

STATE OF CALIFORNIA

Public Utilities Commission  
San Francisco

**M e m o r a n d u m**

**Date:** May 27, 2009

**To:** The Commission  
(Meeting of June 4, 2009)

**From:** Pamela Loomis, Director  
Office of Governmental Affairs (OGA) — Sacramento

**Subject:** **AB 975 (Fong) – Water corporations: water meters.  
As Amended April 22, 2009**

**LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT**

**SUMMARY OF BILL:**

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.

**SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:**

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% 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This bill would modify outdated and restrictive water metering restrictions to be reflective of the state's current water needs and conditions.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.

#### **SUMMARY OF SUGGESTED AMENDMENTS:**

None

#### **DIVISION ANALYSIS (Water Division)**

- 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% of the state's water supply.
- 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%-6% 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% 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.

## **LEGISLATIVE HISTORY:**

AB 49 (Feuer, 2009) would require a 20% reduction in urban per capita water use by the end of 2020. The bill would also require agricultural water suppliers to implement best management practices (BMPs) by July 31, 2012.

AB 2175 (Laird and Feuer, 2008) would have required the state to achieve a 20% reduction in urban per capita water use by December 31, 2020 and also required agricultural water suppliers to implement water use efficiency best management practices by July 31, 2012. This bill died in the Senate.

AB 2572 (Kehoe, Chapter 884, Statutes of 2004) requires urban water suppliers to install water meters by 2025 on all service connections constructed before 1992.

## **STATUS:**

AB 975 is currently pending on the Assembly Floor.

## **SUPPORT/OPPOSITION:**

Support: Sierra Club (sponsor)  
Friends of the River  
Opposition: None on file.

**STAFF CONTACTS:**

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**Date:** May 27, 2009

**BILL LANGUAGE:**

BILL NUMBER: AB 975      AMENDED  
BILL TEXT

AMENDED IN ASSEMBLY    APRIL 22, 2009  
AMENDED IN ASSEMBLY    APRIL 13, 2009

INTRODUCED BY    Assembly Member Fong

FEBRUARY 26, 2009

An act to add Section 781.5 to, and to repeal and add Section 781 of, the Public Utilities Code, relating to water corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 975, as amended, Fong. Water corporations: water meters.

The existing Water Measurement Law requires every water purveyor, as defined, who sells, leases, rents, furnishes, or delivers water service, as defined, for potable water, to any person, as defined, to require, as a condition of new water service, that a suitable water meter to measure the water service be installed, requires that the cost of installation of the meter be paid by the user of water, and authorizes the water purveyor to impose and collect charges for those costs. These requirements are not applicable to a community water system that serves fewer than 15 service connections used by yearlong residents or regularly serves fewer than 25 yearlong residents, or a single well that services the water supply of a single-family residential home. The Water Measurement Law contains additional requirements relative to the installation of water meters and charges for water relative to urban water suppliers, as defined. The Water Measurement Law authorizes a water purveyor, including an urban water supplier, to recover the cost of providing services related to the purchase, installation, and operation and maintenance of water meters from rates, fees, or charges.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including water corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. The existing Public Utilities Act prohibits the commission from requiring certain water corporations, or a residential customer of those corporations, to install a water meter, except after a public hearing held within the service area of the water corporation at which hearing all of the following findings are made: (1) metering will be cost effective within the service area of the water corporation, (2) metering will result in a significant reduction in water consumption within the corporation's service area, and (3) the costs of metering will not impose an unreasonable financial burden on customers within the corporation's service territory, unless the commission finds metering is necessary to assure continuation of an adequate water supply within the service territory.

This bill would repeal the existing limitation in the Public Utilities Act that limits the authority of the commission to require a water corporation to install water meters. The bill would require a water corporation with 500 or more service connections that is not subject to specified requirements of the Water Measurement Law to install a water meter on each new service connection and, by not later than January 1, 2020, to install, on and after January 1, 2010, a water meter upon each unmetered service connection. The bill would require a water corporation with less than 500 service connections as of January 1, 2010, that thereafter reaches 500 or more service connections and that is not subject to specified requirements of the Water Measurement Law, to install a water meter upon each unmetered service connection within 10 years after it reaches 500 or more service connections. The bill would require each water corporation that has installed water meters, or caused water meters to be installed, that is not subject to specified requirements of the Water Measurement Law, on and after January 1, 2015, to charge customers for potable water based on the actual volume of deliveries, as measured by the water meter, but ~~authorizes~~ would authorize the water corporation to delay imposition of volume-based water service charges for one annual billing cycle in order to provide customers with experience with those charges. The bill would authorize a water corporation to recover the cost of providing services related to the purchase, installation, operation, and maintenance of water meters in rates, fees, or charges, subject to existing law relative to approval of rates by the commission, and would require the commission to ensure that a water corporation complies with these requirements or the requirements of the Water Measurement Law.

