

Zone 7 Water Agency

2026 Treated Wholesale Water Rate Study Final Report – October 2026

Prepared by: Water Resources Economics, LLC



**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE



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October 12, 2026

Osborn Solitei
Treasurer / Assistant General Manager
Zone 7 Water Agency
100 North Canyons Parkway
Livermore, CA 94551

Subject: Zone 7 Water Agency Treated Wholesale Water Rate Study

Dear Mr. Solitei,

Water Resources Economics, LLC (WRE) is pleased to submit this 2026 Treated Wholesale Water Rate Study to the Zone 7 Water Agency (Agency). This report documents the results and recommendations of the Agency's treated water rate study.

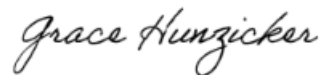
The goal of the study was to develop a four-year schedule of treated wholesale water rates that will sufficiently fund the Agency's water system expenses, allow the Agency to meet its financial goals, and be consistent with cost-of-service principles.

It has been a pleasure assisting the Agency, and we appreciate the support provided by yourself, Ms. Green, Ms. Foss, and other Agency staff during this study.

Sincerely,



Nancy Phan, Principal Consultant



Grace Hunzicker, Project Analyst

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1. EXECUTIVE SUMMARY

1.1 AGENCY OVERVIEW

Zone 7 Water Agency (Agency) was established in 1957 to provide wholesale treated and untreated water to the Livermore-Amador Valley area. The Agency provides wholesale treated water to 267,000 people in the Tri-Valley area, including the cities of Pleasanton, Livermore, and Dublin, as well as the Dougherty Valley area through a special agreement with Dublin San Ramon Services District (DSRSD). The Agency also provides wholesale treated water to several direct customers including Lawrence Livermore Laboratory, Livermore Area Parks and Recreation District, Veterans Hospital, Wente Brothers, State of California Department of Water Resources, and East Bay Regional Park District. Additionally, untreated water is distributed to agricultural businesses for irrigation of 3,500 acres primarily in the South Livermore Valley vineyards.

The Agency's water supply sources include but are not limited to imported water from the State Water Project (SWP), local groundwater storage, surface water from Lake Del Valle, and offsite groundwater banking in Kern County.

1.2 RATE STUDY OVERVIEW

The Agency began this rate-setting process by engaging WRE in 2026 to conduct a comprehensive wholesale treated water rate study, with the following objectives:

- Evaluate a ten-year financial plan from Fiscal Year (FY) 2027¹ to FY 2036 to assess the Agency's ability to meet its financial targets and fund substantial future expenses. Although rates are developed for the four-year rate-setting period, financial performance is evaluated over the full ten-year period.
- Develop a four-year wholesale treated water rate schedule from CY 2027 through CY 2030.

1.3 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology outlined by the American Water Works Association (AWWA) in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Eighth Edition* (M1 Manual). The rate study process includes the following steps:

1. **Financial Plan:** Annual revenues and expenses are projected over the evaluation period to determine the magnitude of rate increases needed to maintain financial sufficiency. Financial policies, such as reserve targets, are also evaluated and updated if necessary.
2. **Rate Design:** The Agency's existing treated wholesale rate structure and allocation methodology are evaluated. The annual rate revenue requirement determined through the financial plan is allocated between fixed and variable rate revenue based on the Agency's existing revenue recovery structure, and a multi-year proposed rate schedule is developed.
3. **Rate Study Documentation:** This report documents the analyses, methodology, financial policies, and resulting rates developed through the study.

¹ FY 2027 is the year starting July 1, 2026 and ending June 30, 2027.

1.4 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the Agency's water rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of September 2026.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates and charges in this report are shown on an annual basis.

1.5 CURRENT TREATED WHOLESALE WATER RATES

The Agency's current treated wholesale water rates include annual fixed charges for each retailer and direct customer, and a volume-based charge based on consumption in hundred cubic feet (ccf). Annual fixed charges are allocated among customers annually based on a two-year rolling average of historical water consumption.

Table 1-1 shows the current treated wholesale rates as of 1/1/2026.

Table 1-1: Current Treated Wholesale Rates

Line	Current Treated Wholesale Rates	As of 1/1/2026
1	Annual Fixed Charge per Retailer	
2	City of Pleasanton	\$12,610,959
3	Dublin San Ramon Services District	\$9,297,347
4	California Water Service Company	\$5,588,808
5	City of Livermore	\$5,537,321
6		
7	Annual Fixed Charge per Direct Customer	
8	Lawrence Livermore Laboratory	\$170,601
9	Livermore Area Parks and Recreation District	\$770
10	Veterans Hospital	\$49,045
11	Wente Brothers	\$17,913
12	State of California Department of Water Resources	\$10
13	East Bay Regional Park District	\$14,072
14	Total	\$33,286,846
15		
16	Volume-Based Charge (\$/ccf)	\$2.47

1.6 FINANCIAL PLAN

WRE worked closely with Agency staff to determine the financial plan scenario that meets the Agency's needs. The results and recommendations of the water rate study are driven by the Agency's financial performance and input from Agency staff.

FACTORS AFFECTING FINANCIAL PERFORMANCE

To maintain financial sufficiency, treated wholesale water rates must fully fund operations and maintenance (O&M) costs and capital improvement plan (CIP) funding, while allowing the Agency to meet relevant financial policies, which for this study include target fund balances and debt coverage.

The key factors affecting financial performance include:

- **Substantial long-term costs outside of the rate-setting period:** In addition to general operating costs, the Agency expects several major costs over the following 10-year period (FY 2027 through FY 2036), as shown in
- **Table 1-2.** Approximately 82% of these major costs are expected to occur outside of the four-year rate-setting period (FY 2027 through FY 2030). Therefore, a strategic approach is used to ensure that the Agency maintains adequate reserves to fund these future costs and maintain service reliability without sudden or excessive rate increases.

Table 1-2: Major Expenses

Line	Major Expense	Starting Year	10-Year Cost	Costs Outside of Rate-Setting Period
1	Delta Conveyance Project	FY 2027	\$5,280,000	\$0
2	PFAS Resin Replacement	FY 2028	\$10,806,863	\$8,916,863
3	Future Sites Payments ²	FY 2029	\$24,677,000	\$21,978,000
4	Future COL Debt	FY 2034	\$15,443,679	\$15,443,679
5	Total		\$56,207,542	\$46,338,542

- **Substantial capital investment needs:** Planned capital funding to the Water Enterprise Capital Renewal/Replacement and System-Wide Improvements Fund (Fund 120), which funds the Agency's CIP, total approximately \$69.7 million (M) over the next four years and average approximately \$17.4M annually. Without additional rate adjustments, the Agency's revenues are not projected to fully fund planned capital funding beginning in FY 2028.
- **Fund balance ability to meet reserve policy targets:** The Agency's Water Enterprise Operations Fund (Fund 100) has several reserve policy targets used to evaluate the financial performance of the enterprise fund, including:
 - **Operating reserve:** 90 days of operating expenses (excluding capital funding and vehicle replacement reserve)
 - **Reserve for economic uncertainties:** 15% of volume-based treated water sales revenue

² Note that Future Sites payment values assume 50% of the subscribed storage allocation (30K Acre-Feet (AF)) and 34% to be funded by Fund 100 in line with adopted budget assumptions.

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- **Emergency:** 2.5% of water system capital assets
- **Section 115 Trust:** \$2.398M in FY 2027 with additional \$125 thousand (K) annual adjustments
- **Water reliability reserve:** No minimum, target or maximum (holds the balance of reserves after all other reserves are funded at target)

Table 1-3 compares projected fund balances under the status quo and proposed financial plans to the reserve policy target under the proposed financial plan. Without additional rate revenue adjustments, projected fund balances fall below the reserve target by FY 2030. Under the proposed financial plan, reserves are accumulated through FY 2030 and subsequently drawn down to fund major expenses occurring outside of the four-year rate-setting period.

