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Santa Clara Valley Water District
Attn: Jason Gurdak, Groundwater Management Unit Manager
5750 Almaden Expressway
San Jose, California 95118

September 25, 2026

Dear Mr. Gurdak:

San Jose Water Company ("SJW") respectfully submits the following comments on the Santa Clara Valley Water District's ("Valley Water") Draft 2026 Groundwater Management Plan for the Santa Clara and Llagas Subbasins (the "2026 GWMP"). The core of SJW's interest in this process is our customers' reliance on us in our mission to deliver them affordable, reliable, and sustainable water that puts customers first.

Founded in 1866, SJW has used groundwater produced from the Santa Clara Subbasin for delivery to municipal customers for 160 years. Today, SJW serves approximately one million residents in portions of the City of San Jose and the City of Cupertino, the cities of Campbell, Monte Sereno, and Saratoga, the Town of Los Gatos, and unincorporated areas of Santa Clara County. Looking toward the future and the needs of these communities, we're mindful of the investments needed to provide water and our responsibility to do that in partnership with Valley Water and others who must work together to meet these needs.

Ultimately, our ability to fulfill our mission compels us to bring to you our concerns with the Draft 2026 Groundwater Management Plan, which we've outlined in this letter.

I. <u>Introduction</u>

As you know, SJW is the largest producer of groundwater from the Santa Clara Subbasin of the Santa Clara Valley Groundwater Basin (the "Basin").[1] In a world of increasing regulatory and climate uncertainty, groundwater remains the region's most proven and reliable resource. Recent history tells us that the region's imported surface water is subject to many competing demands and regulatory challenges that make it an imperative for us to seek the greatest efficiencies in our development and management of groundwater. The failure to do so impacts both water supply reliability and its affordability to our customers.

In fact, our customers bear the direct financial consequences of Valley Water's groundwater management decisions: approximately forty-two cents of every customer dollar is passed through to Valley Water as groundwater production charges and treated water costs. While Valley Water does not itself pump groundwater or directly serve water to the homes and businesses who rely on Basin resources and the services SJW provides, the cost of its public enterprise is supported by charges levied indirectly upon our customers through SJW and other retailers. The financial consequences of Valley Water's groundwater management decisions fall squarely on the customers served by public water suppliers such as SJW.

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[1] The Santa Clara Subbasin is referred to by the Department of Water Resources as Basin No. 2-009.02.

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For this public policy reason *alone*, planning under the Sustainable Groundwater Management Act ("SGMA") must be more than a "check the box" exercise to satisfy the Department of Water Resources ("DWR"). Both law and policy demand this. The California Constitution and SGMA require that groundwater resources be managed to maximize the reasonable and beneficial use of water resources.[2] Fairness dictates that reliability, sustainability, and *affordability* for homes and businesses within the Basin be reflected in the reasonable and beneficial use of these resources. Whether through a groundwater sustainability plan or alternative plan such as Valley Water has elected, SGMA compliance simply cannot be a series of monitoring, research, or academic exercises for their own sake. It should demonstrate a thorough, thoughtful, and adaptive approach to address affordably using these resources to benefit residents, businesses, and institutions. SJW's customers deserve better than a *pro forma* process that does not take their interests into account.

Unfortunately, Valley Water's approach to groundwater management has fallen short by this critical measure as it lacks imagination and fails to offer or even suggest management strategies that would enhance the ability of public water systems to manage their water supply portfolios and significant water supply costs for their customers. Instead, the 2026 GWMP continues a path that imposes unsustainable costs on the end users of Basin groundwater, with no commensurate benefits for Basin management. Affordability is not only deprioritized; it does not even seem to be part of the equation. Since Valley Water adopted its original SGMA "alternative plan" in 2016, the groundwater production charge passed through to SJW's customers has increased by 174%.

