

ORIGINATING SECTION: Administration
CONTACT: Osborn Solitei

AGENDA DATE: October 15, 2025

SUBJECT: Proposed Untreated Water Rate for Calendar Year 2026

SUMMARY:

- The proposed action is in support of Strategic Plan Goal H – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Initiative No. 21 – continue to effectively manage financial resources. In carrying out these fiscal responsibilities, the Agency sets rates and fees to recover cost of service. This untreated water rate review is consistent with the Board policy guidelines for untreated water rates adopted via Resolution No. 21-77 on October 20, 2021.
- The Agency sets untreated water rates annually and the rates are calculated based on projected cost of service and projected water deliveries. In addition, an annual reconciliation or “true-up” is performed each year to ensure the Agency has neither over- nor under-collected from the untreated customers.
- Each year, prior to the annual untreated rate setting process, staff provides the untreated customers with an overview of the upcoming rate setting process to ensure the customers are aware of specific Committee and Board meetings that may be of interest. As part of this correspondence, staff encourage customers to attend and participate to facilitate open communication and transparency.
- The calendar year (CY) 2026 untreated water rate calculation has been completed. Based on the policy guidelines for untreated water rates, the CY 2026 calculated untreated water rate is \$255 per acre foot (\$255/AF).
- The scheduled reconciliation charge for CY 2026 (the third year of the five-year implementation schedule) is \$42/AF. Applying this charge to the calculated rate brings the CY 2026 preliminary untreated water rate to \$297/AF.
- Staff presented the CY 2026 preliminary untreated water rate to the Finance Committee on September 10, 2025. After public comment from several untreated customers and Committee discussion, the Finance Committee recommended the CY 2026 reconciliation charge be reduced from \$42/AF to \$32/AF. Applying the amended charge to the calculated rate brings the CY 2026 proposed untreated water rate to \$287/AF. Table 1 compares the current rate to the CY 2026 proposed rate.

Table 1
Untreated Water Rate Comparison

	CY 2025 (Adopted)	CY 2026 (Proposed)
Calculated Rate	\$239	\$255
Reconciliation Charge	\$24	\$32
Untreated Rate	\$263	\$287

- The Committee’s recommendation is supported by the Reconciliation Framework outlined in the Draft CY 2026 Untreated Water Rate Report Update (Attachment A) which states “*the Agency’s Board can determine the number of years to phase-in the reconciliation charge based on the relevant policy objectives, such as minimizing customer impacts*”.
- Consistent with past practice, staff will present the CY 2026 proposed untreated water rate at the October 15, 2025, regular Board meeting. Staff will recommend the Board adopt the authorizing Resolution to approve the untreated water rates for CY 2026.

FUNDING:

N/A

RECOMMENDED ACTION:

Adopt the attached Resolution.

ATTACHMENTS:

1. Resolution
2. Attachment A – Draft CY 2026 Untreated Water Rate Update Report
3. Attachment B – Historical Untreated Water Rates

DISCUSSION:

- In October 2021, following an extensive untreated water stakeholder outreach process, the Board provided policy guidelines regarding the untreated water rate components. The approved components include:
 - › *Water Supply Costs:* Water supply costs make up approximately 80-90% of the untreated water rate and have proven to be very volatile due to declining water supply reliability, climate change, and weather whiplash. In dry years, expensive water transfers may be needed to meet current demands. In extremely wet years, the Agency incurs costs associated with storing water, which is essential to meet demands during future dry years. Given the uncertainty, the Agency uses the five-year historical average of water supply costs and water deliveries for rate setting purposes. The five-year historical average captures the highs and lows of hydrology and associated costs and helps mitigate major rate volatility from year to year. The annual reconciliation process captures any under or over collection of revenues.

- › *Water Service Costs:* The Agency is committed to providing a reliable supply of high-quality water for municipal, industrial, and agricultural customers, and spends a considerable amount of time managing the water supply portfolio. These water service costs are relatively stable year-to-year and are projected based on hours worked and hourly rate.
 - › *Overhead:* Overhead costs are the ongoing costs of running the Agency that are not directly tied to water delivery or water service. These include expenses like property management and utilities at the Agency’s headquarters, Board and administration salaries, IT, and insurance. The customers pay for a portion of the overhead costs through the water rate, ensuring the Agency can maintain operations and continue to deliver water.
- The untreated water rate calculation has resulted in a CY 2026 untreated water rate of \$255/AF and a temporary untreated water rate of \$1,023/AF. Table 2 provides a breakdown of both calculations.

Table 2
CY 2026 Untreated Water Rate Calculation¹

Untreated Water Rate Calculation	Total Untreated	Untreated Deliveries (AF)	Unit Rate (\$/AF)
Water Service Costs	\$152,276	5,243	\$29
Overhead Costs	\$81,540	5,243	\$16
Water Supply Costs	1,100,141	5,243	\$210
Total Untreated Water Rate	\$1,333,957		\$255
Untreated Water Costs	\$1,333,957	5,243	\$255
Temporary Water Supply Costs ²	\$4,025,325	5,243	\$768
Total Temporary Untreated Water Rate	\$5,359,282		\$1,023

- As part of the CY 2026 untreated rate setting process, staff completed and presented the results of the CY 2024 reconciliation at the August 27, 2025, Finance Committee meeting. Based on the results, a credit of \$367,779 was applied to the outstanding reconciliation balance. The CY 2024 credit exceeded the planned collection by approximately \$135,000, reducing the outstanding balance to negative \$740,387.
- The five-year implementation schedule to collect the outstanding untreated reconciliation balance was selected and approved by the Board via Resolution No. 23-77, dated October 18, 2023. The collection period began in CY 2024 and is planned to end in CY 2028.
- At the September 10, 2025, Finance Committee meeting, the Committee recommended lowering the CY 2026 (year three) reconciliation charge from the scheduled \$42/AF to \$32/AF. The Committee’s recommendation is supported by the

¹ Values may not add due to rounding.

² Temporary costs include the State Water Project fixed costs collected through the property tax override.

Reconciliation Framework from Attachment A, stating *"the Agency's Board can determine the number of years to phase-in the reconciliation charge based on the relevant policy objectives, such as minimizing customer impacts"*. Table 3 shows the five-year implementation schedule with the recommended revised charge in CY 2026.

