

Bridger Bolinder proposes the following substitute bill:

Water Modifications

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Bridger Bolinder

Senate Sponsor: Scott D. Sandall

LONG TITLE

General Description:

This bill addresses regulation of the provision of water.

Highlighted Provisions:

This bill:

- makes legislative findings;
- addresses modification of contracts that do not comply with metering and usage-based billing requirements;
- provides that covenants run with land;
- requires certain reports to secondary water suppliers regarding transfer of real property;
- defines terms;
- requires the meeting of certain local investment requirements for water infrastructure as a condition of receiving state money, with an exception; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

73-10-34, as last amended by Laws of Utah 2025, Chapter 102

ENACTS:

73-10g-801, Utah Code Annotated 1953

73-10g-802, Utah Code Annotated 1953

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

Section 1. Section **73-10-34** is amended to read:

73-10-34 . Secondary water metering -- Loans and grants -- Contract terms.

(1) As used in this section:

(a) "Agriculture use" means water used on land assessed under Title 59, Chapter 2, Part 5, Farmland Assessment Act.

(b)(i) "Commercial user" means a secondary water user that is a place of business.

(ii) "Commercial user" does not include a multi-family residence, an agricultural user, or a customer that falls within the industrial or institutional classification.

(c) "Critical area" means an area:

(i) serviced by one of the four largest water conservancy districts, as defined in Section 17B-1-102, measured by operating budgets; or

(ii) within the Great Salt Lake basin, which includes:

(A) the surveyed meander line of the Great Salt Lake;

(B) the drainage areas of the Bear River or the Bear River's tributaries;

(C) the drainage areas of Bear Lake or Bear Lake's tributaries;

(D) the drainage areas of the Weber River or the Weber River's tributaries;

(E) the drainage areas of the Jordan River or the Jordan River's tributaries;

(F) the drainage areas of Utah Lake or Utah Lake's tributaries;

(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

(H) the drainage area of Tooele Valley.

(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.

(e)(i) "Industrial user" means a secondary water user that manufactures or produces materials.

(ii) "Industrial user" includes a manufacturing plant, an oil and gas producer, and a mining company.

(f)(i) "Institutional user" means a secondary water user that is dedicated to public service, regardless of ownership.

(ii) "Institutional user" includes a school, church, hospital, park, golf course, and government facility.

(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.

(h)(i) "Residential user" means a secondary water user in a residence.

(ii) "Residential user" includes a single-family or multi-family home, apartment, duplex, twin home, condominium, or planned community.

(i) "Secondary water" means water that is:

(i) not culinary or water used on land assessed under Title 59, Chapter 2, Part 5, Farmland Assessment Act; and

(ii) delivered to and used by an end user for the irrigation of landscaping or a garden.

(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.

(k) "Secondary water supplier" means an entity that supplies pressurized secondary water.

(l) "Small secondary water retail supplier" means an entity that:

(i) supplies pressurized secondary water only to the end user of the secondary water; and

(ii)(A) is a city or town; or

(B) supplies 5,000 or fewer secondary water connections.

(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.

(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.

(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.

(c) Beginning January 1, 2022, a secondary water supplier shall establish a meter installation reserve for metering installation and replacement projects.

(d) A secondary water supplier, including a small secondary water retail supplier, may not raise the rates charged for secondary water:

- 97 (i) by more than 10% in a calendar year for costs associated with metering secondary
98 water unless the rise in rates is necessary because the secondary water supplier
99 experiences a catastrophic failure or other similar event; or
- 100 (ii) unless, before raising the rates on the end user, the entity charging the end user
101 provides a statement explaining the basis for why the needs of the secondary
102 water supplier required an increase in rates.
- 103 (e)(i) A secondary water supplier that provides pressurized secondary water to a
104 commercial, industrial, institutional, or residential user shall develop a plan, or if
105 the secondary water supplier previously filed a similar plan, update the plan for
106 metering the use of the pressurized water.
- 107 (ii) The plan required by this Subsection (2)(e) shall be filed or updated with the
108 Division of Water Resources by no later than December 31, 2025, and address the
109 process the secondary water supplier will follow to implement metering, including:
110 (A) the costs of full metering by the secondary water supplier;
111 (B) how long it would take the secondary water supplier to complete full
112 metering, including an anticipated beginning date and completion date, except
113 a secondary water supplier shall achieve full metering by no later than January
114 1, 2030; and
115 (C) how the secondary water supplier will finance metering.
- 116 (3) A secondary water supplier shall on or before March 31 of each year, report to the
117 Division of Water Rights:
- 118 (a) for commercial, industrial, institutional, and residential users whose pressurized
119 secondary water use is metered, the number of acre feet of pressurized secondary
120 water the secondary water supplier supplied to the commercial, industrial,
121 institutional, and residential users during the preceding 12-month period;
- 122 (b) the number of secondary water meters within the secondary water supplier's service
123 boundary;
- 124 (c) a description of the secondary water supplier's service boundary;
- 125 (d) the number of secondary water connections in each of the following categories
126 through which the secondary water supplier supplies pressurized secondary water:
127 (i) commercial;
128 (ii) industrial;
129 (iii) institutional; and
130 (iv) residential;