We appreciate that Valley Water has appointed a new CEO and that may be a harbinger for positive change. SJW has consistently sought to engage constructively with Valley Water through a variety of avenues to address concerns regarding the benefits and burdens under Valley Water's approach to groundwater management, and SJW intends to continue that constructive outreach and engagement. Meaningful collaboration among public water suppliers and with Valley Water requires meaningful change, and SJW offers these comments in that spirit.

II. <u>Managing Groundwater for Reasonable, Beneficial Use</u>

The 2026 GWMP expressly acknowledges the guiding principles under Valley Water's own Resolution No. 18-04. These principles, which SJW strongly supports, recognize that for public water suppliers that depend on the Basin's resources, groundwater management is not merely theoretical.[3] Among the guiding principles in Valley Water's Resolution No. 18-04, the following are worth particular note:

> *1. Valley Water will sustainably manage local groundwater as part of our mission to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.*

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[2] Cal. Const., Art. X, § 2; Cal. Water Code § 10720.1(b) (In enacting SGMA, it was the Legislature's intent to "enhance local management of groundwater consistent with rights to use or store groundwater and Section 2 of Article X of the California Constitution."), §10720.5(a) ("Groundwater management pursuant to this part shall be consistent with Section 2 of Article X of the California Constitution.")

[3] 2026 GWMP, Chp. 1, p. 1-19, noting that for the water retailers using groundwater, urban water management plans show "continued reliance on groundwater in the future."

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> 2. *Valley Water will continue to conduct comprehensive water supply planning and invest in diverse water supplies to ensure reliability and avoid chronic shortages.*
>
> 3. *Through ongoing water supply operations, **Valley Water will continue to optimize the use of available water supplies** while protecting groundwater storage.*
>
> 4. *Transparency in fulfilling Valley Water's mission remains an important driver and **Valley Water will continue to encourage input and participation from all interested parties.***
>
> 5. *Valley Water will continue to seek solutions that effectively and efficiently address **identified water supply issues as they arise**.*
>
> 6. ***Valley Water will work with water retailers** and other interested parties to continue to improve our understanding and management of groundwater basins and conditions, including sustainable use.*

There is ample evidence that water retailers have meaningfully contributed to the sustainable management of the Basin, acting as responsible stewards of the resource. As aptly noted in the 2026 GWMP, public water suppliers generally supported Valley Water's water use reduction target during the 2012–2016 drought and made efforts to use treated surface water in lieu of groundwater, actions that were "instrumental" in allowing groundwater levels to recover and minimize the risks of adverse impacts such as subsidence.[4]

In contrast to the above, there is little to no evidence in the 2026 GWMP that implementation of the partnership and collaboration memorialized in the guiding principles above has been reciprocal. Moreover, the retailers' mission to safeguard the ***affordability*** of water supply for their customers and the community has been lost in the process.

For example, despite the ten subcommittees of the Water Retailer Committee, there has been no meaningful collaboration with public water suppliers concerning Valley Water's extraordinary expenditures in groundwater storage outside of Santa Clara County. In June 2026, Valley Water's Water Supply and Demand Management Committee discussed "memorializing" Valley Water's interest in participating in the Antelope-Valley East Kern Water Agency's Willow Springs Water Bank.[5] Yet there is only a cursory discussion in the 2026 GWMP of potential banking arrangements beyond the Semitropic Groundwater Bank, noting that "Valley Water is also currently exploring other potential groundwater programs across the state to diversify its portfolio and ensure dry-year reliability of its imported supplies."[6] We share the view that water supply reliability is critical, but desire to explore whether conjunctive use and water portfolio management within the Basin could offer meaningful improvements. For example, this can mean

[4] 2026 GWMP, Chp. 1, p. 1-17.
[5] June 8, 2026 Water Supply and Demand Management Committee, Committee Agenda Memorandum, Item No. 4.5, File No. 26-0516, p. 2.
[6] 2026 GWMP, Chp. 6, p. 6-5.

