

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3404  
July 8, 1988

R E S O L U T I O N

(RES. W-3404) CALIFORNIA WATER SERVICE COMPANY (CWS).  
ORDER AUTHORIZING A WATER RATIONING PLAN FOR THE BEAR  
GULCH, SAN CARLOS, SAN MATEO AND SOUTH SAN FRANCISCO  
DISTRICTS.

CWS, by Advice Letter (A.L.) No. 1075 filed May 24, 1988 has requested authority to add Rule 14.1 to its tariffs establishing a mandatory water rationing plan for its Bear Gulch, San Carlos, San Mateo and South San Francisco Districts. CWS's proposal is in response to mandatory water allocation restrictions placed on it by the City and County of San Francisco.

CWS purchases between 85% and 100% of the water it distributes to its customers in the four affected districts from San Francisco. San Francisco, in turn, obtains approximately 85% of its water from its Hetch Hetchy water system in the Sierra Nevada and the remainder from local sources, primarily runoff into nearby reservoirs. (Because CWS is a private utility prohibited by the federal Raker Act from receiving Hetch Hetchy water, all of CWS's San Francisco water comes from these local sources). Runoff for 1988 into Hetch Hetchy is expected to be very light because of much lower than normal precipitation during the past year and an extraordinarily thin snowpack. This year's poor water conditions come on the heels of a below normal water year last year.

The San Francisco Public Utilities Commission (SFPUC) has determined that at current consumption levels it will be unable to safely provide for the domestic needs of the more than two million people it serves should next year also prove abnormally dry. On April 26, 1988 the SFPUC issued its Resolution No. 88-0155 approving a plan reducing the amount of water available to its San Francisco retail and its suburban wholesale customers (including about 30 suburban resellers on the San Francisco peninsula). As a result, CWS must reduce consumption by its customers in the four affected districts. CWS has no other districts that receive water from San Francisco, nor are there other CPUC-regulated water utilities affected.

Under the SFFUC's rationing plan, San Francisco's local retail and suburban wholesale customers will receive 1988 water allocations based on reducing inside water use by 10% and outside water use by 60% from calendar year 1987 levels. The goal is to achieve an overall 25% cutback. To calculate the allocation amounts, use during the months of January, February, March and December is considered to be inside use; use in excess of that average level during April through November is considered to be outside use. Wholesale customers can allocate water within their service areas in any manner they choose provided they do not exceed their total allocations.

Use above allocated levels will be subjected to progressively higher prices from San Francisco. Although it has not yet officially acted to establish penalty rate schedules, it appears that the SFFUC will likely approve much higher rates for usage above allocations effective August 1, 1988. The price for all water used above allocation will be double the base price if overusage is up to 5%; three times if up to 10%; five times if up to 15%; seven times if up to 20%; nine times if up to 25%; and eleven times if over 25%. Thus, if usage were 117% of allocation, the entire 17% excess would be priced at seven times the basic rate.

CWS's wholesale purchase rate from San Francisco averages about \$0.30 per Ccf (one Ccf is one hundred cubic feet) with a tail block rate of about \$0.28 per Ccf. CWS's current CPUC-established retail tariff rates to its affected districts' customers range from \$0.559 to \$1.113 per Ccf with the marginal sales price averaging about \$0.98 per Ccf. Thus, while CWS could be required to pay San Francisco a rate of as much as about \$3.10 per Ccf for usage above its wholesale allocation, at usages up to about 110% of its allocation the revenues from excessive sales (without considering the \$2.00 per Ccf rationing penalty CWS would charge its overusers) would approximately balance San Francisco's penalty rates to CWS.

To achieve the necessary reductions, CWS requests authority to impose mandatory rationing on its customers as set forth in A.L. 1075's proposed Rule 14.1 which:

Prohibits nonessential and unauthorized water use, including:

use for more than minimal landscaping in connection with new construction;

use through any meter when the company has notified the customer in writing to repair a broken or defective plumbing, sprinkler, watering or irrigation system and the customer has failed to effect such repairs within five days after receipt of such notice;

use of water which results in flooding or runoff in gutters or streets;

use of water through a hose for washing cars, buses, boats, trailers or other vehicles without a positive automatic shut-off valve on the outlet end of the hose;

use of water through a hose for washing buildings, structures, sidewalks, walkways, driveways, patios, parking lots, tennis courts, or other hard-surfaced areas;

use of water to clean, fill or maintain levels in decorative fountains;

use of water for construction purposes unless no other source of water or other method can be used; and

service of water by any restaurant except upon the request of a patron.

