

**GRP Review Committee
Minutes of Regular Meeting
April 23, 2018**

The San Jacinto River Authority (SJRA) GRP Review Committee meeting was held at 11:30 a.m., on April 23, 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, Jason Miller, 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 11:32 a.m.

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

No public comments.

3. APPROVAL OF MINUTES

Mr. Mooney indicated that the minutes of the GRP Review Committee meeting held on March 19, 2018 were before the Committee for consideration. Motion was made by Mr. Miller, seconded by Mr. Masson, and unanimously carried, to approve said minutes as presented.

4. UPDATES REGARDING GRP DIVISION

a. Compliance and Customer Service Update

Ms. Felkai, Administrative Assistant, stated the Operation Report for this month includes March water demand. Ms. Felkai reported that the new Participant request from Magnolia Reserve has been retracted. Ms. Felkai concluded by stating the GRP has only received one nomination for small cities for the upcoming election.

b. Operations Update

Mr. Sarich provided an operations update. On April 14, 2018, the plant experienced a power outage, where the GRP facilities lost phase C during a storm. The plant was down most of the night. The plant ran on generator power until Entergy restored power to the area. Once power was back on, the maintenance department discovered many damaged components. We are currently compiling a list of the damages and cost to repair to determine if an insurance claim is feasible. Mr. Sarich went on to update the Committee on electrical repairs on three-phase conductors. Walker Engineering was on site March 22nd and 23rd to begin the repairs. They pulled all four wires at once then connected. Due to confined space entry, a Tri-pod was set up for safety. The effort took one and a half days to complete. Mr. Sarich completed his update by stating we are currently changing out two contactors with new GAC (Granulated Activated Carbon). One contactor should be completed by the end of the week.

c. Financial Update

Mr. Corley, Compliance & Administrative Manager, presented the financial update. Mr. Corley provided that the total operating revenues for March were \$3,817,589 and operating revenues YTD were \$27,319,073 giving the GRP an unfavorable variance of (6%). Mr. Corley then provided that the total operating expenses for March were \$1,013,438 and operating expenses YTD were \$10,074,715, giving the GRP a favorable variance of 23%. Mr. Corley went on to provide that the fund balance as of March 31, 2018, was \$6,820,497 and the GRP had approximately 3.7 months of budgeted operating funds.

5. PRESENTATION REGARDING PARTICIPATION IN MONTGOMERY COUNTY MUD NO. 113'S REUSE PROJECT.

Mr. Corley gave a presentation on a request received from MUD No. 113 requesting financial participation in a reuse project. Mr. Corley covered the scope of Phase I, which included a Gravity Effluent System to Christine Allen Park for amenity lake water evaporation makeup, with cost estimate of \$140,585. Phase II included a pump station, storage tank, and pressure reclaimed water line to soccer fields for irrigation with an estimated cost of \$1,400,000. Wastewater Treatment Plant capacity for Phases I and II would be 290,000 GPD. The GRP Staff recommends not participating in MC MUD No. 113's reuse project for the following reasons:

- The GRP does not have funds allocated.
- Montgomery County MUD No. 113 is not a SJRA Joint GRP Participant.

After a brief discussion, Mr. Chance made a motion not to participate, Mr. Masson seconded, and unanimously carried to not participate in the Reuse Project. Mr. Chance wanted to make sure GRP customers were prioritized. The Committee stated they would review request case by case.

6. PRESENTATION REGARDING NO-DES SYSTEM

Mr. Smith gave a presentation on the NO-DES System in response to Mr. Chance's asking the GRP to look into a way to conserve the water wasted during flushing. Mr. Smith stated we first looked into this system back in 2013 but it was not feasible at the time. Mr. Smith researched purchasing the equipment but found it is not suitable for the transmission lines. Mr. Smith looked into an alternative, the NO-DES System, which could be used by Participants to reduce water loss in flushing operations. Mr. Smith had the following questions:

- How many Participants are interested?
- How much water is currently lost due to flushing?
- Who would own & operate the equipment?
- How would use be scheduled & coordinated?

