

HB0501S04 compared with HB0501

~~{Omitted text}~~ shows text that was in HB0501 but was omitted in HB0501S04

inserted text shows text that was not in HB0501 but was inserted into HB0501S04

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1

Water Modifications

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Bridger Bolinder

Senate Sponsor: Scott D. Sandall

2

3

LONG TITLE

4

General Description:

5

This bill addresses regulation of the provision of water.

6

Highlighted Provisions:

7

This bill:

8

▶ makes legislative findings;

9

▶ addresses modification of contracts that do not comply with metering and usage-based billing requirements;

11

▶ provides that covenants run with land;

8

▶ ~~{exempts a water fee from}~~ requires certain ~~{rate setting requirements for municipalities and public}~~ reports to secondary water ~~{systems}~~ suppliers regarding transfer of real property;

10

▶ defines terms;

11

▶ ~~{makes legislative findings;}~~

12

▶ ~~{directs modification of contracts that do not comply with metering and usage-based billing requirements;}~~

14

▶ ~~{requires certain notices to secondary water suppliers regarding transfer of real property;}~~

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- 15 ▶ { ~~allows for the imposition of penalties;~~ }
- 16 ▶ requires the { ~~collection~~ } meeting of certain local { ~~contribution amounts~~ } investment
requirements for water infrastructure as a condition of receiving state money { ~~;~~ } , with an exception; and
- 18 ▶ { ~~requires local entities to collect certain local contribution amounts for drinking water and~~
~~wastewater by a date certain;~~ }
- 20 ▶ { ~~addresses the exemption of secondary water from certain fees;~~ }
- 21 ▶ { ~~modifies a reporting requirement; and~~ }
- 22 ▶ makes technical and conforming changes.

17 Money Appropriated in this Bill:

18 None

19 Other Special Clauses:

20 This bill provides a special effective date.

21 Utah Code Sections Affected:

22 AMENDS:

29 ~~{10-8-22 (Effective 05/06/26), as last amended by Laws of Utah 2025, Chapter 102}~~

30 ~~{73-10-32.5 (Effective 05/06/26), as last amended by Laws of Utah 2025, Chapter 102}~~

23 ~~73-10-34 {(Effective 05/06/26)}, as last amended by Laws of Utah 2025, Chapter 102~~

32 ~~{73-10g-607 (Effective 07/01/26), as enacted by Laws of Utah 2025, Chapter 124}~~

24 ENACTS:

25 ~~73-10g-801 {(Effective 05/06/26)}, Utah Code Annotated 1953~~

26 ~~73-10g-802 {(Effective 05/06/26)}, Utah Code Annotated 1953~~

36 ~~{73-10g-803 (Effective 05/06/26), Utah Code Annotated 1953}~~

27

28 *Be it enacted by the Legislature of the state of Utah:*

39 ~~{Section 1. Section 10-8-22 is amended to read: }~~

40 **10-8-22. Water rates.**

41 (1) As used in this section:

42 (a) "Designated water service area" means the area defined by a municipality in accordance with the
Utah Constitution, Article XI, Section 6, Subsection (1)(c).

44 (b) "Large municipal drinking water system" means a municipally owned and operated drinking water
system serving a population of 10,000 or more.

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- 46 (c) "Retail customer" means an end user:
- 47 (i) who receives culinary water directly from a municipality's waterworks system; and
- 48 (ii) whom the municipality described in Subsection (1)(c)(i) bills for water service.
- 49 (2) A municipality shall fix the rates to be paid for the use of water furnished by the municipality.
- 51 (3) The setting of municipal water rates is a legislative act.
- 52 (4) Within the municipality's designated water service area, a municipality shall:
- 53 (a) establish, by ordinance, reasonable rates for the services provided to the municipality's retail customers;
- 55 (b) use the same method of providing notice to all retail customers of proposed rate changes; and
- 57 (c) allow all retail customers the same opportunity to appear and participate in a public meeting addressing water rates.
- 59 (5)
- (a) A municipality may establish different rates for different classifications of retail customers within the municipality's designated water service area, if the rates and classifications have a reasonable basis.
- 62 (b) A reasonable basis for charging different rates for different classifications may include, among other things, a situation in which:
- 64 (i) there is a difference in the cost of providing service to a particular classification;
- 65 (ii) one classification bears more risk in relation to a system operation or obligation;
- 66 (iii) retail customers in one classification invested or contributed to acquire a water source or supply or build or maintain a system differently than retail customers in another classification;
- 69 (iv) the needs or conditions of one classification:
- 70 (A) are distinguishable from the needs or conditions of another classification; and
- 71 (B) based on economic, public policy, or other identifiable elements, support a different rate;
- 73 (v) there is a differential between the classifications based on a cost of service standard or a generally accepted rate setting method, including a standard or method the American Water Works Association establishes; or
- 76 (vi) water conservation is used as an element in determining the rate charged for a block unit of water as provided in Section 73-10-32.5.
- 78 (c) An adjustment based solely on the fact that a particular classification of retail customers is located either inside or outside of the municipality's corporate boundary is not a reasonable basis.

