

# **MAYOR'S INNOVATION PROJECT**

## **ADDRESSING WATER AFFORDABILITY**

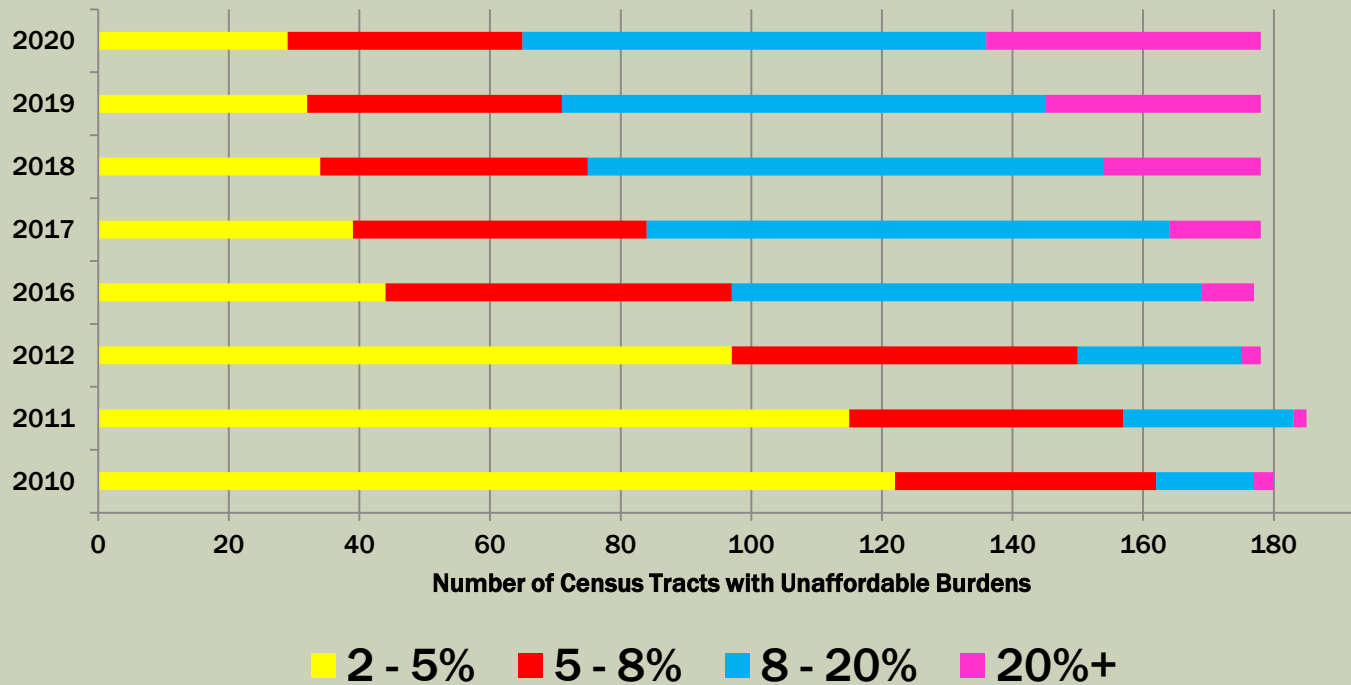
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**May 31, 2018**

# BALTIMORE WATER: PAYING (?) FOR CLEAN-UP

- Issue: City of Baltimore entered into “consent decree” with EPA for environmental compliance.” Requires investment upwards of \$3 billion by 2030.
  - Given lack of federal dollars, ratepayers must pay.
  - If people cannot afford the bills, how does Baltimore collect sufficient dollars?

# BALTIMORE WATER: PAYING (?) FOR CLEAN-UP



# MARYLAND AFFORDABILITY DATA

## Selected USPP Data: Baltimore Gas and Electric

	2012/2013		2013/2014	
	Non-MEAP	MEAP-eligible	Non-MEAP	MEAP-eligible
Percentage in arrears	20%	58%	20%	59%
Average arrears	\$396	\$820	\$440	\$1,041

SOURCE: Annual Maryland PSC Staff Report Universal Service Protection Program ("USPP").

