Zone 7 Board to Consider 16 percent Wholesale Water Rate Increase

Ecological crisis in the Delta, drought, and planned water quality projects are major drivers in proposed rate hike

Livermore – Unprecedented water-reliability challenges related to the ecological crisis in the Delta, along with reduced water sales due both to the drought and to court-imposed Delta pumping restrictions, are the biggest factors pressuring wholesale water rates for 2009.

Zone 7’s Board of Directors on September 17 will be presented with a proposed increase in wholesale rates of 9 percent plus a special Delta charge of 7 percent, for a total increase of 16 percent. The Zone 7 Board meeting will begin at 7 p.m. at 100 North Canyons Parkway, Livermore. Final rate adoption is set for October.

If the proposed 16 percent increase is passed, it would boost the monthly bill for the typical household by $4.79, if fully passed on to customers by retailers – the cities of Pleasanton and Livermore, the California Water Service Company or the Dublin San Ramon Services District.

Other options under review by the board could increase rates by up to 29.2 percent if the agency opts not to dip into reserves or defer projects. The 16% proposal includes the Agency’s efforts to 1) control costs where feasible; 2) dip into various reserve funds, including $3.4 million of a $5 million reserve specifically designed to stabilize rates during times of drought; and 3) defer several facilities maintenance and improvement projects.

Of the proposed 16 percent increase:

- Nearly half would come in the form of a special 7 percent Delta charge to cover Zone 7’s contribution to a plan to evaluate and develop alternatives to stabilize water reliability and quality, and sensitive fish species in the Delta, through which 80 percent of the Livermore-Amador Valley’s water supply is conveyed.
• The next largest component would offset revenue losses from water conservation which, while needed to cope with both the drought and the court-imposed Delta pumping restrictions, reduces the level of water sales that cover Zone 7’s largely fixed costs of operations.

• The third biggest component is the cost to operate a new facility that will help reduce the hardness of groundwater supplies. The Mocho Groundwater Demineralization Project 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 the groundwater basin and facilitating the regional use of recycled water for irrigation purposes.

• Increased personnel costs, escalating costs of water-treatment chemicals due to higher fuel prices and the impacts on shipping those chemicals to Zone 7, higher utility rates and higher cost of water purchased from the state are also contributing to the rate increase.

For the decade up to 2007, Zone 7’s overall rate changes consistently averaged below the annual Bay Area Regional Consumer Price Index (CPI). There were no rate increases in 2004 or 2005. In 2006, there was a 5.2 percent increase. In 2007, when pressures mounted due to higher state water costs and to improve drought protection by expanding our underground water-banking program, there was a 7.5 percent increase. In 2008, there was an 8 percent general increase along with a 0.4 percent Delta water charge. If Zone 7’s proposed increase for 2009 is passed on to customers by our retailers, retail rates would remain comparable to those of other Bay Area water providers. For more information, visit Zone 7’s website at www.zone7water.com.

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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.