



FISCAL YEAR 2024-25 Public Hearing

Presented by:
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April 11, 2024

Public Hearing has Three Specific Objectives

- 1. Present annual report on Valley Water’s activities and recommended ground water production charges**
- 2. Provide opportunity for any interested person to “...appear and submit evidence concerning the subject of the written report” to the Board of Directors**
- 3. Determine and affix Groundwater Production and Other Water Charges for FY 2024-25**

53rd Annual Report Released

**Annual Protection and Augmentation of
Water Supplies Report provides
information & accountability**

Filed February 23, 2024

Available Online:

<https://www.valleywater.org/ProposedWaterCharges>



Topics for Today's Public Hearing

Background

Water Usage

Cost Projections

Key Assumptions for FY 2024-25

Groundwater Production Charges

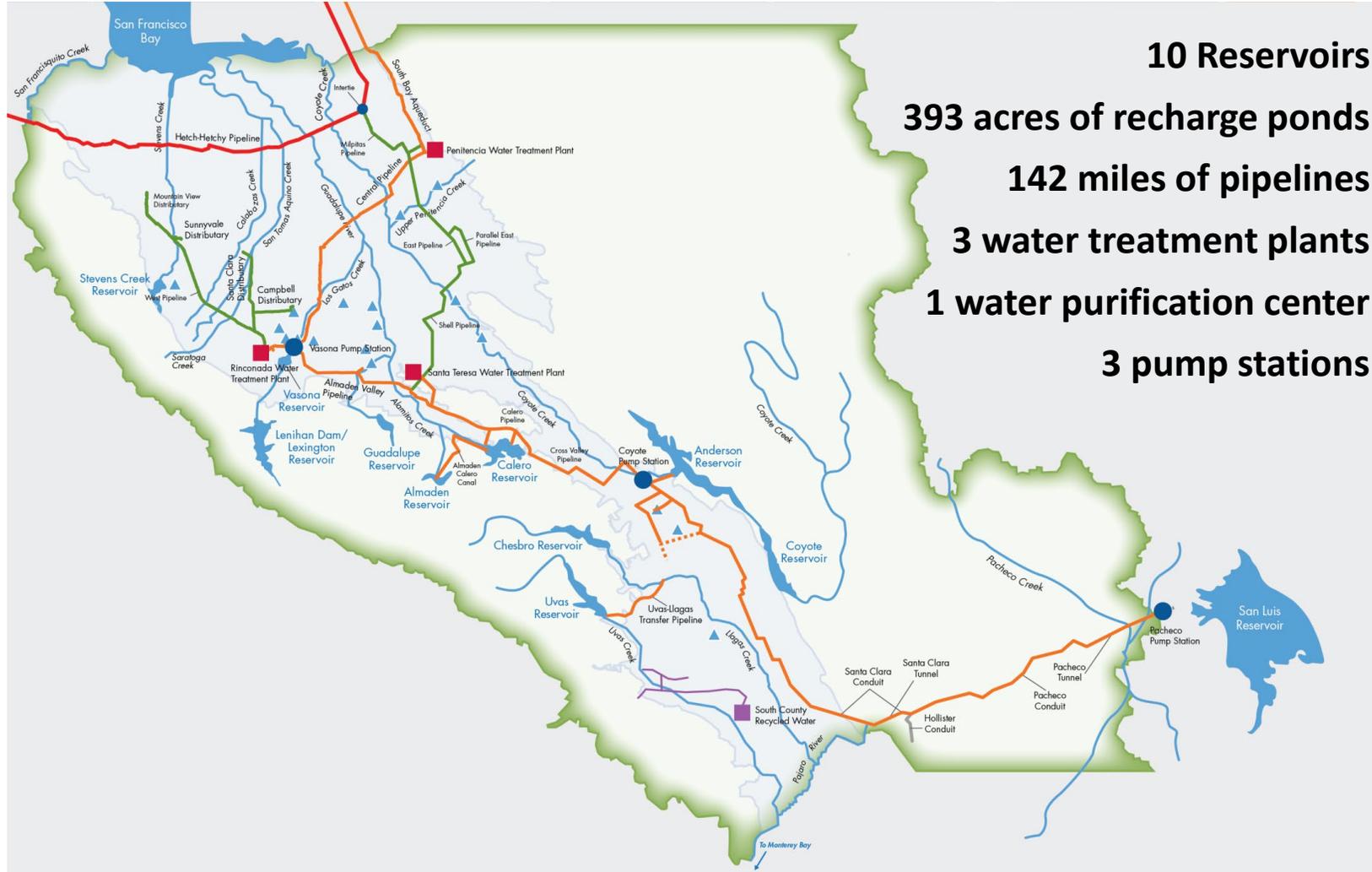
State Water Project Tax

Schedule/Wrap up

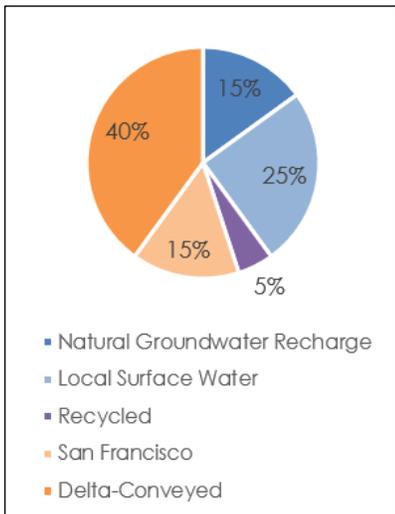
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A comprehensive, flexible water system

SERVING OVER 2.0 MILLION PEOPLE



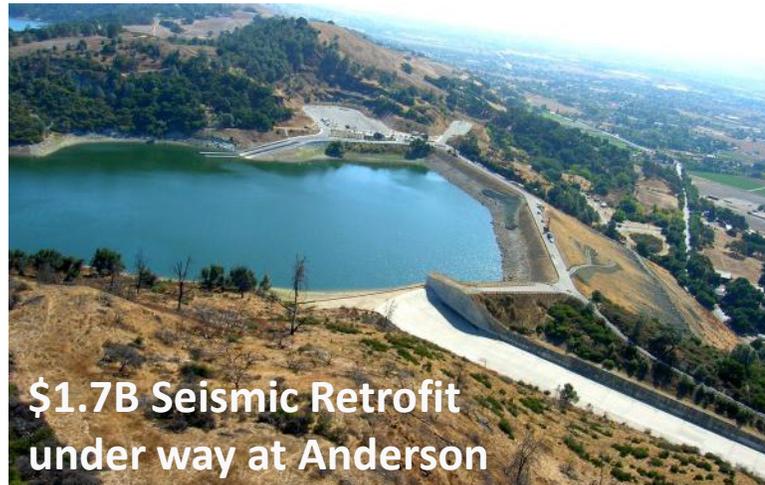
10 Reservoirs
393 acres of recharge ponds
142 miles of pipelines
3 water treatment plants
1 water purification center
3 pump stations



Why do well owners pay SCVWD to pump water from the ground?