Table 1-3: Reserve Policy Targets vs Projected Fund Balances

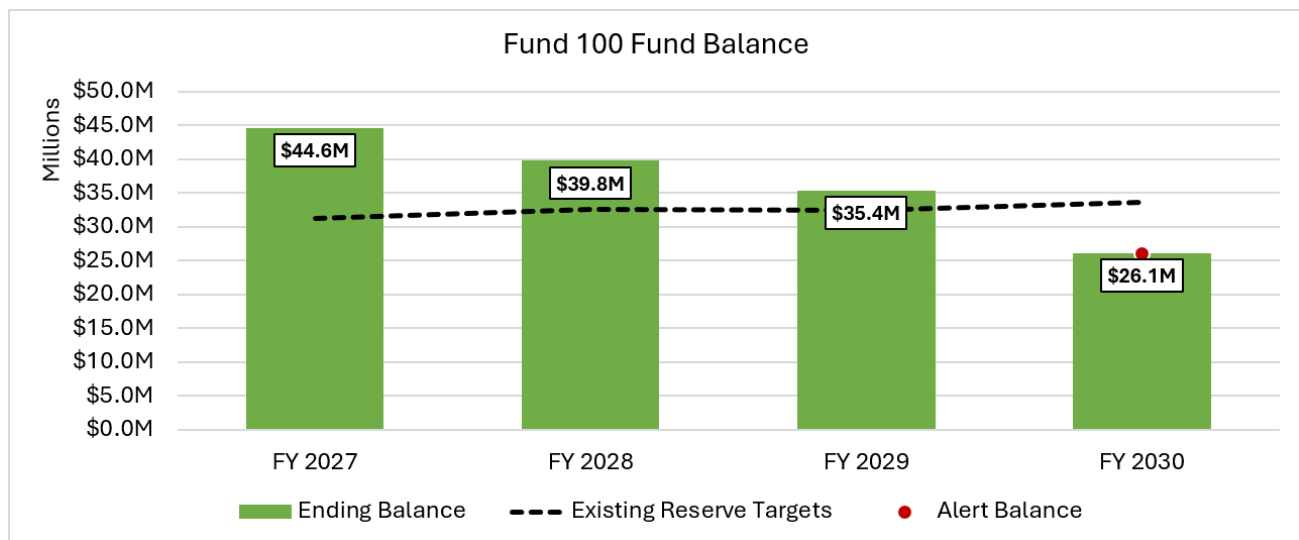
Line	Projected Reserves	FY 2030	FY 2036
1	Total Reserve Policy Target	\$34,535,193	\$44,660,517
2	Projected Reserves w/o Rate Adj.	\$26,146,571	(\$145,440,541)
3	Projected Reserves w/ 4.5% Annual Rate Adj.	\$53,626,615	\$45,051,702

STATUS QUO FINANCIAL PLAN

The first step in evaluating the Agency’s financial performance is to develop a “status quo financial plan,” which is the scenario in which the Agency does not increase its water rate revenues. This scenario is used to determine whether the Agency’s current treated wholesale water rates are sufficient to meet key fund balance targets.

Figure 1-1 shows the fund balance projections in the status quo financial plan. In this scenario, the Agency’s ending balance (green bars) will not meet its current reserve targets (dashed line), indicated by the alert balance (red circle).

Figure 1-1: Projected Fund Balances (Status Quo Financial Plan)



PROPOSED REVENUE ADJUSTMENTS

Overall annual increases in water rate revenues resulting from rate increases are referred to as “revenue adjustments.” These adjustments, shown in **Table 1-4**, are needed to maintain the Agency’s financial sufficiency and were developed based on input from Agency staff and direction from the Board.

Table 1-4: Proposed Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustment
1	FY 2027	1/1/2027	4.5%
2	FY 2028	1/1/2028	4.5%
3	FY 2029	1/1/2029	4.5%
4	FY 2030	1/1/2030	4.5%

PROPOSED FINANCIAL PLAN

The proposed financial plan applies the revenue adjustments shown in **Table 1-4** and reevaluates the Agency’s financial performance, including projected fund balances and reserve targets.

Figure 1-2 shows the projected fund balances under the proposed scenario for the rate setting period. In this scenario, the Agency’s ending balance (green bars) will meet its reserve targets (dashed line) in all years. Reserves are built up in FY 2030 to sustainably fund substantial future costs outside of the rate setting period and minimize the need for future sudden and excessive rate adjustments.

Figure 1-2: Projected Fund Balances (Proposed Financial Plan – Rate Setting Period)

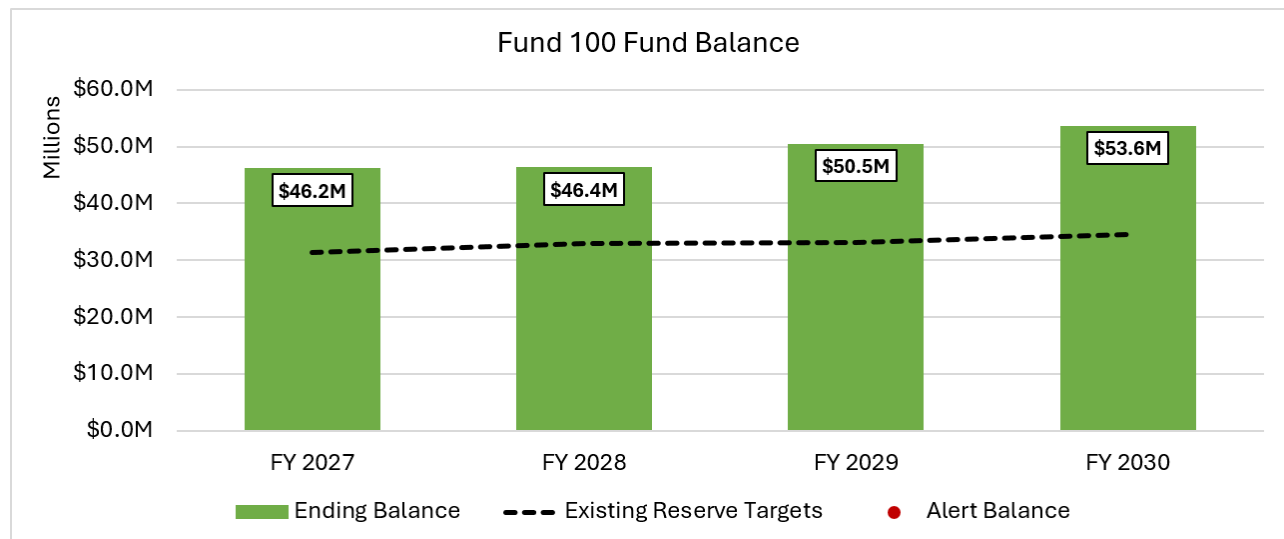
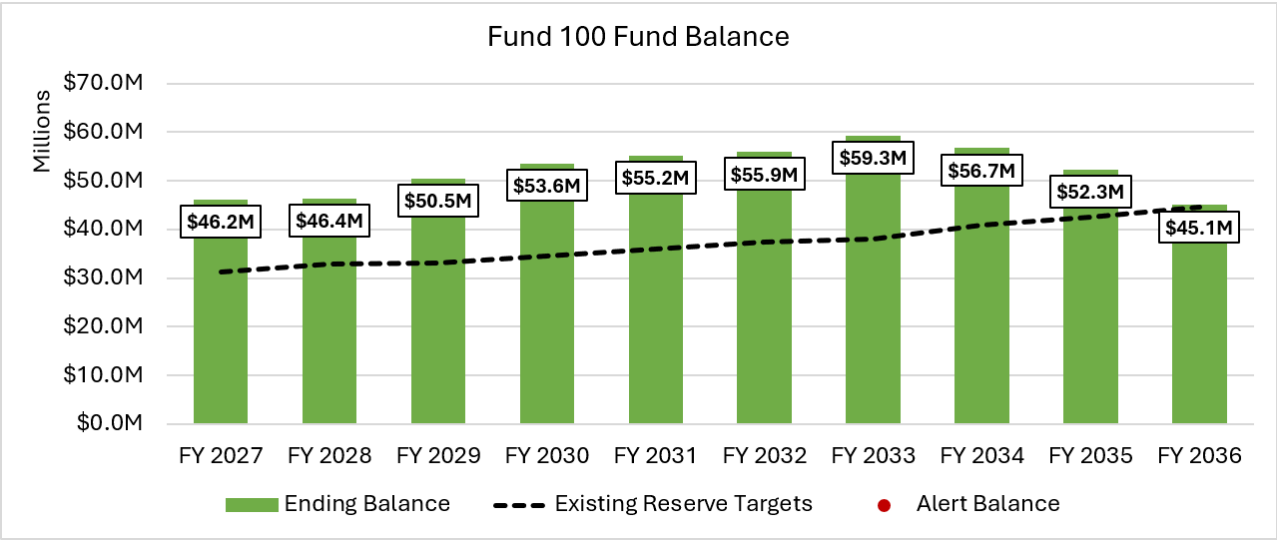


