


East Bay
Municipal
Utility
District
2009

A close-up photograph of several clear water droplets on a green leaf. The background is a soft, out-of-focus bokeh of yellow and green light. The text is overlaid on the right side of the image.

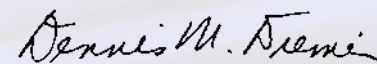
Water Visions
A Clear Path to the Future

2009 Highlights

Extraordinary.

How else do you describe the past year for EBMUD and California water issues? After three years of low rainfall, Governor Schwarzenegger declared a drought emergency in the state and called on all Californians to cut water use by 20 percent. For EBMUD, drought struck early, and our customers responded to calls for conservation with their typical zeal. East Bay residents will have a buffer in future droughts from the Freeport Regional Water Project, a drought-year water supply more than 30 years in the making. The project was identified as a pivotal part of a past Water Supply Management Program. We've updated our long-term plans with WSMP 2040. The plan prepares EBMUD to adjust to new regulations and water system changes, including the far-reaching statewide legislation affecting the Sacramento-San Joaquin River Delta, and addresses future uncertainties, including climate change.

The national financial crisis hit EBMUD, with less revenue from new service connections and higher borrowing costs for capital projects. But responsible fiscal practices and quick action helped protect our 1.3 million customers from even greater financial hardship. This year has clearly been a pivotal one for shaping California's water history. The decisions that come from issues being debated up and down the state will be with us for generations to come.



DENNIS M. DIEMER
General Manager

July 1, 2008 through June 30, 2009

WATER SUPPLY MANAGEMENT PROGRAM 2040

EBMUD completed development of Water Supply Management Program (WSMP) 2040, the District's plan for providing water to its customers over the next 30 years. The plan calls for maintaining a reliable, high-quality water supply by aggressively conserving and recycling water, while setting limits to drought rationing. New water supplies will come from water transfers, groundwater storage and regional supply projects.

QUICK RESPONSE MINIMIZES DROUGHT IMPACT

In May 2008, EBMUD's water supply outlook was so poor that for the first time in nearly twenty years the District declared a drought emergency and instituted mandatory rationing. A drought outreach campaign informed customers of the need to conserve and how to do so. EBMUD provided a hands-on touch too, putting together a water savings team that visited neighborhoods to help customers in person. Even with slightly warmer than average temperatures during the drought, customers stepped up to respond as they have in the past, and reduced water use by 13 percent.

DRY-YEAR WATER SUPPLY PROJECT NEAR COMPLETION

Working together as the Freeport Regional Water Authority, EBMUD, Sacramento County and the City of Sacramento are near completion of the Freeport Regional Water Project, one of the largest California water supply projects in years. Construction began in June 2007, and in FY09 EBMUD completed the 19 miles of pipeline that allow water to be moved from the Sacramento River to EBMUD's system through the Folsom South Canal. Now the District is completing the testing and final work needed to deliver a new supplemental water supply to be used in times of drought. The Sacramento River source will alleviate much of the pain of future droughts, and also will benefit Sacramento County, our project partner.

WEATHERING A FINANCIAL STORM

In a year of extraordinary financial challenges, EBMUD reacted quickly to the national financial crisis. We struggled through cost cutting, a hiring freeze and other measures to keep vital services in place so our customers could continue to receive high-quality water and reliable service at reasonable rates.

NEW PHASE IN BAY PROTECTION

EBMUD is in the forefront of a new movement to protect San Francisco Bay. Under a settlement agreement with the U.S. Environmental Protection Agency, the State Water Resources Control Board and Regional Water Quality Control Board, EBMUD will lead a renewed charge to make San Francisco Bay even healthier. To help reduce the amount of excess sewage flows that come during large storms and reach the Bay, EBMUD will assist as cities and private property owners fix damaged sewer pipes, and seek improvements in our wastewater transmission system as well.

THE DELTA: WATERSHED OF COMMON CONCERN

The Mokelumne River, EBMUD's primary water source, flows into the Sacramento-San Joaquin Delta, a diverse and fragile ecosystem at the epicenter of California's water system. While Delta flows do not supply EBMUD, the Delta is critical to our water supply reliability and fishery protection programs. EBMUD has tirelessly advocated for a long-term sustainability plan that addresses both ecosystem and levee restoration. The impacts of far-reaching statewide legislation affecting the Delta will be taken into account as EBMUD implements WSMP 2040, our long-term water supply plan.

25 YEARS OF CONTRACT EQUITY

In 1984, EBMUD adopted its first policy to ensure a business environment where discrimination is not allowed. The current Contract Equity Program was created in 1999 based on the District's commitment to nondiscrimination, to promote small business and local business participation in District contracts, and to enable all qualified, competitive contractors to legitimately compete for contract awards.

The level of EBMUD contracting with historically underutilized businesses (ethnic minorities and women) has grown from approximately 8 percent in 1984 to 35 percent in 2009. FY09 marks the highest level of ethnic minority business participation in the 25-year history of the program. Fair, active, and open competition is good for the District because it enhances the likelihood that we will receive the best value for our ratepayers' dollars.

Water Supply

Long-term planning is a tradition at EBMUD. Key policy decisions are deliberated thoughtfully, and are based on providing the greatest community benefit.



The Mokelumne River watershed, which provides 90 percent of EBMUD's water supply, is relatively small and subject to fluctuation – receiving up to ten times less precipitation in dry years than in wet. Droughts do occur, and although EBMUD customers are known for their commitment to conservation, without a supplemental supply they could be required to cut water use up to 65 percent during a severe drought. This past year we neared completion of a major dry-year water supply project, the Freeport Regional Water Project, and finalized details of a 30-year plan for providing water to our customers.

30-YEAR VISION TO KEEP CUSTOMERS IN WATER THROUGH 2040

New water projects take years to develop, so long-term planning is the only way to ensure reliable water supplies for the future. In FY09 EBMUD completed its Water Supply Management Program (WSMP) 2040, the District's plan for providing water to its customers over the next 30 years.

The plan emphasizes the District's continued commitment to preserve and protect the environment and seek cost-effective collaborative solutions. WSMP 2040 prepares EBMUD to adjust to new regulations and water system changes, and provides the flexibility to address uncertainties including climate change and repercussions of statewide legislation affecting the Sacramento-San Joaquin River Delta.