6

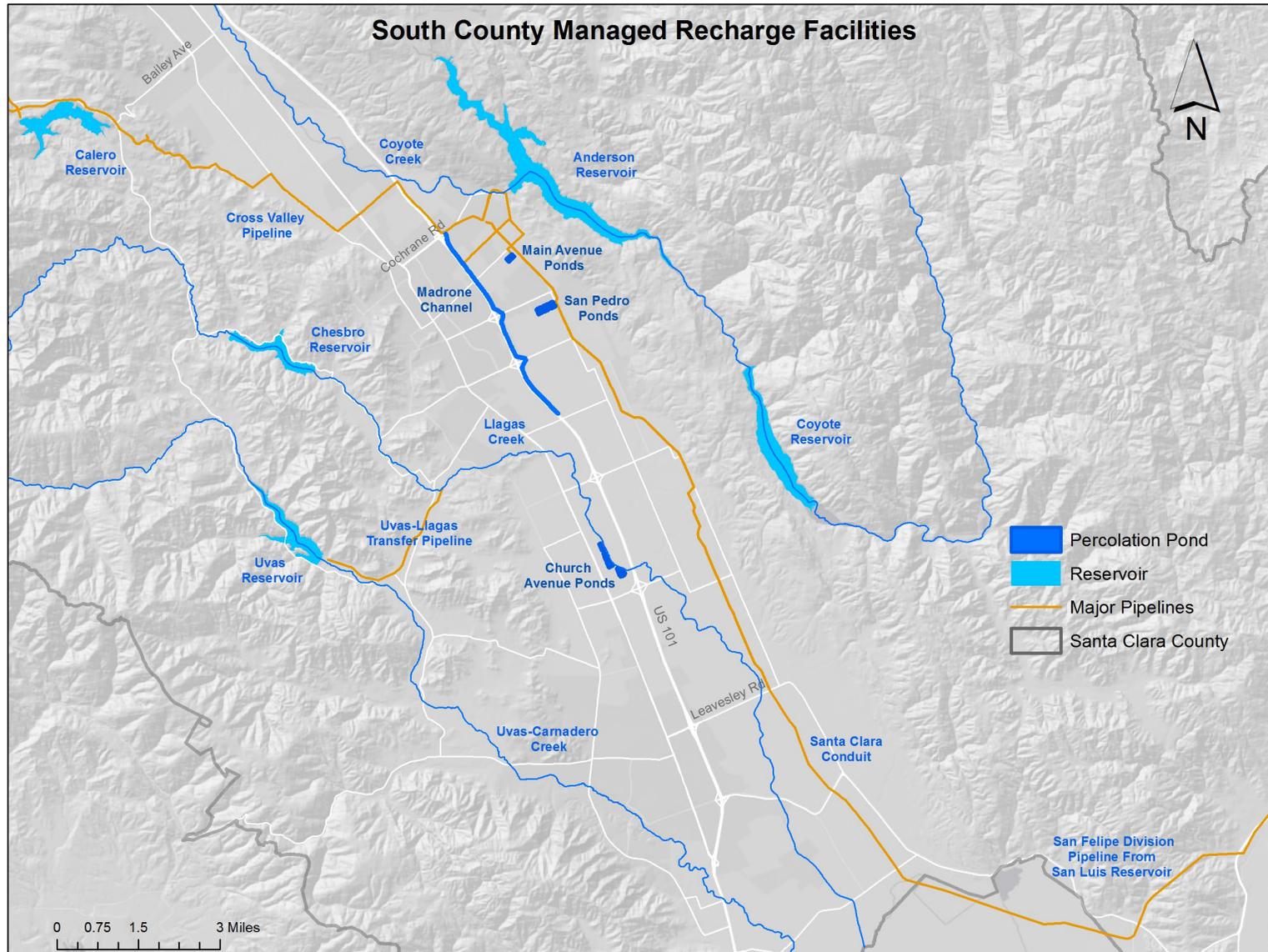
Construction at Anderson Reservoir, 1951



\$1.7B Seismic Retrofit under way at Anderson

- **Local rainfall cannot sustain South County water needs**
- **Planning in early 1900's called for construction of reservoirs to capture rainwater to percolate into the ground**
- **Groundwater Production Charge is a reimbursement mechanism**
 - **Pays for efforts to protect and augment water supply**
 - **Fee for service, not a tax**

South County facilities help ensure reliability



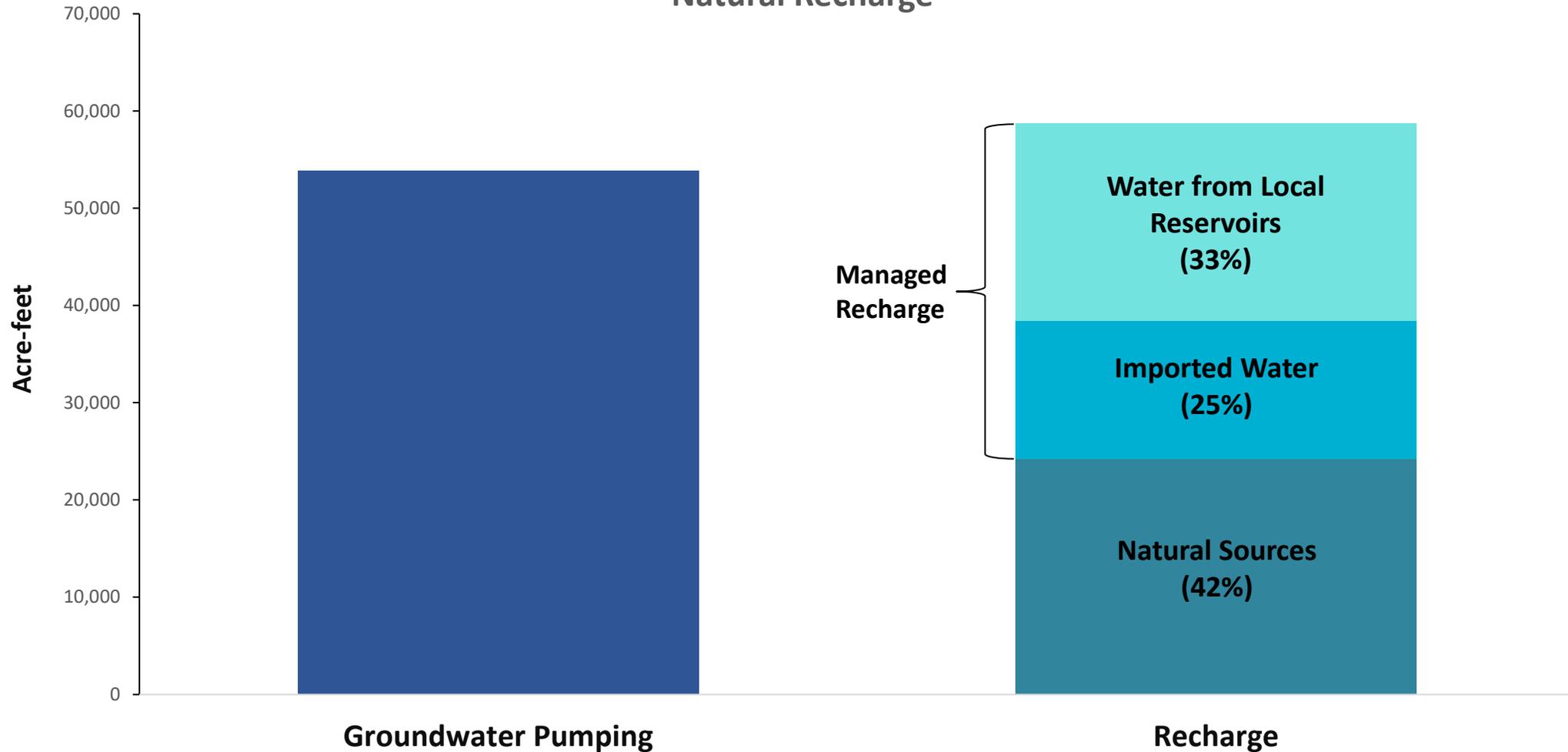
Main Avenue Recharge Ponds



Madrone Channel

Recharge needed to offset groundwater pumping

South County Pumping Far Exceeds Natural Recharge



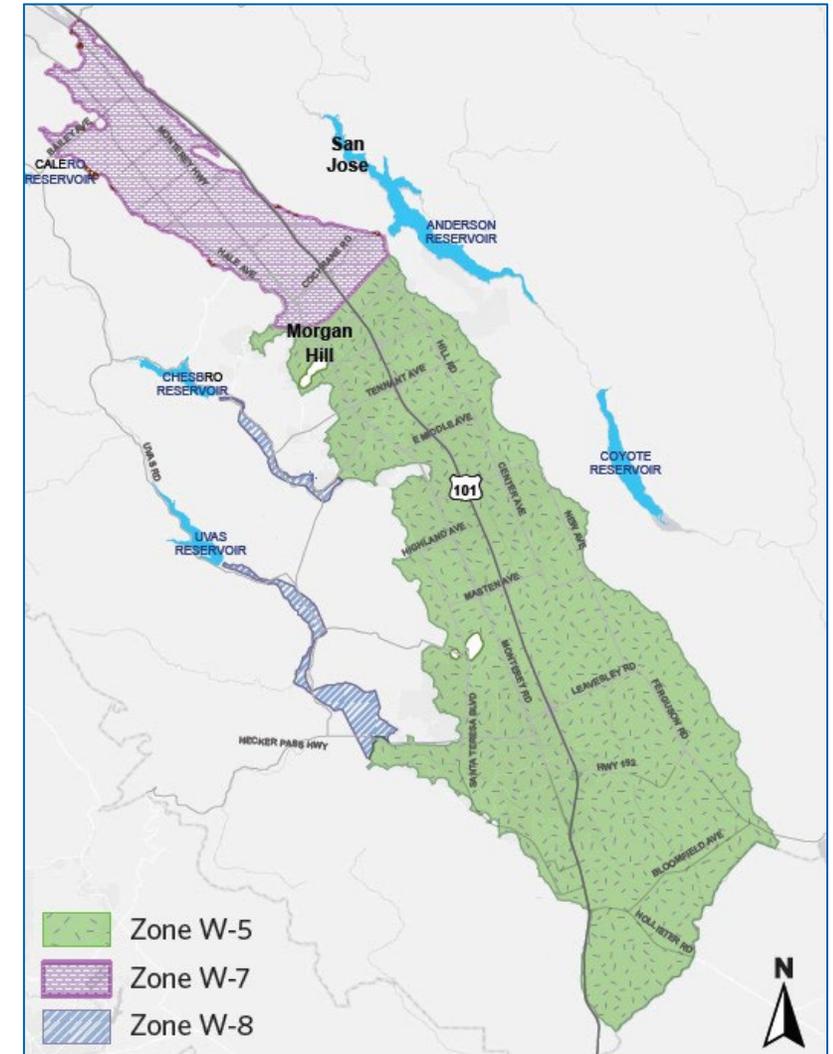
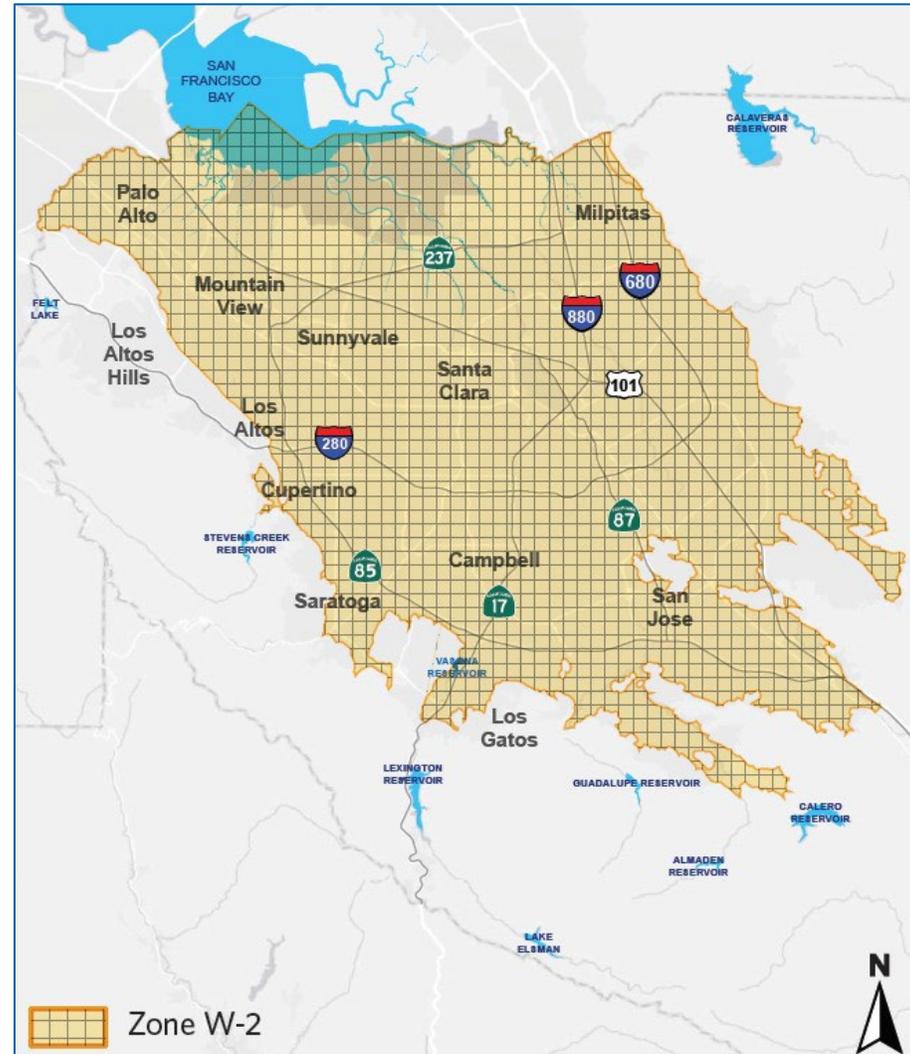
Based on average annual data from 2013 to 2022

Valley Water Groundwater Charge Zones of Benefit

SERVING OVER 2.0 MILLION PEOPLE

Board Pricing Policy Summary

- Groundwater charges are levied within a zone for benefits received
- All water sources and water facilities contribute to common benefit within a zone regardless of cost, known as “pooling” concept
 - Helps maximize effective use of available resources
- Agricultural water charge shall not exceed 10% of M&I water charge