Figure 1-3 shows the projected fund balances under the proposed scenario for the ten-year period assuming 4.5% annual rate adjustments and the same revenue and expense assumptions. In this scenario, the Agency’s ending balance (green bars) will meet its reserve targets (dashed line) in all years. Reserves are drawn down by FY 2036 to fund major costs expected outside of the rate setting period, including the Sites Reservoir Project.

Figure 1-3: Projected Fund Balances (Proposed Financial Plan – 10-Year Period)



1.7 PROPOSED TREATED WHOLESALE WATER RATES

PROPOSED FOUR-YEAR WATER RATE SCHEDULE

The proposed four-year water rate schedule is based on the proposed financial plan and maintains the Agency’s existing treated wholesale rate structure, including the existing proportion of rate revenue recovered through fixed and volume-based charges.

Table 1-5 shows the current and proposed treated wholesale rates effective starting on 1/1/2027 and each January thereafter. The annual fixed charge is allocated based on a rolling two-year average of historical water consumption by each customer. The annual fixed charges effective 1/1/2027 are based on the average of FY 2025 and FY 2026 customer consumption, and charges for future years will be calculated annually based on the updated rolling two-year average of water consumption.

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Table 1-5: Proposed Treated Wholesale Rates³

Line	Proposed Treated Wholesale Rates	As of 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Annual Fixed Charge per Retailer					
2	City of Pleasanton	\$12,610,959	\$13,126,809	TBD	TBD	TBD
3	Dublin San Ramon Services District	\$9,297,347	\$9,890,039	TBD	TBD	TBD
4	California Water Service Company	\$5,588,808	\$5,615,800	TBD	TBD	TBD
5	City of Livermore	\$5,537,321	\$5,893,092	TBD	TBD	TBD
6						
7	Annual Fixed Charge per Direct Customer					
8	Lawrence Livermore Laboratory	\$170,601	\$174,559	TBD	TBD	TBD
9	Livermore Area Parks and Recreation District	\$770	\$1,078	TBD	TBD	TBD
10	Veterans Hospital	\$49,045	\$50,597	TBD	TBD	TBD
11	Wente Brothers	\$17,913	\$17,166	TBD	TBD	TBD
12	State of California Department of Water Resources	\$10	\$32	TBD	TBD	TBD
13	East Bay Regional Park District	\$14,072	\$15,582	TBD	TBD	TBD
14						
15	Total Annual Fixed Charge	\$33,286,846	\$34,784,754	\$36,350,068	\$37,985,821	\$39,695,183
16						
17	Volume-Based Charge (\$/ccf)	\$2.47	\$2.59	\$2.70	\$2.82	\$2.95

ANNUAL CUSTOMER IMPACTS

Table 1-6 shows the average proposed monthly bill impacts assuming 15 ccf monthly usage and 15,246,000 ccf annual consumption. Individual customer impacts may differ from the overall proposed rate revenue adjustment because annual fixed charges are reallocated based on each customer's rolling two-year average historical consumption.

Table 1-6: Proposed Multi-Year Customer Impacts

Line	Multi-Year Customer Impacts	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
1	Monthly Water Use (ccf)	15	15	15	15	15
2	Fixed Charge ⁴	\$32.75	\$34.22	\$35.76	\$37.37	\$39.05
3	Volume-Based Charge (\$/ ccf)	\$37.05	\$38.85	\$40.50	\$42.30	\$44.25
4	Total Monthly Charge	\$69.80	\$73.07	\$76.26	\$79.67	\$83.30
5	Difference (\$)		\$3.27	\$3.19	\$3.41	\$3.63

³ Individual customer fixed charges for 2028 through 2030 will be calculated annually based on each customer's updated two-year rolling average historical consumption. Total annual fixed charges shown for each year represent the adopted fixed rate revenue requirement.

⁴ Average fixed charge per ccf is calculated by dividing the total annual fixed charge (Table 1-5, Line 15) by 15,246,000 ccf annual consumption.

2. FINANCIAL PLAN

2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and determine the required level of rate revenue. For this study, the rate-setting period is FY 2027 through FY 2030; however, financial projections are evaluated through FY 2036 to account for substantial future costs. The key steps in developing a financial plan for a water enterprise are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and capital funding.
- **Financial policy evaluation:** Key financial policies include minimum debt coverage requirements and reserve targets. Debt coverage requirements are generally established through agreements associated with outstanding debt issuances, while reserve targets are established by the Agency and may be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the “status quo”). Projected reserve balances and debt coverage are then compared to the agency’s financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency’s financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as “revenue adjustments”) should generate sufficient revenue to recover the agency’s expenses, maintain adequate reserves, and meet required debt coverage and reserve targets. The proposed financial plan determines the total annual rate revenue requirement over the study period.

2.2 REVENUES

CURRENT TREATED WHOLESALE WATER RATES

The Agency’s current treated wholesale water rates include annual fixed charges for each retailer and direct customer, and a volume-based charge based on consumption in ccf. Annual fixed charges are allocated among customers annually based on a two-year rolling average of historical water consumption.

Table 2-1 shows the current treated wholesale rates as of 1/1/2026.

Table 2-1: Current Treated Wholesale Rates

Line	Current Treated Wholesale Rates	As of 1/1/2026
1	Annual Fixed Charge per Retailer	
2	City of Pleasanton	\$12,610,959
3	Dublin San Ramon Services District	\$9,297,347
4	California Water Service Company	\$5,588,808
5	City of Livermore	\$5,537,321
6		
7	Annual Fixed Charge per Direct Customer	
8	Lawrence Livermore Laboratory	\$170,601
9	Livermore Area Parks and Recreation District	\$770
10	Veterans Hospital	\$49,045
11	Wente Brothers	\$17,913
12	State of California Department of Water Resources	\$10
13	East Bay Regional Park District	\$14,072
14		
15	Volume-Based Charge (\$/ccf)	\$2.47

REVENUES FROM CURRENT RATES

Table 2-2 shows the calculated water rate revenues for the study period based on current rates (**Table 2-1**), assuming total annual consumption of 15,246,000 ccf based on staff budgeted demand for FY 2027. No changes to demand are expected over the rate setting period based on staff projections. The annual fixed charge per retailer revenue (Line 1) represents the sum of current retailer rates (**Table 2-1**, Lines 2-5). Similarly, the annual fixed charge per direct customer revenue (Line 2) represents the sum of current direct customer rates (**Table 2-1**, Lines 8-13). The volume-based charge revenue (Line 3) is calculated by multiplying the current volume-based charge (**Table 2-1**, Line 15) by annual projected consumption of 15,246,000 ccf. Total rate revenues (Line 4) represent the sum of annual fixed charge and volume-based charge revenue (Lines 1-3).

