



STATE WATER
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Senate Bill 1020: Increasing California's Water Rates



Senate Bill (SB) 1020 aims to significantly accelerate California's ambitious clean energy targets by requiring state agencies to purchase 100% eligible renewable and zero carbon electricity by 2030, instead of 2045 under current law. Coupled with a lack of mechanisms to offset or mitigate costs to the State Water Project (SWP), this bill would dramatically increase water rates for 27 million Californians and 750,000 acres of farmland that depend on SWP supplies.

SWP's Existing Energy Contributions

The existing energy profile and associated cost obligations of the SWP are significant. Energy-related costs and cost pressures are already driving up the price of water and will continue to escalate into the future.

- 70% of the SWP energy portfolio is already considered to be renewable/zero-carbon.
- ~3% of the Transmission Access Charge – the rate for each megawatt hour of energy transmission – is paid annually by the SWC, which represents the single-largest payer of the TAC in California,
- ~\$200-400 million is paid annually, depending on water year type, for the energy to operate the SWP. That's approximately \$165 per acre-foot of water, which increases during drought conditions, when SWCs fund the continued operations and maintenance of the SWP despite declining water deliveries.

A Mission to Deliver Affordable Water

The State Water Contractors (SWC), an association of 27 public water agencies responsible for **97.5% of the capital, operation and maintenance costs of California's most important asset**, the SWP, fully supports the SWP's ability to provide benefits for California's power grid – as long as it sustains the system's primary mission of delivering affordable, reliable water supplies.

The burden SB 1020 would place on the SWP, and the associated cost to water customers, is well beyond the SWP's primary function of delivering clean water to two-thirds of California's population.

As currently written, SB 1020 would:

- Increase SWP costs by \$2.6 billion above existing projections, which will appear as increased costs on water bills of 27 million Californians – including seven million people from 1,500 disadvantaged communities – through 2045
- Further strain the state's primary water delivery system during one of the worst droughts in California's history
- Exacerbate California's utility affordability challenges
- Divert financial capacity of water providers to address other urgent and emerging water management activities, including drinking water quality improvements such as addressing PFAS and lead, implementing water use efficiency and improving regional and local water resilience

Compounding Energy Costs on SWP Customers

SB 1020 will exponentially increase the cost of SWP supplies and greatly exacerbate water affordability challenges for millions of Californians. Compounded costs and cost-pressures will add to other cumulative, energy-related cost drivers, including:

- CAISO's identification of \$3 billion in new transmission projects over the next 10 years and \$30 billion in transmission investments over the next 20 years
- Ongoing electricity rate increases, projected to continue increasing by 4%-9% annually, which would be passed onto the SWP members' customers
- Proposals for increasing the cost of existing energy surcharges plus proposals for extending the energy surcharge to all behind-the-meter generation



The SWC stands ready to partner with the state to utilize the SWP to meet renewable and zero-carbon goals. However, those actions that go beyond the cost-effective provision of water must be coupled with state investment or special energy rates for the SWP to offset and mitigate water rate impacts on millions of SWC customers.