

M e m o r a n d u m

Date: May 26, 2010

To: The Commission
(Meeting of June 3, 2010)

From: Edward Randolph, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 1975 (Fong) – Water Charges and Meters: Multiunit Structures.**
As Amended: April 29, 2010

LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT

SUMMARY OF BILL:

This bill, sponsored by the Sierra Club, would condition provision of new water service to a multi-unit residential structures or mixed-use residential and commercial structures where the first occupancy permit is issued on or after January 1, 2012, by requiring the installation of a water meters or sub-meters to each individual dwelling unit. Structures greater than four stories above grade, where it can be shown that a structure's plumbing configuration incorporates multiple points of entry in each dwelling unit, are exempt from the meter requirement.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

This legislation is consistent with the State's and Commission's policy of fostering the metering of water use as a means to encourage water conservation. Metering is a necessary component to implement ratemaking mechanisms (increasing block rates) used by the Commission to encourage water conservation and efficient water use as discussed in the Commission's Water Action Plan. The objective of increased water meter penetration in AB 1975 is consistent with that of AB 975 which the Commission supported in 2009 and that was Chaptered on October 11, 2009.

SUMMARY OF SUGGESTED AMENDMENTS:

None.

DIVISION ANALYSIS (Water and Audits Division):

Studies have shown that the initiation of metering in an un-metered situation can reduce water usage 15% to 25%. According to the California Urban Water Conservation Council the level of water use savings through the introduction of water meters is about 20%. In some instances, the savings are more extreme. For example, Los Angeles which is fully metered, used 156 gallons per person per day in 2002, while Sacramento, which is not metered, used 290 gallons per person per day, a 46% reduction.

A report by the City of San Diego's office of Independent Budget Analyst found that the trend is increasing for multi-unit residential structures in San Diego. It is reasonable to expect a similar trend exists in other urban areas throughout the state.

AB 1975 is consistent with, and supportive of, the Commission's efforts to encourage metering and to institute conservation rate design (increasing block rates) which requires water meters to be in place.

All else being equal, AB 1975 will result in a greater percentage of residential users taking metered water service than would be the case otherwise. Past studies indicate that this will result in lower water usage than would be the case were water use unmetered.

AB 1975 does not impose any administrative requirements on the Commission.

PROGRAM BACKGROUND:

The requirement of metering of individual units in a multi-unit residential structure is consistent with the Commission's stated objective of strengthening water conservation programs. The Commission's primary action for satisfying this objective in its 2005 Water Action Plan is the promotion of metered water service. The Commission recognized that the complementary action to the introduction of water meters is the implementation of conservation rate design (such as increasing block rates). Implementation of increasing block rates is continuing in utilities' general rate cases.

The legislation does not require administrative action by the Commission. Nor will it impose any significant costs on the Commission.

LEGISLATIVE HISTORY:

AB 1975 continues a trend at both the state and federal government that mandate installation of water meters. Congress requires users of water from the federal Central Valley Project to use some form of water measurement. A 2004 state law (AB 2572/Kehoe) required all urban water suppliers to charge for water by volume by 2025. More recently, AB 975 also authored by Assembly Member Fong and sponsored by the Sierra Club amended Public Utilities Code Section 781 and added Section 781.5 to

reduce the restrictions on the Commission to mandate the installation of water meters for customers of investor-owned utilities. AB 975 was passed out of the Assembly and Senate with strong majorities in the spring and summer of 2009. AB 975 was signed by the Governor in October 2009.

AB 1975 is modeled on a draft ordinance that recently adopted by the City of San Diego on April 5, 2010.

FISCAL IMPACT:

None.

STATUS:

This bill was passed to the Assembly Floor on May 28, 2010 by the Assembly Appropriations Committee.

SUPPORT/OPPOSITION:

Support: Sierra Club (sponsor)
 Association of California Water Agencies
 Clean Water Action California
 Desert Water Agency
 El Dorado Irrigation District
 Friends of the River
 Green Plumbers USA
 Natural Resources Defense Council
 Planning and Conservation League
 Santa Clara Valley Water District

Opposition: None on file.

STAFF CONTACTS:

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Date: May 26, 2010

BILL LANGUAGE:

BILL NUMBER: AB 1975 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 29, 2010
AMENDED IN ASSEMBLY APRIL 7, 2010

INTRODUCED BY Assembly Member Fong

FEBRUARY 17, 2010

An act to add Chapter 8.5 (commencing with Section 537) to Division 1 of the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

AB 1975, as amended, Fong. Water charges and meters: multiunit structures.

The Water Measurement Law requires every water purveyor to require, as a condition of new water service on and after January 1, 1992, the installation of a water meter to measure water service. That law also requires urban water suppliers to install water meters on specified service connections, and to charge water users based on the actual volume of deliveries as measured by those water meters in accordance with a certain timetable.

This bill, with a certain exception, would require every water purveyor that provides water service to a multiunit residential structure or a mixed-use residential and commercial structure, for which the first occupancy permit for a newly constructed building is issued on or after January 1, 2012, to require the installation of meters or submeters on each individual dwelling unit as a condition of new water service to that property. The bill would require the owner, or his or her agent, to charge occupants for water and sewer service based on the actual volume of water delivered as measured by the water meter or submeter ~~—, plus specified fees for the actual costs of reading the meter or submeter and providing billing services and for late payments of charges and fees—~~.

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

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

SECTION 1. Chapter 8.5 (commencing with Section 537) is added to Division 1 of the Water Code, to read:

CHAPTER 8.5. MULTIUNIT STRUCTURES

537. (a) Each water purveyor that sells, leases, rents, furnishes, or delivers water service to a multiunit residential structure or a mixed-use residential and commercial structure for which the first occupancy permit for a newly constructed building is issued on or after January 1, 2012, shall require the installation of

a water meter or submeter to measure water supplied to each individual dwelling unit as a condition of new water service to that property.

(b) The owner, or his or her agent, of a structure described in subdivision (a) shall charge occupants for water and sewer service. This charge shall be based on the actual volume of water delivered to the unit as measured by the meter or submeter installed pursuant to subdivision (a).

~~—(c) (1) The owner, or his or her agent, may charge an administrative fee for the actual cost of reading meters or submeters and providing billing services for purposes of this section. The administrative fee shall not exceed four dollars (\$4) per meter or submeter per month.~~

~~—(2) The owner, or his or her agent, may charge an additional fee for late payments, which shall not exceed ten dollars (\$10) per billing cycle, if the occupant does not pay all charges and fees imposed pursuant to this section in full on or before the due date. The due date for these charges and fees shall be no earlier than the 19th day after the date on which the bill for these charges and fees is mailed or delivered to the occupant.~~

~~—(d)~~

(c) This section does not apply to a structure described in subdivision (a) that is greater than four stories in height above grade and for which the owner, or his or her agent, demonstrates to the satisfaction of the water purveyor that the structure's plumbing configuration incorporates multiple points of entry in each dwelling unit and renders the installation of submeters infeasible.