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operating systems in a manner that toggles on and off Basin water depending on the availability of excess surface water in wet years.

The fundamental problem is that public water suppliers and other groundwater producers have no meaningful role in these investment decisions, and therefore no meaningful mechanism to advocate in our customers' interests in keeping these water supply costs affordable. SJW has not been privy to any substantive discussion or analysis of the financial or operational implications of a policy choice that gives Valley Water exclusive control over 100% of storage decisions and their associated costs—costs our customers pay with each bill.

Compounding this problem, there is no mechanism for the pumpers like SJW who fund Valley Water's storage decisions to exercise local control by directing their own investments in underground storage, or engaging in other forms of portfolio management through carryover or transfers. These are tools that are broadly regarded as essential to the efficient and reasonable use of groundwater, yet the 2026 GWMP does not even give them meaningful consideration. We believe that Valley Water and the local public water suppliers should explore whether additional investments might be avoided, at least in part, or redirected to local, in-Basin, strategies.

III. <u>The Impact on End Users: The High Cost of Regulatory Restraint</u>

In 2018, when groundwater production charges were *less than half* of what they are today, Valley Water engaged retailers in a stakeholder process regarding potential groundwater extraction regulation under SGMA. Retailers at that time expressed concerns about direct pumping regulation, and Valley Water adopted Resolution No. 18-04 to frame groundwater extraction regulation as a measure of last resort. The 2026 GWMP continues to rely on that 2018-era stakeholder input as the rationale for its current approach, concluding that direct regulation of groundwater extractions "may never be needed."[7]

Yet Valley Water's current approach to groundwater management is a cure worse than the ill it purports to avoid. What Valley Water characterizes as regulatory restraint has in practice been replaced by something far more consequential for the communities SJW serves: the use of ever-escalating groundwater charges our customers pay as *de facto* demand management. Valley Water's groundwater production charge has become a blunt force demand management tool that operates without the transparency, stakeholder participation, or recognition of individual water rights that formal regulation of groundwater extractions would have required.

What has unfolded since the stakeholder process in 2018 cannot, by any measure, be characterized as regulatory restraint. Based on SJW's research and analysis, Valley Water's current groundwater production charge of approximately $2,673 per acre-foot for municipal and industrial ("M&I") use in Zone W-2 is the highest in California to be imposed on public water suppliers.[8] Based on Valley Water's own projections, this charge is anticipated to reach approximately $4,300 per acre-foot by FY 2031–32—a roughly 60%

[7] 2026 GWMP, Chp. 1, p. 1-17.
[8] Valley Water, FY 2026-27 Groundwater Production Charge schedule, Zone W-2, Municipal and Industrial rate.

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increase in just five years.[9] Tellingly, the only substantive textual change on this issue moves Valley Water's SGMA plan in the wrong direction: a new assertion of authority to adjust groundwater charges *within* a fiscal year.[10]

As early as two years ago, the community was already feeling the impact. "Average household water bills are already forecasted to increase more than $100 per month over the next 10 years. If these projects go forward, rate increases will undoubtedly be significantly more than that and will continue far beyond the current 10 year projections," Katja Irvin, a San Jose resident and Sierra Club Loma Prieta member, told Valley Water directors at their April 9, 2024 meeting.[11] Valley Water Director Barbara Keegan said she'd always felt comfortable defending water charge increases to residents because of needed investments to the water infrastructure's years of neglect. "I have to say, I think we've reached a point where I no longer feel it's defensible," Director Keegan said at the meeting.

This runaway escalation in costs eclipses the pace of inflation, and is untethered from expenses that could reasonably be interpreted as benefiting the end users of the resource. The 2026 GWMP provides no independent cost analysis or demonstration that Valley Water's groundwater charges are proportionate to any benefits received by any individual groundwater producers relying on the Basin, including public water suppliers such as SJW and our customers.

