

WATER/RSK/JB5/MRB

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4804
November 20, 2009

R E S O L U T I O N

(RES. W-4804), THIS RESOLUTION APPROVES DEL ORO WATER COMPANY'S (DOWC) ADVICE LETTER (AL) 241-C AND ADOPTS TARIFF SCHEDULE 14.1-RI, AS MODIFIED.

SUMMARY

This Resolution approves DOWC AL 241-C and adopts Tariff Schedule 14.1-RI as modified. This AL was filed pursuant to Standard Practice U-40-W¹ and includes a request to establish Tariff Schedule 14.1 (Schedule 14.1)² to provide for mandatory rationing for its River Island district in times of water shortage if voluntary measures do not yield the necessary reduction in consumption. The utility will track available water supplies, compare them to historical demand, and determine what overall reduction in consumption is required. Based on these calculations, the utility then creates individualized allocations for each of its customers. Pursuant to AL 242-B, when tariff Schedule 14.1 becomes effective, DOWC must track the following in a memorandum account: (1) volumetric penalties from its customers for consumption over their allocations generated from Schedule 14.1; (2) its incremental operating expenses incurred after the date Schedule 14.1 is activated;³ (3) any penalties paid to its water

¹ SP 40 outlines the general procedure for utilities to request and implement water conservation and rationing, by way of Tariff Rule 14.1 and Schedule 14.1, and service connection moratoria. Rule 14.1 is implemented in response to a utility's request for voluntary rationing from customers in order to reduce consumption. This may be accomplished by voluntary compliance with water use restrictions.

² Schedule 14.1 is activated in response to a governing agency or a water wholesaler declaring a water shortage and imposing mandatory rationing on a utility, or other reductions in the available water supply that may result in the utility's reduction of customer water allocations based on a percentage of the customer's historical usage.

³ Schedule 14.1 provides for a series of progressively restrictive water allocations (stages) to the utilities' customers corresponding to decreasing levels of available water supply. Schedule 14.1 is first *activated* when mandatory water use allocations, rather than voluntary conservation measures, are necessary. DOWC files for initial activation of Schedule 14.1 as well as more restrictive stages by filing a Tier 1 AL stating a specific need for decreased water allocations to its customers.

wholesalers, if any; (4) any additional income in the form of penalties paid by customers for violating water use restrictions; and (5) any additional income in the form of flow restrictor installation and removal charges.⁴

BACKGROUND

DOWC, a California corporation, is a Class B utility serving approximately 7,791 connections in 14 districts throughout the state. The River Island district has 336 connections in two physically separate systems, served from 14 wells providing potable water. Additional potable water is purchased from two privately-owned wells. Non-potable irrigation water is supplied to 15 customers who are also connected to one of the potable-water systems.

Almost every summer River Island runs short of water as well production drops and water use increases. During July, 2009, production from the 14 active wells was inadequate to meet demand on a sustained basis. On August 14, 2009, DOWC held a public meeting and declared a Water Shortage Emergency, pursuant to Water Code Sections 350 - 352.

DOWC has filed AL 241-C to adopt Tariff Schedule 14.1-RI, allowing the company to implement mandatory rationing measures between June 1 and October 31 of a particular year, or other times if necessary, through a Tier 1 advice letter. Measures include penalties for water use in excess of allocations, penalties for non-essential water use, and flow restrictor installation and removal charges when other measures do not bring compliance.

DOWC has filed AL 242-B concurrently with 241-C. AL 242-B seeks authority to establish two memorandum accounts; one to track the lost revenues and cost savings due to reduced water sales upon implementation of Schedule 14.1-RI; and one to track water use violation penalties collected from customers, water use penalties imposed by and paid to water wholesalers, if any; and the administrative and operating costs incurred by implementing Schedule 14.1-RI.

⁴ Water use restrictions prohibit non-essential or unauthorized water usage by customers for such things as washing hard-surfaced areas which results in excess run-off and outside watering of vegetation with potable water during certain hours. Fines start at \$25 per instance with activation of Schedule 14.1 and increase incrementally by another \$25 with each additional offense. Flow restrictors may be installed when other penalties do not bring compliance.

DOWC has also filed Application 09-08-016 requesting a new connection moratorium for its River Island district, to be maintained until such time as the company is assured of adequate water year-round.

NOTICE AND PROTESTS

DOWC mailed to its customers notice of the proposed Schedule 14.1 Staged Mandatory Water Conservation and Rationing for River Island, of the proposed connection moratorium, and of the time and location for a public meeting with the CPUC. A legal advertisement was also placed in a local newspaper in advance of the meeting. The public meeting informed customers about the water shortage, the impact of the proposed mandatory conservation and rationing plan on customers, and the effect of the proposed connection moratorium. An outline was provided of DOWC's existing Rule 14.1 and its pending Schedule 14.1 filing, including information about how customers can contact the Commission with comments and the proposed process for filing for an exception to a customer's historically-based allotment.

To help customers conserve water, DOWC provided indoor and outdoor water efficiency tips and resources for more water conservation information. The utility also made available free water conservation kits and information on available hardware. A question and answer session followed DOWC's presentation.

One anonymous protest was received. It questions the existence of a summer water shortage and suggests that the rationing schedule is a company plan to profit from fining customers.

The staffs of the California Department of Public Health and of the CPUC have seen evidence of recurring summer water shortages. Because fines and penalties will be collected in a memorandum account with their disposition to be determined by the Commission, the water company will not profit from mandatory rationing.

DISCUSSION

DOWC's River Island district draws potable water from 14 functioning wells and purchases potable water from two privately owned wells. It also draw untreated irrigation water from one well. Last year it sold about 13,000,000 cubic feet of potable water and 500,000 cubic feet of untreated water.

For several years, before being purchased by Del Oro Water Company, River Island has run short of water in the summer and has asked customers to voluntarily conserve water. This has resulted in some reduction in use, but customers still had inadequate supplies in June, July and August. On August 14, 2009, DOWC held a public meeting

with its customers and declared a Water Shortage Emergency, pursuant to Water Code Sections 350 – 352.

The Water Code states:

"353: When the governing body has so determined and declared the existence of an emergency condition of water shortage within its service area, it shall thereupon adopt such regulations and restrictions on the delivery of water and the consumption within said area of water supplied for public use as will in the sound discretion of such governing body conserve the water supply for the greatest public benefit with particular regard to domestic use, sanitation, and fire protection."

Tariff Schedule 14.1-RI has been designed to conserve the water supply for the greatest public benefit. It provides a minimum level of consumption for customers below which they need not reduce their usage.

Tariff Schedule 14.1-RI provides increasing penalties for excess use of water. Customers using up to 15% over their allocation will be charged a penalty of 1-1/2 times the existing quantity rate for the excess water used. Customers using more than 15% over their allocation will be charged a penalty of twice the existing quantity rate for the excess water used. These penalties will be in addition to the existing quantity cost for water used.

Tariff Schedule 14.1-RI also provides penalties for wasteful use of water, such as: irrigation with potable water between 10:00 AM and 6:00 PM; use of water resulting in flooding or runoff in gutters or streets; washing of cars with a hose except with the use of a positive action shut-of nozzle; or using a broken or defective sprinkler, watering or irrigation system after being notified to repair it. Penalties increase with repeated violations.

Tariff Schedule 14.1-RI lists charges for installation or removal of a flow restrictor. Flow restrictors will be installed if financial penalties do not result in conservation.

PUBLIC MEETING

A notice of the proposed Rule 14.1 and public meeting was mailed to customers on September 25, 2009, and published in the Porterville Recorder on September 28, 2009. A public meeting was held on October 13, 2009 at the River Island Country Club. DOWC explained Schedule 14.1-RI, the need for mandatory rationing during water shortages, and the penalties associated with excess use or wasteful use of water. The company said required reductions would be based on 2008 consumption. DOWC said customers

using less than 1,000 cubic feet per month would not be penalized regardless of 2008 usage. DOWC explained the use of the Exception Form to request a larger allocation.

DOWC noted that the copy of Tariff Schedule 14.1-RI circulated with the Notice of Public Meeting says subdividers who have contributed wells as a condition of being connected to the system would be exempted from excess use penalties. The tariff schedule has been corrected to eliminate that statement. Those who have contributed wells as a condition of service would be exempt from a service connection moratorium, to the number of lots those wells could supply with potable water; but no customer will be exempted from mandatory conservation and rationing.

Customers were concerned with the use of 2008 as a base year on which to calculate proposed reductions; some had already reduced their usage significantly, and felt they could not cut their usage much more without hardship. They proposed a several-year average as a fairer basis for reduction. Del Oro has agreed to use 5-year consumption records to create a base period for rationing.

One customer using agricultural water objected to rationing because the water from that well was not potable. The company explained that usage of the agricultural well reduced the potable water available.

COMMENTS

On October 21, 2009, the draft resolution was mailed to the parties on the service list, including 43 persons who attended the public meeting. No comments were received on the draft resolution.

FINDINGS AND CONCLUSIONS

1. Del Oro Water Company filed Advice Letter No. 241-C for its River Island Service Area on October 7, 2009 requesting approval of Tariff Schedule 14.1-RI.
2. Tariff Schedule 14.1-RI initiates rationing between June 1 and October 31 of a particular year, or other times as necessary, only when it is activated.
3. Tariff Schedule 14.1-RI calls for activation of rationing by Tier 1 Advice Letter.
4. A request for activation or a change in a rationing stage should be based upon changes mandated from a governing agency or a reduced availability of water from the utility's own supplies.

5. Activations of rationing stages in a Schedule 14.1 are time-sensitive decisions whose review and approval can be done by staff on a ministerial basis.
6. Under Commission Rule 96-B, Tier 1 advice letter filings are effective immediately upon filing by the utility, subject to disposition (acceptance or rejection) by CPUC staff.
7. Del Oro Water Company should file new Tier 1 advice letters to activate Tariff Schedule 14.-RI, when necessary, to reflect the effect of reduced total available water supplies (both purchases and Del Oro Water Company's own pumped water), compared with customer historical usage demand adjusted to compensate for changes to individual customer allotments due to appeals.
8. All necessary documentation should be included in Del Oro's Tier 1 filings to allow staff determination as to whether the proposed reductions are consistent with the above requirement.
9. Del Oro Water Company's rationing allocation methodology for its customers should be based on 5 years of historic water usage.
10. Del Oro Water Company's penalties for a customer's use in excess of its allocation are based on a billing period allocation.
11. A memorandum account, such as the Mandatory Conservation Rationing Implementation Memorandum Account (MCRIMARI) should be used to accumulate all expenses necessary to implement Rule 14.1 and Schedule 14.1-RI that have not been considered in a General Rate Case or other proceeding, as well as water use violation fees collected and penalties paid by DOWC to wholesalers, if any.
12. The debit or credit amount in the MCRIMARI account should be disposed of as directed or authorized from time to time by the Commission.

THEREFORE IT IS ORDERED THAT:

1. Del Oro Water Company is authorized to file an advice letter to establish the tariff Schedule 14.1-RI, as modified in Appendix A.
2. Del Oro Water Company shall monitor water consumption and available water supplies for its River Island district to determine water supply shortages.

3. Tariff Schedule 14.1-RI shall be activated by Tier 1 Advice letter when a water supply shortage first occurs.
4. The advice letter activating Schedule 14.1-RI shall set percentage reductions to water allocations based on the needed reductions in consumption at that time.
5. Changes in rationing levels and water use allocations shall be activated by Tier 1 advice letters as water supplies and demands change.
6. De-activation of tariff Schedule 14.1-RI shall be done by Tier 1 advice letter when rationing is no longer needed.
7. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 20, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

APPENDIX A, Page 1

Schedule No. 14.1-RI

STAGED MANDATORY WATER CONSERVATION AND RATIONING

River Island District

A. APPLICABILITY

1. This schedule applies to all River Island District (DOWCRI) water customers, Territory 1 and Territory 2, served under tariff rates schedules authorized by the Commission. It is only effective in times of mandatory rationing, as required by Rule No. 14.1, and only for the period noted in the Special Conditions section below. The penalty charges listed in this schedule are in addition to the regular water use charges under the current Schedule RI-1 as authorized by the Commission.
2. This schedule shall remain dormant until a specific stage is activated by Commission authorization of a Tier 1 advice letter.
3. When a particular stage of this schedule is activated, the period over which it shall be effective will be from June 1st thru October 31st of a particular year unless otherwise determined.

