



**GRP DIVISION  
REVIEW COMMITTEE MEETING  
MAY 26, 2020**

The background is a light blue gradient with several realistic water droplets of various sizes scattered across the surface. The droplets have highlights and shadows, giving them a three-dimensional appearance. A large, faint, light blue circular shape is centered in the upper half of the image.

## **Item 2 – Public Comments**

The background of the slide features a light blue to white gradient. It is decorated with several realistic water droplets of various sizes, some with highlights and shadows, scattered across the top and bottom edges.

## **Item 3 – Approval of Minutes**



## **Item 4 – GRP Division Updates**



## **Item 5 – GRP Items for Consideration by the SJRA Board of Directors on May 28, 2020**

a. Discuss and consider the GRP Fiscal Year 2021 Budget and rates.



# **GRP Division**

## **Proposed Fiscal Year 2021 Operating Budget & Rates**

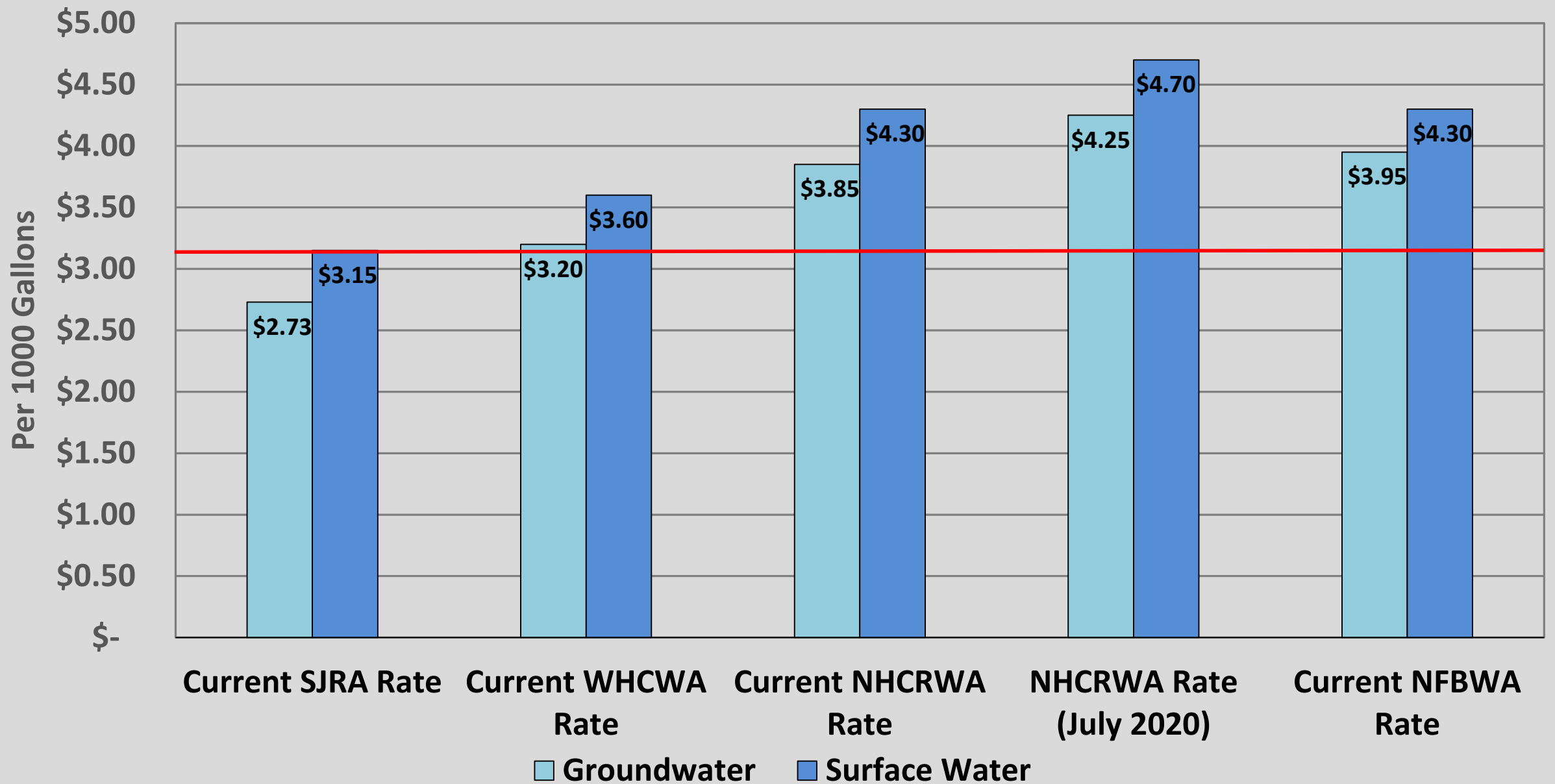
**GRP Review Committee**  
**May 26, 2020**

