

Water troubles trickle down

By John Upton

Examiner Staff Writer 1/22/09



The San Francisco Public Utilities Commission is currently negotiating future water rates and supply with its wholesale customers, which include 25 cities and water districts and two private utilities in San Mateo, Alameda and Santa Clara counties. Prices are expected to triple as supply becomes more scarce, demand increases and billions are spent protecting the system from earthquakes. Mike Koozmin/Special to The Examiner Water that has flowed from the Sierra Nevada to taps in San Francisco and the Peninsula is set to triple in price as supply becomes more scarce, demand increases and billions are spent protecting the system from earthquakes.

The San Francisco Public Utilities Commission is currently negotiating future water rates and supply with its wholesale customers, which include 25 cities and water districts and two private utilities in San Mateo, Alameda and Santa Clara counties.

A 25-year contract with wholesale customers — which account for about two-thirds of water use — expires in June.

Although representatives from both sides — the PUC and the Bay Area Water Supply and Conservation Agency, which is representing the wholesale customers — are tight-lipped about specifics of the negotiations, PUC General Manager Ed Harrington said the new contract will encourage water conservation through incentives and surcharges.

“What we have in the contract are incentives — some might call them penalties,” Harrington said. “Should we use more than [an average 265 million gallons a day], then we’re going to collect a surcharge, and that surcharge will go to help the river and do environmentally good things.”

A plan for Hetch Hetchy upgrades locked in a cap until 2018 on the average amount of water that can be drawn daily from The City's watersheds.

Although the cap is higher than the amount of water presently used, it's 7 percent less than the amount expected to be needed by PUC customers in 2018, given population growth and development in the Bay Area, agency figures show.

Most of the water comes from O'Shaughnessy Dam in the Hetch Hetchy Valley, which is filled mostly by melted snow — although that is becoming more sparse.

Compounding the woes of the projected water shortage, the PUC is set to increase water rates to help fund a \$4.3 billion project to protect its pipes and some of its dams from earthquakes.

A San Francisco household that currently pays \$63 a month in water bills, which includes the cost to treat water flushed back down the drains, can expect to pay \$129 by 2018, according to PUC Deputy General Manager Michael Carlin. That increase will also fund a \$3.2 billion project to improve The City's sewer system.

Wholesale users can expect to see the price of Hetch Hetchy water more than triple, Carlin said.

Art Jensen, who's leading negotiations on behalf of the Bay Area Water Supply and Conservation Agency, spoke during an October PUC hearing of the "serious concern" harbored by its 27 member agencies about the implementation of the cap, meeting minutes show.

He was joined at that meeting by officials from Burlingame, Redwood City, East Palo Alto and other cities, who said they were already working on conservation efforts and could not afford water limits.

A representative from the Santa Clara Water District expressed concerns that restrictions would have a severe impact on the economies of local communities.

Many of those 27 agencies have started warning customers of increasing water costs and also of expected restrictions on supplies, although they can't say for sure how much prices will rise.

Milpitas has warned its customers to expect two consecutive years of 9 percent increases, according to Mayor Robert Livengood.

The Coastside County Water District is struggling to meet demand for water from its customers in Half Moon Bay and elsewhere, as its water sources, including Hetch Hetchy, are being stretched to the limit, according to board member Chris Mickelsen.

"So far, we've been able to keep our rate increases in the single-digit range," he said. "In the next few years, it's going to start getting painful."

Peninsula water customers have negotiating strength

More than 100 years ago, when Congress granted The City the right to dam the Hetch Hetchy Valley as a reservoir, several Peninsula cities gave influential support to the project.

By the 1960s, those wholesale customers outside San Francisco had banded together to form the Bay Area Water Users Association.

About 10 years later, the association backed a suit in federal court against The City, claiming rate discrimination since a proposed increase by the Board of Supervisors would impose higher water rates for wholesale customers outside San Francisco.

Wholesale customers won an injunction against the rate increases.

“The U.S. Ninth Circuit Court of Appeal affirmed, holding that the ‘Bay Cities,’ as it referred to the plaintiffs, were co-grantees, along with San Francisco, in the rights granted under the Raker Act,” according to the Web site for the organization, now known as the Bay Area Water Supply and Conservation Agency.

A long-term settlement with the San Francisco Public Utilities Commission that included a 25-year contract settled the rate lawsuit in 1984.

That contract is set to expire in June.

“The communities in which two-thirds of water is used have no political representation in San Francisco, and San Francisco itself is not subject to oversight by the California Public Utilities Commission, as any investor-owned utility would be,” according to the water agency. “In terms of the many wholesale customers who are entirely dependent on the San Francisco regional system, the SFPUC is, in effect, an unregulated monopoly.”

SFPUC General Manager Ed Harrington said the settlement will continue to prevent The City from increasing wholesale rates for other Bay Area users more steeply than in-city retail rates. If San Francisco tried, wholesale customers could reinstate a legal claim of partial ownership of the Hetch Hetchy dam, according to Harrington.

“What The City used to do was just charge [wholesale customers] whatever it wanted,” Harrington said. “All the Bay Area customers got together and sued us, and we’re not allowed to do that, unless we want to go back to court.”

Conservation efforts necessary to close water-supply gap

To close the gap between water supply and the expected demand in coming years, more conservation measures — such as recycling treated sewage for irrigation and using low-flow bathroom fixtures — will be needed, according to San Francisco Public Utilities Commission officials.

“We don’t have the right to simply take as much water as we feel like if it’s going to have a negative impact on fish life and other people,” said Ed Harrington, general manager of the SFPUC. “We have a responsibility to be good stewards.”

To help manage the limited water supply, several agencies using wholesale water said they might end up selling their allocation to one another if one user is able to conserve and another is not, but is able to afford extra water.

The cap-and-trade system is supported by such water watchdogs as the nonprofit Tuolumne River Trust, according to Bay Area Program Director Peter Drekmeier.

“It might be that one community can implement conservation and recycling programs cheaper than another community,” Drekmeier said. “It’s a mechanism to encourage more innovation.”

The Old College try

Stanford University, which is allocated a maximum 3 million gallons of Public Utilities Commission water per day, has reduced its use from 2.7 million gallons in 2000 to 2.3 million in 2008, according to university documents. It has replaced more than 10,000 bathroom fixtures, created a “water-wise” demonstration garden and introduced guidelines for efficient fountains, among other measures.

Hetch Hetchy water customers

Facts and figures about the current and future demand of the SFPUC’s wholesale water:

27

Agencies that are wholesale customers of the San Francisco Public Utilities Commission

19 of 27

Wholesale customers who rely on SFPUC water for more than 90 percent of their needs

65 percent

Approximation of SFPUC water that is used by wholesale customers

40 percent

Water purchased by wholesale customers for businesses and community organizations

60 percent

Water purchased by wholesale customers for residential use

1.7 million

Residents who use water provided by wholesale customers

184 million

Gallons of water per day allowed to be used by wholesale customers in 2018

194 million

Gallons of water per day expected to be needed by wholesale customers in 2018

\$500

Current wholesale price per acre-foot of water

\$1,600

Expected wholesale price of water per acre-foot in 2018

Source: Bay Area Water Supply and Conservation Agency, San Francisco Public Utilities Commission

Water, water everywhere

Wholesale customers who buy their water from the San Francisco Public Utilities Commission:

- Alameda County Water District
- California Water Service Co.
- City of Brisbane
- City of Burlingame
- City of Daly City
- City of East Palo Alto
- City of Hayward
- City of Menlo Park
- City of Millbrae
- City of Milpitas
- City of Mountain View
- City of Palo Alto
- City of Redwood City
- City of San Bruno
- City of San Jose
- City of Santa Clara
- City of Sunnyvale
- Coastside County Water District
- Estero Municipal Improvement District
- Guadalupe Valley Municipal Improvement District
- Mid-Peninsula Water District
- North Coast County Water District
- Purissima Hills Water District
- Skyline County Water District
- Stanford University
- Town of Hillsborough
- Westborough Water District

Source: Bay Area Water Supply and Conservation Agency

jupton@sfexaminer.com