NO-DES currently offers flushing services on a contract basis. NO-DES has partnered with Valve Tek Utility Services an authorized NO-DES contractor to meet the growing demand for contract operations. Mr. Smith, then asked the Review Committee how they would like him to proceed. Mr. Chance stated his system recently flushed over a million gallons last month due to a color issue, and our goal as a GRP should be to conserve water. Mr. Sherwin asked if it was possible for SJRA to do a contract and the Participants piggy-back off of it. Mr. Smith stated he would contact Valve Tech and see what we could work out and what the cost

would be, and will present his findings to the Review Committee next month.

7. PRESENTATION REGARDING FISCAL YEAR 2019 DRAFT BUDGET AND AMENDED RATE ORDER

Mr. Smith presented the Fiscal Year 2019 Draft Budget and Amended GRP Rate Order. Mr. Smith explained that the GRP Division objectives for FY2019 were to produce and deliver an adequate quantity of surface water to meet LSGCD rules for groundwater reduction, ensure that surface water produced at the surface water treatment plant and delivered to the surface water receiving facilities meets TCEQ's safe drinking water standards, and to provide rates that are the lowest consistent with good management practices. Mr. Smith then discussed Budget Assumptions, FY2018 Cash Flow and the GRP Operating Budget Expenses for FY2018 and proposed for FY2019. Mr. Smith explained the risks involved with the proposed FY2019 Budget. The FY2019 budget delays full funding of the Operating Fund balance, delays funding of R&R Reserve, and delays funding of Capital Reserve. Failure to fund the Capital Reserve makes the GRP unable to address possible line extension requests and AWS development. Mr. Smith stated that in previous years the GR had been over projection demand due to not having any history to go on. Now that the plant has been running for a couple of years, we are using actual demand numbers and by reducing the plant flow, we were able to more conservative in forecasting the FY2019 budget rates. The proposed FY2019 Rates are as follows:

- Groundwater Pumpage Fee \$2.64/1,000 gal
- Treated Surface Water Fee \$2.83/1,000 gal

Mr. Smith stated there would be no rate increase for FY2019. Mr. Smith requested that the GRP Review Committee Members take the material provided, review the material, and provide any comments at the next GRP Review Committee Meeting on May 21, 2018. Mr. Smith stated that the GRP would not be able to hold these rates in the future. Mr. Smith explained that by running the plant at a reduced flow, we could lower costs on chemicals and utilities, but this is a short term strategy to address budget shortfalls.

No action was taken.

8. DISCUSSION REGARDING FUTURE AGENDA ITEMS

The following items were discussed for future agenda items:

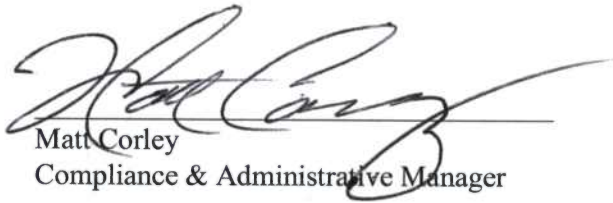
- Budget and Rate Order Action Item.
- Update on Elections
- Update on NO-DES System for Flushing

9. FUTURE MEETING SCHEDULE

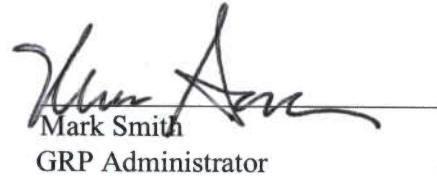
- May 21, 2018
- June 25, 2018
- July 23, 2018
- August 20, 2018

10. ADJOURN

Without objection, the meeting was adjourned at 12:57 pm.



Matt Corley
Compliance & Administrative Manager



Mark Smith
GRP Administrator