**SJRA Board Meeting**  
**May 28, 2020**

Budgeting during Uncertainty...

# The Sequel

**But first, a perspective from  
neighboring wholesale water authorities**



# **Recent Events that Impact the Budget**

# GMA 14 Joint Planning Committee Meeting

April 29, 2020

Please go to the following link to watch the entire meeting to gain the full context of the discussion and draw your own conclusions.

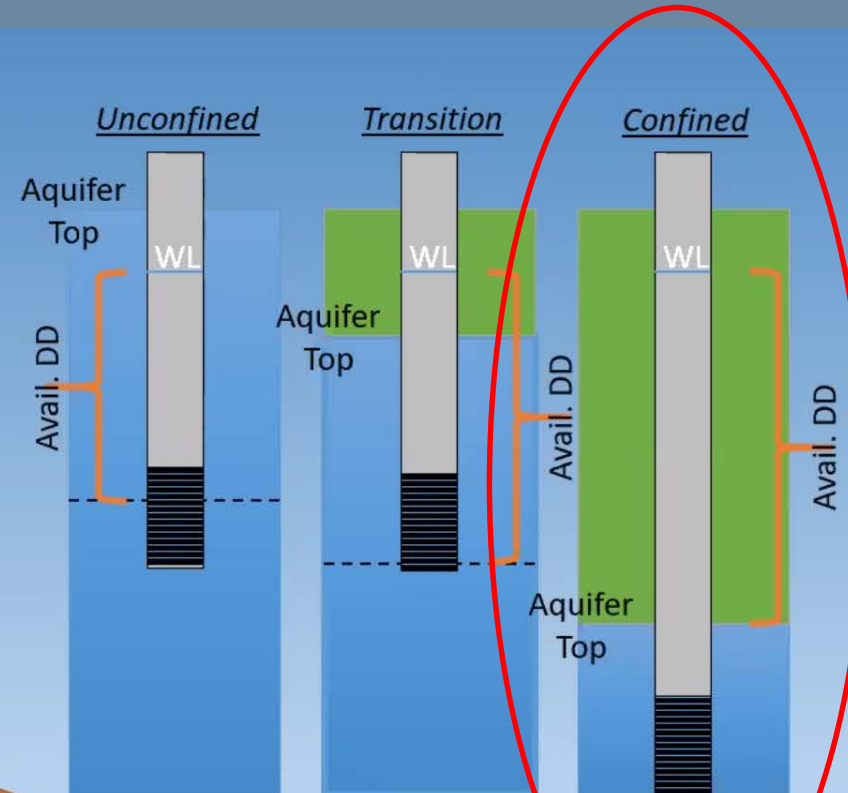
<https://www.youtube.com/watch?v=8gd7q7SMKAw&feature=youtu.be>

