

QUESTIONS & ANSWERS

January 2008

SJRA Proposal to Prepare a Joint WRAP

This document is intended to provide background information regarding groundwater regulation in Montgomery County and an explanation of the San Jacinto River Authority's proposal to prepare a joint Water Resources Assessment Plan (WRAP) on behalf of groundwater permittees within the county. The primary audience for this proposal is groundwater users, other than agricultural users, who hold well permits from the Lone Star Groundwater Conservation District for more than 10 million gallons per year.

Q I'm not familiar with any regulations that require me to prepare a WRAP. What is a WRAP and what is behind this requirement?

A The Lone Star Groundwater Conservation District (LSGCD) was created by the Texas Legislature in 2001 to conserve, protect, and enhance the groundwater resources of Montgomery County. The LSGCD recently proposed regulations that require certain groundwater users to conduct long-term planning to assess their future water needs and describe how they will obtain additional water supplies, other than groundwater, to meet their future demands. The specific requirements for this planning are set forth in the LSGCD's proposed Phase II(A) District Regulatory Plan (DRP), a copy of which may be obtained from the LSGCD or by visiting their website at www.lonestargcd.org.

The Phase II(A) DRP requires certain permittees to submit a Water Resources Assessment Plan, or WRAP, which is divided into two major parts with the following due dates:

WRAP Components and Due Dates

Part 1. Information about current and projected water demands; identification of current water supplies; and description of current well capacities. *DUE: September 1, 2008*

Part 2. Identification of new water supply sources to meet projected water demands; description of infrastructure needed to deliver new supplies; timeline and cost estimate for development of new supplies; and a letter from the supplier confirming the availability of the new supplies. *DUE: March 2, 2009*

Q The WRAP appears to be a planning document. Do the Phase II(A) regulations actually require me to begin converting to surface water on a certain date?

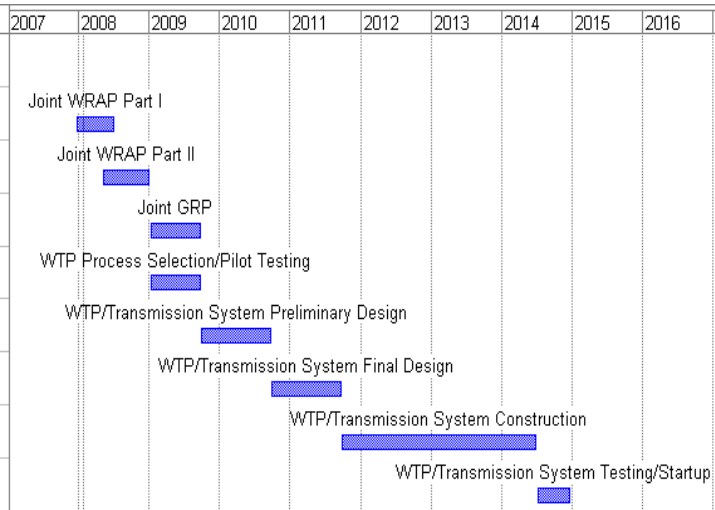
A No. The Phase II(A) regulations do not contain the actual groundwater reduction requirements and schedule. The LSGCD is adopting its groundwater regulations in three phases.

Phase I of the LSGCD's DRP analyzed the available scientific data on the aquifers within Montgomery County and established a benchmark for the maximum production of groundwater at 64,000 acre-feet per year, which was determined to be the sustainable withdrawal rate for the aquifers within Montgomery County. Phase I set a target date of January 1, 2015 for reaching the 64,000 acre-foot sustainable level.

Phase II(A) requires groundwater users, other than agricultural users, with permits greater than 10 million gallons per year to prepare a WRAP. The LSGCD will use the WRAPs to confirm that groundwater users are making progress toward the 2015 conversion deadline and to gather additional information to be used in the development of Phase II(B).

The LSGCD has indicated that its Phase II(B) regulations would include the actual groundwater reduction requirements and schedule for conversion. Presumably, Phase II(B) regulations would be adopted during the first half of 2009.

