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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 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 freer 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.
Zone 7’s Long-Term Average Supply from State Water Project

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 the amount.

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:

- 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

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» 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—uncertain 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.

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 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, 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’s Long-Term Average Supply from State Water Project

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected Normal Year Supply</th>
<th>Projected Lost Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>61,300 (76%)</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>53,200 (66%)</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>48,400 (60%)</td>
<td></td>
</tr>
<tr>
<td>Future</td>
<td>?</td>
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</tr>
</tbody>
</table>

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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: 50 percent
- 2009: 40 percent
- 2010: 50 percent

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.

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Landmark Water Legislation

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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.

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