# AVAILABLE DRAWDOWN

- Water level minus deepest desired pumping water level
- Maximum (unconfined and transition) = 200 feet
- Remaining:

$$Avail_{dd_{rem_t}} = \frac{Avail_{dd_t}}{Avail_{dd_0}} \times 100$$

for example:  $\frac{258}{696} \times 100 = 37\%$



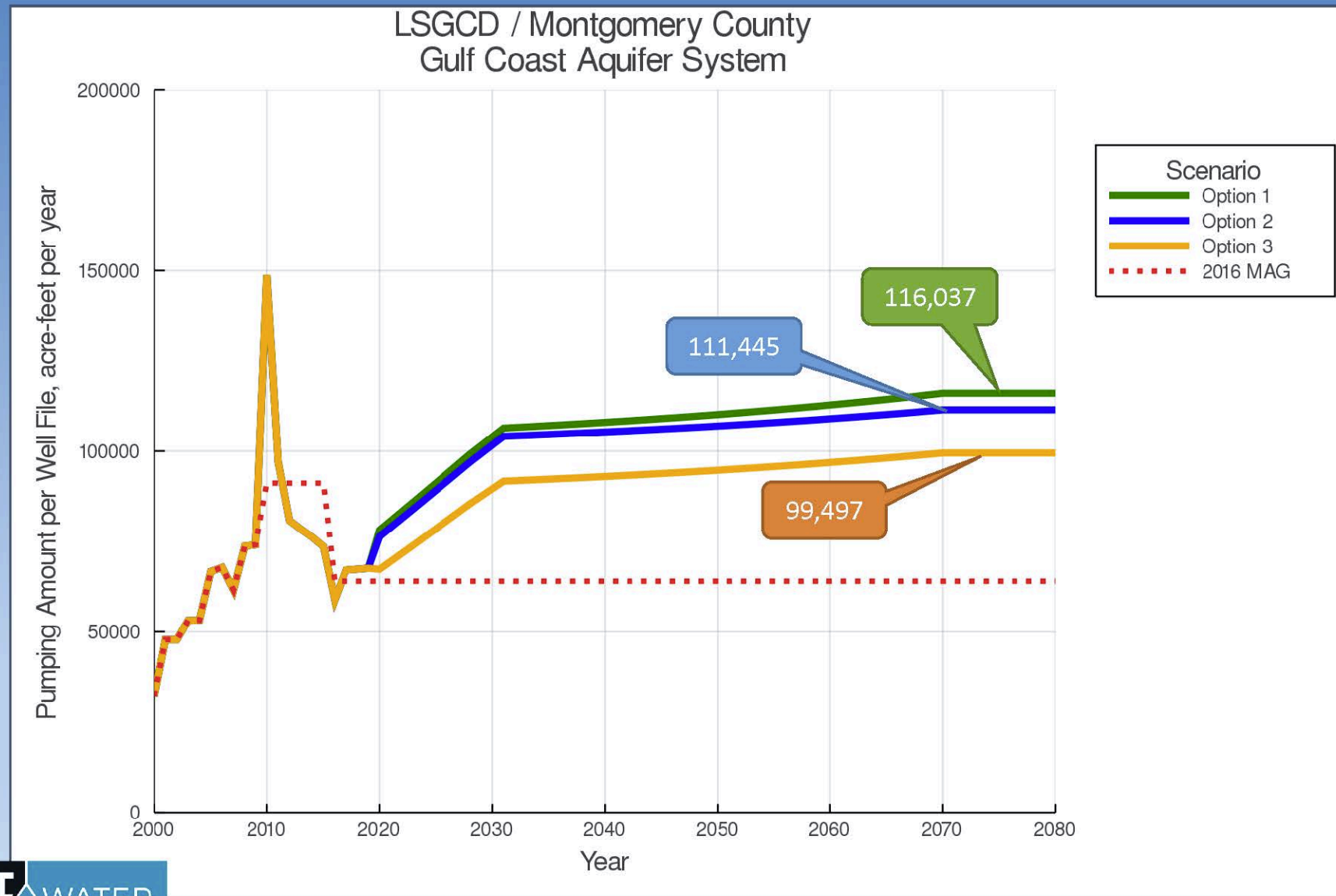
DFC  
Statement

Ref:  
LSGCD  
Board  
Meeting,  
April 14,  
2020

# POTENTIAL DFCs AS REMAINING AVAILABLE DRAWDOWN

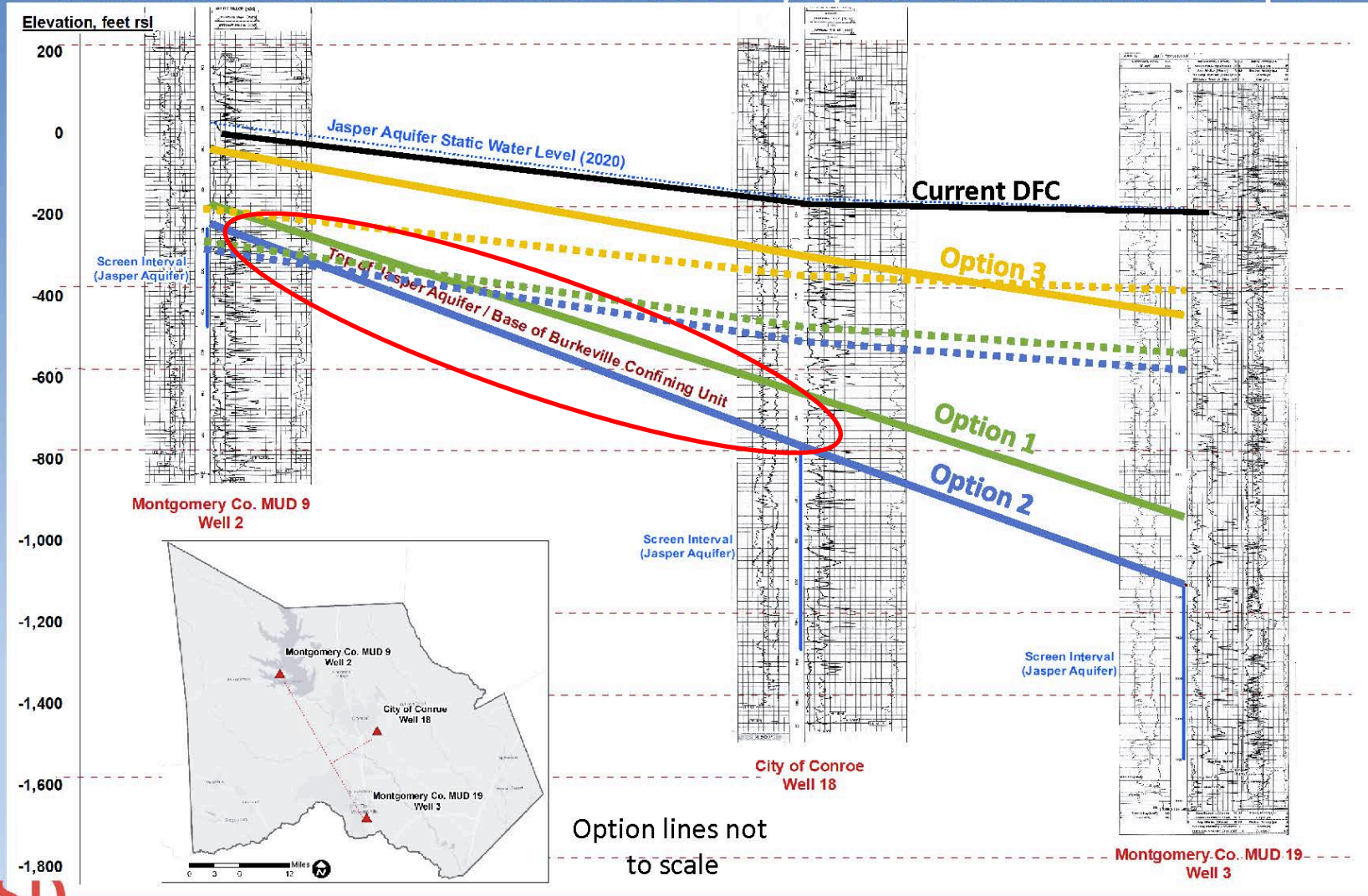
Option	Summary	Aquifer	Unconfined	Transition	Confined
1	Baseline with less remaining available drawdown in GCAS	Chicot	39%	N/A	N/A
		Evangeline	110%	75%	38%
		Jasper	77%	0%	17%
2	Baseline with less remaining available drawdown in Jasper	Chicot	45%	N/A	N/A
		Evangeline	120%	80%	85%
		Jasper	50%	0%	0%
3	Run D (Baseline)	Chicot	45%	N/A	N/A
		Evangeline	120%	83%	88%
		Jasper	86%	0%	67%

