NARUC Winter Policy Summit

EPA's Water Finance Center

Utility Customer Assistance Programs Compendium

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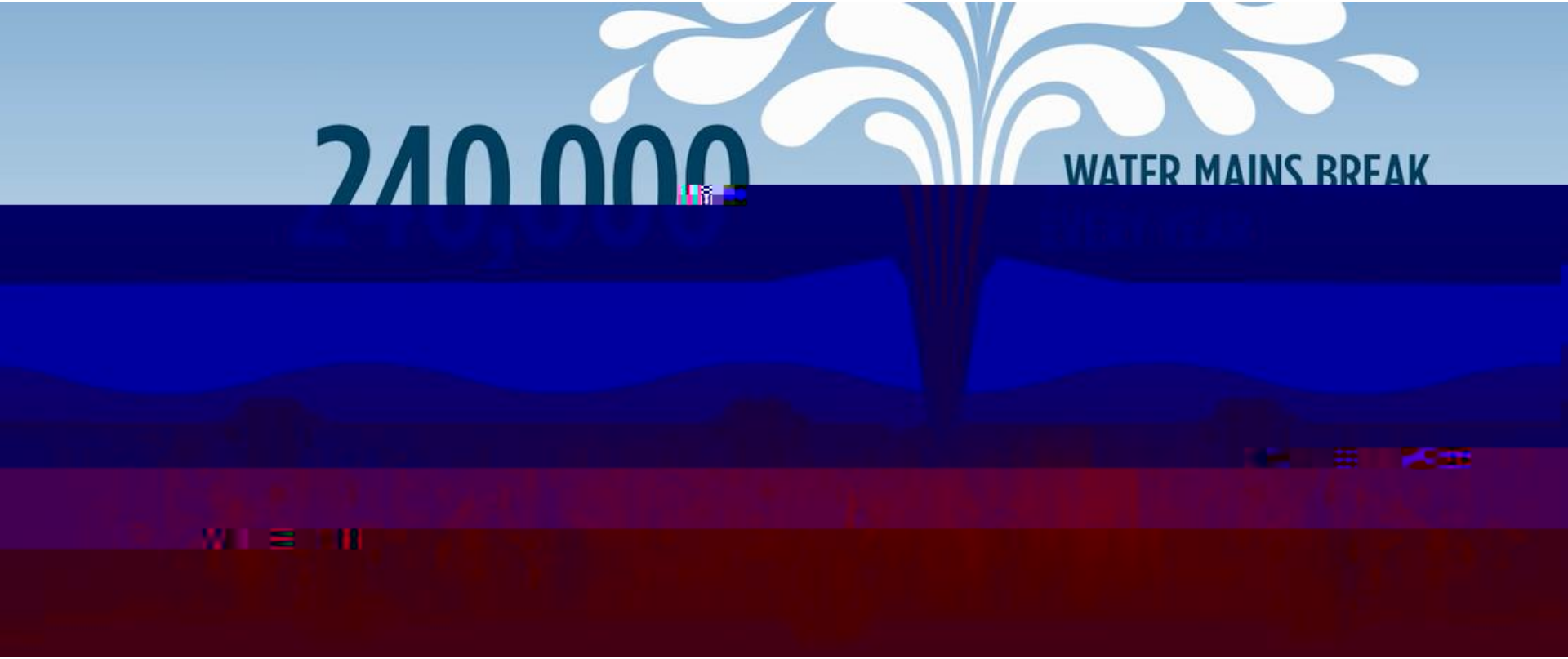
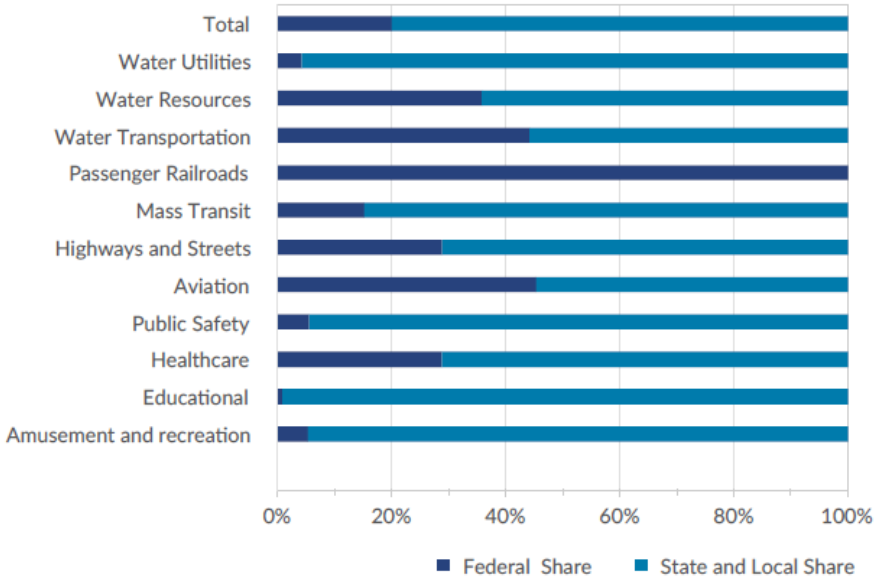
www.epa.gov/waterfinancecenter



EPA estimates over **$644 billion** is needed for drinking water and wastewater infrastructure capital improvements over the next 20 years



Source: U.S. Bureau of Economic Analysis (2015).

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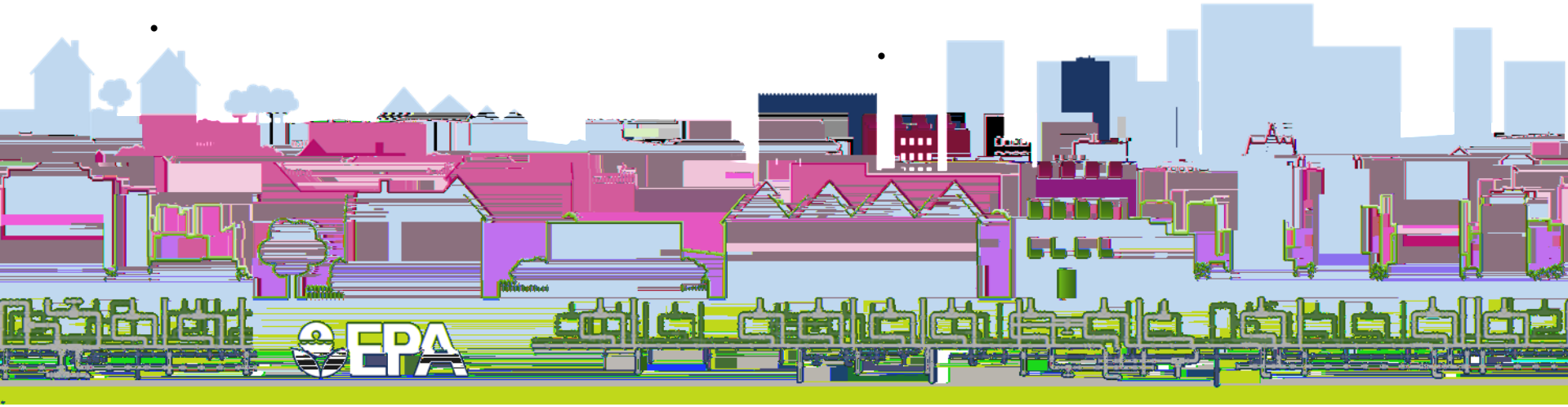
EPA Water Infrastructure Funding



