

August 13, 2018

The Honorable Bill Dodd
California State Senate
Room 5064
Sacramento, CA 95814

Re: SB 998 (Dodd) – Remove Opposition

Dear Senator Dodd:

On behalf of the California Water Association (CWA), I am writing to formally remove CWA's opposition to SB 998, regarding discontinuation of water service by for non-payment. The principal reason is that the amended bill has moved toward consistency with the regime under which CWA's member utilities have operated for many years.

Specifically, CWA's regulated member water utilities have been operating for more than 25 years under detailed rules developed by the California Public Utilities Commission (CPUC) for discontinuation of water service for non-payment. As you know, the CPUC regulates approximately 100 water utilities that serve approximately 6 million people.

While not identical, the current version of SB 998 has adopted many of the time-tested provisions of the CPUC's Tariff Rule 11 (Rule 11), which contains a reasonable and logical process for discontinuation of water service when a customer does not pay for water utility service already received. As a point of reference, a Tariff Rule is part of a regulated utility's broader tariff schedule of rates and terms of service, which governs the legal relationship between the utility and its customers.

The CPUC collects data related specifically to this issue, which demonstrates that the large majority of (the relatively infrequent) water service discontinuations are reconnected within a few days. Furthermore, additional data analysis reveals that water service discontinuation among low income customers is a much smaller percentage. If data related to 15 percent of the state (the current percentage of Californians served by regulated water utilities) is representative of statewide behaviors, CWA notes that Rule 11 properly addresses the findings expressed in SB 998, and that this bill will have the same limited application that Rule 11 has.

While SB 998 has become more similar to Rule 11 as the year has unfolded, there remain some differences that should be highlighted:

Jack Hawks, Executive Director
California Water Association
601 Van Ness Avenue, Suite 2047
San Francisco, CA 94102-6316
415.561.9650
415.561.9652 fax
415.305.4393 cell
jhawks@calwaterassn.com
www.calwaterassn.com

Melissa Dixon, Administrative Director
California Water Association
700 R Street, Suite 200
Sacramento, CA 95811
916.231.2147
916.231.2141 fax
mdixon@calwaterassn.com

CWA President
Lawrence Morales
East Pasadena Water
626.793.6189
lawrence@epwater.com

CWA Vice Presidents
Keith Switzer
Golden State Water Company

Evan Jacobs
California American Water

Ed Jackson
Liberty Utilities Corporation
562.299.5166
edward.jackson@libertyutilities.com

CWA General Secretary and Treasurer
Joel Reiker
11142 Garvey Avenue
El Monte, CA 91733
626.448.6183
jmreiker@sgvwater.com

CWA Billing Address
California Water Association
700 R Street, Suite 200
Sacramento, CA 95811

CWA Mailing and Shipping Address
California Water Association
601 Van Ness Avenue, Suite 2047
Mail Code: #E3-608
San Francisco, CA 94102-3200

Honorable Bill Dodd

August 13, 2018

Page 2 of 3

1. **Business/Non-Business Hour Reconnection Fees:** The CPUC Rule 11 has differing reconnection fee schedules than that of the proposed legislation. The fee schedule in Rule 11 was written based on the utility's actual cost of service and was approved by the CPUC. These fees were set to properly account for the all of the cost variables that can fluctuate from utility to utility, and that can be influenced by geographic location, labor costs and district demographics. Under SB 998, the fees are being arbitrarily set and capped by the legislature, not by the utility or its governing body, and without any consideration of utility-specific costs.
2. **Customers and Service:** SB 998 broadens and makes somewhat ambiguous the definition of what constitutes a customer. CPUC Rule 1 defines customer as *any person, supplied or entitled to be supplied with water service for compensation by the utility*. It is the "for compensation" descriptor that separates a "customer" from a renter or tenant in a master-metered building, who are not customers (because they aren't the customers of record who are paying the utility for water service). Rule 11 clearly applies to customers, and it has specific directives for the utility to follow for discontinuation and restoration of service when water service is provided to residential users in a multiunit structure or mobile home park where the owner, manager or operator is listed by the utility as the customer of record.
3. **Timing –** SB 998 stipulates that an urban or community water system shall not discontinue service for nonpayment until the customer has been delinquent for 60 days. Rule 11 has a much more involved and customer-friendly process. Each residential customer of a regulated utility has 19 days from the date of a bill mailing before a bill becomes past due. Then, the utility must give notice of the delinquency and any impending discontinuance at least 10 days prior to a proposed discontinuance. The notice must state the date by which the past due bill must be paid before discontinuance occurs, and the 10-day clock does not start until five days after the mailing of the notice (postage prepaid). Additionally, the customer can initiate a billing complaint, request an investigation, or request an extension of the payment period – within five days of receiving a disputed bill. The utility cannot discontinue service for nonpayment during the pendency of these complaints, investigations or extensions. Further, the customer can negotiate an installment payment agreement with the utility, and the utility cannot discontinue service unless the customer fails to comply with that agreement, and again, only after a 10-day discontinuance notice. SB 998 does contain provisions for amortization agreements, but it presumably allows for an additional 60 days of service (beyond the original 60 days) for nonpayment when it is determined that the customer is not complying with the terms of the amortization agreement.

Honorable Bill Dodd

August 13, 2018

Page 3 of 3

4. Medical Professional: SB 998 defines primary care provider as that defined in the Welfare and Institutions Code for the purposes of a health-related exemption to service disconnection rules. Rule 11 limits the medical exemption to licensed physicians and surgeons.
5. Definition of Low-Income Individual – SB 998 defines low-income customers as anyone who is a recipient of the various enumerated state and federal assistance programs such as Medi-Cal or the State Supplemental Payment Program. This definition is significantly different than the qualifying criteria for most utility low-income programs. Rule 11 relies on the utility's low income customer assistance (California Alternative Rates for Water/CARW of Low Income Ratepayer Assistance/LIRA) program, which includes individuals who self-certify that they are below 200% of the Federal Poverty Line.
6. Waive interest – SB 998, as written, would require the utility to waive interest fees on delinquent bills. Rule 11 does not provide for utilities to assess a percentage based fee on delinquent amounts or what might be commonly understood as interest. Rule 11 does, however, allow the utility to charge the customer for expenses outside those covered by the reconnection fee such as costs associated with collections efforts. SB 998 is silent on cost recovery for such expenses; it simply has an interest fee waiver.

CWA appreciates the fact that you and your staff have made a conscientious effort to work with the opponents throughout the year to improve the provisions in SB 998. While CWA still has concerns with the bill, enough progress has been made to warrant the Association's removal of its opposition. Please feel free to contact me or Jennifer Capitolo if you have any questions.

Sincerely,



Jack Hawks

Cc: Les Spahnn; Legislative Director, Office of Senator Dodd
Jennifer Galehouse, Assembly Appropriations Committee
Kellie Smith, Assembly Utilities and Commerce Committee
Nidia Bautista, Senate Appropriations Committee
Alf Brandt, Office of Speaker Anthony Rendon
Gabrielle Zeps, Office of Speaker Anthony Rendon
Rami S. Kahlon; Director, Water Division, California PUC
Hazel Miranda; Director, Office of Governmental Affairs, California PUC