Table 2-2: Calculated Rate Revenues at Current Rates

Line	Calculated Rate Revenues	FY 2027	FY 2028	FY 2029	FY 2030
1	Annual Fixed Charge per Retailer	\$33,034,435	\$33,034,435	\$33,034,435	\$33,034,435
2	Annual Fixed Charge per Direct Customer	\$252,411	\$252,411	\$252,411	\$252,411
3	Volume-Based Charge (\$/ccf)	\$37,657,620	\$37,657,620	\$37,657,620	\$37,657,620
4	Total	\$70,944,466	\$70,944,466	\$70,944,466	\$70,944,466

REVENUE SUMMARY

Table 2-3 shows the summary of projected revenues for the rate setting period. Treated water sales & service revenues (Line 1) are from **Table 2-2** (Line 4). Other Revenues (Line 2) include untreated water revenue, Department of Water Resources refunds and other miscellaneous revenue. Investment earnings (Line 3) are calculated based on ending fund balances and a 2.5% interest rate.

Table 2-3: Revenue Summary

Line	Revenues	FY 2027	FY 2028	FY 2029	FY 2030
1	Treated Water Sales & Service	\$70,944,466	\$70,944,466	\$70,944,466	\$70,944,466
2	Other Revenue	\$1,878,000	\$1,878,000	\$1,878,000	\$1,878,000
3	Investment Earnings	\$1,113,028	\$1,142,732	\$1,196,165	\$1,285,852
4	Total	\$73,935,494	\$73,965,198	\$74,018,631	\$74,108,318

2.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE worked with Agency staff to determine the annual inflationary assumptions to apply to the Agency's O&M expense budget. Agency staff provided budgeted expenses for FY 2027 and FY 2028; all other years are projected based on the inflationary assumptions shown in **Table 2-4**.

Table 2-4: Expense Inflationary Assumptions

Line	Inflationary Assumptions	FY 2029	FY 2030
1	General	3.0%	3.0%
2	Personnel	4.0%	4.0%
3	Water	5.0%	5.0%
4	Utilities	5.0%	5.0%
5	Chemicals	4.0%	4.0%
6	Insurance	5.0%	5.0%
7	PFAS – Cumulative Factor	105.0%	110.3%
8	General – Cumulative Factor	103.0%	106.1%

OPERATING EXPENSE SUMMARY

Table 2-5 shows the summary of O&M expenses for the study period. Agency staff provided budgeted expenses for FY 2027 and FY 2028; expenses for other years are projections. Note that staff provided projected costs for non-recurring costs such as county election costs (Line 5) and PFAS resin replacement costs (Lines 19-20) in FY 2028 dollars. These costs are adjusted using the applicable inflation assumptions to estimate their equivalent value in each fiscal year in which they occur. Additionally, projected Delta Conveyance project and Future Sites payments (Lines 21-22) were provided by staff. Future Sites payments assume 50% of the subscribed project storage allocation (30K), with 34% of project costs funded by Fund 100, consistent with current adopted budget assumptions.

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Table 2-5: Expenses Summary

Line	Expenses	Inflationary Assumption	FY 2027	FY 2028	FY 2029	FY 2030
1	Source		Budget	Budget	Projected	Projected
2	Personnel	Personnel	\$23,485,000	\$24,542,000	\$25,523,680	\$26,544,627
3	Professional Services	General	\$4,055,000	\$3,148,000	\$3,242,440	\$3,339,713
4	County Services	General	\$1,471,000	\$1,534,000	\$1,580,020	\$1,627,421
5	County Election Costs	Cumulative General	\$0	\$850,000	\$0	\$901,765
6	Insurance Services	Insurance	\$950,000	\$1,000,000	\$1,050,000	\$1,102,500
7	Legal Services	General	\$405,000	\$405,000	\$417,150	\$429,665
8	Water	Water	\$4,976,000	\$7,951,000	\$8,348,550	\$8,765,978
9	Chemicals	Chemicals	\$4,939,000	\$4,695,000	\$4,882,800	\$5,078,112
10	Utilities	Utilities	\$2,806,000	\$3,510,000	\$3,685,500	\$3,869,775
11	Telecommunications	General	\$169,000	\$166,000	\$170,980	\$176,109
12	Maintenance Services	General	\$2,752,000	\$2,735,000	\$2,817,050	\$2,901,562
13	Rental Services	General	\$119,000	\$119,000	\$122,570	\$126,247
14	Office Supplies and Other Services	General	\$1,636,000	\$1,407,000	\$1,449,210	\$1,492,686
15	Organizational Memberships and Support	General	\$421,000	\$437,000	\$450,110	\$463,613
16	Training and Travel	General	\$187,000	\$187,000	\$192,610	\$198,388
17	Water Conservation Program	General	\$160,000	\$160,000	\$164,800	\$169,744
18	Vehicle Replacement Reserve	General	\$202,000	\$202,000	\$208,060	\$214,302
19	PFAS Resin Replacement (Stoneridge)	Cumulative PFAS	\$0	\$630,000	\$0	\$0
20	PFAS Resin Replacement (COL)	Cumulative PFAS	\$0	\$1,260,000	\$0	\$0
21	Delta Conveyance Project	Staff Provided	\$3,300,000	\$1,980,000	\$0	\$0
22	Future Sites Payments (34% Fund 100)	Staff Provided	\$0	\$0	\$1,070,000	\$1,629,000
23	Total		\$52,033,000	\$56,918,000	\$55,375,530	\$59,031,207

2.4 FINANCIAL POLICIES

RESERVE POLICY

The Agency's current reserve policy maintains cash on hand to meet short-term cash imbalances, minimize rate impacts to customers during periods of rate instability, respond to emergencies efficiently, and fund future employee pension obligations. The Agency's aggregate reserve policy targets during the rate-setting period range from approximately \$31.3M to \$34.5M. The reserve policy targets are shown below:

- **Operating reserve:** 90 days of operating expenses (excluding capital funding and vehicle replacement reserve)
- **Reserve for economic uncertainties:** 15% of volume-based treated water sales revenue
- **Emergency:** 2.5% of water system capital assets
- **Section 115 Trust:** \$2.398M in FY 2027 with additional \$125K annual adjustments
- **Water reliability reserve:** No minimum, target or maximum (holds the balance of reserves after all other reserves are funded at target)

DEBT COVERAGE REQUIREMENT

The Agency is required to meet a minimum annual debt coverage requirement of 125%. This means that the Agency's net operating revenues (excluding capital funding) must equal at least 125% of annual debt service on existing debt.

2.5 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN SCENARIO

Table 2-6 shows the status quo financial plan scenario, which assumes no revenue adjustments. This scenario is used to evaluate the ability of the current treated wholesale water rates to meet the Agency's financial targets and to determine the need for revenue adjustments.

