

# Higher water rates on tap as utilities cover losses from drought

By [Kurtis Alexander](#)

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Planning to save water this year to help with the drought? Don't expect to save money. Water departments across California, including dozens in the Bay Area, are now looking to raise rates — in many cases by double digits — to shore up revenues as customers use less water during dry times and water sales plummet.

Some agencies, including the East Bay Municipal Utility District, are also considering hitting their biggest water users with fines.

The latest agency to confront the problem of dwindling dollars during drought is the [San Francisco Public Utilities Commission](#), the Bay Area's largest water supplier. This week, it began notifying more than two dozen communities that buy its water that wholesale prices will increase 28 percent, effective July 1.

In most cases, that hike is expected to be passed on to retail customers.

"It's going to be a very difficult thing to explain to people," said [Syed Murtuza](#), the public works director for the city of Burlingame, which gets all its water from the Public Utilities Commission and expects to raise local rates a yet-to-be-determined amount. "You're saving water," he said, "and the next thing you're told is your water costs are going up."

## **Maintaining water network**

Murtuza understands the dry-times twist on the old law of supply and demand. But, he said, it still bothers him.

The utilities commission, which pipes water to the Bay Area from Yosemite's Hetch Hetchy Reservoir, is facing a projected \$11 million hole in its roughly \$240 million annual budget, largely because of stepped-up conservation and lagging water sales. Bay Area residents have cut their water use about 13 percent between June and February, the period tracked by the state, compared with the same months in 2013.

“Revenue is down,” said [Tyrone Jue](#), a commission spokesman. “But we still have to keep the same network of pipelines running, even if customers are not using the tap as much.”

The costs of running a water utility are largely fixed, owing to the big expense of pumping, treating and delivering water — and the relatively low price of water itself. While the commission has tried to rein in spending by streamlining operations, it still expects it will run a deficit if it doesn’t raise water prices, Jue said.

The utility, though, does not plan to lift rates for its retail customers in San Francisco, at least not immediately, citing sufficient reserves to cover that share of the revenue gap. But most of the agency’s 26 wholesale customers — which span San Mateo, Santa Clara and Alameda counties — won’t be able to buffer their residents from the added expense. “They’re all going to have to incorporate that change into their retail rates,” said [Nicole Sandkulla](#), chief executive officer of the [Bay Area Water Supply and Conservation Agency](#), which represents the wholesale customers.

#### **Expecting rate increases**

As of Monday, these buyers had not received the letters sent Friday by the utilities commission informing them of the 28 percent increase. Some, however, were already expecting a price bump and have plans to raise customer rates in the works.

The private water company serving San Mateo, San Carlos, South San Francisco and Colma estimates a 13 percent higher water rate for residents. The Alameda County Water District, which serves Union City, Newark and Fremont, expects an average 8 percent hike.

“This is just a difficult situation that water utilities find themselves in as people conserve during the drought,” Sandkulla added. “We’re going to see this across the state.”

The Metropolitan Water District of Southern California, the largest provider of water in the southern part of the state, on Tuesday will consider curtailing supplies to its 26 wholesale customers by 15 percent and levying surcharges on those who use more. The proposal, which would also take effect July 1, could translate into big price hikes in some Southern California communities.

In the Bay Area, meanwhile, the East Bay Municipal Utility District is scheduled Tuesday to move ahead with plans for a new surcharge on retail customers.

The proposed 25 percent bump on water consumption — which would add about \$12 to the average monthly bill when combined with an already scheduled rate increase — aims

to cover lost revenue during the drought as well as new wholesale water purchases. It would also take effect July 1.

The financial headaches come as state water officials threaten another expense: fines for those who use too much water.

Last week, the [State Water Resources Control Board](#) introduced a proposal calling for water agencies to reduce consumption between 10 and 35 percent, with the precise amount determined by an area's past water use. Utilities that don't meet their targets face penalties up to \$10,000 a day.

### **Capping water use**

While most communities are still figuring out how to comply with the state mandate, the East Bay Municipal Utility District is scheduled Tuesday to consider capping water use at single-family homes to hit its mandated 20 percent reduction.

The proposed cap, which would come with fines for excess use, is relatively high — 1,107 gallons of water daily per household. Only about 2 percent of homes served by the district currently use this much water, according to district officials.

“It means you're watering outdoors for a long time,” said agency spokeswoman [Abby Figueroa](#). “We think if people abide by our outdoor watering restriction, we can meet our cutback.”

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