EAST BAY MUNICIPAL UTILITY DISTRICT

SUMMARY FINANCIAL INFORMATION STATEMENT

FISCAL YEAR 2010

The date of this information statement is as of June 30, 2010

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EAST BAY MUNICIPAL UTILITY DISTRICT
SUMMARY FINANCIAL INFORMATION STATEMENT

The purpose of this document is to provide information about the East Bay Municipal Utility District (the "District"). The information presented below has been collected by the District from sources believed to be accurate. The District, however, makes no assurances about the accuracy or reliability of this information. The District does not intend that the enclosed information be relied on as a specific offering of information in connection with any issuance of bonds by the District.

Investors may request further documentation about the District by requesting a copy of their most recent official statement from the Municipal Securities Rulemaking Board or a National Municipal Securities Information Repository. Requests may also be directed to:

Director of Finance
East Bay Municipal Utility District
375 Eleventh Street
Oakland, California 94607-4240
Phone: 510-287-0310
Fax: 510-287-0293(fax)

This information statement provides information about the East Bay Municipal Utility District. Generally, this document relates to debt issued under four security structures:

- **General Obligation Bonds**
- **Water Revenue Bonds**
- **Wastewater Revenue Bonds**
- **Extendable Commercial Paper**

The District reserves the right to discontinue, amend or withdraw this information at anytime. This document is not intended to create disclosure requirements or a legal obligation to provide any or all items of information.

Debt Outstanding

The following tables summarize the District's Water and Wastewater System outstanding long-term debt. All information is presented as of June 30, 2010.

Table 1: Summary of Debt Outstanding
Water System*

WATER SYSTEM REVENUE BONDS			
Series 2001	2001	6/1/2012	5,645,000
Series 2002	2002	6/1/2025	191,180,000
Series 2003	2003	6/1/2021	65,345,000
Series 2005A	2005	6/1/2035	300,000,000
Series 2007A	2007	6/1/2037	450,000,000
Series 2007B	2007	6/1/2019	50,280,000
Series 2008A	2008	6/1/2038	318,550,000
Series 2008B	2008	6/1/2035	59,125,000
Series 2009A	2009	6/1/2026	321,140,000
Series 2010A	2010	6/1/2031	192,830,000
Series 2010B	2010	6/1/2040	400,000,000
TOTAL WATER SYSTEM DEBT OUTSTANDING			**$2,354,095,000**

* Debt outstanding does not include State low interest loans, commercial paper or outstanding refunded but not yet called debt.

Wastewater System*

GENERAL OBLIGATION BONDS			
Series	**Year Issued**	**Final Maturity**	**Par Amount Outstanding**
Series F	2003	4/1/2018	$27,255,000
WASTEWATER SYSTEM REVENUE BONDS			
Series 2007A	2007	6/1/2037	80,630,000
Series 2007B	2007	6/1/2024	42,125,000
Series 2008A	2008	6/1/2033	50,000,000
Series 2008B	2008	6/1/2038	66,850,000
Series 2008C	2008	6/1/2027	58,610,000
TOTAL WASTEWATER SYSTEM DEBT OUTSTANDING			**$325,470,000**

* Debt outstanding does not include State low interest loans, commercial paper or outstanding refunded but not yet called debt.

Extendable Commercial Paper Program

The District has authorized a short-term extendable commercial paper borrowing program of up to the lesser of either (1) the annual average of the total revenue for the three preceding years or, (2) 25% of the District's outstanding bonds. Under this program, the Water System or the Wastewater System may issue commercial paper and bank notes at prevailing interest rates for periods of not more than 120 days from the date of issuance with the option by the District to extend the maturity for another 150 days. The program is not supported by any liquidity or revolving credit agreement.

The Water System and the Wastewater System Commercial Paper Notes are payable from and secured by a pledge of the respective System's revenues on a basis subordinate to outstanding revenue bonds.

On June 30, 2010, $305,300,000 of commercial paper notes was outstanding under the program, with an average weighted remaining life to maturity of 36 days. The proceeds from the issuance of commercial paper are restricted for construction purposes only. There were no unused proceeds on June 30, 2010.

Investment Policy

The District's investment policy can be summarized as follows:

Funds of the District are invested in accordance with the Government Code of the State of California, the Municipal Utility District Act and the District's Investment Policy. Investments shall be in securities with a range of maturities to provide a high rate of return on investments while providing adequate security and liquidity to pay demands when due. Criteria for selecting investments, in order of priority, are:

1. *Safety* - The District's ability to recover principal and interest. Investments shall be made that will seek to insure the preservation of principal and interest and minimize the risk to the greatest extent possible. It is the primary duty of the Treasurer to protect, preserve and maintain cash on behalf of the District.

2. *Liquidity* - The District's ability to have cash available when needed to support expenditure cycles and budgetary objectives. The average maturity of the portfolio shall not exceed 720 days in order to balance liquidity and yields. No single investment can have a maturity of more than 5 years.

3. *Yield* - Ability to provide maximum return on the District's investments while conforming to the safety and liquidity criteria above.

4. *Diversity* - Ability to maintain a broad investment portfolio for the District. In order to accomplish this, no more than 40% of the total cash portfolio shall be invested in any one type of security. Other than federally backed securities, no more than 10% of the total cash portfolio will be invested in any one investment issue, and no more than 10% with any one issuer.

Investment Options

The following are investment options for the District under the Government Code of the State of California.

1. US Treasury Notes, Bonds and Bills
2. The State of California Local Agency Investment Fund
3. Obligations issued by Federal Agencies
4. Banker's Acceptances
5. Commercial Paper
6. Medium Term Corporate Notes
7. Collateralized Repurchase Agreements
8. Certificates of Time Deposit
9. Negotiable Certificates of Deposit
10. Money Market Mutual Funds
11. California Municipal Bonds

The District does not enter into reverse repurchase agreements or otherwise borrow for purposes of investing. The District does not invest in highly volatile derivatives and other such securities. Pursuant to the District's investment policy, all securities purchased from dealers and brokers are held in safekeeping by the trust department of a state or national bank on a payment vs. delivery basis. Collateral is delivered or assigned under a tri-party agreement for all repurchase agreements. Trade confirmations are reviewed for conformity to the original transaction by an individual other than the one who originated the transaction. Transactions are ratified by the General Manager and reported quarterly to the Finance/Administration Committee of the Board of Directors.

District Population

The District includes a large part of the urban and suburban development in Alameda and Contra Costa Counties. The District is made up of twenty cities and fifteen unincorporated communities located on the eastern shore of San Francisco Bay from the Carquinez Strait on the north to San Lorenzo on the south. To the east, the District extends beyond the Oakland-Berkeley hills to Walnut Creek, and from Walnut Creek south through the San Ramon Valley. The six largest cities in the District are Oakland, Alameda, Berkeley, and San Leandro within Alameda County, and Richmond and Walnut Creek within Contra Costa County. Below is a chart showing population trends for these cities, counties and the State of California.

Table 2: Population Trends [(1)]

	2005	2006	2007	2008	2009	2010
SIX LARGEST DISTRICT CITIES						
Alameda	74,400	74,581	74,405	75,254	74,015	74,683
Berkeley	104,300	104,534	105,385	106,347	106,697	107,178
Oakland	411,600	412,318	411,755	415,492	419,095	425,068
San Leandro	81,500	81,442	81,074	81,466	81,851	82,472
Richmond	101,700	103,012	103,468	103,828	103,577	104,513
Walnut Creek	66,000	66,501	66,111	65,384	65,306	65,860
TOTAL SIX CITIES	839,500	842,388	842,198	847,771	850,541	859,774
COUNTIES						
Alameda County	1,497,000	1,507,500	1,509,981	1,537,719	1,557,749	1,574,857
Contra Costa County	1,009,000	1,020,898	1,030,732	1,048,242	1,061,325	1,073,055
Total Counties	2,506,000	2,528,398	2,540,713	2,540,713	2,619,074	2,647,912
STATE						
California	35,591,000	36,271,000	36,810,000	37,172,000	37,883,992	38.292,687

(1) As of January 1 of each year.
Source: State of California Demographic Research Unit

Taxable Property Within The District

The table below summarizes the assessed valuation of taxable property in the District and tax collection records.

