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Contact: Bonita Brewer  
925-454-5015

**Delta Court Ruling Puts Pressure on Zone 7 Water Rates**  
*Drought-Reserve Fund Helps Minimize Proposed Rate Adjustment*

Use of a drought-reserve fund, along with a special 0.4-percent Delta charge on wholesale water rates for 2008, is being proposed to help the Livermore-Amador Valley's Zone 7 Water Agency weather potential financial losses caused by a court-ordered reduction in State Water Project deliveries pumped from the Delta.

The federal court ruling reduces up to 30 percent of water deliveries for a year while state and federal agencies complete a long-term plan to protect endangered Delta smelt.

Zone 7, which sells water to retailers serving Pleasanton, Livermore, Dublin and Dougherty Valley, has enough stored groundwater and other emergency drought supplies to meet projected demands during 2008. But the agency hopes to reduce demands on those reserves by continuing to ask the public to conserve water by at least 10 percent. If that is achieved, the agency would lose more than \$2 million in revenue needed to cover its fixed operational costs.

The Zone 7 board's Finance Committee recommends covering most of the potential loss by dipping into a \$5 million agency reserve fund established long ago to help stabilize rates during times of drought.

The rest would come from the proposed special 0.4 percent Delta charge. If approved, it would be added to an 8 percent wholesale rate increase already scheduled to be considered by the Zone 7 board at its October 17 meeting, bringing the total increase to 8.4 percent. The impact on residential bills would likely be smaller because wholesale

costs are only a portion of the total water bill charged by retailers – Pleasanton, Livermore, the California Water Service Company and the Dublin San Ramon Services District.

“The 8.4 percent total is still close to the 8 percent we’ve been telling the public we’d like to use, and I believe it is an appropriate use of our rate-stabilization reserve to minimize the needed increase due to this Delta crisis,” said General Manager Jill Duerig.

Duerig said Zone 7 will closely monitor the situation to determine whether the Delta surcharge needs to be adjusted up or down based on precipitation this winter and whether Delta environmental issues require continued water-supply reductions into the future.

“We will know a lot more next year and can adjust accordingly,” Duerig said. She told the Finance Committee that Zone 7 continues to explore ways to reduce operational costs.

Unrelated to the Delta cutbacks, Zone 7 also faces lower-than-expected water sales next year due to a slowdown of new development and reduced demand. The board’s Finance Committee is recommending those losses be covered by reducing, from \$6.3 million to \$5.5 million, the agency’s water-rate contribution to its Renewal and Replacement and Systemwide Improvements Fund.