# RESULTS - GCAS



# RESULTS – LSGCD Jasper

Dotted lines illustrate simulated water level on 12/31/2080 associated with each option



# **Next GMA 14 Joint Planning Committee Meeting**

**Friday, May 29, 2020, 9:00 am**

Webex Meeting

<https://subsidence.webex.com/subsidence/j.php?RGID=r32d66df49cbe535622a4f95ce086cb5d>

**IF you have an interest in the future of groundwater supplies/use in Montgomery County, we urge you to participate in this meeting!**

# Lone Star Groundwater Conservation District

## Board Meeting

May 12, 2020

- **Subsidence Study** – Nothing reported on Phase I. Scope of work for Phase II and Phase III will be presented to LSGCD Board in June.
- **DFC** - DFC Committee of LSGCD Board will work with consultants and staff to develop message to GMA 14 Joint Planning Committee for meeting on May 29. Intent is for member of LSGCD Board to deliver that message.

# Montgomery County

**Percent Available  
Drawdown Remaining**

	70%	80%	90%
0.1 ft	98%	100%	100%
0.3 ft	83%	84%	90%
0.5 ft	70%	79%	90%

**Average Additional  
Subsidence (feet)**

	70%	80%	90%
0.1 ft	-0.11	-0.10	-0.10
0.3 ft	-0.32	-0.31	-0.20
0.5 ft	-0.53	-0.38	-0.20

**Annual Pumping  
(acre-feet)**

	70%	80%	90%
0.1 ft	13,951	8,362	8,471
0.3 ft	63,240	61,531	39,705
0.5 ft	102,246	72,729	39,760

*\*Yellow highlight indicates  
limiting factor in scenario*

Current MAG: 64,003 ac-ft  
Maximum SWP Total  
Demand (2020-2070): 286,183 ac-ft

# SJRA Comments

## Lone Star Groundwater Conservation District Board Meeting May 12, 2020 Public Comments

Good evening members of the Lone Star Groundwater Conservation District Board, staff and consultants, and guests.

My name is Ronald Kelling. I am the Deputy General Manager for the San Jacinto River Authority which owns, operates and maintains 38 groundwater wells in southern Montgomery County.

My comments tonight are based on the various presentations made by your consultants to this Board on Tuesday, April 14, 2020, and the presentations and comments made by your consultants to the GMA 14 Joint Planning Committee on Wednesday, April 29, 2020.

The primary purpose of my comments is to seek clarification regarding the information your consultants presented as it relates to potential declines in the static water level of the Jasper aquifer. We weren't able to clearly discern from their presentations how much decline will result for each DFC option and where that decline will occur geographically.

The reason we want to clearly understand the declines is because we have concerns about the impacts those declines will have on our customers – impacts in terms of water supply reliability, increased costs, and subsidence. Additional water-level declines jeopardize the significant investment made not only by our customers, but by groundwater well owners throughout Montgomery County and GMA 14 through lost groundwater production capacity along with the negative impacts associated with additional subsidence and potential fault activation.

If the lost groundwater production resulting from additional aquifer level declines can be replaced at all, it will require extensive capital outlays for well rehabilitation/lowering, new/larger motors, new/larger pumps, and other infrastructure up to and including the installation of complete new wells. Please note that the average remaining service life of our wells is approximately 23 years with some of the more recent wells having over 42 years of service life remaining. The negative impacts of additional aquifer-level declines will affect most wells before the end of their service life. Therefore, it is entirely inadequate for your consultants to only present the additional power costs associated with lifting groundwater from greater depths and ignore the much more significant capital costs to replace and upsize water well infrastructure. Our current estimate of the cost to rehabilitate and/or replace wells in The Woodlands due to the declines resulting from LSGCD's current DFC projections is over \$50 million, and this cost doesn't speak to the financial impacts to hundreds of other wells in Montgomery County. Note that the total value of the wells in The Woodlands is over \$100 million.

The increased costs to replace lost groundwater production capacity and to address the impacts of further subsidence and potential fault activation will be borne by many well owners throughout Montgomery County and the rest of the GMA 14 region, and therefore should be included in any cost-benefit analysis.