Table 3
Five-Year Implementation Schedule: Committee Recommendation

	Year 1 CY 2024 Actual	Year 2 CY 2025 Actual	Year 3 CY 2026 Recommended	Year 4 CY 2027 Planned	Year 5 CY 2028 Planned
2025 Committee Recommendation	\$43	\$24 ³	\$32	\$41	\$48

- Table 4 illustrates the impact of applying the CY 2026 recommended reconciliation charge to the CY 2026 calculated untreated water rate and compares the CY 2026 proposed untreated rate to the current rate.

Table 4
CY 2026 Proposed Untreated Water Rate

CY	Calculated Rate (\$/AF)	Calculated Rate Change (%)	Reconciliation Charge (\$/AF)	Proposed Untreated Rate (\$/AF)	Proposed Rate Change (%)
2025	\$239	6.7%	\$24	\$263	9.1%
2026	\$255		\$32	\$287	

- The draft report for the CY 2026 Untreated Water Rate Update can be found in Attachment A.
- Staff recommend the Board adopt the attached Resolution approving the revised CY 2026 reconciliation charge and the proposed CY 2026 untreated water rates.
- The approved CY 2026 untreated water rates will take effect January 1, 2026.

³ As part of the CY 2025 rate setting process, the Board revised the approved five-year implementation schedule, reducing the CY 2025 reconciliation charge from \$42/AF to \$24/AF. The purpose of the reduction in the reconciliation charge was to hold the untreated water rate steady at \$263/AF for CY 2025.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO. 25-

INTRODUCED BY DIRECTOR
SECONDED BY DIRECTOR

Adoption of Calendar Year 2026 Untreated Water Rates

WHEREAS, the proposed action is in support of Strategic Plan Goal H - Fiscal Responsibility: Operate Zone 7 Water Agency (the "Agency") in a fiscally responsible manner. In carrying out these fiscal responsibilities, the Agency sets rates and fees to recover cost of service; and

WHEREAS, the Agency updated untreated water rates for calendar year 2026 consistent with the Board principles for untreated water rates approved in Board Resolution No. 21-77 dated October 20, 2021; and

WHEREAS, the Board of Directors has the flexibility to phase-in the reconciliation charge, if applicable, to minimize rate impacts to untreated water customers; and

WHEREAS, per Resolution No. 23-77, dated October 18, 2023, the outstanding reconciliation balance shall be collected per the approved five-year implementation schedule. The outstanding reconciliation balance, as of December 31, 2024, is negative \$740,387; and

WHEREAS, the Board has determined the previously approved five-year implementation schedule shall be modified and the calendar year 2026 reconciliation charge be reduced to \$32 per acre-foot to minimize impacts to untreated water customers.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District, adopt the following rate schedule for Untreated Water Service, Temporary Untreated Water Service, and Non-Scheduled Untreated Water Services:

FIRST, for Untreated Water Service, a delivery charge of \$287 per acre-foot for all metered water delivered to each customer per month; and

SECOND, for Temporary Untreated Water Service, an initial service establishment charge of \$125 per turnout for each new direct connection to the Zone system or a system supplying the Zone system; and

A monthly service charge of \$21 per turnout; and

A delivery charge of \$1,023 per acre-foot for all water delivered monthly based on total meter readings or as may be otherwise determined by the Agency; and

THIRD, for Non-Scheduled Untreated Water Service, a delivery charge of \$1,023 per acre-foot for water delivered to each customer per month; and

BE IT FURTHER RESOLVED, that said rate schedule for Untreated Water Service, Temporary Untreated Water Service, and Non-Scheduled Untreated Water Service shall be effective as of January 1, 2026, and shall end on the next effective date for such water rates adopted by the Board.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on October 15, 2025.

By: _____
President, Board of Directors



**WATER
AGENCY**

**CY 2026 UNTREATED
WATER RATE
UPDATE**

DRAFT REPORT
OCTOBER 2025

Table of Contents

EXECUTIVE SUMMARY	4
Agency Background.....	4
Untreated Water Rate Update Background	5
General Report Assumptions.....	5
Current Rates	6
Planned Water Deliveries	6
Calculated Untreated Water Rates.....	6
WATER SERVICE.....	7
Agency Staff Programs.....	7
Water Service Costs	7
AGENCY OVERHEAD.....	9
Overhead Costs and Calculation.....	9
WATER SUPPLY	12
Water Supply Portfolio.....	12
Water Supply Costs.....	13
WATER RECONCILIATION CHARGE	15
Reconciliation Framework.....	15
CY 2024 Reconciliation Calculation	17
Outstanding Reconciliation Balance	19
PROPOSED UNTREATED WATER RATES	20
CY 2026 Proposed Untreated Water Rate.....	20
Technical Appendix.....	21

List of Tables

Table 1: Current Untreated Water Rates (CY 2025).....	6
Table 2: Planned Water Deliveries (CY 2026).....	6
Table 3: Calculated Untreated Water Rates (CY 2026).....	6
Table 4: Water Service Cost Summary (CY 2026).....	8
Table 5: Agency Direct Labor and Indirect Costs (CY 2026).....	9
Table 6: Agency-wide Overhead Cost Allocations (CY 2026).....	10
Table 7: Untreated Water Overhead Percentage Calculation (CY 2026).....	10
Table 8: Untreated Water Overhead Costs (CY 2026).....	11
Table 9: Five-Year Historical Water Supply Costs.....	13
Table 10: Planned Water Supply Cost Summary (CY 2026).....	14
Table 11: Water Deliveries and Allocations (CY 2024).....	17
Table 12: Actual Untreated Water Supply and Service Costs (CY 2024).....	18
Table 13: Cash Flow Analysis (CY 2024).....	19
Table 14 Five-Year Implementation Schedule Comparison.....	19
Table 15: Proposed Untreated Water Rates (CY 2026).....	20
Table 16: Water Service Cost Detail (CY 2026).....	21
Table 17: Central Administration (Indirect Cost) Detail (CY 2026).....	23
Table 18: Water Supply Breakdown (CY 2026).....	24

List of Figures

Figure 1: Map of Untreated Water Turnouts.....	5
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Executive Summary

Agency Background

Zone 7 Water Agency (the “Agency”) was established in 1957 to provide untreated water to support agriculture and provide treated wholesale water to the Livermore-Amador Valley. In 1961, the Agency contracted for State Water Project (SWP) water deliveries through the South Bay Aqueduct (the “SBA”).

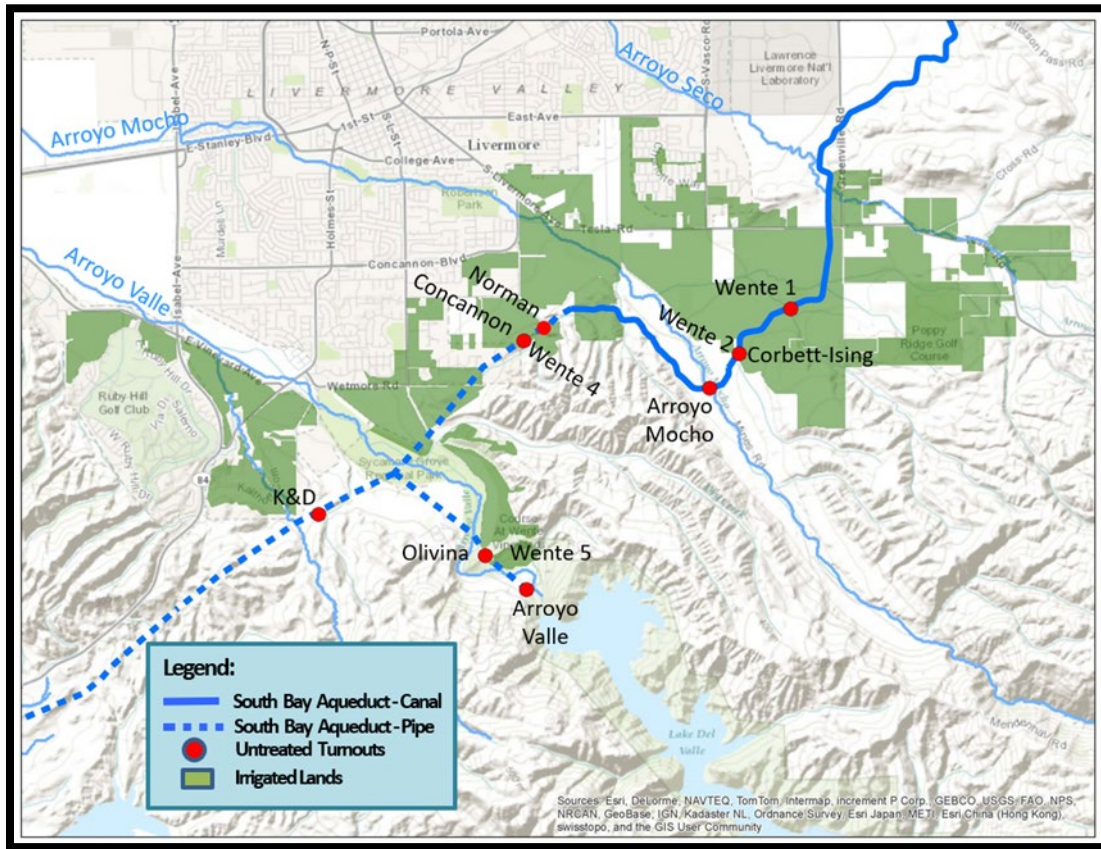
The Agency’s water resources include imported water from the SWP, local groundwater storage, local water captured in Lake Del Valle, and offsite groundwater banking in Kern County. Historically, most of the Agency’s water demand has been met by imported water from the SWP; approximately 90 percent of the current water demand is met through water originating from the SWP.

The Agency began delivering untreated water to its service area from the California Department of Water Resources (DWR) via the SBA in 1962. Over the years, deliveries increased with the agricultural development of South Livermore. The Agency provides untreated water service to 95 untreated water users that may collectively request water deliveries of up to 8,104 acre-feet (AF) per year. However, only seven of these contractors receive water from the Agency directly from an SBA turnout. These seven water users are referred to as “turnout water users.” The remaining 88 “remote water users” receive their water deliveries through the turnout water users’ respective conveyance facilities. The Agency’s current practice is to invoice the turnout water users for all water delivered through the turnouts, which includes water wheeled, or delivered through their respective facilities, to remote water users. The turnout water users, in turn, invoice the respective individual remote water users. The Agency does not invoice remote water users and is not involved in setting remote water user rates.

Prior to 2011, the Agency had contracts with separate users. In 2011, the Agency transitioned from individual contracts to the Rules and Regulations Governing Water Service. The Rules and Regulations Governing Water Service reflect the actual relationship the Agency has with its untreated water customers. This transition allowed the Agency to administer the untreated water program more effectively by clearly documenting and maintaining a maximum annual allocation for each water user and providing a process for water transfers within the service area.

Figure 1 shows the map of the untreated water turnouts and deliveries via the SBA.

Figure 1: Map of Untreated Water Turnouts



Untreated Water Rate Update Background

The Untreated Water Rate Update calculates the untreated water rates for calendar year (CY) 2026 based on the Board principles for untreated water rates adopted via Resolution No. 21-77, dated October 20, 2021.

The major objectives of the update include:

- » Ensure financial sufficiency for the untreated water enterprise to meet water supply and program costs
- » Develop untreated and temporary untreated water rates consistent with approved Board principles
- » Maintain fairness and equitability of rates while minimizing customer impacts

General Report Assumptions

The Untreated Water Rate Update acknowledges the volatility of water supply costs from year to year and the challenge of accurately predicting future water supply by smoothing projected water supply costs using a five-year historical average. This method helps avoid

major rate shock to untreated water customers when extreme weather patterns are anticipated. The following assumptions are based on five-year historical averages:

- » Planned Water Deliveries
- » Planned Water Supply Costs

Current Rates

The Agency’s current untreated water rates include two components: an untreated water rate for normal water service and a temporary untreated water rate for customers that require temporary service and are unable to obtain water from other areas in the valley.

Table 1 shows the current untreated water rates (CY 2025), which the Agency adopted on October 16, 2024, via Resolution No. 24-83.

Table 1: Current Untreated Water Rates (CY 2025)

Current Untreated Water Rates (\$/AF) CY 2025	
Untreated Water Rate	\$263 ¹
Temporary Untreated Water Rate	\$954

Planned Water Deliveries

Table 2 shows the planned water deliveries for untreated and treated water customers in CY 2026, and the percent of total deliveries for each service. As mentioned above, planned untreated and treated water deliveries are based on the five-year historical average.

Table 2: Planned Water Deliveries (CY 2026)²

Planned Water Deliveries	Total AF	% of Total
Untreated Water	5,243	12.89%
Treated Water	35,442	87.11%
Total	40,685	100.0%

Calculated Untreated Water Rates

Table 3 shows the calculated untreated water rate and the temporary untreated water rate for CY 2026. The calculated rate excludes any reconciliation charge or credit.

Table 3: Calculated Untreated Water Rates (CY 2026)

Calculated Untreated Water Rates (\$/AF) CY 2026	
Untreated Water Rate	\$255
Temporary Untreated Water Rate	\$1,023

¹ Current rate includes a \$24/AF reconciliation charge.

² Values may not add due to rounding.

Water Service

This section outlines the Agency's water service costs and the associated costs and descriptions of the various staff programs that make up the water service costs.

Agency Staff Programs

The Agency is committed to providing a reliable supply of high-quality water for municipal, industrial, and agricultural customers and spends a considerable amount of time managing the water supply portfolio. These water service costs are calculated based on projected hours worked by Agency staff and hourly rate.

The following section describes the various staff programs and their roles in the untreated water system. The following Agency staff programs, with the exception of the Untreated Water Program, serve both treated and untreated water customers. Agency staff programs that do not serve the untreated water customers (i.e. Water Treatment, Groundwater Administration, Local Water Rights, and Flood Protection) have been excluded.

State Water Project Program

Administration of the State Water Project water supply.

Untreated Water Program

Execution, management, and administration of the Untreated Water Program.

Water Supply and Storage Planning

Operational planning of the water utility and the water supply, day-to-day water supply management activities, administration and support related to water storage, water supply and conveyance, and other water supplies.

Cawelo Banked Water Program

Administration, operation, and maintenance of the Cawelo water supply, including recovery and storage.

Semitropic Banked Water Program

Administration, operation, and maintenance of the Semitropic water supply, including recovery and storage.

Water Service Costs

Agency staff provide estimated water service costs for each of the programs, which include hourly rate and projected hours worked for CY 2026. The detailed water service costs by program are included in the **Technical Appendix**.

Table 4 shows the water service cost summary and allocation for all Agency staff programs serving the untreated water customers. Untreated Water Program costs are only distributed to untreated customers, while the remaining staff programs benefit both treated and untreated customers. The percent of water service costs allocated to untreated water customers (except for Untreated Water Program costs) is based on the proportion of planned water deliveries for CY 2026 from **Table 2**.

Table 4: Water Service Cost Summary (CY 2026)³

Water Service Costs Summary	Total Agency	% To Untreated	Total Untreated
State Water Project Program	\$138,957	12.89%	\$17,907
Untreated Water Program	\$34,727	100.0%	\$34,727
Water Supply and Storage Planning	\$746,614	12.89%	\$96,215
Semitropic Banked Water Program	\$14,360	12.89%	\$1,850
Cawelo Banked Water Program	\$12,235	12.89%	\$1,577
Total Water Service Costs	\$946,893	16.08%	\$152,276

³ Values may not add due to rounding.

Agency Overhead

This section outlines the Agency’s overhead costs and calculation. The resulting overhead percentage, determined in **Table 7**, is applied to the water service costs derived in the previous section.

Overhead Costs and Calculation

Overhead costs are the ongoing costs of running the Agency that are not directly tied to water production or water service. These include expenses like property management and utilities at the Agency’s headquarters, Board and administration salaries, information technology, and insurance. The Agency needs to cover these costs to stay operational, therefore the customer pays for a portion of the overhead through the rate, ensuring the Agency can maintain operations and continue to deliver water.

For this report, these costs are referred to as Central Administration costs, or indirect costs and are shared across all Agency departments. Detailed central administration costs are included in the **Technical Appendix** at the end of this report.

The overhead calculation uses both direct labor costs and indirect costs for all Agency programs. Direct labor costs are Agency staff hours charged directly to the following programs: Water Utility Support Services, Supply Source and Conveyance, Water Storage, Water Treatment, Water Transmission, and Flood Protection. Indirect costs are charged to the Central Administration program. **Table 5** shows the total direct labor and indirect costs for each program.

Table 5: Agency Direct Labor and Indirect Costs (CY 2026)⁴

Programs	Direct Labor	Indirect Costs
Water Utility Support Services	\$3,479,888	\$0
Supply Source & Conveyance	\$326,576	\$0
Water Storage	\$1,857,641	\$0
Water Treatment	\$8,090,930	\$0
Water Transmission	\$1,368,913	\$0
Central Administration	\$0	\$9,113,443
Flood Protection	\$1,895,289	\$0
Total - Programs	\$17,019,237	\$9,113,443

Table 6 takes the total direct labor and indirect costs from **Table 5** and adds the allocation of indirect costs to each program based on the proportion of direct labor costs. For example, the following equation is used to calculate the allocated Central Administration indirect costs for the Water Utility Support Services program:

⁴ Values may not add due to rounding.

$\$9,113,443$ total Central Administration costs x ($\$3,479,888$ Water Utility Support Services direct labor costs / $\$17,019,237$ total direct labor costs) = $\$1,863,407$

Table 6: Agency-wide Overhead Cost Allocations (CY 2026)⁵

Programs	Direct Costs	Indirect Costs (Central Admin)	Central Admin Allocation
Water Utility Support Services	\$3,479,888	\$0	\$1,863,407
Supply Source & Conveyance	\$326,576	\$0	\$174,875
Water Storage	\$1,857,641	\$0	\$994,728
Water Treatment	\$8,090,930	\$0	\$4,332,523
Water Transmission	\$1,368,913	\$0	\$733,024
Central Administration	\$0	\$9,113,443	\$0
Flood Protection	\$1,895,289	\$0	\$1,014,886
Total - Programs	\$17,019,237	\$9,113,443	\$9,113,443

The relevant programs, applicable to the untreated water system, include Water Utility Support Services, Supply Source and Conveyance, and Water Storage (highlighted in light blue). **All other program costs do not directly apply to the untreated water system and are not included in the calculation.**

Table 7 shows the calculation of the untreated water overhead percentage. The Agency-wide overhead allocation is represented by the indirect costs associated with each dollar of direct labor costs. To calculate the untreated water overhead percentage, the central administration costs for the Water Utility Support Services, Supply Source and Conveyance, and Water Storage Programs are divided by the total direct labor costs for the same three programs. The resulting percentage of 53.5 percent represents approximately 54 cents of indirect costs for each dollar of applicable direct labor costs allocated to untreated water.

