

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION W-3562
April 24, 1991RESOLUTION

(RESOLUTION W-3562) SOUTHERN CALIFORNIA WATER COMPANY.
AUTHORIZATION TO INCLUDE A WATER RATIONING PLAN
IN ITS APPROVED TARIFFS.

BY ADVICE LETTER 833-W FILED ON MARCH 14, 1991

SUMMARY

Southern California Water Company (SCWC) requests authority to add Rule 14.1, Mandatory Water Conservation, Restrictions and Rationing Plan (Rationing Plan) to its tariffs. The Rationing Plan will apply to the Barstow, Bay, Metropolitan, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Simi Valley and Wrightwood Districts. This Resolution grants the request.

BACKGROUND

Water shortage emergency conditions have been declared by SCWC in the above listed districts. Except for its Barstow and Wrightwood Districts, these districts are dependent in part or totally on Metropolitan Water District of Southern California (MWD) or the Contra Costa County Water District for water supply.

MWD on January 8, 1991, approved a mandatory water conservation plan. This plan mandates that all resale customers reduce water use by at least 10-percent beginning February 1. Since then, MWD has increased its mandated conservation percentage to 20-percent beginning March 1, and may increase it to 30-percent in the near future.

Contra Costa County Water District adopted a mandatory water conservation plan on March 6, 1991, restricting water use by 28-percent.

Section 357 of the Water Code requires that suppliers that are subject to regulation by the Commission shall secure its approval before imposing water consumption regulations and restrictions required by water shortage emergencies.

NOTICE

In its Advice Letter SCWC indicated it will be holding public meetings required by Section 351 of the Water Code between April 1 and April 11, and that it would provide a report on the result of those meetings to the Water Utilities Branch (Branch). Timely submittal of

this Resolution prevented the Branch from including the results of those meetings herein. To accommodate this circumstance the Branch makes certain proposals in the Discussion portion of this Resolution.

PROTESTS

At the time of submittal of this Resolution the Commission had received one protest, from a customer in the Bay District, concerning the manner in which each customer's allocation would be determined under the proposed Rationing Plan.

DISCUSSION

Because of emergency water supply conditions, the ordinary demands and requirements of the water consumers in the listed districts of SCWC cannot be satisfied without either depleting the water supply to the extent that there would be insufficient water for human consumption, sanitation and fire protection, or incurring excessive penalties.

To achieve the necessary reduction in water consumption, SCWC proposes to reduce the allocation for each customer as set forth in Section C of the Rationing Plan. Allocations are a percentage of the quantity of water used by a customer during the comparable billing period in 1990. The Rationing Plan is attached to this Resolution as Appendix A.

As indicated above, at the time this Resolution was submitted the Commission had not received SCWC's report on the results of the public meetings or all protests. In normal circumstances it would be appropriate to delay action on SCWC's request. However, the drought continues and the water supplies for most of SCWC's districts have been or will be reduced. The Branch therefore recommends that SCWC be authorized to include conditionally its proposed Rationing Plan in its authorized tariffs at this time. The condition is that, in the event there proves to be substantial customer objection to the Rationing Plan, in any respect, the Branch be authorized to submit a motion in the ongoing Drought Investigation (I.89-03-005) requesting that hearings be set to allow customers concerns to be brought before the Commission.

In support of the conditional implementation recommended above, the Branch notes that SCWC has not fully complied with the requirements of Sections 350, et seq, of the Water Code in that public meetings were not held before SCWC declared a water shortage emergency and filed a proposed Rationing Plan. By not holding such meetings before filing the proposed Rationing Plan SCWC's customers have been deprived of any meaningful input into the provisions of the Rationing Plan. Branch recommends that SCWC, and other water utilities, be put on notice that future advice letter filings requesting authorization of Rationing Plans will not be accepted without a report on the results of the public hearings as required by the Water Code. In so far as possible the Rationing Plans should reflect the concerns of the the

utility's customers and incorporate reasonable changes requested by those customers.

SCWC has requested authorization to use any penalty monies collected from its customers to offset penalties assessed by its suppliers. The Branch believes this request is reasonable and should be granted with the condition that collected customer penalty monies be used to pay supplier penalties only from the effective date of this resolution.

The Branch notes that SCWC did not acknowledge in its advice letter that penalty monies collected from its customers are not to be accounted for as income and would be accumulated in separate reserve accounts for disposition as directed from time to time by the Commission. Branch believes SCWC should be so directed.

