

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3541
February 6, 1991R E S O L U T I O N

(RES. W-3541) CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM).
ORDER RE: WATER RATIONING PLANS AND CONSERVATION RULE FOR
VILLAGE, CORONADO, DUARTE, BALDWIN HILLS, AND SAN MARINO
DISTRICTS.

Cal-Am, by Advice Letter 367, filed January 9, 1991 and Advice Letters 368 and 369, filed January 11, 1991, requests Commission authority to add Rule 14.1, Water Rationing Plan to the tariffs of its Village, Coronado, Duarte, Baldwin Hills, and San Marino districts. These districts of Cal-Am serve approximately 64,000 customers in the metropolitan Los Angeles area. This action is required by the action of The Metropolitan Water District of Southern California (MWD) in response to the severe drought conditions in California.

MWD supplies about two-thirds of all water used in Southern California, receiving most of it from the Colorado River and the State Water Project and supplying it to 27 member agencies. Due to the State of Arizona's increase in its use of its share of the Colorado River, in 1991 MWD expects to receive 25-percent less water from that source. This and the unprecedented fifth year of drought in California, resulting in a severe reduction in supply from the State Water Project and local sources, have limited the amount of water MWD will be able to deliver to its member agencies. MWD held public meetings in 1990 and 1991 concerning the expected shortfall and on December 20, 1990 ordered an "Incremental Interruption and Conservation Plan" (MWD Plan) to go into effect on February 1, 1991.

The MWD Plan includes use restrictions and quantity reductions ranging from voluntary use restrictions and cutbacks to 20-percent rationing for noninterruptible customers and 50-percent rationing for interruptible customers. On February 1 MWD began requiring mandatory reductions of 10-percent for noninterruptible customers and 30-percent for interruptible customers.

The MWD Plan penalizes agencies using more than allotted quantities and rewards agencies using less than allotted quantities. At present the penalty is \$394 per acre-foot and the reward is \$99 per acre-foot. In September, 1991 MWD will compare each agency's total use for the rationing period with its total allocation for that period. Agencies having used more than their allotted amount will be charged the penalty for each excess acre-foot, and those which have

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used less than their allocation will be credited the reward for each acre-foot saved.

MWD sells Cal-Am 100-percent of the water supply for its Village and Coronado districts, 50-percent of the supply for its Baldwin district, and 10-percent of the supply for its San Marino districts. MWD also supplies water to recharge the basins pumped by Cal-Am's San Marino and Duarte districts' wells.

All five Cal-Am districts are dependent on purchased water or recharge water from MWD. Under rationing by MWD, none of these districts will be able to supply the normal water demand of its customers. Cal-Am has therefore requested authorization from the Commission to impose water use restrictions and rationing.

Cal-Am has proposed a three-phase water use restriction and rationing plan. Phase I consists of mandatory water use restrictions and voluntary conservation of less than 10-percent. Phase II consists of mandatory water use restrictions and mandatory water rationing of at least 10-percent but less than 20-percent. Phase III consists of mandatory water use restrictions and mandatory water rationing of at least 20-percent. The actual rationing percentage in Phases II and III will be the reduction requested by MWD.

Cal-Am's proposed plan is similar to the rationing plans adopted by the Commission for use in Santa Clara County and the San Francisco Peninsula. Both provide for use restrictions and rationing. Use restrictions affect: washing walkways and driveways; washing motor vehicles, trailers, boats, and so forth; landscape watering; decorative pools, fountains, and other aesthetic uses; serving water in restaurants, hotels, cafes, cafeterias and other places where food is served; and use of water for construction purposes. For violating the restrictions on use, the utility may warn the customer the first time and install a temporary flow restrictor in the customer's service line the second time. For a third violation, a restrictor may be installed for the duration of the drought, and service may be discontinued for persistent violations. Cal-Am will charge established amounts of \$25, \$50, or the actual cost for removing restrictors, depending on the size of the particular service. Both plans also provide for penalties when more than the allocated amount of water is used. Cal-Am's plan calls for penalties of \$2.00 per one-hundred-cubic-feet (ccf) for use of water in excess of the allocated amount in Phase II and \$3.00 per ccf in Phase III.

Any monies collected by Cal-Am through penalty charges will not be accounted for as income, but will be accumulated in a separate reserve account for disposition as directed from time to time by the Commission.

