

Annual Report 2008



East Bay Municipal Utility District



Our good fortune is to have a water source that is pure and a system that is sound.

Our job is to leave a legacy that reveals our penchant for reliability, expresses our high regard for our customers, and demonstrates diligent stewardship of the natural resources entrusted to us.

At the Intersection of Water and Life



Letter from the General Manager:

Every day, East Bay people raise their families, build businesses, and improve their communities.

EBMUD guarantees this: when customers reach for a cold drink of water after a workout, rinse vegetables for their family dinner, or water their gardens — there will be water. Refreshing, life-giving, readily available mountain water.

In years like this, supplying water is not easy. We moved from a dry 2007 that left us more than 15 percent below our water storage goals, into an even drier 2008. A wet January and February brought short-lived optimism. But after the driest March and April on record posed the greatest threat to the District's water supply since the last drought in 1991, we declared a severe water shortage. EBMUD's decision to immediately safeguard our water supply, combined with comprehensive long-term management of water resources, reflects the farsighted approach EBMUD has taken to solve the East Bay's water problems since our inception in 1923.

Drought is not new to EBMUD, and in fact threatened the East Bay just weeks before water from the newly built Pardee Dam was to arrive in the East Bay more than 80 years ago. Having a dependable supply is the cornerstone of EBMUD's work. In this region, drought has always been a cyclical force of nature.

EBMUD is carefully monitoring precipitation patterns and forecasts, so we are well prepared for another year of drought. Customers can rest assured that after nearly 40 years of negotiating, planning, and building, the Freeport Regional Water Supply Project will be ready by 2010 to supply up to 100 million gallons a day for EBMUD customers in the next dry year.

After the last drought, EBMUD established a drought contingency fund to offset added expenses and lost revenues. That fund is being used today to keep rates as low as possible during the current drought, helping to shield customers from large rate spikes.

Conserving and recycling our precious supply is more important than ever. New technology helps EBMUD find water leaks from pipelines before they surface — saving water and protecting our streets and neighboring properties. Many astute customers already practice water conservation. They

increase their efforts during these challenging times, with EBMUD's help. Water recycling is saving our drinking water as more customers choose this 'drought-proof' supply for irrigation and other uses.

To achieve flexibility and diversity in water supply options, we initiated the newest edition of our Water Supply Management Plan. The guidance and wisdom of EBMUD professionals in consultation with community leaders will help us plan through the year 2040, staying in step with the communities we serve while protecting the natural environment that nurtures the very water we deliver.

I am proud of what our staff has accomplished this year. More importantly, I thank our customers for their wise use of water. As a result of these efforts, we are well-prepared for the coming year, wet or dry.

Dennis M. Diemer
General Manager

With foresight, EBMUD is building on prior achievements, developing solutions to enhance our investments, safeguard our natural resources, and maintain dependable water and wastewater systems.

Highlights 2008

This year we:

Continued an aggressive construction schedule to bring a dry-year water supply to East Bay customers beginning in 2010. The Freeport Regional Water Supply Project will ease the burden of rationing in droughts by supplying up to 100 million gallons of water a day in dry years, and it will help protect the regional economy from the effects of drought.

Conserved, as did our customers. By making conservation a lifestyle choice, and using recycled water for landscape irrigation and other uses that don't waste drinking water, we banked water savings so we will have more water for tomorrow. EBMUD customers saved 1.5 million gallons of water a day in fiscal year 2008 through conservation.

Dedicated a new recycled water treatment facility that will recycle 2.5 millions gallons of wastewater for use in industrial cooling and irrigation. This year customers also used 5.6 million gallons a day of recycled water. Adding that to EBMUD's use of 6.3 million gallons a day for operations needs at the West Oakland wastewater treatment plant, equals almost 12 million gallons of recycled water used daily in 2008.

Kept our ratepayers' investment safe with strong financial operations and strategies that put safety and security first – a valuable tactic in an unstable economy. Our efforts were recognized with a Distinguished Budget Presentation Award and an award for our Comprehensive Annual Financial Report, as well as AA ratings from all the major credit rating agencies.

Crafted new solutions for EBMUD's long-term water supply by working collaboratively with community leaders and in-house experts to launch the Water Supply Management Program 2040. This planning document will utilize decades of combined experience to shape future water supply choices to meet the needs of a growing population in an environmentally responsible way.

Boosted protection of our pristine water source by completing a three-year assessment of the Mokelumne watershed. Results of the evaluation assured us the condition of the watershed is excellent. The water quality baseline and model are tools that will support our future efforts to maintain and improve water quality.

Advanced already progressive environmental protection strategies by formalizing a sustainability policy. After being the first water agency to join the California Climate Action Registry, EBMUD committed to reduce greenhouse gas emissions from our facilities by ten percent by 2015. Our goal is to reduce an amount equal to 52,500 metric tons per year. This is just one of the many ways EBMUD is working to decrease our impact on the environment.

Generated 90 percent of the electricity needed to power our main wastewater plant by creating renewable energy out of wastes from food, wineries, fats, oils and greases. This reduced greenhouse gas emissions by 14,000 metric tons of carbon dioxide and avoided the need to haul these wastes long distances for composting or to landfills where they release methane – a potent greenhouse gas. This resource recovery project also provides \$7 million in revenue, helping keep wastewater rates low.

Protected the Delta environment and our water supply by fortifying aqueducts where they cross fragile Delta levees, boosting our involvement in regional partnerships and contributing to statewide discussions about potential long-term solutions for the Delta.

Guarded water supplies from invasive Quagga mussels. EBMUD acted quickly against this threat by setting up an inspection program and educating the public to keep the tiny mussels from infesting our reservoirs and our water delivery systems.

Realizing Success



EBMUD began serving the East Bay in the 1920s, following a handful of private water companies with reputations for poor service, struggles with financial solvency, and angry customers. Replacing an unreliable supply of silt-clouded water, EBMUD's publicly-owned system featured Pardee Reservoir, an engineering triumph, and a web of pipes and facilities gathering snowmelt from the Sierra Nevada. Fresh Mokelumne River water flowed to the East Bay. The water quality? Unbeatable.

The system still serves us remarkably well. Among our challenges, water supply remains paramount. Competing demands for Mokelumne water include other water rights holders with growing populations, nourishing healthy fisheries and saving water for dry years. Climate change also requires creative answers. By having a broad mix of water sources, we eliminate over-reliance on one option.

We take time to step back, planning wisely so the next generation can count on having the same pure water we enjoy today.

Building on
Our Promise

Protecting
Our Future



BUILDING ON OUR PROMISE

Why Is EBMUD Water So Great?

Thanks to our efforts and the work of our partners, EBMUD's watershed on the western slope of the Sierra Nevada remains unspoiled. We capture pristine snowmelt from the Mokelumne River, and collect it at Pardee Reservoir, 90 miles northeast of the Bay Area.

EBMUD has been the custodian of this watershed for nearly 85 years, and continues this tradition for today's customers and tomorrow's. One way we protect these lands and the water that runs through them is by partnering with local agencies, property owners and other stakeholders. This year we completed a three-year planning project with our partners. Results of the evaluation assured us the condition of the watershed is excellent, and the water quality baseline and model are tools that will support our future efforts to maintain and improve water quality.

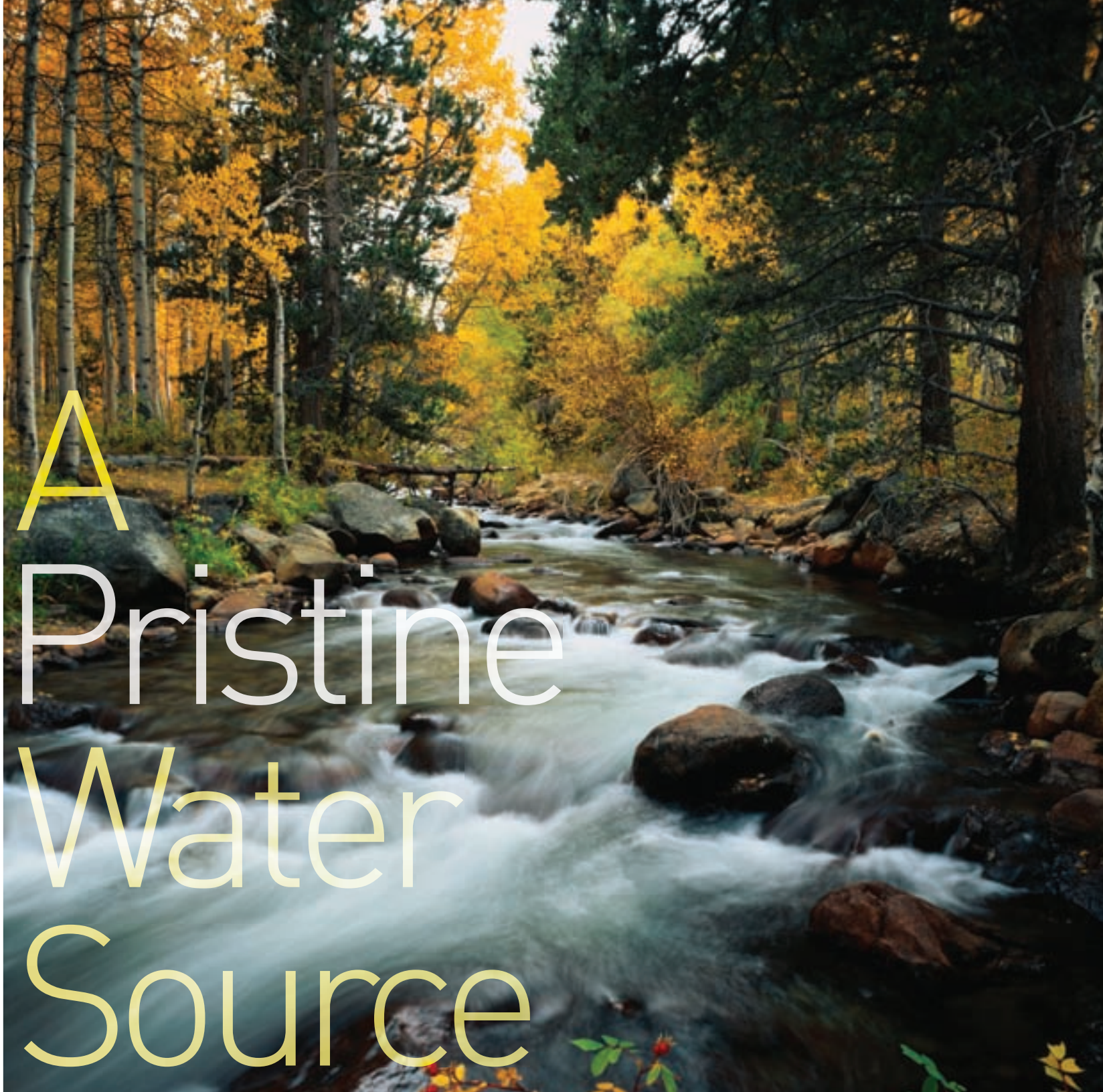
Our future is in the hands of the next generation. EBMUD is working to prepare children to make wise, educated choices about water. EBMUD's outreach began in 1974, just two years before a terrible drought, and has evolved from a focus on saving water to additional water quality and pollution prevention programs. We have increased our partnerships with schools in the Sierra foothills, near the Mokelumne watershed, to reinforce the importance of watershed protection for water quality. EBMUD, through the Upper Mokelumne River Watershed Authority, has funded