Savings from continued aggressive levels of water conservation, recycling and rationing in dry years will meet the increased water needs from expected service area population growth. But new water sources will be needed as Sierra foothill communities along EBMUD's primary source of water, the Mokelumne River, grow and use more of the river's water. The need for additional water also will be driven by the District's intent to lessen the burden of droughts by limiting customer rationing to 15 percent.

New water supplies will come from a combination of water transfers, groundwater storage and regional supply projects. The two regional supply projects under consideration are desalination of ocean, bay or Delta water and enlargement of Pardee Reservoir to meet regional water needs.

FREEPORT PROJECT CLOSE TO COMPLETION: REGIONAL SOLUTION WILL PROVIDE RELIEF

One form of drought relief soon to arrive is the Freeport Regional Water Project, which will bring water from the Sacramento River to EBMUD's Mokelumne Aqueducts, stretching 90 miles to the East Bay. EBMUD, along with Sacramento County and the City of Sacramento, are working jointly as the Freeport Regional Water Authority on this collaborative project.

Construction began in June 2007, and in FY09 EBMUD completed the final miles of pipeline that allow water to be moved from the Sacramento River to EBMUD's system through the Folsom South Canal. Now we are completing the testing and final work needed to deliver a new supplemental water supply. The Sacramento River source will alleviate the severe pain of future droughts, and also will benefit Sacramento County, our project partner and ally.

This large California water supply project will deliver up to 100 million gallons per day (mgd) to EBMUD during droughts. Sacramento County will have 85 mgd to boost water



More than 30 years in the making, the Freeport Regional Water Supply Project will draw water in dry years from the Sacramento River at Freeport (above). Featuring art and poetry, the project's intake facility (partial rendering at bottom of page 2) commemorates the river and the importance of water in our daily lives.

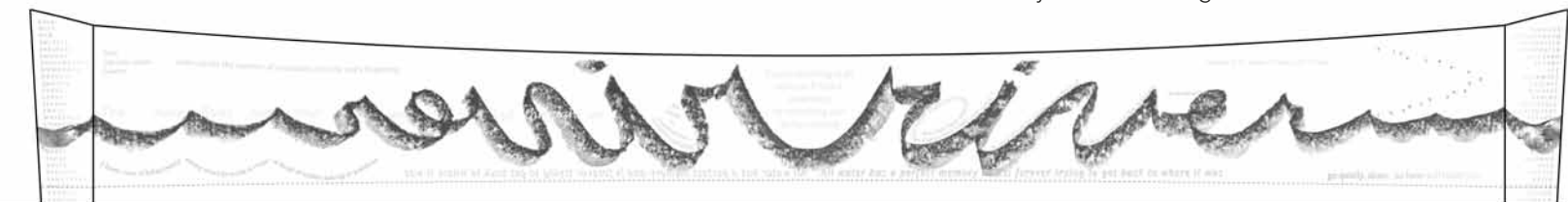
supplies and protect its groundwater basin from depletion. Freeport complements EBMUD's strong conservation and recycling programs to meet the East Bay's needs, and boosts water system reliability.

THE DELTA: WATERSHED OF COMMON CONCERN

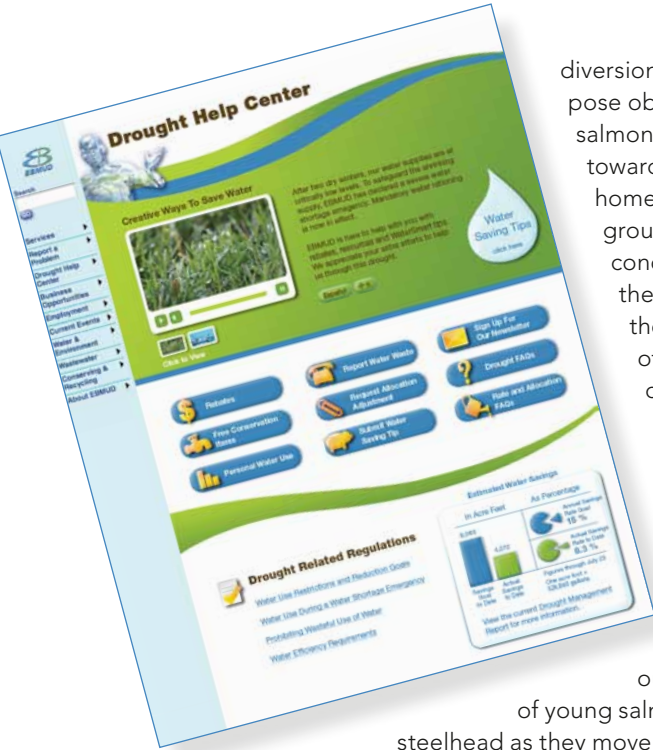
The Mokelumne River, EBMUD's primary water source, flows into the Sacramento-San Joaquin Delta, a diverse and fragile ecosystem at the epicenter of California's water system. While EBMUD's supplies are not taken directly from the Delta, the entire Delta watershed is critical to our water supply reliability and fishery protection programs.

The Delta's health has been a concern for decades, but in recent years real alarm has developed over its aging earthen levees. In a 90-mile stretch between the Sierra and the East Bay, EBMUD's aqueducts cross a number of islands in the Delta that are actually below sea level. A 2004 levee break at the Jones Tract inundated EBMUD's aqueducts, which could have interrupted supplies for up to six months. EBMUD invests more than a million dollars annually in Delta levee maintenance, but it is the proverbial boy with a finger in the dike. The Jones Tract break heightened public awareness of Delta levee problems.