The Water Utilities Branch (Branch) understands that some utilities subject to the penalties and rewards of MWD will seek to flow rewards as well as penalties through to their customers in each billing. Cal-Am has chosen to pass only penalties in each billing. The Branch believes this is acceptable with the condition that

immediately following each September accounting made by MWD to its member agencies, Cal-Am be required to report to the Commission the charges and/or credits made to it by MWD, and the monies that have accumulated in the penalties reserve account. Further, that such reporting to the Commission should be accompanied by a request for Commission authorization for specific disposition of any credits made by Cal-Am by MWD as a result water usage lower than MWD's allocation and any monies accumulated in Cal-Am's penalties reserve account.

Branch believes that monies accumulated in the penalties reserve account should be first used for offsetting any penalties by MWD in the event customers of Cal-Am use more than their allotted amount of water, and secondly to offset charges to the drought related memorandum account that was authorized by the Commission in Decision 90-07-067. In the event customers use less than their allotment and rewards are credited Cal-Am, these credits should also be used to offset charges to the drought related memorandum account.

The California Water Code (Code), Sections 350 through 358, provides that the governing board of any public water supplier may 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. Before making a declaration of water shortage emergency, the supplier must notify its customers and hold a public meeting to give customers the opportunity to protest such declaration or make comments. After the supplier 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.

For the requirements of the Code, MWD is the governing body. It held widely publicized public hearings; received input from residential, commercial, agricultural and water agency customers; declared a water shortage emergency and adopted regulations and restrictions for the greatest public benefit.

Section 357 of the Code requires that suppliers that are subject to regulation by the Commission shall secure its approval before making such regulations and restrictions effective.

FINDINGS

1. MWD provides Cal-Am, directly or indirectly, nearly all of the water Cal-Am delivers in its Village, Coronado, Duarte, Baldwin Hills and San Marino districts.
2. Reduction in the availability of Colorado River water and the drought conditions in California have reduced the amount of water available to the Metropolitan Water District to distribute to its member agencies.

3. MWD implemented an Incremental Interruption and Conservation Plan on February 1, 1991, calling for mandatory water use restriction and rationing by member agencies.
4. Section 357 of the Water Code requires Cal-Am to seek Commission approval of its proposed tariff Rule 14.1, Water Rationing Plan before implementing use restriction and rationing called for by MWD.
5. Requirements of the Water Code, Section 350 et seq, to notify customers and to hold public hearings before declaring a water shortage emergency have been met.
6. A penalty monies reserve account for each district to record penalty monies collected should be authorized.
7. Cal-Am should report to the Commission immediately following MWD's September accounting of overuse penalties and underuse credits. This report should include the amount charged or credited Cal-Am by MWD as well as the amount accumulated in Cal-Am's penalty monies reserve account. This report should be accompanied by a request for specific disposition authority for the monies in the penalty reserve account.

IT IS ORDERED that:

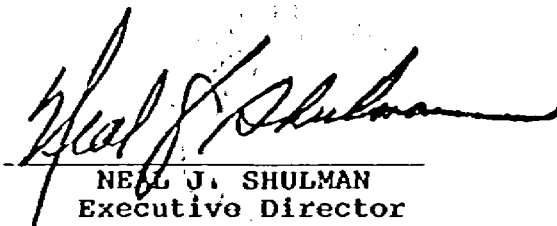
1. California-American Water Company is authorized to add Rule 14.1, Water Rationing Plan to its tariffs as proposed by Advice Letter No. 367 for its Village District, Advice Letter No. 368 for its Coronado District and Advice Letter No. 369 for its Duarte, Baldwin Hills and San Marino Districts. The 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 Metropolitan Water District rescinds its Incremental Interruption and Conservation Plan, or until such time as the Commission directs its modification or repeal.
3. California-American Water Company shall establish a reserve account in which overuse penalty charges imposed upon its customers shall be accumulated. These monies shall not be accounted for as income and shall be disposed of in ways to be determined by the Commission.
4. California-American Water Company shall, within thirty (30) days following the September accounting by the Metropolitan Water District to its member agencies of overuse charges and underuse credits, report this information to the Commission for each of its districts subject to this resolution. This report shall include the amount of monies accumulated in its overuse penalty charges reserve accounts for each district.

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5. California-American Water Company shall, within thirty (30) days following the September accounting by the Metropolitan Water District, file an application with the Commission proposing specific disposition of any monies accumulated in its overuse penalty charges reserve accounts, and any credits made to it by the Metropolitan Water District for underuse.

6. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 6, 1991. The following commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners