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Zone 7 to Increase Wholesale Water Rates

Delta crisis, drought and planned water-quality project are key drivers

Zone 7 Water Agency will increase wholesale treated water rates by 16.2 percent in 2009, largely to help address water-reliability challenges related to the ecological crisis in the Delta and to cope with reduced water sales due both to the drought and to court-imposed Delta pumping restrictions.

The agency's Board of Directors on Wednesday night approved an increase in wholesale rates of 11.6 percent, plus a special Delta charge of 4.6 percent, for a total increase of 16.2 percent.

The potential impact on water bills is smaller because wholesale water costs are only a portion of the water bill charged by retailers – Pleasanton, Livermore, the California Water Service Company and the Dublin San Ramon Services District. The Zone 7 increase will boost the monthly bill for a typical household by \$4.79 if fully passed on to customers by retailers. The average retail rate would remain comparable to what is charged by other Bay Area water providers.

“Especially in these difficult economic times, we take any rate increase seriously and are doing everything we can to minimize it by going into reserves, cutting our costs where feasible and helping people absorb increases through water conservation,” said Board

President Sarah Palmer. “Basically, this increase reflects the increased cost of water as a resource that’s becoming increasingly strained. Zone 7 needs to stay fiscally responsible at a time when water agencies statewide face unprecedented rate pressures due to drought, environmental challenges, infrastructure challenges and increased water quality regulations.”

The Board on Wednesday also approved increasing the rate for untreated water to agricultural customers by 45 percent, from \$125 per acre foot to \$181 per acre-foot. Of the \$56 increase, \$35 comes in the form of a special Delta charge.

The extra Delta charge on both treated and untreated water will cover Zone 7’s contribution as a state water contractor to a plan that will evaluate alternatives for a long-term fix to the Delta, through which most of our water supply is conveyed. The Delta is in serious ecological decline and faces court orders for reduced pumping. The Bay Delta Conservation Plan aims to improve long-term reliability of our water supplies from the State Water Project, and to improve the quality of those supplies. The Delta charge also will cover increased investments into programs that help customers convert to more water efficient technology in order to achieve the level of reductions in water use being recommended by the governor’s Delta Vision Task Force as part of any long-term Delta fix.

Of the factors pressuring wholesale rates for treated water, the largest component is needed to offset revenue losses from water conservation which, while needed to cope with both the drought and the court-imposed Delta pumping restrictions, reduces the amount of water we can sell to cover our largely fixed costs of operation. The second biggest component is the special Delta charge, followed by the cost to operate a new facility that will help reduce the hardness of our groundwater supplies. The Mocho Groundwater Demineralization Plant is expected to come on line in Spring 2009, improving delivered water quality to the western part of our service area, slowing down the long term salt buildup in our groundwater basin and facilitating the use of recycled water for irrigation purposes. This is the first phase in the Agency’s demineralization program.

The Agency minimized the rate increase by 1) controlling costs where feasible; 2) dipping into various reserve funds, including taking \$3.4 million of a \$5 million reserve specifically designed to stabilize rates during times of drought; and 3) deferring facilities maintenance and improvement projects.

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Zone 7 Water Agency is one of the 10 active zones of the Alameda County Flood Control and Water Conservation District. The District was established by the State Legislature in October 1949 to solve problems of flooding, drainage, channel erosion and water supply and conservation in Alameda County. In 1957, by popular vote, Zone 7 became a special district governed by a seven-member board of directors. Along with flood protection, Zone 7 supplies water to all of eastern Alameda County and a population of more than 190,000. Treated water is sold wholesale to local retailers, including the cities of Livermore and Pleasanton, the Dublin San Ramon Services District, and the California Water Service Company. Zone 7 also distributes untreated water to local agriculture operations and golf courses.