“... we have concerns about the impacts these declines will have on our customers – impacts in terms of water supply reliability, increased costs and subsidence”

Lone Star GCD Board Meeting  
May 12, 2020

Page 2 of 5

In order to better understand the costs and impacts, it is important that LSGCD's consultants clearly explain each proposed DFC and the corresponding declines that result. We respectfully request that your consultant team produce contour maps that show the modeled artesian head changes for each layer of the aquifer. As an example, I have attached to my comments three contour maps that were previously prepared by LBG-Guyton as part of LSGCD's Strategic Water Resources Planning Study. I copied these from the Task 3 Final Report posted on LSGCD's website. The maps show modeled water-level declines for Run D and are an excellent tool in helping utilities understand where and how much decline to expect from a particular DFC.

In addition, if it is acceptable to you, we would request an opportunity to sit down with one or more of your consultants (along with your staff) so that we can ask a few questions and better understand the information that was presented to this Board and GMA 14. The purpose would be to gain a clear understanding of what is being proposed.

Thank you for the opportunity to present these comments and our request to you today.

Respectfully,

Ronald Kelling, P.E.  
San Jacinto River Authority

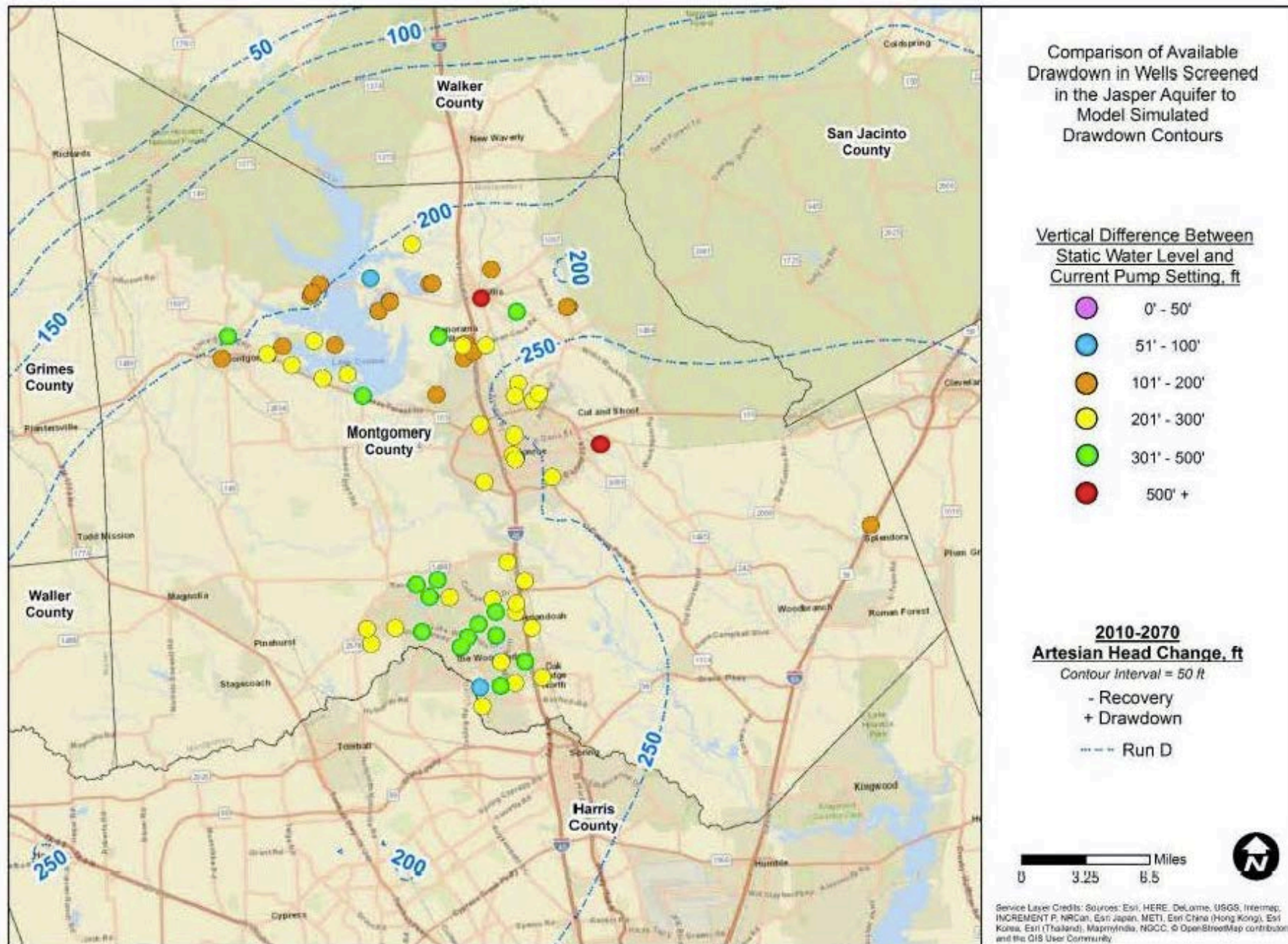


Figure 23. Run D Artesian Head Changes in Jasper Aquifer for 2010-2070

# A Reminder of Projected Future Water Demand

## 2021 Regional Water Plan Water Demand Projections by County for 2020-2070 in Acre-Feet

### Total Water Demand for MONTGOMERY County

County	Category	2020	2030	2040	2050	2060	2070
MONTGOMERY	IRRIGATION	5,642	5,642	5,642	5,642	5,642	5,642