Table 7: Untreated Water Overhead Percentage Calculation (CY 2026)⁵

Untreated Water Programs	Direct Labor	Central Admin
Water Utility Support Services	\$3,479,888	\$1,863,407
Supply Source & Conveyance	\$326,576	\$174,875
Water Storage	\$1,857,641	\$994,728
Total - Untreated Water Programs	\$5,664,105	\$3,033,010
Overhead Percentage		53.5%

Table 8 shows the untreated water program’s portion of overhead, which is calculated by multiplying the overhead percentage determined in **Table 7** by the planned untreated water service costs for CY 2026 in **Table 4**.

⁵ Values may not add due to rounding.

Table 8: Untreated Water Overhead Costs (CY 2026)⁶

Overhead Costs	Total Untreated
Untreated Water Service Costs	\$152,276
Overhead Percentage	53.5%
Untreated Water Overhead Costs	\$81,540

⁶ Values may not add due to rounding.

Water Supply

This section of the report outlines the Agency's water supply sources and planned water supply costs for CY 2026. Water supply costs make up approximately 80-90% of the untreated water rate and historically have been very volatile and challenging to predict.

Water Supply Portfolio

The Agency's water sources are used to meet treated and untreated water demand. Treated water demand comes from municipal (retailers) and industrial (direct) customers and untreated water demand comes from agricultural customers. When available, excess surface water supplies are placed into storage locally or remotely for future use. Total water supply costs are included in the rate calculation for both treated and untreated water deliveries.

State Water Project

» **Table A**

Table A is the Agency's portion of the State Water Project annual allocation and represents the largest portion of Zone 7's "new" water supply each year. The Agency's maximum allocation is 80,619 AF annually. Each year, the Agency receives a "Table A allocation" representing a percentage of 80,619 AF.

» **Excess Supplies**

This is officially referred to as "Article 21" water and is surplus water that is made available, in addition to Table A water, when the San Luis Reservoir is full. It is water that would otherwise flow to the Bay.

» **Carryover**

This is officially referred to as "Article 56" water and is available when the Agency's Table A water rolls over as carryover for use in future years. In most years, this water remains in the San Luis Reservoir, but in wet years, such as 2023, the San Luis Reservoir can be at risk of spilling, which causes stored carryover to be lost. Each year, the Agency typically reserves 10,000 to 15,000 AF as a carryover to mitigate against fluctuating Table A allocations.

» **Delta Conveyance Project**

This project offers alternative conveyance to the existing State Water Project system based on a new, single-tunnel option to bypass the South Delta when it is unusable. The project has been developed by DWR to address challenges related to climate change/sea level rise, earthquakes, environmental impacts, and water quality degradation rendering the State Water Project conveyance system and Delta unreliable. The Board has directed staff to continue participation in the project through 2027 (Resolution No. 24-86).

Water Transfers/Exchanges

This supply is comprised of imported water purchased by the Agency through both long-term and short-term (annual) agreements with another entity (e.g., water agency, farm).

» **Yuba Accord**

Water from this source is available mainly in dry years through an agreement with the DWR and Yuba County Water Agency. The Agency receives approximately 1 percent of available water.

» **Dry Year Transfer Program**

During dry years, the State Water Contractors negotiate water purchases north of the Delta, making additional water available to interested State Water Project contractors.

Other Transfers

Water from this source is obtained through negotiations with other SWP contractors, typically in dry years when the Table A allocation is low.

Banked Water Programs

» **Cawelo and Semitropic Banked Water**

The Agency has agreements with Semitropic Water Storage District and Cawelo Water District in Kern County for 78,000 AF and 120,000 AF of storage capacity, respectively. The Agency recovers water from these banks as needed during dry years (such as 2021 and 2022) and stores water in wet years (2023 and 2024). Recovered water is delivered via exchange through the SBA as surface water is conveyed through the Delta.

Water Supply Costs

Water supply costs are challenging to predict due to climate change and declining water supply reliability. In addition, the anticipated water supply costs and the SWP’s final allocation for CY 2026 is not available until mid-2026. Because of these challenges, the CY 2026 planned water supply costs are based on the five-year historical average of allocable water supply costs. This method generates planned water supply costs of \$8,536,949 for CY 2026.

Table 9 shows five years of historical water supply costs. The water supply breakdown can be found in the **Technical Appendix**.

Table 9: Five-Year Historical Water Supply Costs⁷

	Total Water Supply Costs
FY 2020-21	\$5,672,701
FY 2021-22	\$15,912,409
FY 2022-23	\$9,107,429
FY 2023-24	\$7,467,271
FY 2024-25 (Unaudited)	\$4,524,934
5-Year Average	\$8,536,949

⁷ Values may not add due to rounding.

Table 10 shows the water supply cost summary and the allocation to the untreated water program. The percentage of costs allocated to untreated water customers is based on the proportion of planned water deliveries in CY 2026 from **Table 2**.

Table 10: Planned Water Supply Cost Summary (CY 2026)⁸

Planned Water Supply Cost Summary	Total Agency-wide	% To Untreated	Total Untreated
Water Supply Costs	\$8,536,949	12.89%	\$1,100,141
Temporary Water Supply Costs	\$31,236,000	12.89%	\$4,025,325

⁸ Values may not add due to rounding.

Water Reconciliation Charge

This section of the report outlines the framework and calculations for the water reconciliation charge.