# NEED FOR CAPS IN PENNSYLVANIA (2015)

	Electric		Natural Gas	
	Non-low-income	Low-Income	Non-low-income	Low-Income
Percent accounts in arrears	9.1%	25.9%	9.3%	18.2%
Average dollars of arrears	\$452	\$672	\$470	\$566
Termination rate	4.4%	15.8%	3.9%	12.0%
Bad debt rate	2.3%	9.8%	3.9%	14.0%

## EPA GUIDANCE TO STATES:

“ASSESSING FINANCIAL CAPABILITY FOR MUNICIPAL CLEAN WATER ACT REQUIREMENTS” (JAN 13, 2013).

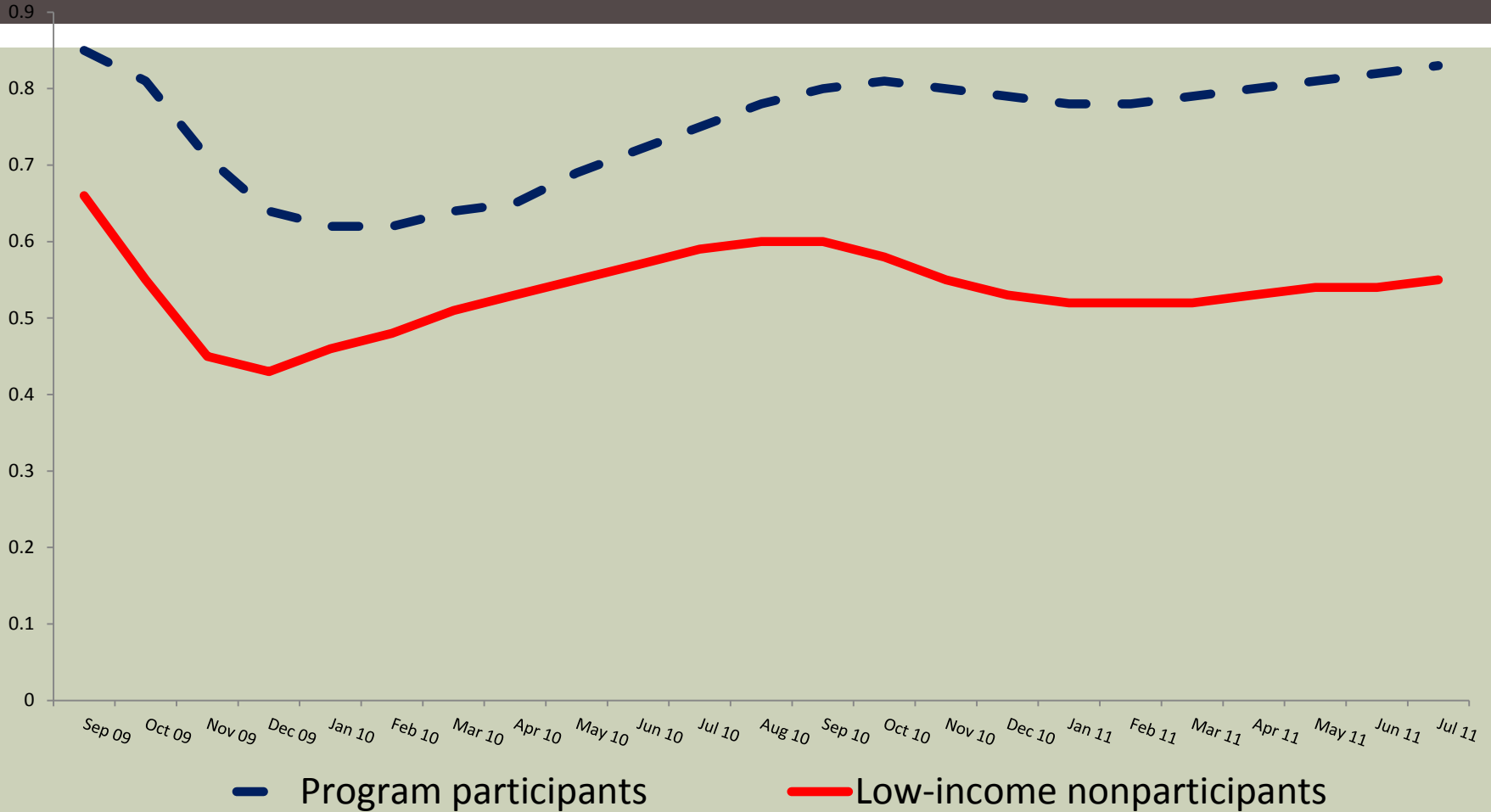
Uniform rate structures may place a disproportionately high financial burden on households with low incomes. ***EPA strongly encourages municipalities to consider establishing lower rates or subsidies for low income customers.***

