

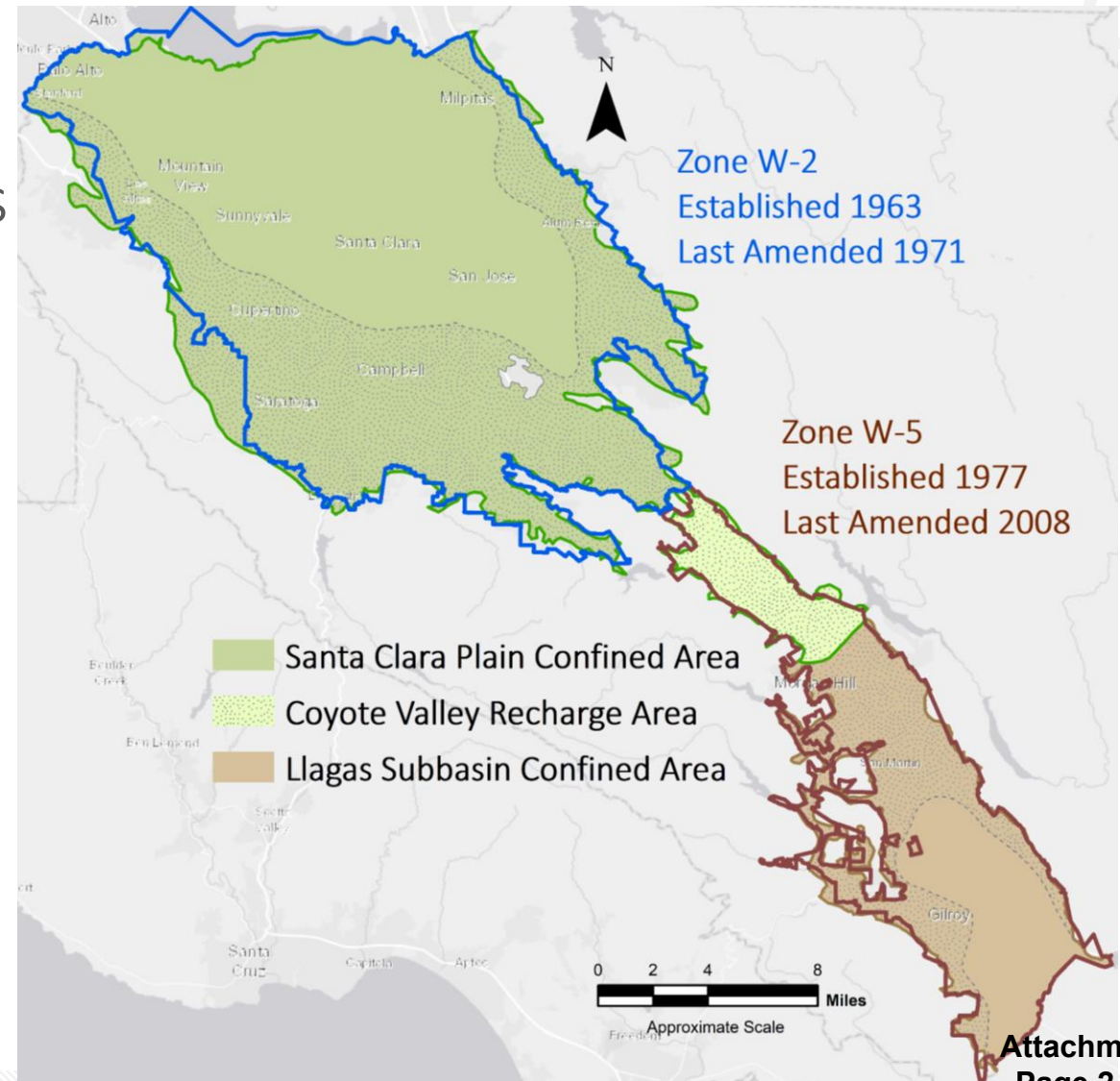


# Groundwater Benefit Zone Study

Board