

**ASSEMBLY BILL**

**No. 2882**

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**Introduced by Assembly Member Wolk**

February 22, 2008

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An act to add Chapter 3.4 (commencing with Section 370) to Division 1 of the Water Code, relating to water rates.

LEGISLATIVE COUNSEL'S DIGEST

AB 2882, as introduced, Wolk. Allocation-based conservation water pricing.

Existing law relative to water conservation programs authorizes any public entity, as defined, that supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity to adopt and enforce, by ordinance or resolution, a water conservation program to reduce the quantity of water used by those persons for the purpose of conserving the water supplies of the public entity.

This bill would authorize a public entity to adopt allocation-based conservation water pricing meeting certain requirements. The bill would require that revenues derived from allocation-based conservation water pricing not exceed the reasonable cost of water service, including conservation measure costs and overuse costs, as defined.

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

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Chapter 3.4 (commencing with Section 370) is
- 2 added to Division 1 of the Water Code, to read:

CHAPTER 3.4. ALLOCATION-BASED CONSERVATION WATER PRICING

370. The Legislature hereby finds and declares all of the following:

(a) The use of allocation-based conservation water pricing by public entities that sell and distribute water is one effective means by which waste or unreasonable use of water can be prevented and water can be saved in the interest of the people and for the public welfare, within the contemplation of Section 2 of Article X of the California Constitution.

(b) It is the intention of the Legislature that the state take steps to encourage the voluntary use of allocation-based conservation water pricing on a regular and ongoing basis as a means of reducing wasteful or unreasonable use of water under both normal and dry-year hydrologic conditions.

(c) The Legislature intends that allocation-based conservation water pricing is an additional option to incentivize water users to conserve and eliminate waste of water and the Legislature does not intend to limit the discretion of public entities to evaluate and select among different methods for conserving water or to create a presumption that the election to not use a particular method is a waste or unreasonable use of water by the public entity.

371. For purposes of this chapter, the following terms have the following meanings:

(a) "Allocation-based conservation water pricing" means a retail water rate structure that meets all of the criteria in Section 372.

(b) "Basic charge" means a volumetric unit charge for the cost of water service other than any fixed costs that are recovered through meter charges or other fixed charges and any conservation measure costs and costs that are recovered through conservation charges. A basic charge may include the cost of generally applicable conservation measures assumed in establishing basic use allocations.

(c) "Conservation charge" means a volumetric unit charge for conservation measure costs.

(d) "Conservation measure costs" means expenses incurred for water conservation measures employed by the public entity to reduce the wasteful or unreasonable use of water, and may include conservation best management practices, conservation education,

1 irrigation controls and other conservation devices, water system  
2 retrofitting for production and use of alternative water supplies  
3 including recycled water, energy costs related to water use, and  
4 securing dry-year supply arrangements.

5 (e) “Overuse costs” means costs incurred as a result of the  
6 wasteful or unreasonable use of water, and may include preventing,  
7 controlling, or treating the runoff of water wasted by irrigation  
8 and other outdoor uses, and procuring water supplies to satisfy  
9 increments of water use in excess of the basic use allocations for  
10 the customers of the public entity.

11 (f) “Public entity” means a city, whether general law or  
12 chartered, county, city and county, special district, agency,  
13 authority, any other municipal public corporation or district, or  
14 any other political subdivision of the state.

15 372. (a) A public entity may employ allocation-based  
16 conservation water pricing that meets all of the following criteria:

17 (1) Billing is based on metered water use.

18 (2) A basic use allocation is established for each customer  
19 account that provides a reasonable amount of water for the  
20 customer’s needs and property characteristics. Factors used to  
21 determine the basic use allocation may include, but are not limited  
22 to, the number of occupants, the type or classification of use, the  
23 size of lot or irrigated area, and the local climate data for the billing  
24 period.

25 (3) A basic charge per volumetric unit is imposed for all water  
26 used within the customer’s basic use allocation, except that at the  
27 option of the public entity, a lower rate may be applied to any  
28 portion of the basic use allocation that the public entity has  
29 determined to represent superior or more than reasonable  
30 conservation efforts.

31 (4) A conservation charge is imposed for increments of water  
32 use in excess of the basic use allocation. The conservation charge  
33 for the increments shall, in the aggregate, provide revenue not to  
34 exceed conservation measure costs and overuse costs. The  
35 increments may be fixed or may be determined on a percentage  
36 or other basis, provided that the conservation charge for the  
37 highest-price increment is at least three times the basic charge.

38 (b) (1) Except as specified in subdivision (b), the design of an  
39 allocation-based conservation pricing rate structure shall be  
40 determined in the discretion of the public entity.

1 (2) The public entity may impose meter charges or other fixed  
2 charges to recover fixed costs of water service in addition to the  
3 allocation-based conservation pricing rate structure.

4 373. (a) Revenues derived from allocation-based conservation  
5 water pricing shall not exceed the reasonable cost of water service  
6 including conservation measure costs and overuse costs. This  
7 chapter does not limit the sources of funding for conservation  
8 measure costs to charges for water use.

9 (b) Revenues derived from allocation-based conservation water  
10 pricing shall not exceed the proportional cost of service attributable  
11 to the customer’s parcel, as determined by giving consideration to  
12 all of the following:

13 (1) Customer classes established in consideration of service  
14 characteristics, demand patterns, and other factors.

15 (2) Basic use allocations.

16 (3) Meter size.

17 (4) Metered volume of water consumed.

18 (c) Revenues derived from conservation charges shall not exceed  
19 the proportional cost of service attributable to the increments of  
20 water use subject to conservation charges. Under an  
21 allocation-based conservation water pricing structure, the public  
22 entity may establish proportionality between the cost of service  
23 and increments of water usage subject to conservation charges  
24 either on an aggregate basis, by the total metered volume of water  
25 consumed within all increments subject to conservation charges,  
26 or separately within each increment.

27 374. (a) Allocation-based conservation water pricing under  
28 this chapter may be used on an ongoing basis and shall not require  
29 any finding of emergency or other water shortage conditions.

30 (b) The authority granted in this chapter is in addition to any  
31 other authority that a public entity has to use rate structure design  
32 to foster the conservation of water.

33 (c) The imposition and revision of rates and charges by a public  
34 entity under this chapter shall be subject to the procedures  
35 otherwise required by law for the public entity’s water rates.