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- 81 (d) Beginning July 1, 2026, Subsection (5)(b) does not apply to a rate or rate increase that is for the
amount needed to pay a fee imposed on a municipality under Section 73-10g-607.
- 84 (6)
- (a) If more than 10% of the retail customers within a large municipal drinking water system's designated water service area are located outside of the municipality's corporate boundary, the municipality shall:
- 87 (i) post on the municipality's website the rates assessed to retail customers within the designated water service area; and
- 89 (ii) establish an advisory board to make recommendations to the municipal legislative body regarding water rates, capital projects, and other water service standards.
- 91 (b) In establishing an advisory board described in Subsection (6)(a)(ii), a municipality shall:
- 93 (i) if more than 10% but no more than 30% of the municipality's retail customers receive service outside the municipality's municipal boundary, ensure that at least 20% of the advisory board's members represent the municipality's retail customers receiving service outside the municipality's municipal boundary;
- 97 (ii) if more than 30% of the municipality's retail customers receive service outside of the municipality's municipal boundary, ensure that at least 40% of the advisory board's members represent the municipality's retail customers receiving service outside of the municipality's municipal boundary; and
- 101 (iii) in appointing board members who represent retail customers receiving service outside of the municipality's municipal boundary, as required in Subsections (6)(b)(i) and (ii), solicit recommendations from each municipality and county outside of the municipality's municipal boundary whose residents are retail customers within the municipality's designated water service area.
- 106 (7) A municipality that supplies water outside of the municipality's designated water service area shall supply the water only by contract and shall include in the contract the terms and conditions under which the contract can be terminated.
- 109 (8) A municipality shall:
- 110 (a) notify the director of the Division of Drinking Water of a contract the municipality enters into with a person outside of the municipality's designated water service area, including the name and contact information of the person named in each contract; and

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113 (b) each year, provide to the director of the Division of Drinking Water any supplementing or new
information regarding a contract described in Subsection (8)(a), including whether there is no new
116 information to provide at that time.

116 ~~{Section 2. Section 73-10-32.5 is amended to read: }~~

117 **73-10-32.5. Culinary water pricing structure.**

118 (1) As used in this section:

119 (a) "Public water system" means the same as that term is defined in Section 19-4-102.

120 (b) "Retail water supplier" means the same as that term is defined in Section 19-4-102.

121 (c)

(i) "Water conservation effort" means a program that is designed to incentivize, encourage, or result in
reduced water usage or more efficient use of water.

123 (ii) "Water conservation effort" includes the costs associated with designing, implementing, and
operating a program described in Subsection (1)(c)(i).

125 (d) "Wholesale water supplier" means the same as that term is defined in Section 19-4-102.

127 (2)

(a) A retail water supplier shall:

128 ~~[(a)]~~ (i) consider water conservation, including at least one water conservation effort, in setting
water rates with the goal of encouraging efficient water use and eliminating wasteful or
excessive water use;

131 ~~[(b)]~~ (ii) establish a culinary water rate structure that:

132 ~~[(i)]~~ (A) incorporates increasing block units of water used;

133 ~~[(ii)]~~ (B) provides for an increase in the rate charged for additional block units of water used as usage
increases from one block unit to the next;

135 ~~[(iii)]~~ (C) by July 1, 2027, includes one or more water conservation efforts as an element in determining
the rate charged for at least the highest usage block unit of water for a customer classification that
primarily serves residential customers; and

139 ~~[(iv)]~~ (D) is based on a generally accepted rate setting method, including a standard or method
established by the American Water Works Association;

141 ~~[(e)]~~ (iii) provide in customer billing notices, or in a notice that is distributed to customers at least
annually, block unit rates and the customer's billing cycle;

143 ~~[(f)]~~ (iv) include individual customer water usage in customer billing notices; and

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- 144 [(e)] (v) consider urban farming that improves food security, reduces pollution, and creates green
spaces in setting rates.
- 146 (b) Beginning July 1, 2026, Subsection (2)(a)(ii)(D) does not apply to a rate or rate increase that is for
the amount needed to pay a fee imposed on a public water system under Section 73-10g-607.
- 149 (3) This section does not prohibit:
- 150 (a) a public water system with 500 or fewer service connections from taking an action or adopting a
culinary water rate structure described in Subsection (2); or
- 152 (b) a retail water supplier from including water conservation and a water conservation effort as an
element in setting rates for customer classifications that do not primarily serve residential customers.
- 155 (4) A public water system:
- 156 (a) is not required to establish or show that the portion of the rate designed to encourage water
conservation, and fund a water conservation effort, within the highest usage block unit of water for a
customer classification:
- 159 (i) is based on the public water system's actual cost of service;
- 160 (ii) has a reasonable basis when compared to rates the public water system charges:
- 161 (A) for other block units of water within a customer classification; or
- 162 (B) for block units of water in other customer classifications; or
- 163 (iii) is limited to a reasonable profit or return on investment;
- 164 (b) may include in a customer billing a fee, surcharge, penalty, or other charge that is collected pursuant
to an agreement between the public water system and the wholesale water supplier from whom the
public water system purchases water; and
- 167 (c) if the public water system is a for-profit entity, may not use revenue from the highest usage block
unit of water designed to encourage water conservation to pay profits or dividends to the public
water system's investors or owners.
- 170 (5) The use of revenue collected from the portion of any block unit of water designed to encourage
water conservation may include funding water conservation efforts that are shared with or
administered by another public water system or a wholesale water supplier.
- 174 (6) The adoption and implementation of that portion of a public water system's water rate that includes
water conservation as an element in determining the rate charged for the highest usage block unit of
water, as provided in this section, is conclusively presumed:
- 177 (a) to be reasonable; and