of Directors Consideration October 8, 2019

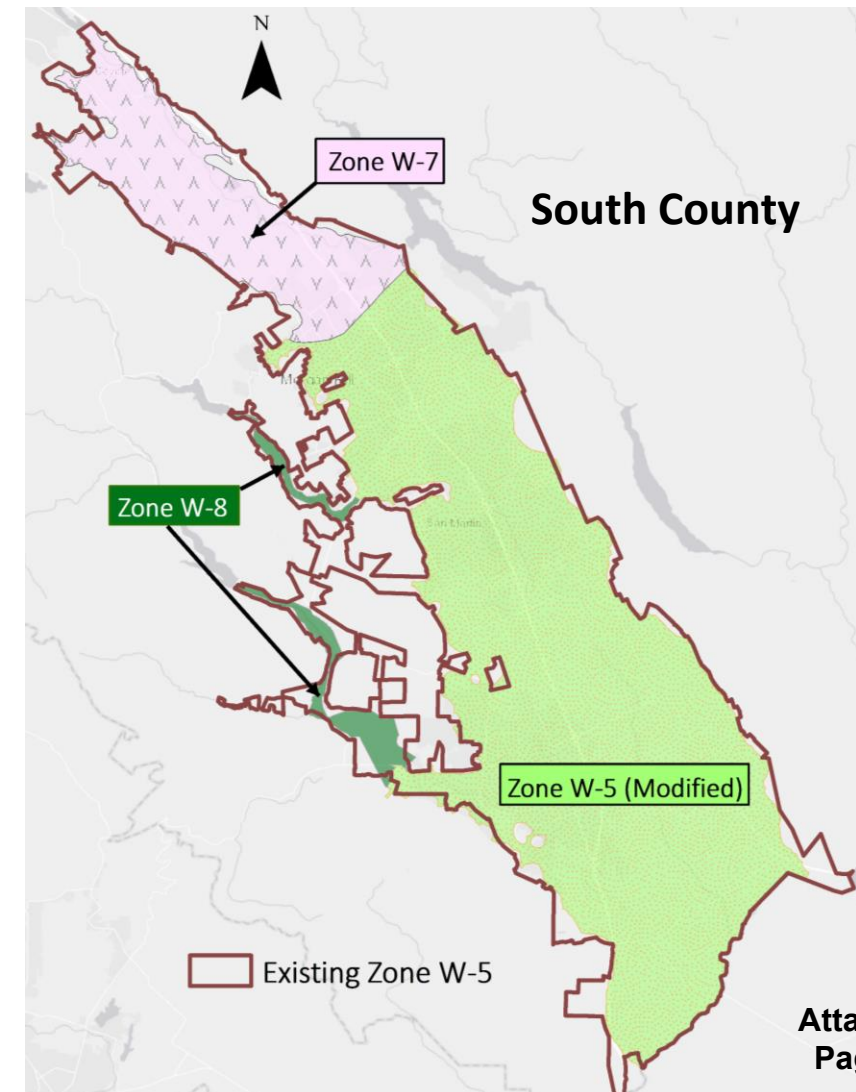