Table 2-6: Status Quo Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustment
1	FY 2027	1/1/2027	0.0%
2	FY 2028	1/1/2028	0.0%
3	FY 2029	1/1/2029	0.0%
4	FY 2030	1/1/2030	0.0%

STATUS QUO CASH FLOW & FUND BALANCE PROJECTIONS

Table 2-7 shows projected cash flows and fund balances under the status quo financial plan. Rate revenues and other revenues (Lines 4 and 6-7) are based on the revenue assumptions described above. No additional revenue from proposed rate adjustments is included (Line 5). Operating expenses (Line 11) are from **Table 2-5**, while existing debt service and capital funding to Fund 120 (Lines 12-13) were provided by Agency staff. Net revenue before capital funding (Line 16) equals total revenues less operating expenses and debt service. Net cash flow (Line 17) equals total revenues less total expenses.

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Investment earnings (Line 7) differ from **Table 2-3** because investment earnings are calculated based on projected fund balances. Lower fund balances under the status quo scenario result in lower investment earnings.

Net revenue less debt is positive each year of the rate setting period, meaning the Agency's current revenues are sufficient to fund its operating expenses and debt service. However, net cash flow is negative starting in FY 2028, meaning that the Agency's current revenues are not sufficient to fund its annual capital funding.

Based on projected sources and uses of funds, the Agency's fund balance decreases from approximately \$44.0M at the beginning of FY 2027 to approximately \$26.1M at the end of FY 2030, a decline of approximately \$17.8M over the four-year period.

Table 2-7: Projected Cash Flows & Fund Balances (Status Quo Financial Plan)

Line	Cash Flows & Fund Balance	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$43,956,000	\$44,583,079	\$39,784,026	\$35,409,819
2					
3	Revenues				
4	Rate Revenues at Existing Rates	\$70,944,466	\$70,944,466	\$70,944,466	\$70,944,466
5	Revenue Adjustments	\$0	\$0	\$0	\$0
6	Other Revenue	\$1,878,000	\$1,878,000	\$1,878,000	\$1,878,000
7	Investment Earnings	\$1,093,075	\$1,041,569	\$928,319	\$759,955
8	Total	\$73,915,541	\$73,864,035	\$73,750,785	\$73,582,421
9					
10	Expenses				
11	Operating Expenses	\$52,033,000	\$56,918,000	\$55,375,530	\$59,031,207
12	Existing Debt	\$4,977,463	\$4,980,088	\$4,978,463	\$4,977,463
13	Capital Funding	\$16,278,000	\$16,765,000	\$17,771,000	\$18,837,000
14	Total	\$73,288,463	\$78,663,088	\$78,124,993	\$82,845,669
15					
16	Net Revenue Before Capital Funding	\$16,905,079	\$11,965,948	\$13,396,793	\$9,573,752
17	Net Cash Flow	\$627,079	(\$4,799,052)	(\$4,374,207)	(\$9,263,248)
18					
19	Ending Fund Balance	\$44,583,079	\$39,784,026	\$35,409,819	\$26,146,571

STATUS QUO FINANCIAL PERFORMANCE

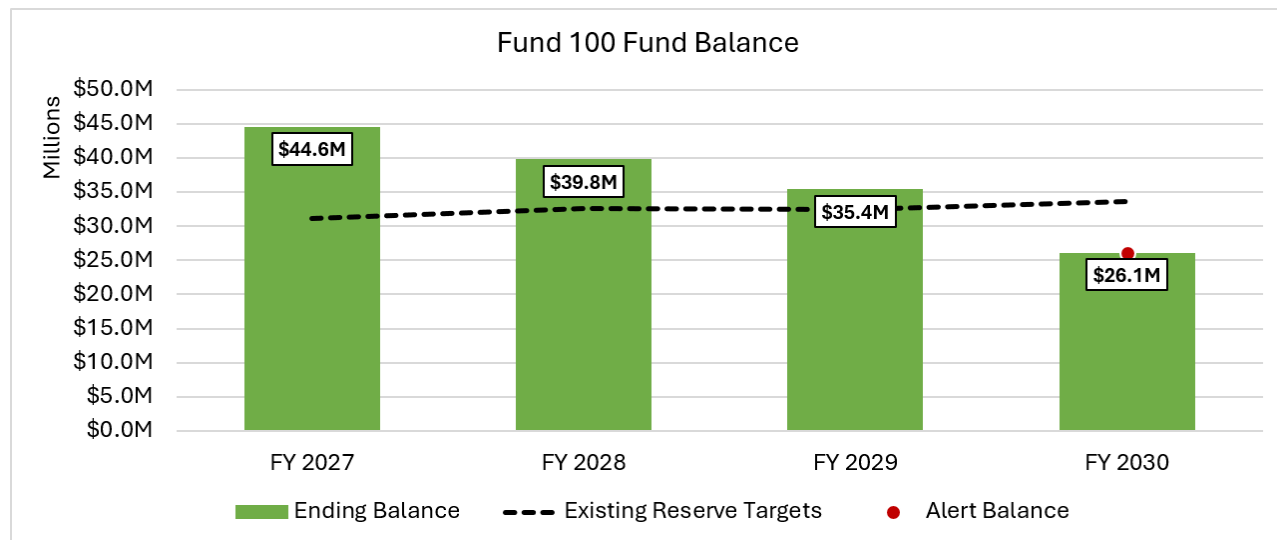
The Agency's financial performance is evaluated based on the reserve targets and debt coverage requirements as shown in **Table 2-8**. Under the status quo financial plan, the Agency will not meet its current reserve targets starting in FY 2030. The Agency will meet its debt coverage requirements in all years.

Table 2-8: Projected Financial Performance (Status Quo Financial Plan)

Line	Financial Performance	FY 2027	FY 2028	FY 2029	FY 2030
1	Current Reserve Targets				
2	Operating	\$14,007,566	\$15,212,734	\$14,830,504	\$15,730,118
3	Reserve for Economic Uncertainties	\$5,852,918	\$5,852,918	\$5,852,918	\$5,852,918
4	Water Reliability Reserve	\$0	\$0	\$0	\$0
5	Emergency	\$8,931,993	\$9,021,313	\$9,111,526	\$9,202,642
6	Section 115 Trust	\$2,398,000	\$2,523,000	\$2,648,000	\$2,773,000
7	Total	\$31,190,478	\$32,609,966	\$32,442,949	\$33,558,678
8					
9	Reserve Balances	\$44,583,079	\$39,784,026	\$35,409,819	\$26,146,571
10	Meets Reserve Targets?	Yes	Yes	Yes	No
11					
12	Debt Service Coverage⁵				
13	Required Debt Coverage	125%	125%	125%	125%
14	Calculated Debt Coverage	440%	340%	369%	292%
15	Meets Required Coverage?	Yes	Yes	Yes	Yes

Figure 2-1 shows the fund balance projections in the status quo financial plan. In this scenario, the Agency's ending balance (green bars) will not meet its current reserve targets (dashed line) by FY 2030, indicated by the alert balance (red circle).