Table 3
Water System Assessed Valuation of Taxable Property

Fiscal Year	2006	2007	2008	2009	2010
	ASSESSED VALUATION FOR TAXATION PURPOSES ($000s) [1]				
Alameda County	$67,321,920	$71,515,447	$74,483,103	$73,200,404	$70,377,730
Contra Costa County	70,724,196	74,565,486	76,572,779	74,483,104	74,215,781
TOTAL	$138,046,117	$146,080,933	$151,056,882	$147,683,508	$144,593,512
Fiscal Year	**2006**	**2007**	**2008**	**2009**	**2010**
	COUNTY 1% ALLOCATED PROPERTY TAX REVENUES [2]				
Alameda County	$10,184,907	$10,621,998	$11,506,460	$11,625,543	$11,820,321
Contra Costa County	8,940,234	11,071,283	11,224,646	11,554,756	11,068,795
TOTAL	$19,125,141	$21,693,281	$22,731,052	$23,180,299	$22,889,116

Wastewater System Assessed Valuation of Taxable Property

Fiscal Year	2006	2007	2008	2009	2010
	ASSESSED VALUATION FOR TAXATION PURPOSES ($000s) [1]				
Alameda County	$50,733,522	$53,954,276	$56,427,675	$56,060,622	$55,783,269
Contra Costa County	3,484,542	3,696,909	3,808,177	3,732,976	3,866,784
TOTAL	$54,218,064	$57,651,185	$60,235,852	$59,793,598	$59,650,053
Fiscal Year	2006	2007	2008	2009	2010
	COUNTY 1% ALLOCATED PROPERTY TAX REVENUES [2]				
Alameda County	$1,305,235	$2,659,210	$2,997,860	$3,159,144	$3,143,225
Contra Costa County	250,807	285,411	287,370	299,701	292,357
TOTAL	$1,556,042	$2,944,621	$3,285,230	$3,458,845	$3,435,582
	G. O. BOND AD VALOREM TAX LEVY				
Alameda County	$3,549,808	$3,578,801	$3,660,598	$3,674,685	$3,797,236
Contra Costa County	235,390	249,836	244,946	244,467	239,170
TOTAL	$3,785,198	$3,828,637	$3,905,543	$3,919,152	$4,036,406
Fiscal Year	2006	2007	2008	2009	2010
	TOTAL PROPERTY TAX/AD VALOREM TAX REVENUES				
Alameda County	$4,855,045	$6,238,011	$6,658,458	$6,833,829	$6,940,461
Contra Costa County	486,197	535,247	532,316	544,168	531,527
TOTAL	$5,341,243	$6,773,258	$7,190,774	$7,377,997	$7,471,988

(1) Net assessed valuations, plus homeowners' exemptions, the taxes on which are paid by the State. All valuations are stated on a 100% of full cash value basis.

(2) Net basis excluding all exemptions. Levies reflect the tax reductions effected by the adoption of Article XIIIA of the State Constitution, the "Jarvis-Gann Initiative."

Water System Financial Projections

The following table summarizes the District's Water System projected revenues, expenses, and debt service coverage requirements adopted as part of the "FY2010 and FY2011 Biennial Budget" for fiscal years ending June 30, 2010-2014 and adjusted for the latest water sales and expense projections.

Table 4: Water System Projections

Fiscal Year Ending June 30	2011	2012	2013	2014
Revenue [1]	$400.9	$418.1	$434.9	$452.7
Operations & Maintenance Costs[2]	178.5	178.9	182.7	186.6
NET REVENUES	$222.4	$239.2	$252.2	$266.1
Outstanding Senior Revenue Bonds	-	-	-	-
Outstanding Subordinated Revenue Bonds/Parity Debt	**$142.6**	**$149.1**	**$151.5**	**$151.6**
Future Bond Issues	**-**	**0.0**	**0.0**	**0.0**
TOTAL REVENUE BONDS	**$142.6**	**$149.1**	**$151.5**	**$151.6**
Outstanding Senior Water Bonds	-	-	-	-
Outstanding Subordinated Water Bonds	1.56	1.60	1.66	1.76
Total Outstanding and Future Revenue Bonds	1.56	1.60	1.66	1.76

-

(1) Revenues exclude grant receipts, taxes, and developer contributions but includes Build America Bonds subsidy of $8.2 million each fiscal year.

(2) Operations and Maintenance Costs exclude those expenses paid from ad valorem taxes. Under current District policy, taxes are used to pay for operations allocable to maintenance of fire protection capacity.

The following table shows Water System net revenues and debt service coverage ratios for the past five years.

Table 5: Water System Debt Service Coverage

Fiscal Year Ending June 30	2006	2007	2008	2009	2010
NET REVENUES ($Millions)					
Water Revenue	$244.3	$260.7	$270.5	$287.3	$271.0
Power Revenue	11.0	4.2	3.1	4.3	6.2
Interest	9.7	21.8	40.4	24.5	9.7
SCC Revenue	13.7	19.7	19.7	16.1	40.5
Seismic Rate Surcharge	14.1	14.3	14.9	15.5	16.7
Other Revenue	5.3	7.8	29.4	6.1	7.7
Total Revenue	$305.0	$327.0	$378.2	$353.8	$351.8
Less: Operations and Maintenance Expense	$143.8	$141.1	$154.9	$171.3	$156.1
Deposits Into Rate Stabilization Fund	0	0	0	0	0
NET REVENUE	$161.1	$185.9	$223.3	$182.5	$195.7
DEBT SERVICE ($Millions)					
Senior Revenue Bonds	$0	$0	$0	$0	$0
Subordinated Revenue Bonds	96.9	98.6	119.5	119.0	125.2
Total Debt Service	$96.9	$98.6	$119.5	$119.0	$125.2
Debt Service Coverage Ratio	1.66	1.89	1.87	1.53	1.56

Water System Customers

The following table lists Water System revenues, number of accounts and annual consumption for fiscal year ending June 30, 2010.

Table 6: Revenues from Water Sales

Type of Customer	Gross Revenues ($000s)	Percent of Revenues	Number of Accounts[1]	Percent of Accounts	Annual Consumption (000's of Ccf)[2]	Percent of Consumption
Residential	**$167,495**	**62%**	**349,797**	**92%**	**45,878**	**60%**
Commercial	**67,114**	**25%**	**27,377**	**7%**	**18,556**	**24%**
Industrial	**24,548**	**9%**	**1,204**	**<1%**	**8,326**	**11%**
Other	**11,858**	**4%**	**2,304**	**<1%**	**3,546**	**5%**
TOTAL	**$271,015**	**100%**	**380,682**	**100%**	**76,306**	**100%**

(1) Connections include inactive services and master metered accounts.

(2) Metered water consumption shown here is water delivered and billed to customers. Not included in the metered water consumption is water lost through leaks in the transmission system, used in the treatment process, evaporation, fighting fires and other miscellaneous causes, which approximates 10% of metered consumption.

The following table shows Water System number of accounts, total consumption, average daily consumption, peak demand, maximum treatment capacity, average residential charge and water rate increase for the following fiscal years ending June 30.

Table 7: Water System Accounts

Fiscal Year Ending June 30	2006	2007	2008	2009	2010
Number of Accounts	379.827	381,999	381,903	381,728	380,682
Water Consumption (millions of gallons)	77,178	76,932	75,059	66,200	63,588
Average Daily Consumption (MGD)	211	211	205	181	174
Peak Demand (MGD)	311	329	288	262	253
Maximum Treatment Capacity (MGD)	500	500	500	500	500
Average Annual Residential Charge (1,100 cubic feet/month)	$349	$360	$378	$396	$431
Water Rate Increase	3.75%	3.75%	5.00%	5.00%	7.50%

Water System Rates and Charges

The tables below summarize the rates and charges for the Water System for the fiscal year beginning July 1, 2010.