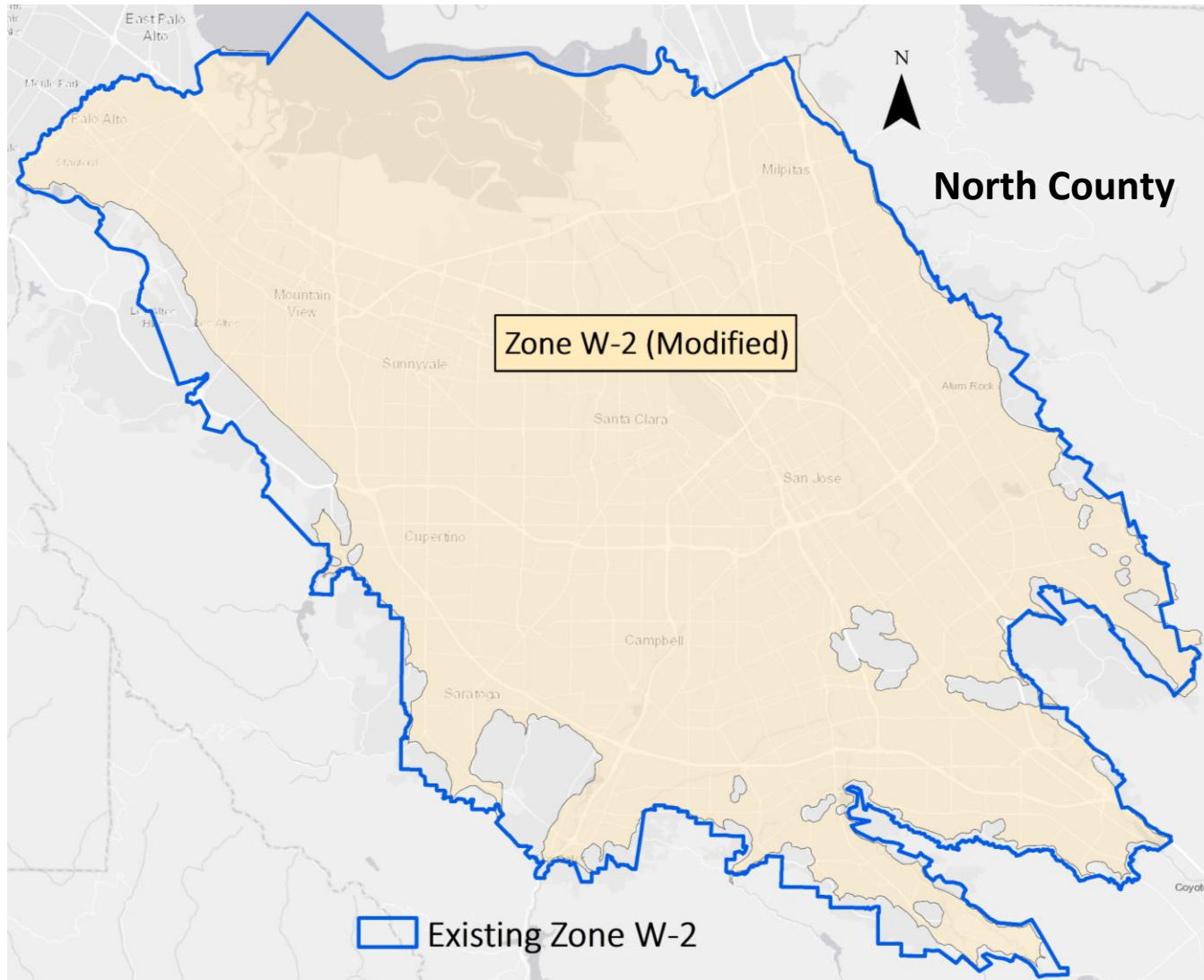
# Recap: Groundwater Benefit Zone Study

