UTAH DEPARTMENT of ENVIRONMENTAL QUALITY
DRINKING WATER

Public Water System Fee Policy

Executive Summary

This policy outlines the framework for implementing fees on public water systems, as authorized by Senate Bill 80, "*Water Fee Amendments*" The fees are designed to reduce the dependency on declining federal funding and support the regulation of public water systems in the state. This document details the types of allowable fees, the process for establishing and enforcing them, available incentives for water systems, and the intended use of collected funds.

1. Purpose and Authority

Section 19-4-116 of Utah Code gives the Department of Environmental Quality through the Division of Drinking Water, the authority to implement the above mentioned fees. These fees will be used to employ qualified personnel to appropriately oversee public drinking water regulation and to fund water infrastructure projects that are ranked and prioritized in the Unified Water Infrastructure Plan.

The purpose of these fees are to account for the declining level of federal funding. With the recent push towards congressionally directed spending or earmarks, and the sunset of various federal grants such as the Bipartisan Infrastructure Law (BIL) and the American Rescue Plan Act (ARPA), the Division needs to achieve a higher level of independence from federal funding. With an established fee structure, the Division can now better weather the fluctuations of federal funding programs that often vary significantly from administration to administration.

2. Authorized Fees

The Division is authorized to implement fees on public water systems for:

- **Consumption:** An annual fee based on the direct delivery of water to an end-user for human consumption and other domestic uses.
- **Plan Reviews:** Fees associated with the review of public water systems' engineering plans. This fee will not be implemented at this time.
- **Sanitary Surveys:** Fees associated with the performance of sanitary surveys. This fee will not be implemented at this time.

3. Impacted Entities

These fees will apply to:

- Community Systems
- Non-Transient Non-Community Systems
- Transient Systems
- Retail Water Usage by Wholesale Systems

4. Implementation and Fee Schedule Development

In accordance with Utah Code Section 19-4-116, the Division of Drinking Water conducted a thorough review of program costs and indirect costs of regulating public water systems in the state. This review included an examination of all alternative funding sources to ensure that any assessed fee was not duplicative in nature. The review looked at all costs needed to fund the Division as well as our current and projected federal and state revenue streams.

4.1 Review of Programmatic and Indirect Costs

The Division's decisions on fee implementation and amounts were guided by a review of programmatic and indirect costs. This review included modeling various scenarios to determine fee-funded costs, depending on different federal agency actions. Some models considered the loss of Bipartisan Infrastructure Law (BIL) grants, requiring fees to cover time-limited employees, while others projected necessary revenues if federal government funding to the state was significantly or entirely reduced, and fees were required to fund the entire Division staff and the Drinking Water State Revolving Loan Fund Program.

4.2 Review of Current Revenues

As we continue to assess our current revenue sources and their sustainability, it is essential to recognize the potential impact of expiring federal grants, especially as BIL grants and Base Grants are subject to funding cuts and sunsetting in the coming years.

1. **BIL Supplemental Grant**:
   The **BIL Supplemental Funding** is expected to last until **September 2028**, which includes estimates for grant years 2025 and 2026, currently covering certain staff costs.

2. **BIL Emerging Contaminant (EC) & Lead Service Line (LSL) Grants**:
   Similarly, the **BIL EC** and **BIL LSL grants** are estimated to be available until **March 2029**. These grants are critical in maintaining our **EC** and **LSL TLEs**.

3. **Base Grants**:
   While **Base Grants** have traditionally supported DDW programs, proposed **funding cuts** will reduce the available funds to maintain **BIL-supplemental staff** after **FY26**. This will likely necessitate an increase in **fees** to **supplement** the funding for both **BIL-supplemental** staff and **EC/LSL FTEs** starting July 2027.

4. Performance Partnership Grant (PPG):

   The PPG (Performance Partnership Grant) is a long-standing source of funding for the Division of Drinking Water, but it is ongoing and must be applied for every 5 years. The current PPG grant will end in September 2025. DEQ is currently in the process of applying for the next PPG grant. However, due to uncertainties with the federal government, there is no guarantee that the next PPG grant will be awarded or remain at the same level.

5. **General Funds**:
   General Funds will continue to support operations as a long-term, stable source of

funding, though they may not fully cover the gap created by the expiration of federal grants.

Revenue Source	Start Date	End Date/Drop-off Date	Expected Funding Changes/Impacts	Notes
BIL Supplemental Grants	2021	September 2028	Continues until September 2028. Expected reduction as funding expires.	Supports certain FTEs; drop-off expected by 2028.
BIL EC Grants	2021	March 2029	Continues until March 2029.	Critical for EC TLEs; funding drops off by March 2029.
BIL LSL Grants	2021	March 2029	Continues until March 2029.	Critical for LSL TLEs; funding drops off by March 2029.
Base Grants	Ongoing	FY2026 (funding cuts)	Expected funding cuts after FY2026. Grants used to sustain BIL-supplemental staff.	Cuts will affect base grants, leading to reliance on fees.
PPG	Ongoing	September 2025	Current grant ends in September 2025; uncertainty about next grant due to federal funding uncertainties.	DEQ applies for the PPG grant every 5 years. Risk of cuts or non-renewal after 2025.
General Funds	Ongoing	Indefinite	Stable source, will continue after federal grants expire.	Long-term funding source for operations and staff.