Table 8: Water System Rates and Charges

Consumption Charge

Rate Class	Price Per CCF Unit
Single Family	
First Tier (0 – 172 gallons per day)	$2.15
Second Tier (173-393 gallons per day)	$2.67
Third Tier (greater than 393 gallons per day)	$3.27
Multi Family	$2.73
Other	$2.82

Meter Charge

Meter Size	Per Month
5/8-inch and ¾-inch	$10.89
1-inch	$17.50
1-1/2 inch	$28.22
2-inch	$41.22
Over 2-inch	Various

Based on a survey completed in April 2010 of surrounding water utilities completed as part of the "FY2010 and FY2011 Biennial Budget", the District has kept its residential water rates at a competitive level. The chart below summarizes the results of that survey.

Table 9: Comparative Residential Water Charges

Water Supplier	Average Annual Household Water Service Charge for 11Ccf/month
City of Palo Alto	$662
DSRSD	$596
Contra Costa Water District	$596
City and County of San Francisco	$572
Marin Municipal Water District	$565
City of San Jose	$525
City of Los Altos	$521
City of Livermore	$486
East Bay Municipal Utility District	***$464***
Alameda County Water District	$433
City of Hayward	$418
North Marin Water District	$408
City of Pleasanton	$299

Water System Largest Customers

The five largest water customers of the District are listed in the table below:

Table 10: Water System Largest Customers

Customer Name	Consumption (CCF)	Percent
Chevron	5,776,125	7.5%
ConocoPhillips Refinery	2,092,743	2.7%
University of California	959,879	1.2%
C&H Sugar Company	849,113	1.1%
Golden Rain Foundation (Rossmoor)	523,644	0.7%
Total Top Five Customers	10,201,504	13.2%
Total District	***76,306,000***	***100.0%***

Water System Five-Year Capital Improvement Program

The District's biennial planning process includes a review and update of facilities needed for the ensuing five Fiscal Years. The most recent biennial plan was completed in 2009 for Fiscal Years 2010 and 2011 and included a five-year capital expenditure forecast for Fiscal Years 2010 through 2014. As summarized below, based upon the Water System's five-year capital expenditures forecast for Fiscal Years 2010 through 2014, the District projected cash expenditures in the aggregate amount of approximately $861.1 million. A new five-year capital expenditure forecast for Fiscal Years 2012 through 2016 will be prepared as part of the District's biennial planning process for Fiscal Years 2012 and 2013 to be completed by the end of June 2011. The District did not make any revision to its adopted capital expenditure appropriations for Fiscal Year 2011 pursuant to its Mid-Cycle Budget Update for Fiscal Year 2011.

Table 11: Water System Capital Program Expenditures Fiscal Years 2010-2014($ Millions)
Fiscal Year ending June 30

	2010	2011	2012	2013	2014	TOTAL
Emergency Preparedness	$2.9	$0.7	$0.0	$0.0	$0.0	$3.6
Extensions/Improvements	23.3	29.0	28.2	28.0	41.4	150.1
Facilities, Services & Equip.	7.3	3.8	11.2	8.3	7.5	38.2
Maintaining Infrastructure	46.4	44.9	61.6	63.2	69.6	285.9
Regulatory Compliance	29.5	5.1	1.7	3.0	3.7	43.2
Resource Management	1.3	3.9	3.1	2.2	0.4	11.1
Water Quality	3.8	6.3	1.8	2.2	3.4	17.7
Water Supply	51.2	23.7	35.9	32.9	16.9	160.9
Admin & General Expenses	30.0	30.0	30.0	30.0	30.0	150.0
TOTAL	$196.1	$147.8	$173.7	$170.1	$173.3	$861.1

The current five-year capital plan includes the following programs and projects:

Emergency Preparedness. Emergency preparedness projects are designed to increase the District's capability to respond to emergencies. These projects include seismic upgrades to the Berryman South Reservoir and the procurement of portable pumps to enable water flow between the Central, Aqueduct, and Upper San Leandro pressure zones. This will ensure that portions of the District's service territory west of the Berkeley Hills will have water service in the event of a post-earthquake transmission line failure.

System Extensions and Improvements. System extensions and improvements will provide service to new customers and improvements designed to provide more reliable service. These projects include: (i) the operations network program, (ii) the pressure zone improvements program, and (iii) the water treatment and transmission improvements program, as described below.

The operations network program includes continued improvements to the District's control systems for water operations and the operations of the District's pumping plants. The benefits of the program include maintaining efficient and reliable operations of the water system, optimizing energy cost savings for pumping plants and improved response to disasters and outage planning.

The pressure zone improvements program includes the continued development of Water System extension facilities in the San Ramon Valley as well as addressing storage, pumping and water quality issues with new facility improvements in the Oakland Hills.

The water treatment and transmission improvements program includes new facilities and upgrades to existing facilities in Lafayette, Moraga, Oakland, Walnut Creek and unincorporated Contra Costa County. The upgrades at the existing water treatment plants include rehabilitation of the Lafayette water treatment plant and various distribution system projects. The projects are driven by a variety of overlapping needs including: meeting regulatory standards related to water quality, meeting existing and future water demands, improving aging infrastructure and technology and correcting existing hydraulic/operational constraints.

Facilities, Services & Equipment. The facilities, services and equipment projects provide for the renovation of existing facilities to improve public and/or employee safety, and provide upgrades to major information systems. The primary component of the facilities, services and equipment capital plan is the communications program, which will replace the District's 20-year old Customer Information System to better meet the

meet the District's billing, revenue collection and customer service needs. This project is expected to be completed in Fiscal Year 2011. In addition, the District is implementing security improvements to numerous facilities including a combination of fencing, lighting, alarms, video monitors and access card readers.

Maintaining Infrastructure. These programs focus on preventative and corrective maintenance on District facilities to ensure delivery of reliable, high quality water service as described below.

The pipeline/appurtenances program will maintain efficient pipeline operations and improve the infrastructure by replacing appurtenances such as valves, lead service connections, hydrants and meters at the end of their useful life. This includes an ongoing project to install services for new customers, and to replace old services at the end of their useful lives. The District plans to install approximately 2,100 new service laterals each year.

The pipelines/regulators program is an ongoing program to meet the pipeline replacement and expansion needs of the distribution system. The goal is to replace 1.5 miles of pipelines annually as part of this program. In addition, the District also conducts an ongoing program to replace deteriorating water distribution pipelines. Pipelines for renewal are identified primarily through the evaluation of maintenance histories. The goal of this program is to replace 8 miles of pipeline per year, which is expected to maintain a stable leak rate and is used as an indicator of system integrity.

The District also has an ongoing program to relocate pipelines to accommodate projects of other agencies such as roadway improvements or rail system expansion. The District is obligated to bear the cost of pipeline relocations originating from street improvement projects of most cities, while costs for pipeline relocations driven by agencies such as Caltrans and BART are typically reimbursable. Relocation work for Caltrans and BART totaling 2.2 miles of pipe is planned in Fiscal Year 2011.

The polybutylene lateral replacement program was established to manage the cost-effective replacement of defective polybutylene service laterals. This is an ongoing project to replace the District's remaining polybutylene laterals and recover repair costs through litigation. This project also includes planned replacements of polybutylene laterals in areas suffering high failure rates, and incidental replacements when laterals are uncovered during the course of other pipeline repair work. Since 1992, the District has replaced over 36,000 polybutylene laterals and additional replacements will continue. The District reached settlements with the Shell Oil Company in December 2007, and with the FMC Corporation in March 2009. Litigation efforts are now complete for recovery of repair costs.

The reservoir rehabilitation program maintains the integrity of the District's distribution reservoirs by preventing and mitigating corrosion, improving water quality and extending the useful life of the reservoirs. The program is intended to extend the service lives of many of the District's 80 steel and 58 reinforced concrete distribution tanks by replacing coating systems, installing and/or repairing cathodic protection systems, repairing or replacing roof systems, and performing structural upgrades. In Fiscal Year 2011 improvements to the Berryman South, Miller and Laguna. No. 1 reservoirs will be completed. Beginning in Fiscal Year 2012, further rehabilitation or supplemental seismic improvements are expected to be made to approximately 20 of the District's distribution reservoirs. The District also plans to conduct a quadrennial reservoir facility assessment study starting in Fiscal Year 2012.

The open-cut reservoir rehabilitation project develops outage plans and design and construct improvements for the 26 open-cut reservoirs in the distribution system. Projects address structural integrity, worker safety, operational reliability, regulatory requirements and water quality issues. The projects in Fiscal Years 2010 through 2014 include demolition and replacement of Schapiro Reservoir in Richmond and South Reservoir in Castro Valley.

Regulatory Compliance. Regulatory compliance projects are designed to ensure compliance with new and existing environmental regulations and permit requirements, including dam safety. The District's dams frequently undergo required State and federal dam safety inspections in addition to ongoing monitoring of the performance of the dams by the District. The District has implemented a dam safety program which includes a variety of projects to provide for upgrades to existing dams and associated critical facilities such as outlet towers and spillways to meet earthquake and flood safety requirements. This effort ensures that District dams will not pose a hazard to public safety.

The dam seismic upgrades project includes seismic safety evaluations and dam freeboard increases to improve safety. In Fiscal Years 2010 and 2011, evaluations have been or will be undertaken for 39th Avenue, North, San Pablo Clearwell, Sobrante Clearwell, and Upper San Leandro Dams. Future evaluations and/or safety reviews are planned for Leland, Dunsmuir, Moraga, and Pardee Dam and spillway. Dam freeboard has been increased by making structural modifications to the spillways at Estates, North, and Danville dams; and by operational modifications at Maloney, Moraga, San Pablo Clearwell and Estates dams. Reservoir operating levels have been lowered temporarily at Maloney and Leland dams to achieve adequate freeboard until these reservoirs can be removed from service to construct spillway modifications.

The San Pablo Dam seismic modifications project provides for modifications to the downstream slope of the dam's embankment to prevent slope instability and crest settlement of the dam during the maximum credible earthquake on the Hayward Fault, and is in conformance with the California Division of Safety of Dams (DSOD) seismic criteria. Accomplishments to date include completion of the foundation improvements, placement of the buttress fill at the downstream toe, installation of geotechnical instrumentation, initiation of construction of the mitigation measures and the lifting of the DSOD restrictions on the maximum water operating level. The construction contract has been accepted by the District. Construction of the mitigation measures is expected to be completed in early 2011.

The reservoir tower modifications project provides for evaluating and making modifications to reservoir towers to withstand the effect of seismic events. The Pardee Reservoir outlet tower and tunnel will be evaluated in Fiscal Years 2012 and 2013 per the findings of an inspection by the Federal Energy Regulatory Commission. A stability analysis has been conducted for the Upper San Leandro Reservoir tower with design and construction of any needed upgrades planned for Fiscal Years 2013 and 2014. Lafayette Reservoir tower modifications are planned for Fiscal Years 2014 and 2015 which include seismic and gate control upgrades, and modification of the tower to act as a spillway.

Resource Management. Resource management projects involve improvements to the Mokelumne River habitat and recreation areas and water quality on the watershed. These projects include upgrades to campgrounds, docks and roadways in the District's recreation areas, as well as the purchase of, and improvements to, the District's watershed lands designed to enhance water quality, support customer needs and protect the environment. Access roads and parking are scheduled to be upgraded and a new watershed headquarters building is anticipated to be constructed.

Water Quality. In the area of water quality, the District seeks to operate and maintain facilities to surpass federal and state drinking water regulations; and to make system improvements that meet or surpass environmental and regulatory requirements. Projects include making improvements to reservoirs and water treatment plants to improve water quality.

The distribution system water quality improvements project focuses on making ongoing infrastructure improvements related to water quality to the over 4,000 miles of pipe and 170 reservoirs. Past improvements include construction of the Round Top Reservoir in Oakland and installation of reservoir mixing equipment rate control valves. Future projects include design and construction of Almond Regulator in Castro Valley; the Road 24 Flow Control Valve in San Pablo; automation of the Bollinger and Alcosta Rate Control Valves; and the installation of mixing equipment for distribution reservoirs. The objective is to improve water quality through upgrades of valves and controls in the distribution system that will increase reservoir turnover and reduce nitrification in the system.

The treatment plant upgrades project addresses the need to rehabilitate and modernize the water treatment plants. Planned work includes installation of chemical tank liners at various water treatment plants; construction of an air scour system, chemical system and ventilation improvements, and installation of 24 particle counters at Orinda water treatment plant; electrical system upgrades at both Upper San Leandro and Sobrante water treatment plants; installation of a potassium permanganate feed system at Sobrante water treatment plant; interim improvements at Lafayette water treatment plant including structural evaluation and repair of the clearwell and washwater tank, reclaim system improvements, filter underdrain repair, replacement of the automatic transfer switch; reclaim system improvements at Walnut Creek water treatment plant; and repair of a 60-inch and a 54-inch raw water valve for Sobrante and Upper San Leandro water treatment plants, respectively.

Water Supply. Water supply projects include those capital projects being undertaken in furtherance of the District's objectives to ensure a reliable, high quality water supply for the future and to preserve current entitlements and obtain additional supplemental supplies, as well as conservation and recycling projects designed to reduce the demand for potable water. Water supply projects included in the Fiscal Years 2010 through 2014 capital budget include completion of the Freeport Regional Water Project as described under "Water Supply Management Plan" above, as well as the Water Recycling Program as described under "Water Recycling" above. As part of the Water Recycling Program, the Richmond Advanced Recycled Expansion (RARE) Water Project is a key water recycling project that the District expects to pursue during the Fiscal Years 2010 through 2014. It will initially provide 3.5 MGD of high quality recycled water to the Chevron refinery for boiler feedwater. The project consists of a new high-purity recycled water treatment plant at the refinery, an influent pump station, flow equalization and a standby generator. Construction of the project began in Fiscal Year 2009 and the first phase of the project is anticipated to be completed in Fiscal Year 2011.

The East Bayshore Recycled Water Project, including the potential Phase 2 project, will ultimately supply up to 2.5 MGD of tertiary recycled water to portions of Alameda, Albany, Berkeley, Emeryville and Oakland. As described under "Water Recycling" above, another recycled water project, the San Ramon Valley Recycled Water Program will supply 2.4 MGD of recycled water to portions of San Ramon, Danville, Blackhawk and surrounding areas. This is a joint project conducted in conjunction with DSRSD through DERWA. The project began recycled water deliveries in 2006 and is expected to be fully implemented by 2040 in accordance with WSMP 2040.

An additional component of the water supply capital projects is the aqueducts program which involves the replacement of deteriorating cement lining in the Mokelumne Aqueducts. In Fiscal Years 2010 through 2012, design and construction of relining Mokelumne Aqueduct No. 3 across Upper Jones tract in the Delta is planned and in Fiscal Years 2013 and 2014, relining of Mokelumne Aqueduct No. 3 across Woodward Island and Orwood Tract is planned.

Seismic Matters

The District's service area is in a seismically active region of the State. The Hayward Fault runs through the entire western portion of the District and the Calaveras Fault runs through the southeastern portion of the District's service area. The Concord and Mt. Diablo Thrust Faults are located close to the eastside of the District's service area and the San Andreas Fault is located to the west. The Pardee and Camanche Dams and the District's three aqueducts which carry water from Pardee Reservoir to the District's service area are also in active earthquake fault areas. Although the District has not experienced significant earthquake-related damage to its facilities, the District's Water System and/or its water supply could be adversely affected by a major local earthquake impacting the District's service area, or by earthquake damage to the Pardee or the Camanche Dams or the aqueducts delivering water to the District's service area.

A seismic evaluation study prepared for the District and completed in 1994 examined the likely effects on the District's existing local water system of earthquakes on the Hayward Fault, the Calaveras Fault and the Concord Fault. The study concluded that, in the event of a magnitude 7.0 earthquake on the Hayward Fault, the District would likely experience major damage to the Claremont, San Pablo and Upper San Leandro Tunnels, substantial damage to buried pipes, damage to potable water reservoirs and a disruption in the operation of the District's pumping plants, rate control stations and water treatment plants. The District also would likely experience significant damage in connection with a lesser magnitude earthquake on the Hayward Fault or an earthquake on the Calaveras or Concord Faults. In the event of such damage, if the Claremont Tunnel were closed, it was determined that severe water rationing would be required in the western portion of the District during the estimated 26-week repair period. Further, in the event of severe earthquake damage to the District's Mokelumne Aqueducts, which carry water from Pardee Reservoir to the District's service area, it was determined repair efforts could take up to one year before water could be transported again to the District's terminal reservoirs. This would necessitate a stringent conservation program to reduce consumption, as the District's terminal reservoirs currently store only a four to six months' supply under normal consumption patterns. A major earthquake could also have a severe adverse impact on the economy of the District's service area.