Establishes customer water allocation percentages by district of 70% to 75% for summer (May through October) and 85% to 90% for winter (November through April) with usage in the corresponding months of 1987 being the base.

Establishes an allocation of 90% of 1987 monthly consumption for users of process water (water used to manufacture, alter, convert, clean, grow, heat or cool a product, including water used in laundries and car wash facilities that recycle the water used).

Establishes a minimum allocation of six Ccf for any customer regardless of historical usage.

Establishes an exceptions procedure for customers with no prior billing period record or where unusual circumstances dictate a change in allocation.

Establishes a penalty of \$2.00 per Ccf for usage over allocated amounts, provided, however, that banking of underusage from month to month is allowed.

Provides that penalty funds are not to be accounted for as income, but are to be kept in a separate reserve account for disposition as directed by the Commission.

Provides that, after written warning for nonessential or unauthorized water use, for subsequent violations the utility may install a flow restrictor to be left in a minimum of three days. The second time a flow restrictor is installed it may be left in until rationing ends.

Establishes charges of \$25, \$50, or actual cost depending on meter size for removing a restrictor, and provides that continuing nonessential or unauthorized use may result in disconnection.

Establishes an appeal procedure first through the utility, then to the Commission staff through the Executive Director, then to the Commission via a formal complaint.

CWS's plan is similar but not identical to that which the Commission authorized for it in 1977. The primary differences are that the earlier plan set a uniform monthly allocation of 75% of the previous year's monthly usage for customers in all four districts; called for a 50% cutback in the use of outside irrigation water; prohibited filling or refilling swimming pools and washing vehicles with a hose; and established a minimum allocation of five Ccf and did not provide for banking underusage. CWS's 1977 plan used the same penalty charges and restrictor removal fees.

CWS's plan parallels that which San Francisco has implemented for its own local customers, but differs in some significant respects:

San Francisco's retail customers will get uniform December through March allocations (but which will vary by customer), while their April through November allocations will vary month by month. CWS's customers will receive monthly allocations which are a constant percentage of their previous year's May through October usage, and a different constant percentage of their previous year's November through April usage, and which will thus generally vary each month of the year. Both San Francisco's and CWS's plans are designed to produce 25% overall reductions.

San Francisco's plan requires connections for new construction to incorporate water saving devices in interior plumbing fixtures and low water use landscaping designs and irrigation systems outdoors.

San Francisco's plan imposes a penalty of from one to ten times the base price for water used over allocation, whereas CWS's imposes a constant \$2.00 per Ccf penalty for overusage. The penalty structure for San Francisco's local retail customers is identical to that explained earlier for its wholesale customers including CWS.

San Francisco's plan does not provide for banking underusage, whereas CWS's does.

CWS already has an ongoing program to promote conservation among its customers and within its own operations. It regularly distributes brochures, bill inserts, news releases and paid advertisements promoting conservation. Water conservation kits are available to its customers without charge. All

field employees carry door hanger notices that they leave on customers' doors when they find water being wasted. CWS promotes outside water conservation by distributing lists of drought-resistant plants and maintaining demonstration gardens in several districts including San Mateo. All of its peninsula customers are metered. Its unaccounted-for water percentage, a measure of how much water is lost during distribution, is low.

The California Water Code, Section 350 et seq, provides that any public water supplier may, after public notice and hearing, declare a water shortage emergency within its service area whenever it determines that the ordinary demands and requirements of its consumers cannot be satisfied without depleting the water supply to the extent that there would be insufficient water for human consumption, sanitation, and fire protection. After it has declared a water shortage emergency, it must adopt such regulations and restrictions on water delivery and consumption as it finds will conserve its water supply for the greatest public benefit. Section 357 requires that suppliers which are subject to regulation by the CPUC shall secure its approval before making such regulations and restrictions effective. Both the City of San Francisco and CWS have notified their customers, held public hearings, and declared water shortage emergencies as required by these sections of the Water Code.