The health of the Delta is critical to the Mokelumne fishery as well, as the Delta's altered waterways and large-scale water



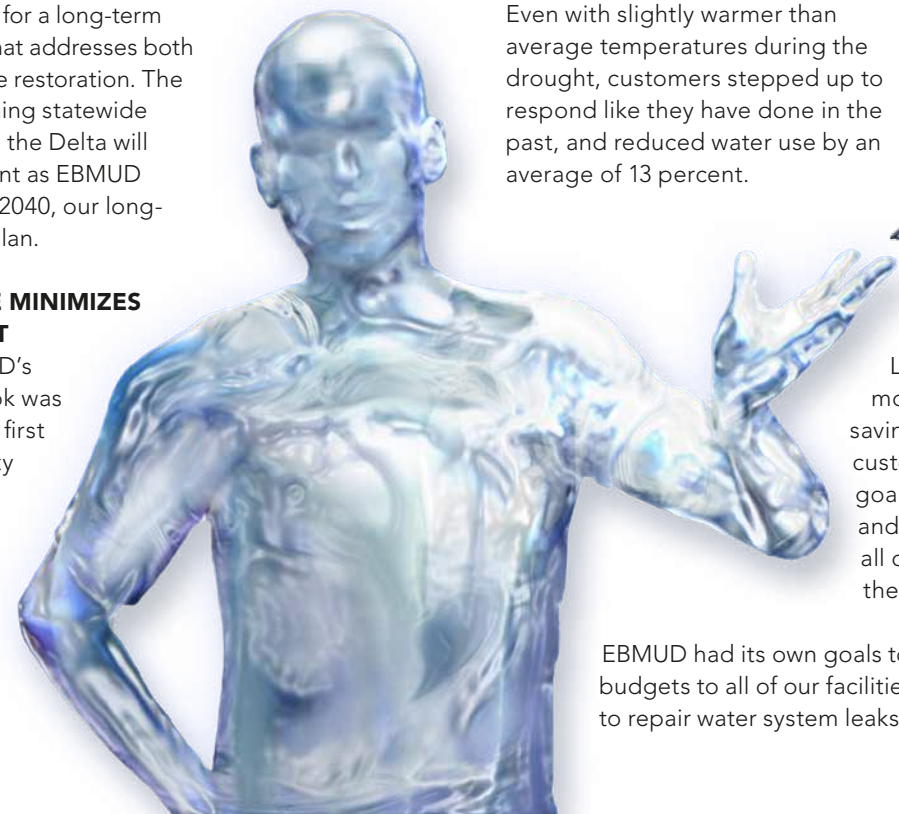
Water Supply



An online Drought Help Center provided customers with "one-stop-shopping" information and services during the drought.

diversions can pose obstacles to salmon migrating toward their home spawning grounds. The condition of the Delta and the operation of major diversions and pumping plants also affects the rearing and outmigration of young salmon and steelhead as they move from rivers to the ocean.

The Delta has been the subject of difficult negotiations for years. EBMUD has



EBMUD spread the word about the need to conserve during the drought with an advertising campaign featuring the character "Running Water." Our customers listened, and captured significant savings.

tirelessly advocated for a long-term sustainability plan that addresses both ecosystem and levee restoration. The impacts of far-reaching statewide legislation affecting the Delta will be taken into account as EBMUD implements WSMP 2040, our long-term water supply plan.

QUICK RESPONSE MINIMIZES DROUGHT IMPACT

In May 2008, EBMUD's water supply outlook was so poor that for the first time in nearly twenty years mandatory water use rationing was necessary. The District's relatively small Mokelumne River watershed put us in rationing

before other Bay Area agencies, and getting customers to understand that they needed to comply with mandatory restrictions was initially challenging. Adding to the challenge was ensuring that customers understood the drought rate structure and water-use restrictions.

A strong public information campaign spread the word about ways customers could save water in their homes and businesses. The District re-tooled its website, creating an online Drought Help Center that was a one-stop education resource. Online videos highlighted what customers were doing in their own homes and yards to save water, and weekly water conservation tips showcased simple changes that could add up to significant savings. Through www.ebmud.com, customers could order free water-conserving devices such as showerheads, faucet aerators, hose shut-off nozzles and conservation publications.

EBMUD provided a hands-on touch too, putting together a water savings team that responded to reports of water waste and visited neighborhoods and business communities to distribute free water-saving devices and show customers how to comply with new watering restrictions.

Even with slightly warmer than average temperatures during the drought, customers stepped up to respond like they have done in the past, and reduced water use by an average of 13 percent.

EBMUD had its own goals too, assigning water budgets to all of our facilities and redoubling efforts to repair water system leaks. We held to our water

budgets, and surpassed our goal of fixing 90 percent of all leaks within seven days.

Customer efforts and ample rainfall in spring 2009 allowed the District to lift mandatory restrictions, followed by a request for 10 percent voluntary conservation to further protect future supplies and support Governor Schwarzenegger's request for water savings from all Californians.

CONSERVATION AND RECYCLING: STEADY SUPPLY

The importance of water conservation was emphasized to customers during the drought, but in every year, drought or not, water conservation and water recycling are critical elements of the District's water supply plan.

EBMUD has one of the longest-standing conservation programs in the state and continually encourages its customers to conserve. We take a rigorous approach to analyzing which programs bring the greatest level of water savings. In an "all-hands-on-deck" response to drought, our staff emphasized educating customers on which water-saving activities could bring quick savings, while reinforcing the changes



EBMUD's water conservation program was one of the first in California. Our tradition includes educating customers on making smart choices for their home, from appliances to outdoor landscaping.

that residential and business customers can make to realize savings for years to come. In FY09, the District completed and distributed its highly regarded WaterSmart Business Development Guidebook, which gives commercial, industrial and institutional customers information on the latest technologies, products and methods to operate at the highest level of water efficiency. EBMUD staff worked directly with businesses to implement changes that not only help customers save money by lowering water use, but save on energy and chemical costs as well.

Water recycling customers enjoyed a worry-free water supply during the drought. Through steady expansion over the years, our capacity to treat and deliver recycled water has reached 11.7 mgd. EBMUD benefitted from \$6.4 million in grant funding for the San Ramon Valley Recycled Water Program, including \$2.9 million in federal Water Resources Development Act appropriations and \$3.5 million in federal economic stimulus funding (American Recovery and Reinvestment Act of 2009). These funds will be used to implement a planned distribution system expansion of this successful water-saving project.



Emergency Response

Trained first responders and continual infrastructure improvements keep service interruptions to a minimum.

DISASTER AVERTED

EBMUD customers, through the District's Seismic Improvement Program, have made a \$200-million investment in protecting the water system, making it possible to restore water service much faster after a major earthquake. Nevertheless, a major earthquake will cause fire and ambulance services, police, and utility crews like EBMUD to be over-committed. Practice for response to emergencies such as earthquakes paid off with the activation of the District's Emergency Operations Team in February 2009, when a 36-inch steel water main on Chabot Road in Oakland failed.

The water main, which crosses the Hayward Fault near the leak location, is the sole source of water to approximately 13,500 homes and businesses in Piedmont and Oakland. The leak was located in a tunnel under the off-ramp of a major East Bay freeway interchange.

Declaring an emergency and activating our Emergency Operations Team allowed EBMUD to plan repairs so that customers in the affected area did not lose water service and the integrity of the Highway 24/13 interchange was not compromised. Two large portable pumps were quickly installed in Piedmont to re-route plumbing in the area so the water main could be shut down for repairs. The quick, thoughtful action averted a possible double disaster of reduced water service and traffic disruptions. Prior exercises got the seasoned and well-rehearsed staff up and running quickly.

SHARING WATER FOR SAFETY

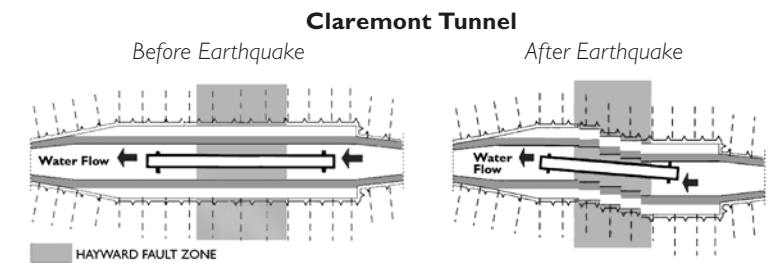
As part of a regional partnership with other Bay Area water agencies to increase water service reliability, EBMUD and the San Francisco Public Utilities Commission (SFPUC) have created a connection for the two systems (the Hayward Intertie) to share up to 30 million gallons of water a day during emergencies or planned critical work. In June 2009, the agencies successfully completed the first half of an extended test of the intertie that began in October 2008. During the test, 4,000 acre-feet of water was transferred from the SFPUC to EBMUD. In early 2010, this water will be returned to the SFPUC to complete the extended test of the intertie and to support some of SFPUC's planned seismic upgrade-related system outages.

CLAREMONT TUNNEL PROJECT WINS MAJOR AWARD

In California, preparing for emergencies means preparing for earthquakes. The District has won the Charles Pankow Award from the American Society of Civil Engineers for its innovative seismic fix to the Claremont Tunnel, a major water artery that crosses the Hayward Fault. This keystone project of our Seismic Improvement Program presented daunting challenges. The tunnel's vulnerability to a Hayward Fault quake was established in the 1990s, but total replacement would be hugely expensive. And how could the District shut down a facility continuously serving 800,000 people?

The three-year project required two wintertime outages. When a critical portable pump motor burned out just before the final outage was to begin, EBMUD crews built a new one in a week—a project that usually takes months. The District ran the water system without the tunnel for four months. To accommodate the work, a public outreach campaign helped keep customer water demand low into the spring.

The seismic upgrade included a new tunnel section designed to survive a major temblor, and a smaller pipe within the fault zone to keep water running even if the main one is damaged. The ASCE Pankow Award for Innovation is one of the industry's highest honors. Completion of the Seismic Improvement Program has greatly improved EBMUD's seismic readiness, and our effort is now a model for other utilities.



A seismic upgrade to the Claremont Tunnel (schematic above, new portion of tunnel under construction below), a critical water line, capped a 10-year Seismic Improvement Program and earned one of Engineering's highest honors, the American Society of Civil Engineers Charles Pankow award. The fix also provides a high level of water service reliability for our customers.

STOCK UP ON EMERGENCY SUPPLIES
Be Prepared to "Camp Out" for a Few Days

In a severe quake, water service may be interrupted. The national standard is to store one gallon per person per day, just to cover hydration and food preparation. EBMUD water can be stored safely in clean, tightly capped containers. Change the stored water every six months. (No need to waste it: Use it to water the garden, rather than just pouring it down the drain.) The water in your water heater is a source of potable water, too, and that's the reason to secure the tank so it won't topple in a quake. So—make sure the heater is strapped to the wall, less likely to start a fire and more likely to be available for drinking water. If you suspect your emergency water supply has bacterial contamination, there are several ways to purify it. Simply boil it for at least five minutes, or treat it with water purification tablets available at drug and sporting goods stores. Unscented household liquid chlorine bleach also may be used, if only sodium hypochlorite is listed as the active ingredient. Add a quarter-teaspoon per gallon of clear water, and let stand uncovered for half an hour before using.

Your plans for emergencies should include more than water, of course. You should have a tent, non-perishable food, a camp-style stove and fuel, waterproof matches, spare medications, toiletries, sleeping bags, camp lantern, cash for emergency purchases, a portable camp toilet, etc. In other words, try to be prepared to "camp out" in your yard for several days, until such time as emergency crews can restore all your utilities and make sure your home is safe to live in again.

Living in earthquake country, we all need to be prepared for emergencies. EBMUD makes special efforts to safeguard its critical facilities to minimize disruptions to water service, and we help our customers prepare for natural disasters too.



Workforce & Community Development

A strong EBMUD workforce and focus on community leads to the highest quality product and best service for our 1.3 million customers.

25 YEARS OF CONTRACT EQUITY

In 1984, EBMUD adopted its first policy to ensure a business environment where discrimination is not allowed. The policy goal was to promote equal opportunity, diversity, and a level playing field among the contractors and businesses EBMUD



hired for facilities construction, and professional and financial consultation, and from which the District purchased goods, services and equipment.

The level of EBMUD contracting with historically underutilized businesses (ethnic minorities and women) has grown from approximately 8 percent in 1984

to 35 percent in 2009. FY09 marks the highest level of ethnic minority business participation in the 25-year history of the program. The District met and exceeded both its ethnic minority business and white men business contracting objectives of 25 percent each in FY09.

The current Contract Equity Program was created in 1999 based on the District's commitment to nondiscrimination, to promote small business and local business participation in District contracts, and to enable all qualified, competitive contractors to legitimately compete for contract awards. The Contract Equity Program includes a 25 percent small business set-aside provision for contracts of less than \$60,000, and a 5 percent small business bid discount not to exceed \$50,000 per year on multiple-year contracts.