Studies prepared for the District on the safety of Pardee and Camanche Dams during seismic and extreme flood events also have been completed. The results of the studies indicate that both dams would perform satisfactorily in the event of a maximum considered event (MCE) of magnitude 6.5.

Following completion of the seismic evaluation study, the District initiated a multi-year Water System Seismic Improvement Program to identify those facilities most susceptible to earthquake damage and to address, to the extent deemed cost-effective by the District, identified needs. In 2007, the District completed the $200 million Seismic Improvement Program, which is expected to significantly improve performance of the distribution systems and facilities.

The Seismic Improvement Program was designed to strengthen, reinforce and upgrade the District's water distribution and transmission systems to better enable the District to provide post-earthquake water service. Accomplishments include upgrades to 70 reservoirs, 130 pumping plants, 6 water treatment plants, 3 maintenance yards, the Administration Building and various electrical equipment anchorages throughout the District. Key project accomplishments include the completion of the Southern Loop Pipeline in June 2005, the completion of the Claremont Tunnel by-pass and seismic upgrades of the Mokelumne Aqueduct No. 3 across the Sacramento-San Joaquin Delta. The District projects that these improvements will allow the District to meet its service restoration goal of providing water service to 70% of its customers within ten days after a major seismic event.

Water Supply Management Plan

WSMP 2020. In October 1993, the District adopted its Water Supply Management Plan 2020 ("WSMP 2020") to guide the provision of water to the District's service area through the year 2020. In WSMP 2020, the District forecasted that average daily consumption would reach 277 MGD by 2020. However, during the 1990's, the District began new water recycling and water conservation measures. The goal of those water-saving programs, which have been and will continue to be implemented incrementally over the years 1993 through 2020, was to reduce daily consumption to 229 MGD by 2020. Over the same period, projected increased use by senior water rights holders and in-stream flow requirements to protect and enhance fishery resources on the Mokelumne River will decrease the water supply available to satisfy this projected increase in customer demand.

WSMP 2020 and the District's 2005 Urban Water Management Plan demonstrated that the District's existing water supplies were insufficient to meet current and future customer demand during droughts, despite implementation of conservation and water recycling programs and an aggressive dry-year water rationing policy.

Following the adoption of WSMP 2020, and in order to satisfy unmet future water needs of its customers, the District embarked on multiple water supply projects described below.

Freeport Regional Water Project. The Freeport Regional Water Project (hereinafter "FRWP") is a regional water supply project undertaken by the District in partnership with the Sacramento County Water Agency ("SCWA"). The City of Sacramento was an associate partner in the project, although it later dropped out of participation. In February 2002, with the support of the Bureau of Reclamation, the District and SCWA formed the Freeport Regional Water Authority ("FRWA") under a joint powers agreement to develop the FRWP. The FRWP, when completed (which is currently scheduled for early 2011), will provide the permanent infrastructure to allow the District to receive water deliveries pursuant to the Long-Term Renewal CVP Contract at a new point of diversion along the Sacramento River. The FRWP can provide up to 100 MGD of supplemental water supplies to the District in dry years which helps meet projected drought year needs. It also can provide up to 85 MGD to SCWA in all years.

The FRWP diverts water from the Sacramento River near the community of Freeport and conveys this water through new pipelines and the existing Folsom South Canal ("FSC") to the Mokelumne Aqueduct near Camanche Reservoir. A turnout in the pipe within central Sacramento County delivers water to SCWA. Water is delivered to the District pursuant to the District's Long-Term Renewal CVP Contract with the Bureau executed in 2006. CVP water received by the District will be treated at existing District treatment facilities prior to delivery to customers. Short-term storage, if needed, will be provided at the District's San Pablo terminal reservoir.

Construction of the FRWP will be completed by early 2011. The schedule expanded to accommodate unexpected delays during the construction of the District-only elements (as described below). Final testing of the system now is scheduled for February 2011.

In connection with the issuance of Water System revenue bonds by the District in 2007 to finance a portion of the costs of the FRWP, the District entered into a Dedicated Capacity Purchase Agreement, dated as of May 1, 2007, by and between FRWA and the District (the "Dedicated Capacity Purchase Agreement"). Pursuant to the Dedicated Capacity Purchase Agreement, FRWA sells to the District and the District agrees to acquire 100 million gallons per day of capacity in the FRWP ("Dedicated Capacity") in accordance with the Second Amended Joint Exercise of Powers Agreement Concerning the Freeport Regional Water Authority dated as of November 20, 2006 (the "FRWA JPA Agreement"). The purchase price of the Dedicated Capacity has been paid by the District in accordance with the FRWA JPA Agreement as a portion of the District's capital cost of the FRWP pursuant to the FRWA JPA Agreement. In the event of future capital improvements to the FRWP, the District may be required to make additional capital contributions for its share of such costs pursuant to the FRWA JPA Agreement.

Bayside Groundwater Project Phase 1. The Bayside Groundwater Project consist of facilities designed to provide a means of storing treated drinking water in a deep underground aquifer during wet years for future recovery, re-treatment and distribution to customers during times of drought. Implementation of the project is planned in two phases. The Bayside Groundwater Project Phase 1, completed in December 2009, provides a modest, locally available supplemental water supply that helps reduce the need for rationing in the event of a prolonged drought. Phase 1 is used to store an annual average of 1 MGD of water within a deep aquifer that extends beneath the community of San Lorenzo. Storage operations will take place when water can be made available (during wet years). A volume equal to the total stored can be supplied to customers during dry years (at a delivery rate that does not exceed 1 MGD on a yearly average), helping reduce the need for rationing. Primary Phase 1 facilities as constructed include an injection/extraction well (and pump), a treatment plant, a groundwater monitoring network and instruments used to measure minute changes (if any) in ground surface elevation (subsidence) during Phase 1 operations. The District intends to use the information gathered from Phase 1 operations to determine the feasibility of Phase 2 and inform its future determinations on how to proceed with Phase 2 (which could provide an additional 9 MGD of supply).

The District-SFPUC-Hayward Intertie. The CALFED Bay-Delta Program encourages exploration of Bay Area intertie opportunities. See "– Water Rights and Related Proceedings – Delta Vision and Bay-Delta Conservation Program" above. To this end, in April 2003, the City of Hayward completed CEQA documentation necessary to approve a project allowing for 30 MGD of water to be conveyed between the District and the San Francisco Public Utilities Commission ("SFPUC") water systems via the City of Hayward's distribution system. This project, which was funded by the participating agencies and the State of California through a Proposition 50 grant, was completed in 2007. It gives the District and neighboring agencies increased flexibility to provide water throughout the region during an emergency. The intertie allows sharing of water among the parties during emergencies or planned critical work on facilities that would be difficult to remove from service without an alternative water source. The project consisted primarily of improvements within the City of Hayward, although there were associated minor improvements in District and SFPUC systems.

Mokelumne Aqueduct Seismic and Fisheries Protection Elements. Consistent with WSMP 2020, the District adopted a Lower Mokelumne River Management Plan ("LMRMP") that balances the long-term protection and enhancement of the lower Mokelumne fishery with the public's need for a reliable water supply. As part of the LMRMP, an upgrade of the Camanche Fish Hatchery was completed in 2002 and a project to strengthen a portion of the Mokelumne Aqueduct against earthquakes and floods in the Delta was completed in 2005.

Amador Canal Improvement Project. The District, PG&E, and the Amador Water Agency ("AWA") have agreed to jointly contribute to the replacement of the Amador Canal with a pipeline that is anticipated to eliminate between 3,000 and 6,000 acre-feet per year in seepage losses from the existing earthen ditch canal. Until the AWA needs its full 15,000 acre-feet of entitlement, which is currently estimated to be approximately 2020, the conserved water will be available to PG&E and the District for additional hydropower generation and as additional inflow to Pardee Reservoir. The water conserved by this project will be available to the District in most years for diversion into the Mokelumne Aqueduct or through the Pardee and Camanche power plants. In 2006, AWA awarded a contract for construction and the District made a

made a $4,339,000 payment to AWA. The Amador Canal Improvement Project was completed in 2007.

WSMP 2040. In April 2007, the District began the process of updating its Water Supply Management Plan, extending the planning horizon to 2040 ("WSMP 2040"). Ten workshops were held with the Board before the environmental documentation for WSMP 2040 was released for public review on February 19, 2009. On October 13, 2009, the Board approved the final Program EIR for WSMP 2040 and authorized the implementation of WSMP 2040. The primary objectives of WSMP 2040 are to maintain and improve the District's water supply reliability to its customers and help meet the growing need for water in the future. WSMP 2040 will also adapt the District's water planning approach to circumstances that have changed since WSMP 2020 was adopted, such as competing and changing demands for water, the availability of water from the completed FRWP and Bayside Groundwater Project Phase 1, and long-term climate change. The goal of the WSMP 2040 is to examine what the District has done and what it can do to ensure optimal use of the District's water resources.

WSMP 2040 and the final Program EIR assess the supplemental supplies that will be needed to serve a projected increase in water demand in the District's service area of approximately 0.8 percent per year between 2010 and 2040 (an additional 60 MGD from 2010 to 2040). WSMP 2040 also addresses the potential for additional constraints on the water supply available to the District arising from increased demand of the senior water rights holders along the Mokelumne River.

In November 2009, several local environmental groups filed a challenge to the WSMP 2040 Program EIR, alleging that it does not adequately discuss environmental impacts in compliance with CEQA. This litigation is ongoing. The filing of this challenge has no immediate impact on the validity of the WSMP 2040 approval or the Program EIR, and the approval and underlying documents remain valid while this action is pending. If the litigation is successful, the District could be required to revise certain elements of the WSMP 2040 Program EIR, but the District would not ultimately be prevented from going forward with most of the elements of WSMP 2040. The District anticipates that the matter will be resolved in early 2011, either by reaching a settlement with those litigants or through a decision by the court. Regardless of the outcome of said litigation, the District's actions and activities as proposed for these next several years in the WSMP 2040 Plan (e.g., working to identify potential water transfer opportunities, planning for the potential Bayside Groundwater Project Phase 2, and continuing to implement conservation and recycled water projects and programs) will continue as planned.

WSMP 2040 provides for the District to meet its future needs for water through 2040 by: (i) maximizing water conservation, with a target of saving an additional 39 MGD by 2040; (ii) aggressive water recycling, in an effort to enhance current supply by an additional 11 MGD (above the 9.3 MGD currently supplied by recycled water); (iii) continued rationing during times of drought by up to 15 percent; and (iv) securing additional supplemental water supplies by entering into water transfer agreements, expanding local groundwater storage projects (including the potential to undertake Phase 2 of the Bayside Groundwater Project), and entering into regional water supply partnerships.

In furtherance of the directives of WSMP 2040, during the next several years, the District will be working to identify water transfer opportunities with various entities within Northern California, and specifically within the Sacramento River watershed, with a view towards utilizing the FRWP to move supplies as secured via water transfers. In addition, the District will review the operation of the Bayside Groundwater Project Phase 1, to determine the possibility for a Phase 2 expansion (which could provide an additional 9 MGD of supply).

Beyond those efforts, WSMP 2040 calls for reviewing partnership opportunities. The District will work with Sacramento County water providers to evaluate the possibility of developing a regional groundwater banking operation. Further, the District will continue to engage in discussions of the development of an Upcountry Surface and Groundwater Storage Project (a regional partnership effort with other foothill and San Joaquin County water agencies that would include the potential enlargement of Pardee Reservoir, the potential enlargement of PG&E's Lower Bear Reservoir, and a groundwater banking project in San Joaquin County as described below). The District will also continue to work toward the potential to develop a regional desalination project in partnership with other Bay Area water agencies as described below.

Groundwater Banking Options. The District has been exploring groundwater resource development in San Joaquin County. The District began negotiating with San Joaquin County water interests for a groundwater

banking and conjunctive-use program in 1992. The overdrafted aquifer within San Joaquin County, which is traversed by the Mokelumne River and the District's Mokelumne aqueducts, presented an opportunity for a joint project of mutual benefit. However, lack of consensus among local water users and the absence of a legal framework to assure that a portion of the stored water could be exported to serve District customers during droughts has prevented a project from being developed. The District will continue to seek opportunities to develop a banking project within San Joaquin County, but no project has currently been identified.

Bay Area Regional Desalination Project. Since 2003, the District has been working with other Bay Area water agencies, specifically SFPUC, Contra Costa Water District ("CCWD") and Santa Clara Valley Water District, to explore the development of regional desalination facilities that could (1) provide additional source(s) of water during emergencies, (2) provide an alternative water supply that would allow major facilities to be taken out of service for an extended period of time for inspection, maintenance or repairs, and (3) provide a supplemental supply during drought periods. In mid-2010, the Zone 7 Water Agency became the fifth Bay Area water agency to become a project participant.

In the spring of 2010, the District and its partners finalized a report on the completed pilot testing of a desalination facility concept. The test was conducted in 2009 within the CCWD service area along Mallard Slough. Test results are being used to help evaluate the technical feasibility of developing and operating the above-mentioned regional desalination facilities in the form of a full scale project.

Water Conservation.

The District provides technical and financial assistance to encourage customers to help assure an adequate water supply by using water efficiently. The District's water conservation staff advises customers on designing "Watersmart" landscaping and efficient irrigation methods. Additional conservation efforts include water use surveys, a toilet replacement program, residential and commercial clothes washer programs, a commercial, industrial and institutional rebate program, and free distribution of conservation self-survey kits and water efficient devices (i.e., showerhead, faucet aerators) that reduce water use. The District is also very active in new water conservation technology research and the development of education and demonstration projects. In 1994, the District developed and began implementing its first comprehensive Water Conservation Master Plan ("WCMP") to help meet long-term water supply needs through the year 2020. The District is currently in the process of updating the WCMP such that the updated plan will continue to serve as a blueprint for and include the proposed conservation programs designed to achieve additional water savings of 39 MGD by the year 2040 consistent with the goals of WSMP 2040. The updated WCMP completion date has been extended to mid-2011 in order to incorporate elements of the State of California's mandated 20x2020 water conservation plan (a plan being developed by CDWR to achieve the goal of a 20 percent reduction in urban per capita water use in California by 2020, the draft which 20x2020 plan served as a basis for legislation that was enacted in November 2009 to incorporate into law (Senate Bill X7 7) the goal to achieve a 20 percent reduction in urban per capita water use in California by 2020).

Water Recycling.

The District has undertaken a Water Recycling Program to develop and implement projects that reduce demands on potable water supplies. Since 1993, the District has implemented various recycled water projects that are designed to produce in the aggregate 9.3 MGD of additional supply once the RARE Water Project is online (see "Capital Improvement Program – Water Supply" for additional information regarding the RARE Water Project). The program currently includes five operating recycled water projects and one project that began operating in Fall 2010. Since the early 1970s, the District's Main Wastewater Treatment Plant has been using recycled water for landscape irrigation, cooling, equipment washdown, and construction purposes. In 1984, the Richmond Country Club became the first golf course in the District to use recycled water for irrigation. The Metropolitan Golf Links began using recycled water in 1988, followed by both the Alameda Golf Complex and the Harbor Bay Parkway in Alameda in 1991. Recycled water is provided to the Metropolitan Golf Links, Alameda Golf Complex and the Harbor Bay Parkway from the District's recycling facility in San Leandro. In 1996, the District began providing recycled water to the Richmond Chevron Oil Refinery for use in recirculating cooling towers. The Chevron Oil Refinery is currently the largest single user of recycled water in the District's service area. In 2006, the District began providing recycled water to a number of sites in San Ramon for irrigation purposes. In 2008, the District began providing recycled water to

a number of sites in Oakland for primarily irrigation purposes. In July 2010, the District began start-up mode operation of a new recycled water project that will provide recycled water to the Richmond Chevron Oil Refinery for use in industrial boilers.

