

Water Budgets and Enforcement Measures Talking Points

In response to Governor Brown's executive order mandating a 25% reduction in urban water use statewide, the State Water Resources Control Board set water-use reduction requirements for each community in California based upon average per capita water usage. To meet these requirements, also adopted by the California Public Utilities Commission, on April 28, Cal Water filed "Schedule 14.1: Water Budgets and Enforcement Measures" with the Commission. Schedule 14.1 is expected to become effective June 1.

Following are talking points on the filing:

- As we face this historic drought, we are committed to complying with the State Water Resources Control Board and California Public Utilities Commission's mandatory water use reduction requirements. We are also committed to educating our customers on the regulations and helping them comply with the requirements.
- In order to meet these reduction requirements, we have implemented a revised Rule 14.1 with updated unauthorized uses of water and Schedule 14.1, which establishes new waste of water enforcement measures, plus water budgets and associated enforcement measures. We want to ensure our customers are educated on the updated water use restrictions and Schedule 14.1.
- Cal Water has a robust conservation program to help customers, and we want to ensure they are aware of the many current and new rebates, programs, and tools available to them. We encourage customers to take advantage of these opportunities. More information on these programs can be found at www.calwater.com/conservation.
- To help our customers learn and understand more about water use restrictions, water budgets, enforcement measures, and conservation programs, we are hosting a public drought outreach meeting in May in each service area. Information is being mailed to all customers. (The updated schedule can be found on the *Drought Resources* page, under the *Teams* tab on the intranet.)

For updated information on Cal Water's drought response, please visit the *Drought Resources* page under the *Teams* tab on the intranet.

Quality. Service. Value.



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Schedule 14.1: Water Budgets, Enforcement Measures, and our customers.

Employee Resource Guide



Highlights of Current Stage

Water Budgets Based upon State Board's Reduction Targets

(% reduction from 2013 total production,
based upon summer 2014 usage)

- Surcharges for exceeding water budget
- 2x highest tier, up to \$10
- 1x in ELA and SSF
- LIRA customers 50% of surcharge; RSF districts \$4.52
- Minimum allotment (55 gallons per capita per day multiplied by average persons per household according to census data)
- Water-banking component
- Appeal process
- Surcharges to be applied to Water Revenue Adjustment Mechanism (WRAM) balancing account

Irrigation Restrictions

- Three days per week
- No watering between 8 a.m. and 6 p.m.
- Flexibility to sync with local ordinances

Authorized Penalties for Prohibited Uses

- **First violation:** Warning
- **Second violation:** \$50 penalty
- **Third violation:** \$100 penalty
- **Fourth violation:** Flow restrictor
- **Fifth violation:** Discontinuance of service
- Authority to install real-time measurement devices
- Flexibility to waive penalties if customer participates in water-use evaluation and/or upgrades irrigation system
- Penalty fees to be applied to drought memorandum account

Use water wisely. It's essential.

Prohibited Uses of Water

- Application of water to outdoor landscapes in a manner that causes runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures;
- Use of a hose that dispenses water to wash a motor vehicle, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use;
- Application of water to driveways and sidewalks;
- Use of water in a fountain or other decorative water feature, except where the water is part of a recirculating system;
- Application of water to outdoor landscapes during and within forty-eight (48) hours after measurable rainfall;
- Serving of drinking water other than upon request in eating or drinking establishments, including but not limited to restaurants, hotels, cafes, cafeterias, bars, or other public places where food or drink are served and/or purchased. (If you are a restaurant operator and would like table tents to explain this restriction, please contact Cal Water's Conservation Department.)
- Filling or refilling of single-family, residential swimming pools or spas, except to maintain required operating levels or after structural repairs (Cal Water regulation)
- Filling or refilling ornamental lakes or ponds except to sustain existing aquatic life (Cal Water regulation)

Other Restrictions

- Outdoor irrigation limited to three days per week, with no watering between 8 a.m. and 6 p.m.; however, we have the flexibility to sync with local ordinances. We will notify customers of final restrictions and have a list available on the intranet.
- Customers must fix leaks within the customer's control within five business days of notification
- Hotel and motel operators are required to provide guests with the option of choosing not to have towels and linens laundered daily and to prominently display notice of this option in each guest room using clear and easily understood language. (If you are a hotel or motel operator and would like assistance with signage, please contact Cal Water's Conservation Department.)

Customers can get updated information at calwater.com

Water Budgets and Enforcement Measures Q&A

Q: What exactly is Schedule 14.1?

A: Schedule 14.1 is an extension of Rule 14.1, our Water Shortage Contingency Plan. Schedule 14.1 provides for waste of water enforcement measures at different stages, plus household and business water budgets and associated enforcement measures, to reduce water use in our districts.

Q: How will we enforce water waste violations?

