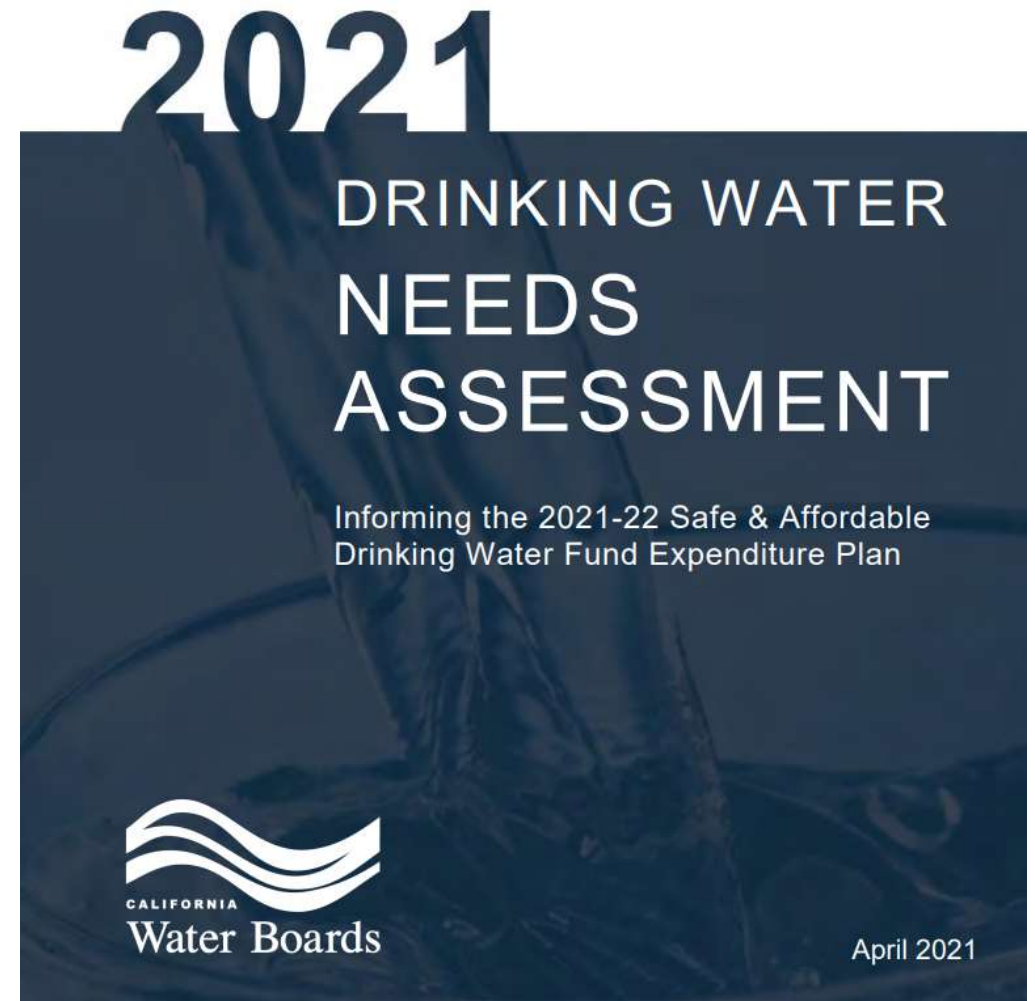
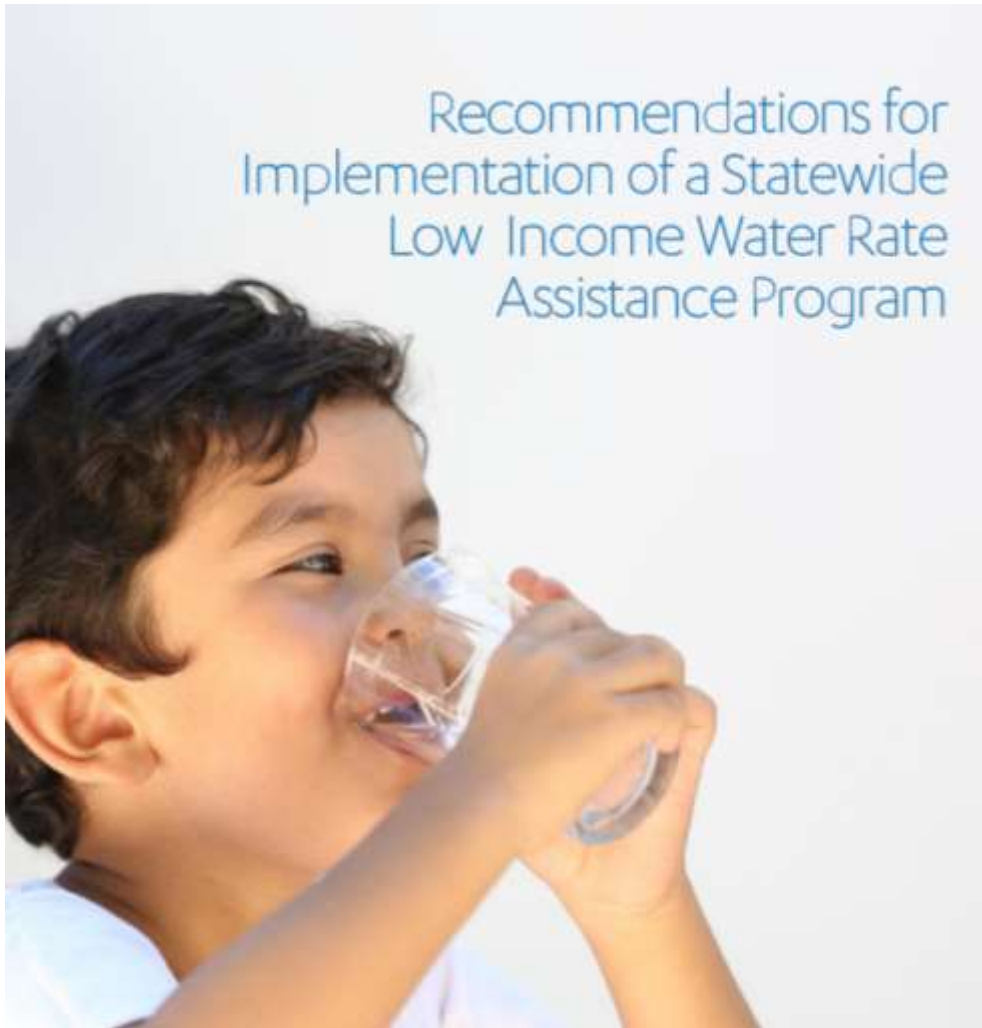
Our Approach