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- 178 (b) to reflect the reasonable estimated cost of delivering the service for which the fee was paid.
- 29 Section 1. Section **73-10-34** is amended to read:
- 30 **73-10-34. ~~{(Effective 05/06/26)}~~Secondary water metering -- Loans and grants -- Contract**
terms.
- 183 (1) As used in this section:
- 184 (a) "Agriculture use" means water used on land assessed under Title 59, Chapter 2, Part 5, Farmland
Assessment Act.
- 186 (b)
- 187 (i) "Commercial user" means a secondary water user that is a place of business.
- 187 (ii) "Commercial user" does not include a multi-family residence, an agricultural user, or a customer
that falls within the industrial or institutional classification.
- 189 (c) "Critical area" means an area:
- 190 (i) serviced by one of the four largest water conservancy districts, as defined in Section 17B-1-102,
measured by operating budgets; or
- 192 (ii) within the Great Salt Lake basin, which includes:
- 193 (A) the surveyed meander line of the Great Salt Lake;
- 194 (B) the drainage areas of the Bear River or the Bear River's tributaries;
- 195 (C) the drainage areas of Bear Lake or Bear Lake's tributaries;
- 196 (D) the drainage areas of the Weber River or the Weber River's tributaries;
- 197 (E) the drainage areas of the Jordan River or the Jordan River's tributaries;
- 198 (F) the drainage areas of Utah Lake or Utah Lake's tributaries;
- 199 (G) other water drainages lying between the Bear River and the Jordan River that are tributary to the
Great Salt Lake and not included in the drainage areas described in Subsections (1)(c)(ii)(B) through
(F); and
- 202 (H) the drainage area of Tooele Valley.
- 203 (d) "Full metering" means that use of secondary water is accurately metered by a meter that is installed
and maintained on every secondary water connection of a secondary water supplier.
- 206 (e)
- 208 (i) "Industrial user" means a secondary water user that manufactures or produces materials.
- 208 (ii) "Industrial user" includes a manufacturing plant, an oil and gas producer, and a mining company.
- 210 (f)

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- 212 (i) "Institutional user" means a secondary water user that is dedicated to public service, regardless of
ownership.
- 214 (ii) "Institutional user" includes a school, church, hospital, park, golf course, and government facility.
- 216 (g) "Power generation use" means water used in the production of energy, such as use in an electric
generation facility, natural gas refinery, or coal processing plant.
- 217 (h)
- 219 (i) "Residential user" means a secondary water user in a residence.
- 220 (ii) "Residential user" includes a single-family or multi-family home, apartment, duplex, twin home,
condominium, or planned community.
- 222 (i) "Secondary water" means water that is:
- 223 (i) not culinary or water used on land assessed under Title 59, Chapter 2, Part 5, Farmland Assessment
Act; and
- 226 (ii) delivered to and used by an end user for the irrigation of landscaping or a garden.
- 228 (j) "Secondary water connection" means the location at which the water leaves the secondary water
supplier's pipeline and enters into the remainder of the pipes that are owned by another person to
supply water to an end user.
- 229 (k) "Secondary water supplier" means an entity that supplies pressurized secondary water.
- 231 (l) "Small secondary water retail supplier" means an entity that:
- 232 (i) supplies pressurized secondary water only to the end user of the secondary water; and
- 233 (ii)
- (A) is a city or town; or
- 235 (B) supplies 5,000 or fewer secondary water connections.
- 239 ~~{(m) "Title agent" means a title insurance producer licensed as an organization under Title 31A,
Chapter 23a, Part 2, Producers and Consultants.}~~
- (2)
- (a)
- (i) A secondary water supplier that supplies secondary water within a county of the first or second
class and begins design work for new service on or after April 1, 2020, to a commercial,
industrial, institutional, or residential user shall meter the use of pressurized secondary water by
the users receiving that new service.

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- (ii) A secondary water supplier that supplies secondary water within a county of the third, fourth, fifth, or sixth class and begins design work for new service on or after May 4, 2022, to a commercial, industrial, institutional, or residential user shall meter the use of pressurized secondary water by the users receiving that new service.
- 244 (b) By no later than January 1, 2030, a secondary water supplier shall install and maintain a meter of the use of pressurized secondary water by each user receiving secondary water service from the secondary water supplier.
- 247 (c) Beginning January 1, 2022, a secondary water supplier shall establish a meter installation reserve for metering installation and replacement projects.
- 249 (d) A secondary water supplier, including a small secondary water retail supplier, may not raise the rates charged for secondary water:
- 251 (i) by more than 10% in a calendar year for costs associated with metering secondary water unless the rise in rates is necessary because the secondary water supplier experiences a catastrophic failure or other similar event; or
- 254 (ii) unless, before raising the rates on the end user, the entity charging the end user provides a statement explaining the basis for why the needs of the secondary water supplier required an increase in rates.
- 257 (e)
- (i) A secondary water supplier that provides pressurized secondary water to a commercial, industrial, institutional, or residential user shall develop a plan, or if the secondary water supplier previously filed a similar plan, update the plan for metering the use of the pressurized water.
- 261 (ii) The plan required by this Subsection (2)(e) shall be filed or updated with the Division of Water Resources by no later than December 31, 2025, and address the process the secondary water supplier will follow to implement metering, including:
- 264 (A) the costs of full metering by the secondary water supplier;
- 265 (B) how long it would take the secondary water supplier to complete full metering, including an anticipated beginning date and completion date, except a secondary water supplier shall achieve full metering by no later than January 1, 2030; and
- 269 (C) how the secondary water supplier will finance metering.
- 270 (3) A secondary water supplier shall on or before March 31 of each year, report to the Division of Water Rights:

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- (a) for commercial, industrial, institutional, and residential users whose pressurized secondary water use is metered, the number of acre feet of pressurized secondary water the secondary water supplier supplied to the commercial, industrial, institutional, and residential users during the preceding 12-month period;
- 276 (b) the number of secondary water meters within the secondary water supplier's service boundary;
- 278 (c) a description of the secondary water supplier's service boundary;
- 279 (d) the number of secondary water connections in each of the following categories through which the secondary water supplier supplies pressurized secondary water:
- 281 (i) commercial;
- 282 (ii) industrial;
- 283 (iii) institutional; and
- 284 (iv) residential;
- 285 (e) the total volume of water that the secondary water supplier receives from the secondary water supplier's sources; and
- 287 (f) the dates of service during the preceding 12-month period in which the secondary water supplier supplied pressurized secondary water.
- 289 (4)
- (a) Beginning July 1, 2019, the Board of Water Resources may make up to \$10,000,000 in low-interest loans available each year:
- 291 (i) from the Water Resources Conservation and Development Fund, created in Section 73-10-24;
- and
- 293 (ii) for financing the cost of secondary water metering.
- 294 (b) The Division of Water Resources and the Board of Water Resources shall make rules in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, establishing the criteria and process for receiving a loan described in this Subsection (4), except the rules may not include prepayment penalties.
- 298 (5)
- (a) Beginning July 1, 2021, subject to appropriation, the Division of Water Resources may make matching grants each year for financing the cost of secondary water metering for a commercial, industrial, institutional, or residential user by a small secondary water retail supplier that:
- 302 (i) is not for new service described in Subsection (2)(a); and

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- 303 (ii) matches the amount of the grant.
- 304 (b) For purposes of issuing grants under this section, the division shall prioritize the small secondary water retail suppliers that can demonstrate the greatest need or greatest inability to pay the entire cost of installing secondary water meters.
- 307 (c) The amount of a grant under this Subsection (5) may not:
- 308 (i) exceed 50% of the small secondary water retail supplier's cost of installing secondary water meters;
or
- 310 (ii) supplant federal, state, or local money previously allocated to pay the small secondary water retail supplier's cost of installing secondary water meters.
- 312 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the Board of Water Resources shall make rules establishing:
- 314 (i) the procedure for applying for a grant under this Subsection (5); and
- 315 (ii) how a small secondary water retail supplier can establish that the small secondary water retail supplier meets the eligibility requirements of this Subsection (5).
- 317 (6) Nothing in this section affects a water right holder's obligation to measure and report water usage as described in Sections 73-5-4 and 73-5-8.
- 319 (7) If a secondary water supplier fails to comply with Subsection (2)(b), the secondary water supplier:
- 321 (a) beginning January 1, 2030, may not receive state money for water related purposes until the secondary water supplier completes full metering; and
- 323 (b) is subject to an enforcement action of the state engineer in accordance with Subsection (8).
- 325 (8)
- (a)
- (i) The state engineer shall commence an enforcement action under this Subsection (8) if the state engineer receives a referral from the director of the Division of Water Resources.
- 328 (ii) The director of the Division of Water Resources shall submit a referral to the state engineer if the director:
- 330 (A) finds that a secondary water supplier fails to fully meter secondary water as required by this section;
and
- 332 (B) determines an enforcement action is necessary to conserve or protect a water resource in the state.
- 334

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- (b) To commence an enforcement action under this Subsection (8), the state engineer shall issue a notice of violation that includes notice of the administrative fine to which a secondary water supplier is subject.
- 337 (c) The state engineer's issuance and enforcement of a notice of violation is exempt from Title 63G,
Chapter 4, Administrative Procedures Act.
- 339 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the state engineer
shall make rules necessary to enforce a notice of violation, that includes:
- 342 (i) provisions consistent with this Subsection (8) for enforcement of the notice if a secondary water
supplier to whom a notice is issued fails to respond to the notice or abate the violation;
- 345 (ii) the right to a hearing, upon request by a secondary water supplier against whom the notice is issued;
and
- 347 (iii) provisions for timely issuance of a final order after the secondary water supplier to whom the notice
is issued fails to respond to the notice or abate the violation, or after a hearing held under Subsection
(8)(d)(ii).
- 350 (e) A person may not intervene in an enforcement action commenced under this section.
- 351 (f) After issuance of a final order under rules made ~~pursuant to~~ in accordance with Subsection (8)(d),
the state engineer shall serve a copy of the final order on the secondary water supplier against whom
the order is issued by:
- 354 (i) personal service under Utah Rules of Civil Procedure, Rule 5; or
- 355 (ii) certified mail.
- 356 (g)
- (i) The state engineer's final order may be reviewed by trial de novo by the court with jurisdiction in
Salt Lake County or the county where the violation occurred.
- 358 (ii) A secondary water supplier shall file a petition for judicial review of the state engineer's final order
issued under this section within 20 days from the day on which the final order was served on the
secondary water supplier.
- 361 (h) The state engineer may bring suit in a court of competent jurisdiction to enforce a final order issued
under this Subsection (8).
- 363 (i) If the state engineer prevails in an action brought under Subsection (8)(g) or (h), the state may
recover court costs and a reasonable attorney fee.

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- (j) As part of a final order issued under this Subsection (8), the state engineer shall order that a secondary water supplier to whom an order is issued pay an administrative fine equal to:
- 368 (i) \$10 for each non-metered secondary water connection of the secondary water supplier for failure to
comply with full metering by January 1, 2030;
- 370 (ii) \$20 for each non-metered secondary water connection of the secondary water supplier for failure to
comply with full metering by January 1, 2031;
- 372 (iii) \$30 for each non-metered secondary water connection of the secondary water supplier for failure to
comply with full metering by January 1, 2032;
- 374 (iv) \$40 for each non-metered secondary water connection of the secondary water supplier for failure to
comply with full metering by January 1, 2033; and
- 376 (v) \$50 for each non-metered secondary water connection of the secondary water supplier for failure
to comply with full metering by January 1, 2034, and for each subsequent year the secondary water
supplier fails to comply with full metering.
- 379 (k) Money collected under this Subsection (8) shall be deposited into the Water Resources Conservation
and Development Fund, created in Section 73-10-24.
- 381 (9) A secondary water supplier located within a county of the fifth or sixth class is exempt from
Subsections (2)(a), (2)(b), (2)(c), (2)(e), (7), and (8) if:
- 383 (a) the owner or operator of the secondary water supplier seeks an exemption under this Subsection
(9) by establishing with the Division of Water Resources that the cost of purchasing, installing,
and upgrading systems to accept meters exceeds 25% of the total operating budget of the owner or
operator of the secondary water supplier;
- 387 (b) the secondary water supplier agrees to not add a new secondary water connection to the secondary
water supplier's system on or after May 4, 2022;
- 389 (c) within six months of when the secondary water supplier seeks an exemption under Subsection
(9)(a), the secondary water supplier provides to the Division of Water Resources a plan for
conservation within the secondary water supplier's service area that does not require metering;
- 393 (d) the secondary water supplier annually reports to the Division of Water Resources on the results of
the plan described in Subsection (9)(c); and
- 395 (e) the secondary water supplier submits to evaluations by the Division of Water Resources of the
effectiveness of the plan described in Subsection (9)(c).