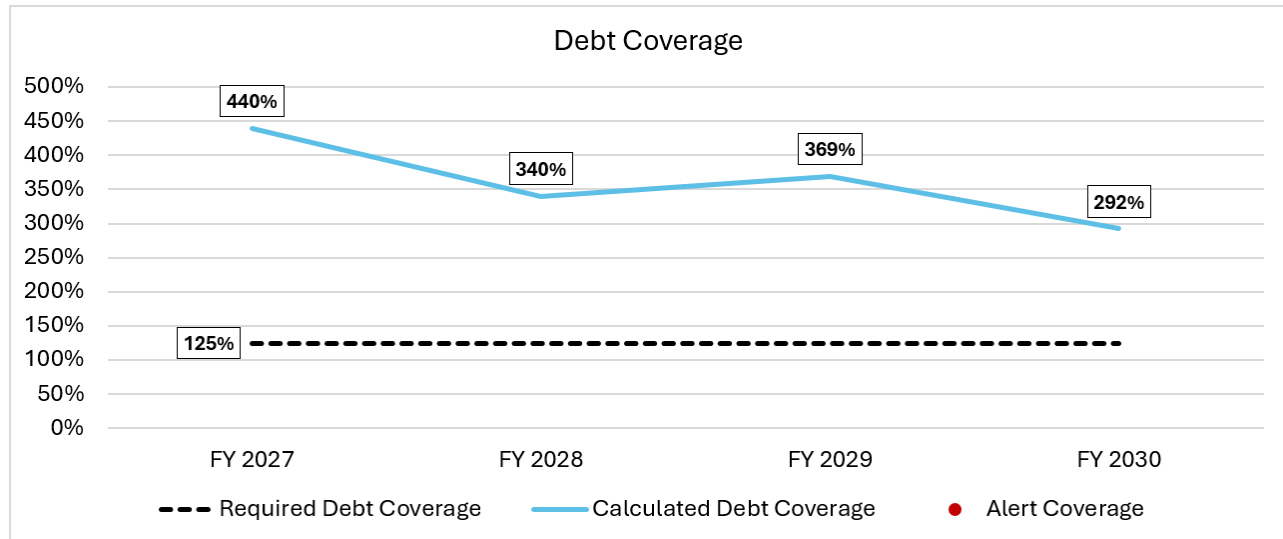
Figure 2-1: Projected Fund Balances (Status Quo Financial Plan)



⁵ The estimated Debt Service Coverage shown represents debt paid by water rates, and excludes debt paid by Water Connection Fees (Fund 130). Actual debt coverage, as required by the Agency's bond covenants, is published annually in the Agency's Continuing Disclosure Report.

Figure 2-2 shows the debt coverage projections in the status quo financial plan. The required debt coverage (dashed line) is equal to 125%. In this scenario, the Agency's calculated debt coverage (blue line) is expected to exceed its required debt coverage for all years.

Figure 2-2: Projected Debt Coverage (Status Quo Financial Plan)



2.6 PROPOSED FINANCIAL PLAN – RATE SETTING PERIOD

PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes four years of revenue adjustments as shown in **Table 2-9**. These adjustments are needed to maintain the Agency's financial sufficiency and were developed based on input from Agency staff and direction from the Board. Because each proposed rate adjustment becomes effective January 1, the financial plan reflects approximately six months of incremental revenue from each new adjustment during the fiscal year in which it becomes effective.

Table 2-9: Proposed Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustment
1	FY 2027	1/1/2027	4.5%
2	FY 2028	1/1/2028	4.5%
3	FY 2029	1/1/2029	4.5%
4	FY 2030	1/1/2030	4.5%

PROPOSED CASH FLOW & FUND BALANCE PROJECTIONS

Table 2-10 shows projected cash flows and fund balances under the proposed financial plan. Rate revenues and other revenues (Lines 4 and 6-7) are based on the revenue assumptions described above. Additional revenue generated by the proposed rate adjustments is shown in Line 5. Operating expenses (Line 11) are from **Table 2-5**, while existing debt service and capital funding to Fund 120 (Lines 12-13) were provided by Agency staff. Net revenue before capital funding (Line 16) equals total revenues less operating expenses and debt service. Net cash flow (Line 17) equals total revenues less total expenses.

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Net cash flow is positive in all years, indicating that projected revenues are sufficient to fund operating expenses, debt service, and planned capital funding.

Based on projected sources and uses of funds, the Agency's fund balance increases from approximately \$44.0M at the beginning of FY 2027 to approximately \$53.6M at the end of FY 2030, an increase of approximately \$9.7M over the four-year period.

Table 2-10: Projected Cash Flows & Fund Balances (Proposed Financial Plan)

Line	Cash Flows & Fund Balance	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$43,956,000	\$46,199,282	\$46,361,975	\$50,527,424
2					
3	Revenues				
4	Rate Revenues at Existing Rates	\$70,944,466	\$70,944,466	\$70,944,466	\$70,944,466
5	Revenue Adjustments	\$1,596,250	\$4,860,583	\$8,271,810	\$11,836,542
6	Other Revenue	\$1,878,000	\$1,878,000	\$1,878,000	\$1,878,000
7	Investment Earnings	\$1,113,028	\$1,142,732	\$1,196,165	\$1,285,852
8	Total	\$75,531,745	\$78,825,780	\$82,290,441	\$85,944,861
9					
10	Expenses				
11	Operating Expenses	\$52,033,000	\$56,918,000	\$55,375,530	\$59,031,207
12	Existing Debt	\$4,977,463	\$4,980,088	\$4,978,463	\$4,977,463
13	Capital Funding	\$16,278,000	\$16,765,000	\$17,771,000	\$18,837,000
14	Total	\$73,288,463	\$78,663,088	\$78,124,993	\$82,845,669
15					
16	Net Revenue Before Capital Funding	\$18,521,282	\$16,927,693	\$21,936,449	\$21,936,191
17	Net Cash Flow	\$2,243,282	\$162,693	\$4,165,449	\$3,099,191
18					
19	Ending Fund Balance	\$46,199,282	\$46,361,975	\$50,527,424	\$53,626,615

PROPOSED FINANCIAL PERFORMANCE

The Agency's financial performance is evaluated based on the reserve targets and debt coverage requirements as shown in **Table 2-11**. Under the proposed financial plan, the Agency will meet its current reserve targets and debt coverage requirements in all years.

Table 2-11: Projected Financial Performance (Proposed Financial Plan)

Line	Financial Performance	FY 2027	FY 2028	FY 2029	FY 2030
1	Current Reserve Targets				
2	Operating	\$14,007,566	\$15,212,734	\$14,830,504	\$15,730,118
3	Reserve for Economic Uncertainties	\$5,984,609	\$6,253,917	\$6,535,343	\$6,829,433
4	Water Reliability Reserve	\$0	\$0	\$0	\$0
5	Emergency	\$8,931,993	\$9,021,313	\$9,111,526	\$9,202,642
6	Section 115 Trust	\$2,398,000	\$2,523,000	\$2,648,000	\$2,773,000
7	Total	\$31,322,169	\$33,010,964	\$33,125,373	\$34,535,193
8					
9	Reserve Balances	\$46,199,282	\$46,361,975	\$50,527,424	\$53,626,615
10	Meets Reserve Targets?	Yes	Yes	Yes	Yes
11					
12	Debt Service Coverage⁶				
13	Required Debt Coverage	125%	125%	125%	125%
14	Calculated Debt Coverage	472%	440%	541%	541%
15	Meets Required Coverage?	Yes	Yes	Yes	Yes

Figure 2-3 shows the fund balance projections in the proposed financial plan. In this scenario, the Agency's ending balance (green bars) will meet its current reserve targets (dashed line) in all years.