On April 9, 1996, the District's Board adopted the Nonpotable Water Policy which requires customers of the District to use nonpotable water (recycled water and other nonpotable water sources) for nondomestic purposes when it is of adequate quality and quantity, available at reasonable cost, not detrimental to public health, and not injurious to plant life, fish and wildlife. The District is currently in the planning, design and construction phases of several new water recycling projects which are scheduled for implementation by 2040 in accordance with the District's WSMP 2040.

The District has entered into a Joint Exercise of Powers Agreement with the Dublin San Ramon Services District ("DSRSD") creating the DSRSD/EBMUD Recycled Water Authority ("DERWA") for the purpose of implementing a recycled water program to make available reliable supplies of recycled water to be provided to the District and DSRSD for their distribution within portions of their existing and future service areas. Planning, design and construction of the initial phase of facilities for the DERWA recycled water program have been completed. The first phase of the San Ramon Valley Recycled Water Program became operational in 2006 and provides recycled water supplies to a number of sites in San Ramon as mentioned above. The costs of such initial phase of facilities were financed from commercial paper notes issued by DERWA (currently in an authorized amount up to $50 million of which $46 million is outstanding), State loan and grant moneys and capital contributions made by the District and DSRSD. The commercial paper notes issued by DERWA are expected to be refinanced with long-term obligations in the future. The second phase of the DERWA recycled water program is near completion. The District's share of costs of the second phase of facilities were financed from federal grant funding for the local share portion. The District and DSRSD have entered into an agreement for the sale of recycled water by DERWA to the District and DSRSD pursuant to which each of the District and DSRSD are responsible for paying their respective share of the costs incurred by DERWA in implementing the DERWA recycled water program (including among other things, administrative costs, construction costs, operation and maintenance costs and costs of debt service on obligations issued by DERWA for the purposes of the recycled water program). Payments to be made by the District under such recycled water sales agreement for the purchase of recycled water are payable as a Water Operation and Maintenance Expense regardless of whether any recycled water is made available to the District from such facilities.

WATER SYSTEM CAPITAL FUNDING

The District plans to fund capital improvements from revenues, bonds, commercial paper, loans and grant proceeds, service installation charges paid by developers, as well as from charges paid for new service connections. The District's estimated sources of funding on a cash basis for the fiscal years 2010-2014 for the Capital Improvement Program are included in Table 11.

Table 12: Water System Funding Sources For Capital Expenditures

Fiscal Years 2010-2014 Total Funding Sources	($Millions)
Bond and Commercial Paper Proceeds	$406.0
Advances and Contributions	87.0
Grants	39.0
Revenue	329.0

TOTAL	**$861.0**

Wastewater System Financial Projections

The following table summarizes the Wastewater System's projected revenues, expenses, and debt service coverage requirements adopted as part of the "FY2010 and FY2011 Biennial Budget" for fiscal years ending June 30, 2010-2014.

Table 13: Wastewater System Projections

Fiscal Year Ending June 30	2011	2012	2013	2014
Revenue [1]	$85.2	$91.2	$95.0	$98.4
Operations and Maintenance Costs [2]	52.2	54.0	55.7	57.4
NET REVENUES	$33.0	$37.1	$39.3	$41.0
Outstanding Senior Revenue Bonds	-	-	-	-
Outstanding Subordinated Revenue Bonds/Parity Debt	**$21.0**	**$26.6**	**$28.3**	**$28.6**
SWRCB Parity Loans	**1.3**	**-**	**-**	**-**
Future Bond Issues	**-**	**-**	**-**	**-**
TOTAL REVENUE BONDS	**$22.3**	**$26.6**	**$28.3**	**$28.6**
Outstanding Senior Revenue Bonds	-	-	-	-
Outstanding Subordinated Revenue Bonds	**1.48**	**1.39**	**1.39**	**1.44**
Total Outstanding and Future Revenue Bonds	**1.48**	**1.39**	**1.39**	**1.44**

(1) Does not include property taxes. Revenues include approximately $2.7 million of BABs subsidy for all years.

(2) Does not include expenses funded by property taxes or the ad valorem tax collected based on the yearly debt service amount of the Series F General Obligations bond.

The following table shows Wastewater System net revenues and debt service coverage ratios for the past five years.

Table 14: Wastewater System Debt Service Coverage

Fiscal Year Ending June 30	2006	2007	2008	2009	2010
NET REVENUES ($Millions)					
Wastewater Revenue	$42.6	$44.6	$46.1	$47.1	$48.8
Wet Weather Facilities Charge	13.8	13.7	13.7	14.3	15.3
Interest	2.1	2.7	5.8	3.1	1.2
Other Revenue	5.1	7.2	7.6	8.7	8.7
Total Revenue	$63.6	$68.2	$73.2	$73.2	$74.0
Less: Operation and Maintenance Expense	$38.0	$39.1	$41.6	$44.6	$41.3
Deposits Into Rate Stabilization Fund	0.0	0.0	0.0	0.0	0.0
NET REVENUE	$25.3	$28.5	$31.5	$28.4	$32.6
DEBT SERVICE ($Millions)					
Senior Revenue Bonds	$0.0	$0.0	$0.0	$0.0	$0.0
Subordinated Revenue Bonds and Parity Debt	15.8	16.0	20.1	20.1	19.1
Total Debt Service	$15.8	$16.0	$20.1	$20.1	$19.1
Debt Service Coverage Ratio	1.60	1.78	1.56	1.41	1.71

The following table shows Wastewater System number of accounts, sewage treated, average daily flow, maximum treatment capacity, average sewer rate change, and average residential charge.

Table 15: Wastewater System Accounts

Fiscal Year Ending June 30	2006	2007	2008	2009	2010
Number of Accounts	177,366	177,831	177,852	172,035	178,051
Sewage Treated (millions of gallons)	29,930	24,455	25,185	24,090	24,820
Average Daily Flow (MGD)	82	67	69	66	68
Maximum Treatment Capacity (MGD)	415	415	415	415	415
Average Rate Increase	3.1%	2.8%	3.4%	3.7%	9.7%
Treatment Charge	3.75%	3.75%	4.00%	4.00%	5.00%
Wet Weather Facilities Charge	0.0%	0.0%	3.75%	3.75%	5.00%
Average Annual Residential Charge (670 cubic feet/month)	$205	$210	$218	$226	$248

The following table shows the District's Wastewater System rates and charges for the fiscal year beginning July 1, 2010.

Table 16: Wastewater System Rates and Charges

Type	Charge	Measure
RESIDENTIAL CHARGES		
Service Charge (per account)	$5.51	per month
Strength Charge (per dwelling unit)	$5.44	per month
Flow Charge	$0.590	per 100-cubic foot unit, to a maximum of 10 units
NON-RESIDENTIAL CHARGES		
Service Charge (per account)	$5.51	per month
Treatment Charge	$0.69-$9.82	per unit, depending on the nature of the business
SF Bay Pollution Prevention Fee	$5.48	per month
PERMIT ACCOUNTS		
Flow Charge	$0.590	per hundred cubic feet
COD(f)	$0.214	per pound of discharge
Suspended Solids	$0.331	per pound of discharge
WET WEATHER FACILITIES CHARGES		
Residential Property	$67.24	per year per dwelling unit
Commercial/Industry Property	$100.86	per year per connection

The chart below summarizes the results of a survey conducted in April 2010 as part of the "FY2010 and FY2011 Biennial Budget" of the wastewater charges of surrounding wastewater utilities.

Table 17: Comparative Annual Wastewater Charges

Residential Customers at 670 Cubic Feet/Month	
Wastewater Service Provider	**Average Annual Household Wastewater Service Charge**
City and County of San Francisco	$658
Central Marin Sanitary District	$594
City of Richmond	$547
East Bay Municipal Utility District*	**$496**
City of Livermore	$489
City of Vallejo	$481
City of Pinole	$458
City of San Jose	$372
City of San Jose	$325
City of Pleasanton	$364
City of San Leandro	$315
Delta Diablo Sanitary District	$315
Central Contra Costa Sanitary District	$311
DSRSD	$294
Union Sanitary District	$276
West Contra Costa Sanitary District	$226
Oro Loma Sanitary District	$178

* Based on adopted FY11 rates of $248/year of EBMUD treatment and wet weather charges and $248/year average collection charge for EBMUD cities.