Water Infrastructure and Resiliency Finance Center

*EPA's Water Finance Center provides **financing information** to help local decision makers make informed decisions for **drinking water, wastewater,** and **stormwater infrastructure** to protect human health and the environment.*

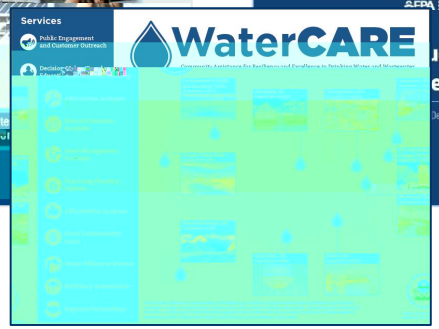
Research Advise Innovate Network

https://www.epa.gov/waterfinancecenter

Water Finance Center Activities

An Information and Assistance Center

- Focus on drinking water, wastewater and stormwater – funding and financing sustainable and resilient infrastructure
- Work with states, local decision makers, water sector associations, our federal family, and NGOs to share models of financial leadership and success
- Manage grants to regional Environmental Finance Centers (EFCs)
- Oversee the U.S. EPA Environmental Financial Advisory Board (EFAB)



Current Activity Areas:

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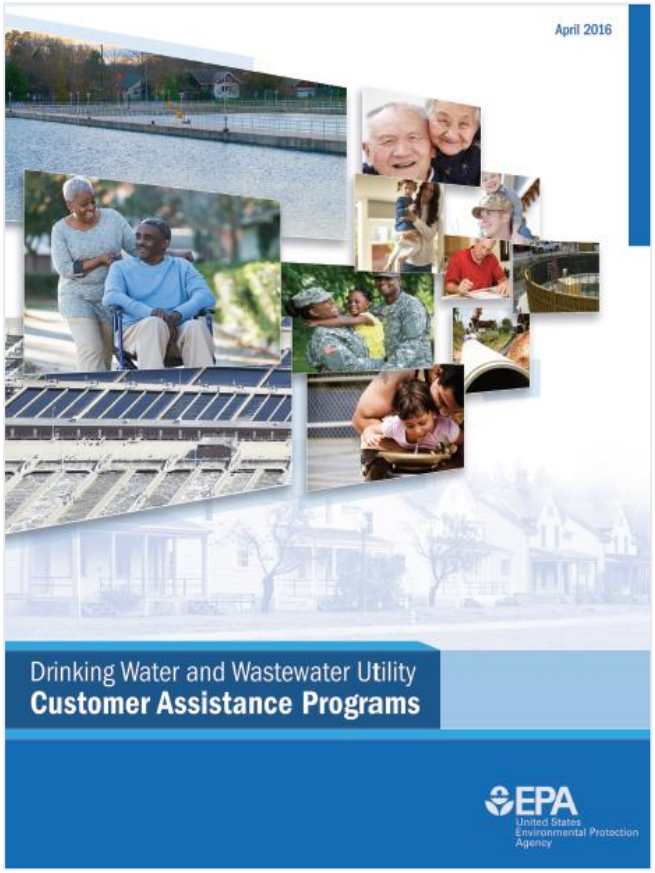
Utility Customer Assistance Programs



CAPs are voluntary programs that utilities have created for customers having difficulty paying water and sewer bills

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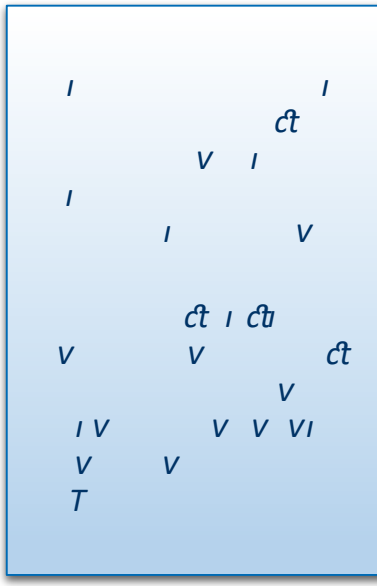
Compendium available at:
https://www.epa.gov/waterfinancecenter/compendium-drinking-water-and-wastewater-customer-assistance-programs



Why are we Talking about CAPs?

Customer Assistance Programs (CAPs) help all customers receive the public health benefits of drinking water and wastewater services, while also helping utilities meet their financial needs and obligations.

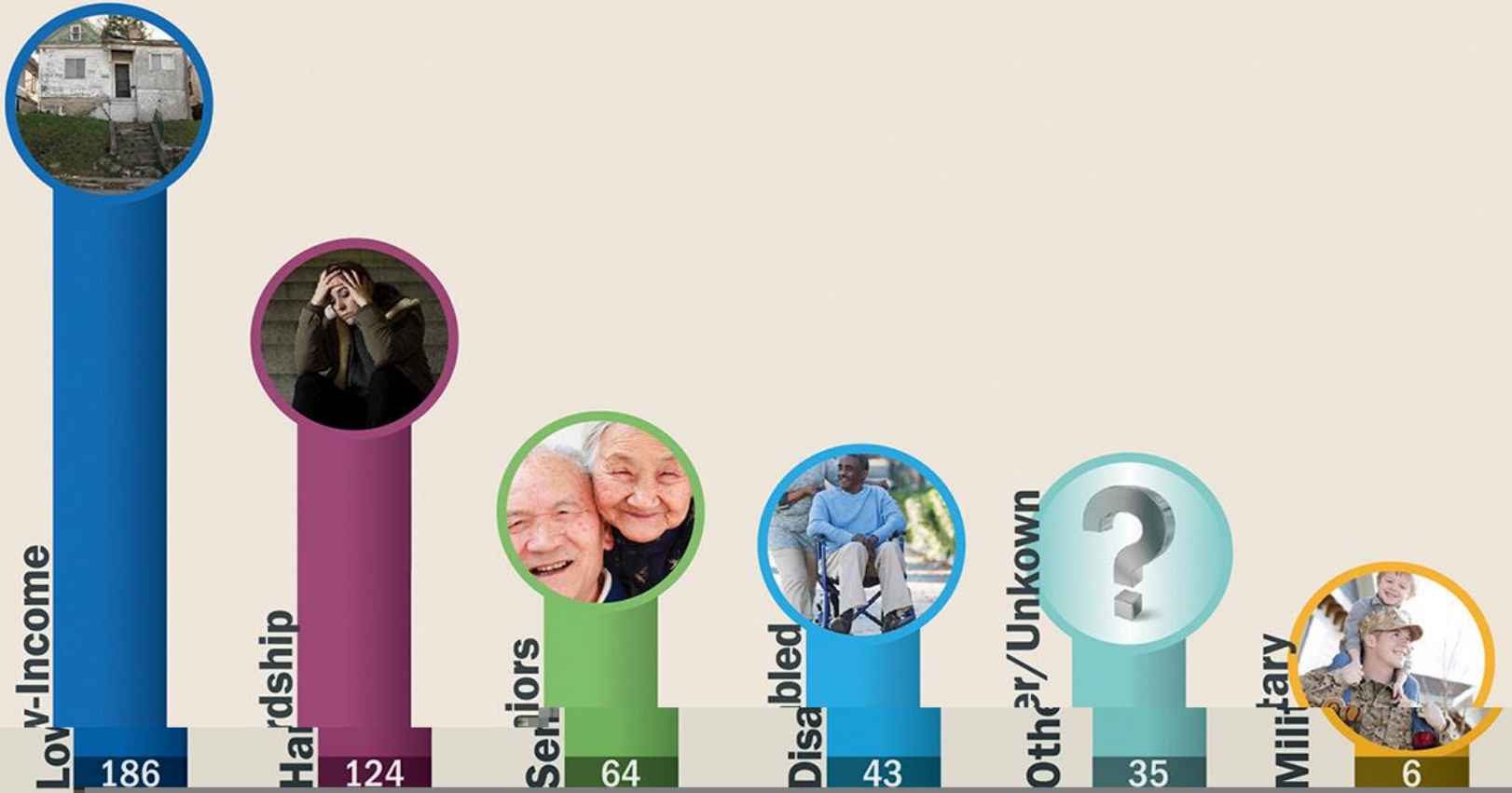
- Many communities have pockets of low-income populations
- Utilities want rates to reflect the cost of providing service to the whole community
- These programs help utilities be fiscally sustainable and able to take out loans/finance infrastructure projects