MONTGOMERY	LIVESTOCK	537	537	537	537	537	537
MONTGOMERY	MANUFACTURING	2,135	2,413	2,413	2,413	2,413	2,413
MONTGOMERY	MINING	1,453	1,363	1,077	921	806	728
MONTGOMERY	MUNICIPAL	101,024	125,960	152,557	184,295	224,165	272,018
MONTGOMERY	STEAM ELECTRIC POWER	4,845	4,845	4,845	4,845	4,845	4,845
<b>MONTGOMERY County Total</b>		<b>115,636</b>	<b>140,760</b>	<b>167,071</b>	<b>198,653</b>	<b>238,408</b>	<b>286,183</b>

Source: Texas Water  
Development Board,  
Region H Planning Group

# Status of Legal Issues

# **FY 2021 Budget and Rates**

**Summary from Meeting conducted  
April 20, 2020**

<https://www.sjra.net/grp/participant/>

# Intangibles

## Scenario A (15 MGD SW Production)

- Conroe/Magnolia pay all past due in FY 2020 (as of March 31, 2020)
  - \$4,500,000 placed in operating fund
- Conroe/Magnolia pay full rate
- Quadvest/Conroe/Magnolia rate case dropped in FY 2020
- Quadvest Anti-trust case dismissed in FY 2020
- Collaborative effort with LSGCD
- W2A/W2B case settles in FY 2020

# Intangibles

## Scenario B (15 MGD SW Production)

- Conroe/Magnolia pay all past due in FY 2020 (as of March 31, 2020)
  - \$4,500,000 placed in operating fund
- Conroe/Magnolia pay full rate
- Quadvest rate case thru trial = \$700,000
  - Conroe/Magnolia dropped from case in FY 2020
- Quadvest Anti-trust case thru discovery = \$700,000
- Collaborative effort with LSGCD
- W2A/W2B case settles in FY 2020

# Intangibles

## Scenario C (15 MGD SW Production)

- Conroe/Magnolia current arrears (thru March 31, 2020)
  - Total = \$4,039,101 (short pay only)
- Conroe/Magnolia *additional* arrears (April 2020 thru August 2020)
  - Total = \$702,000 (short pay only)
- Quadvest/Conroe/Magnolia rate case thru trial = \$800,000
- Quadvest Anti-trust case thru discovery = \$700,000
- LSGCD DFCs/GMA/Rules = \$260,000
- W2A/W2B = \$250,000