Reconciliation Framework

As part of the 2021 Untreated Water Rate Study, Raftelis Financial Consultants, Inc. collaborated with Agency staff to develop the following framework for calculating the annual water reconciliation charge, which is detailed in this subsection of the report. The proposed water reconciliation charge framework meets the Agency's objectives for the following reasons:

- » Truing up water supply and water service costs from prior years will ensure that the Agency is collecting sufficient revenues to meet its costs.
- » The water reconciliation charge, which can be an additional charge or a credit, ensures the Agency is not over- or under-collecting revenues from its untreated water customers.
- » The water reconciliation charge also establishes equity between treated and untreated water customers by ensuring that untreated water customers are paying for their fair share of costs.

Step 1: Determine the implementation schedule for the water reconciliation charge.

Actual calendar year cost information is available to the Agency six months after the year ends. Therefore, the water reconciliation charge trues up costs at least two years prior to the year that it is implemented. For example, actual costs for CY 2024 are available in mid-2025; the water reconciliation charge, which is calculated to true up CY 2024 costs, is then implemented in the CY 2026 untreated water rate. The Agency's Board can determine the number of years to phase-in the reconciliation charge based on relevant policy objectives, such as minimizing customer impacts. Generally, the water reconciliation charge is applied to the next year's rate. However, if the true-up of costs in a particular year is significantly higher than planned, the Board can opt to phase-in the water reconciliation charge over a reasonable number of years to minimize impacts to customers.

Step 2: Allocate actual costs for the entire Agency between treated and untreated water based on planned or actual deliveries.

Agency costs include water supply costs, water service costs, and overhead for both treated and untreated water customers. Once actual costs are available for the reconciliation year, the proposed framework allocates each cost category based on the following:

- » Water supply costs are allocated between treated and untreated customers based on each user group's proportion of actual deliveries. Since most water supply costs are variable (meaning that the more water delivered, the higher the costs), it is most equitable to allocate these costs between the two customer types based on the amount of actual water delivered to each.

- » Untreated water program costs are allocated entirely to untreated water customers.
- » The remaining water service costs are allocated between treated and untreated customers based on each user group's proportion of planned deliveries. Since water service costs are fixed (meaning that these costs are incurred regardless of how much water is delivered), it is most equitable to allocate these costs based on the planned deliveries that were used to calculate that year's rate.
- » Overhead costs are determined by multiplying the planned overhead percentage for that year's rate by the actual water service costs allocated to untreated water customers.
- » It is important to note that all cost components included in the original untreated water rate should be included in the reconciliation.

Step 3: Calculate the reconciliation amount using a cash flow analysis.

Historically, untreated water usage has been relatively steady year-to-year. However, in years where actual untreated water usage exceeds planned untreated water usage (which is used to determine the rate), increased revenue is received from the untreated water program. The cash flow analysis not only incorporates the actual costs incurred by the Agency but also isolates the untreated water customers' economies of scale generated from increased water usage. The cash flow analysis to determine the amount that is reconciled includes three components:

- » Actual untreated water rate revenues for the reconciliation year
- » Actual water transfer sale net revenues allocable to the untreated water program for the reconciliation year
- » Actual untreated water program costs for the reconciliation year.

Actual untreated water rate revenues and water transfer sale net revenues allocable to the untreated water program are compiled for the reconciliation year and actual untreated water program costs were determined in Step 2. The cash flow analysis is equal to the actual untreated water rate revenue sources less actual untreated water costs.

If a reconciliation balance is outstanding, the credit/charge resulting from the cash flow analysis will be applied to the outstanding reconciliation balance.

Step 4: Determine the water reconciliation charge.

To determine the reconciliation charge, the reconciliation amount, calculated in Step 3, is divided by the planned deliveries for the implementation year. The reconciliation charge is then divided by the number of phase-in years determined in Step 1. The resulting number is the reconciliation charge to apply to each future year.

Step 5: Repeat the same process for future years.

This framework can be used to determine the water reconciliation charge for any future year. The Agency's Board can elect to phase-in the water reconciliation charge as determined in Step 1. However, the reconciliation implementation schedule determined in

Step 1, must be incorporated each year to ensure Agency staff can fully understand the financial impacts of the implemented rates, especially rates that are lower than what is necessary to fully reconcile all costs and revenues for the untreated water system.

CY 2024 Reconciliation Calculation

This subsection will detail the calculation for the CY 2024 water reconciliation amount following the steps outlined in the framework.

Step 1: Determine the implementation schedule for the water reconciliation charge.

As a result of the CY 2022 reconciliation calculation, the Board approved a five-year implementation schedule of the outstanding reconciliation balance (Resolution No. 23-77, dated October 18, 2023). The second year of the phase-in was applied to the CY 2025 untreated water rate.

Step 2: Allocate actual costs for the entire Agency between treated and untreated water based on planned or actual deliveries.

Table 11 shows the planned and actual water deliveries between untreated and treated water in CY 2024. The planned deliveries for CY 2024 are the same as those used to calculate the CY 2024 untreated water rate. The resulting percentage allocations are then used to divide actual water supply and water service costs to untreated water customers.

Table 11: Water Deliveries and Allocations (CY 2024)⁹

Water Deliveries	Untreated Water	Treated Water	Total
Planned Deliveries (AF)	5,412	34,721	40,133
Percent Allocation	13.49%	86.51%	100%
Actual Deliveries (AF)	4,336	35,618	39,954
Percent Allocation	10.85%	89.15%	100%

Table 12 shows the CY 2024 actual costs allocated to untreated water. Water supply costs are allocated based on the percent of actual deliveries, untreated water program costs are allocated entirely to untreated water and the remaining water service costs are allocated based on the percent of planned deliveries from Table 11. Untreated overhead costs are allocated based on the planned overhead allocation.

⁹ Values may not add due to rounding.

Table 12: Actual Untreated Water Supply and Service Costs (CY 2024)¹⁰

Actual Costs (CY 2024)	Agency Total	Allocation Method	% to Untreated	Total Untreated
Water Supply Costs¹¹				
Delta Conveyance Project	\$2,375,000	Actual Deliveries	10.85%	\$257,746
SWP Transportation ¹²	\$2,363,611	Actual Deliveries	10.85%	\$256,510
Yuba Accord	\$0	Actual Deliveries	10.85%	\$0
Dry Year Transfer Program	\$0	Actual Deliveries	10.85%	\$0
Other Water Transfers	\$0	Actual Deliveries	10.85%	\$0
Semitropic Banked Water	\$245,140	Actual Deliveries	10.85%	\$26,604
Semitropic Banked Water O&M	\$559,000	Actual Deliveries	10.85%	\$60,665
Cawelo Banked Water	\$898,774	Actual Deliveries	10.85%	\$97,539
Total Water Supply Costs	\$6,441,525			\$699,064
Water Service Costs				
State Water Project Administration	\$99,542	Planned Deliveries	13.49%	\$13,423
Untreated Water Administration	\$41,767	Untreated Water	100%	\$41,767
Water Supply and Storage Planning	\$398,450	Planned Deliveries	13.49%	\$53,732
Water Banking Programs	\$35,792	Planned Deliveries	13.49%	\$4,827
Total Water Service Costs	\$575,551			\$113,749
Overhead				
Total Overhead Costs	N/A	Planned	47.83%	\$54,410
Total Costs	\$7,017,076			\$867,223

Step 3: Calculate the reconciliation amount using a cash flow analysis.

The cash flow analysis determines whether the untreated water program revenue, collected in CY 2024, was sufficient to cover the actual untreated water program costs. Where revenues exceed costs, a credit is applied to the reconciliation balance. Where costs exceed revenue, a charge is applied.

¹⁰ Values may not add due to rounding.

¹¹ CY 2024 water supply costs reflect a State Water Project Allocation of 40%.

¹² SWP Transportation costs exclude cost incurred to convey 8,392 AF of water for groundwater basin recharge.

Table 13 shows the cash flow analysis used to determine whether CY 2024 resulted in a credit or charge against the untreated water program reconciliation balance.

Table 13: Cash Flow Analysis (CY 2024)

	CY 2024
Actual Untreated Water Rate Revenue	\$1,140,368
Actual Water Transfer Sale Net Revenues Allocable to Untreated Water Program	\$94,634
<i>Total Untreated Water Program Revenue</i>	<i>\$1,235,002</i>
<i>Less: Actual Untreated Water Costs</i>	<i>\$867,223</i>
CY 2024 Credit	\$367,779

The planned reconciliation collection for CY 2024 was approximately \$233K (\$43/AF multiplied by 5,412 AF of planned untreated water sales). The water cost savings and additional net revenue from the water transfer sale in CY 2024 enabled the Agency to collect the planned amount plus an additional \$135K.

Step 4: Determine the water reconciliation charge.

The CY 2024 reconciliation resulted in a credit which has been applied to the outstanding reconciliation balance. Per Resolution No. 23-77, dated October 18, 2023. In CY 2024, the Board revised year two (CY 2025) of the five-year implementation schedule, reducing the reconciliation charge from \$42/AF to \$24/AF.

The Finance Committee’s recommendation is to modify the CY 2026 reconciliation charge to \$32/AF. **Table 14** shows the newly proposed reconciliation schedule for the remaining three years.

Table 14: Five-Year Implementation Schedule: Committee Recommendation

	Year 1 CY 2024 Actual	Year 2 CY 2025 Actual	Year 3 CY 2026 Recommended	Year 4 CY 2027 Planned	Year 5 CY 2028 Planned
2025 Committee Recommendation	\$43	\$24	\$32	\$41	\$48

Outstanding Reconciliation Balance

The outstanding reconciliation amount as of December 2024 is (\$740,387).

Proposed Untreated Water Rates

This section of the report combines the planned water service costs, overhead costs, water supply costs, and the scheduled reconciliation charge to calculate the proposed untreated water rates in **Table 15**.

CY 2026 Proposed Untreated Water Rates

Table 15 shows the proposed untreated water rate calculation for CY 2026. The proposed untreated water rate includes the untreated water system’s portion of water service costs (from **Table 4**), overhead costs (from **Table 8**), and water supply costs (from **Table 10**). The temporary untreated water rate includes all untreated water costs and the temporary water supply costs (from **Table 10**). The reconciliation charge is not applied to the temporary untreated water rate. The untreated costs are divided by the planned untreated water deliveries for CY 2026 (from **Table 2**) to derive the rate per AF of water.

Table 15: Proposed Untreated Water Rates Calculation (CY 2026)¹³

Untreated Water Rate Calculation	Total Untreated	Planned Untreated Deliveries (AF)	Unit Rate (\$/AF)
Water Service Costs	\$152,276	5,243	\$29
Overhead Costs	\$81,540	5,243	\$16
Water Supply Costs	\$1,100,141	5,243	\$210
<i>Calculated Untreated Water Rate</i>			\$255
CY 2026 Reconciliation Charge			\$32
Proposed Untreated Water Rate	\$1,333,957		\$287
Untreated Water Costs	\$1,333,957	5,243	\$255
Temporary Water Supply Costs ¹⁴	\$4,025,325	5,243	\$768
Proposed Temporary Untreated Water Rate	\$5,359,282		\$1,023

¹³ Values may not add due to rounding.

¹⁴ Temporary costs include the State Water Project fixed costs collected through the property tax override.

Technical Appendix

Table 16: Water Service Cost Detail (CY 2026)¹⁵

Water Service Costs	Hourly Rate (\$/hr) ¹⁶	Hours Worked	Total Cost
Untreated Water Administration			
Financial Analyst	\$161.46	87	\$14,047
Senior Planner	\$164.54	4	\$658
Associate Engineer	\$179.49	106	\$19,026
Integrated Planning Manager	\$197.20	3	\$592
Senior Planner	\$155.63	1	\$156
Associate Planner	\$124.08	2	\$248
Total- Untreated Water Administration			\$34,727
Water Utility Planning Administration			
Water Resources Manager	\$215.49	234	\$50,425
Water Resources Tech II	\$132.47	145	\$19,208
Integrated Planning Manager	\$197.20	593	\$116,940
Engineering Manager	\$230.86	14	\$3,232
Associate Engineer	\$179.49	327	\$58,693
Senior Planner	\$164.54	133	\$21,884
Associate Engineer	\$164.83	987	\$162,687
Senior Planner	\$155.63	4	\$623
Principal Engineer	\$213.63	17	\$3,632
Associate Planner	\$124.08	728	\$90,330
Associate Engineer	\$147.97	26	\$3,847
Assistant Engineer	\$134.38	367	\$49,317
Total - Water Utility Planning Administration			\$580,818
State Water Project Administration			
Associate Engineer	\$179.49	245	\$43,975
Associate Planner	\$124.08	473	\$58,690
Integrated Planning Manager	\$197.20	10	\$1,972
Water Resources Manager	\$215.49	135	\$29,091
Associate Engineer	\$164.83	27	\$4,450
Senior Planner	\$155.63	5	\$778
Total - State Water Project Administration			\$138,957
Water Storage Administration			
Integrated Planning Manager	\$197.20	6	\$1,183
Associate Engineer	\$179.49	33	\$5,923
Total - Water Storage Administration			\$7,106

¹⁵ Values may not add due to rounding.