This bill would authorize the commission to require a water corporation that furnishes potable water for residential, commercial, industrial, or institutional use through less ~~than~~ than 500 service connections that is not subject to specified requirements of Water Measurement Law, or a residential, commercial, industrial, or institutional customer of such corporation, to install a water meter at any water service connection between the water system of the corporation and the customer ~~if the service connection was unmetered on January 1, 1979,~~ if after a public hearing held within the service area of the water corporation, and upon the commission finding, based upon the evidence presented at that hearing, that (1) metering will be cost effective within the service area of the corporation, (2) metering will result in a reduction in water consumption within the service area of the water corporation, or (3) the costs of metering will not impose an unreasonable financial burden on customers within the service area of the corporation unless it is found to be necessary to ensure continuation of an adequate water supply within the service area of the corporation.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 781 of the Public Utilities Code is repealed.

SEC. 2. Section 781 is added to the Public Utilities Code, to read:

781. (a) (1) Each water corporation with 500 or more service connections that is not subject to the requirements of Section 525, 526, 527, or 528 of the Water Code shall install, on and after January 1, 2010, a water meter on each new service connection.

(2) Each water corporation with 500 or more service connections as of January 1, 2010, that is not subject to the requirements of Section ~~525,~~ 526, 527, or 528 of the Water Code, shall install a water meter upon each unmetered service connection by ~~not later than~~ January 1, 2020.

(3) Each water corporation with less than 500 service connections as of January 1, 2010, that thereafter reaches 500 or more service connections and that is not subject to the requirements of Section ~~525,~~ 526, 527, or 528 of the Water Code, shall, within 10 years of attaining that threshold, install a water meter upon each unmetered service connection.

(4) Each water corporation that is subject to the requirements of Section 525, 526, 527, or 528 of the Water Code shall install water meters pursuant to those sections.

(b) (1) Each water corporation that has installed water meters, or caused water meters to be installed, that is not subject to Section 525, 526, 527, or 528 of the Water Code, shall, on and after January 1, 2015, charge customers for potable water based on the actual volume of deliveries, as measured by the water meter.

(2) Each water corporation that is subject to Section 525, 526, 527, or 528 of the Water Code shall charge customers for potable water based on the actual volume of deliveries, as measured by the water meter, consistent with the requirements of those sections.

(3) Notwithstanding paragraph (1), in order to provide customers with experience in volume-based water service charges, a water corporation that is subject to paragraph (1) may delay, for one annual seasonal cycle of water use, the use of meter-based charges for service connections that are being converted from nonvolume-based billing to volume-based billing.

(c) A water corporation may recover the cost of providing services related to the purchase, installation, operation, and maintenance of water meters in rates, fees, or charges. Rates, fees, or charges recovered by the water corporation pursuant to this section are subject to approval by the commission pursuant to Article 1 (commencing with Section 451) of Chapter 3 and Article 2 (commencing with Section 727) of this chapter.

(d) The commission shall ensure that each water corporation that

is subject to the requirements of this section or the requirements of the Water Measurement Law (Chapter 8 (commencing with Section 500) of Division 1 of the Water Code) comply with those requirements.

SEC. 3. Section 781.5 is added to the Public Utilities Code, to read:

781.5. The commission may require a water corporation that furnishes potable water for residential , commercial, industrial, or institutional use through less ~~than~~ than 500 service connections that is not subject to the requirements of Section ~~525,~~ 526, 527, or 528 of the Water Code, or a residential , commercial, industrial, or institutional customer of the corporation, to install a water meter at any water service connection between the water system of the corporation and the customer ~~if the service connection was unmetered on January 1, 1979,~~ if after a public hearing held within the service area of the corporation, the commission finds, based upon the evidence presented at that hearing, that any of the following are true:

(a) Metering will be cost effective within the service area of the corporation.

(b) Metering will result in a reduction in water consumption within the service area of the corporation.

(c) The costs of metering will not impose an unreasonable financial burden on customers within the service area of the corporation unless it is found to be necessary to ensure continuation of an adequate water supply within the service area of the corporation.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.