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- (10) A secondary water supplier is exempt from Subsections (2)(a), (2)(b), (2)(c), (2)(e), (7), and (8) to the extent that the secondary water supplier:
- 399 (a) is unable to obtain a meter that a meter manufacturer will warranty because of the water quality within a specific location served by the secondary water supplier;
- 401 (b) submits reasonable proof to the Division of Water Resources that the secondary water supplier is unable to obtain a meter as described in Subsection (10)(a);
- 403 (c) within six months of when the secondary water supplier submits reasonable proof under Subsection (10)(b), provides to the Division of Water Resources a plan for conservation within the secondary water supplier's service area that does not require metering;
- 407 (d) annually reports to the Division of Water Resources on the results of the plan described in Subsection (10)(c); and
- 409 (e) submits to evaluations by the Division of Water Resources of the effectiveness of the plan described in Subsection (10)(c).
- 411 (11) A secondary water supplier that is located within a critical management area that is subject to a groundwater management plan adopted or amended under Section 73-5-15 on or after May 1, 2006, is exempt from Subsections (2)(a), (2)(b), (2)(c), (2)(e), (7), and (8).
- 415 (12) If a secondary water supplier is required to have a water conservation plan under Section 73-10-32, that water conservation plan satisfies the requirements of Subsection (9)(c) or (10)(c).
- 418 (13)
- (a) Notwithstanding the other provisions of this section and unless exempt under Subsection (9), (10), or (11), to comply with this section, a secondary water supplier is not required to meter every secondary water connection of the secondary water supplier's system, but shall meter at strategic points of the system as approved by the state engineer under this Subsection (13) if:
- 423 (i) the system has no or minimal storage and relies primarily on stream flow;
- 424 (ii)
- (A) the majority of secondary water users on the system are associated with agriculture use or power generation use; and
- 426 (B) less than 50% of the secondary water is used by residential secondary water users; or
- 428 (iii) the system has a mix of pressurized lines and open ditches and:
- 429 (A) 1,000 or fewer users if any part of the system is within a critical area; or
- 430 (B) 2,500 or fewer users for a system not described in Subsection (13)(a)(iii)(A).

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- 431 (b)
- (i) A secondary water supplier may obtain the approval by the state engineer of strategic points where metering is to occur as required under this Subsection (13) by filing an application with the state engineer in the form established by the state engineer.
- 435 (ii) The state engineer may by rule, made in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, establish procedures for approving strategic points for metering under this Subsection (13).
- 438 (14)
- (a) A contract entered into or renewed on or after July 1, 2025, between a secondary water supplier and an end user shall allow for billing by tiered conservation rates.
- 440 (b) Except as provided in Subsection (14)(f), by no later than July 1, 2030, regardless of whether the secondary water supplier is fully metered or has modified existing contracts with end users, a secondary water supplier shall begin billing an end user using a tiered conservation rate that considers:
- 444 (i) revenue stability;
- 445 (ii) water conservation; and
- 446 (iii) cost of service.
- 447 (c) A secondary water supplier may comply with Subsection (14)(b) by entering into a contract with a third-party, including the public water system that serves an end user of the secondary water supplier, to bill the end user according to end user's usage of secondary water and the secondary water supplier's tiered conservation rate.
- 451 (d) By no later than April 1, 2030, a secondary water supplier shall provide an educational component for end users as determined by the division by rule made in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, either on a monthly statement or by an end user specific Internet portal that provides information on the end user's usage more frequently than monthly.
- 456 (e) A public water system:
- 457 (i) shall enter into a contract with a secondary water supplier described in Subsection (14)(c) upon request from the secondary water supplier if the secondary water supplier agrees to provide water use and other data necessary for accurate billing in a file format compatible with the public water supplier's billing system;

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- (ii) may collect the costs associated with billing on behalf of a secondary water supplier under this section from the secondary water end users, including reasonable administrative and overhead expenses; and
- 464 (iii) shall, as the public water supplier and the secondary water supplier find necessary or convenient, exchange with the secondary water supplier, for the purpose of maintaining accurate records, relevant information with regard to an end user of the secondary water supplier, such as:
- 468 (A) a billing address;
- 469 (B) an address where the secondary water is delivered;
- 470 (C) a parcel identification number; and
- 471 (D) ownership information.
- 472 (f)
- (i) A secondary water supplier is not required to bill an end user a tiered conservation rate if the secondary water supplier is:
- 474 (A) exempt from metering under Subsection (9), (10), or (11); or
- 475 (B) authorized to meter at strategic points of the system under Subsection (13).
- 476 (ii) Notwithstanding the other provisions of this section, on or after July 1, 2030, a secondary water supplier with a tiered conservation rate under this Subsection (14) shall charge an end user at the lowest rate of the tiered conservation rate if the end user is using a portion of the water to grow food, including growing a garden, fruit trees, or pasture for grazing.
- 481 (g)
- (i) If a secondary water supplier violates this Subsection (14) on or after April 1, 2030, the secondary water supplier:
- 483 (A) may not receive state money for water related purposes until the secondary water supplier complies with this Subsection (14); and
- 485 (B) is subject to an enforcement action of the state engineer in accordance with this Subsection (14) (g).
- 487 (ii) The state engineer shall commence an enforcement action under this Subsection (14)(g) if the state engineer receives a referral from the director of the Division of Water Resources.
- 490 (iii) The director of the Division of Water Resources shall submit a referral to the state engineer if the director:
- 492 (A) finds that a secondary water supplier fails to comply with this Subsection (14); and