Mokelumne River teacher guides and salmon incubators in classrooms. EBMUD rangers continue to lead field trips on east bay and foothills watershed lands, giving children hands-on experiences they will long remember.

Our Water Supply

"Average" rainfall is often referred to in a drought year. But only rarely does our rain year measure close to "average." Some rain years are plentiful. Others leave us wanting. This variability, combined with episodic drought in our Mediterranean climate, compels EBMUD to be ready for whatever nature throws our way. Our staff achieves readiness by developing water supply projects, keeping adequate water "in the bank," and helping customers to conserve and use recycled water.

To provide flexibility, EBMUD is developing alternative water supplies. The Freeport Regional Water Supply Project is a welcome assurance to customers during dry years. Crews worked swiftly throughout 2008 to ready Freeport water for use by 2010. After nearly forty years of effort to utilize EBMUD water rights, this partnership with Sacramento County Water Agency will provide 100 million gallons per day (MGD) of Sacramento River water for EBMUD customers during drought years, and 85 MGD for the Sacramento region. With Freeport in place, the pain of severe customer rationing will be eased significantly.



A Pristine Water Source

Desalination costs have decreased as technology has advanced. To add to our water supply mix, EBMUD is building a pilot project with regional partners to test desalting of brackish water in eastern Contra Costa County. In San Leandro, we will use groundwater basins for storage in wet years, and we are exploring similar projects in Sacramento and San Joaquin counties. We are examining environmental, operational and financial impacts of these new supply options.

Standing Ready

EBMUD's focus on infrastructure ensures reliability. This year, EBMUD created new master plans, including an infrastructure and pump plan, to ensure our system is maintained. A sophisticated computer program helps EBMUD track and manage our physical assets, so we know when to maintain or replace facilities. A back-up plan is in place for all critical systems. Mutual aid agreements with other water agencies ensure that during an emergency we are prepared to help each other.

EBMUD continually reassesses facilities to ensure they will function after a catastrophic earthquake. After learning that San Pablo Dam would likely slump (letting water over the top) during an earthquake on the Hayward Fault, EBMUD quickly began planning a fix. Plans for a seismic upgrade were approved in early 2008, and crews began work during the summer to protect the dam.

To maintain high water quality and move water more efficiently and quickly where it is needed, EBMUD installed a three-mile-long large transmission pipeline in Lafayette and Moraga. This is the first of more than 20 projects in the Water Treatment and Transmission Improvements Program.

Calling upon the knowledge and insight of in-house experts and community leaders, and using the latest information and technology, EBMUD is taking a comprehensive, long-term look at how we can best serve tomorrow's customers. The Water Supply Management Program 2040 (WSMP), launching in 2008, is an integrated resource plan based on EBMUD's fundamental goals of serving reliable, high-quality water. It proposes short and long-term creative measures to meet goals through 2040.

How will what we've learned change our plans? So far, we know we must assess the effects of global warming on our watershed and create a robust plan to handle uncertainties, including climate change and new regulations. Because many of our customers have already put conservation measures in place, it will be more difficult to achieve high levels of savings in future dry years. With these water conservation challenges, population growth and competing demands for the same water, EBMUD will continue to pursue numerous water supply options to meet our customers' needs. The WSMP will prioritize alternative supplies like desalination, conservation, water recycling, groundwater and transfers, all with measures to protect the environment. Areas near our pristine Mokelumne watershed are likely to experience pressure for growth. Our challenge for the future is to establish new management practices and work with our upcountry neighbors to protect this land and its water.



Does Conservation Have to Hurt?

PROTECTING OUR FUTURE

Saving Smartly

Saving water is a choice, and EBMUD makes it easy for customers to conserve. We are vested in our customers' success, working one-on-one helping residents, businesses and institutions to reduce water use in ways that work for them – so we will all have more water for tomorrow.

Our goal? To achieve water savings without undue hardship on our customers.

Wise water use: it was our theme for 2008 even before the May declaration of a severe water shortage and mandatory rationing. Voluntary conservation had been in effect since spring 2007. Following a record-breaking dry March and April in 2008, conservation took on a new urgency with the possibility of a third dry year.

EBMUD has been committed to helping customers make smart water use choices for more than four decades. In drought years, we ramp up outreach to adults and children, so everyone can contribute to meeting conservation goals.

In 2008, customers saved 1.5 million gallons of water per day. Residential customers, who make up almost 70 percent of our customer base, saved 142 million gallons by cutting indoor and outdoor water use. EBMUD's popular toilet and clotheswasher rebates generated half of these savings.

EBMUD staff meets customers at their homes or businesses to review water use, producing tailored reports that pinpoint water-saving measures – from easy (and free) replacement of faucet aerators and showerheads, to major appliance, process or equipment changes with rebates for a quick return on customers' investments. Customers may also perform self-surveys with online tools. EBMUD's

award-winning book, *Plants and Landscapes for Summer-Dry Climates*, continues to inspire planting beautiful, less-thirsty plants. Our experts work with landscape contractors to reduce waste in large landscape areas. We provide information through newsletters, workshops, events, and the web. Children learn a water conservation conscience through plays, classroom lessons, field trips and garden grants for schools. Older students help us retrofit customer homes with water conservation devices through the California Youth Energy Services program. For cities, we provide free landscape planning and code review services that encourage water-wise choices.

This year, EBMUD began implementing a mandate that new customers must meet our indoor and outdoor water-efficiency standards. EBMUD launched a research project to explore how best to provide water use information to apartment-dwellers (who do not receive EBMUD bills). We also are working harder to manage our own water use. One exciting project in Berkeley detects leaks underground before pipes burst, saving water by shortening the time that leaks run. Added repair crews can fix leaks in the streets more quickly.

EBMUD gives customers the facts and the power to make water-wise choices.

What? A Drought-Proof Water Supply?

Recycled water is a great option for parks, greenbelts, sports fields and golf courses, and for industrial cooling and processing. Recycled water users are free from worry about rationed supplies during dry years, and also are protected from higher drought rates. EBMUD works closely with individual

customers and landscapers, offers training for site managers, and ensures that recycled and drinking water systems are completely separate and safe.

This year, customers used 5.6 million gallons of recycled water, the most since EBMUD began its recycled water program. EBMUD also used another 6.3 million gallons of recycled water for industrial processes and irrigation at our wastewater treatment plant in Oakland, totaling almost 12 million gallons a day (MGD). When EBMUD customers use recycled water, the amount they use offsets the need for that amount of drinking water.

On Earth Day 2008, EBMUD delivered tertiary (highly treated) recycled water to its first customer along the east shore of the San Francisco Bay. In less than three months, East Bayshore project customers used 3.1 million gallons. When completed, this project will deliver 2.5 MGD. East of the Oakland-Berkeley Hills, in San Ramon, about 530,000 gallons per day of recycled water was delivered for landscape irrigation. We are now in Phase II work, constructing additional facilities so that in a few years we can deliver another 0.5 MGD.

EBMUD and Chevron have reached agreement to build facilities that will enable the refinery to meet more than half of its water supply needs with recycled water, increasing recycled water use from 4.5 MGD today to 8 MGD by 2010.

Increased use of recycled water and aggressive conservation not only helps stretch EBMUD's limited drinking water, but saves our customers money, and moves us closer to a more sustainable water supply.



Luscious Landscapes

Customers committed to wise water use contribute to sustainable water supplies. EBMUD began encouraging sustainable landscape design more than twenty years ago. This year, a new grant program supports public agencies' and non-profits' efforts to bring beautiful, less-thirsty gardens to life. Gardens in Alameda, Oakland and Walnut Creek will showcase water efficiency and smart design.

Because we know it can be challenging to water plants most efficiently, EBMUD offers rebates for self-adjusting irrigation controllers. These weather-based systems take the guesswork out of making seasonal adjustments, automatically watering based on actual plant, soil, and sprinkler system types. Plants receive exactly the amount of water they need – when they need it – without overwatering.



GUARDING THE EARTH

Dedicated Stewards

Water is both a natural resource we protect and a “product” we sell. As environmental guardians, we would not jeopardize the very resource we all rely on, every day.

EBMUD has a great track record of caring for natural resources – including how we operate the water system, carry out everyday business practices, and decide about future water supply alternatives. We recognize how our choices – and those of our customers – affect the environment.

We formalized our commitment by adopting a sustainability policy. It strives to balance environmental, social and economic objectives within our decision-making on policies, programs and work practices. EBMUD works continuously to improve our environmental leadership.

EBMUD is a proud steward of the natural resources entrusted to us. As a public agency, we go beyond meeting the needs of today, and strive to fulfill our promises without compromising the needs of future generations.

Protecting the Land Protects the Water

EBMUD manages watershed lands in the Sierra foothills and the East Bay to protect water quality, provide oases for water and people, and preserve cultural resources. We own 56,000 acres and coordinate with neighbors to manage the adjacent 438,000 acres. We have consistently worked to protect habitat and biodiversity while providing recreational opportunities for the public.

A challenge that emerged rapidly in 2008 was the invasive Quagga mussel. EBMUD acted immediately, hiring additional staff and earmarking funds for education and inspection programs to keep the tiny mussels from infesting our reservoirs, threatening aquatic resources, and damaging the water delivery system. We inspected about 10,000 boats between February and June, and another 10,000 over the summer. We turned away two percent of the boats, considered a high threat because they came from areas where mussels had already been found, or they had water on board that could harbor mussels or their larvae. EBMUD sponsored Assembly Bill 2065, authored by Loni Hancock (D – Berkeley) and signed into law by Governor Arnold Schwarzenegger. This bill requires that reservoir operators in California with no mussel infestation establish and implement programs to prevent the spread of Quagga and Zebra mussels.

