



DECOUPLING WATER RATES ENCOURAGES WATER CONSERVATION

Helps Ensure Safe, Reliable Water and
Lowers Customers' Water Bills

Climate change in California is here to stay. Finding ways to conserve and preserve water is no longer an option but a must.

Decoupling encourages conservation and has been in place for energy utilities in California since the 1980s.

In 2022, the California Legislature passed SB 1469 to promote water affordability, conservation and protect investments in clean, safe, reliable water infrastructure. However, since SB 1469 passed, the CPUC has denied all decoupling requests, discouraging programs that encourage conservation.

SB 473 offers a permanent solution by ensuring the CPUC permits water utilities to use decoupling when requested. This **will help promote water conservation and help California address the impacts of climate change.**



“Decoupling... is vital to ensuring that water and wastewater utilities have the incentives and tools to reduce water and energy consumption.”

PRESIDENT OBAMA'S
DEPARTMENT OF
ENERGY



SB 473 Promotes Water Conservation by Water Providers and Customers

- Water suppliers who have used decoupling have consistently maintained significant cumulative reductions in water use.
- Prior to the drought, decoupled suppliers achieved **over 29% in water savings**.
- With SB 473, it will be easier for water suppliers to maintain robust water conservation programs, including rebates for turf replacement and high-efficiency home appliances, as well as programs to assist low-income families repair leaky sprinkler systems.
 - For similar public utility providers. “In each instance, the utility significantly increased both its efficiency program spending and its energy savings in the years following adoption of decoupling.”¹
- Without SB 473, water suppliers will be detached from California's water conservation goals and have a perverse incentive to sell as much water as possible.
- SB 473 also will ensure all customers equitably contribute to operations, maintenance, and infrastructure costs. With decoupling, water suppliers can implement progressive rate structures. Those who use more, pay more. Those who use less and conserve, pay less.

“This type of revenue adjustment mechanism will enable water agencies to aggressively promote efficiency without having to rely on a high fixed charge component in water bills, thereby allowing them to maximize the conservation pricing signal to customers.”

Natural Resources Defense Council (NRDC), 2008²



SB 473 will Benefit Customers, Especially Low-Income Customers and Those Who Conserve

- Decoupling allows utilities to charge less for those who use less water, helping keep rates fair. Without decoupling, low-income customers who use the least amount of water will see the most significant rate increases and higher monthly water bills.
- Under SB 473, water suppliers will generally have lower fixed charges. This benefits low-volume users – many of whom are low-income customers – by reducing the amount they pay before any water is used and giving them more control over their monthly water bills.



SB 473 will Help Address Climate Change and Increase Energy Efficiency

- Studies have shown water conservation measures are just as effective at reducing greenhouse gas emissions as energy efficiency programs at similar costs but have the added benefit of expanding needed water supplies.³
- Decoupled water suppliers have consistently maintained significant cumulative reductions in water than those that are not decoupled.



Studies Show Decoupling Works

- Empirical, peer-reviewed research highlights the effectiveness of decoupling. During California's drought from June 2015 – April 2017, CPUC-regulated water suppliers that implemented decoupling “adopted more aggressive conservation measures, were more likely to meet state conservation standards, and conserved more water.”⁴
- The water conservation efforts that decoupling supports substantially reduce customer bills. One recent study showed that **water bills were nearly 20% lower** in East Los Angeles⁵ than they would have been without the robust conservation efforts decoupling helped make possible.
- A study by NRDC and Fresh Energy noted rate mechanisms like decoupling help support “reliability, affordability, innovation, and a low-carbon future” and better enables utilities to run programs “that yield deep energy savings that last, year in and year out.”¹

If all water suppliers had been as proficient as the CPUC-regulated utilities with decoupling, the additional conservation would have equated to 54.6 billion gallons of additional water savings – enough to supply San Francisco for more than two years.⁴



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2. Cohen, Ronnie. “Re: 20x2020 Public Draft Technical Memoranda, Task 4 and Task 5.” Received by 20x2020 Agency Team; State Water Resources Control Board, Natural Resources Defense Council (NRDC), 8 Dec. 2008, https://www.waterboards.ca.gov/water_issues/hot_topics/20x2020/docs/comments2/nrdc.pdf? Accessed 18 Mar. 2025.

3. Spang, E., et al. (2020). The Cost-Effectiveness of Energy Savings through Water Conservation: A Utility Scale Assessment. *Environmental Research Letters* 15(11), 1 – 13. <https://doi.org/10.1088/1748-9326/abb9de>.

4. Teodoro, M., Zhang, Y., & Switzer, D. (2018). Political Decoupling: Private Implementation of Public Policy. *Policy Studies Journal* 48(2), 401-424. <https://doi.org/10.1111/psj.12287>.

5. Chesnutt, Pekelney, Mitchell, (2022). “The Economic Value of Efficiency for California Water Service: Lower Water Bills.” Available at: https://calwaterdifference.com/wp-content/uploads/2022/04/Economic-Value-of-Water-Efficiency_Lower-Water-Bills_Final_2021-12.pdf.