- We advance **fundamental research** on the breadth and depth of solutions in each aspect of the Human Right to Water (HRW): affordability, quality and accessibility.
- We make **data and training resources** collected or generated through our research more publicly available, usable and relevant.
- We provide **practical support** and amplify the efforts of community, scholarly and policy partners in advancing HRW solutions.

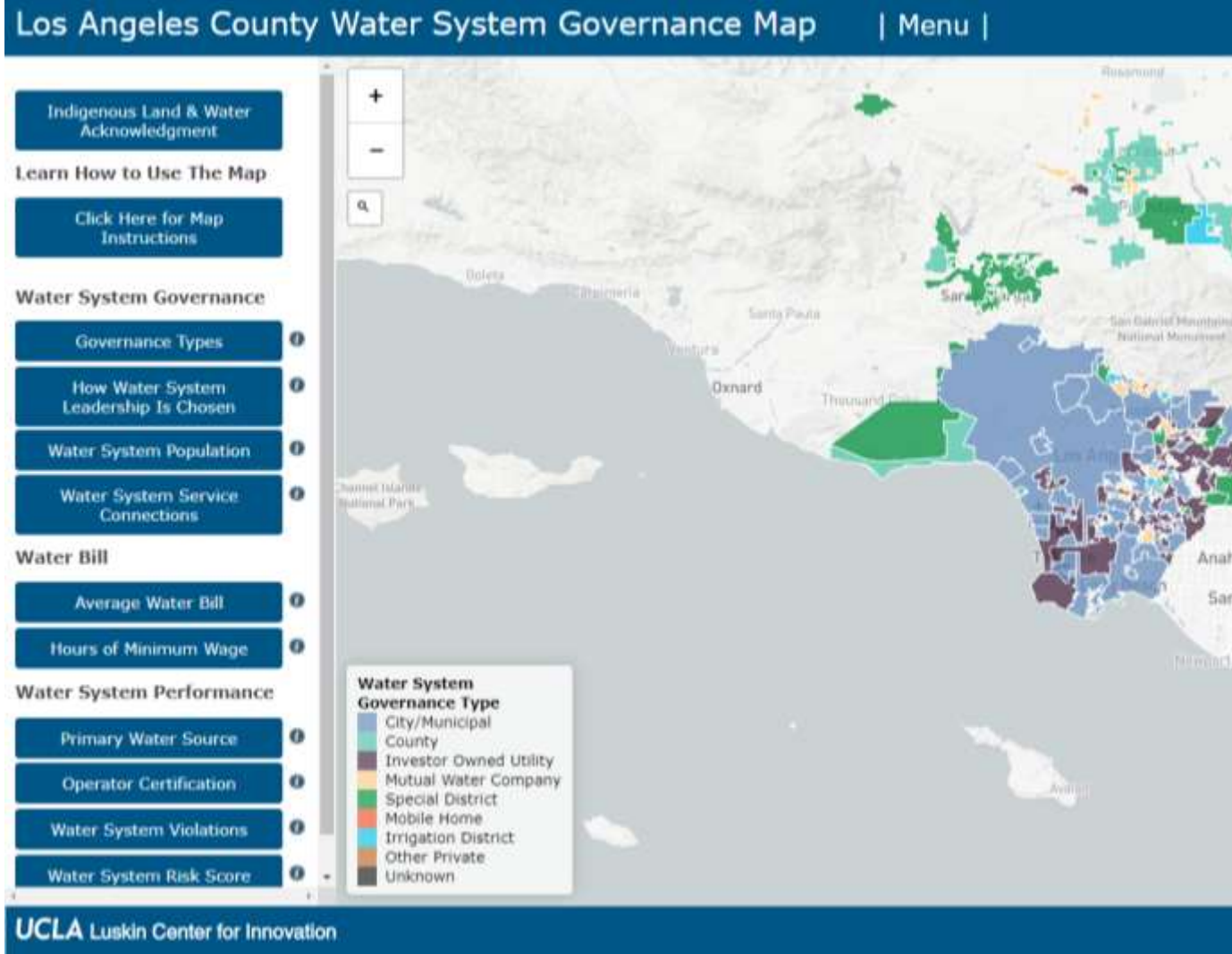
[Learn more about us](#)