# EPA GUIDANCE TO STATES:

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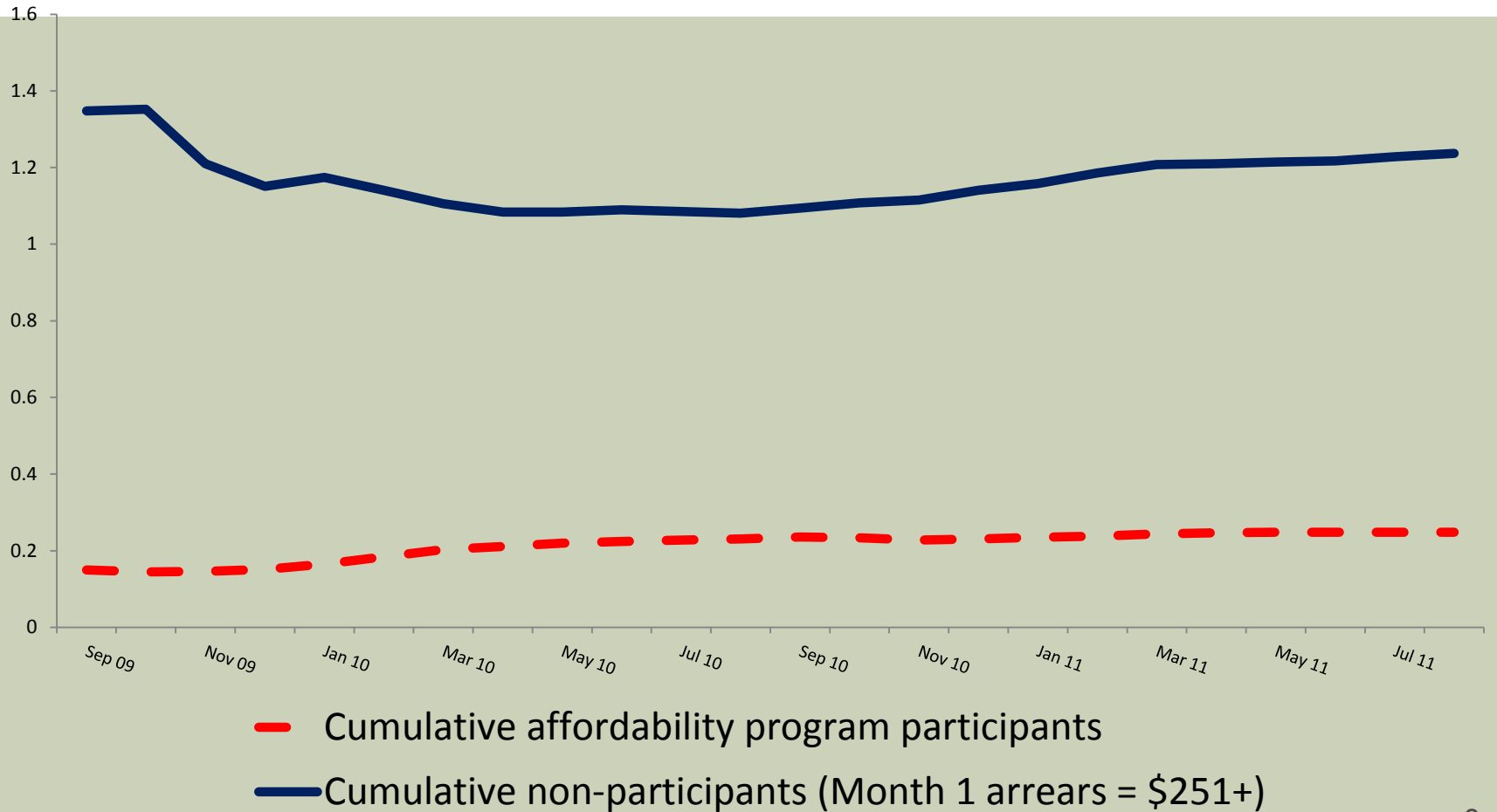
Some communities have asked whether the CWA restricts a community’s ability to set different rate structures to address such burdens or would limit their ability to receive grant funding from the Agency. . . ***Local officials have a great deal of latitude under these regulations and the EPA continues to encourage communities to consider and adopt rate structures that ensure that lower income households continue to be able to afford vital wastewater services.***