Table 1. Customer Assistance Programs Offered by U.S. Drinking Water and Wastewater Utilities

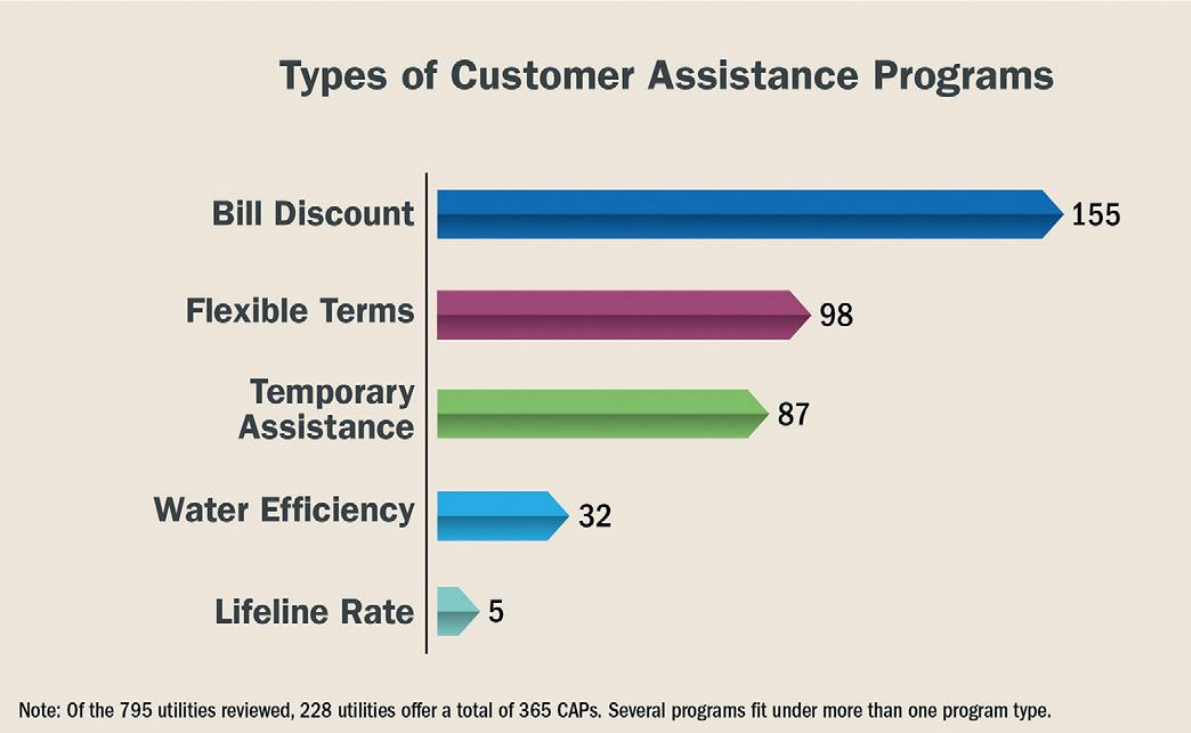
Type of Drinking Water and Wastewater Utilities Reviewed	Number of Utilities Reviewed	Number of Utilities Found to Have One or More Programs	Total Number of Programs[1] Identified During Review
Large Utilities (>100,000 people)	620	190 (30.6%)	308 (84.4%)
Medium Utilities (10,000–100,000 people)	175	38 (21.7%)	57 (15.6%)

[1] Of 795 utilities reviewed, 228 utilities offer a total of 365 CAPs.

Types of Customers Assisted



Bill Discount	bill reduction	
	long-term	*write-off, reduced fixed fee*
Flexible Terms	adjustment on bill payments	
	long/short-term	*payment plans, levelized billing, bill timing*
Lifeline Rate	subsidized rate for fixed amount of water	


Types of Customer Assistance Programs
Bill Discount
155
Flexible Terms
98
Temporary Assistance
87
Water Efficiency
32
Lifeline Rate
5
Note: Of the 795 utilities reviewed, 228 utilities offer a total of 365 CAPs. Several programs fit under more than one program type.

Short write-ups of examples are included for each type

Each Type includes:

- Opportunities
- Challenges
- Considerations

Bill Discount

Reduces bills on an ongoing basis usually by a percentage or dollar amount. This broad category encompasses a diverse array of programs.

Opportunities

- Targets households that have difficulty paying water and/or sewer bills.
- Offers flexibility to structure in a variety of ways, including a sliding scale; can apply to any type of rate structure.

Challenges

- Revenue impact may be greater because programs are generally designed to provide assistance long-term.
- Can be confusing to customers if program-related outreach and education isn't provided.

Considerations

- Administrative burden is low if utility can partner with an existing social service program for eligibility determination and enrollment; administrative burden can be higher if a partnering opportunity doesn't exist.
- A percentage discount can give households using more water a larger subsidy, creating concerns of equity and providing a disincentive to use water efficiently.
- Does not take into account other factors that might be causing long-term high water usage, such as older appliances and fixtures.

What Are the Benefits of CAPs?

Benefits to Customers	Benefits to Utilities
Address issues with affordability	Opportunity to practice social and corporate responsibility
Retain or restore access to water services	Improves public relations
Avoid penalties, health threats, inconvenience, and stigma of water service disconnection	Improves financial health

Utility Specific Information

Quick-Find Matrix

Rate Assistance Programs at Drinking Water and Wastewater Utilities in the United States

Type of Utility	Name of Utility/Agency	Population Served	Type of Program				
			Bill Discount	Flexible Terms	Lifeline Rate	Temporary Assistance	Water Efficiency
	Alabama						
	Birmingham Water Works	591,243				●	●
	Huntsville Utilities (Billing agent for City of Huntsville Sewer, Madison County Water Department, and City of New Hope Water and Sewer)	219,168	●	●			
	Mobile Area Water & Sewer System	276,000				●	
	Montgomery Water Works & Sanitary Sewer Board	240,840	●				
	Alaska						
	Anchorage Water and Wastewater Utility	221,351				●	
	Arizona						
	Pima County Regional Wastewater Reclamation Department	402,575	●				
	EPCOR, Agua Fria District	52,400	●				
	Tucson Water	712,700	●				
	Arkansas						
	Central Arkansas Water	313,588				●	
	Liberty Utilities	48,668		●			
	California						
	East Bay Municipal Utility District	1,400,000	●	●			
	Golden State Water Company, Central Basin East	44,466	●				
	Golden State Water Company, Southwest	169,673	●				
	California Water Service, Bakersfield	246,371	●				
	California Water Service, Bear Gulch	58,242	●				●
	Santa Clara Valley Water District	2,000,000	●				
	California Water Service, Chico	100,435	●				

Utility Specific Information

Utility Snapshots

Alabama

Birmingham | Birmingham Water Works

591,243 population served

Program: **H2O Foundation** Type: **Temporary Assistance, Water Efficiency**

Households Targeted: **Low-Income Seniors, Low-Income Disabled Persons**

Program Description

Provides up to $500 ($600 with Board approval) to help eligible customers having difficulty paying their water and wastewater bill and/or costs of plumbing repairs. Applicants are eligible to receive assistance once in any 12-month period.