Some relevant statewide work



Some relevant local work



UCLA ENVIRONMENTAL SCIENCE
SENIOR PRACTICUM 2022-2023

Metropolitan Water District and its Local Resources Program: Implications for Regional Water Supply and Infrastructure Equity



What can't MWD affect much?

- Esp due to climate change, general price of water must rise considerably for most users for next ~30 years, as it has for last 15
 - Water has been underpriced for too long
 - Current and prospective necessary local water investments, including by MWD, guarantee this
- There are no major cost reduction breakthroughs in the industry (ala energy and transport)
 - BIL is not helping lower costs much
- Affordability is much hyped and measured in water industry over last decade, but meaningful commitments are few including in CA
 - MWD's efforts can only go so far in a fragmented local and multi-level (passthrough) ecosystem

What can MWD (not) do?

- Not support most \$, redundant local investments by large systems
- Not run another large study re-inventing affordability metrics
- Influence commitments by locals to shield ratepayers with inability to pay from bearing passthrough costs of new major investments
- Use new major investment inflection points to graft in those served by very small systems via:
 - Consolidation
 - Supply diversity agreements
 - Consider equity criteria in next phase of LRP, if there is one
- Support 218 reform and statewide LIRA passage

Questions?

<https://innovation.luskin.ucla.edu/hrws-lab/>

Contact:
gspierce@ucla.edu

UCLA

Luskin
Center for Innovation

Summary observations from EIA Panels on *Affordability*



August 2023

Panel 1: Discussion of member agency programs

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EIA Panels on Affordability

August 2023

Discussion of
member agency
programs

Discussions and Recommendations of Note

- Staff presented on Metropolitan Act & Member Agency Programs
- Acknowledge various stakeholders define “affordability” differently
- Recommend collaborating with gas and electric companies to support marginalized and socioeconomically disadvantaged communities
- Focus on evidence-based data and stories from impacted residents
- Appreciate the cost of water for agriculture impacts food equity
- Need to build trust in treated water to offset bottled water cost burden

Participants

San Diego County Water Authority
University California Irvine School of Social Ecology
California Water Association
United Water Conservation District
Agri Service Inc

EIA Panels on Affordability

October 2023

Metropolitan's role
in household water
affordability

Discussion and Recommendations of Note

- Staff presented on state & federal assistance programs, Metropolitan policies, and California's Human Right to Water Policy
- Support state legislative or budget action on low-income assistance
- Retail agencies connect best with community needs. Metropolitan could host retail entities with a forum to discuss best practices
- Appreciate small-system consolidation processes can be complicated, time-consuming, and accompany concerns of higher water rates
- Conduct equity analysis on investments, services, & programs
- Educate the younger generations to reduced household water usage

Participants

Eastern Municipal Water District

California Water Association

Clean Water Action/Clean Water Fund

Los Angeles Department of Water and Power

EIA Panels on Affordability

November 2023

Regulatory
requirements
impacting costs

Discussion Topics of Note

- Appreciate that regulations are adopted to protect public health
- Design flexibility in regulation implementation
- Plan for costs of educating communities on new water sources
- Explore variable rate structures and consumer assistance programs to mitigate higher household water rates from new regulations
- Consider JPA's to pursue funding for regulatory investments
- Prioritize treatment strategies that address multiple contaminants

Participants

California Municipal Utilities Association

California Urban Water Agencies

State Water Resources Control Board

Natural Resources Defense Council

Association of State Drinking Water Administrators

Central Basin Municipal Water District