- Evaluate groundwater benefit zones (areas where charges are collected for groundwater pumped)
- Independent, science-based study to support fair and equitable charges for well users





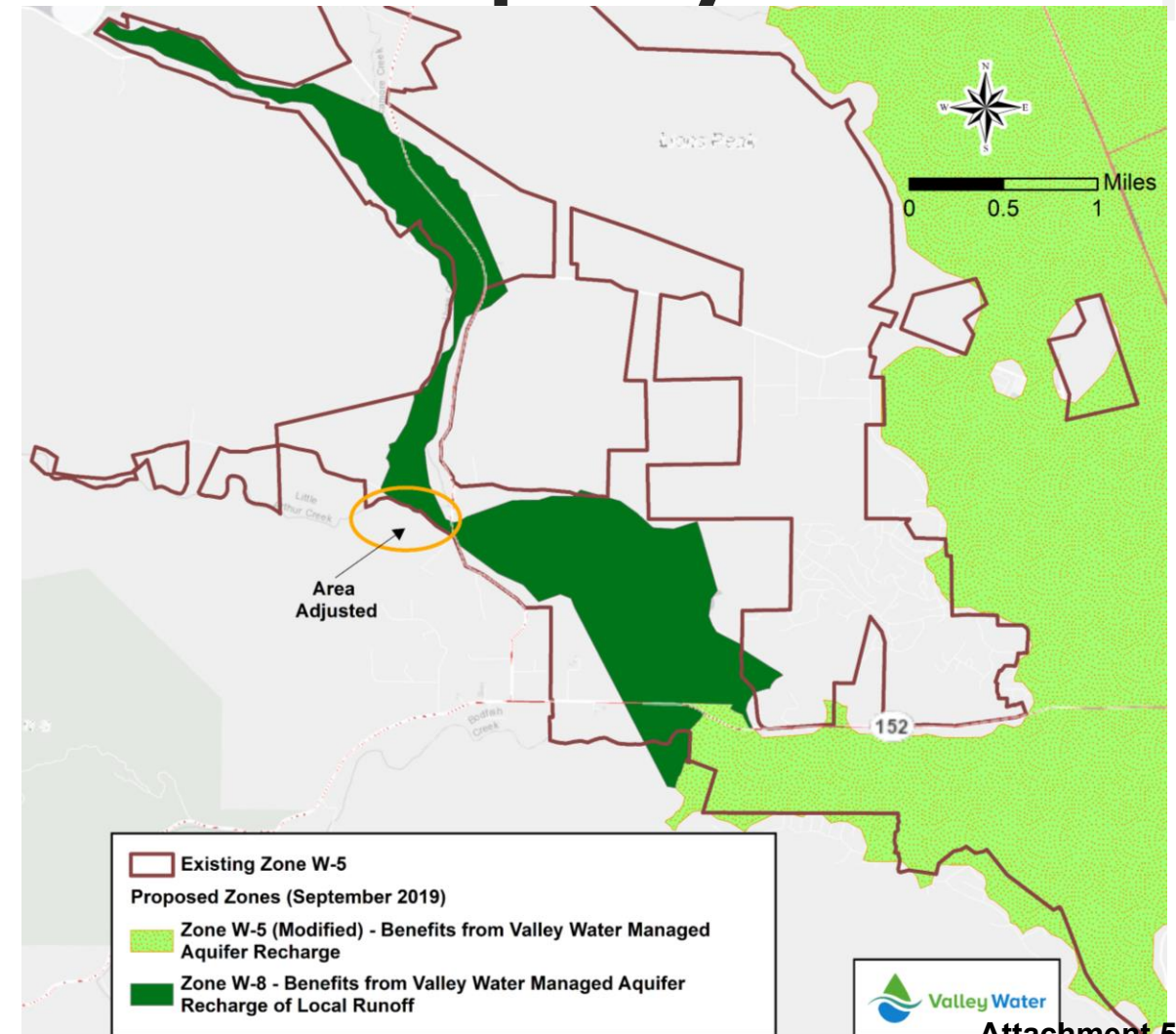
After extensive stakeholder engagement, staff recommendations for zone changes were presented to Board on August 27, 2019



# Happy Acres Mutual Water Company

## comments

- Questioned inclusion in proposed Zone W-8 and provided local geologic data (well log)
- Well log demonstrates area overlies bedrock
- Proposed Zone W-8 adjusted to exclude this area
- Future individual exemption requests will be considered on a case-by-case basis and brought to the Board