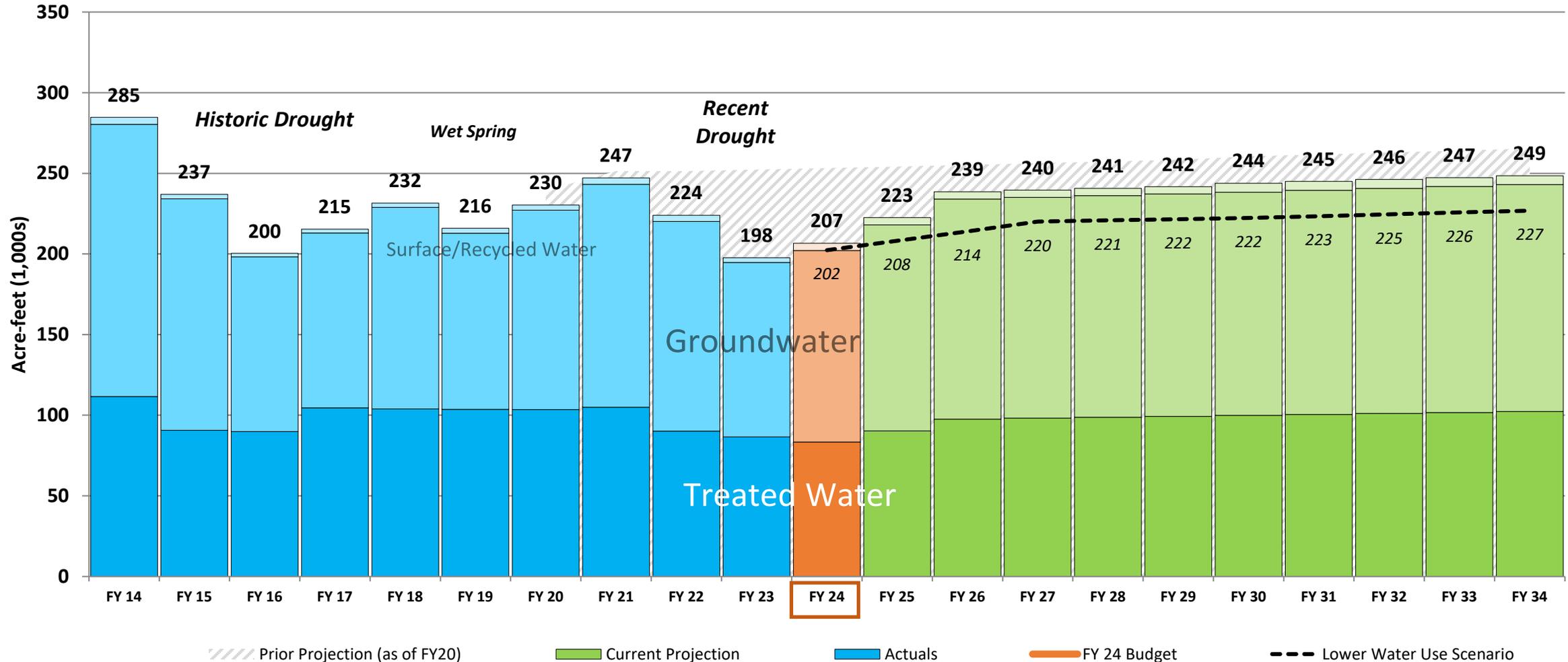


Rate setting process is consistent with Props 218 and 26

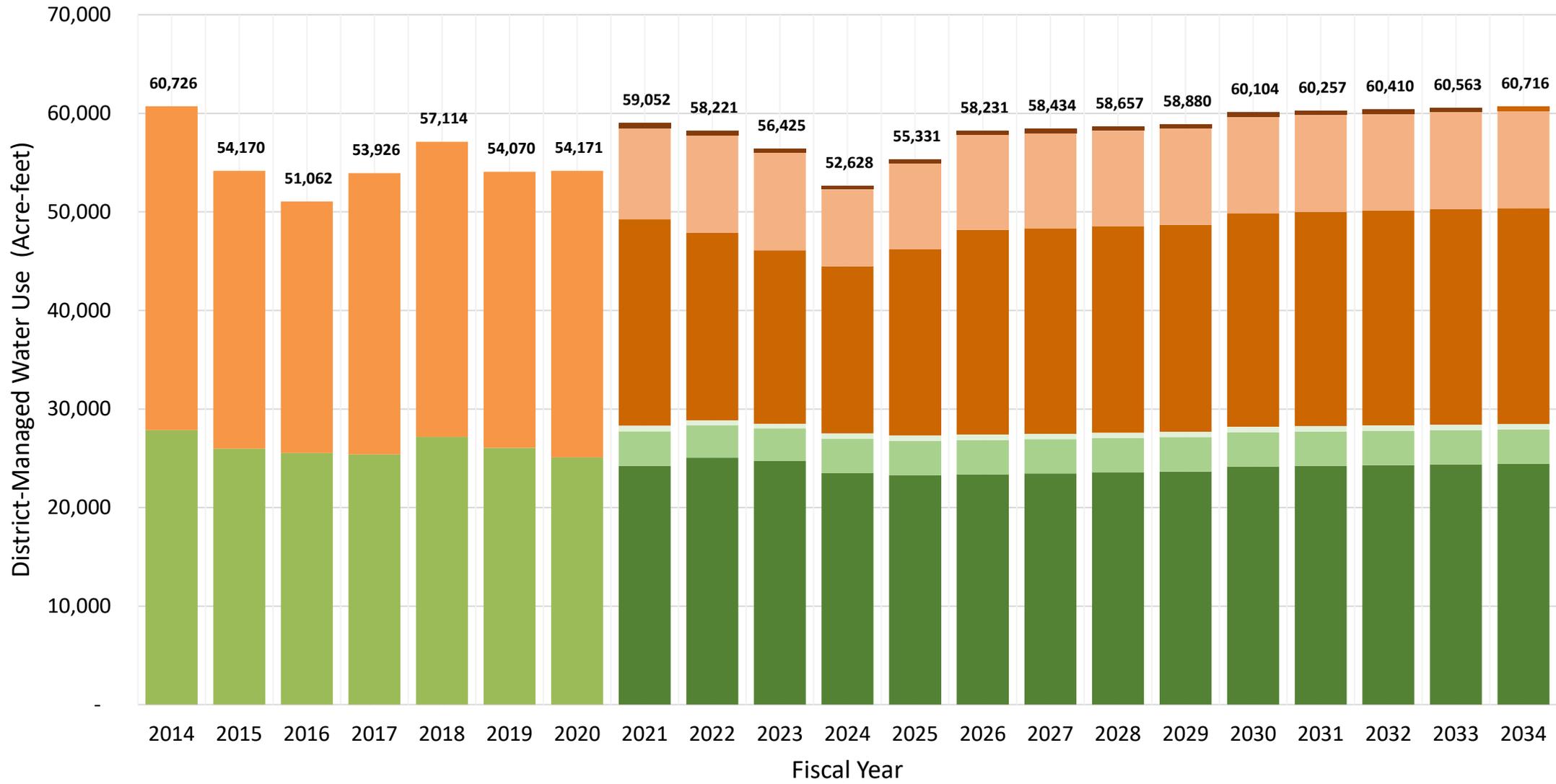
- **Groundwater charge setting process is consistent with Prop 26**
 - Certain Prop 218 requirements continue, like holding a public hearing, and noticing well owners, which are consistent with District Act
- **Surface Water Charge setting process is consistent with Prop 218**
 - Includes protest procedure as defined in Board Resolution 12-10

Water Usage (District Managed)

Water Usage (District Managed in TAF)

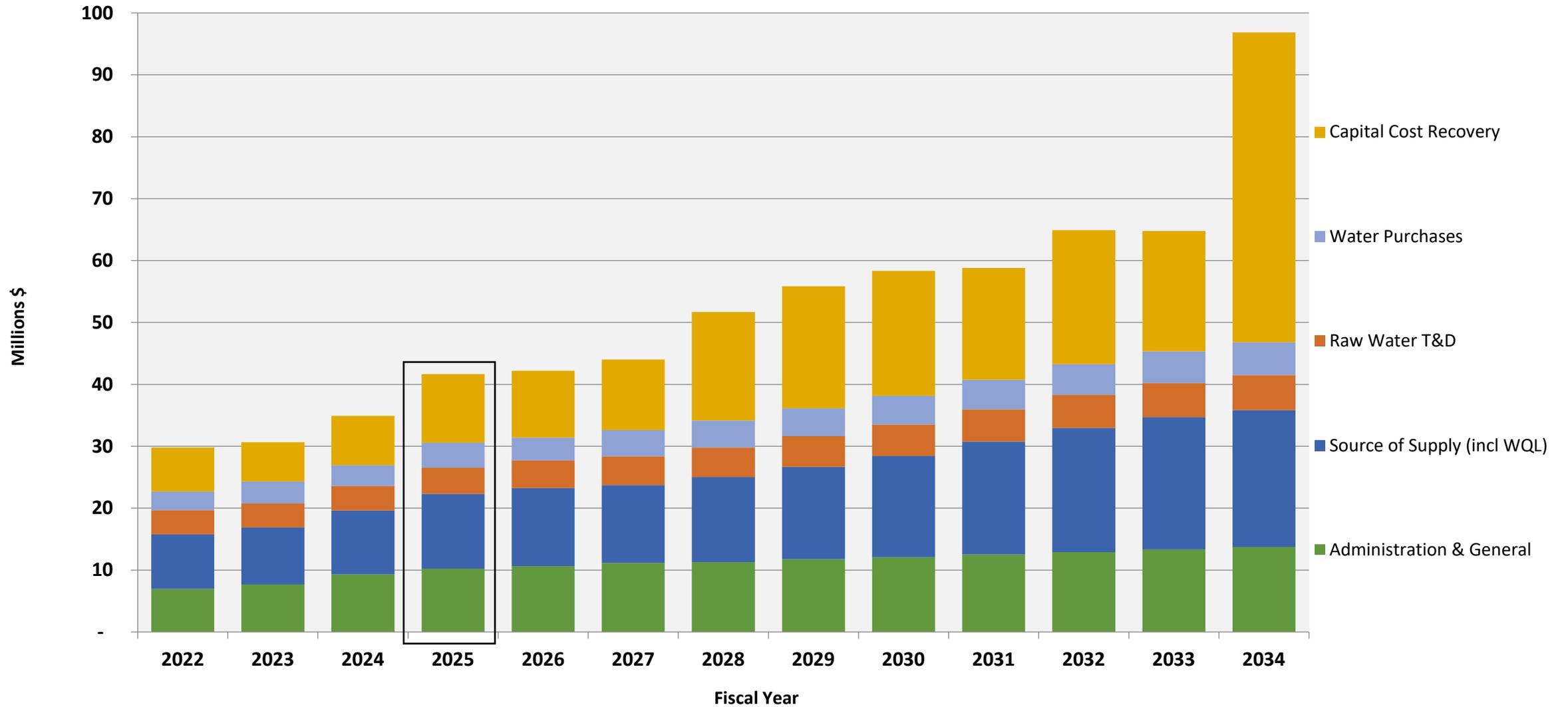


Water Usage Trend in South County (Zone W-5, W-7 & W-8)



- Zone W-8 Non-agricultural Water Use
- Zone W-7 Non-agricultural Water Use
- Zone W-5 Non-agricultural Water Use
- Zone W-5 Non-agricultural Water Use
- Zone W-8 Agricultural Water Use
- Zone W-7 Agricultural Water Use
- Zone W-5 Agricultural Water Use
- Zone W-5 Agricultural Water Use

South County Long Term Cost Projection



- **Recent inflation trends have put upward pressure on water rates**
- **Valley Water is in era of investment as existing water supply infrastructure was built decades ago**
 - **Fixing Anderson Dam** – Address public health and safety concerns and relieve operational restrictions
 - **Address seismic deficiencies at Coyote Dam** – DSOD requested expedited project implementation schedule
- **Climate change has brought need for new infrastructure investments**
 - **Building local storage with Pacheco Reservoir Expansion Project** – Add water storage to help face extended droughts
 - **Investing in out-of-county storage with Los Vaqueros Reservoir Expansion & Sisk Dam Raise** – Maintaining out-of-county storage is critical in securing water supply reliability and for storage diversification
- **Water Supply Master Plan 2050 will shed more light on what new infrastructure investments are recommended to be built**

Planning
work

Rate setting strategy for FY 2024-25

FY 25 RATE ASSUMPTIONS:

Water Usage (District-Managed)

- Continued rebound from the drought – water use projected at 222 kAF (vs. 207 kAF in FY24)

Secure Existing Supplies and Infrastructure

- Baseline Projects ¹
- Anderson Dam Seismic Retrofit with WIFIA loan (up to 49% of TPC)
- Dam Safety Program (preliminary placeholder): Coyote Dam
- Master Plan Projects Placeholder: Assumes \$326M from FY26-FY34 ²
- SWP Tax pays for 100% of SWP costs (excludes SWP portion of Delta Conveyance)
- Delta Conveyance SWP portion continues at 3.23% ^{3, 4}

Increase System Reliability & Flexibility

- Pacheco Reservoir Expansion Project (PREP) with \$504M Proposition 1 grants, WIFIA loan (up to 49% of TPC) and Partnership Participation at 35% of TPC ⁴
- Sisk Dam Raise at San Luis Reservoir with up to 60 kAF Storage ^{3, 4}

¹ Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program.

² Master Plan Project Placeholder includes anticipated costs for new pipelines, pipeline rehabilitations, treatment plant upgrades & SCADA implementation projects.

³ Project costs are reflected as Operations & Maintenance.

⁴ Project is included in Water Supply Master Plan 2050 Update analysis.

TPC: Total Project Cost

kAF: Thousand Acre-Feet

ENSURING A RELIABLE A WATER SUPPLY

Construction at Anderson Dam in east Morgan Hill continues, with crews progressing on a 24-foot outlet tunnel that will feed into Coyote Creek when the project is complete. That new tunnel will allow for the quicker, controlled release of water from the reservoir during a storm or other emergency.

Following construction of the tunnel, Valley Water will begin the seismic retrofit project to strengthen the dam in case of a large earthquake. In addition to building a high-level outlet, the project work includes removal and construction of the spillway and dam embankment. This effort will ensure public safety and secure a reliable water supply and is expected to be completed by 2032. Anderson Reservoir remains an integral part of our regional water supply system. For further details please visit valleywater.org/project-updates/c1-anderson-dam-seismic-retrofit.



Tunnel Portal and Diversion Outlet Structure Overview



Anderson Dam Tunnel, Low-Level Outlet Tunnel

Recommended Groundwater Production Charges

Infrastructure

DRIVES DIFFERENT GROUNDWATER PRODUCTION CHARGES IN EACH ZONE

North County

- 3 water treatment plants
- Reservoirs –
 - Almaden
 - Calero
 - Guadalupe
 - Lexington
 - Stevens Creek
 - Vasona
- Silicon Valley Advanced Water Purification Center
- Imported Water – State Water Project

Shared

- Reservoirs –
 - Anderson
 - Coyote
 - Pacheco
- Imported Water –
 - Central Valley Project
- *Shared facilities do not benefit Zone W-8*

South County

- Reservoirs –
 - Chesbro
 - Uvas
 - *Does not benefit Zone W-7*
- SCRWA Recycled Water System
 - *Benefits Zone W-5 only*

Groundwater Charge Increase Projection

As published in the PAWS Report February 23, 2024

M&I Groundwater Charge Year to Year Growth %

Baseline Scenario	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
South County Zone W-5	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
<i>Prior Year</i>	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
South County Zone W-7	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
<i>Prior Year</i>	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	
South County Zone W-8	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<i>Prior Year</i>	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	

Lower water use rebound would add more upward pressure on water rates.

Groundwater Charge Increase Projection

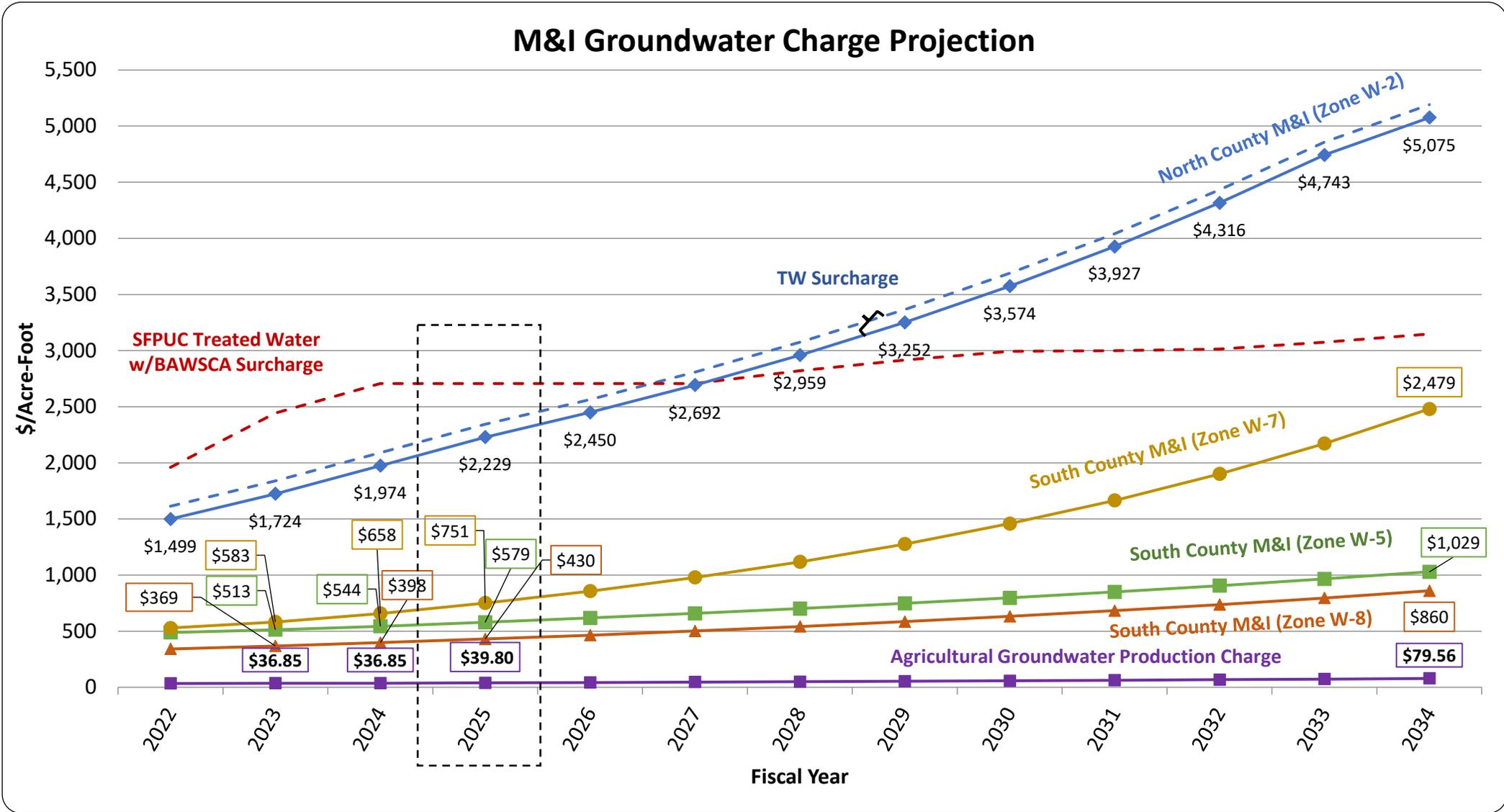
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M&I Groundwater Charge – Monthly Impact To Average Household

Baseline Scenario	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
South County Zone W-5	\$1.22	\$1.32	\$1.40	\$1.50	\$1.59	\$1.70	\$1.81	\$1.93	\$2.06	\$2.19
South County Zone W-7	\$3.20	\$3.67	\$4.19	\$4.79	\$5.47	\$6.24	\$7.13	\$8.14	\$9.30	\$10.62
South County Zone W-8	\$1.10	\$1.18	\$1.28	\$1.38	\$1.49	\$1.61	\$1.74	\$1.88	\$2.03	\$2.19

Does not include any additional increases a Retailer may add.

FY 2024-25 Recommended Groundwater Charge Projection



FY 2024-25 South County Zone W-5 Maximum Proposed Charges

Zone W-5 (Llagas Subbasin)	Dollars Per Acre Foot		
	FY 2022-23	FY 2023-24	Proposed Maximum FY 2024-25
Basic User/Groundwater Production Charge			
Municipal & Industrial	513.00	543.50	579.00
Agricultural	36.85	36.85	39.80
Surface Water Charge			
Surface Water Master Charge	47.10	54.00	61.00
Total Surface Water, Municipal & Industrial*	560.10	597.50	640.00
Total Surface Water, Agricultural*	83.95	90.85	100.80
Recycled Water Charges			
Municipal & Industrial	493.00	523.50	559.00
Agricultural	64.25	67.20	70.15



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

M&I Increase approximately \$1.22 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top.

FY 2024-25 South County Zone W-7 Maximum Proposed Charges

Zone W-7 (Coyote Valley)	Dollars Per Acre Foot		
	FY 2022–23	FY 2023–24	Proposed Maximum FY 2024–25
Basic User/Groundwater Production Charge			
Municipal & Industrial	582.50	657.50	750.50
Agricultural	36.85	36.85	39.80
Surface Water Charge			
Surface Water Master Charge	47.10	54.00	61.00
Total Surface Water, Municipal & Industrial*	629.60	711.50	811.50
Total Surface Water, Agricultural*	83.95	90.85	100.80



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

M&I Increase approximately \$3.20 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top.

FY 2024-25 South County Zone W-8 Maximum Proposed Charges

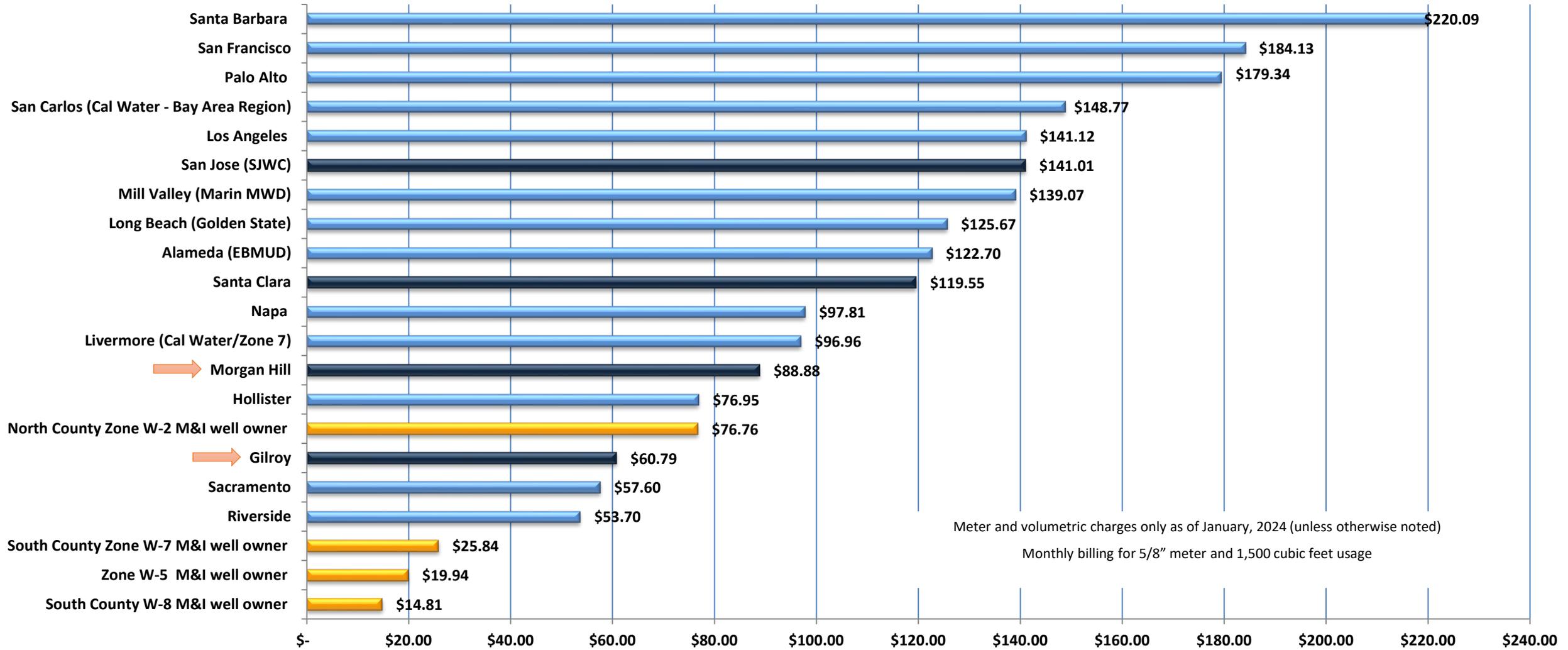
Zone W-8 (Uvas / Chesbro)	Dollars Per Acre Foot		
	FY 2022-23	FY 2023-24	Proposed Maximum FY 2024-25
Basic User/Groundwater Production Charge			
Municipal & Industrial	368.50	398.00	430.00
Agricultural	36.85	36.85	39.80
Surface Water Charge			
Surface Water Master Charge	47.10	54.00	61.00
Total Surface Water, Municipal & Industrial*	415.60	452.00	491.00
Total Surface Water, Agricultural*	83.95	90.85	100.80



* The total surface water charge is the sum of the basic user charge (which equals the groundwater production charge) plus the water master charge

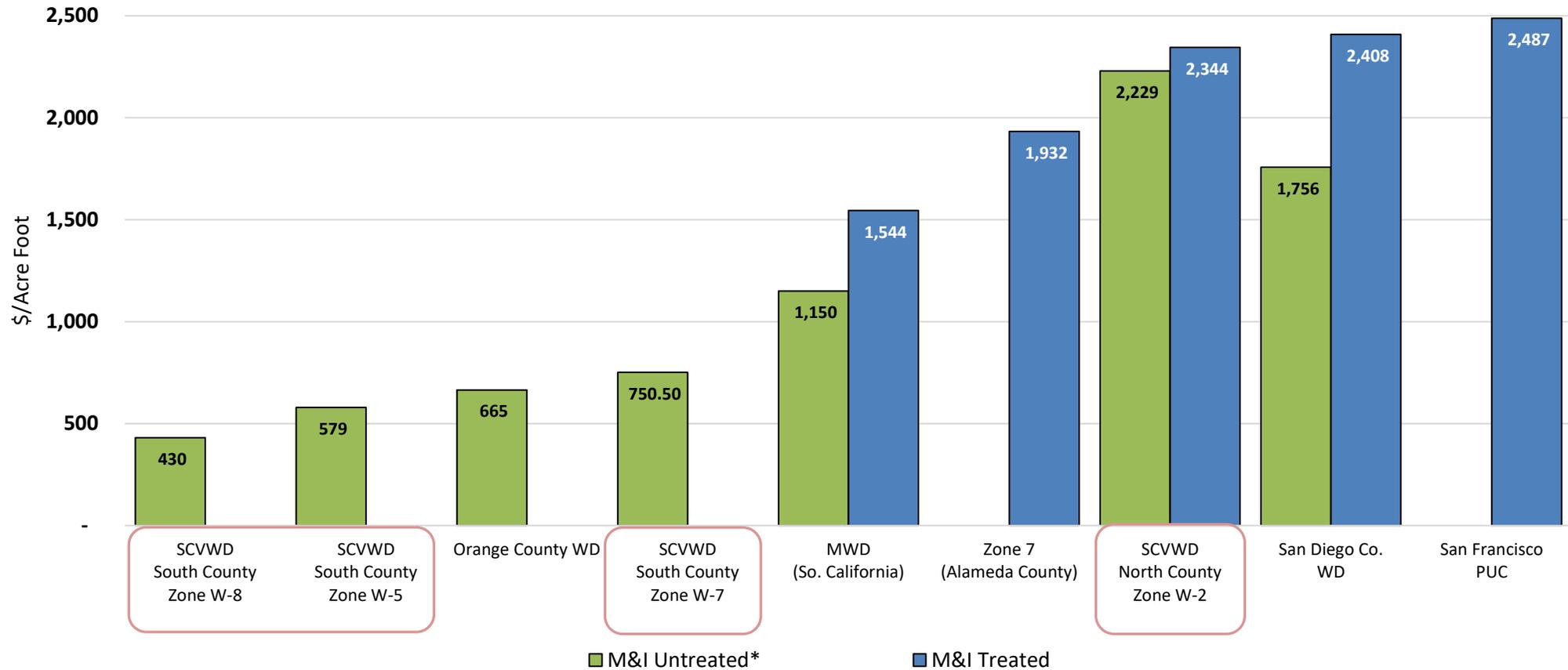
M&I Increase approximately \$1.10 per month increase to the average household user.
 Note: Does not include any increase that a retailer would layer on top.

Retail Agency Benchmarks



Wholesale Agency Rate Comparison

Wholesale Agency Rate Comparison Municipal & Industrial (M&I) Water



* SCVWD groundwater production charge is equivalent to SCVWD raw surface water basic user charge
Note: some rates rounded to the nearest dollar.

Valley Water FY 25 Proposed Maximums Shown versus FY25 projected comparator rates

Agricultural Benchmarks

Agency (As of March 2024) ¹		Agricultural Rate (\$/AF)	Non-Agricultural Rate (\$/AF)	Ag as % of Non-AG
San Benito ²	Groundwater (Quality issues)	\$14.00	\$14.00	100%
Modesto ID (\$2/AF for first 2 AF)	Untreated SW	\$2.00 to \$40.00	N/A	
SCVWD South	Groundwater		\$579.00	7%
	Zone W-5	\$39.80	\$750.50	5%
	Zone W-7		\$430.00	9%
SCVWD South	Zone W-8			
	Untreated SW		\$640.00	16%
	Zone W-5	\$100.80	\$811.50	12%
	Zone W-7		\$491.00	21%
	Zone W-8			
Merced ID	Untreated SW	\$50.00	N/A	
Merced ID	Groundwater ³	N/A	N/A	
Lost Hills	Untreated SW	\$185.09 to \$268.84	N/A	
Zone 7	Untreated SW	\$263.00	N/A	
Westlands WD	Pressurized	\$191.21	\$891.01	19%
San Benito	Pressurized	\$341.60	\$341.60	100%

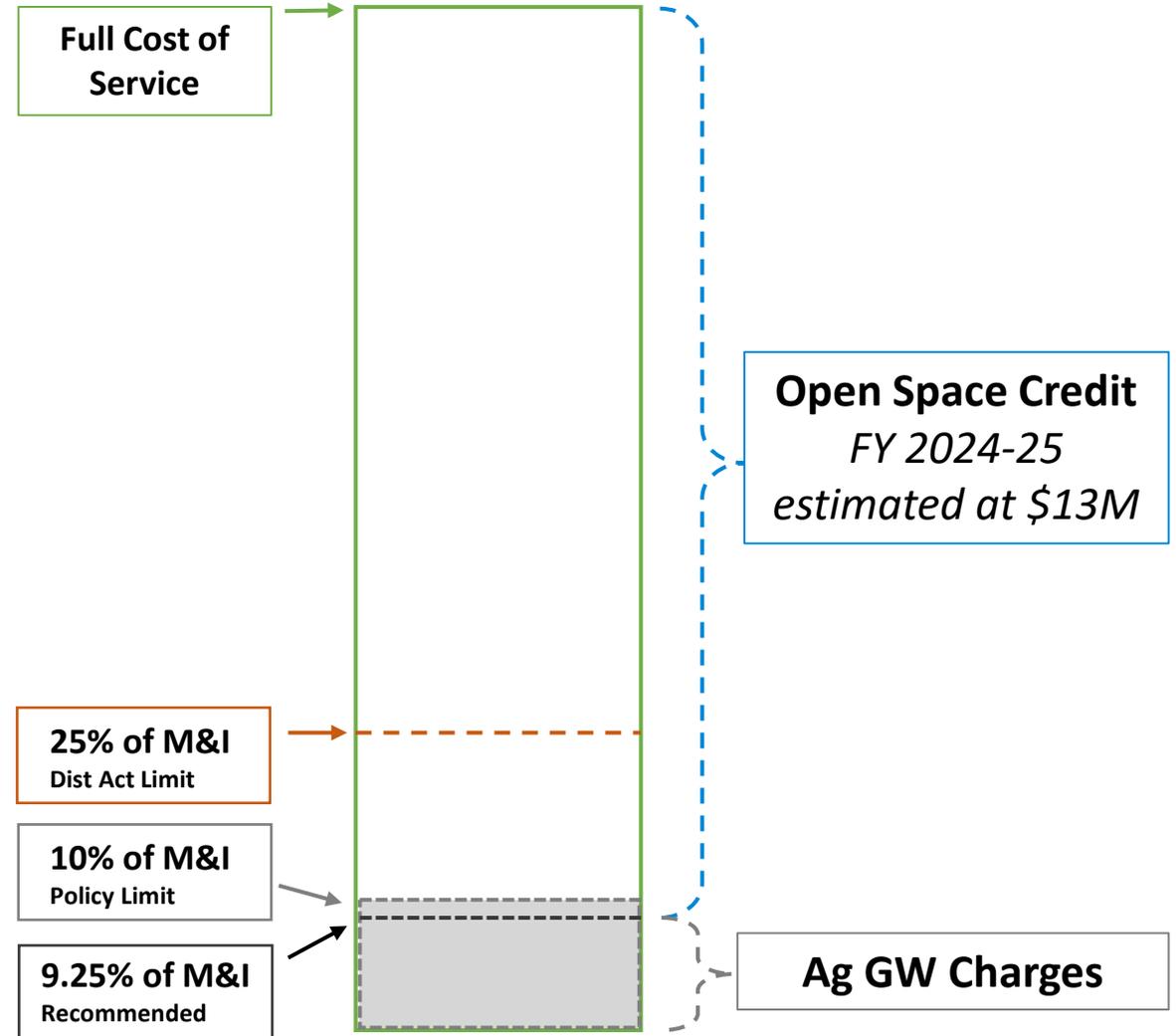
1. Reflects Valley Water proposed FY 2024-25 rates against current adopted rates for comparator agencies.