- 131 (e) the total volume of water that the secondary water supplier receives from the
132 secondary water supplier's sources; and
133 (f) the dates of service during the preceding 12-month period in which the secondary
134 water supplier supplied pressurized secondary water.

135 (4)(a) Beginning July 1, 2019, the Board of Water Resources may make up to
136 \$10,000,000 in low-interest loans available each year:

- 137 (i) from the Water Resources Conservation and Development Fund, created in
138 Section 73-10-24; and
139 (ii) for financing the cost of secondary water metering.

140 (b) The Division of Water Resources and the Board of Water Resources shall make rules
141 in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
142 establishing the criteria and process for receiving a loan described in this Subsection
143 (4), except the rules may not include prepayment penalties.

144 (5)(a) Beginning July 1, 2021, subject to appropriation, the Division of Water Resources
145 may make matching grants each year for financing the cost of secondary water
146 metering for a commercial, industrial, institutional, or residential user by a small
147 secondary water retail supplier that:

- 148 (i) is not for new service described in Subsection (2)(a); and
149 (ii) matches the amount of the grant.

150 (b) For purposes of issuing grants under this section, the division shall prioritize the
151 small secondary water retail suppliers that can demonstrate the greatest need or
152 greatest inability to pay the entire cost of installing secondary water meters.

153 (c) The amount of a grant under this Subsection (5) may not:

- 154 (i) exceed 50% of the small secondary water retail supplier's cost of installing
155 secondary water meters; or
156 (ii) supplant federal, state, or local money previously allocated to pay the small
157 secondary water retail supplier's cost of installing secondary water meters.

158 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
159 Board of Water Resources shall make rules establishing:

- 160 (i) the procedure for applying for a grant under this Subsection (5); and
161 (ii) how a small secondary water retail supplier can establish that the small secondary
162 water retail supplier meets the eligibility requirements of this Subsection (5).

163 (6) Nothing in this section affects a water right holder's obligation to measure and report
164 water usage as described in Sections 73-5-4 and 73-5-8.

- (7) If a secondary water supplier fails to comply with Subsection (2)(b), the secondary water supplier:
- (a) beginning January 1, 2030, may not receive state money for water related purposes until the secondary water supplier completes full metering; and
 - (b) is subject to an enforcement action of the state engineer in accordance with Subsection (8).
- (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.
- (ii) The director of the Division of Water Resources shall submit a referral to the state engineer if the director:
 - (A) finds that a secondary water supplier fails to fully meter secondary water as required by this section; and
 - (B) determines an enforcement action is necessary to conserve or protect a water resource in the state.
- (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.
- (c) The state engineer's issuance and enforcement of a notice of violation is exempt from Title 63G, Chapter 4, Administrative Procedures Act.
- (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:
- (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;
 - (ii) the right to a hearing, upon request by a secondary water supplier against whom the notice is issued; and
 - (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).
- (e) A person may not intervene in an enforcement action commenced under this section.
- (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:
- (i) personal service under Utah Rules of Civil Procedure, Rule 5; or
 - (ii) certified mail.
- (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.
- (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.
- (h) The state engineer may bring suit in a court of competent jurisdiction to enforce a final order issued under this Subsection (8).
- (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.
- (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:
- (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;
 - (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;
 - (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;
 - (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
 - (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.
- (k) Money collected under this Subsection (8) shall be deposited into the Water Resources Conservation and Development Fund, created in Section 73-10-24.
- (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:
- (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;

(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;

(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;

(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

(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).