B. TERRITORY

This schedule is applicable within the entire DOWCRI territory served by the DOWC; however, will be activated by specific territory.

C. STAGES OF MANDATORY CONSERVATION AND RATIONING

When supply from the various sources drop within the percentages outlined below, the applicable stage of rationing will be declared. All wells/sources are monitored daily for declines in production which are then compared to historical records (if available) and the decrease in production is quantified in gallons per minute as well as a percentage drop.

1. Stage 1: Mandatory rationing is declared by DOWCRI's, governing agency, or supplier, or when water supply is reduced by 5% to 25%.
2. Stage 2: Water supply is reduced by 25.01% to 50% or water restrictions at Stage 1 have not been effective in reducing water usage to prescribed level.
3. Stage 3: Water supply is reduced 50.01% or more or water restrictions at Stage 2 have not been effective in reducing water usage to prescribed level.

D. MANDATORY WATER USE RESTRICTIONS AT EACH STAGE

1. In addition to the water use restrictions listed in DOWCRI's authorized Rule 14.1- Section A (which becomes mandatory when a stage of Schedule 14.1 is activated), the following mandatory restrictions apply to water usage at each stage of mandatory rationing applied to the current rationing month versus the 2008 applicable base month.
 - a. Stage 1: Customer usage reduced to between 75% and 95% of applicable 2008 base month.
 - b. Stage 2: Customer usage reduced to between 50% and 74.9% of applicable 2008 base month.
 - c. Stage 3: Customer usage reduced to between 25% and 49.9% of applicable 2008 base month.

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Schedule No. 14.1-RI
(Continued)

STAGED MANDATORY WATER CONSERVATION AND RATIONING

River Island District

E. ENFORCEMENT OF STAGED MANDATORY CONSERVATION AND RATIONING

1. Water Use Violation Fines

- a. When a stage of Mandatory Conservation and Rationing from this schedule is activated by Commission authorization, the Water Use Restrictions of the conservation program in Section entitled **Non Essential or Unauthorized Water Use** of Rule 14.1 as well as those listed in the Special Condition section in this tariff becomes mandatory. Customers who violate the Water Usage Restrictions will receive a verbal warning for the first offense. The second offense to the water usage restrictions will be subject to a written warning with any subsequent offense(s) subject to the fines listed below. Fines vary depending on the activated stages of mandatory conservation and rationing.

First offense:	Verbal warning
Second offense (of the same restriction):	Written warning
Third offense (of the same restriction):	\$25.00
Fourth offense (of the same restriction):	\$50.00
Each additional offense:	\$25.00 more than previous fine

- b. Offenses for separate water use restrictions will each start at the warning stage.
- c. The water use violation fine is in addition to the regular rate schedule charges.

2. ALLOCATION PENALTY CHARGES

a. Usage within allocation	\$0.00
b. Usage over allocation up to 15% above allocation	1.5 x Tier 2 qty rate on RI-1 Tariff
c. Usage over allocation by more than 15%	2 x Tier 2 qty rate on RI-1 Tariff

Note: The exact percent allocation within each stage will be noted in the Tier 1 advice letter filing to activate the stage of Mandatory Water Use Restriction.

F. EXCEPTION PROCEDURES

Allocation limitation and associated penalty charges, listed above, for different stages are exempted for customers whose monthly usage is 10 ccf or less.

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Schedule No. 14.1-RI
(Continued)

STAGED MANDATORY WATER CONSERVATION AND RATIONING

River Island District

1. Appeal Procedure

- a. At such time as customers receive notice of the applicable rationing stage, any customer who seeks a variance from any of the provisions of this Water Conservation and Rationing Plan may do so by requesting an Exception Request Form from DOWCRI in writing or calling:

Del Oro Water Company
Drawer 5172
Chico, CA 95927
530-873-0327 or 1-877-335-6764.

Upon receipt, the customer must explain in detail the reason for such variation. DOWC shall respond to each such request in writing.

- b. Any customer not satisfied with DOWCRI's response may file an appeal with the staff of the Commission. The customer and DOWCRI will be notified of the disposition of such appeal by letter from the Executive Director of the commission.
- c. If the customer disagrees with such disposition, the customer shall have the right to file a formal complaint with the Commission. Except as set forth in this Section, no person shall have any right or claim in law or in equity, against DOWCRI because of, or as a result of, any matter or thing done or threatened to be done pursuant to the provisions of this water conservation and rationing plan.