# PSCO: PAYMENT COVERAGE RATIOS: LOW INCOME PROGRAM

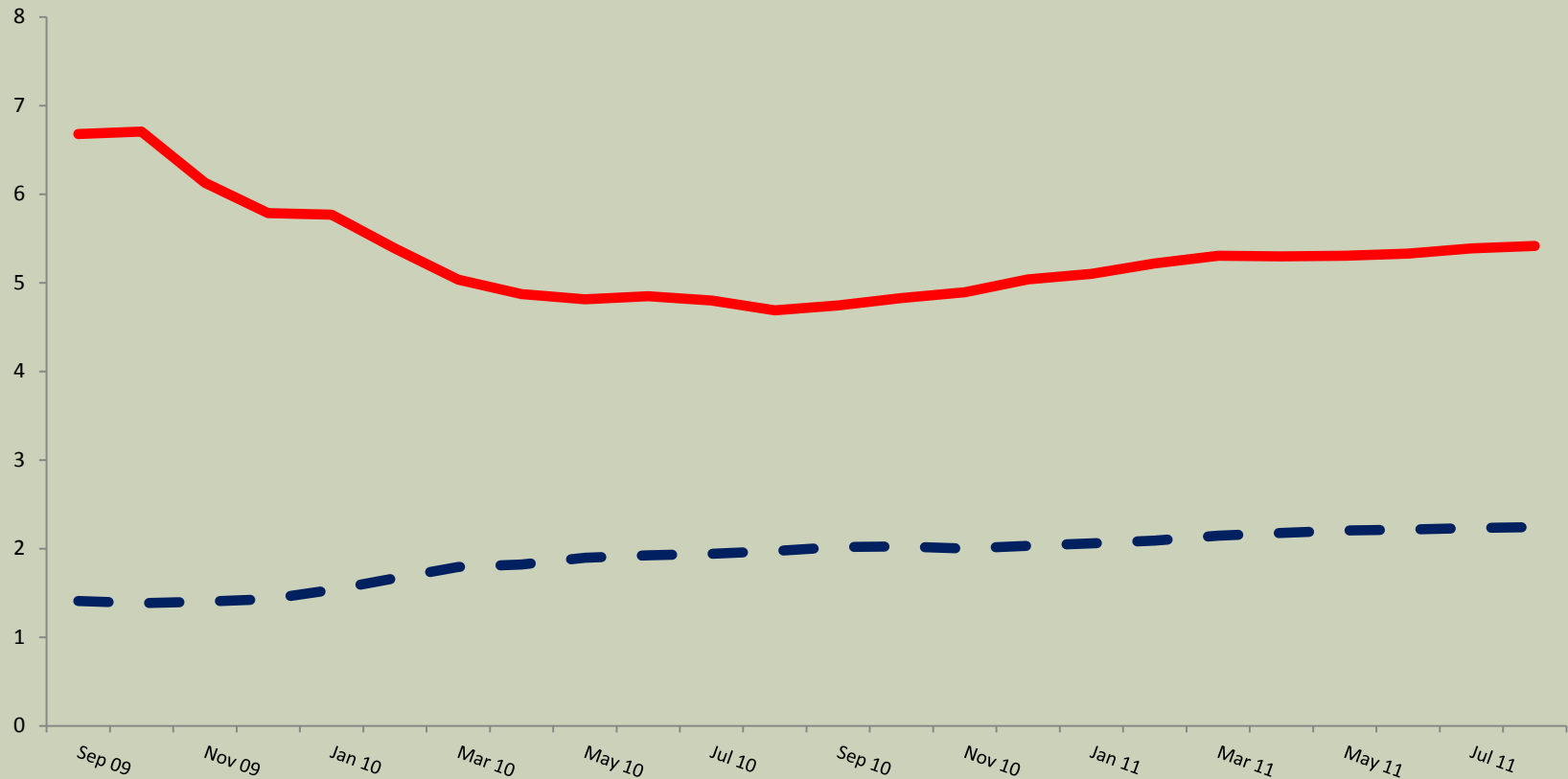




# PSCO: CUMULATIVE DNP NOTICES PER 1,000 PAYMENTS: LOW INCOME PROGRAM

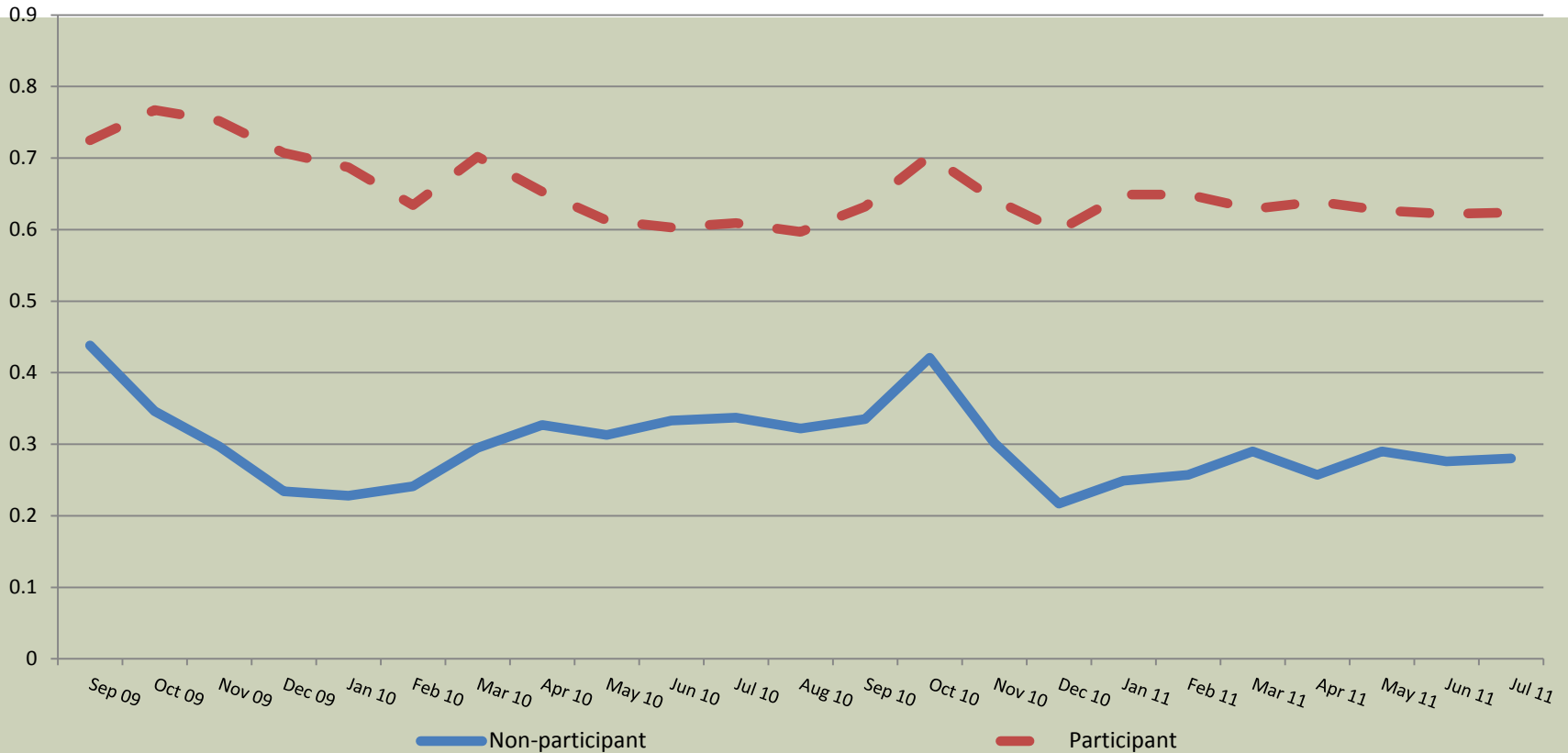


# PSCO: DNP NOTICES PER \$1,000 PAYMENTS: LOW INCOME PROGRAM



— Program participant    — Non-participant (Month 1 arrears = \$251+)

# PAYMENTS YIELDING \$0 BALANCES BY NUMBER OF PAYMENTS



**Ratio of Number of Payments Resulting in \$0 Balance to Number of Payments by Program Participation.**

# CONCLUSIONS

- To the extent that nonpayment is associated with inability to pay, discounted low-income service can be a cost-effective response to nonpayment.
