

Valley Water Benefits Zone Study Comments Summary and Proposal for Staff Report

Stanford, the City of Palo Alto, and Great Oaks Water Company appreciate the opportunities to comment on Valley Water's Benefits Zone Study and to participate in a meeting with staff on September 16, 2019. Our comments on the Study and a proposal for moving forward are summarized below:

Comments summary:

As pointed out in Stanford's review comments going back to May 2018, the Study's conclusion that the north county benefits from Valley Water's activities groundwater recharge activities is inadequately supported by either the concept of hydrogeologic connectivity, basin modeling, or historical groundwater level data evaluation. The Study took the approach that if a benefit was shown to have occurred at any time over the Study period, at any level, that the benefit is perpetual and never changes, even when there is an absence of data supporting the existence of the benefit.

The analysis examined specific multi-year time periods that appeared to Valley Water's consultants to show a possible benefit; however, upon review of the data of the periods identified, Stanford's consultants and Valley Water's consultants disagree about whether the Study's benefit conclusions are supported in the north county. One possible explanation for this difference in conclusion is that groundwater pumping by Palo Alto and Stanford was declining significantly with the introduction of SFPUC water to the region and groundwater was recovering substantially; the consultants differ in their opinions about the length, cause and extent of that recovery. Another consideration is that the consultant's Study scope was to analyze only Valley Water's activities with regard to groundwater recharge, and not others' activities that could explain groundwater level changes, such as changes in importation of surface water from outside the region (e.g., SFPUC water system) and the resulting in-lieu groundwater recharge, changes in local surface water diversion and use, and local direct recharge activities such as percolation of impounded storm water runoff. And still another consideration is that Valley Water policy dictates the use of taxing and pricing concepts that conflict with a reasonable allocation of costs for relative benefits received by those paying groundwater charges.

The working premise of the Study, as described by staff, is that only if NO benefit is concluded in the Study (primarily by review of geologic conditions) will such regions (and the wells therein) be removed from Valley Water's groundwater benefit Zones; there is no recognition of even a rough order-of-magnitude GRADATION of benefit. Therefore, if an outlying area distant from any recharge activities could POSSIBLY be receiving benefit of any amount or degree, then it was included in the Zone and pays full rate for groundwater pumping even if its benefit is negligible in comparison to those regions clearly receiving a greater level of that particular benefit.

This working premise directly conflicts with Valley Water policy. Valley Water Resolution 99-21, which is specifically considered by the Valley Water Board when setting groundwater charges, states, in pertinent part:

Whenever costs associated with specific benefits are clearly and easily measurable, those costs shall be charged to the beneficiaries, in accordance with their specific zones of benefit. When there is a question as to the identity of the beneficiary or the method of measuring the benefit, the allocation of costs should remain flexible and be determined in accordance with accepted practices and sound judgements based on the four water pricing concepts.¹

Hydrogeologic and technical analyses, including appropriate groundwater modeling, allows for easy measurement of specific benefits to specific groundwater pumping areas.² This fact was acknowledged during the course of the September 16 meeting, but it was also acknowledged that the Study did not and was not intended to measure benefits in this manner. It is our position that accepting the conclusions of the Study to establish the benefit zones generally identified in the Study will directly violate Valley Water policy referenced above.

Another factor, not discussed in much detail in the meeting or at all in the Study, is consideration of whether regions are within the service areas of Valley Water's treated water delivery systems; the cost of those systems is at least partially included in groundwater pumping fees. Regions that are outside of these systems' service areas pay groundwater rates that include the costs of these systems, even when no connection to these systems is available. So, the appropriate costs of treated water systems unavailable to groundwater pumpers that are passed along to those groundwater pumpers, if any, should also be examined in the Study and considered by the Board when making such determinations.

Proposal:

Stanford, Palo Alto, and Great Oaks request that Valley Water recognize that others' activities also benefit the basin and should be considered in setting the rates for groundwater pumping fees and charging pumpers. We propose that Valley Water take the time to evaluate comprehensively all the factors involved each claimed benefit as discussed above. This effort would include, at least, the following:

1. Recognize and identify regional rough-order-of-magnitude gradation of benefit (*e.g.*, negligible/unsubstantiated, feet, tens of feet, hundred-plus feet), and develop zones with a gradation of rates corresponding to the benefit levels. This analysis will take refined modeling and review of groundwater and other relevant water supply/use data, and, we believe, doable within a year. A process would be established to review and refine the boundaries of the zones upon request.
2. Recognize and develop a quantification mechanism for development and use of alternative water supplies (to groundwater pumping) such as imported water, use of local surface water, reuse of water (*e.g.*, recycled treated wastewater), and captured storm water, and implement a mechanism of offsets/credits to groundwater pumping fees recognizing these conditions/benefits to the basin.

¹ Resolution 99-21, at page 3 (Section entitled "Costs for Specific Benefits").

² The Study itself cannot be used to support any other conclusion, as measurement of specific benefits was neither within the scope of the Study nor attempted therein.

3. Recognize and develop a quantification mechanism for direct recharge activities, such as stormwater impoundments that percolate to unconfined zones, and implement a mechanism of offsets/credits to groundwater pumping fees recognizing these conditions/benefits to the basin.
4. Recognize the differences among water rights and uses (i.e., appropriative uses versus overlying uses).
5. Revise the groundwater pumping fee to exclude costs not associated with groundwater recharge, such as treated water systems, and pass the costs of those systems on to those getting that water only, as a fair cost of service approach.

We look forward to working with Valley Water on developing an appropriate and comprehensive approach to groundwater pumping fees recognizing all factors/activities and fairly assessing costs for benefits provided.

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