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Delta Issues, Conservation Help Drive Up Zone 7 Water Rates
Drought-Reserve Fund Helps Minimize Proposed Rate Adjustment

Water conservation prompted by the ecological crisis in the Delta, along with water-reliability upgrades and higher prices for water imported from the state, will come at a cost to water ratepayers in the Livermore-Amador Valley.

The board of the Zone 7 Water Agency, which sells drinking water to retailers serving Livermore, Pleasanton, Dublin and Dougherty Valley, on Wednesday approved an 8 percent general increase in wholesale rates for treated water. The increase will add up to \$2.13 monthly to the wholesale component of the typical household water bill.

In addition, the board approved a special 0.4 percent Delta water charge to help offset the agency's projected financial losses caused by a court-ordered reduction in State Water Project deliveries pumped from the Delta. Because Zone 7 relies on water sales to cover its fixed operational and other costs, the reduction in water supplies will reduce revenue. The 0.4 percent Delta charge could add about 12 cents to the monthly household water bill, although overall bills would be reduced for households that achieve conservation. Over the course of the year, the board could increase, decrease or eliminate the Delta water charged based on actual water availability and conservation needs. Any change would be subject to public comment.

Impacts of Delta Ruling

The federal court ruling reduces up to 30 percent of water deliveries for at least a year while state and federal agencies complete near- and long-term plans to protect endangered Delta smelt. Zone 7 has enough stored groundwater and other emergency drought supplies to meet projected demands during 2008. However, the agency is asking the public to conserve water by at least 10 percent to reduce impacts on emergency supplies. Most of the financial loss to Zone 7 from the voluntary conservation, which could potentially exceed \$2 million, would be covered by dipping into an existing \$5 million agency reserve designed to help stabilize rates during times of drought.

“These are difficult times and we are trying to be prudent by balancing the speed at which we go through our reserve supplies, while managing the long-term financial costs and the impact on rates,” said board President Bill Stevens.

A survey indicates that the average water bill in Zone 7’s service area is among the lowest of the Bay Area water retailers compared.

General 8 percent increase:

- More than a third of the general increase is tied to efforts to maintain and improve water reliability for the Valley. In addition to enhancing drought protection by increasing offsite storage, we are working with the state and other interests to resolve a looming economic and environmental crisis in protecting the sustainability and ecology of the Bay-Delta, through which 80 percent of Zone 7’s existing water supply is conveyed.
- The second most significant portion is needed to pay the higher costs of imported water we buy from the state. Apart from the court ruling, the state has changed its pumping operations in the Delta to help protect smelt, resulting in higher energy costs for pumping during times that incur premium peak-hour utility charges. In addition, the higher state water charges cover the state’s investments in measures to stabilize future energy costs and in long-term energy sources that contribute less to global climate change.

Agricultural Rates

The Board on Wednesday also approved a 24 percent increase in rates for untreated water, which it provides primarily to agricultural users. Because untreated water costs are impacted to a larger degree by changes in the State Water Project, those rates are going up by a greater percentage than are rates for treated drinking water. Zone 7's agricultural customers are also affected by requests for conservation related to Delta pumping reductions and the associated 0.4 percent Delta charge.