- A continuing, let alone an increased, reliance on traditional credit and collection activities directed toward inability-to-pay customers is not the most effective, let alone the most cost-effective, nonpayment response.

FOR MORE INFORMATION, CONTACT:

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# APPENDIX A: IMPACT OF UTILITY BILL AFFORDABILITY: NEW JERSEY

## Distribution of Bill Payment Coverage Ratio by Net Energy Burden (New Jersey Universal Service Fund (USF))

Net Energy Burden	Bill Payment Coverage Ratio			
	<50%	50% - <90%	90% - <100%	100% or more
Less than 2%	0.0%	2.7%	5.3%	92.0%
2% - 3%	0.0%	6.0%	11.5%	82.5%
3% - 4%	0.0%	10.0%	13.2%	76.9%
4% - 6%	0.0%	11.6%	16.6%	71.6%
6% - 8%	0.4%	16.6%	17.4%	65.5%
Over 8%	1.0%	25.6%	16.1%	57.4%

## APPENDIX B (PAGE 1 OF 2): BEYOND STATE LEGISLATION

The Final Report of the Detroit Blue Ribbon Panel on Water Affordability (January 2017) stated that:

“In the case of Detroit, at least two factors suggest an expansive view toward DSWD’s social responsibilities that would embed affordability considerations within DWSD’s mission. First, the right to expect city government to provide safe drinking water and a sanitary environment is included in Detroit’s City Charter.”

# APPENDIX B (PAGE 2 OF 2): DETROIT CITY CHARTER

The Charter of the City of Detroit, Declaration of Rights, states in relevant part: “The people have a right to expect city government to provide for its residents. . . safe drinking water and a sanitary, environmentally sound city.”