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- 494 (B) determines an enforcement action is necessary to conserve or protect a water resource in the state.
- 496 (iv) To commence an enforcement action under this Subsection (14)(g), the state engineer shall issue
a notice of violation that includes notice of the administrative fine described in Subsection (14)(g)
(xiii) to which a secondary water supplier is subject.
- 500 (v) The state engineer's issuance and enforcement of a notice of violation is exempt from Title 63G,
Chapter 4, Administrative Procedures Act.
- 502 (vi) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the state engineer
shall make rules necessary to enforce a notice of violation, that includes:
- 505 (A) provisions consistent with this Subsection (14)(g) for enforcement of the notice if a secondary water
supplier to whom a notice is issued fails to respond to the notice or abate the violation;
- 508 (B) the right to a hearing, upon request by a secondary water supplier against whom the notice is issued;
and
- 510 (C) provisions for timely issuance of a final order after the secondary water supplier to whom the notice
is issued fails to respond to the notice or abate the violation, or after a hearing held under Subsection
(14)(g)(vi)(B).
- 513 (vii) A person may not intervene in an enforcement action commenced under this Subsection (14)(g).
- 515 (viii) After issuance of a final order under rules made pursuant to in accordance with Subsection
(14)(g)(vi), the state engineer shall serve a copy of the final order on the secondary water supplier
against whom the order is issued by:
- 518 (A) personal service under Utah Rules of Civil Procedure, Rule 5; or
- 519 (B) certified mail.
- 520 (ix) The state engineer's final order may be reviewed by trial de novo by a court with jurisdiction in Salt
Lake County or the county where the violation occurred.
- 522 (x) A secondary water supplier shall file a petition for judicial review of the state engineer's final order
issued under this Subsection (14)(g) within 20 days from the day on which the final order was
served on the secondary water supplier.
- 525 (xi) The state engineer may bring suit in a court to enforce a final order issued under this Subsection
(14)(g).
- 527 (xii) If the state engineer prevails in an action brought under Subsection (14)(g)(x) or (xi), the state may
recover court costs and reasonable attorney fees.

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(xiii) The administrative fine imposed under this section shall be an amount not to exceed the sum of any money received by the secondary water supplier under this section or Section 73-10-34.5 to fund costs related to metering.

532 (xiv) Money collected under this Subsection (14) shall be deposited into the Water Resources
Conservation and Development Fund, created in Section 73-10-24.

534 (15)

(a) The Legislature finds that requiring a secondary water supplier to modify a contract to allow for compliance with metering and usage-based billing requirements under this chapter is in the public interest and reasonably necessary to achieve { ~~needed water conservation~~ } the needed public purpose of demand reduction for water use by sending appropriate price signals regarding water use.

538 (b) { ~~Hf~~ } To the extent necessary to comply with the usage-based billing requirements under this chapter, a secondary water supplier shall { ~~modify~~ } use best efforts to comply with metering and usage-based billing requirements under this section by modifying a contract that:

540 (i) existed before July 1, 2025; and

541 (ii) does not comply with metering and usage-based billing requirements under this chapter.

543 (c) Upon modification of a contract described in Subsection (15)(b), a secondary water supplier:

545 (i) shall execute contract terms that:

546 (A) authorize metering and volumetric billing; and

547 (B) apply a secondary water rate, which includes a tiered conservation rate set in accordance with Subsection (14); and

549 (ii) may execute contract terms that:

550 (A) bind a real property owner to delivery obligations; and

551 (B) mandate a subsequent real property owner to execute a successor contract upon transfer of the real property.

553 (d) A covenant ensuring compliance with this Subsection (15) runs with the real property and is enforceable against a successor in interest.

555 (16)

{ ~~a~~ }

(a) As used in this section, "property transfer report" means a digital or electronic report containing, for a deed transferring ownership of real property:

