

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

May 25, 1993

*To:* Board of Directors (Water Problems Committee--Information)  
 (Executive Committee--Information)  
 (Special Committee on Legislation--Information)  
*From:* General Manager  
*Subject:* Senate Bill 778 (Dills-Gardena)

### Report

Existing law requires payment of just compensation to a private or public entity when another entity, either public or private, provides or extends water service to an area served by the first entity. Senate Bill 778 (SB 778), introduced by Senator Ralph Dills on March 3, 1993, would provide that these provisions do not apply to any entity's own private use of reclaimed water.

In a case brought against the Los Angeles County Sanitation Districts by the San Gabriel Valley Water Company, the court recently ruled that service duplication occurred requiring payment of compensation where the sanitation districts provided reclaimed water to several nurseries, and also ruled that service duplication would occur should the sanitation districts use its reclaimed water on its own facilities in the future. The broad finding is likely to create a significant barrier to maximizing use of reclaimed water and impose a major expense on wastewater agencies, since these agencies typically use their own reclaimed water at their facilities to wash down tanks, irrigate landscape, and feed cooling towers.

SB 778 seeks to amend the Service Duplication Act to exempt proprietary use of reclaimed water at a public or private entity's own facilities.

The arguments against SB 778 reflect the sentiments of investor-owned water companies. Unrestricted proprietary use of reclaimed water may cause existing water distribution systems to be abandoned without just compensation to affected water agencies. Thus, the remaining rate payers of these water agencies would be burdened with higher water rates required to absorb the lost revenues resulting from the loss of service.

In its present form, SB 778 does not directly affect Metropolitan. However, SB 778 does have the potential to affect Metropolitan's member agencies and subagencies, particularly those agencies that currently provide water to wastewater treatment plants and/or other sanitation district facilities. It is staff's recommendation that your Board take no position on SB 778 at this time.

Board Committee Assignments

This letter is referred for information to:

The Water Problems Committee because it involves legislation which may affect the sale of water for various uses, pursuant to Administrative Code Section 2481(d);

The Executive Committee because it involves legislation which may affect the District, pursuant to Administrative Code Section 2417(a); and

The Special Committee on Legislation because it involves a legislative matter that may affect the District, pursuant to Administrative Code Section 2581(a).

Recommendation

For information only.

JIL:gn

*for*   
General Manager

AMENDED IN SENATE APRIL 12, 1993

SENATE BILL

No. 778

Introduced by Senator Dills

March 3, 1993

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An act to amend Section 1502 of, and to add Section 1507 to, the Public Utilities Code, relating to water service.

LEGISLATIVE COUNSEL'S DIGEST

SB 778, as amended, Dills. Water service.

Existing law requires the payment of just compensation to a private or public entity when another entity, either public or private, provides or extends water service to a service area served by the first entity.

This bill would provide that these provisions do not apply to any entity's own private use of ~~potable or~~ reclaimed water, as defined.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1502 of the Public Utilities Code  
2 is amended to read:

3 1502. (a) As used in this chapter, "political  
4 subdivision" means a county, city and county, city,  
5 municipal water district, county water district, irrigation  
6 district, public utility district, or any other public  
7 corporation.

8 (b) As used in this chapter, "service area" means an  
9 area served by a privately owned public utility in which  
10 the facilities have been dedicated to public use and in  
11 which territory the utility is required to render service to  
12 the public.

1 (c) As used in this chapter, "operating system" means  
2 an integrated water system for the supply of water to a  
3 service area of a privately owned public utility.

4 (d) As used in this chapter, "private utility" means a  
5 privately owned public utility providing a water service.

6 (e) As used in this chapter, "type of service" means,  
7 among other things, domestic, commercial, industrial,  
8 fire protection, wholesale, or irrigation service.

9 (f) As used in this chapter, "reclaimed water" means  
10 reclaimed water as defined in Section 13050 of the Water  
11 Code.

12 (g) As used in this chapter, "private use" means an  
13 entity's use of its own ~~potable water~~ or reclaimed water.

14 SEC. 2. Section 1507 is added to the Public Utilities  
15 Code, to read:

16 1507. The provisions of this chapter shall not be  
17 applicable to any entity's own private use of ~~potable and~~  
18 ~~or~~ reclaimed water, whether or not that entity was  
19 previously served with potable or reclaimed water.