



**SANTA ANA
WATERSHED
PROJECT
AUTHORITY**

EMERGENCY DROUGHT GRANT PROGRAM: IMPLEMENTING CONSERVATION-BASED WATER RATES

Why Conservation-Based Rates and Why Now?

By looking at what the State is requiring and at the eight water agencies in the Santa Ana River Watershed that have already adopted conservation-based water rates, this question can be answered by considering these important issues:

 **Financial stability:** By recouping fixed costs more effectively through conservation-based rates, agencies avoid the frequent and dramatic rate increases required to recover revenue lost to reduced water demand. By avoiding revenue shortfalls, agencies can fund operations, maintenance and capital replacement programs, while maintaining healthy reserves to qualify for the lowest interest on loans.

 **Fairness:** Conservation-based rate systems develop individualized efficiency targets that meet the unique needs of each customer. Efficiency targets consider the number of people in a household, size and type of landscaping, and weather conditions to ensure an accurate monthly water allocation. Efficient users who fall within their individualized allocation are rewarded with the lowest rates, while wasteful water users pay more.

A New Approach to an Old Problem

The new normal embraces the realization that efficiency is the key to managing limited supplies. State agencies are crafting a plan to implement the Governor's Executive Order B-37-16, which requires that conservation become a permanent way of life in California. Rather than using a percentage conservation reduction, the State will utilize an efficiency target allocation that is based on local climate, population and land use within each agency's service area. As part of the new approach, the State is encouraging water suppliers to adopt conservation-based rates to help manage revenue fluctuations that accompany cutbacks.

The Cost of Efficiency

Efficiency can be costly to water providers as strongly demonstrated during the current drought. According to an economic impact analysis of the Governor's Executive Order B-29-15, which imposed the first-ever mandatory water reductions in California in 2015, public agencies lost \$673 million in net revenue that year.

The Emergency Drought Grant Program is financed by the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84), administered by the State of California, Department of Water Resources.

CONSERVATION-BASED RATES: TOOL OF THE FUTURE

This pricing structure is intended to deliver equity for customers and financial health for agencies, and is a valuable tool for responding to the Governor's Executive Order B-37-16. It provides:



Customized budgets for every customer designed to meet individual needs while encouraging efficiency



Different price levels for indoor, outdoor and inefficient use



Fair treatment for customers based on their need



Long-term financial stability for agencies

What's next?

This is the first in a year-long series distributed by SAWPA to agencies in the Santa Ana River Watershed. SAWPA's goal is to provide this information as an evolving roadmap addressing the questions and issues public agencies may face on the path to conservation-based rates.

For more information, or to suggest a question or topic, please contact: **Ian Achimore at 951-354-4233.**

AGENCIES IN THE SANTA ANA RIVER WATERSHED:

WHO IS ALREADY USING THESE RATES?

WHO IS ANALYZING THESE RATES?