# Staff met with Stanford, Palo Alto, and Great Oaks Water Company to further discuss their concerns

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Concern discussed	Outcome of meeting
Benefits are not adequately demonstrated in their areas	<ul style="list-style-type: none"><li>Valley Water staff believe the recommendation to continue to include areas in zone is well-supported and scientifically sound.</li><li>The three retailers do not agree.</li></ul>
San Francisco Public Utility Commission supplies and stormwater recharge are not adequately considered	<ul style="list-style-type: none"><li>There was agreement the study was not intended to identify the benefit of non-Valley Water activities.</li><li>The three retailers suggested a credit system for actions by others to improve basin conditions as part of the rate-setting process.</li></ul>
Relative benefits of Valley Water activities were not considered (i.e., those further from activities pay less)	<ul style="list-style-type: none"><li>The three retailers developed a proposal for a gradational approach to benefits, along with several policy recommendations (Attachment 3).</li><li>This would require more zones to facilitate the proposed structure since charges within a zone must be uniform.</li></ul>

# Retailer\* proposal item 1 and staff evaluation

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**Summary:** Identify regional “rough-order-of-magnitude” gradation of benefits and develop zones with a gradation of rates corresponding to benefit levels.

## Staff evaluation:

- This would likely change every year based on water sources, pumping, and recharge, and would require ongoing, intensive technical and administrative effort.
- Using a regional flow model to quantify water level benefits goes beyond the model capability. Staff is doubtful that even a refined model could adequately quantify benefits from Valley Water activities in localized areas to the degree needed to support the imposition of different zones/charges.
- Thresholds used to separate gradational zones would be arbitrary and likely challenged by other well users.

\* Stanford University, City of Palo Alto, and Great Oaks Water Company

**Additional policy proposals  
raised by the three retailers  
--not directly related to the  
zone study**



# Retailer proposal item 2 and staff evaluation

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**Summary:** Develop a mechanism to quantify and implement groundwater charge credits/offsets for actions by others to develop and use alternative water supplies to groundwater.

## Staff evaluation:

- Each water provider makes decisions on its water supplies, including investments in alternative water supplies.
- Those using non-Valley Water supplies avoid or reduce groundwater pumping, and therefore avoid or reduce related costs.
- If a credit is pursued, challenging issues would need to be carefully evaluated, such as:
  - What alternative sources would be eligible? In areas with multiple sources, how can we identify those that offset groundwater versus another source?
  - How would eligibility criteria be identified and measured?
  - What factors would be used to determine the amount of credit and how would it be structured?
  - Who would pay for related credits and administrative costs?
- Since the cost of proposed credits may be borne by other water retailers and pumpers, staff recommends all retailers and pumpers be consulted if this proposal is pursued.
- If credits are made available, unintended consequences may occur, including over-investment by others in water supply projects, loss of control by Valley Water as a Groundwater Sustainability Agency in maintaining a desirable groundwater storage balance, and possibly inequitable rate burdens among rate payers.



# Retailer proposal item 3 and staff evaluation

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**Summary:** Develop a mechanism to quantify and implement groundwater charge credits/offsets for direct recharge activities.

## Staff evaluation:

- Staff is not aware of any other entity in Santa Clara County conducting recharge for the purpose of augmenting groundwater supplies. However, incidental recharge occurs in many areas.
- Many entities infiltrate water to meet stormwater permitting, environmental, or mitigation requirements. Staff questions whether it is appropriate to provide a credit for an activity required for regulatory compliance.
- If credits are implemented, some entities may be motivated to develop projects where recharge benefits are negligible
- If a credit concept is pursued, careful consideration should be given to issues such as:
  - Is the infiltration intentional, needed, and located where it would augment groundwater supplies?
  - How would groundwater quality be protected?
  - Who would fund related credits, and how might they be structured?

# Retailer proposal 4 and staff evaluation

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**Summary:** Recognize the difference among water rights and uses (i.e., appropriative uses versus overlying uses).