2. San Benito County Water District adopted groundwater charges for FY 2024-25 and FY 2025-26 setting Non-Agricultural (M&) and Agricultural rates the same \$/AF.

3. Merced Irrigation District is not offering their Supplemental Water Supply Pool Program (Groundwater) for the 2024 irrigation season and is encouraging growers to conserve groundwater.

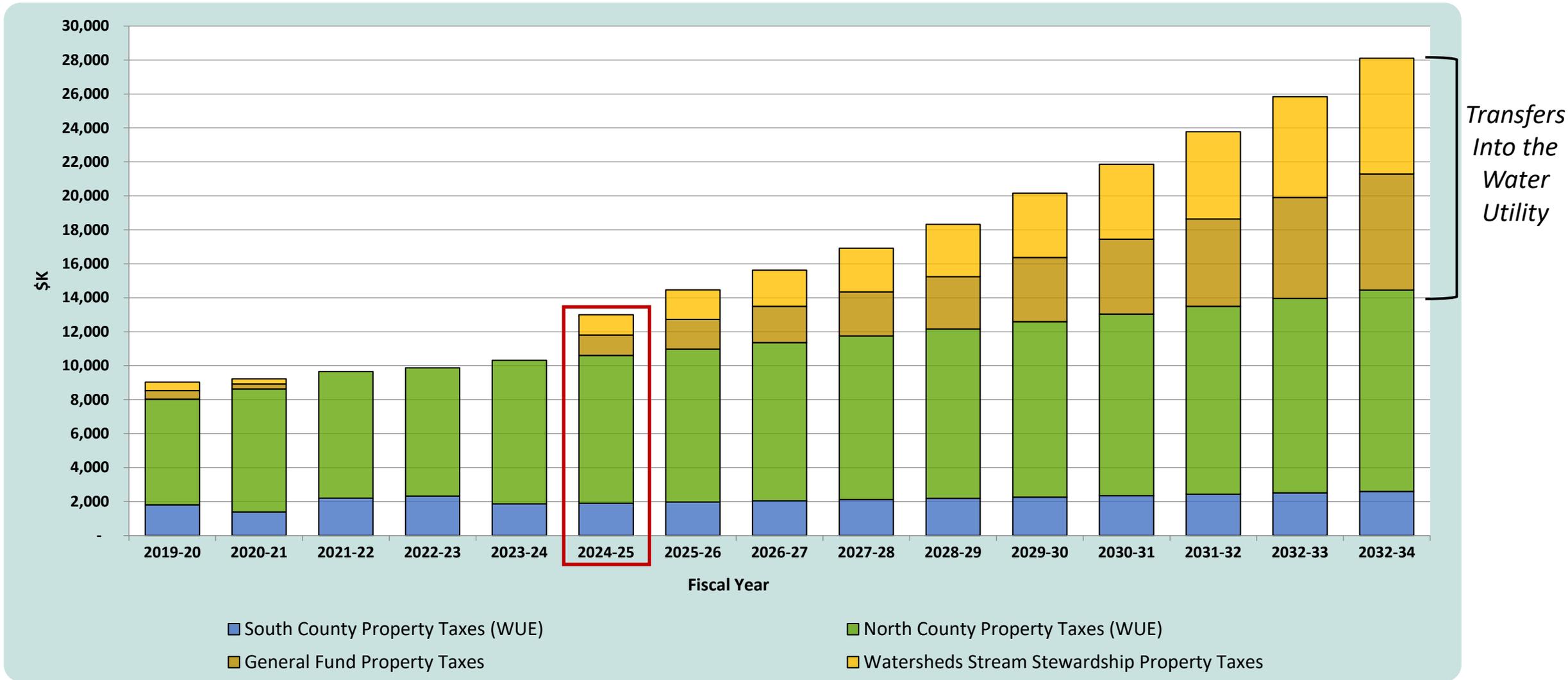
Benefits of the Open Space Credit (OSC)

- **Formal definition: “The use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service”**
- **Applies to agricultural water users only, not to all open space**
- **Open Space Credit covers 90% of full cost of service for Agricultural Water customers**



Open Space Credit Projection

10-year Total Benefit to Open Space Credit: \$198M



Schedule/Wrap up

2024 Schedule

Jan 8	Agricultural Water Advisory Committee: Preliminary Groundwater Charge Analysis
Jan 9	Board Meeting: Preliminary Groundwater Charge Analysis
Jan 17	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
Jan 24	Water Commission Meeting: Preliminary Groundwater Charge Analysis
Feb 13	Board Meeting: Set time & place of Public Hearing
Feb 23	Mail notice of public hearing and file PAWS report
Mar 12	Board Meeting: Second Pass Budget development update
Mar 20	Water Retailers Meeting: FY 25 Groundwater Charge Recommendation
Apr 8	Agricultural Water Advisory Committee
Apr 9	Open Public Hearing
Apr 10	Water Commission Meeting
Apr 11	Continue Public Hearing in South County
Apr 23	Conclude Public Hearing
Apr 24-25	Board Meeting: Budget work study session
May 14	Adopt budget & groundwater production and other water charges

- **Water Retailers**
- **Ag Advisory**
- **Water Commission**
- **Public Phone Calls**

Valley Water remains in an era of investment

- Coupled with climate change, driving planning efforts for new infrastructure investments

Water Supply Master Plan 2050 will shed more light on what new infrastructure investments are recommended to be built.

Proposed Maximum FY 25 Groundwater Projection Charges for South County in terms of average household increase are:

- Increase of \$1.22 per month in Zone W-5
- Increase of \$3.20 per month in Zone W-7
- Increase of \$1.10 per month in Zone W-8

Proposed Maximum FY 25 Groundwater Production Charge in terms of average Agricultural user is:

- Increase of \$0.49 per month per acre assuming two acre feet of water pumped per year

Next Steps

- Continue and conclude Public Hearing on April 23rd



Valley Water

Clean Water • Healthy Environment • Flood Protection