A: With the activation of Stage 2 of Schedule 14.1, the following will be our procedures:

- **First reported violation** – Written notice of violation plus authority to install real-time water measurement device on customer's meter, at the customer's expense; if customer does not have meter, authority to install meter plus real-time measurement device
- **Second reported violation** – After verifying the water waste is occurring, second written notice plus option to assess a \$50 surcharge to the customer; surcharge could be waived upon customer completing water use evaluation or proof of having subsequently installed a high-efficiency irrigation system
- **Third reported violation** – After verifying water waste, third written notice plus option to assess a \$100 surcharge to the customer; surcharge could be waived upon customer completing water use evaluation or proof of having subsequently installed a high-efficiency irrigation system
- **Fourth reported violation** – Written notice plus authorization to install a flow-restricting device on the customer's service line
- **Subsequent violations** – Authorization to discontinue water service
- **Egregious violations** – Written notice plus authorization to install a flow-restricting device if the violation is not corrected

Q: How are monthly water budgets being set?

A: Each customer's monthly water budget is based on the units of water in Ccfs that the customer used in the same month of 2013. That amount is reduced by the same percentage the district is required to reduce by, according to the State Water Resources Control Board. The amount of water budgeted for each customer for the following month will appear on his or her monthly water bill. Customers' water use history back to 2013 will also be available online by June 1.

A district-specific minimum water budget has also been established for single-family, residential customers. This means customers' budgets would not go below that threshold, even if the percentage reduction required would have called for a customer's usage to be below that amount.

Q: How are drought surcharges calculated?

A: The surcharge in most districts will be double the per-unit charge in the district's highest quantity rate tier, up to \$10 per Ccf over the customer's budget. In districts that only need to meet an 8% reduction (East Los Angeles and South San Francisco), the surcharge is the highest quantity tier rate for each Ccf that exceeds the budget.

Q: What considerations are being given to low-income customers?

A: Customers on Low-Income Rate Assistance (LIRA) would be assessed a surcharge that is half the regular surcharge rate in his or her district. The surcharge in Rate Support Fund (RSF) districts will be \$4.52 per unit over the customer's water budget, and LIRA customers in the RSF districts will have a surcharge that is half of the \$4.52.

Q: What considerations are being given to high-use business or industrial customers who need more water?

A: We are proactively meeting with key business and industrial customers to help them reduce their water use and work together to meet water use reduction requirements. Additionally, an appeal process is being developed to work with customers on practical water use reductions. Appeals would be addressed on a case-by-case basis.

Q: How does the appeal process work?

A: If specified criteria are met, a customer can file an appeal to have his or her water budget increased. Appeals will likely be filed through an application that can be mailed or submitted online to an appeals committee. Cal Water will post specific appeal procedures on our web site by June 1. Reasons appeals may be considered include: water use necessary for health and safety, business or economic needs, and significant long-term savings already achieved.

Q: What is the timing for implementation?

A: Cal Water filed Schedule 14.1 with the CPUC on April 28. We expect to receive CPUC approval by May 28, with it becoming effective June 1.

Q: How will we assess the waste of water and drought (water budget) surcharges?

A: Surcharges will be included on the customer's water bill. Any surcharges would be input as an adjustment in RMS, our customer account management system.

Q: Where does the money from the surcharges go?

A: Penalties collected from waste of water violations will go into our drought memorandum account, where we track drought-related expenses, to offset those expenses. Surcharges collected from water budget overages will be included in our Water Revenue Adjustment Mechanism (WRAM) account to reduce WRAM balances subject to future recovery.

Q: How can we base surcharges on tiers – or even continue to have tiers – when the Court of Appeals ruled that the City of San Juan Capistrano's tiered rates were unconstitutional?

A: The appellate court did not rule that all tiered rates were unconstitutional, just that higher tiers of quantity rates had to actually be tied to increased costs to provide service. The City of San Juan Capistrano, which had significantly higher quantity rates in its higher tiers, did not demonstrate that. Additionally, the California Constitution specifically authorizes the California Public Utilities Commission to set the rates for the utilities it regulates, including Cal Water. Especially given this historic drought, we believe that tiered rates are an important conservation tool.

Q: Are customers who have been conserving prior to 2013 required to reduce their current usage by the same percentage?

A: Water savings achieved by customers in 2014 count toward their overall reduction in their water budgets; however, to be consistent with the state mandate, we are calculating reductions based on water use in 2013. While reductions prior to this are not included in the calculations for customers' water budgets, customers who have achieved significant long-term savings may utilize the appeal process if needed.

Q: Can customers bank unused units of water?

A: Yes. Customers who do not use all of the water allotted in a month's water budget can bank that unused amount to cover an overage in a future month, prior to any surcharges being assessed.

Q: Are flat-rate customers subject to water use reduction requirements (where applicable)?

A: Yes. While we do not have the ability to track flat-rate customers' usage through a meter, we will monitor their activity to ensure they are observing the water use restrictions. If a flat-rate customer is found to violate restrictions, Cal Water has the authority to install a water meter at the customer's expense.

Q: How are we educating customers about Schedule 14.1 and their water budgets?

A: Direct mailers are being sent to each customer (both residential and non-residential) in early May that details water use restrictions, water budgets, surcharges, and date, time, and location of a public meeting that will be held by May 31 in each district. Representatives from multiple functional areas (Rates, Conservation, Customer Service, Communications) will staff each meeting.

Additionally, information is being posted on our web site and delivered through social media channels. We are also working to educate our employees about Schedule 14.1, so that they not only understand the process but can also assist customers who may inquire about it.