## Staff evaluation:

- Well users may have different water rights, including overlying and appropriative rights.
- Regardless of their water rights, any well user within a groundwater benefit zone is subject to groundwater charges.

# Retailer proposal 5 and staff evaluation

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**Summary:** Revise groundwater charges to exclude costs not associated with groundwater recharge, such as treated water deliveries, and pass those costs along only to systems receiving that water.

## Staff evaluation:

- Treated water deliveries are associated with groundwater recharge, as they provide the same benefit and are essential to maintaining sustainable conditions in the northern Santa Clara Subbasin. The concept of in-lieu recharge (including delivery of treated water) is foundational in Valley Water's methodology for developing groundwater charges and supported by the District Act.

# Do the proposals by the three retailers require changes to the zone study or staff recommendations?

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- No, the study uses best available data and comprehensive analysis that supports the staff recommendation for four new or modified zones.
- The technical approach to evaluating the zones goes beyond what is done by other special act groundwater agencies and is scientifically sound.
- The proposals from Stanford, Palo Alto, and Great Oaks Water Company relate to policy perspectives, which the Board may want staff to explore in the future.



# Staff recommendation (page 1 of 2)

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- Move forward with four proposed zones based on best available data and comprehensive analysis
- Prepare legal survey description (metes and bounds) for Board consideration/adoption of:
  - Modified Zones W-2 and W-5
  - New Zones W-7 and W-8 (with minor adjustment to exclude Happy Acres Mutual Water Company)

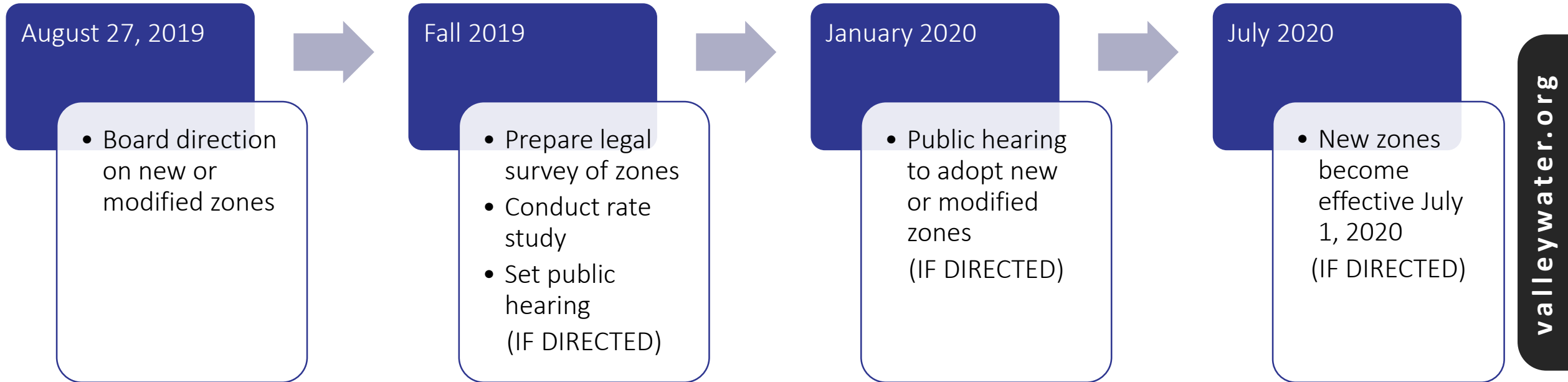
# Staff recommendation (page 2 of 2)

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- Implement zone changes in FY 21 (effective July 1, 2020)
  - Conduct rate study for four recommended zones
  - Continue to collect water charges in existing zones until water rates for new/modified zones in effect
- Conduct future zone review if Valley Water activities change substantially, significant new hydrogeologic data are available, or more than 15 years has passed without review
- Take no action on proposal no. 1 (gradational groundwater benefit zones)
- Provide direction on the four policy issues raised by stakeholders.

# Recommended schedule

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