In FY09, the Contract Equity Program sponsored a number of special outreach and training events for local businesses to enhance their ability to compete for District contracts. This included a partnership with Turner Construction and BART to conduct 12 classes over a six-week period on construction

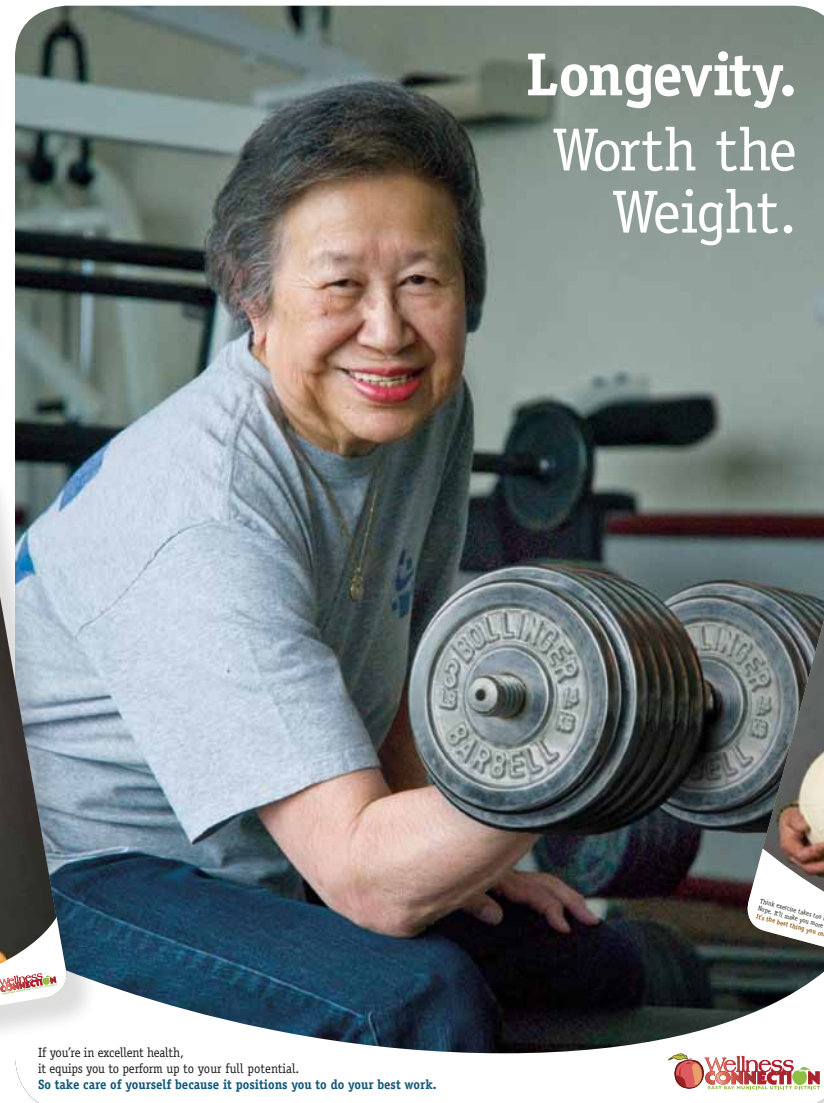
management for small & local businesses, which covered topics such as insurance and bonding, financing, job site safety, project scheduling, and District requirements for construction projects.

The continuing vision for the Contract Equity Program is to be a highly effective, lawful and integral business practice to increase the diversity and participation of small and local businesses in District contracting. EBMUD seeks to ensure that all firms it does business with take lawful and adequate steps to assure that



their employment practices comply with Equal Employment Opportunity laws.

EBMUD's commitment to equity in contracting has been recognized nationally, underscoring a passion to assure all qualified entrepreneurs that they are welcome to do business with us. Fair, active, and open competition is good for the District because it enhances the likelihood that we will receive the best value for our ratepayers' dollars.



Marge Louis does it the EBMUD way. In a creative poster series, the 50-year veteran inspired her co-workers to stay active for a healthy and productive life.

PREPARING THE NEXT GENERATION OF LEADERS

In anticipation of a workforce approaching retirement age, EBMUD launched in recent years a comprehensive workforce planning effort that ensures we have ample talent to carry on the District's traditions of excellence. Beginning with a careful analysis of our workforce demographics, we have focused our efforts in the areas where significant numbers of retirements are anticipated, and have developed programs to be responsive to those needs.



Among the most successful programs are the Developmental

Academies, designed to help pools of candidates be better prepared to compete for promotional opportunities in areas where retirements are anticipated, such as supervisory positions, especially among operations and maintenance staff. Both LEAD and Pathways—EBMUD completed one of each in FY09—are voluntary programs with prerequisites and competitive selection. Participants attend workshops, half on paid time, half on personal time, and complete reading and writing assignments on personal time. They create individual development plans to help them achieve

their career goals, and work with experienced staff as mentors.

The academies have been very successful: graduates have significantly higher success rates when seeking promotions than other internal candidates. We now have graduates in leadership positions at all levels of the organization, and some have been promoted more than once. Additionally, many graduates from LEAD & Pathways have continued their academic education outside of work, stimulated by their academy experiences. Graduates say that the experience and contacts they've made have broadened their perspectives and understanding of the District organization and continue to provide support and resources long after graduation, both in their current positions as well as upon promotion.

MARGE LOUIS – FIFTY-YEAR EBMUD VETERAN

Marge is one of two people in EBMUD history to reach their 50th work anniversary. When she began in 1959 as a clerk, Eisenhower was president, "Gigi" won the best picture Oscar, and the Barbie doll was introduced. Asked "What advice would you give to someone starting out?" Marge replied, "Be on time. When you're supposed to be here, be here. Concentrate, don't fool around, and when you're supposed to go home, go." That standard seems to have worked well for Marge, her family, and the public she serves.

To celebrate her achievement, the District created a series of workplace posters featuring Marge in action—inspiring her co-workers to choose health and a vibrant life. After 50 years of work, does Marge plan to retire anytime soon? No.

FIELD SUPPORT FOR POLLUTION PREVENTION

The District continues to provide support to local communities by coordinating a regional fats, oils, and grease control program, helping local cities and private property owners identify ways to prevent grease-related blockages and sewage overflows. This year, the program expanded to include outreach to residential customers on ways they can help prevent grease blockages. The District also provides support to some cities with inspection services at industrial and commercial facilities to help the cities meet their storm water permit requirements.