(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:

(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;

(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);

(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;

(d) annually reports to the Division of Water Resources on the results of the plan described in Subsection (10)(c); and

(e) submits to evaluations by the Division of Water Resources of the effectiveness of the plan described in Subsection (10)(c).

(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).

(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).

(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:

- (i) the system has no or minimal storage and relies primarily on stream flow;
- (ii)(A) the majority of secondary water users on the system are associated with agriculture use or power generation use; and
(B) less than 50% of the secondary water is used by residential secondary water users; or
- (iii) the system has a mix of pressurized lines and open ditches and:
 - (A) 1,000 or fewer users if any part of the system is within a critical area; or
 - (B) 2,500 or fewer users for a system not described in Subsection (13)(a)(iii)(A).

(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.

- (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).

(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.

(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:

- (i) revenue stability;
- (ii) water conservation; and
- (iii) cost of service.

(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.

(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.

(e) A public water system:

(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;

(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

(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:

(A) a billing address;

(B) an address where the secondary water is delivered;

(C) a parcel identification number; and

(D) ownership information.

(f)(i) A secondary water supplier is not required to bill an end user a tiered conservation rate if the secondary water supplier is:

(A) exempt from metering under Subsection (9), (10), or (11); or

(B) authorized to meter at strategic points of the system under Subsection (13).

(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.

(g)(i) If a secondary water supplier violates this Subsection (14) on or after April 1, 2030, the secondary water supplier:

(A) may not receive state money for water related purposes until the secondary water supplier complies with this Subsection (14); and

(B) is subject to an enforcement action of the state engineer in accordance with this Subsection (14)(g).

(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.

- (iii) The director of the Division of Water Resources shall submit a referral to the state engineer if the director:
- (A) finds that a secondary water supplier fails to comply with this Subsection (14); and
 - (B) determines an enforcement action is necessary to conserve or protect a water resource in the state.
- (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.
- (v) The state engineer's issuance and enforcement of a notice of violation is exempt from Title 63G, Chapter 4, Administrative Procedures Act.
- (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:
- (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;
 - (B) the right to a hearing, upon request by a secondary water supplier against whom the notice is issued; and
 - (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).
- (vii) A person may not intervene in an enforcement action commenced under this Subsection (14)(g).
- (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:
- (A) personal service under Utah Rules of Civil Procedure, Rule 5; or
 - (B) certified mail.
- (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.
- (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.
- (xi) The state engineer may bring suit in a court to enforce a final order issued under this Subsection (14)(g).
- (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.
- (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.
- (xiv) Money collected under this Subsection (14) shall be deposited into the Water Resources Conservation and Development Fund, created in Section 73-10-24.
- (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 the needed public purpose of demand reduction for water use by sending appropriate price signals regarding water use.
- (b) To the extent necessary to comply with the usage-based billing requirements under this chapter, a secondary water supplier shall use best efforts to comply with metering and usage-based billing requirements under this section by modifying a contract that:
- (i) existed before July 1, 2025; and
- (ii) does not comply with metering and usage-based billing requirements under this chapter.
- (c) Upon modification of a contract described in Subsection (15)(b), a secondary water supplier:
- (i) shall execute contract terms that:
- (A) authorize metering and volumetric billing; and
- (B) apply a secondary water rate, which includes a tiered conservation rate set in accordance with Subsection (14); and
- (ii) may execute contract terms that:
- (A) bind a real property owner to delivery obligations; and
- (B) mandate a subsequent real property owner to execute a successor contract upon transfer of the real property.
- (d) A covenant ensuring compliance with this Subsection (15) runs with the real

property and is enforceable against a successor in interest.

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

(i) the parcel identification number;

(ii) the name of the grantor;

(iii) the name of the grantee; and

(iv) the recording date.

(b) A secondary water supplier may register with the county recorder of the county in which the secondary water supplier's service area is located to receive a property transfer report.

(c) To register under Subsection (16)(b), the secondary water supplier shall request receipt of a property transfer report in writing to the county recorder.

(d) 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 registered secondary water supplier.

(e) The 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 the property transfer report be discontinued.

(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.

(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.

Section 2. Section **73-10g-801** is enacted to read:

Part 8. Local Investment Requirement

73-10g-801 . Definitions.

As used in this part:

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

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

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

(c) is determined by the state council for a public water system or wastewater service provider in accordance with Section 73-10g-802.

