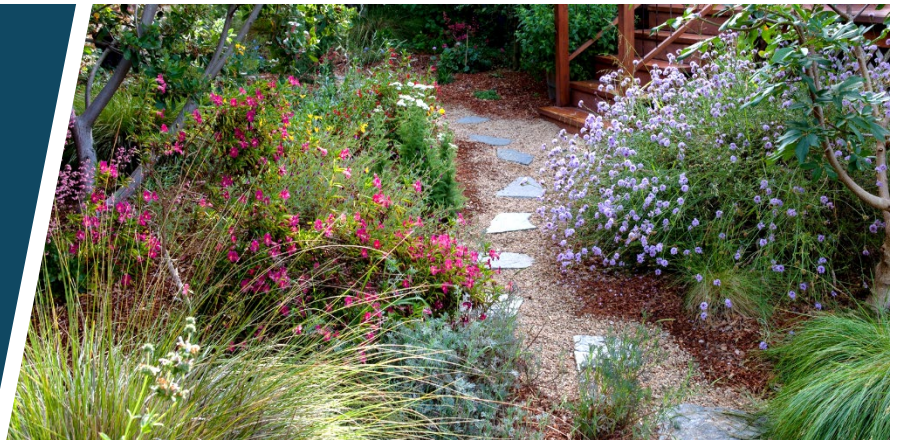


# Tier 1 and Tier 2 Drought Allocation Plans

December 2024



## Application and Adoption of the Tier 1 and Tier 2 Plans

The Tier 1 and Tier 2 Plans only apply during system-wide water shortages caused by **drought of 20% or less**.

The Tier 1 Plan is contained in the Water Supply Agreement between San Francisco and the Wholesale Customers (WSA).

**Changes to the Tier 1 Plan require an amendment to the WSA.**

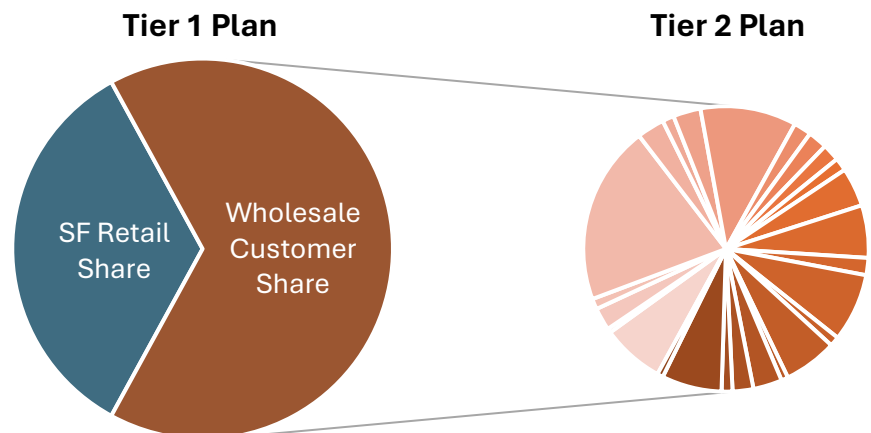
The existing Tier 2 Plan was adopted in 2011 and set to expire in 2018. Since 2018, the BAWSCA Board has annually extended the existing Tier 2 Plan while the Wholesale Customers developed a revised Tier 2 Plan.

**The Tier 2 Plan must be unanimously adopted by the 26 Wholesale Customers.** Under the WSA, San Francisco must provide allocations of water unanimously agreed to by all Wholesale Customers or adopted by the BAWSCA Board. (*WSA Section 3.11.C*) If a Tier 2 Plan is not adopted by the BAWSCA Board, San Francisco may make a final allocation decision.

## Droughts on the San Francisco Regional Water System (RWS) are governed by two plans:

The **Tier 1 Plan** allocates RWS water between San Francisco retail customers and the Wholesale Customers collectively.

The **Tier 2 Plan** is the method for allocating the Wholesale Customers' share of RWS supply among the 26 Wholesale Customers.



## Tier 1 and 2 Plan Implementation

Following declaration of a water shortage emergency by the San Francisco Public Utilities Commission (SFPUC), the SFPUC calculates the Tier 1 allocations. Then BAWSCA calculates each Wholesale Customer's individual allocation by applying the methodology in the Tier 2 Plan.

For the duration of the water shortage emergency, the SFPUC provides monthly reports to Wholesale Customers and BAWSCA, tracking actual water usage against drought allocations and detailing any transfers of shortage allocations or banked water among agencies.

The Tier 1 and Tier 2 Plans were implemented for the first time ever during the 2021-23 drought.

# Tier 1 Shortage Allocation Plan Update

The Tier 1 Shortage Allocation Plan (Tier 1 Plan) allocates RWS supplies between San Francisco retail customers and the Wholesale Customers collectively and outlines the administrative process for drought allocations, including timelines, transfers of shortage allocations, and excess use charges.

San Francisco and the Wholesale Customers agreed to amend the Tier 1 Plan to include a new Tier 1 Excess Use Charge Family Plan (described below).

## Tier 1 Excess Use Charge Family Plan

Excess use charges are only applied when the collective Wholesale Customer usage exceeds the Tier 1 allocation. If this occurs, excess use charges will be proportionally applied to agencies that exceeded their individual Tier 2 allocations.

## Updated Tier 2 Drought Response and Implementation Plan

In early 2022, BAWSCA and Wholesale Customers began negotiating a Tier 2 Drought Response Implementation Plan (Tier 2 Plan) update. Lead negotiators appointed by each agency established four policy principles (listed below). Through mid-2024, the lead negotiators assessed various methods for allocating RWS drought supplies to align with these policy principles until they agreed on a final methodology.

### Policy Principles

- #1:** Provide sufficient water for the basic health and safety needs of customers.
- #2:** Minimize economic and other adverse impacts of water shortages on customers and the BAWSCA region.
- #3:** Provide predictability of drought allocations through consistent and predetermined rules for calculation, while allowing for flexibility to respond to unforeseen circumstances.
- #4:** Recognize benefits of, and avoid disincentives for, water use efficiency and development of alternative water supply projects.

### Tier 2 Plan Term

The Tier 2 Plan term is coordinated with the term of the WSA to avoid simultaneous renegotiation of these related agreements.

### Negotiated Tier 2 Plan Allocation Formula

Allocations are determined using multiple factors:

- **Minimum and Maximum Cutbacks:** Establishes the upper and lower bounds of each Wholesale Customer's final allocation.
- **Residential Per Capita Basis:** Allocates water on a residential per capita basis, based on the portion of each agency's potable water demand met by the RWS.
- **Non-Residential Base Use:** Allocates water based on each agency's estimated non-residential indoor (base) use.
- **Seasonal Purchases:** Allocates water based on estimated seasonal use from the RWS.
- **Base Purchases/Individual Supply Guarantee (ISG) Weighted Share:** Remaining water is allocated based on a weighted share of 2/3 of RWS purchases and 1/3 of ISG.