



ANALYSIS

CALIFORNIA PUBLIC UTILITIES COMMISSION

AB 975 (Fong) **As Amended July 15, 2009**

SUMMARY

This bill would require water corporations that have 500 or more service connections to meter new connections by January 1, 2010, and to meter all unmetered connections by January 1, 2020. The bill would also require water corporations that have 500 service connections or less, to install water meters if the California Public Utilities Commission (CPUC) makes one of the findings: 1) metering will be cost-effective within the service area; 2) metering will result in a reduction of water use within the service area; and 3) metering costs will not impose an unreasonable financial burden.

In addition, the bill would make the deadline for metering unmetered connections to be consistent with existing Water Code Section 527, which has a January 1, 2025 deadline. Finally, the bill contains clarifying language stating that in addition to a volume or quantity charge, the CPUC is free to impose a service or demand charge as well. This action is already existing practice within the CPUC as it pertains to imposing charges.

CPUC POSITION AND SUPPORTING ARGUMENTS

SUPPORT. In 2005, the CPUC released its Water Action Plan which promotes metered water service to encourage conservation and provide water usage information. In February 2008, Governor Schwarzenegger announced, as part of his comprehensive actions to fix the Sacramento-San Joaquin River Delta, a plan to achieve a 20 percent reduction in per capita water use statewide by 2020. The Governor added that conservation is one key way to provide water for Californians and protect the Delta. In February 2009, Governor Schwarzenegger proclaimed a state of emergency due to the state's ongoing drought conditions and requested all urban water users immediately increase their water conservation activities in an effort to reduce their individual water use by 20 percent.

Under Public Utilities Code Section 781, as currently written, the CPUC is prohibited from requiring water corporations to install water meters, unless the CPUC determines water installation would be cost-effective, reduces water consumption, and does not impose an unreasonable financial burden. Water metering is an effective method to encourage water conservation.

This bill would modify outdated and restrictive water metering restrictions to be reflective of the state's current water needs and conditions. As a result, this bill would improve the CPUC's authorization process and encourage the installation of water meters for regulated water utilities. Further, the bill would provide a tool to help Governor

Schwarzenegger's goal of achieving a 20 percent reduction in per capita water use statewide by 2020. This bill would also further the continued efforts by the CPUC to encourage water conservation among the customers of regulated water utilities.

ANALYSIS

- The CPUC regulates 129 water utilities and 13 sewer utilities. These companies serve about 6 million people, about 1/6th of the population of California. The water utilities provide about 20 percent of the state's water supply. This bill would impact approximately 115 water systems.
- Water meters are eligible for inclusion into rate base, so when a company adds a meter, it gets to recover the meter's cost in the CPUC's ratemaking process. If a customer continues to use the same amount of water, his/her bill would remain the same plus they would have to pay for the cost of the meter. The CPUC's view is that metering is good public policy as it sends the right price signals, and encourages conservation.
- The Legislature has long recognized that water metering is good public policy that encourages water conservation and the judicious use of a precious commodity. The Water Code requires metering of all new water connections after January 1, 1992 (Water Code § 525), the installation of water meters on or before January 1, 2013 for existing customers (Water Code § 526), and the installation of water meters by 2025 for all service connections constructed before 1992 (Water Code § 527).
- Modifying the outdated and restrictive criteria from Public Utilities Code Section 781 would also streamline the authorization process and encourage the installation of water meters for regulated water utilities. This effort is consistent with the CPUC's 2005 Water Action Plan (WAP), which promotes metered water service to encourage conservation and provide water usage information. It would also provide a tool to help Governor Schwarzenegger's goal of achieving a 20 percent reduction in per capita water use statewide by 2020.
- This bill would continue to make clear that the cost of metering programs can be recovered in rates, fees, and charges subject to approval by the CPUC.

PROGRAM BACKGROUND:

- The CPUC's recent efforts regarding water conservation have included:
 - Development and ongoing fulfillment of the 2005 Water Action Plan, which promotes metered water service to encourage conservation;
 - Processing of the Water Conservation Order Instituting Investigation (OII): in its Phase 1A decision, the CPUC has adopted an interim water conservation target for Class A water utilities of 3 percent to six percent reduction per customer or service connection every three years. This target will help achieve significant water use reductions and is in alignment with Governor Schwarzenegger's proposed water conservation plan to achieve a 20 percent reduction in per capita water use statewide by 2020;

- Authorization of the Water/Energy Nexus pilot programs, which are examining the coordination of water and energy conservation by water utilities; and
- Members of the CPUC's Division of Water and Audits (DWA), as well as the Policy and Planning Division (PPD), participate in inter-agency meetings that address the development of water conservation programs for California.

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