

Waterways

A Newsletter From **Zone 7 Water Agency**



Water-Supply Reliability Remains at Risk

Despite this Year's Rain, California's Water Crisis is Far from Over

Zone 7 Water Agency, the water wholesaler for Pleasanton, Livermore, Dublin and Dougherty Valley, is getting only half of its State Water Project entitlements in 2010. This is in part because the state is still recovering from three consecutive years of drought, and in part because of continued court-ordered restrictions on State Water Project pumping through the ecologically fragile Delta.

The Delta conveys 80 percent of Zone 7's water supply. Reduced allocations hurt our ability to store surplus supplies for long-term drought recovery and protection, and force us to dip even further into existing groundwater and other storage than we normally would to meet demand. Indeed, our long-term water supply is at risk and subject to a very uncertain future.

This is why Zone 7 remains at the table with other water agencies, environmental organizations and wildlife agencies on Bay Delta Conservation Plan efforts to achieve the co-equal goals of restoring water-supply reliability and protecting the Delta's ecosystem. The Bay Delta Conservation Plan (BDCP) Steering Committee is preparing a Delta plan, expected to be available for public comment by the end of this year.



Delta in peril

Delta Fix Explored

One piece of the Bay Delta Conservation Plan may be a new "dual-conveyance" system for delivery of State Water Project water from the Sierras, combining strengthened levees with a second conveyance facility that is physically separate from the Delta itself and either sends some water around the Delta or pipes it underneath. Among other things, this could: 1) provide the operational flexibility necessary to address the needs

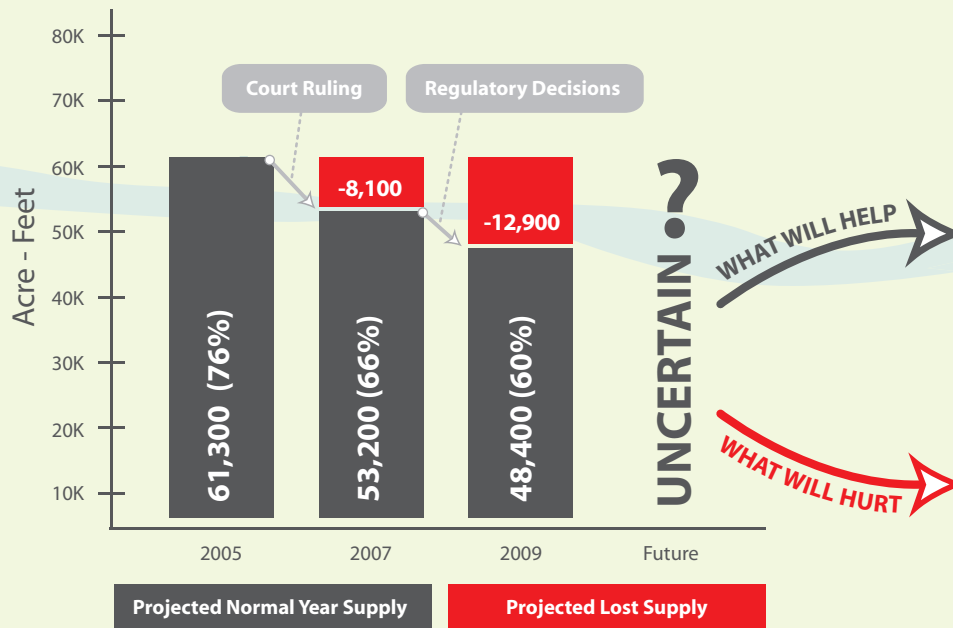
of endangered and threatened species in the Delta as well as the water-supply needs of the state, 2) protect drinking-water supplies from potential levee failure and seawater intrusion, and 3) reduce our treatment costs by providing source water free of contamination from agricultural drainages, wastewater-treatment plant discharges, urban runoff and recreational activities.

Zone 7 Weighing All Options & Costs

Zone 7 is working on additional fronts to stabilize its water-supply reliability and provide a long-term, sustainable supply for its customers. The Agency has launched a detailed analysis of the most viable options: from water recycling to enhanced conservation

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Zone 7's Long-Term Average Supply from State Water Project



- BDCP Delta Conveyance Fix
- Zone 7 Water System Master Plan identifying new water sources, including from enhanced water conservation, desalination, greater use of recycled water, etc.
- Future court/regulatory decisions easing pumping restrictions, including by addressing all Delta stressors holistically rather than just focusing on pumping

- Delta levee failure rendering water supplies undrinkable for prolonged period
- Seismic event(s) damaging levees and-or SWP facilities
- Climate change further reducing amount of water stored as Sierra snowpack in winter
- Future court/regulatory decisions maintaining/increasing pumping restrictions

A Regulatory Dilemma

- » Zone 7's contract with the state Department of Water Resources is for up to 80,619 acre-feet of water annually. Before 2007, DWR projected the State Water Project could deliver, as a long-term annual average, 76% (61,300 acre-feet) of that amount.
- » A 2007 federal court ruling on the Endangered Species Act, specifically aimed at protecting Delta smelt, and subsequent federal regulations for smelt and salmon, reduced allowable State Water Project pumping. This, coupled with a preliminary DWR analysis on the effects of climate change on water supply, slashed projected annual averages to potentially 60 percent or less – unsustainable over the long term.
- » Although the court has thrown some of these regulations into question, lawsuits are still pending and the long-term outlook is unpredictable.
- » Until we can address all Delta stressors holistically rather than just focusing on pumping (i.e. everything from upstream wastewater discharges to invasive species), the ecosystem will further deteriorate.