The 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. SCWC has chosen to pass only penalties. The Branch believes this is acceptable with the condition that immediately following each September accounting made by MWD to its member agencies, SCWC 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 to SCWC by MWD as a result of water usage lower than MWD's allocation and any monies accumulated in SCWC penalties reserve account.

The Branch believes that monies accumulated in the penalties reserve accounts should be first used for offsetting any penalties by MWD in the event customers of SCWC 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 SCWC, these credits should also be used to offset charges to the drought related memorandum account.

FINDINGS

1. Drought conditions continue in California and have caused entities that supply water to SCWC to mandate reductions in water use by its customers as well as other resellers.
2. The mandated reductions in water use imposed on SCWC as well as significant drought related reductions in its own supplies in the listed districts, justify the authorization requested by SCWC to include its proposed Rationing Plan in its approved tariffs.
3. The authorization to allow SCWC to include its proposed Rationing Plan in its approved tariffs should be conditional, providing that in the event there are a significant number of customer protests received by the Commission, the Branch should be authorized to file a motion in the Drought Investigation, I.89-03-005, requesting that hearings be

held by the Commission at which customers protesting the Rationing Plan may be heard.

4. Requirements of the Water Code, Section 351, to notify customers and to hold public hearings before declaring a water shortage emergency have not been fully complied with. Future filings for approval of proposed Rationing Plans by SCWC and other utilities should not be accepted unless a report on the public meetings held in compliance with the Water Code is included in the filing.

5. For each district, SCWC should be directed to establish a penalties monies reserve account in which customer penalties collected are to be recorded.

6. SCWC's request to use penalty monies collected from its customers to pay penalties levied on it by MWD should be approved with the condition that penalties levied for any period prior to the effective date of this resolution shall not be paid from these monies.

7. SCWC should report to the Commission following MWD's September accounting of overuse penalties and underuse credits. This report should include the amount charged or credited SCWC by MWD as well as the amount accumulated in SCWC's penalty monies reserve accounts. This should be accompanied by an application for specific disposition authority for the monies in the penalty reserve accounts.

IT IS ORDERED THAT:

1. Southern California Water Company is authorized to add Rule 14.1, Mandatory Water Conservation, Restriction and Rationing Plan, and Schedule 14.1, Rationing Penalties And Conservation Allotments, to its tariffs as proposed by Advice Letter No. 833-W. The effective date of Rule 14.1 and Schedule 14.1 shall be the same as the effective date of this resolution.

2. Rule 14.1 and Schedule 14.1 shall continue in force until such time as Commission directs its modification or repeal.

3. In the event the Commission receives a significant number of complaints in connection with Rule 14.1 or Schedule 14.1, the Water Utilities Branch is authorized to file a motion in the Drought Investigation, I.89-05-005, requesting that hearings be set to allow the customers concerns to be brought before the Commission.

4. The Water Utilities Branch is authorized to reject any future filing for authorization of a proposed Rule 14.1 if the filing utility has not held public hearings called for in Section 351 of the Water Code before declaring a water shortage emergency under provisions of the Water Code, and before filing the proposed Rule 14.1 with the Commission.

Such a filing made with the Commission after public hearings are held shall include a showing that a good faith effort to incorporate recommendations of the utility's customers has been made.

5. Southern California Water Company shall establish reserve accounts 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.

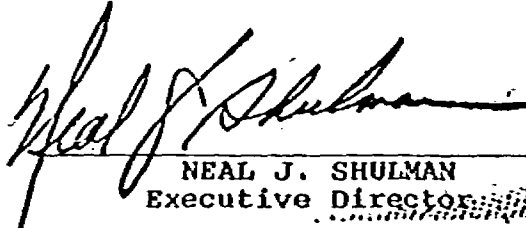
6. To the extent that penalty charges accumulated in the reserve accounts ordered by this resolution are available, Southern California Water Company is authorized to use the reserve funds to pay excess usage penalty charges imposed on it by the Metropolitan Water District for water supplied to Southern California Water Company subsequent to the effective date of this order.

7. Southern California 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. This report shall include the amount of monies accumulated in its overuse penalty charges reserve account and the amount paid to MWD in penalties.

8. Southern California 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 account, and any credits made to it by the Metropolitan Water District for underuse.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on April 24, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President

G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners