



April 1, 2025

The Honorable Steve Padilla
California State Senate
1021 O Street, Suite 7630
Sacramento, CA 95814

Re: SB 473 (Padilla) – Oppose

Dear Senator Padilla:

The Public Advocates Office is the independent consumer advocate at the California Public Utilities Commission (CPUC). We advocate for affordable, safe, and reliable utility services consistent with the state's climate and clean energy goals.

We oppose SB 473 (Padilla) as introduced, which would require the CPUC to authorize full-revenue decoupling revenue mechanisms for water utilities. Simply put, this bill is not in the best interests of water utility customers. In 2008, the CPUC authorized decoupling as a pilot project to promote water conservation. After 10 years, the CPUC eliminated decoupling, determining that the flaws outweigh any benefits. The CPUC concluded that the year-to-year change in water usage per customer was nearly identical for utilities that implemented decoupling and those that did not. We strongly supported the CPUC's decision.

The attached fact sheet (see Page 2 below) provides more detailed information about the issues that arose for customers of the investor-owned water utilities that were granted full-revenue decoupling mechanisms (called WRAM). This mechanism allowed the utilities to impose on customers nearly \$1 billion in charges outside of the utilities' central budgeting process. As such, it is unreasonable to expect households to anticipate their water bills from month to month.

Moreover, the water utilities that did not implement the WRAM did not experience any of the concerns or ill-effects to which proponents of the WRAM mechanisms are claiming.

With the current affordability challenge in providing safe and reliable water service to all Californians, SB 473's requirement to reinstate full-revenue decoupling mechanisms for investor-owned water utilities will heighten the current affordability challenge to provide safe and reliable water service to customers of the investor-owned water utilities.

Sincerely,

Linda Serizawa
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SB 473 (Padilla) – Water Rates for Customers

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- SB 473 would require the Public Utilities Commission (CPUC) to provide water utilities with full decoupling revenue mechanisms.
- In 2008, the CPUC conducted a 10-year pilot project with full decoupling – or the Water Rate Adjustment Mechanism (WRAM) – for half of the large water utilities and Conservation Price Decoupling (CART) for the other half.
- The WRAM allowed water utilities to charge ratepayers for any forecasted water sales that did not occur while the CART allowed water utilities to recover only the revenue loss attributable to conservation pricing and estimated effects of conservation programs.
- Over the 10 years, the WRAM mechanism showed no difference in conservation than the CART mechanism (see chart, right). Even the utilities' own consultant testified that the results were "inconclusive."
- However, the WRAM mechanism cost ratepayers close to \$1B more than the CART in surcharges over the 10 years of the pilot project.
- In fact, the ballooning of WRAM surcharges on customer bills became so severe, the CPUC opened multiple proceedings to address interim remedies and partial solutions.
- Ultimately, in its multiple evaluations since the pilot project, the CPUC has consistently concluded that full decoupling:
 - Inappropriately shifts forecasting risk from utilities to ratepayers.
 - Shields utilities from normal business risks unrelated to conservation, and
 - Conflicts with the CPUC's policy of consumers paying the cost of service.
- After first eliminating the WRAM in 2019, the CPUC has allowed all water utilities to implement the CART mechanism, which has operated since 2008 without causing utility layoffs, substantial rate increases, or the inability to raise capital for infrastructure.
- Utilities are still able to implement mechanisms to recover all forecasted revenue retroactively via customer surcharges during Government declared droughts.

