

1

Water Rates Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Doug Owens

Senate Sponsor:

2

LONG TITLE

3

General Description:

4

This bill addresses the setting of water rates.

5

Highlighted Provisions:

6

This bill:

7

- ▶ provides for increasing block units for residential water use in certain water rate structures;
- ▶ addresses the purpose of increases in rates charged for additional blocks; and
- ▶ makes technical and conforming amendments.

8

Money Appropriated in this Bill:

9

None

10

Other Special Clauses:

11

None

12

Utah Code Sections Affected:

13

AMENDS:

14

73-10-32.5, as last amended by Laws of Utah 2025, Chapter 102

15

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

16

Section 1. Section **73-10-32.5** is amended to read:

17

73-10-32.5 . Culinary water pricing structure.

18

(1) As used in this section:

19

- (a) "Public water system" means the same as that term is defined in Section 19-4-102.
- (b) "Retail water supplier" means the same as that term is defined in Section 19-4-102.
- (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.
- (ii) "Water conservation effort" includes the costs associated with designing, implementing, and operating a program described in Subsection (1)(c)(i).
- (d) "Wholesale water supplier" means the same as that term is defined in Section

31 19-4-102.

32 (2) A retail water supplier shall:

33 (a) consider water conservation, including at least one water conservation effort, in
34 setting water rates with the goal of encouraging efficient water use and eliminating
35 wasteful or excessive water use;

36 (b) establish a culinary water rate structure that:

37 (i) incorporates increasing block units of water used;

38 (ii) for a retail water supplier that provides culinary water for outdoor use,

39 incorporates by July 1, 2027, at least three increasing block units in the water rate
40 structure for a customer classification that primarily serves residential customers
41 and receives culinary water for outdoor use, including:

42 (A) at least one block unit of water representing efficient indoor water use;

43 (B) at least one block unit of water representing efficient water use that includes
44 outdoor water use; and

45 (C) at least one block unit of water representing wasteful or excessive water use;

46 [({iii})] (iii) provides for an increase in the rate charged for additional block units of
47 water used as usage increases from one block unit to the next that is sufficient to
48 provide a clear price signal or financial incentive to a customer to consider
49 reducing the customer's water use;

50 [({iii})] (iv) by July 1, 2027, includes one or more water conservation efforts as an
51 element in determining the rate charged for at least the highest usage block unit of
52 water for a customer classification that primarily serves residential customers; and
53 [({iv})] (v) is based on a generally accepted rate setting method, including a standard or
54 method established by the American Water Works Association;

55 (c) provide in customer billing notices, or in a notice that is distributed to customers at
56 least annually, block unit rates and the customer's billing cycle;

57 (d) include individual customer water usage in customer billing notices; and

58 (e) consider urban farming that improves food security, reduces pollution, and creates
59 green spaces in setting rates.

60 (3) This section does not prohibit:

61 (a) a public water system with 500 or fewer service connections from taking an action or
62 adopting a culinary water rate structure described in Subsection (2); or

63 (b) a retail water supplier from including water conservation and a water conservation
64 effort as an element in setting rates for customer classifications that do not primarily

65 serve residential customers.

66 (4) A public water system:

67 (a) is not required to establish or show that the portion of the rate designed to encourage
68 water conservation, and fund a water conservation effort, within the highest usage
69 block unit of water for a customer classification:
70 (i) is based on the public water system's actual cost of service;
71 (ii) has a reasonable basis when compared to rates the public water system charges:
72 (A) for other block units of water within a customer classification; or
73 (B) for block units of water in other customer classifications; or
74 (iii) is limited to a reasonable profit or return on investment;
75 (b) may include in a customer billing a fee, surcharge, penalty, or other charge that is
76 collected pursuant to an agreement between the public water system and the
77 wholesale water supplier from whom the public water system purchases water; and
78 (c) if the public water system is a for-profit entity, may not use revenue from the highest
79 usage block unit of water designed to encourage water conservation to pay profits or
80 dividends to the public water system's investors or owners.

81 (5) The use of revenue collected from the portion of any block unit of water designed to
82 encourage water conservation may include funding water conservation efforts that are
83 shared with or administered by another public water system or a wholesale water
84 supplier.

85 (6) The adoption and implementation of that portion of a public water system's water rate
86 that includes water conservation as an element in determining the rate charged for the
87 highest usage block unit of water, as provided in this section, is conclusively presumed:
88 (a) to be reasonable; and
89 (b) to reflect the reasonable estimated cost of delivering the service for which the fee
90 was paid.

91 **Section 2. Effective Date.**

92 This bill takes effect on May 6, 2026.