Community Stewardship

East Bay residents demanded better public health protections 85 years ago and formed EBMUD. We keep the tradition alive today by protecting our communities and the environmental resources that we are entrusted with.

Stewardship comes in many forms. For EBMUD it means protecting the vital natural resources that we're entrusted with and implementing stringent public health protections for the communities we serve. These tenets have always been with us: we see no other way to operate. This past year, our stewardship efforts helped pass environmentally beneficial legislation and seismically strengthened one of our larger dams, safeguarding thousands of residents downstream.

Times have changed since the construction of San Pablo Dam nearly a century ago. Using the innovative technology of Cement Deep Soil Mixing, EBMUD is now strengthening the dam to safeguard water supplies and protect nearby communities from flooding.

REBUILDING SAN PABLO DAM

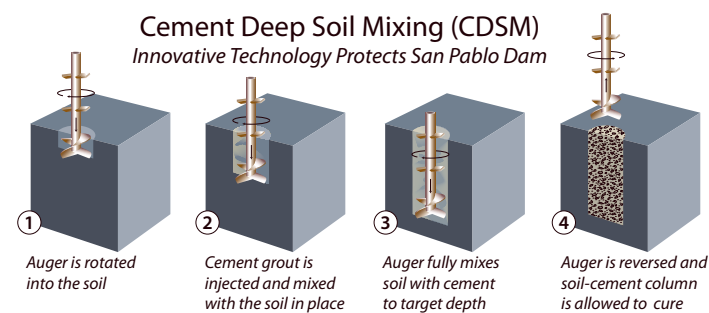
FY09 saw the start of construction of new safeguards to protect San Pablo Dam from the damaging effects of earthquakes. The dam, which holds back the source water for two water treatment plants, was built between 1917 and 1921. It's made of hydraulic fill, with earth washed from nearby slopes to form the nucleus of the dam, which is 170 feet high and 1,200 feet long. Twice before seismic evaluations indicated improvements were necessary, and buttress fills were constructed on the downstream and upstream slopes.

The science of protecting infrastructure from earthquakes is constantly evolving. In 2002, in conjunction with the State of California Division of Safety of Dams, the District reanalyzed the seismic stability of the dam. The new analysis, completed in 2004, concluded that the dam could be deformed by an earthquake due to liquefaction of the foundation and embankment. The reservoir level was immediately lowered to provide a safety margin until the dam could be repaired. The solution chosen for the retrofit was in-place improvement of a portion of the foundation using an innovative technology known as cement



From sponsoring statewide legislation to working with visitors one-on-one, EBMUD takes a comprehensive approach to protecting natural resources and public health.

deep soil mixing (CDSM), and a new buttress fill at the downstream "toe." This option ensured a continued water supply and reduced disruption to the environment and recreation.



The construction involves removing the old downstream buttress fill and improvements of the dam's foundation soils using the CDSM technique—now completed—plus installing a new compacted earth buttress downstream. The project is moving ahead of schedule and is on track for returning the reservoir to normal operating levels in early 2010.

LEGISLATIVE PROTECTIONS – INVASIVE SPECIES & LEAD

Quagga and Zebra Mussels are invasive, non-native mollusks that have been discovered recently in some California waters. State officials say the spread of the mussels threatens water delivery systems, hydroelectric facilities, agriculture, recreational boating and fishing, and aquatic ecosystems across the state. EBMUD sponsored AB 2065 (Hancock), signed into law by Governor Schwarzenegger in September 2008, to require anyone who owns or manages a water storage reservoir to develop and implement a program designed to prevent the introduction of dreissenid mussels. EBMUD sponsored this measure in an effort to protect its reservoirs and save ratepayer money. Because much of California's water supply system is interconnected, no single water supply agency can stop the spread of these invasive mussels by acting alone. As a result of EBMUD's advocacy, California's waterways will enjoy greatly improved protections from invasive mussels.

EBMUD sponsored two bills in 2008 to facilitate the effective implementation of California's landmark safer lead standard, established in 2006 by the EBMUD-sponsored measure AB 1953 (Chan). Combined, these measures provide a way for plumbing manufacturers to demonstrate compliance with the AB 1953 standard and for consumers to have confidence

Financial Strength

that the products they purchase meet this safer standard. The District's successful sponsorship of these measures has made California the national leader in getting the lead out of drinking water plumbing. The two bills—SB 1395 (Corbett) and SB 1334 (Calderon)—were signed into law by the Governor in September 2008.

NEW PHASE IN BAY PROTECTION

Our efforts to protect San Francisco Bay began in 1944, when East Bay residents voted to create a regional wastewater agency to halt the discharge of raw sewage into the Bay. Over the years, Bay protection agencies, environmental groups and EBMUD have all worked to keep the Bay as healthy as possible (our main wastewater treatment plant has operated for over ten years within permit limits and without a National Pollutant Discharge Elimination System violation). But despite those efforts, partially treated sewage can still enter the Bay during heavy storms. Today a new effort is underway to change that.

The East Bay has separate systems for storm water runoff and sewage, but storm water can seep into cracks in aging sewer systems during storms, resulting in excessive sewage flows and the runoff of partially treated sewage into the Bay. Under a settlement agreement with U.S. Environmental Protection Agency, the State Water Resources Control Board and the

Regional Water Quality Control Board, EBMUD will lead a renewed charge to keep the Bay healthy.

Under the agreement, EBMUD will work with the cities in its wastewater service area (Oakland, Berkeley, Alameda, Albany, Piedmont, Emeryville and the Stege Sanitary District (El Cerrito, Kensington, and parts of Richmond)) to repair damaged pipelines as quickly as possible, and provide an incentive program for the repair of leaking private sewers (laterals) serving residences or businesses.

Local residents and businesses will have a role in keeping the Bay healthy too. A new ordinance for property owners will require that their laterals are without defects and have proper connections when the home is sold, when getting a permit for certain levels of construction or modification, and when applying for a different size of water meter. Some cities already have similar ordinances in place, and have seen positive impacts as a result.

EBMUD's efforts to protect San Francisco Bay included a major public outreach campaign. The District led a statewide "No Drugs Down the Drain" program in October 2008, with more than 60 agencies throughout the state participating. In the EBMUD wastewater service area, the program aimed to raise public awareness of alternatives to dumping medications down the drain, which sends them through the wastewater system and potentially out to San Francisco Bay. The weeklong campaign encouraged the public to dispose of their unwanted medication properly, and brought in nearly 200 pounds of pharmaceuticals for disposal in EBMUD's service area alone.

