



Water Rate Reform Themes

The Water Reliability Coalition, with the support of the San Diego Foundation, hosted two workshops on water rate reform in March and April 2018 to bring experts and thoughtful discussion to water stakeholders within the City of San Diego's Public Utilities Department (PUD) service area. Panelists included:

- Vic Bianes, Director, Public Utilities Department, City of San Diego
- Paul Cook, General Manager, Irvine Ranch Water District
- Seth Gates, Deputy Director of Finance & IT, Public Utilities Department, City of San Diego
- Haney Hong, President & CEO, San Diego County Taxpayers Association
- Lee Ann Jones Santos, Assistant Director, Public Utilities Department, City of San Diego
- Alan Karnovitz, Senior Associate, Hazen and Sawyer
- Don Kelly, Executive Director, Utility Consumers' Action Network
- Charles Modica, Fiscal & Policy Analyst, Independent Budget Analyst's Office, City of San Diego

Local stakeholders who participated in workshop planning and workshop attendees included many individuals representing various private companies and community organizations including:

- Balboa Park Cultural Partnership
- Biocom
- Building Industry Association San Diego
- California American Water
- Center for Sustainable Energy
- City of San Diego Independent Rates Oversight Committee
- Energy Policy Initiatives Center
- Industrial Environmental Assn.
- Institute of Electrical & Electronics Engineers
- Otay Water District
- Public Health Alliance of Southern California
- San Diego Audubon Society
- San Diego Coastkeeper
- San Diego County Apartment Association
- San Diego County Taxpayers Association
- San Diego Regional Chamber of Commerce
- San Diego Regional Climate Collaborative
- San Diego Regional EDC
- San Diego Water Tech Alliance
- Surfrider Foundation, San Diego Chapter
- The San Diego Foundation
- UCSD
- Utility Consumers' Action Network

In addition to developing stakeholder understanding of the issue as a component of the holistic “One Water” approach to regional policy, the workshops identified four major reoccurring themes to consider alongside your priorities when engaging in water rate reform discussions.

Theme #1 – Focus on education, outreach and community dialogue to promote conservation. The awareness achieved during California's 2014–17 drought state of emergency resulted in a 21 percent reduction in water usage, demonstrating people are willing to change their behavior if conservation and efficiency is widely emphasized. Many experts concur, prioritizing a productive dialogue is not only the most effective conservation tactic, but also results in higher levels of public trust. The City should explore ways to expand community dialogue efforts with excessive users and communicate more widely with all users about ongoing investments in water and wastewater infrastructure.

Consider asking the following questions to promote effective education, outreach and community dialogue focused on conservation.

- How effective have our past education, outreach and community dialogue efforts focused on conservation, and how are we improving those efforts?
- How does our level of funding for conservation education, outreach and community dialogue compare to previous rate cases and to other water retailers?
- From which ratepayer tiers, and to what degree from each, are funds allocated currently for education, outreach and community dialogue efforts focused on conservation?
- How much would it impact an efficient user's bill if education, outreach and community dialogue efforts focused on conservation were exclusively funded through the top tiers charged to excessive users, assuming this is a legally viable option?

Theme #2 – Prioritize achieving the lowest possible bill for low-income ratepayers who are conserving as much as possible to save on their bill. Water is a fundamental need. We have an obligation to ensure it is safe, reliable and affordable. Rate structures cannot rely on a cross-subsidy to ensure that low-income ratepayers have affordable bills as Proposition 218 (1996) does not allow any ratepayer to be charged more than it costs to serve them. The lowest tier(s) should be designed to cover basic needs at the lowest possible cost. In addition, to achieve this goal, the variable portion of the bill should be designed to cover PUD’s “partially fixed” and “variable” costs.

Consider asking questions similar to the following to promote a rate structure that ensures low-income ratepayers can achieve affordable bills through conservation.

- How many people live in a typical single-family home and how much water is considered enough to cover basic needs for that household?
- Does the amount of water needed to cover basic needs of a household correspond to our lowest tier?
- How much does the amount of water needed to cover basic needs change with the size of a household, and how does our current rate structure result in the bill changing with additional people in a water-efficient household?
- What are the barriers and corresponding potential solutions to creating a separate tiered structure for multifamily ratepayers?
- In what ways can we consider creating a Proposition 218-compliant program designed to allow households with unusually high occupancy to receive a variance ensuring their bill is not subsidizing others?

Theme #3 – Distinguish between “fixed-fixed,” “partially fixed” and “variable” costs. There are several costs that could be considered either fixed or variable depending on perspective. In these cases, we should be looking for opportunities to designate these partially fixed costs as variable and therefor recovered through the tiered rate structure rather than the base fee. This is necessary to not only ensure an opportunity for low-income ratepayers to achieve an affordable bill through conservation, but is also necessary to ensure the rate structure incentivizes conservation as much as possible without jeopardizing PUD’s ability to cover its costs. Examples of departmental costs that could be characterized as “partially fixed” include piping infrastructure, chemicals, repairs and maintenance.

Consider asking questions similar to the following to promote conservation without compromising solvency.

- What percentage of PUD’s expenditures do not change annually regardless of even dramatic changes in water use either up or down?
- In addition to debt service, which line items are fixed?
- Are there any line items that are considered fixed that would in fact change if there was dramatic conservation or a dramatic increase in water use?
- How would rates, efficiency and conservation be impacted if a water bill’s base fee were to be a higher percentage of the overall bill similar to other California jurisdictions?

Theme #4 – Sending clear price signals to customers is important. Ratepayers are much more likely to respond with conservation and efficiency measures when they have the right information presented to them in a clear, concise and timely fashion. For example, real-time metering information can help to detect leaks and identify which appliances are causing a bill to spike. Conversely, being unclear can doom even well-designed reforms if it causes confusion.

Consider asking questions similar to the following to best ensure PUD is sending clear price signals.

- What is the status and schedule for implementing automated/advanced metering infrastructure (AMI) and how could it impact rates, efficiency and conservation?
- What is the status and schedule for moving to monthly billing and how could it impact rates, efficiency and conservation?
- In what ways should we consider changing the layout and information provided to customers to improve ratepayers’ understanding of their water use and its impact on the environment and their water bill?
- In what ways can we work to ensure renters have the opportunity to save on their bill by conserving?

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The Water Reliability Coalition is a broad-based affiliation of more than 25 organizations that have come together to educate and advocate for water reuse and reliability in the San Diego region.