¹⁶ Includes salaries, wages, and benefits.

Other Water Supplies			
Water Resources Manager	\$215.49	99	\$21,334
Integrated Planning Manager	\$197.20	44	\$8,677
Associate Engineer	\$179.49	106	\$19,026
Senior Planner	\$155.63	1	\$156
Associate Planner	\$124.08	136	\$16,875
Total - Other Water Supplies			\$66,067
Supply Source & Conveyance Administration			
Water Resources Manager	\$215.49	345	\$74,344
Associate Engineer	\$179.49	61	\$10,949
Integrated Planning Manager	\$197.20	36	\$7,099
Engineering Manager	\$230.86	1	\$231
Total - Supply Source & Conveyance Administration			\$92,623
Semitropic			
Associate Engineer	\$179.49	33	\$5,923
Associate Planner	\$124.08	68	\$8,437
Total - Semitropic			\$14,360
Cawelo			
Associate Engineer	\$179.49	26	\$4,666
Associate Planner	\$124.08	61	\$7,569
Total - Cawelo			\$12,235

Table 17: Central Administration (Indirect Cost) Detail (CY 2026)¹⁷

Account Description - Central Administration	Total Indirect Costs	Flood Protection Operations	Water Operations	
			Treated Water Customers	Untreated Water Customers ¹⁸
Salaries and Wages (Board of Directors, Office of General Manager, Finance, Human Resources and Administration)	\$3,760,455	\$418,770	\$3,308,039	\$33,646
Professional and Technical Services (Website, Communication, North Canyons Property Management, etc.)	\$1,338,010	\$149,003	\$1,177,035	\$11,972
County Services (Payroll and Vendor checks etc.)	\$2,192,774	\$244,191	\$1,928,964	\$19,619
Insurance Services (Property, General Liability, Cyber, etc.)	\$755,250	\$84,106	\$664,387	\$6,757
Gas and Electricity for North Canyons	\$142,753	\$15,897	\$125,579	\$1,277
Sewer Discharge Fees	\$1,182	\$132	\$1,040	\$11
Water Service for North Canyons	\$5,559	\$619	\$4,890	\$50
Communications (Telecommunication services for North Canyons)	\$54,132	\$6,028	\$47,619	\$484
Garbage Disposal Services for North Canyons	\$12,733	\$1,418	\$11,201	\$114
Janitorial Services/Supplies for North Canyons	\$317	\$35	\$279	\$3
Repairs/Service of Equipment (Backup Generator repairs etc.)	\$11,288	\$1,257	\$9,930	\$101
Repairs/Service of Buildings & Property (Commercial property Mgmt., ADT security services etc.)	\$259,980	\$28,952	\$228,702	\$2,326
Maintenance Parts & Supplies (Irrigation parts, electrical parts and misc. supplies)	\$739	\$82	\$650	\$7
Rents & Leases - Equipment (Copier machine, postage meter etc.)	\$22,732	\$2,531	\$19,997	\$203
General Office Supplies & Expenses (IT services, software, paper, pens, files etc.)	\$430,696	\$47,963	\$378,879	\$3,854
Reproduction and Printing (Budget book etc.)	\$601	\$67	\$529	\$5
Subscriptions (Newspapers, CA Dept of Fish and Wildlife)	\$2,487	\$277	\$2,188	\$22
Postage, Delivery & Shipping (Payments to US Postal Services, FedEx etc.)	\$206	\$23	\$181	\$2
Organization Memberships (Membership for Board Members, GM, Admin Staff etc.)	\$8,250	\$919	\$7,257	\$74
Support and Program Participation (Sponsorships - Association of Bay Area Governments (ABAG))	\$0	\$0	\$0	\$0
Advertising and Legal Notices (Job postings)	\$15,242	\$1,697	\$13,408	\$136
State and Local Fees (City of Livermore Tri-Valley Tech Park CFD No. 99-1 Series 2015 Bonds)	\$27,164	\$3,025	\$23,896	\$243
Training Materials and Services (ACWA Training, Water Education, CSMFO and GFOA)	\$47,459	\$5,285	\$41,749	\$425
Educational Stipend - Zone 7	\$15,322	\$1,706	\$13,479	\$137
Travel/Transportation (Board Members travel expense reimbursement)	\$3,405	\$379	\$2,995	\$30
Mileage	\$4,706	\$524	\$4,140	\$42
Total	\$9,113,443	\$1,014,887	\$8,017,015	\$81,540

¹⁷ Values may not add due to rounding.

¹⁸ Untreated Customers pay approximately 0.89% of total Agency overhead.

Table 18: Water Supply Breakdown (CY 2026)¹⁹

Water Supply Cost Breakdown	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25 (Unaudited)	5-Year Average
State Water Project	\$1,643,971	\$2,040,223	\$1,114,630	\$3,779,334	\$2,726,637	\$2,260,959
Water Transfers/Exchanges	2,153,562	8,192,572	3,880,464	128,000	51,799	2,881,279
Banked Water Programs	1,179,750	4,305,743	2,246,378	1,184,937	559,000	1,895,162
Delta Conveyance Project	695,418	1,373,871	1,865,957	2,375,000	1,187,498	1,499,549
Total Water Supply Costs	\$5,672,701	\$15,912,409	\$9,107,429	\$7,467,271	\$4,524,934	\$8,536,949

¹⁹ Values may not add due to rounding.

Attachment B

Zone 7 Water Agency Untreated Water Rate History (\$ Per Acre-Foot)