For more than 50 years EBMUD has protected San Francisco Bay with responsible wastewater treatment. The District is part of a new collaborative effort to protect the Bay even further.

In a year of extraordinary financial challenges, the District was able to keep vital services in place and rates reasonable.

SUSTAINING STRONG FINANCIAL PERFORMANCE

During the past fiscal year, EBMUD faced a breakdown in the financial markets, severe reduction in local growth and development, a drought, and rising costs including health care and energy. Despite these challenges, EBMUD was able to sustain strong financial performance.

While revenues dropped due a reduction in local development and a mandatory reduction in water use from the drought, EBMUD implemented drought rates, and significant cost and staff reductions to ensure that spending matched revenues. The District was able to maintain its cash reserves and continued to meet its financial goals.

Because EBMUD has a strong history of financial performance, and maintained that performance during the recent failures in the financial markets, Standard and Poor's upgraded the Water and Wastewater Subordinated Revenue Bond rating from AA+ to AAA.



WATER SYSTEM	FY 2009	FY 2008
During the Year:		
Total Water Production, millions of gallons	66,200	75,059
Average Daily Water Production, MGD*	181	205
Maximum Daily Water Production, MGD	262	288
Minimum Daily Water Production, MGD	124	140
At Year End:		
Number of Accounts	381,728	381,903
Number of Employees	1,580	1,615
Miles of Water Distribution Pipe	4,108	4,108
Operating Distribution Storage Capacity, millions of gallons	812	812

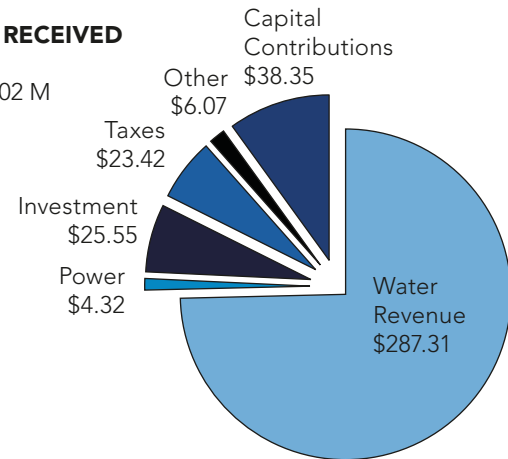
WASTEWATER SYSTEM	FY 2009	FY 2008
During the Year:		
Average Daily Wastewater Flow, MGD	66	69
At Year End:		
Number of Accounts	172,035	177,852
Number of Employees	267	262

*=millions of gallons per day

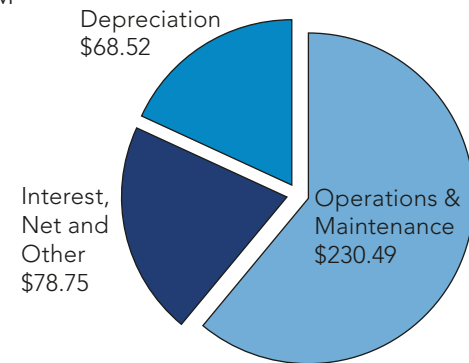


Water System

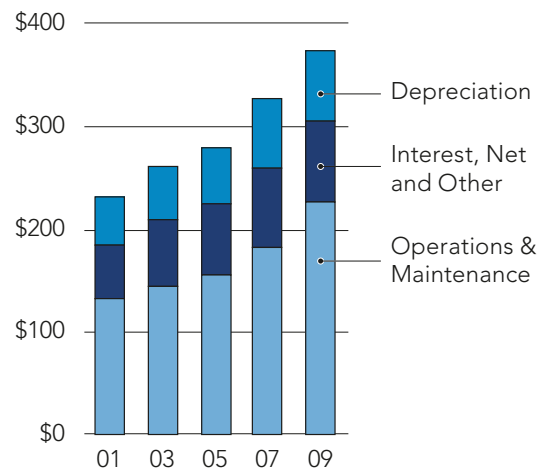
WHAT WE RECEIVED
[in millions]
Total: \$385.02 M



HOW IT WAS USED
[in millions]
Total: \$377.76 M



TOTAL EXPENSES
[in millions]



WATER SYSTEM FINANCIAL HIGHLIGHTS

Operating revenues and expenses have continued to grow at a steady rate over the past ten years with the difference between operating revenues and expenses used to fund debt service and capital improvements.

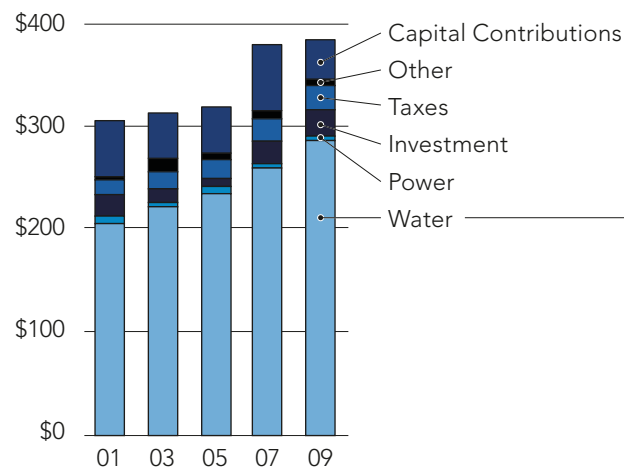
Total revenues for the Water System decreased eight percent from \$417 million in 2008 to \$385 million in 2009 primarily due to a decrease in interest income from investments, other income, and lower capital contributions from a reduction in new development activity.

Total expenses remained relatively even, increasing from \$374 million in 2008 to \$378 million in 2009, primarily due to increases in raw water and water treatment operating expenses offset by lower interest expense on debt financing.

