



UPDATE TO SJRA WRAP PARTICIPANTS

Key Facts

- The Lone Star Groundwater Conservation District (LSGCD) is currently scheduled to adopt its next phase of groundwater regulations this fall, and there has been no indication that the 2015 deadline for all Large Volume Groundwater Users (LVGU) to begin converting to surface water will be changed.
- The San Jacinto River Authority (SJRA) intends to move forward with the surface water program set forth in its recently-submitted Water Resources Assessment Plan (WRAP) and to offer LVGUs the opportunity to participate in the program via contract.
- The failure of the legislature to pass the SJRA's proposed bill to fund the program through a pumpage fee does not change the program or its schedule, but it does make the program more expensive due to increased financing costs.

Next Steps

- The SJRA and the City of Houston are finalizing a Water Supply Contract that will give SJRA the exclusive right to Houston's two-thirds interest in Lake Conroe. The final contract is expected to be executed within the next month or two.
- The SJRA is preparing a contract to distribute to potential participants in the SJRA's surface water program outlining the terms for participation in the SJRA's plan. The contract will be made available in August so that LVGUs can begin considering the SJRA proposal at the same time that the LSGCD is finalizing its rules.
- All LVGUs are encouraged to closely monitor the development of the LSGCD's rules so they can make informed decisions about how to comply and whether they wish to join the SJRA's plan.
- LVGUs who are considering joining the SJRA's plan should plan for the initiation of a pumpage fee beginning no earlier than January 2010. The amount of the fee will depend on the number of participants but could range from \$0.25 to \$0.75 per 1,000 gallons.
- The SJRA will host an informational meeting for LVGUs and other interested stakeholders in August to present and discuss the surface water program, proposed contract, pumpage fee, lake level impact data, and related information.



Continued...

Current Events

As many of you are aware by now, the 81st Regular Session of the Texas Legislature adjourned on June 1, 2009, without passing legislation to authorize the SJRA to implement a groundwater reduction plan for Montgomery County through the use of groundwater pumpage fees (Senate Bill 2489) as proposed in our WRAP filed on your behalf with the LSGCD last March. It is a great disappointment to the SJRA that this opportunity to implement a highly-efficient groundwater reduction program for Montgomery County has been lost for the time being.

As a regulated permittee and on behalf of other Montgomery County LVGUs, the Board of Directors of the SJRA believes that in view of the current LSGCD deadline for groundwater reductions and the need to create a cost-effective compliance option, the proposed groundwater reduction plan (GRP) of the SJRA should be continued in earnest, but with certain modifications.

GRP Modifications

Without the legislative authority to offer a GRP and related pumpage fees by rule, the SJRA will be required to do so by written contract with each willing LVGU. This agreement will, of necessity, be uniform for all participants and will serve as a grant of authority from each participant to SJRA to implement a GRP on their behalf and to impose and collect surface water fees and pumpage fees on the same essential terms as proposed in the legislative initiative. Instead of an "opt-in" period of 90-120 days for a participant to elect to join the GRP as proposed in Senate Bill 2489, each LVGU who wishes to join the GRP will be requested to execute an agreement within a similar time period. The proposed form of agreement will be similar to that utilized by the City of Houston with its GRP participants and will be distributed to potential participants in August so that LVGUs can begin considering the SJRA



proposal at the same time that the LSGCD is finalizing its rules.

Proceeding with the GRP program by a series of agreements will certainly be more labor intensive and less efficient than utilizing a statutory fee-based system, and the added financing costs associated with a program based on a series of written agreements will be substantial. However, a coordinated, countywide program of groundwater reduction remains the most efficient means of meeting the regulatory requirements of the LSGCD in a timely manner. Concluding a sufficient number of GRP contracts on or before November 1 will be critical to closing on the pending no-interest, low-interest \$21.5 million loan offer to SJRA from the Texas Water Development Board to conduct engineering for the project.

The GRP document will be very similar in content to the description in the WRAP submitted in March of this year; however, it will be based on a contractual pumpage fee rather than a legislative pumpage fee for the time being. In the development of the plan, the SJRA will endeavor to accommodate additional funding mechanisms, legislative changes, or additional or alternative water supply sources that may become available.

Schedule

Barring some significant change in the regulatory program adopted by LSGCD, SJRA intends to move forward with the program set forth in the WRAP, with the modifications described above. In order to meet the time deadlines for the GRP, the SJRA must maintain the following schedule:

August – September 2009

Scheduled LSGCD adoption of its Phase (II)(B) regulations

August – November 2009

Execution of GRP contracts with participants;
Finalization of Houston Water Supply Contract

July – November 2009

Review potential feasibility of an alternative water plant site and intake structure along the West Fork of the San Jacinto River

December – June 2010

Finalization of GRP in conformity with final LSGCD Rules

November 2009

Closing on TWDB loan

The SJRA will continue to work with the LSGCD during the development of the next phase of groundwater regulations, which are scheduled to be adopted this fall. All LVGUs in Montgomery County who participated in the WRAP are encouraged to closely monitor the development of these rules in order to be prepared to make informed decisions about how they wish to comply with these regulations and whether they wish to join the SJRA's GRP.



City of Houston Water Supply Contract

Subsequent to the filing of the WRAP with the LSGCD in March, SJRA concluded and executed a Memorandum of Understanding with the City of Houston to reserve and purchase water from Houston out of Lake Conroe. The SJRA Board of Directors has directed staff to continue with final revisions to the definitive Water Supply Contract with the City of Houston that would give SJRA the right to reserve and/or purchase all of Houston's two-thirds interest in Lake Conroe. Minor style and mechanical issues, such as metering and accounting for water, are being resolved, and SJRA expects to receive final comments from Houston in the next few days. A final form of agreement should be available for approval and execution within 4-8 weeks.

Summary

Given the current condition of Montgomery County's aquifers and the regulatory deadlines being imposed by the LSGCD, the SJRA intends to move forward expeditiously with its surface water program. As shown in the recently-submitted WRAP, a countywide program available to all LVGUs is by far the most cost-effective, long-term solution. The SJRA is preparing a contract that will allow LVGUs to join the SJRA's GRP and will host an informational meeting in the next several weeks to provide additional information about the program.



For additional information,
please contact Jace Houston
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An important message for SJRA WRAP Participants...

