

An Environmental NGO Perspective on Water Affordability and Regulatory Compliance

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**AWWA Symposium on Affordability
August 6, 2018 | Washington D.C.**

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*

First Principles

What can't we afford?

*A 2-tier system where wealthier communities & families get **clean water**, and the less well-to-do get **2nd-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

Financial Capability Assessment & Low-Income Affordability

- “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....

Be Solutions-Oriented

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