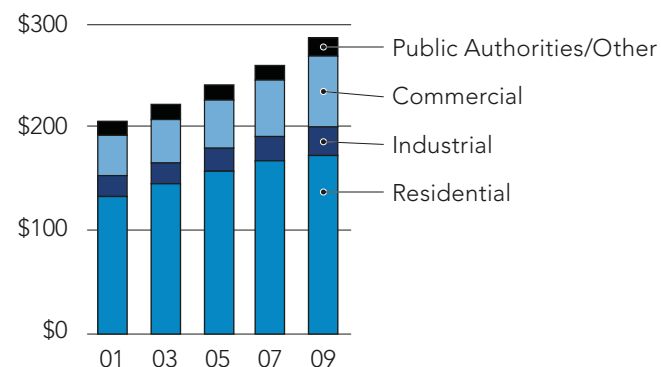
Cash reserves are \$115 million or \$11 million above the target of \$104 million. These excess reserves will be used to fund future capital improvements.

The Water System refunded \$331 million of outstanding subordinated revenue bonds during the fiscal year. The System's bond rating was upgraded to AAA during the fiscal year.

TOTAL REVENUES
[in millions]

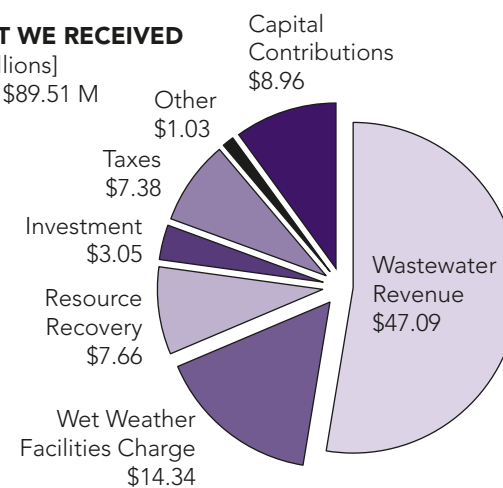


COMPONENTS OF WATER REVENUE
[in millions]

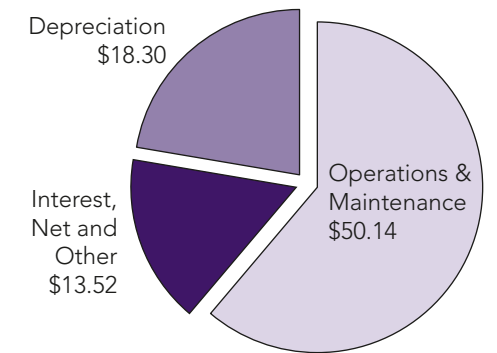


Wastewater System

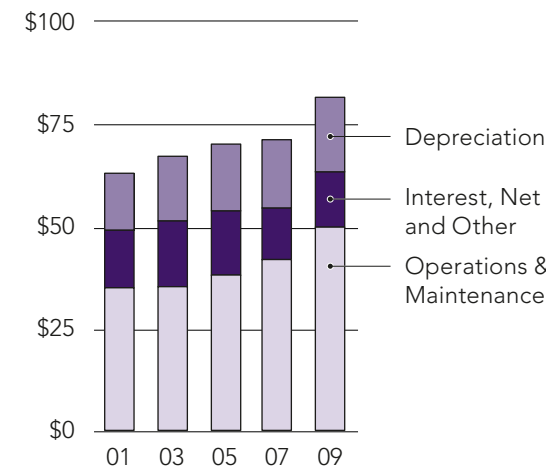
WHAT WE RECEIVED
[in millions]
Total: \$89.51 M



HOW IT WAS USED
[in millions]
Total: \$81.96 M



TOTAL EXPENSES
[in millions]



WASTEWATER SYSTEM FINANCIAL HIGHLIGHTS

Operating revenues and expenses have continued to grow at a steady rate over the past ten years with the difference between operating revenues and expenses used to fund debt service and capital improvements.

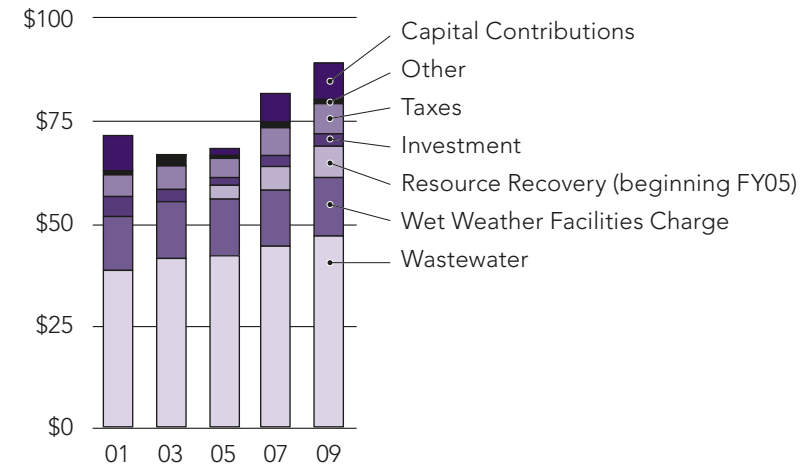
Total revenues for the Wastewater System increased eight percent from \$83 million in 2008 to \$90 million in 2009, primarily due to increased capital contributions related to the California Department of Transportation.

Total expenses increased four percent from \$79 million in 2008 to \$82 million in 2009 primarily due to increases in treatment costs and depreciation expenses offset by lower interest expense on debt financing.

Cash reserves are \$36 million or \$18 million above the target of \$18 million. These excess reserves will be used to fund future capital improvements.

The Wastewater System's bond rating was upgraded to AAA during the fiscal year.

TOTAL REVENUES
[in millions]



Mission



EBMUD MISSION STATEMENT

To manage the natural resources with which the District is entrusted; to provide reliable, high quality water and wastewater services at fair and reasonable rates for the people of the East Bay; and to preserve and protect the environment for future generations. In accomplishing this mission, we will:

- Exercise responsible financial management
- Ensure fair rates and charges
- Provide responsive customer service
- Promote ethical behavior in the conduct of District business
- Ensure fair and open processes involving the public
- Provide a healthy work environment
- Promote diversity and equality in personnel matters and contracting
- Promote environmental responsibility and sustainability

EBMUD WARDS



BOARD OF DIRECTORS — 2009

Board Member	Ward
Lesa R. McIntosh	1
John A. Coleman	2
Katy Foulkes	3
Andy Katz	4
Doug Linney	5
William B. Patterson	6
Frank Mellon	7

Board meetings are open to the public and held the second and fourth Tuesdays of each month at 1:15 p.m. in the Board Room, second floor, 375 11th Street, Oakland, California.

Dennis M. Diemer, General Manager

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