In order to meet the 2015 conversion deadline and allow time for design and construction activities, the LSGCD has adopted a very aggressive schedule for WRAP submittals, so it is important that permittees wishing to join SJRA's WRAP act quickly so that adequate time will be available for planning.



Q Why is there a need to begin using surface water in Montgomery County?

A Scientific studies conducted by the LSGCD, the United States Geological Survey, and several other entities in the area confirm what many water suppliers in Montgomery County are already seeing. The demand for groundwater in many places within the county is exceeding the amount our aquifers can sustainably yield, and water levels in the aquifer are declining at an alarming rate. When the rapid population growth of Montgomery County is factored into regional groundwater models, the projected impacts of continued reliance on groundwater become dramatic.

Unless some of the demand on our aquifers is reduced by the introduction of surface water, water levels in the aquifer will continue to drop to levels at which many wells will become useless and have to be rehabilitated or replaced.

Fortunately, regional planners in the 1950s and 1960s

anticipated the need for additional water supplies and constructed reservoirs such as Lake Conroe and Lake Houston.

Q How does the SJRA plan to develop surface water for Montgomery County and help other groundwater users comply with the LSGCD regulatory mandates?

A In order to offer Montgomery County groundwater users a cost-effective option for meeting the Phase II(A) requirements and in an effort to fully-leverage the economic benefits of regionalization, the SJRA intends to develop a Joint WRAP on behalf of all groundwater users within the county who are interested in joining. Individual permittees would be able to comply with the LSGCD's requirement to submit a WRAP by participating in the SJRA's Joint WRAP and having their projected water demand included in a regionalized system.

The key benefit of joining multiple users into a regional WRAP is the ability to achieve tremendous cost savings by utilizing a "group compliance" concept in which some participants are converted to surface water while other participants remain on 100 percent groundwater. As a group, the participants can meet the regulatory requirements of the LSGCD without the necessity of physically delivering surface water to every participant.

It is important to remember, however, that the requirement to prepare a WRAP is only a planning requirement. Final decisions regarding the actual development of surface water infrastructure cannot be made until after the LSGCD adopts its Phase II(B) regulations. The Phase II(A) regulations do not require groundwater users to execute a long-term contract for surface water supplies at this time, and partnering with the SJRA does not obligate WRAP participants beyond 2008. Participants in SJRA's Joint WRAP will still have the ability to consider additional options for complying with the LSGCD's regulatory requirements should they so choose.

Q How does the "group compliance" concept work and what are the benefits?

A The concept of “group compliance” is based on the long-standing practice of regionalizing water projects to spread costs and on an idea first implemented by the groundwater regulator in Harris, Galveston, and Fort Bend counties of allowing one permittee to convert on behalf of another.

The best way to explain “group compliance” is by referring to the example of Harris County where this model has been successfully implemented. Figure 1 represents ten separate groundwater users that are each required to convert 30 million gallons of their demand over to surface water (300 million gallons total). Physically converting all ten users to surface water would require building pipelines all the way across the county to deliver water to each user.

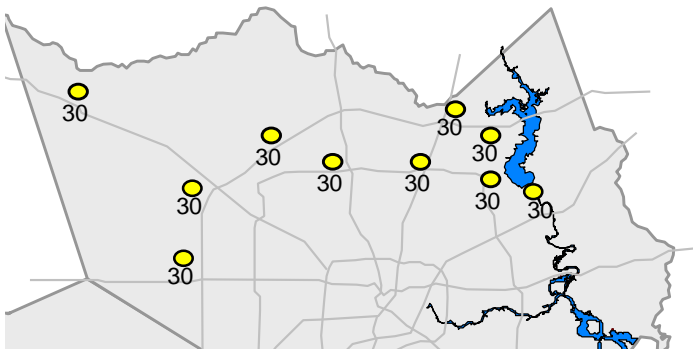


Figure 1. Individual compliance.

Figure 2 represents a scenario in which all ten users join together as a group to achieve the same 300 million gallons of conversion. However, in this scenario, surface water is only delivered to the five users closest to the surface water source. The total infrastructure cost ends up being much lower and is divided equally among all ten users.