Instead, the 2026 GWMP seems merely to document the daunting expansion of the size of the denominator—i.e., the burden that must be borne by retailer customers and other users of Basin resources. For example, the 2026 GWMP references a Water Supply Capital Improvement Project (CIP) that includes 42 water supply projects at a cost of $8.14 billion.[12] While SJW supports investment in water supply reliability, the 2026 GWMP provides no explanation as to how the sum total of Valley Water's CIP represents *groundwater* basin management programs and activities and no explanation of the value of these projects to producers in the Basin. Moreover, there is no mechanism for those who bear the burden of the groundwater production charge to evaluate whether these escalating expenditures are prudent, cost-effective, or appropriately allocated among the end users.

IV. Valley Water's Pricing Policy as the Singular Management Tool

The item that has by far the largest impact on the communities who rely on Basin resources—i.e., including SJW's customers—is given two paragraphs in a 200+ page document. The essence of Valley Water's Pricing Policy is expressed with even fewer words: "A higher treated water surcharge encourages more groundwater pumping, and a lower surcharge encourages less groundwater pumping."[13] There is no discussion of the potential financial impacts on the residents and businesses who rely on Basin groundwater supply produced by public water suppliers like SJW, no analysis of ratios or formulas, no recognition of

[9] Valley Water, Protection and Augmentation of Water Supplies (PAWS) Report for FY 2026-27.

[10] 2026 GWMP, Chp. 1, p. 1-15, citing District Act § 26.7(b)(1) (Water Code Appendix, Ch. 60).

[11] Brandon Pho, *Silicon Valley water supplier plans rate hikes*, San Jose Spotlight (April 16, 2024), available at https://sanjosespotlight.com/santa-clara-county-san-jose-silicon-valley-water-supplier-district-plans-rate-hikes/.

[12] 2026 GWMP, Chp. 6, p. 6-27.

[13] 2026 GWMP, Chp. 6, p. 6-12.

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senior water rights, no consideration of base allocations or balancing of the benefits and burdens on the Basin's end users.

Instead, there is only the pooling approach memorialized over 25 years ago, whereby "water is considered a single commodity irrespective of the water's source or costs since all users benefit from the availability of multiple sources of water."[14] This approach treats all pumpers identically without regard to their relative water rights, seniority of use, or contributions to Basin sustainability. The outer limits of Valley Water's authority under the California Constitution, not to mention principles of sound public policy, require a closer nexus between the charges imposed and benefits conferred.

V. The Absence of Focused Technical Work Since the 2021 GWMP

Valley Water committed in the 2021 GWMP to "re-evaluate the estimate of operational storage capacity" for the Santa Clara Plain during the next five-year update.[15] However, the 2026 GWMP contains no update to the estimated "operational storage capacity" of the Santa Clara Plain of 350,000 acre-feet, which is based on the same 1999 study cited in the 2021 GWMP.[16] The 2026 GWMP also softens the commitment to future analysis, noting that Valley Water will evaluate the "operational storage capacity" estimate "to determine whether further refinement is warranted."[17]

Similarly, Valley Water committed in 2021 to "evaluate the maximum magnitude and duration that water levels can drop below subsidence thresholds without resulting in inelastic subsidence" during the next five-year update cycle.[18] From the face of the 2026 GWMP, it does not appear that this evaluation has occurred.[19] Together with the deferred storage capacity re-evaluation, this pattern suggests that Valley Water is content to coast on existing frameworks rather than actively construct quantitative Basin management tools routinely employed in other basins—even as it continues to escalate the charges imposed on the Basin's end users.

The 2026 GWMP also retains identical language from the 2021 Groundwater Management Plan on the issue of a "sustainable yield"[20] for the Basin: "Valley Water does not manage to a particular value for sustainable yield but instead manages groundwater to maintain sustainable conditions through annual operations and long-term water supply planning."[21] The omission of a quantified sustainable yield may further thwart the ability of Basin stakeholders to evaluate the adequacy of water supply planning, the reasonableness of groundwater charges, and the long-term sustainability of current extraction levels. We

[14] 2026 GWMP, Chp. 6, p. 6-11, citing Valley Water Board Resolution 99-21.