Eligibility Information

- Household income must meet program guidelines starting at $14,937/year for 1 person per household to $51,519/year for 8 persons per household ($5,226 for each additional person).
- Household must meet at least one of the following: be 55 years of age or older; currently receiving social security disability income; or have a documented medical condition that will be seriously aggravated by a lack of water supply to the home. (Subject to verification).
- Have a current unpaid water and/or sewer bill or have an established need for plumbing repair as a result of a leak on personal property.
- Have a current unpaid water and/or sewer bill or have an established need for plumbing repair as a result of a leak on personal property.
- Have insufficient family or community resources to meet financial obligations to satisfy cost to continue water and/or sewer service or repair(s).
- Have assurance from the Birmingham Water Works that payment will result in restoration/continuation of the water/wastewater supply to the home.

More Information

https://www.bwwb.org/node/219

How are Utilities Funding CAPs?

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State Low-Income Assistance Programs

Delaware

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State Low-Income Assistance Programs

California

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Water Infrastructure Financial Leadership

Successful Financial Tools for Local Decision Makers

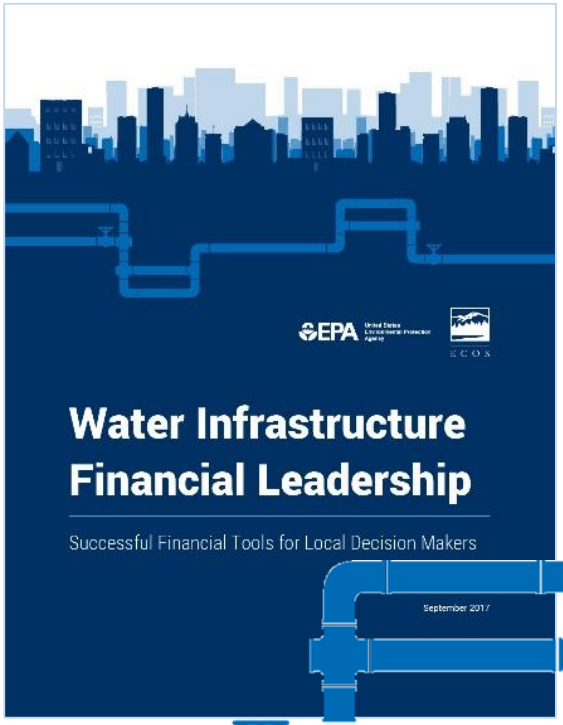
Successful Financial Tools for Local Decision Makers

The Water Finance Center worked with the Environmental Council of the States (ECOS) to develop an interactive report designed to assist local decision makers in navigating the process of investing in water infrastructure.

Helps with:

- Preparing Your Community for Water Infrastructure Projects
- Bringing Capital into Your Community
- Maintaining Strong Financial Leadership Practices

Examples are included to demonstrate how communities with limited resources can achieve water infrastructure financial leadership.



Water Infrastructure Financial Leadership

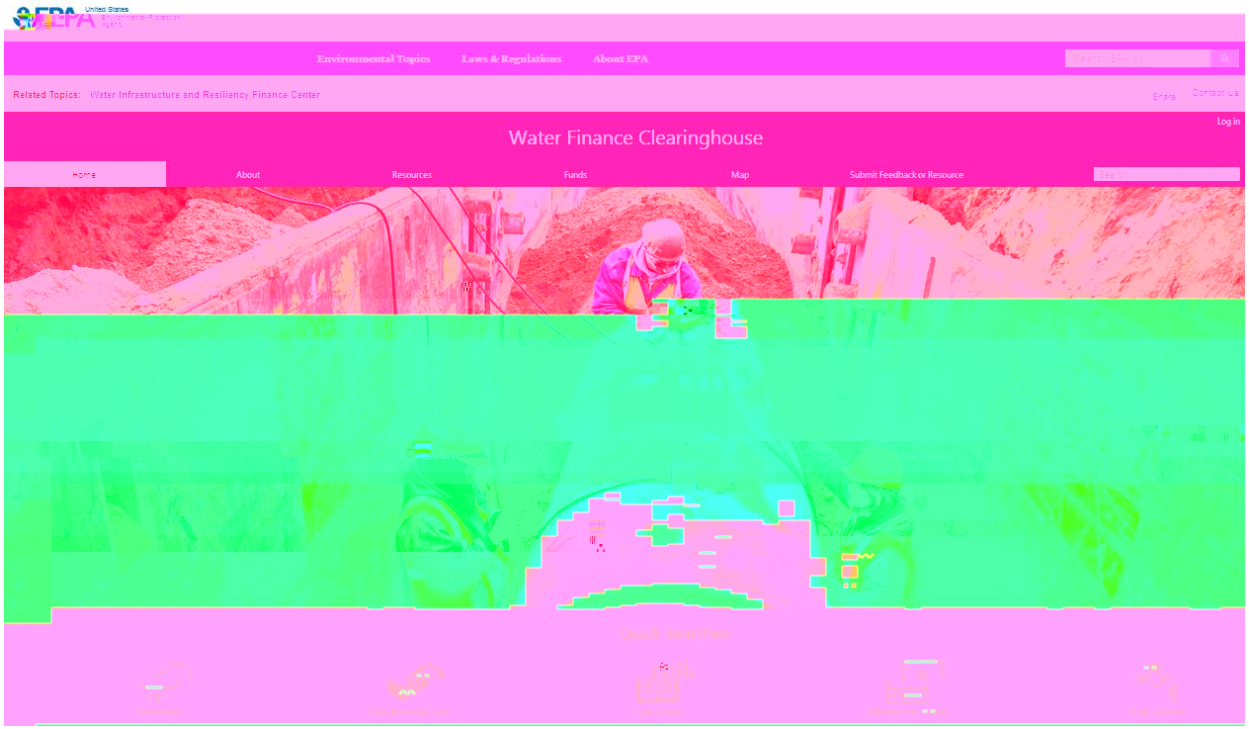
Successful Financial Tools for Local Decision Makers

- Introduction: Water Infrastructure
- Step 1: Preparing Your Community for Water Infrastructure Projects
  - Asset Management
  - Financial Planning
  - Stakeholder Engagement
- Step 2: Bringing Capital into Your Community
  - Generating Revenue to Fund Water Infrastructure and Operations
  - System Partnerships
  - Finding Funding and Financing
- Step 3: Maintaining Strong Financial Leadership Practices
  - Contributing to Community Economic Development
  - Addressing Household Affordability
  - Checking Up on Your System's Financial Health
  - Communicating the Value of Water to Your Community

Case Example Topic Areas

- Financial Planning/Project Planning
- Project Capital
- Revenue Generation
- Revenue Management
- Economic Development
- Customer/Community Assistance

