An Environmental NGO Perspective on Water Affordability and Regulatory Compliance

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An environmental NGO perspective

• Who is NRDC?
  • National (and international) organization
  • Work at federal, state, and local levels in the U.S.

• Who is NRDC not?
  • No state or local chapters or affiliates
  • Not a “grassroots” or “frontline” group

  ➔ *but often partner with those groups*
What can’t we afford?

A 2-tier system where wealthier communities & families get clean water, and the less well-to-do get 2\textsuperscript{nd}-class systems that endanger their health & environment.
Compliance PLUS Affordability

1. Compliance:
   • Meeting all existing regulatory standards
   • And more stringent standards needed to protect public health & environment

2. Affordability:
   • Everyone has affordable access to clean, safe water, wastewater, and stormwater services at a level sufficient to meet basic needs
Everyone needs and deserves clean water.

Every water utility needs sufficient and sustainable income.
Get it done smarter. Invest more. Pay for it fairer.
Achieving Compliance PLUS Affordability: A 3-Legged Stool

• **SMARTER**: Cost-effective compliance strategies
  • Prioritize major capital investments (including “Integrated Planning”)  
  • Asset management  
  • Efficient operations

• **MORE**: Sufficient funding / revenue and low-cost financing  
  • State & federal grants and loans  
  • Private financing  
  • Rates (& collections) that generate sufficient revenue, smart price signals

• **FAIRER**: Equitable & affordable allocation of costs among ratepayers  
  • Equitable rate structures  
  • Low-income affordability programs
Integrated Planning (1 of 2)

• What it is (and should be)
  • Cost-effective ways to meet existing and future regulatory requirements
  • Prioritize and sequence investments to accelerate health and environmental benefits
  • Innovative solutions that simultaneously provide multiple benefits
  • Achieve full compliance as soon as possible, with appropriate consideration of costs and benefits
Integrated Planning (2 of 2)

• What it is not (and should not be)
  • Weakening existing regulatory requirements
  • Safe harbor from new regulatory requirements
  • Cost/affordability as a trump card
“Residential Indicator” – broad agreement:

- Median household income not a sufficient metric
- Need to protect low-income households from unaffordable cost burdens

→ **How?** Extended compliance schedules should be the last resort. Instead….
Affordability PLUS compliance, not affordability OR compliance

- **First**, reduce total costs to all ratepayers: smart compliance approaches, external funding sources (grants), low-cost financing (low-interest loans)

- **Second**, accurately characterize costs borne by low-income households. Avoid simplistic assumptions that exaggerate burdens on low-income households.
  - No median income → No “average bill”
  - Low-income households ≠ Low-income customers

- **Third**, exhaust all opportunities to alleviate burdens for those households:
  - Address low-income affordability head-on
  - Do not take current rate structure as a given

And don’t forget: investment has **benefits**, not just costs. That’s why we invest.
Emerging issue: Funding mandatory lead service line replacement

- Regulatory change is coming – see new Michigan “lead and copper rule”
- Need to fund LSL replacement without burdening low-income homeowners
- Legal issues are similar to issues of funding low-income “customer assistance”/affordability programs

→ Make the case to use rate revenues to fund LSL replacement on private property
Thank you!

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For more information:
bit.ly/smarter-fairer-more
bit.ly/go-big-on-water
bit.ly/muddied-water-affordability