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- (i) ~~{To facilitate the execution of a successor contract described in Subsection (15)(c) upon the transfer of real property as described in this Subsection (16)(a), a title agent involved in a real property transaction that affects secondary water shall notify the applicable secondary water supplier of a change in ownership of property receiving secondary water services within 10 business days of the closing of the real property transaction.}~~ the parcel identification number;
- 561 (ii) ~~{If a title agent is not involved in a transaction affecting secondary water,}~~ the ~~{seller is responsible for making}~~ name of the ~~{notification described in Subsection (16)(a)(i) in accordance with this Subsection (16).}~~ grantor;
- 564 (b){(iii)} ~~{A notification described in Subsection (16)(a) shall include:}~~ the name of the grantee; and
- 565 (i){(iv)} the ~~{new owner's name and contact information;}~~ recording date.
- 566 (ii){(b)} ~~{the effective date of}~~ A secondary water supplier may register with the county recorder of the county in which the {transfer; and} secondary water supplier's service area is located to receive a property transfer report.
- 567 (iii){(c)} ~~{relevant parcel identification information}~~ To register under Subsection (16)(b), the secondary water supplier shall request receipt of a property transfer report in writing to the county recorder.
- 568 (c){(d)} ~~{A secondary water supplier shall maintain a publicly accessible database of serviced real properties to enable a title agent described in Subsection (16)(a) to identify}~~ Upon receiving a valid registration under Subsection (16)(c), the county recorder shall, on at least a monthly basis, automatically transmit a property transfer report to the {applicable} registered secondary water supplier {during a real property transaction}.
- 571 (d){(e)} ~~The {Division-} county recorder shall provide the property transfer report until a secondary water supplier submits in writing to the county recorder a request that transmission of {Water Resources may impose an administrative penalty not to exceed \$500 per violation for}~~ the ~~{failure to provide notification under Subsection (16)(a)}~~ property transfer report be discontinued.
- 421 (f) The county recorder shall limit a property transfer report to a property transfer or parcel identification adjustment that occurred within the secondary water supplier's designated service area during the preceding reporting period.
- 424 (g) A county recorder may charge a reasonable administrative fee to a secondary water supplier to cover the actual costs of creating and transmitting a property transfer report.
- 574 ~~{Section 4. Section 73-10g-607 is amended to read: }~~

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575 **73-10g-607. Fee schedule -- Approval of fee schedule -- Exemption -- Report -- Monitoring of**
576 **fees.**

- 577 (1)
- (a) Subject to Subsection (2), the state council may establish a fee schedule for public water systems for water service and delivery in the state.
- 579 (b) To create a fee schedule for public water systems, the state council shall use the findings from the review described in Section 73-10-39.
- 581 (2) The state council may not charge or collect a fee described in Subsection (1) without approval of the fee schedule by the Legislature in accordance with Section 63J-1-504.
- 583 (3) Agricultural water [is] and secondary water, as defined in Section 73-10-34, are exempt from a fee established under Subsection (1).
- 585 (4) Subject to Subsection (2), a public water system shall submit payment of the fee established in Subsection (1) into the Water Infrastructure Fund created in Section 73-10g-107:
- 588 (a) in accordance with a schedule provided by the state council; and
- 589 (b) using a form provided by the state council.
- 590 (5) On or before October 31, 2026, the state council shall report to the [~~Natural Resources, Agriculture, and Environment Interim Committee~~] Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee regarding the development of the fee schedule described in Subsection (1).
- 594 (6) The Office of the Legislative Fiscal Analyst shall monitor any fees collected under this section.

427 Section 2. Section 2 is enacted to read:

429 **73-10g-801. ~~{(Effective 05/06/26)}~~ Definitions.**

8. Local ~~{Contribution Rates}~~ Investment Requirement

As used in this part:

431 (1) "Local investment requirement" means an amount that:

432 (a) is generated through rates, impact fees, or other local revenue sources;

433 (b) stays with a public water system or wastewater service provider; and

600 (1){(c)} {"Local contribution amount" means an amount} is determined by the state council for a public water system or wastewater service provider in accordance with Section 73-10g-802.

603 (2) "Public water system" means the same as that term is defined in Section 19-4-102.

604

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(3) "State council" means the Water Development Coordinating Council created in Sections 73-10c-3 and 79-2-201.

439 (4) "State money" means money distributed or administered by the state, including federal grant or
money revolved or generated by a program described in Section 73-10c-5.

441 (5)

606 (4){(a)} "Wastewater service provider{"-}," except as provided in Subsection (5)(b), means the same
as that term is defined in Section 19-5-201.

443 (b) "Wastewater service provider" does not include a regional wastewater service provider that provides
treatment and service to multiple municipalities.

445 Section 3. Section 3 is enacted to read:

446 **73-10g-802. ~~{(Effective 05/06/26)}~~Local {contribution amount requirements} investment**
requirement to receive state money.

611 (1)

(a) {Beginning} On and after January 1, 2027, to qualify for receipt of state money for water
infrastructure or water development, a public water system that delivers retail water shall establish
that as of the day on which the public water system receives the state money the public water
system{ ~~collects an amount that equals or exceeds the local contribution amount.~~ } :

451 (i) collects for connections to which the public water system delivers retail water an amount that
equals or exceeds the local investment requirement; or

453 (ii) has a plan, acceptable to the agency distributing or administering the state money, to collect
beginning in two years from receipt of the state money for connections to which the public
water system delivers retail water, an amount that equals or exceeds the local investment
requirement.

615 (b) The state council shall by no later than {~~July~~} September 1, 2026, determine for each public water
system that delivers retail water a local {~~contribution amount~~} investment requirement that is
calculated by:

617 (i) determining the median adjusted gross income for the service area within which the public water
system provides retail services;

619 (ii) multiplying the number determined under Subsection (1)(b)(i) by:

620 (A) 1.5% if the public water system bills a retail customer for drinking water independent of services
provided by a wastewater service provider; or