EBMUD’s fisheries program protects the river’s health and promotes the survival and reproduction of fish populations. Our goal is to count 4,000 salmon returning to the Mokelumne River after life at sea. Though fewer fish returned this year, we are still meeting our long term goal to sustain the population. Although the Mokelumne fared better than most other California rivers in 2007, it was not immune from a collapse in the Pacific Northwest salmon population. Experts believe it may have been due to ocean conditions, but studies are under way to find out more. EBMUD manages the river under a joint settlement agreement with the U.S. Fish and Wildlife Service and the California Department of Fish and Game. We just completed a review that evaluated our efforts since the 1998 agreement was established. We met our goals, and found that our collaborations with other agencies improved conditions for the fish and the river, with added gravel for spawning, upgrades to the Mokelumne River Fish Hatchery, and riparian enhancement projects.

In the East Bay, EBMUD went a step further to protect endangered species on Bay Area watershed lands with completion of a Habitat Conservation Plan. In the Lamorinda area, EBMUD is raising about 900 oak trees, using acorns from native trees growing near Lafayette Reservoir, to replace trees removed because of two construction projects. Through a combination of land trades and conservation easements from a developer, we will add about 350 acres to our watershed, including a tributary to Upper San Leandro Reservoir. This acquisition will help protect water quality and enhance resource protection.

Being Green

EBMUD has adopted strategies to minimize impacts to the environment by reducing, recycling, reusing and reclaiming waste, and by conserving natural resources. We are committed to:

- Reducing pollution at the source
- Identifying and implementing waste reduction and recycling programs
- Increasing the use of renewable energy sources and reducing energy consumption
- Reducing EBMUD’s greenhouse gas emissions.

We have established a goal to reduce our carbon footprint to achieve a 10 percent net reduction in greenhouse gas emissions from our facilities by 2015. This equates to a reduction of 52,600 metric tons of greenhouse gases.

EBMUD is committed to ensuring that all system improvements and capital projects meet or surpass environmental and regulatory requirements, and will incorporate sustainable practices as embodied in Leadership in Energy and Environmental Design (LEED) as appropriate.

Guarding the Environment



Love It.

When children encounter EBMUD watershed lands first-hand, they can see the value and beauty with their own eyes.

EBMUD uses many avenues to teach children how their choices make a difference to water supply and water quality. Engaging children through educational experiences on the watershed or in the classroom gives them a deeper sense of place, an understanding of water’s journey, and an appreciation for the interdependency of nature and civilization.

Project WATER (Water Awareness Through Education and Research) was launched in 1974 to urge wise use of water using comic book-style lessons. Kids were receptive to the idea that using only the water you need could help avoid water shortages, and they also passed on the banner of responsibility to their parents, who began to change habits.

EBMUD hosts K-12 field classes in the East Bay and in the Mokelumne area each year, and works with the Watershed Project to provide funds and training to help teachers create healthy gardens that illustrate watershed protection. Children learn about water conservation, watershed lands and their management, stream health, water quality testing, pollution prevention, the role of native plants, and creek restoration. EBMUD’s free workbooks and videos, traveling plays, school garden grants and field trips all help children appreciate water and watersheds, and reinforce their role in making responsible choices – encouraging them to treat the watershed with care and respect.





Serving the Community

SERVING OUR CUSTOMERS

Good service is a result of having a knowledgeable, responsive staff who build positive relationships

Connecting to Customers

EBMUD strives for responsive, personal service for our 1.3 million customers, and wants to be a good neighbor wherever we work or have facilities. We also participate in regional partnerships and support policies and projects that may affect the health of our watershed or the reliability of our water supply.

Our complex system has hundreds of facilities and more than 4,000 miles of pipeline. EBMUD's commitment to maintaining and improving this infrastructure benefits customers with a reliable system. But we recognize construction or repair work comes at a cost to neighbors: short-term inconvenience.

We believe in being well-connected to our communities. By building relationships with community leaders and customers over the years, we lay a solid foundation of communication, so that when we must work in a specific area, we can work more easily and closely with neighbors. EBMUD helps communities understand the need for the work and how we plan to address these needs responsibly, and strives to resolve prob-

lems before they occur. We have achieved outstanding results by involving neighbors early and communicating with them often. EBMUD listens to ideas and concerns and responds quickly, in ways that are sensible for both neighbors and this public agency—which represents 20 incorporated cities and 15 unincorporated communities. One of many examples is our outreach to neighbors where we installed a new, larger pipeline to serve customers in the Lamorinda area. By listening to and learning from our customers' experiences with projects by other agencies, we were able to avoid similar problems when we had to close the same arterial road to install our pipeline.

Reaching out to customers became more critical when the drought was declared in May 2008. We quickly implemented a campaign to help customers learn what conservation actions they could take, and how EBMUD was there to help them make saving water easy. By the end of this fiscal year, we designed and began to implement an advertising and media campaign, assigned new staff to work personally with individuals and community groups, designed an online drought help center, and set rates to encourage conservation. By September, customers had achieved about 11 of the 15 percent overall conservation goal.

As always, EBMUD continues to provide multiple paths for customers to contact us. The Contact Center is staffed with representatives trained to handle issues quickly and sensitively. Self-service tools like the website are available 24/7. EBMUD's customer service software is being replaced so we can be more efficient and have a system that is more flexible to deal with changing needs.