5. Breakdown of Fees

5.1 Annual Consumption Based Fee

The annual consumption based fee was calculated to be a fee per 1,000 gallons of water delivered to its end users for human consumption and other domestic uses. It does not include industrial water use. The data used to determine a system's fee is gathered from the retail usage data compiled by the Utah Division of Water Rights. There is a flat or base fee of $35 for systems up to the first 10 million gallons per year of water delivered. Systems that deliver more than 10 million gallons per year will be assessed the same flat fee of $35 for the first 10 million gallons and then water used beyond that will be assessed a fee of **$0.0331**

per 1,000 gallons. The fee will be based on water use data that each system reports to the Division of Water Rights annually. Because the fee is based on usage, if a system uses less water, the fee amount will go down.

As discussed in section 6 of this policy, the system has the potential to lower their fee by up to 10% contingent on compliance with certain water conservation incentive requirements. While this fee is assessed to the system based on annual consumption, it is up to the system to determine the manner in which they would like to pay the fee. Systems may elect to charge each consumer a connection based fee, a commensurate usage based fee, or absorb the fee from their existing operating budget.

	Base Rate up to 10MG per year	Rate per 1,000 gal after 10MG	Average Price per Connection	
			Monthly	Annual
Standard Rate	$35.00	$0.0331	$0.38	$4.59
Incentive Rate	$25.00	$0.0301	$0.35	$4.18

5.2 Plan Review Fee

The fee model for plan reviews is **not currently being implemented,** but would be designed to account for the varying complexity of projects submitted by public water systems. These projects could include a range of facilities such as distribution lines, storage tanks, disinfection facilities, new water sources, and treatment facilities. The fee for each type of facility would be determined by the typical amount of time required for review. This review process would involve the assigned permitting engineer, the permitting section manager, and would include time for final administrative processing. Therefore, more complex projects, like a surface water treatment plant, would have a higher fee because they require more extensive review time compared to simpler projects like a water line review. It is important to note that despite legislative authorization, **the Plan Review Fee is not currently being implemented.**

5.3 Sanitary Survey Fee

The sanitary survey fee is **not currently being implemented,** but would be assessed to systems at the completion of their triennial sanitary survey. Similar to the plan review fee, this fee could be based on the time spent conducting the survey as well as the complexity of the system, including the number of facilities. Despite legislative authorization, **the Sanitary Survey Fee is not currently being implemented**.

5.4 Exemptions

Under Senate Bill 80 (2024), several exemptions were made to the assessment of the annual consumption based fee. These include:

- **Wholesale Water:** A water wholesaler will not pay a consumption based fee on water that is wholesaled to another supplier who is a public water system. If the wholesaler is engaged in supplying water directly to the end-consumer via a retail connection, they will still pay a fee on that retail water according to the chart in Section 5.1. This exemption is on the wholesale water and not the wholesaler as an entity.
- **Agricultural Water:** Water used only for agricultural purposes and not through a public drinking water system will not be charged a fee, as it is reported separately to the Division of Water Rights. If a drinking water system usage includes agricultural usage, it is considered drinking water usage and will be charged a fee.
- **Industrial Water:** A water system will be exempt from paying a fee on any water delivered to an end user that is an industrial user of water. This includes water used by manufacturing plants, petroleum refining, dairies, mining, electrical generation plants, greenhouses, distilleries, and livestock watering. Industrial water is reported separately from residential water to the Division of Water Rights and will not be used in the calculation of consumption based fee.

6. Fee Conservation Incentives

As outlined in Utah Code Section 19-4-116, there are several incentives available to suppliers to lower their total fee burden by implementing water conservation measures. These conservation incentives may lower the supplier's assessed fee by up to 10%. The separate requirements for Community and Non-Community systems are outlined in the sections below.

6.1 Non-Community System Conservation Incentives

For a Non-Community system to achieve the 10% conservation incentive rate on their assessed fee, they must meet the following criteria:

- Compliance with System Specific Sizing Standards as found in Utah Code Section 19-4-114.

6.2 Community System Conservation Incentives

Community systems are eligible for a 2.5% conservation reduction in their assessed fee for each compliance criterion met, up to a total conservation reduction of 10%.

- The installation of water meters on each residential connection in the community water system
- The adoption of tiered water rates
- The creation of a drinking water master plan report, no older than 10 years, that meets the requirements defined in Rule R309-110.
- Compliance with System Specific Sizing Standards as found in Utah Code Section 19-4-114.

6.3 Conservation Incentive Verification

The Division of Drinking Water plans to develop a new way for public water systems to annually review the water consumption data used to calculate their fees and confirm eligibility for Conservation incentive-based reductions. This system will be in place before the start of the fee collection period.

7. Payment and Appeals

7.1 Submission of Payment

The fee period will officially begin July 1, 2026. The Division will only collect payments once per year after the fiscal year is over (after July 1, 2027 for the first year). Although the decision is up to the individual water systems, the Division recommends that water systems collect fees throughout the year from their customers and hold the payments in a fund until the end of the fiscal year, when payment to the Division can be made. The Division plans to develop a method of viewing and paying fees online and possibly through other means. This system will be in place before the payments are due (around July 1, 2027).

7.2 Appeals Process

After the assessment of an annual consumption based fee, the fee invoice will be released to water systems and a 30-day grace period will begin. During this grace period, systems will have the opportunity to review the fee invoice and contact the Division to request a review of their fee assessment. At the close of the grace period, the fee will be locked in until the next assessment period in the following year.