

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3412  
October 14, 1988

R E S O L U T I O N

(RES. W-3412) CALIFORNIA WATER SERVICE COMPANY (CWS).  
ORDER AUTHORIZING CWS TO CHARGE PENALTIES PAID TO THE  
SAN FRANCISCO WATER DEPARTMENT TO THE RATIONING PENALTY  
RESERVE ACCOUNT.

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. Because of the current drought, San Francisco has adopted restrictions on the amount of water it will furnish to its retail and wholesale customers, including CWS. Under San Francisco's plan, CWS is subject to heavy penalties for usage in excess of its allocations.

By Commission Resolution No. W-3404 dated July 8, 1988, CWS was authorized to implement a mandatory rationing plan to reduce its customers' consumption in the four affected districts. Included in that plan is a provision allowing CWS to charge a penalty of \$2 per Ccf (one Ccf is one hundred cubic feet) for any water used in excess of a customer's monthly allocation. The plan also states:

"Any monies collected by the Company through penalty charges shall not be accounted for as income, but shall be accumulated by the Company in a separate reserve account for disposition as directed or authorized from time to time by the California Public Utilities Commission Commission."

By letter of September 2, 1988 to the Commission's Executive Director, CWS states that its August purchased water billings from San Francisco Water Department (SFWD) included approximately \$338,000 in penalty charges CWS must pay because CWS' customers used more than their allocated supply during the billing period. After its \$2 per Ccf penalty became effective on August 8, CWS in turn billed its customers during August approximately \$340,000 in penalty charges. CWS states that since it is not accounting for penalty charges received from its customers as revenues, the penalty charges it must pay to SFWD would have a serious impact on its earnings. It therefore requests that it be authorized to use, to the extent available, any penalty charges collected from its customers to pay the penalty charges imposed on it by SFWD.

CWS also points out that following the end of water rationing in these same four districts in 1978, the Commission by Resolution No. F-582 dated August 22, 1978, authorized it to retain over \$77,000 in penalty charges to offset drought-related conservation expenses before returning the remaining \$300,000 to its customers through the balancing account. That instance differed, however, in that there were no penalty charges paid to SFWD.

#### FINDINGS


1. SFWD has adopted restrictions on the amount of water it will furnish to CWS for resale to CWS' customers in the Bear Gulch, San Carlos, San Mateo and South San Francisco Districts. To the extent that CWS' purchases from SFWD exceed its allocations, SFWD imposes substantial monetary penalties on CWS.
2. CWS, in turn, has imposed a Commission-approved rationing plan on its customers in the four affected districts to limit consumption. To the extent that CWS' customers exceed their allocations, they are subject to monetary penalties.
3. CWS' rationing plan provides that the penalty amounts CWS collects from its customers are not to be accounted for as income, but are to be kept in a separate reserve account for disposition as directed or authorized from time to time by the Commission.
4. It is reasonable and equitable to authorize CWS to use, to the extent available, any accumulated penalty charges in the reserve account to pay the penalty charges imposed on CWS by SFWD.

#### IT IS ORDERED that:

1. California Water Service Company is authorized to use, to the extent available, any accumulated penalty charges in the reserve account authorized by Resolution W-3404 to pay excess usage penalty charges imposed on it by the San Francisco Water Department.
2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 14, 1988. The following commissioners approved it:

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

  
VICTOR R. WEISSER  
Executive Director