CWS held duly noticed public hearings in South San Francisco on May 16, 1988, in San Mateo on May 19, 1988, and in Menlo Park on May 20, 1988. These areas are within or near each of CWS's four affected water districts. CWS reports that a total of approximately 135 customers attended and about one-fourth of those present made comments or asked questions about its proposed rationing plan. None disputed the existence of a water shortage emergency. CWS made some relatively minor modifications to its proposed rationing plan as a result of its customers' comments, including raising the minimum allotment from five to six Ccf per customer per month.

CWS notified customers of its A.L. 1075 filing by publishing legal notices in newspapers covering the affected districts on June 3, 1988. As required by General Order 96-A, customers were advised to write to the Commission with any comments within fifteen days. The Water Utilities Branch has received five letters in response. Three CWS customers protested that they have already reduced their usage, implying that to require further reduction would be unfair. A fourth customer believes that CWS has not done enough to develop its supplies since the last drought, and that it should not rely on San Francisco's system to the extent it does. The California Landscape Contractors' Association wrote to state that "water consciousness and conservation should be an on-going consideration but the proposed guidelines are overly restrictive and reactionary as a permanent basis." They are further concerned that some suppliers may abolish the issuance of landscape permits in order to meet their allocations.

On June 3, 1988, CWS also notified competing and adjacent utilities and other utilities and interested parties having requested such notification. No letters were received in response. The Water Branch subsequently contacted each city and county within which CWS provides water service to determine their reactions to CWS's water shortage emergency declaration and water rationing plan. In general, each was aware of CWS's water supply situation, its public hearings, and CWS's proposed rationing plan. None expressed any dissatisfaction with CWS's notification or its rationing plan.

On the same day it submitted A.L. 1075, CWS also filed Application (A) 88-05-045 requesting authority to increase its rates in the affected districts to offset its estimated revenue losses due to rationing. The application asks to establish a balancing account for each district to accrue any under- or overcollection resulting from sales lesser or greater than those mandated by the rationing plan and upon which the requested revenue increases in the application have been developed. Regardless of the Commission's disposition of that application, a rationing plan is needed to allow CWS to cope with the water allocations imposed on it by the City of San Francisco. Authorization of the rationing plan put forward by CWS in A.L. 1075 need in no way affect or be affected by the outcome of A.88-05-045.

#### FINDINGS

1. CWS purchases nearly all of the water supply for its Bear Gulch, San Carlos, San Mateo, and South San Francisco Districts from the City of San Francisco.
2. The City of San Francisco has declared a water shortage emergency under the California Water Code, Section 350 et seq, and has adopted restrictions on the amount of water it will furnish to CWS for resale to CWS's customers in the Bear Gulch, San Carlos, San Mateo, and South San Francisco Districts.
3. CWS has declared a water shortage emergency following the requirements of the California Water Code, Section 350 et seq, after determining that the ordinary demands and requirements of its Bear Gulch, San Carlos, San Mateo and South San Francisco District customers cannot be satisfied without depleting the water supply to the extent that there would be insufficient water for human consumption, sanitation, and fire protection.
4. The \$2.00 per Ccf penalty rate provided for under CWS's proposed Rule 14.1 for excess usage is reasonable and necessary to promote compliance with customers' maximum allocations.
5. CWS's proposal to accumulate the amounts collected under its excess usage penalty rate in a suspense account for eventual return to its customers in a manner to be determined by the Commission rather than accounting for them as utility income is appropriate.
6. The restrictor removal charges established under CWS's proposed Rule 14.1 are reasonable and justified to compensate CWS for costs incurred in installing and removing such restrictors.

7. CWS's proposed rationing plan as set forth in A.L. 1075's proposed Rule 14.1 is necessary to ensure the equitable allocation of such water supplies as are available, with particular regard to domestic use, sanitation, and fire protection.

IT IS ORDERED that:

1. California Water Service Company, Inc. is authorized to add Rule 14.1 to its tariffs establishing the mandatory rationing plan proposed by Advice Letter No. 1075 for its Bear Gulch, San Carlos, San Mateo and South San Francisco Districts. Rule 14.1 shall apply to service rendered on and after its effective date. The effective date of Rule 14.1 shall be the same as the effective date of this resolution.
2. Rule 14.1 shall continue in force until such time as the City of San Francisco rescinds its mandatory water allocation restrictions on California Water Service Company, Inc., or until such time as the Commission directs its modification or repeal.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 8, 1988. The following commissioners approved it:

STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners



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VICTOR R. WEISSER  
Executive Director