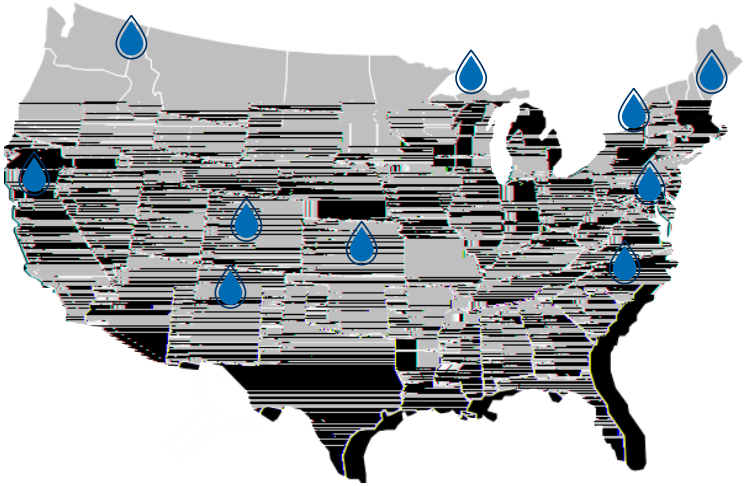
Water Finance Clearinghouse



www.epa.gov/wfc

- 2 Databases in 1
  - **Funds**
  - **Resources**
- Anyone can become a Contributor
  - Suggest to add/edit/delete content
- Publically launched this summer
- Coming Soon: **Learning Modules**

Environmental Finance Centers



The Environmental Finance Centers (EFCs) are university-based and non-profit organizations creating innovative solutions to the difficult how-to-pay issues of environmental protection and improvement. Examples of assistance provided by the EFCs include:

- Asset Management planning
- Revenues and expense analysis
- Long-term capital planning
- Sources of outside funding
- Resiliency planning
- Near-term financial planning & rate setting
- Effective budgeting strategies
- Options for lowering energy use & water loss
- Collaboration with other water systems

www.epa.gov/waterfinancecenter/efcn

WaterCARE Communities

1 Johnston, IA
Population: 20,300

2 Confederated Salish and Kootenai Tribe (MT)
Population: 4,000

3 Hupa Tribe of the Hoopa Valley Reservation (CA)
Population: 2,958

10 Lawrence, MA
Population: 78,000

9 The Township of South Orange Village, NJ
Population: 16,000

8 Youngstown, OH
Population: 65,000

4 Haines Borough, AK
Population: 2,500

5 Gatesville, TX
Population: 15,800

6 Selma, AL
Population: 19,800

7 Buchanan County, VA
Population: 23,000

NARUC Winter Policy Summit

Panel - Strategies for Addressing Water Affordability

Stacey Isaac Berahzer

Senior Project Director

Environmental Finance Center at the University of North Carolina

NARUC Winter Meeting

Washington, DC

February, 12 2018

UNC ENVIRONMENTAL FINANCE CENTER

http://efc.sog.unc.edu

@EFCatUNC

Objectives

- To suggest ways to measure customer affordability
- To highlight some of the legal barriers (or opportunities) to funding customer affordability programs across the states

UNC
ENVIRONMENTAL FINANCE CENTER

UNC SCHOOL *of* GOVERNMENT

Dedicated to enhancing the ability of governments and other organizations to provide environmental programs and services in fair, effective, and financially sustainable ways through:

- Applied Research
- Teaching and Outreach
- Program Design and Evaluation

How you pay for it matters

Smart Management for Small Water Systems

Smart Management for Small Water Systems Program

Program Partners

- Environmental Finance Center at The University of North Carolina at Chapel Hill
- Southwest Environmental Finance Center at the University of New Mexico
- Syracuse University Environmental Finance Center
- Environmental Finance Center at Wichita State University
- Environmental Finance Center West
- Environmental Finance Center at the University of Maryland
- New England Environmental Finance Center at the University of Southern Maine
- Great Lakes Environmental Infrastructure Center
- Government Finance Officers Association
- National Association of Development Organizations

Business Case for Creating Affordability Programs or "Customer Assistance Programs" (CAPs)

- When customers have trouble paying utility bills, costs to the utility include:
  - increased arrearages
  - late payments
  - disconnection notices, and
  - service terminations
- Buyers of utility bonds also get nervous

Does the Utility Have an Affordability Problem?

Measuring Affordability

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http://efc.sog.unc.edu

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WaterCARE Communities and Partners

- Communities
- Technical Assistance Team
- EPA Water Infrastructure and Resiliency Finance Center
- EPA Regional Offices
- State Agencies (Regulators, Infrastructure Funders)

Services
Public Engagement and Customer Outreach
WaterCARE

Looking Beyond Median Household Income (MHI) …

Community 1

MHI: $34,582

Community 2

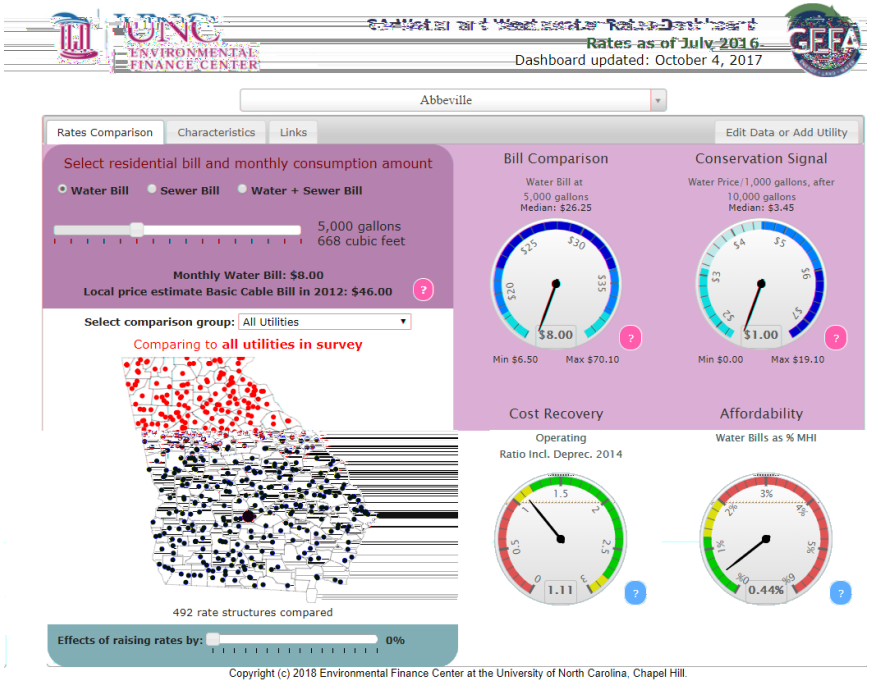
MHI: $29,483

Community 3

MHI: $29,679

Moving Beyond MHI…

- Most used and most critiqued metric
- Historic focus on what the "median" person pays for water as a percent of income
- Metric has been used beyond what it was meant to be used for….