Effects of Drought

Despite the normal rainfall we had this year, three consecutive years of drought on top of these pumping regulations have further reduced our actual allocations from the State Water Project:

- » 2007: 60 percent
- » 2008: 35 percent
- » 2009: 40 percent
- » 2010: 50 percent

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Weighing All Options...

to participating in a regional desalination project. A new water system master plan is expected to be completed later this year.

But ultimately, we always will rely on the Delta for most of our water supply. And regardless of the long-term solution, fixing our water-supply reliability is going to cost money. Starting in 2009, Zone 7 has committed to spending \$2.4 million over three years in a cost sharing among state and federal water contractors for the Bay Delta Conservation Plan and its associated environmental studies. That does not include the cost of an actual Delta conveyance fix that might be forthcoming.

2011 Water Rate Review

Zone 7's Board of Directors will be presented on September 15 with alternatives for treated-water rates in 2011 ranging from no increase up to a 4.5 percent increase. In light of these difficult economic times, the Board's Finance Committee recommends not raising rates in 2011.

The September 15 meeting will begin at 7 p.m. at 100 North Canyons Parkway, Livermore. Rates will go to the Board for final approval on October 20.

The rate options vary based on how deeply the Agency dips into available reserves to cover operating costs. Reducing reserves in 2011 will most likely increase the amount that rates have to go up in subsequent years to meet expenses.

A 4.5 percent increase in wholesale water rates would boost the monthly rate for the typical household by \$1.67, if fully passed on to customers by retailers. Another alternative, a 2 percent increase, would boost the monthly bill by 75 cents.



Despite unprecedented financial pressures facing water agencies throughout the state, Zone 7 continues to endeavor to keep operating costs to the absolute minimum necessary to provide water services to its customers.

Cost-efficiency measures that are holding down the 2011 water rate include: 1) continuing this year's soft hiring freeze for about 10 percent of Zone 7's workforce at an annualized saving of \$1.9 million, 2) employee benefit and cost-of-living wage concessions, 3) reduced overtime costs, 4) lowered costs of outside contracts by maximizing use of in-house resources, and 5) deferring replacement and improvement projects, as well as equipment purchases. This past fiscal year, the Agency also launched a voluntary resignation program to reduce costs and came in \$300,000 under budget for training and office expenses.

In addition to continued Delta-related costs, Zone 7's rate proposal for 2011 includes further investments into enhanced water conservation programs in furtherance of a new state law requiring a 20 percent per-capita reduction in water use by 2020.

Landmark Water Legislation

The water conservation law is part of a historic and far-reaching package of bills adopted by the California Legislature in 2009. The water package aims to establish water-supply reliability and protecting or improving the Delta ecosystem as co-equal goals in California water policy. It consists of four policy bills that include setting a path for the Bay Delta Conservation Plan and potentially improved conveyance of water supplies. It also includes an \$11.1 million bond measure headed for the 2012 ballot that would fund a variety of statewide water-supply reliability, habitat enhancement and Delta sustainability reforms.

Although some of the proposed water bond money would help pay for Delta ecosystem enhancements, it would not pay for a Delta water-conveyance fix. If a new conveyance system is built, the benefiting water agencies (including Zone 7) would pay for construction and related environmental mitigation. Impacts on existing customers and on new development are yet to be determined.



Zone 7 Water Agency

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ABOUT ZONE 7

Zone 7 Water Agency provides treated drinking water to four major water retailers, along with a small number of direct customers, serving nearly 200,000 people in Pleasanton, Livermore, Dublin and the Dougherty Valley area of San Ramon.

It also supplies untreated irrigation water to some local agricultural operations and golf courses, manages the Livermore-Amador Valley's groundwater basin, and provides flood protection to all of eastern Alameda County.

Water Rates Under Review

See inside for more information on proposed treated water rates for 2011, or check out our website at www.zone7water.com.

Join us at our next Board of Directors meeting:

- **Date:** Wednesday, September 15th
- **Place:** 100 North Canyons Parkway, Livermore
- **Time:** 7:00 p.m

Who To Contact

For Questions Regarding Your Water

California Water Service Company: (925) 447-4900
City of Livermore: (925) 960-8100
City of Pleasanton: (925) 931-5520
Dublin San Ramon Services District: (925) 828-0515

For Questions Regarding Your Storm Drains

Alameda County Public Works: (510) 670-5480
City of Dublin Public Works: (925) 833-6630
City of Livermore: (925) 960-8100
City of Pleasanton Public Works: (925) 931-5500