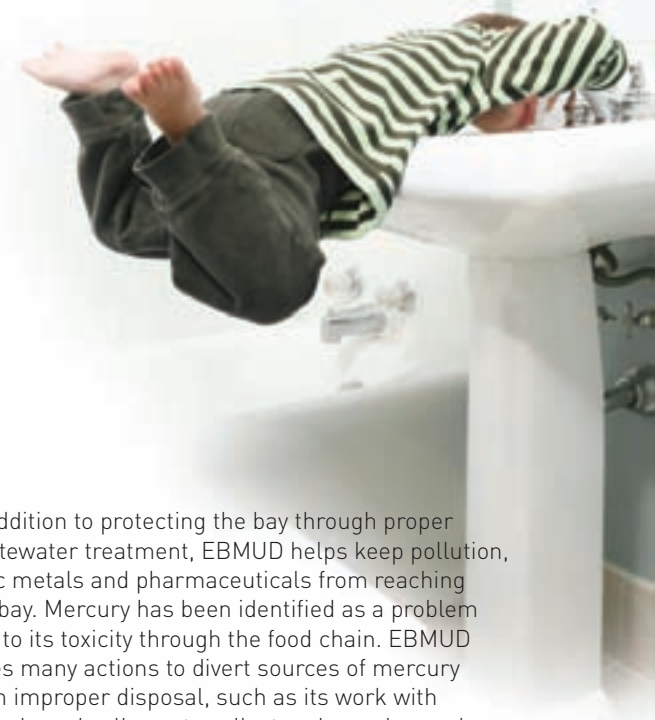
EBMUD strives to have our workforce and the businesses we contract with reflect our goals of being fair and responsible. We continue to provide a healthy work environment that promotes diversity and equality. We achieve these goals through good faith hiring efforts, and a variety of leadership training and intern programs that reinforce the need for excellent communications and quality service.

Closing the Loop

EBMUD's service begins with supplying pure mountain water to customers' taps. Our work ends with something equally important: treatment of that water after it is used, before discharge into San Francisco Bay. Wastewater programs protect the bay, a beautiful resource that is vital to our local economy, public health, our quality of life, and the birds and fish that rely on a clean bay. The Oakland wastewater treatment plant treats approximately 70 million gallons of wastewater per day, every day of the year. We have a great record of operating the plant to make the best use of energy and water resources, recycling and reusing wherever feasible.

The wastewater treatment plant in Oakland is now a source of highly-treated (tertiary) recycled water, for greenbelts, industrial cooling, and toilet flushing. The plant serves Oakland recycled water customers (including EBMUD's Administrative Headquarters), and will expand to reach Emeryville, Berkeley, Albany and Alameda customers with 2.5 million gallons per day, freeing up valuable drinking water.

A pioneer in renewable energy, EBMUD has recovered energy from wastewater since 1985. Today, we produce more than 90 percent of the electricity needed to power the treatment plant, reducing our greenhouse gas emissions by about 14,100 metric tons of carbon dioxide. Next year, we will expand our renewable energy generation by 4.5 megawatts, most to be sold as green energy. New turbine generators will be fueled with biogas from an expanded restaurant food waste program. Untreated waste contributes to global warming by decaying in landfills and producing methane – a potent greenhouse gas. Other wastes producing biogas include fats, oils and greases that otherwise would clog sewer lines and cause overflows, and food processing wastes from dairies and wineries. EBMUD cost-effectively treats these and other organic wastes – reducing environmental impacts, producing renewable energy, and helping reduce dependence on fossil fuels.



In addition to protecting the bay through proper wastewater treatment, EBMUD helps keep pollution, toxic metals and pharmaceuticals from reaching the bay. Mercury has been identified as a problem due to its toxicity through the food chain. EBMUD takes many actions to divert sources of mercury from improper disposal, such as its work with schools and colleges to collect and recycle nearly 150 pounds of mercury waste in FY08 alone. Through EBMUD's pollution prevention activities, more than 450 pounds of unwanted medicines (which can affect water quality in the bay if they are flushed down the drain), were collected and disposed of safely.

One of our highest priorities at our main wastewater treatment plant is to contain and treat odors so they do not distress our neighbors. We regularly meet with community groups to talk about our work at the plant and hear any concerns. EBMUD continues to be responsive, and has installed two new systems that are significantly reducing odors at the plant. Our long-term odor-control plans are benefiting from the input of neighbors and information from worldwide experts.

Preserving a Strong Financial Performance

EBMUD continues to be recognized as a good steward of our ratepayers' monies in the following ways:

• Distinguished Budget Presentation Award

This is the tenth consecutive time that EBMUD has been recognized for our budget. To receive this award, EBMUD's FY08-09 budget document had to meet stringent guidelines and program criteria as a policy document, operations guide, financial plan, and communications device.

• Comprehensive Annual Financial Report (CAFR) Award

This is the third consecutive year that EBMUD has received this award. EBMUD's FY06-FY07 CAFR had to meet requirements for basic financial statement presentation, provide an introduction and statistical section, and be in compliance with Generally Accepted Accounting Principles, Governmental Accounting Standards Board pronouncements, and Governmental Accounting, Auditing, and Financial Reporting guidelines.

• High Subordinated Revenue Bond Ratings

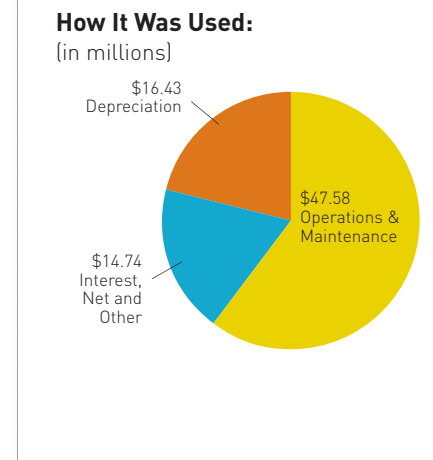
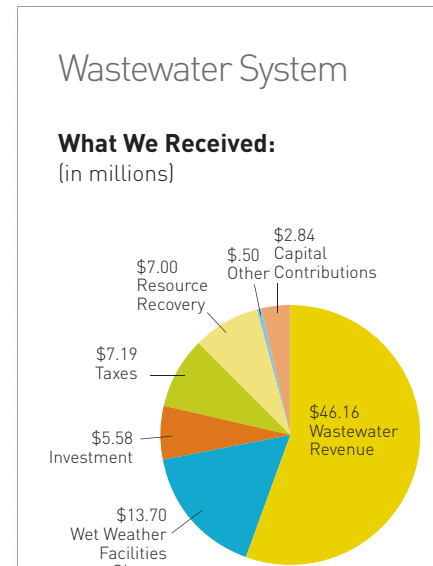
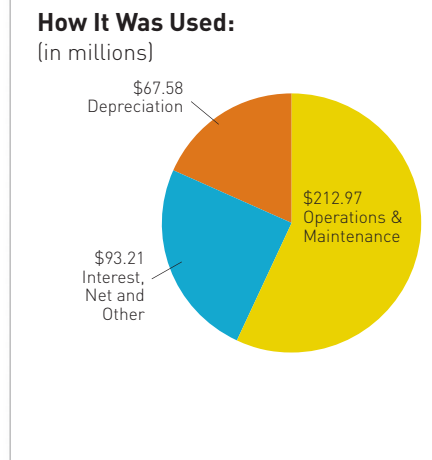
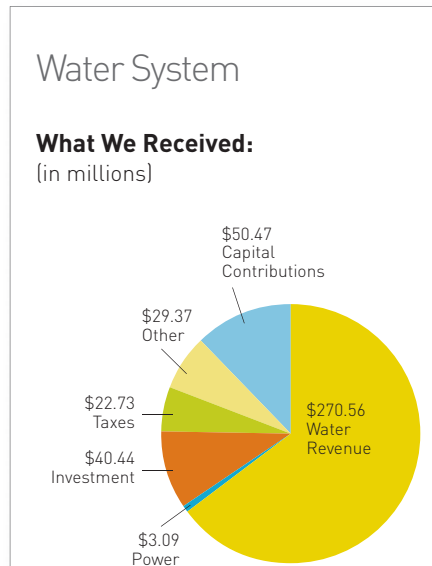
We continued to maintain a AA+ rating from Standard & Poor's and a Aa2 from Moody's. EBMUD does this by investing wisely, examining spending priorities, continually reviewing funding strategies and setting performance targets.

These actions have helped EBMUD continue strong financial performance during the current instability in the economy.

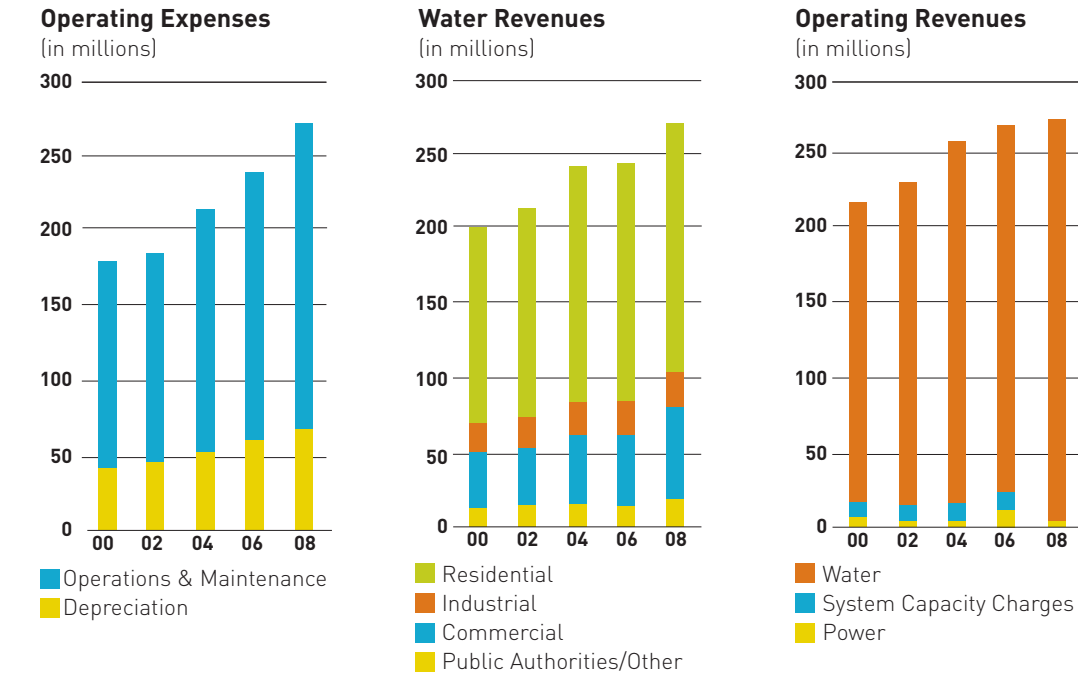
WATER SYSTEM	FY 2008	FY 2007
During the Year:		
Total Water Production, millions of gallons	75,059	76,932
Average Daily Water Production, MGD*	205	211
Maximum Daily Water Production, MGD	288	329
Minimum Daily Water Production, MGD	140	141
At Year End:		
Number of Accounts	381,903	381,999
Number of Employees	1,615	1,640
Miles of Water Distribution Pipe	4,108	4,110
Operating Distribution Storage Capacity, millions of gallons	812	774

WASTEWATER SYSTEM	FY 2008	FY 2007
During the Year:		
Average Daily Wastewater Flow, MGD	69	67
At Year End:		
Number of Accounts	177,852	177,831
Number of Employees	262	261

* millions of gallons per day



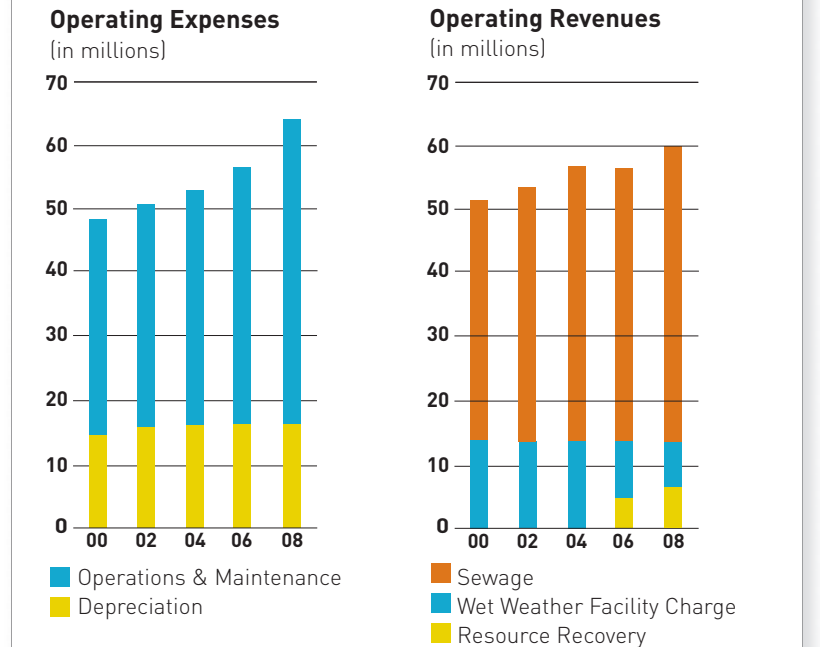
Water System Income Statement



Water System Financial Highlights

- Operating revenues and expenses 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 before capital contributions increased 9 percent from \$336 million in 2007 to \$366 million in 2008, primarily due to increased water fees, interest earned on investments, classifying System Capacity Charges as Capital Contributions and a polybutylene replacement settlement.
- Total expenses increased 14 percent from \$328 million in 2007 to \$374 million in 2008, primarily due to increases in water treatment and distribution expense, workers compensation liability reserve, and bond interest expense.
- Income after capital contributions was a positive \$43 million in 2008, down from a positive \$52 million in 2007.
- Cash Reserves are \$237 million in 2008 or \$137 million above the target of \$100 million, primarily due to the issuance of bonds in 2007 to finance the capital program.
- The Water System refunded \$754 million of outstanding subordinated revenue bonds during the fiscal year. As part of this bond refunding, the System's bond rating remained AA+.

Wastewater System Income Statement



Wastewater System Financial Highlights

- Operating revenues and expenses 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 before capital contributions increased 7 percent from \$75 million in 2007 to \$80 million in 2008, primarily due to increased wastewater fees, interest earned on investments, and property taxes.
- Total expenses increased 10 percent from \$72 million in 2007 to \$79 million in 2008, primarily due to increases in wastewater treatment, workers compensation liability reserve, and bond interest expense.
- Income after capital contributions was a positive \$4 million in 2008 down from a positive \$10 million in 2007.
- Cash Reserves are \$26 million in 2008 or \$9 million above the target of \$17 million, primarily due to the issuance of bonds in 2007 to finance the capital program.
- The Wastewater System refunded \$185 million of outstanding subordinated revenue bonds during the fiscal year. As part of this bond refunding, the System's bond rating remained AA+.

Mission

In the early 1900s, not one of seventeen different private companies could provide the East Bay with a safe, dependable water supply. Communities fed up with the lack of service dreamed of clear, fresh water from the Sierra Nevada. In 1923, seven cities voted to form a municipal water agency with public accountability, and EBMUD was born.

Today, EBMUD provides water quality that ranks among the best in the world. EBMUD serves Sierra Nevada water to more than 1.3 million people in a 331-square-mile area. A commitment to reliable high-quality water became the cornerstone of EBMUD practices and remains central to its mission today.

Since 1951, EBMUD has consistently protected public health and San Francisco Bay with responsible wastewater treatment and innovative programs to decrease stress on the coastal ecosystem. EBMUD wastewater operations serve about 650,000 people in an 88-square-mile area along the east shore of the Bay.



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 carrying out 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



Building a
Water Conscience



East Bay Municipal Utility District
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 Oakland, CA 94607
 1-866-40-EBMUD
 www.ebmud.com

2008 Board of Directors

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 Eleventh Street, Oakland, California.

This is the East Bay Municipal Utility District Fiscal Year 2008 Annual Report (July 1, 2007-June 30, 2008). EBMUD publishes a variety of reports, newsletters, and fact sheets, including the 2008 Comprehensive Annual Financial Report, and the East Bay Water 2008 Water Supply Status report.

Please visit www.ebmud.com, or call 1-866-40-EBMUD to request a copy of any of our publications.

Dennis M. Diemer, General Manager

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EBMUD Ward Map



EBMUD Service Area

