

**GRP Review Committee  
Minutes of Regular Meeting  
January 22, 2018**

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., on January 22, 2018, at the San Jacinto River Authority GRP Division Operations Building located at 11998 Pine Valley Drive, Conroe, Texas, 77304. Notice of said meeting was duly posted per GRP Contract requirements. Committee members Jackie Chance, Mike Mooney, Joe Sherwin, Kerry Masson and Melanie White were present. GRP Division Manager Mark Smith, Senior O&M Utility Manager Don Sarich, Compliance & Administrative Manager Matt Corley, Deputy General Manager Ron Kelling, Administrative Assistants Lisa Yohner, Jeanette McKinzie and Tina Felkai and General Counsel Mitchell Page were in attendance.

**1. CALL TO ORDER**

The meeting was called to order at 11:30 a.m.

**2. PUBLIC COMMENTS (maximum of 3 minutes per speaker)**

Mr. Maggart addressed the committee about reduced surface water production rates. Mr. Maggart wanted to know why the surface water treatment plant is operating at a reduced rate. Mr. Maggart then stated he did not get a reply to presentation he made several months ago. It was decided that a presentation addressing Mr. Maggart's questions would be made at the GRP Review Committee meeting in February.

**3. APPROVAL OF MINUTES**

Mr. Mooney indicated that the minutes of the GRP Review Committee meeting held on December 22, 2017 were before the Committee for consideration. Motion was made by Mr. Chance, seconded by Mr. Masson and unanimously carried, to approve said minutes as presented.

**4. FISCAL YEAR 2019 BUDGET PROCESS**

Mr. Smith gave a presentation on the Fiscal Year 2019 budget process and the following related topics:

- Maintaining current pumpage and surface water rates, if possible.
- Projected Annual Demand Methodology (19.5 Billion Gallons)
- Reduce total annual surface water production (4.4 Billion Gallons).
- Reduce amount of surface water reserved.

Mr. Smith went on to discuss the GRP Fund Balance, explaining that Legal Expenses allocated in prior year's budget had not been spent and will be rolled over to the new year. The Fund Balance appears inflated due to these funds not being spent yet. Mr. Smith then discussed the demand projection methodology. Rather than using the same methodology as previously used, the GRP would like to use the previous year's actual demand; hoping this strategy would avoid a shortfall in funds. Mr. Smith went on to explain that the proposed changes by the Lone Star Groundwater Conservation District (Lone Star) could possibly change the Desired Future Conditions (DFCs) to increase Gulf Coast Aquifer pumpage from 64,000 acre-feet per year (AFPY) to 100,000 AFPY, over a fifty year period. These proposed changes present the following unknowns:

- Lone Star will have an elected board of directors in the near future.

- What will the Lone Star rules look like to implement the increase in pumpage?
- How soon will rules go into effect?

Mr. Smith reviewed the Projected Expenditures for FY 2018, explaining that fixed costs make up two-thirds (2/3) of the budget and variable operating expenses equal twenty-one percent (21%) of the operating budget. Mr. Smith explained that by reducing treated surface water production rate, we can reduce operating expenses by approximately four million dollars. Mr. Smith would like to propose a change to this operating methodology for the upcoming year's budget. We currently generate approximately fifty-four million dollars in revenue per Fiscal Year, and while reducing the production rate we would generate approximately fifty-two million in revenue it would save approximately three and half million in expenses. The significant budget impacts are:

- Granular Activated Carbon (GAC) Replacement
- Legal Expenses
- Trinity River Authority (TRA) Option

The capital improvement projects (CIP) being considered are:

- Backwash Clarifier
- Small Pump

If the GRP opts out of the Trinity River Authority (TRA) Option Agreement, the SJRA can opt to give it to SJRA's Raw Water Enterprise. If SJRA opts out it will go back to TRA. This item will be on the February Review Committee Agenda.

Mr. Smith went on to discuss the proposal brought to SJRA by Entergy. Entergy is proposing to build a new power plant. In order to build on time they will need an additional 7 million gallons per day (MGD) of water from Lake Conroe. The old plant will eventually be phased out. They will only need the additional 7 MGD until the year 2045. Entergy would like to utilize 7 MGD from the GRP's portion of reservation fee paid to the City of Houston. This would not impact the GRP until after the year 2040. If the GRP agrees to this, it would be a potential savings of \$150,000 per Fiscal Year in Reservation Fees. Once Entergy has completed their plant and the old plant phased out, the water will be returned to the GRP.

Mr. Smith asked the Committee's guidance on how to proceed knowing the Committee's desires for not having a rate increase. The Committee reported that it would like to see a couple of scenarios on the demand assumptions; previous twelve and twenty-four months production. Mr. Smith went on to explain this is a short term strategy, rate being the driver.

## **5. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS ON JANUARY 25, 2018**

No items for consideration at this time.

## **6. UPDATE REGARDING GRP DIVISION**

### **a. Compliance and Customer Service Update**

Ms. Felkai, Administrative Assistant, stated that this month's operation report includes both November and December numbers.

### **b. Operations Update**

Mr. Sarich, Senior O&M Utility Manager, stated that the plant is currently running between 10 to 11 MGD. The TTHM levels are between seven to nine, TOC averaged

about 1.75 for the last two months. The freeze on January 16 & 17<sup>th</sup> did not interfere with operations. We had several ARV's and a couple of Backflow Preventers freeze and are being repaired. Operations and Maintenance found out where the weak spots were and they are being addressed.

**c. Financial Update**

Mr. Corley, Compliance & Administrative Manager, presented the financial update. Mr. Corley provided that the total operating revenues for December were \$3,139,089 and operating revenues YTD were \$17,228,234, giving the GRP an unfavorable variance of (9%). Mr. Corley then provided that the total operating expenses for December were \$1,059,154 and operating expenses YTD were \$5,838,975, giving the GRP a favorable variance of 21%. Mr. Corley went on to provide that the fund balance as of December 31, 2017, was \$6,200,000 and the GRP had approximately 3.3 months of budgeted operating funds.

**7. DISCUSSION REGARDING FUTURE AGENDA ITEMS**

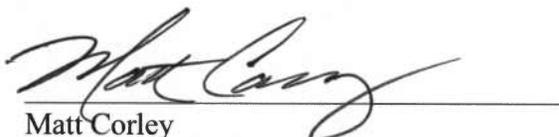
Mr. Smith stated there are no pending projects and the GRP is deferring all projects until operating reserves have been met. He further stated that SJRA will respond to Mr. Maggart's questions at the February 20, 2017 meeting.

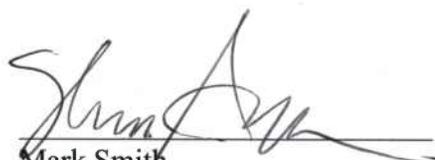
**8. FUTURE MEETING SCHEDULE**

- February 20, 2018
- March 19, 2018
- April 23, 2018
- May 21, 2018

**9. ADJOURN**

Without objection, the meeting was adjourned at 1:00 pm.

  
Matt Corley  
Compliance & Administrative Manager

  
Mark Smith  
GRP Administrator