G. FLOW RESTRICTOR INSTALLATION/REMOVAL CHARGES

1. The installation of a flow restrictor will only be considered when the procedures outlined in paragraph E.1 above do not bring the customer in compliance with Rule 14.1 and Schedule 14.1 policies. Removal of a flow restrictor will be considered at such time as the customer in question agrees to modify their usage in order to comply with the particular stage of mandatory conservation and rationing.

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Schedule No. 14.1-RI
(Continued)

STAGED MANDATORY WATER CONSERVATION AND RATIONING

River Island District

2. The charge for installation/removal of a flow-restricting device shall be:

<u>Connection size</u>	<u>Installation/Removal Charges Per Service Call</u>
5/8" to 1"	\$100.00
1 1/2" to 2"	\$150.00
3" and larger	Actual cost

H. SPECIAL CONDITIONS

1. A Tier 1 advice letter will have to be filed with the Commission to activate any of the Stages of Mandatory Conservation and Rationing listed in this schedule.
2. This tariff schedule shall remain in effect until modified or terminated by DOWC or the California Public Utilities Commission from the effective date set forth below and is applicable during the months of June thru October of each year unless otherwise determined.
3. The active stage of Mandatory Conservation and Rationing is to remain in effect until a Tier 1 advice letter is filed with the Commission to activate another stage of Mandatory Conservation and Rationing or when Schedule RI-1 is deactivated.
4. Water use violation fines must be separately identified on each bill.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. All monies collected by DOWCRI through water use violation fees (reference paragraphs E. and F.) shall not be accounted for as income, but shall be accumulated by DOWCRI in a separate balancing or memorandum account for disposition as directed or authorized from time to time by the Commission.
7. No customer shall use DOWCRI-supplied water for non-essential or unauthorized uses, including but not limited to:
 - a. Use of potable water for more than minimal landscaping, as defined in the landscaping regulated of the jurisdiction or as described in Article 10.8 of the California Government Code in connection with new construction;
 - b. 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 business days;
 - c. Use of water which results in flooding or runoff in gutters or streets;

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Schedule No. 14.1-RI
(Continued)

STAGED MANDATORY WATER CONSERVATION AND RATIONING

River Island District

- d. Individual private washing of cars with a hose except with the use of a positive action shut-of nozzle. Use of potable water for washing commercial aircraft, cars, buses, boats, trailers, or other commercial vehicles at any time, except at commercial or fleet vehicle or boat washing facilities operated at a fixed location where equipment using water is properly maintained to avoid wasteful use;
- e. Use of water washing buildings, structures, driveways, patios, parking lots, tennis courts, or other hard-surfaced areas, except in the cases where health and safety are at risk;
- f. No outside use of potable water to irrigate turf, laws, gardens, or ornamental landscaping by means other than drip irrigation or hand watering without quick acting positive action shut-off nozzles, on a specific schedule: 1) between 10:00 am and 6:00pm; and 2) if your address ends in an ODD number (1, 3, 5, 7, or 9) ... water on ODD numbered days of the month (1st, 3rd, 5th, etc.)... if your address ends in an EVEN number (0, 2, 4, 6, or 8) ... water on EVEN numbered days of the month (2nd, 4th, 6th, etc.);
- g. Use of potable water for watering streets with trucks, except for initial wash-down for construction purposes (if street sweeping is not feasible), or to protect the health and safety of the public;
- h. Use of potable water for construction purposes, such as consolidation of backfill, dust control, or other uses unless no other source of water or other method can be used;
- i. Use of potable water for street cleaning;
- j. Operation of commercial car washes without recycling at least 50% of the water used per cycle;
- k. Use of potable water for decorative fountain or the filling or topping off of decorative lakes, or ponds. Exceptions are made for those decorative fountains, lakes, or ponds which utilize recycled water;
- l. Use of potable water for the filling or refilling of swimming pools;
- m. Service of water by any restaurant except upon the request of a patron; and
- n. Use of potable water to flush hydrants, except where required for public health or safety.