Wastewater System Five-Year Capital Improvement Program

The District's biennial planning process includes a review and update of facilities needed for the ensuing five fiscal years. The most recent biennial plan was completed in 2009 for Fiscal Years 2010 and 2011 and included a five-year capital expenditure forecast for Fiscal Years 2010 through 2014. Based upon the District's five-year capital expenditures forecast for Fiscal Years 2010 through 2014, the Wastewater System's projected cash expenditures in the aggregate amount of approximately $162.7 million for improvements to the Wastewater System. A new five-year capital expenditure forecast for Fiscal Years 2012 through 2016 will be prepared as part of the District's biennial planning process for Fiscal Years 2012 and 2013 to be completed by the end of June 2011. The District did not make any revision to its adopted capital expenditure appropriations for Fiscal Year 2011 pursuant to its Mid-Cycle Budget Update for Fiscal Year 2011.

Table 18: Wastewater System Capital Program Expenditures FY 2010 - 2014 ($ Millions)

	2010	2011	2012	2013	2014	TOTAL
Maintaining Infrastructure	$28.2	$29.7	$29.9	$17.6	$17.9	$123.3
Regulatory Compliance	4.8	4.6	5.7	6.6	4.3	26.0
A & G Expenses	2.8	2.8	2.6	2.6	2.6	13.4
Total Wastewater System	**$35.8**	**$37.1**	**$38.2**	**$26.8**	**$24.8**	**$162.7**

The cost estimates are adjusted periodically and represent preliminary estimates for planning purposes only. A portion of the projected capital expenditures for the Wastewater System Five-Year Capital Plan are expected to be funded from proceeds of the District's Series 2010B Bonds and the balance from other agency reimbursements, special equipment replacement fund revenue sources, expenditure of reserves and wastewater revenues

The current Wastewater System Five-Year Capital Plan includes capital improvements both at the Main Wastewater Treatment Plant and at remote wastewater facilities designed to ensure that wastewater facilities are well maintained so that they function efficiently and safely and operate at an appropriate level of service; and comply with new and existing wastewater regulations and permit requirements.

Wastewater Infrastructure Program. The Wastewater Infrastructure Program includes a number of projects involving improvements at the Main Wastewater Treatment Plant, the expansion of the District's resource recovery power generation station and improvements to the District's collection system interceptors as described below.

The digester upgrade project includes four phases to rehabilitate the eleven active digesters with new fixed covers and mechanical draft tube mixing equipment at the Main Wastewater Treatment Plant. The digesters perform a key role in stabilizing wastewater solids prior to disposal. The first phase of the project, which included rehabilitation of four primary digesters with new covers and mixers, and improvements to the heating, gas management and ancillary systems has been completed. Construction of the second phase of the project, which includes the rehabilitation of four additional digesters, converting two digesters from secondary to primary function, installing a new blending tank and a new sludge feed system, and constructing a new fats, oil, and grease (FOG) receiving station, began in Fiscal Year 2009 and will continue through Fiscal Year 2013. The third phase will involve the rehabilitation of an additional two digesters with seismic improvements. The fourth phase of the project, which is not expected to be completed until Fiscal Years 2015 through 2017, will involve the rehabilitation of the remaining digester, and may include converting the original digester (Digester No. 1) back into an operational digester.

The centrifuge replacement project provides for the planning, design, construction, and cyclical replacement of centrifuges for dewatering the solids processed by the digesters at the Main Wastewater Treatment Plant. The design and construction of a fifth new centrifuge was completed in Fiscal Year 2009. The first replacement of the four other existing centrifuges, which are over 20 years old, is expected to be completed by the end of 2011. The replacement of the remaining centrifuges is expected to occur outside the current Five-Year Capital Plan.

The concrete rehabilitation project includes rehabilitating critical concrete hydraulic structures, channels and gates at the Main Wastewater Treatment Plant which have experienced concrete corrosion due to sulfides and other constituents in wastewater. The first phases of the concrete rehabilitation will be completed in Fiscal Years 2010 through 2013. Future phases are expected to occur outside the current Five-Year Capital Plan.

The power generation station expansion project is a renewable energy project to expand the existing station at the Main Wastewater Treatment Plant from 6.3 to 10.8 megawatts. With the increase of biogas production due to the District's growing Resource Recovery Program, significant quantities of biogas are currently flared to the atmosphere, precluding the District from utilizing the full potential of this renewable resource. The expansion includes a facility for two turbines, each with a capacity of 4.5 megawatts, with one turbine installed initially. The additional renewable energy can be sold or utilized on-site at the Main Wastewater Treatment Plant to attain 100% energy self-sufficiency. Construction of the power generation station expansion project is anticipated to be completed by the end of 2011.

The interceptor rehabilitation program consists of six projects to rehabilitate portions of the District's interceptor system that is now approaching 60 years of service. The Wood Street segment of the South interceptor in Oakland had one section rehabilitated in 2000. The rehabilitation of the remainder of this two-mile, 105-inch reinforced concrete interceptor will include structural retrofit and protective lining as necessary to extend the life of the Wood Street segment. Design will occur in Fiscal Year 2011 with construction expected to be completed in Fiscal Year 2013. The Buchanan Street interceptor is scheduled for rehabilitation in Fiscal Years 2012 and 2013. The Versailles interceptor and South interceptor manholes and pipe reaches are scheduled for rehabilitation in Fiscal Years 2013 and 2014 and the 3rd Street and Alameda interceptors are anticipated to be rehabilitated in Fiscal Years 2015 and 2016.

Regulatory Compliance Program. The Regulatory Compliance Program consists of improvements necessary to comply with new and existing regulations and permits. The Infiltration/Inflow Control program comprises the major portion of the expenditures under this program and includes work required by the NPDES permit, Cease & Desist Order, and Stipulated Order for Preliminary Relief issued in 2009 for the District's wet weather facilities. See "Regulatory Matters" below. The work includes extensive flow monitoring and modeling, development of various asset management tools, inspection of the entire District interceptor system, and a private sewer lateral incentive program. This work was initiated in Fiscal Year 2010 and is expected to continue through Fiscal Year 2014. The Regulatory Compliance Program also includes continued sampling and laboratory analysis related to the Ettie Street storm water treatment demonstration project. In addition, chemical system improvements will be made at the Point Isabel, Oakport and San Antonio Creek wet weather facilities in Fiscal Years 2012 and 2013.

In addition, further work will be done as part of the dechlorination facilities project at the Main Wastewater Treatment Plant which includes automating portions of the facilities to improve reliability for permit compliance, and providing for adequate mixing. Construction is planned for completion by Fiscal Year 2016. Prior to beginning design of these facilities, an alternative disinfection study will be performed to determine the cost-effectiveness of ultraviolet (UV) disinfection and other alternative methods of disinfection.

Wastewater System Capital Funding

The Wastewater System plans to fund capital improvements from revenues, bonds, loans and grant proceeds, as well as from charges paid for new or upsized service connections. The Wastewater System's estimated sources of funding on a cash basis for the fiscal years 2010-2014 for the Capital Improvement Program are shown in Table 19.

Table 19: Wastewater System Funding Sources Capital Expenditures

Fiscal Years 2010-2014 Total Funding Sources	($Millions)
Commercial Paper	$0.0
Bond Proceeds	96.0
Revenue/Reserves	52.4
Reimbursements	0.0
Equipment Replacement Fund	14.0
Loans	0.0
TOTAL ALL SOURCES	**$162.4**

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Wells Fargo Bank
120 Kearny Street, Suite 2530
San Francisco, CA 94104
415-396-6779 (tel)
415-395-9064 (fax)
Paying Agent and Registrar for:
Water Pollution Control General Obligation Bond – Series F

Julia Sun
BNY Western Trust Company
550 Kearney Street, Suite 600
San Francisco, CA 94108
415-263-2432 (tel)
415-399-1647 (fax)
Trustee for all SUBORDINATED REVENUE BONDS

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EBMUD Finance Department Web Site

The District has listed general financial information on its Web Site: (http://www.ebmud.com.) The site is updated on an annual basis and is designed to assist ratepayers, investors and other interested parties in learning more about the District's financial condition.