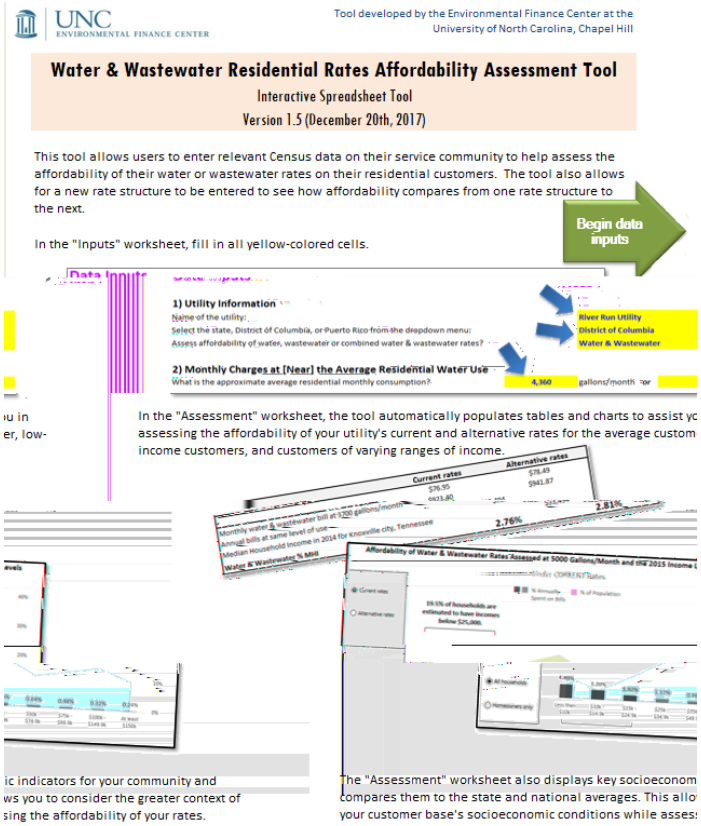
There are Several Rates Dashboards

- Created for a dozen states
- Free, online, open to the public
- Compares rates against multiple characteristics:

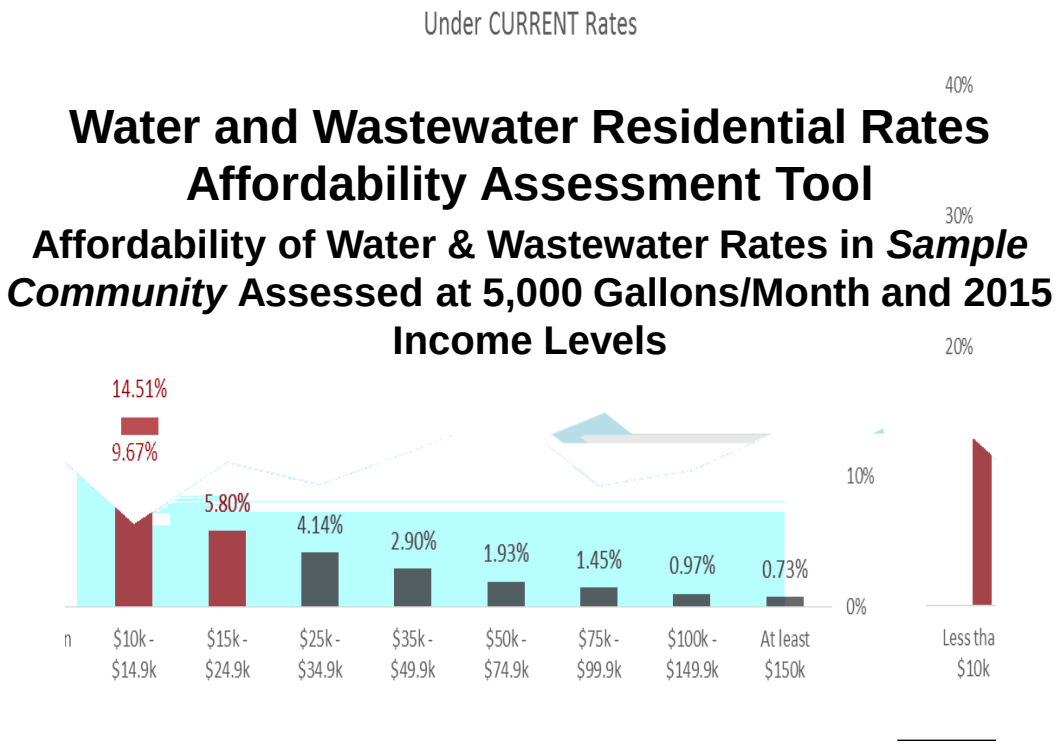
  Utility finances; System characteristics; Customer base socioeconomic conditions; Geography; History
- Compare to similar utilities (large samples):
  - All utilities; similar service population; similar water source; using same rate structure; similar customer income; same type of utility; within 50 miles distance

Water and Wastewater Residential Rates Affordability Assessment Tool

On the EFC Website
Go to
http://efc.sog.unc.edu
and search for
“Affordability Assessment Tool”



Affordability



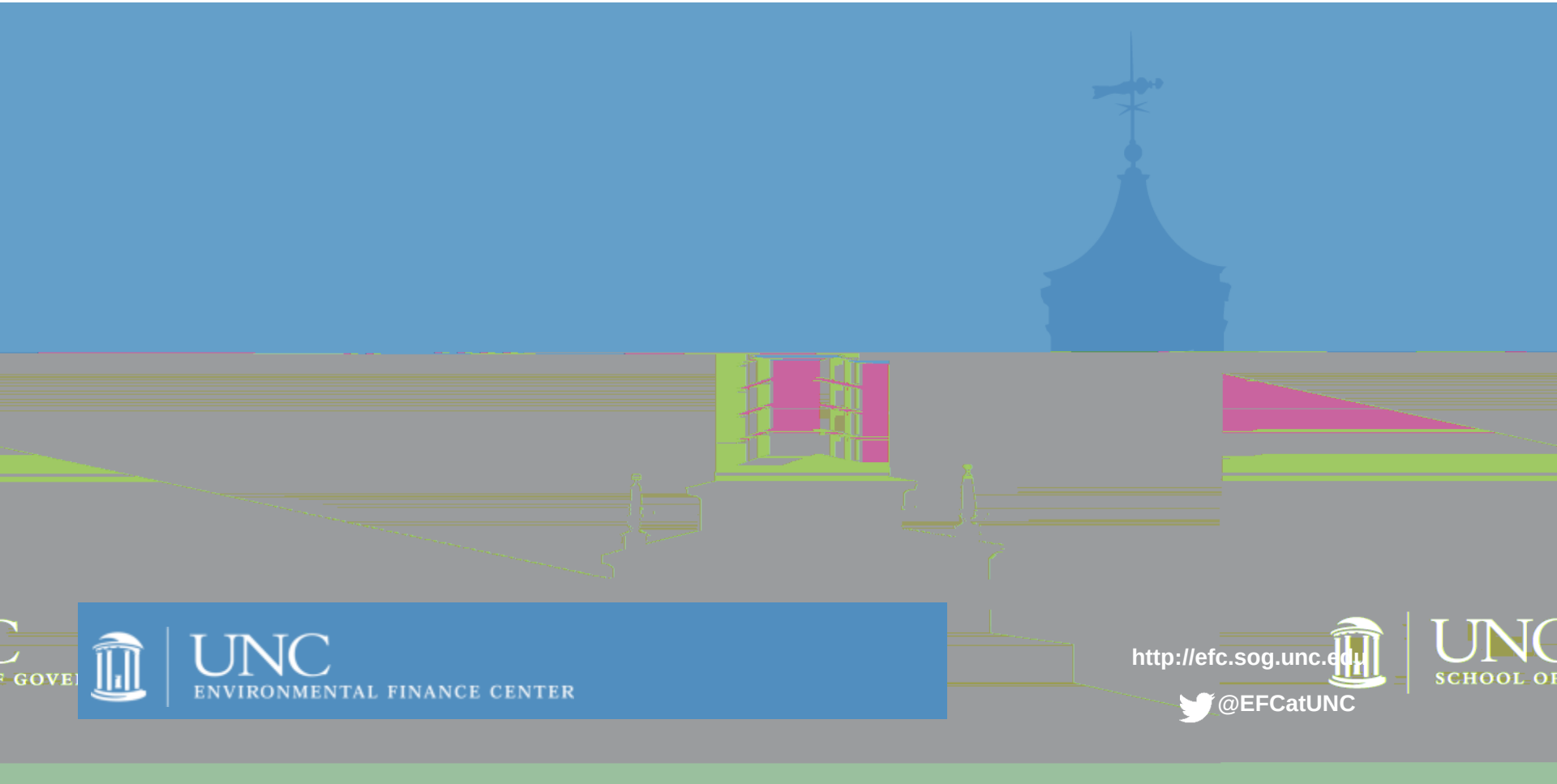
Affordability

The table below shows key socioeconomic indicators for *Atlanta*, with the state and national averages available for comparison. Values in red indicate that the indicator is "most stressed," as compared to both the state and national average.