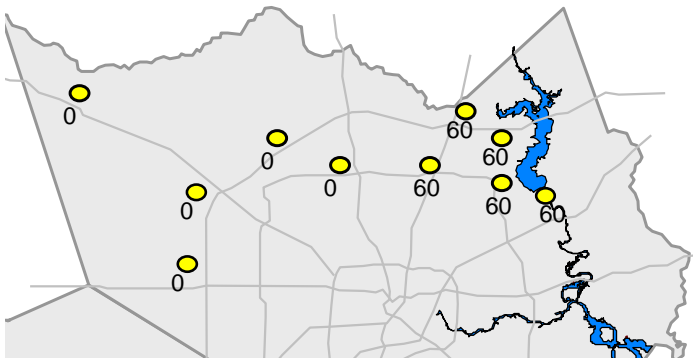


Figure 2. Group compliance.

The benefits of regionalization and “group compliance” have been well-proven by groundwater users in Harris, Galveston, and Fort Bend counties who faced similar regulatory restrictions on groundwater use. In simple terms, the use of a “group compliance” approach results in the construction of much less infrastructure, lower overall costs, and the distribution of those costs across a larger group of users. The result is tremendous savings to the end user.

In addition to cost savings, all groundwater users across the county benefit as the reduced pressure on the aquifer creates a ripple effect of stabilized groundwater levels over a large area. Stabilized water levels mean that users who remain on groundwater are able to continue using their wells while avoiding costly rehabilitations or replacements.

Q How much will it cost to participate in the SJRA’s Joint WRAP? How were the costs calculated?

A The SJRA completed a draft scope of work with detailed tasks necessary to complete a Joint WRAP. The SJRA intends to engage the services of an engineering consultant to assist in the development of the Joint WRAP, so reasonable estimates were used for rates, hours, and costs.

Because the SJRA is a governmental entity, it operates on a not-for-profit basis. The SJRA is also the largest groundwater user in Montgomery County. Therefore, the SJRA deducted its pro-rata share of the overall project cost and then attempted to equitably distribute the remaining cost among all the permittees subject to the LSGCD’s WRAP requirement. The following table outlines the fee to join in the SJRA’s Joint WRAP:

<u>Projected 2008 Water Demand</u>	<u>Fee</u>
Greater than 600,000,000 gallons	\$9,000
Less than 600,000,000 gallons	\$3,000
Cap for owners of multiple systems	\$9,000

Any permittee wishing to be included in the SJRA’s Joint WRAP should simply execute the “Agreement for Joint Development of Water Resources Assessment Plan” and pay the required fee no later than June 15, 2008.

Q What if I own a number of separate water systems that each meet the requirement to submit a WRAP?

A By participating in a joint WRAP with the SJRA, all of the demands for each of your individual systems will be accounted for in the WRAP, and you will be considered fully in compliance with the LSGCD's requirements for each of your permits. There is a certain amount of effort involved in planning for each separate system, so the WRAP fee is set at \$3,000 per system, but the decision was made to cap the fee at \$9,000 for permittees who own more than three systems.

Q Why should I join the SJRA's joint WRAP? Will I still be able to consider other options?

A Permittees who decide to participate with the SJRA in a joint WRAP are not obligated to continue participating beyond the submittal of the WRAP. After the LSGCD adopts its Phase II(B) regulations in 2009, permittees will most likely be required to submit a Groundwater Reduction Plan outlining their final plans for converting to surface water by 2015. The SJRA

encourages permittees to continue working with their own engineers and attorneys to consider all available options.

As a governmental entity, the SJRA does not operate on a profit-oriented basis, and it is not offering to prepare a joint WRAP because of any anticipated benefit it would receive. As a steward of the water resources developed for Montgomery County, the SJRA feels an obligation to the citizens of the county to make available the most cost-effective alternative possible. Regional, "group compliance" approaches have proven to be the least expensive solution in other nearby counties. By offering to prepare a joint WRAP for groundwater users in Montgomery County at a nominal cost, the SJRA hopes to provide an opportunity for this regional approach to be thoroughly considered.

Q How do I contact the San Jacinto River Authority?

A You may contact the San Jacinto River Authority at:

PO Box 329, Conroe, TX 77305
Website: www.sjra.net
Phone: (936) 588-1111 Fax: (936) 588-3043