Figure 2-3: Projected Fund Balances (Proposed Financial Plan)

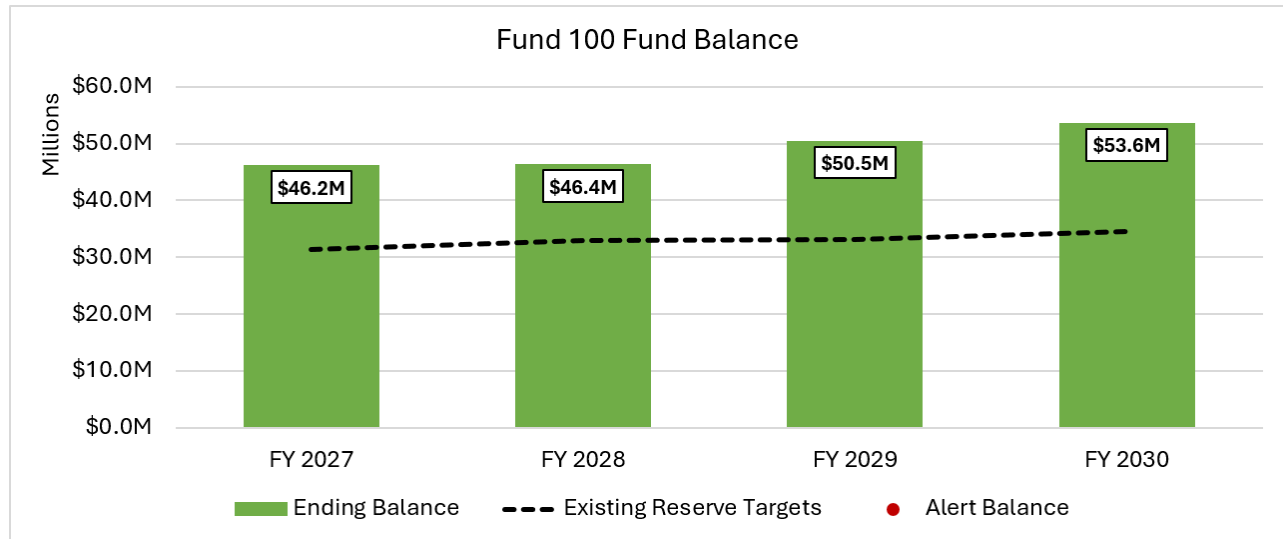
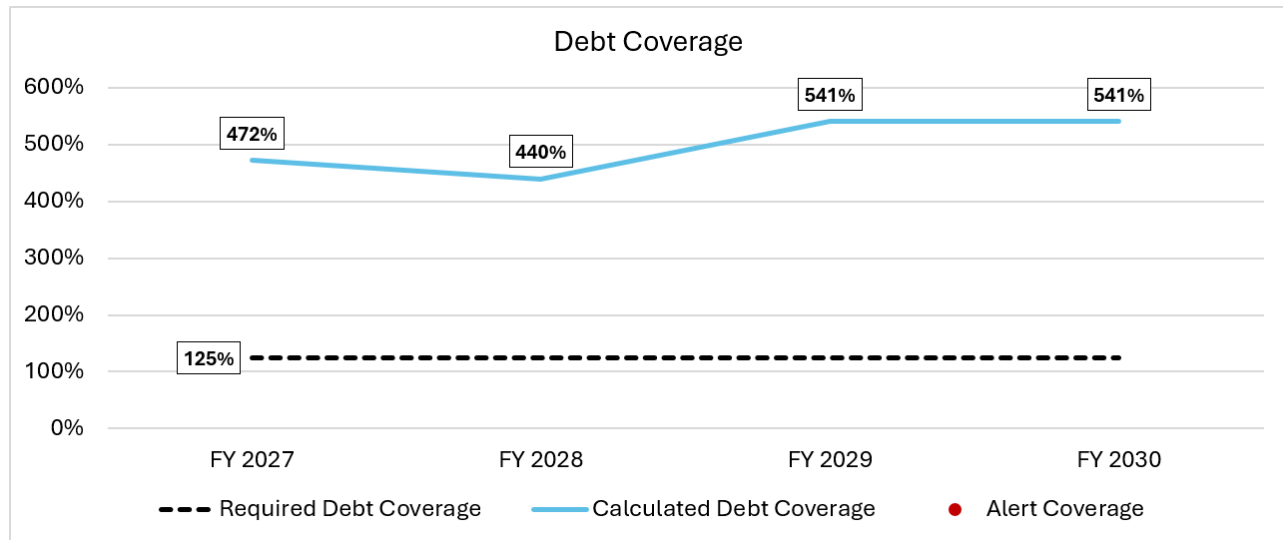


Figure 2-4 shows the debt coverage projections in the proposed financial plan. The required debt coverage (dashed line) is equal to 125%. In this scenario, the Agency's calculated debt coverage (blue line) is expected to exceed its required debt coverage for all years.

⁶ The estimated Debt Service Coverage shown represents debt paid by water rates, and excludes debt paid by Water Connection Fees (Fund 130). Actual debt coverage, as required by the Agency's bond covenants, is published annually in the Agency's Continuing Disclosure Report.

Figure 2-4: Projected Debt Coverage (Proposed Financial Plan)



2.7 PROPOSED FINANCIAL PLAN – 10-YEAR PERIOD

MAJOR EXPENSES

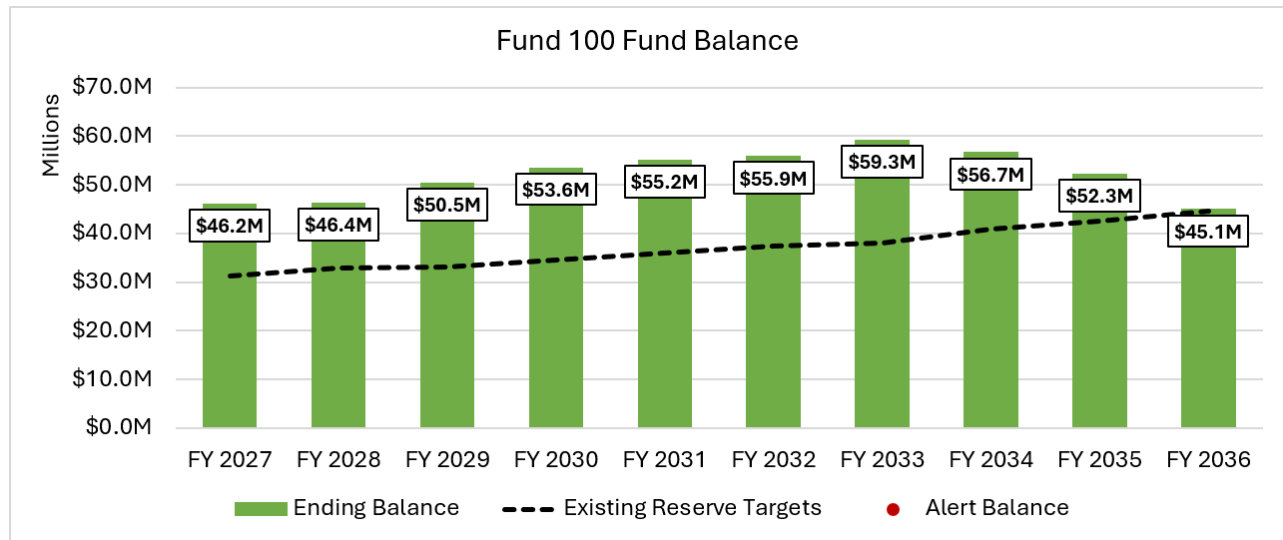
Although treated wholesale water rates are developed for the four-year rate-setting period, financial performance is evaluated over a ten-year period because approximately \$46.3M of identified major costs are expected to occur after FY 2030. This longer-term evaluation helps ensure that the Agency maintains adequate reserves to fund these future costs while avoiding sudden or excessive future rate increases. The major costs include:

- **PFAS resin replacement costs:** \$10.8M total over the 10-year period with approximately 83% of costs expected outside of the rate-setting period.
- **Future Sites payments:** \$24.7M over the 10-year period, beginning in FY 2029. Annual payments are projected to increase from approximately \$1.1M in FY 2029 to \$4.5M in FY 2036. Projections assume 50% of the subscribed storage allocation (30K AF), with 34% of project costs funded by Fund 100.
- **Future Chain of Lakes (COL) debt:** \$15.4M over the 10-year period starting in FY 2034. Annual payments are expected to increase over time, starting at \$1.4M in FY 2034 and ending at \$9.1M in FY 2036.