Example: Affordability for Low-Income Customers in *Atlanta*

To access the tool that generated this chart and table see: http://www.efc.sog.unc.edu/reslib/item/water-wastewater-residential-rates-affordability-assessment-tool

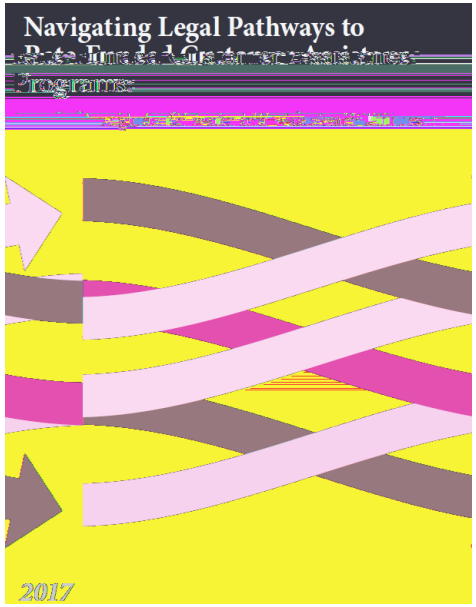
How to Fund an Affordability Program



Funding Sources for Affordability Programs

- **Revenue generated directly from customer rates (not an option in some states)** https://efc.sog.unc.edu/project/navigating-legal-pathways-rate-funded-customer-assistance-programs
- Voluntary contributions (e.g. bill round-up)
- Rental income from cell phone and internet providers that rent use of the water utility's towers/tanks
- Service line protection programs

Navigating Legal Pathways to Rate-Funded Customer Assistance Programs



https://efc.sog.unc.edu/pathways-to-rate-funded-customer-assistance

Funders/Steering Committee

Research Team

Independent Legal Experts
Scott Rubin, Advisor
Roger Colton, Advisor

Research Question: Can a Utility Use its Primary Revenue Source (Rate Revenue) to Fund a Customer Assistance Program?

- 52 state/territory legal snapshots
- Nine case studies of well funded customer assistance programs
- Analysis of other sector approaches
- Analysis of international approaches

Confusing and Ambiguous Legal Framework

- Utilities must navigate a complex, confusing and ambiguous legal framework that varies significantly from state to state
- In many cases, **different types of utilities** are subject to **different rules** that result in some utilities within a given state being able to design programs in a way that is prohibited for other types of utilities. e.g. in California:
  - Government owned utilities = CAPs curbed by restrictive statutory and constitutional provisions
  - Investor owned utilities = CAPs encouraged

Navigating State Frameworks: Confusing, ambiguous and subject to interpretation….

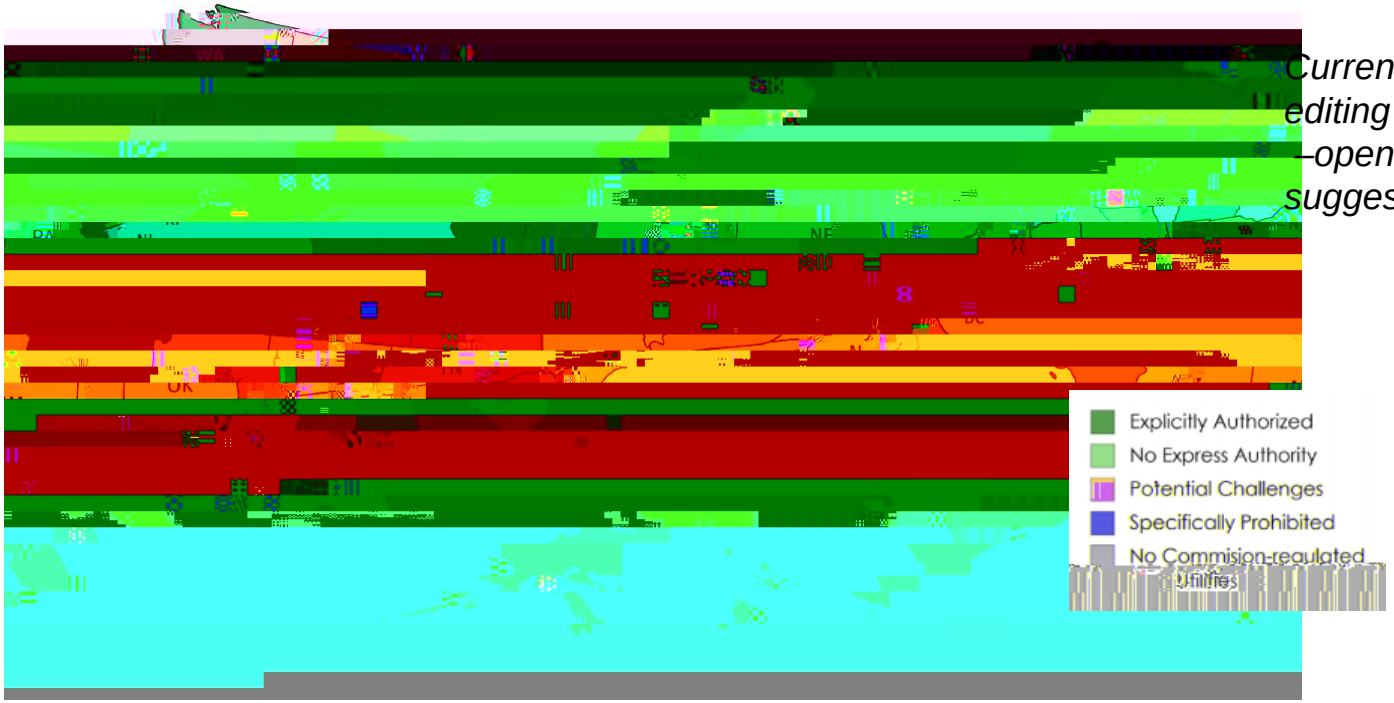
Can the Utility Use its Primary Revenue Source to Fund a CAP?

- Silence, ambiguous or restrictive language leave many utilities unsure if they can use their rate revenues
- **Without the use of rate revenues, most of the CAPs across the country are small and can't address the total customer need**

Categorizing States by Level of Authorization for Affordability Programs Using Rate Revenue

