From: Katja Irvin <katja.irvin@sbcglobal.net>
Sent: Monday, July 13, 2026 9:30 AM
To: Clerk of the Board <clerkoftheboard@valleywater.org>
Cc: Tony Estremera <TEstremera@valleywater.org>; Richard Santos <rsantos@valleywater.org>; Shiloh Ballard <SBallard@valleywater.org>; Jim Beall <JBeall@valleywater.org>; Rebecca Eisenberg <Reisenberg@valleywater.org>; Nai Hsueh <NHsueh@valleywater.org>; John Varela <jvarela@valleywater.org>
Subject: July 14, 2026 Item 3.5, Receive Results of Consultant Study Regarding Santa Clara Valley Water District's Water Use Projections, Water Demand Elasticity, and Customer Affordability

Dear Chair Estremera and Valley Water Board,

The Valley Water Board of Directors should request that staff integrate the information and recommendations provided in the *2025 Water Use Projections, Demand Elasticity and Rate Affordability Study* into water-supply planning and rate-setting activities as soon as possible.

The Study shows that water demand modeling needs to be more rigorous and needs to integrate new information about water demand elasticity. Improved modeling will improve planning and reduce surprises such as declining revenue. Affordability needs to be tracked and addressed as part of the annual rate-setting process. The Board and the public deserve to know how rate increases will impact low-income residents in Santa Clara County.

The attached letter includes additional observations and suggestions that highlight some of the consultant's recommendations and conclusions and provide context to explain the importance of these topics for Valley Water

Sincerely,
Katja Irvin
San Jose Resident

July 13, 2026

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The following observations and suggestions highlight some of the consultant's recommendations and conclusions and provide context to explain the importance of these topics for Valley Water.

Under Task 1: Water Use Projections key takeaways (staff report page 2)

- **"Forecast-to-actual water use has been largely accurate, with reduced variance in recent years."** This may be true for rate-setting forecasts but not for long-term planning forecasts. **Urban Water Management Plan (UWMP) forecasts have historically over-projected future demand by about 50% on average**. Most of this over-projection is due to use of growth projections provided by Plan Bay Area, which advocates have pointed out for many years.
- **"Water use overall continues to trend downward."** This confirms what advocates and studies have concluded, but Valley Water's rate-setting and long-term planning forecasts do not show any future decline in demand. **Valley Water should present a broader range of demand forecasts using alternative assumptions for growth and climate impacts** such as the following Alternate Scenario Results from the Bay Area Water Supply and Conservation Agency's Regional Water Demand and Conservation Projections Study (December 2025).

