

## IRVINE RANCH WATER DISTRICT POLICY POSITION RECYCLED WATER USE ECONOMIC INCENTIVES

June 3, 2005

### Issue Summary:

Water supplies in California continue to be under significant long-term pressure as a result of rapid population growth, and environmental and water quality concerns. The key to promoting the increased use of recycled water is to provide meaningful incentives for the use of recycled water. Policy makers and water agencies should continue to not only implement incentive programs for recycled water customers, but also implement disincentive programs for customers that could use recycled water but do not.

### Background:

The California State Legislature has identified a statewide goal to annually recycle 1,000,000 acre-feet of highly treated wastewater by the year 2010, nearly doubling the amount of water recycling being done in California in 2005. The Recycled Water Task Force, in its report to the State Legislature in 2003, estimated there is the potential to recycle approximately 1,500,000 acre-feet per year of water by the year 2030. Achieving these goals will require aggressive efforts by State and local agencies covering the breadth of interrelated regulatory, jurisdictional, environmental, and other issues. The Legislature, while clear in its intent to require the use of recycled water as conditioned, did not provide for situations in which potential customers elect not to use recycled water without justification.

Historically, the marketing of recycled water by agencies has used an incentive, or the “carrot” approach; trying to encourage potential customers to convert their site based on one or more of the following benefits:

- Lower cost of recycled water;
- Reliable, drought-proof supply;
- Consistent water quality without seasonal changes;
- Environmental benefits; and
- Positive public relations.

In many cases, this approach has been successful in getting customers to use recycled water. Some agencies have attempted to compel customers to use recycled water through a disincentive or “stick” approach. For those customers that do not use recycled water when available, these water-recycling agencies have adopted resolutions forcing customers to pay a premium on the potable water they use if recycled water is available and appropriate for their specific application. Use of this disincentive approach has been limited because of associated potential customer relations and legal issues. But if California is to achieve its water recycling goals, water agencies must become more aggressive and willing to impose disincentives that will compel water users to use recycled water when it is available for all approved uses.

There are several consequences for water agencies that are unable to meet their recycled water potential due to reluctant customers. Some of those consequences include:

- Increasing capital costs;
- Increased operations and maintenance costs;
- Increased discharge to receiving waters;
- Increased potable water demand;
- Lost recycled water sales; and
- Decreasing present value of grants or subsidies.

### Policy Principles

- Recycled water should be used to the maximum extent practicable for uses defined in Title 22 of the California Code of Regulations.
- Recycled water should be marketed to potential customers in a way that highlights the benefits of recycled water including lower costs, greater reliability, good public relations and what is best for the environment.
- As it relates to serving recycled water, “available” means having a distribution pipeline in proximity to the potential recycled water use site and capacity (flow rate, pressure and volume) to meet the customer’s needs.
- Recycled water shall be used if it complies with the State requirements as described in Section 13550 of the Water Code including:
  - lower cost;
  - water quality sufficient for use;
  - not adverse to public health; and
  - does not degrade water rights.
- Potential recycled water customers have an obligation to engage the water recycling entity in meaningful dialogue to determine if recycled water can be used successfully at their site. This includes timely responses to inquiries for information and participating in testing to determine the usability of recycled water at a site.
- The Legislature and water recycling agencies should create disincentive programs for those customers that could use recycled water, but choose not to. Disincentives may include:
  - A surcharge on the potable water they use for which recycled water could be used; and/or
  - During a declared drought, the customer would be subject to reductions in water supply prior to reductions being imposed on other customers.

- A potential recycled water customer that has been formally contacted by the water recycling agency and elects not to respond in a timely manner shall be subject to a financial surcharge on potable water use until the matter is resolved, regardless of the outcome.
- Newly constructed sites that can use recycled water should be designed and constructed in a way that accommodates the future conversion to recycled water including dual meters, separation of facilities, proper crossings (potable above recycled), labeling of pipelines, etc.