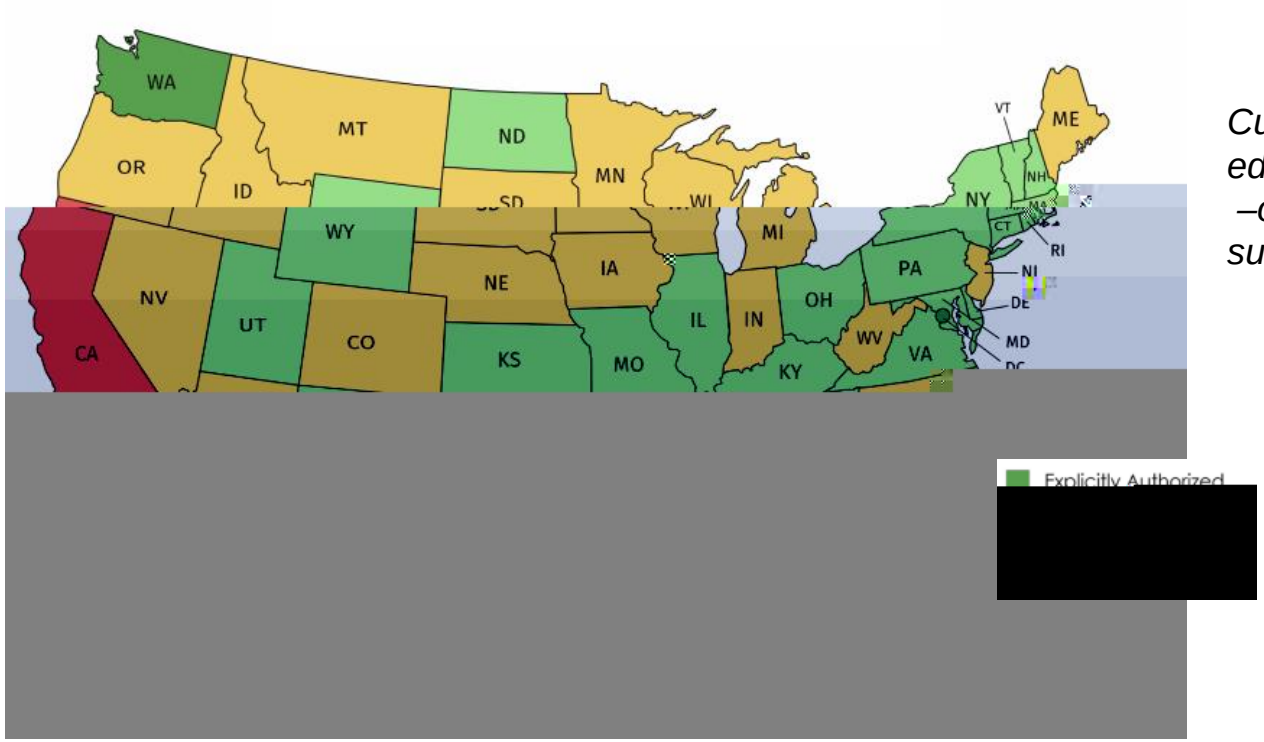
GO	Explicitly Authorized
	No Express Authority
	Potential for Challenges
STOP	Specifically Prohibited

<u>Commission Regulated Utilities:</u> Ability to Implement CAPS Funded by Ratepayer Revenues by State



Currently editing this map –open to your suggestions!

Non Commission Regulated Utilities: Ability to Implement CAPS Funded by Ratepayer Revenues by State



Currently editing this map –open to your suggestions!

When State Law is Ambiguous: Options for Implementing CAPs Successfully

- **Option 1**. At the state level, introduce statutory language that addresses affordability programs in clear, unambiguous terms
- **Option 2**. Develop an argument for why a CAP conforms to existing statues and is not affected by perceived limitations
- **Option 3**. Develop an alternative program that does not rely on direct customer rate revenue to fund the assistance to low-income individuals

Example: Washington State

Wash. Rev. Code § 80.28.068

- Utilities can request approval from the Commission to provide reduced rates to **"low-income senior customers and low-income customers."** Under the same provision, **"expenses and lost revenues as a result of these discounts shall be included in the company's cost of service and recovered in rates to other customers."**

Example: Indiana (2017 Amendment)

SECTION 9. IC 8-1-2-46

- (c) Upon request by a water or wastewater utility in a general rate case, **the commission may allow, but may not require, a water or wastewater utility to establish a customer assistance program that:**

  (1) uses state or federal infrastructure funds; or (2) provides financial relief to residential customers who qualify for income related assistance.

- **A customer assistance program established under this subsection that affects rates and charges for service is not discriminatory for purposes of this chapter or any other law regulating rates and charges for service.** In considering whether to approve a water or wastewater utility's proposed customer assistance program, the commission shall determine that a customer assistance program established under this subsection furthers the interests set forth in section 0.5 of this chapter and is in the public interest.

Georgia

- GA is a strong home rule state, and its constitution grants specific “supplementary powers” to counties and municipalities
- As such, municipal charters & local ordinances affect a local entity’s ability to implement CAPs in GA
- wastewater companies are not regulated by a state utility commission
- GA is one of only 6 states in which private water &

Pharao states

Case Study: Atlanta Has Funded a CAP for many years

- 1995 ~ 2010 → private donations, foundation grants, CDBGs (Eventually added revenues from cellular tower leasing)
- ~2011→ royalties from the service line warranty program; customer donations through the bill payment process
- Strong business case for why using rates revenues does not violate the Gratuities Clause
- **2013 → ATL code was amended to allow "water and sewer revenues of the City's drinking water and wastewater system" to fund Care and Conserve**
- 2016 → $1 million was added to Care and Conserve from the city's water and wastewater revenue (via the renewal and extension fund)

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Twitter: https://twitter.com/staceyib_enviro (#waterafordability)

UNC ENVIRONMENTAL FINANCE CENTER

http://efc.sog.unc.edu

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NARUC Winter Policy Summit

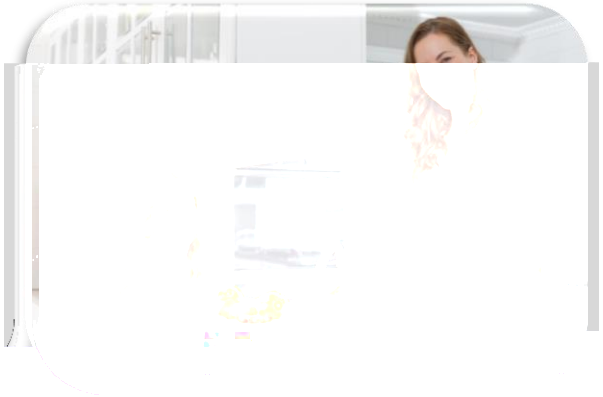
ConnecticutWater

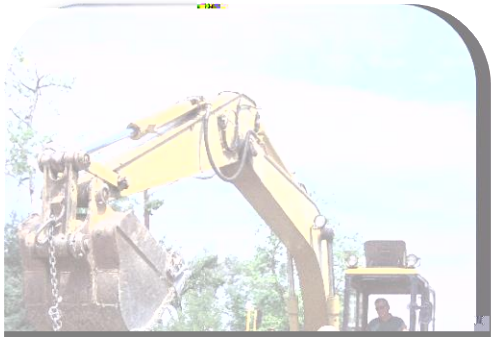
AVON • HERITAGE VILLAGE

MaineWater

Maureen Westbrook, Vice President, Customer & Regulatory Affairs

Passionate employees delivering life sustaining, high quality water service to families and communities while providing a fair return to our shareholders





Special Rate Design Challenges with Small Systems

- Promote Water Conservation - Increasing block, seasonal rates
- Support Economic Development – Declining blocks, rate classes
- Protect Municipal Budgets – Fire protection charges
- Customer Affordability – Rates & assistance programs

Lifeline rates with fixed amount of water for basic needs

Special rates for seniors and/or income eligible customers

Payment terms and assistance

Special hardship assistance programs

ConnecticutWater

ELIGIBLE
ELIGIBLE
ELIGIBLE
ELIGIBLE
ELIGIBLE
ELIGIBLE

Tough
Times
Ahead

ConnecticutWater

HAPPINESS
SUPPORT
TRUST
CUSTOMER
MOTIVATION
LOYALITY
BUSINESS
SATISFACTION
PARTNERSHIP
CONFIDENCE
UNDERSTANDING

NARUC Winter Policy Summit