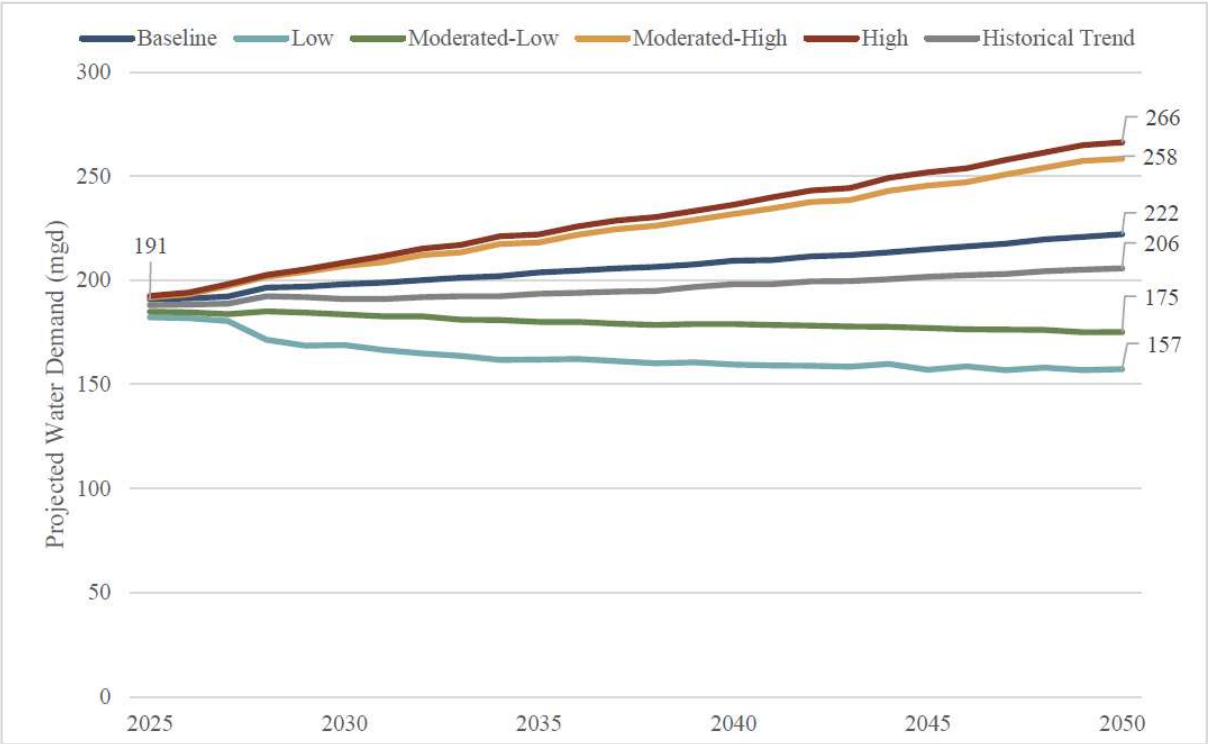

Figure 7-9: Graphical Comparison of Water Demand Scenarios

Under Task 2: Water Demand Elasticity Analysis key takeaways (staff report page 2)

- **"Water use in Santa Clara County is generally inelastic with respect to price; a 10% increase in price would be expected to reduce retail demand by about 2%."** According to the *FY 2026-27 Protection and Augmentation of Water Supplies* report (page 48), rate increases over the next 10 years add up to 117% for the North County W-2 zone. Using the information about elasticity, this would result in at least a 19% decrease in demand. This accounts for the finding that 83% of wholesale prices pass through to volumetric retail rates and the fact that rate increases are cumulative. **This elasticity impact on demand should be added to Valley Water's models along with drought and conservation, as recommended on page 6 of the Executive Summary.**

Under Task 3: Water Affordability Analysis key takeaways (staff report page 2)

- **"An estimated 37,000 households – equivalent to 6% of Santa Clara County households – could have water bills that are unaffordable."** To paint a different picture about what this means, this is more than 1 in every 20 customers, which is about 1 per every street block. Most of the cities in Santa Clara County have fewer than 37,000 households (assuming 2.3 persons per household). **This seems significant, indicating that affordability metrics need to be tracked and addressed as part of the rate-setting process.**

Comprehensive Executive Summary

- **"Valley Water's demand projections could be enhanced by updating their methodology using growth demand forecasts from the most recent UWMP and by weighting demand projections for lower and moderate scenarios"** (page 2).
  Since UWMP projections have significantly over-projected future demand as discussed above, it is unclear how using these projections would improve near-term forecasts for rate-setting, especially since near-term projections have been largely accurate.
- **"Improved demand forecasting (Task 1) enables more accurate rate setting, reducing revenue volatility and unexpected rate adjustments. Price elasticity estimates (Task 2) allow the District to anticipate how rate changes will affect both demand and revenue, and can be explicitly integrated into the demand forecast to improve projections"** (page 7).
  The Valley Water Board should direct staff to incorporate elasticity estimates when forecasting water demand to inform the annual rate-setting process.

Water Use Projections Technical Memorandum, Recommendations (pages 20-21)

- "Improved Documentation of Data Sources and Consolidation of Calculations in a Single Location." This section points out several deficiencies, supporting the need to overhaul or replace the spreadsheet model used to forecast water use for rate-setting.
- "Alignment of Long-term Demand Forecast with current UWMP." This section recommends to **"align the financial model with other District planning documents and the long-term supply planning model, resulting in more consistent assumptions across the agency.**" Valley Water should work towards such alignment to bring more rigor to both demand forecasting models.

Looking forward, **Valley Water should build on this consultant study to evaluate the projections used for long-term water supply planning** (Urban Water Management Plan and Water Supply Master Plan). No model is completely accurate, but the historical 50% error for UWMP projections (since 2000) indicates that something isn't right. The Sierra Club has identified that this is likely due to assumptions about population growth and economic growth, as well as the use of a climate model that discounts the impact of future droughts. On top of those considerations, this consultant study adds the impact of elasticity on water demand. The Board should direct staff to revisit the long-term planning demand model and assumptions based on these factors as soon as possible.

Thank you for considering these observations and suggestions. Please put the results of this study to good use.

Sincerely,