

**Headline: Zone 7 water agency raising wholesale rates; Agency confronts court-ordered reduction in deliveries from Delta**

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Confronted with a court-ordered reduction in water deliveries from the Delta, the Livermore-Amador Valley's Zone 7 Water Agency will raise its wholesale water rates and dip into a drought-reserve fund to make up for the financial hit.

This month, the Zone 7 board approved an 8 percent increase in wholesale water rates for treated water and a special 0.4 percent Delta surcharge, which together could add about \$2.25 to monthly household water bills.

While Zone 7 has enough stored groundwater and other emergency supplies to meet projected demand in 2008, the agency is asking the public to conserve water by at least 10 percent to reduce the hit on emergency water supplies.

But encouraging conservation will result in millions of dollars less going toward its operating costs, said Zone 7 spokeswoman Boni Brewer.

To make up for the expected revenue loss, the Zone 7 board of directors approved taking money from the agency's long-established \$5 million reserve fund -- typically used to help stabilize rates during times of drought -- as well as add the surcharge to water rates.

The agency, which delivers water to 200,000 customers in Dublin, Livermore and Pleasanton, could adjust the Delta surcharge based on water availability and conservation needs, subject to a public hearing.

Zone 7 gets 80 percent of its water from the Delta state water project, which will reduce water deliveries by at least a 30 percent for at least a year, in the name of protecting the endangered Delta smelt.

State water officials estimate that court-ordered delivery reduction could result in reducing water deliveries out of the Delta by 1 million acre-feet, enough to supply 2 million households during that time.

Coupled with the Delta cutbacks, Zone 7 is also looking at lower water sales next year because of a slowdown in new development and reduced demand. The agency's finance committee is recommending the agency contribute \$5.5 million instead of \$6.3 million from water-rate revenue toward capital improvements.

More than a third of the general rate increase is tied to Zone 7's efforts to maintain and improve water reliability for the Tri-Valley, as well as increasing off-site storage.

Also this month, the board approved a 24 percent increase in rates for untreated water, which is provided primarily to agricultural users. Untreated water costs are impacted to a larger degree by changes in the State Water Project.