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- 622 (B) 3% if the public water system bills a retail customer for both drinking water and services provided
by a wastewater service provider; and
- 624 (iii) multiplying the number determined under Subsection (1)(b)(ii) by the number of connections ~~{of}~~
to which the public water system provides retail water.
- 626 (2){(c)}
- (i) The local investment requirement for a public water system, to the extent that the local investment
requirement is collected through water rates, is subject to applicable requirements set forth in
Sections 10-8-22 and 73-10-32.5 and generally accepted rate setting methods, including methods
established by the American Water Works Association.
- 474 (ii) A public water system is not required to set rates for all rate payers at the percentages under
Subsection (1)(b)(ii)(A) or (B).
- 476 (iii) As part of rate setting to meet the local investment requirement, the public water system may
consider rate structures that support:
- 478 (A) affordability and low-income assistance;
- 479 (B) revenue reliability;
- 480 (C) water demand reduction;
- 481 (D) fairness and equity across customer classifications; and
- 482 (E) system specific priorities.
- 483 (2)
- (a) ~~{Beginning}~~ On and after January 1, 2027, to qualify for receipt of state money for water
infrastructure or water development, a wastewater service provider shall establish that as of the day
on which the wastewater service provider receives the state money the wastewater service provider
~~{collects, either directly or through a public water system, an amount that equals or exceeds the
local contribution amount.}~~ ;
- 487 (i) collects, either directly or through a public water system, an amount that equals or exceeds the
local investment requirement; or
- 489 (ii) has a plan, acceptable to the agency distributing or administering the state money, to collect,
either directly or through a public water system, beginning in two years from receipt of the state
money an amount that equals or exceeds the local investment requirement.
- 631 (b) The state council shall by no later than ~~{July}~~ September 1, 2026, determine for each wastewater
service provider a local ~~{contribution amount}~~ investment requirement that is calculated by:

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- 633 (i) determining the median adjusted gross income for the service area within which the wastewater
634 service provider provides services;
- 635 (ii) multiplying the number determined under Subsection (2)(b)(i) by:
- 636 (A) 1.5% if the wastewater service provider bills customers independent of a public water system; and
- 637 (B) 3% if the {waste} ~~waste~~ wastewater service provider bills through a public water system that bills for
638 drinking water and services provided by a wastewater service provider; and
- 639 (iii) multiplying the number determined under Subsection (2)(b)(ii) by the number of connections of the
640 wastewater service provider.
- 641 (c)
- 642 (i) The local investment requirement for a wastewater service provider, to the extent that the local
643 investment requirement is collected through sewer rates, is subject to generally accepted rate setting
644 methods, including methods established by the American Water Works Association and the Water
645 Environment Federation.
- 646 (ii) A wastewater service provider is not required to set rates for all rate payers at the percentages under
647 Subsection (2)(b)(ii)(A) or (B).
- 648 (iii) As part of rate setting to meet the local investment requirement, the wastewater service provider
649 may consider rate structures that support:
- 650 (A) affordability and low-income assistance;
- 651 (B) revenue reliability;
- 652 (C) waste volume and strength;
- 653 (D) fairness and equity across customer classifications; and
- 654 (E) system specific priorities.
- 655 (3)
- 656 (a) A public water system or wastewater service provider may meet the required local investment
657 requirement through the aggregate of revenue resources that exist before May 6, 2026, and new
658 revenue resources imposed on or after May 6, 2026.
- 659 (b) A public water system or wastewater service provider may expend money collected as the local
660 investment requirement in the manner allowed by law other than this section. Amounts collected
661 under the local investment requirement belong to the public water system or wastewater service
662 provider.
- 663 (3){(4)} At least every five years the state council shall:

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- 643 (a) update the local { ~~contribution amount~~ } investment requirement for a public water system that
645 delivers retail water or wastewater service provider; and
- 646 (b) recommend to the Natural Resources, Agriculture, and Environment Interim Committee whether
647 the Legislature should adjust the multiplier under Subsection (1)(b)(ii) or (2)(b)(ii) to reflect the
648 financial capability of a household to pay expenses for drinking water or services of a wastewater
649 service provider { ~~, inclusive of applicable property taxes,~~ } without undue hardship.
- 650 (4) { (5) } The state council may make rules, in accordance with Title 63G, Chapter 3, Utah
651 Administrative Rulemaking Act, to establish procedures for calculating a local { ~~contribution~~
652 ~~amount~~ } investment requirement.
- 653 (6) This section does not prevent any of the following boards from requiring an applicant to meet a rate
654 standard or revenue requirement in addition to the local investment requirement to obtain a loan or
655 grant issued by the board:
- 656 (a) the Drinking Water Board, appointed under Section 19-4-103;
657 (b) the Water Quality Board, appointed under Section 19-5-103; or
658 (c) the Board of Water Resources, created in Section 73-10-1.5.
- 659 (7) Notwithstanding the other provisions of this section, a public water system or wastewater service
660 provider is exempt from the requirements of this section if the public water system or wastewater
661 service provider:
- 662 (a) serves a population of 3,300 or fewer; and
663 (b) establishes to the satisfaction of the agency distributing or administering the state money that
664 meeting the local investment requirement would impose an undue hardship on the public water
665 system or wastewater service provider or the public water system's or wastewater service provider's
666 customers.

667 Section 7. Section 7 is enacted to read:

73-10g-803. Local contribution amount general requirements.

- 668 (1) Notwithstanding whether a public water system or wastewater service provider seeks to qualify for
669 receipt of state money under Section 73-10g-802, beginning on January 1, 2031:
- 670 (a) the public water system shall collect from the public water system's customers an amount that equals
671 or exceeds the local contribution amount for the public water system; and

672

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(b) the wastewater service provider, either directly or through a public water system, shall collect from the wastewater service provider's customers an amount that equals or exceeds the local contribution amount for the wastewater service provider.

665 (2) For the purpose of complying with this section, before January 1, 2031, a public water system or wastewater service provider shall plan for and implement regular incremental increases to rates of the public water system or wastewater service provider.

550 Section 4. **Effective date.**

Effective Date.

669 (1) ~~{Except as provided in Subsection (2), this}~~ This bill takes effect ~~{May 6,}~~ on July 1, 2026.

670 ~~{(2) {The actions affecting Section 73-10g-607 (Effective 07/01/26) take effect on July 1, 2026.}~~}

3-5-26 1:08 PM