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

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

(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.

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

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

Section 3. Section **73-10g-802** is enacted to read:

73-10g-802 . Local investment requirement to receive state money.

(1)(a) 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:

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

(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.

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

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

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

(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

(B) 3% if the public water system bills a retail customer for both drinking water and services provided by a wastewater service provider; and

(iii) multiplying the number determined under Subsection (1)(b)(ii) by the number of connections to which the public water system provides retail water.

(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

471 applicable requirements set forth in Sections 10-8-22 and 73-10-32.5 and
472 generally accepted rate setting methods, including methods established by the
473 American Water Works Association.

474 (ii) A public water system is not required to set rates for all rate payers at the
475 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
477 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) On and after January 1, 2027, to qualify for receipt of state money for water
484 infrastructure or water development, a wastewater service provider shall establish
485 that as of the day on which the wastewater service provider receives the state money
486 the wastewater service provider:

487 (i) collects, either directly or through a public water system, an amount that equals or
488 exceeds the local investment requirement; or

489 (ii) has a plan, acceptable to the agency distributing or administering the state money,
490 to collect, either directly or through a public water system, beginning in two years
491 from receipt of the state money an amount that equals or exceeds the local
492 investment requirement.

493 (b) The state council shall by no later than September 1, 2026, determine for each
494 wastewater service provider a local investment requirement that is calculated by:

495 (i) determining the median adjusted gross income for the service area within which
496 the wastewater service provider provides services;

497 (ii) multiplying the number determined under Subsection (2)(b)(i) by:

498 (A) 1.5% if the wastewater service provider bills customers independent of a
499 public water system; and

500 (B) 3% if the wastewater service provider bills through a public water system that
501 bills for drinking water and services provided by a wastewater service
502 provider; and

503 (iii) multiplying the number determined under Subsection (2)(b)(ii) by the number of
504 connections of the wastewater service provider.

- (c)(i) The local investment requirement for a wastewater service provider, to the extent that the local investment requirement is collected through sewer rates, is subject to generally accepted rate setting methods, including methods established by the American Water Works Association and the Water Environment Federation.
- (ii) A wastewater service provider is not required to set rates for all rate payers at the percentages under Subsection (2)(b)(ii)(A) or (B).
- (iii) As part of rate setting to meet the local investment requirement, the wastewater service provider may consider rate structures that support:
- (A) affordability and low-income assistance;
 - (B) revenue reliability;
 - (C) waste volume and strength;
 - (D) fairness and equity across customer classifications; and
 - (E) system specific priorities.
- (3)(a) A public water system or wastewater service provider may meet the required local investment requirement through the aggregate of revenue resources that exist before May 6, 2026, and new revenue resources imposed on or after May 6, 2026.
- (b) A public water system or wastewater service provider may expend money collected as the local investment requirement in the manner allowed by law other than this section. Amounts collected under the local investment requirement belong to the public water system or wastewater service provider.
- (4) At least every five years the state council shall:
- (a) update the local investment requirement for a public water system that delivers retail water or wastewater service provider; and
 - (b) recommend to the Natural Resources, Agriculture, and Environment Interim Committee whether the Legislature should adjust the multiplier under Subsection (1)(b)(ii) or (2)(b)(ii) to reflect the financial capability of a household to pay expenses for drinking water or services of a wastewater service provider without undue hardship.
- (5) The state council may make rules, in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, to establish procedures for calculating a local investment requirement.
- (6) This section does not prevent any of the following boards from requiring an applicant to meet a rate standard or revenue requirement in addition to the local investment requirement to obtain a loan or grant issued by the board:

- 539 (a) the Drinking Water Board, appointed under Section 19-4-103;
540 (b) the Water Quality Board, appointed under Section 19-5-103; or
541 (c) the Board of Water Resources, created in Section 73-10-1.5.
542 (7) Notwithstanding the other provisions of this section, a public water system or
543 wastewater service provider is exempt from the requirements of this section if the public
544 water system or wastewater service provider:
545 (a) serves a population of 3,300 or fewer; and
546 (b) establishes to the satisfaction of the agency distributing or administering the state
547 money that meeting the local investment requirement would impose an undue
548 hardship on the public water system or wastewater service provider or the public
549 water system's or wastewater service provider's customers.

550 Section 4. **Effective Date.**

551 This bill takes effect on July 1, 2026.