[15] 2021 GWMP, Chp. 4, p. 4-18.

[16] 2026 GWMP, Chp. 4, p. 4-13; 2021 GWMP, Chp. 4, p. 4-12.

[17] 2026 GWMP, Chp. 4, p. 4-18.

[18] 2021 GWMP, Chp. 5, p. 5-9.

[19] See 2026 GWMP, Chp. 5, § 5.4.2.

[20] Under SGMA, "sustainable yield" means "the maximum quantity of water, calculated over a base period representative of long-term conditions in the basin and including any temporary surplus, that can be withdrawn annually from a groundwater supply without causing an undesirable result." (Cal. Water Code § 10721(w).)

[21] 2026 GWMP, Chp. 4, p. 4-17; 2021 GWMP, Chp. 4, p. 4-17.

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also note that although a sustainable yield is not universally required as a management tool, the absence of a quantified sustainable yield is symptomatic of the exorbitantly expensive yet passive approach to Basin management reflected in the 2026 GWMP. The omission of this common tool from the 2026 GWMP is consistent with an approach that relies on a blunt force pricing policy to manage demand rather than active, transparent Basin management accountable to, among others, the customers served by public water suppliers.

VI. <u>The Tools Necessary for Effective Basin Management</u>

The 2026 GWMP is, at its core, an incremental update to the 2021 Groundwater Management Plan, without the necessary components of groundwater management to meet the needs of the Basin's beneficial users. The 2026 GWMP continues to omit a quantified sustainable yield, does not facilitate incentives for conservation and efficiency such as user-controlled storage, carryover, or transfers,[22] and provides no independent justification for groundwater charges that are the highest in California and projected to escalate dramatically without any indication of efforts being made to decrease these projected cost increases.

The 2026 GWMP continues to list management tools as merely "potential groundwater management activities and tools that Valley Water could also consider if needed" without implementing any of them.[23] The continued absence of meaningful management tools prevents SJW and other pumpers from optimizing water supply portfolios, managing costs for customers, and making informed long-term capital investment decisions that are prudent and, in the case of retailers like SJW, reviewed by the California Public Utilities Commission.

We believe that groundwater sustainability plans in California have incorporated concepts that would benefit the public water suppliers and the community generally. This includes programs that facilitate portfolio management; storage of imported water; and the conservation, storage, and trading of water within the Basin by public water suppliers. These measures have been employed in countless groundwater basins in California, and we see no good reason for not doing so here. It is time to move away from a stale alternative plan that may overcome the lowest bar of avoiding subsidence but does not meet the substantial challenges of the moment and future needs of the communities served.

VII. <u>Conclusion</u>

SJW acknowledges that as we submit this comment letter, Valley Water has recently appointed a new CEO, which is opening the door to improved communication and potentially greater retail agency involvement. Nevertheless, SJW raises the issues in these comments to protect its ability to provide affordable service and continue to put its customers first. SJW respectfully urges the Board of Directors to use the 2026 GWMP update process as an opportunity to address the structural deficiencies in Valley Water's current

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[22] The 2026 GWMP notes generically that groundwater transfers would be "subject to applicable city and county ordinances." (2026 GWMP, Chp. 1, p. 1-16.) By way of observation, there do not appear to be any currently applicable limitations within the Basin.
[23] 2026 GWMP, Chp. 8, p. 8-2.

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approach to groundwater management before they become re-calcified in the form of this blueprint for the next five years.

Respectfully submitted,

Tanya Moniz-Witten

Tanya Moniz-Witten, President
San Jose Water Company

cc: Valley Water Board of Directors
Aaron Baker, P.E., Chief Operating Officer, Water Utility Enterprise
Valley Water Retailer Committee