PROPOSED FUND BALANCE PROJECTIONS

Assuming additional 4.5% annual rate revenue adjustments and the same revenue and expense assumptions for the following six years, the Agency will be able to reliably fund the above costs while maintaining stable rate increases. **Figure 2-5** shows the projected fund balances over the 10-year period. Under the proposed scenario, reserve targets are met in all years and reserves are drawn down by the end of the period in FY 2036 to sustainably fund the major costs above.

Figure 2-5: Projected Fund Balances (Proposed Financial Plan – 10-Year Period)



3. TREATED WHOLESALE WATER RATES

3.1 RATE DEVELOPMENT

The proposed four-year water rate schedule is based on the proposed financial plan and maintains the Agency's current treated wholesale rate structure. Specifically, the proposed rates maintain the existing proportion of rate revenue recovered through fixed and volume-based charges and the existing methodology for allocating fixed charges among customers.

RATE REVENUE REQUIREMENT

Table 3-1 shows the annual rate revenue requirement based on the proposed financial plan (**Table 2-9**). Rate revenues at existing rates (Line 1) are from **Table 2-10** (Line 4). Annualized revenue adjustments (Line 2) reflect the additional annual rate revenue generated by applying the proposed 4.5% revenue adjustments each year. Because proposed rates become effective January 1 of each year, the financial plan reflects approximately six months of incremental revenue from each new adjustment during the fiscal year in which it becomes effective, while the rate revenue requirement shown below reflects the fully annualized revenue generated by the proposed rates.

The total rate revenue requirement (Line 3) is allocated between annual fixed charges (fixed portion) and volume-based charges (variable portion) based on the existing proportion of rate revenue recovered through each component.

Table 3-1: Rate Revenue Requirement

Line	Rate Revenue Requirement	FY 2027	FY 2028	FY 2029	FY 2030
1	Rate Revenues at Existing Rates	\$70,944,466	\$70,944,466	\$70,944,466	\$70,944,466
2	Annualized Revenue Adjustments	\$3,192,501	\$6,528,664	\$10,014,955	\$13,658,129
3	Total Rate Revenue Requirement	\$74,136,967	\$77,473,130	\$80,959,421	\$84,602,595
4					
5	Fixed Portion	\$34,784,754	\$36,350,068	\$37,985,821	\$39,695,183
6	Variable Portion	\$39,352,213	\$41,123,062	\$42,973,600	\$44,907,412
7	Total Rate Revenue Requirement	\$74,136,967	\$77,473,130	\$80,959,421	\$84,602,595

FIXED RATE REVENUE ALLOCATION

Table 3-2 shows the allocation of the fixed rate revenue requirement among individual customers based on the Agency's existing two-year rolling average methodology. The 2027 allocation is based on each customer's average historical consumption for FY 2025 and FY 2026 relative to the total two-year average consumption for all customers.

Table 3-2: Fixed Rate Revenue Allocation

Line	Fixed Rate Revenue Allocation	Two-Year Average Consumption (ccf)	Allocation (%)
1	Retailer		
2	City of Pleasanton	5,852,691	37.7372%
3	Dublin San Ramon Services District	4,409,552	28.4321%
4	California Water Service Company	2,503,849	16.1444%
5	City of Livermore	2,627,482	16.9416%
6	Subtotal	15,393,574	99.2554%
7			
8	Direct Customer		
9	Lawrence Livermore Laboratory	77,828	0.5018%
10	Livermore Area Parks and Recreation District	481	0.0031%
11	Veterans Hospital	22,559	0.1455%
12	Wente Brothers	7,654	0.0493%
13	State of California Department of Water Resources	14	0.0001%
14	East Bay Regional Park District	6,947	0.0448%
15	Subtotal	115,483	0.7446%
16			
17	Total	15,509,057	100.0000%

3.2 PROPOSED RATE SCHEDULE

FOUR-YEAR PROPOSED RATES

Table 3-3 shows the current and proposed treated wholesale rates effective January 1, 2027, and each January thereafter. The total annual fixed charge (Line 15) is equal to the fixed portion of the rate revenue requirement shown in **Table 3-1** (Line 5). The total fixed charge is allocated among customers based on the Agency's two-year rolling average of historical water consumption. Fixed charges effective January 1, 2027, are based on the allocation shown in **Table 3-2**; individual customer fixed charges for subsequent years will be calculated annually using updated two-year rolling average consumption. The volume-based charge per ccf (Line 17) is calculated by dividing the variable portion of the rate revenue requirement (**Table 3-1**, Line 6) by projected annual consumption of 15,246,000 ccf.

Table 3-3: Proposed Treated Wholesale Rates⁷

Line	Proposed Treated Wholesale Rates	As of 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Annual Fixed Charge per Retailer					
2	City of Pleasanton	\$12,610,959	\$13,126,809	TBD	TBD	TBD
3	Dublin San Ramon Services District	\$9,297,347	\$9,890,039	TBD	TBD	TBD
4	California Water Service Company	\$5,588,808	\$5,615,800	TBD	TBD	TBD
5	City of Livermore	\$5,537,321	\$5,893,092	TBD	TBD	TBD
6						
7	Annual Fixed Charge per Direct Customer					
8	Lawrence Livermore Laboratory	\$170,601	\$174,559	TBD	TBD	TBD
9	Livermore Area Parks and Recreation District	\$770	\$1,078	TBD	TBD	TBD
10	Veterans Hospital	\$49,045	\$50,597	TBD	TBD	TBD
11	Wente Brothers	\$17,913	\$17,166	TBD	TBD	TBD
12	State of California Department of Water Resources	\$10	\$32	TBD	TBD	TBD
13	East Bay Regional Park District	\$14,072	\$15,582	TBD	TBD	TBD
14						
15	Total Annual Fixed Charge	\$33,286,846	\$34,784,754	\$36,350,068	\$37,985,821	\$39,695,183
16						
17	Volume-Based Charge (\$/ccf)	\$2.47	\$2.59	\$2.70	\$2.82	\$2.95

3.3 CUSTOMER IMPACTS

ANNUAL CUSTOMER IMPACTS

Table 3-4 shows the average proposed monthly bill impacts assuming 15 ccf monthly usage and 15,246,000 ccf annual consumption. Individual customer impacts may differ from the overall 4.5% rate revenue adjustment because fixed charges are reallocated based on each customer's updated two-year rolling average historical consumption, while the volume-based charge applies uniformly to actual consumption.

⁷ Individual customer fixed charges for 2028 through 2030 will be calculated annually based on each customer's updated two-year rolling average historical consumption. Total annual fixed charges shown for each year represent the adopted fixed rate revenue requirement.

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Table 3-4: Proposed Multi-Year Customer Impacts

Line	Multi-Year Customer Impacts	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
1	Monthly Water Use (ccf)	15	15	15	15	15
2	Fixed Charge ⁸	\$32.75	\$34.22	\$35.76	\$37.37	\$39.05
3	Volume-Based Charge (\$/ ccf)	\$37.05	\$38.85	\$40.50	\$42.30	\$44.25
4	Total Monthly Charge	\$69.80	\$73.07	\$76.26	\$79.67	\$83.30
5	Difference (\$)		\$3.27	\$3.19	\$3.41	\$3.63

⁸ Average fixed charge per ccf calculated by dividing the total annual fixed charge (**Table 3-3, Line 15**) by 15,246,000 ccf annual consumption.