# Total Revenue Requirements

	Scenario A	Scenario B	Scenario C
O&M Expenses (Base) + Other Expenses	\$21,686,677	\$21,686,677	\$21,686,677
Legal Fees	\$ 80,000	\$ 1,480,000	\$ 2,090,000
Debt Service	\$33,582,465 <sup>(1)</sup>	\$34,554,465	\$34,554,465
Contributions to Reserves	\$ 0	\$ 0	\$ 2,000,000
Uncollected Revenue (Conroe and Magnolia)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,600,000</u>
Total	\$55,349,142	\$57,721,142	\$63,931,142

(1) Less refunding  
opportunity

# Resulting Rates (per 1000 gallons)

	Scenario A	Scenario B	Scenario C
Groundwater Pumpage	\$2.72	\$2.84	\$3.13
Surface Water	\$3.14	\$3.26	\$3.55
Increase over FY 2020	-0.4%	3.7%	14.5%

Bottom line – Actions of a small group of GRP  
Participants are costing the entire group of GRP  
Participants more money, higher rates

# **FY 2021 Budget and Rates**

## **Additional Data To Chew On**

# Woodlands Water balks at rate bump for Groundwater Reduction Plan from San Jacinto River Authority

By Jeff Forward

Published 4:19 pm CDT, Tuesday, May 19, 2020



Photo: Photographs By Jeff Forward/The Villager / Photograph

IMAGE 1 OF 3

## Legal fees driving up water rates across Conroe, Montgomery

### LEGAL EXPENSES

To pay for its legal fees in its Groundwater Reduction Plan division, the San Jacinto River Authority has had to raise its water rates several times. The city of Conroe has also spent over \$1 million on litigation related to water issues since 2015, but city officials declined to comment on how this affects taxpayers.

AS OF MARCH 31  
SJRA

\$1.5M  
spent on legal fees

\$2M  
budget for FY 2020-21 for litigation fees

AS OF MARCH 16  
CITY OF CONROE

\$527.7K  
spent on legal fees for SJRA lawsuit

\$1.3M  
spent on Lone Star Groundwater Conservation District lawsuit

SOURCES: SAN JACINTO RIVER AUTHORITY, CITY OF CONROE/COMMUNITY IMPACT NEWSPAPER

(Designed by Kaitlin Schmidt/Community Impact Newspaper)

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# The Basics – O&M Expenses, Capital Imp. and Debt Service (12 MGD SW, 51.5 MGD Total)

• O&M Expenses	
– Staff Payroll and Benefits	\$ 4,682,807
– Professional Fees (Excluding Legal Fees)	\$ 154,000
– Purchased and Contracted Services	\$ 1,448,040
– Supplies, Materials and Utilities	\$10,520,244
– Maintenance Repair, Parts and Rentals	\$ 1,431,300
– General and Administrative	<u>\$ 526,394</u>
Total	<b>\$18,762,785</b>
• Other Expenses (Capital Improvements)	<b>\$ 236,077</b>
• Debt Service	
– Principal	\$14,800,834
– Interest	<u>\$19,753,631</u>
Total	<b>\$34,554,465</b>

# The Intangibles

- Short-pay by City of Conroe and City of Magnolia (Uncollected Revenue)
- Legal fees and judgments associated with
  - EDJA and Quadvest/Conroe/Magnolia, etc. Rate Case
  - Quadvest Federal Antitrust Case
  - LSGCD DFCs/GMP/Rules
  - W2A & W2B Water Line Leak Case

# Intangibles

## Scenario K - Requested by Woodlands Water Trustees

- Rate to cover only operations and maintenance costs for the surface water plant and transmission system and GRP debt service. Rate should not be based on paying legal costs associated with lawsuits with Quadvest, Conroe, Magnolia, etc. nor any uncollected revenue (shortfalls from Conroe and Magnolia)
- W2A/W2B = \$250,000
- Conroe/Magnolia current arrears (\$4.7MM thru August 2020)
- Legal Costs included in budget but not included in rate
  - Quadvest/Conroe/Magnolia rate case thru trial = \$800,000
  - Quadvest Anti-trust case thru discovery = \$700,000
  - LSGCD DFCs/GMA/Rules = \$260,000
- Surface Water Production = 12 MGD
- Total Water Demand = 51.5 MGD

# GRP Revenue

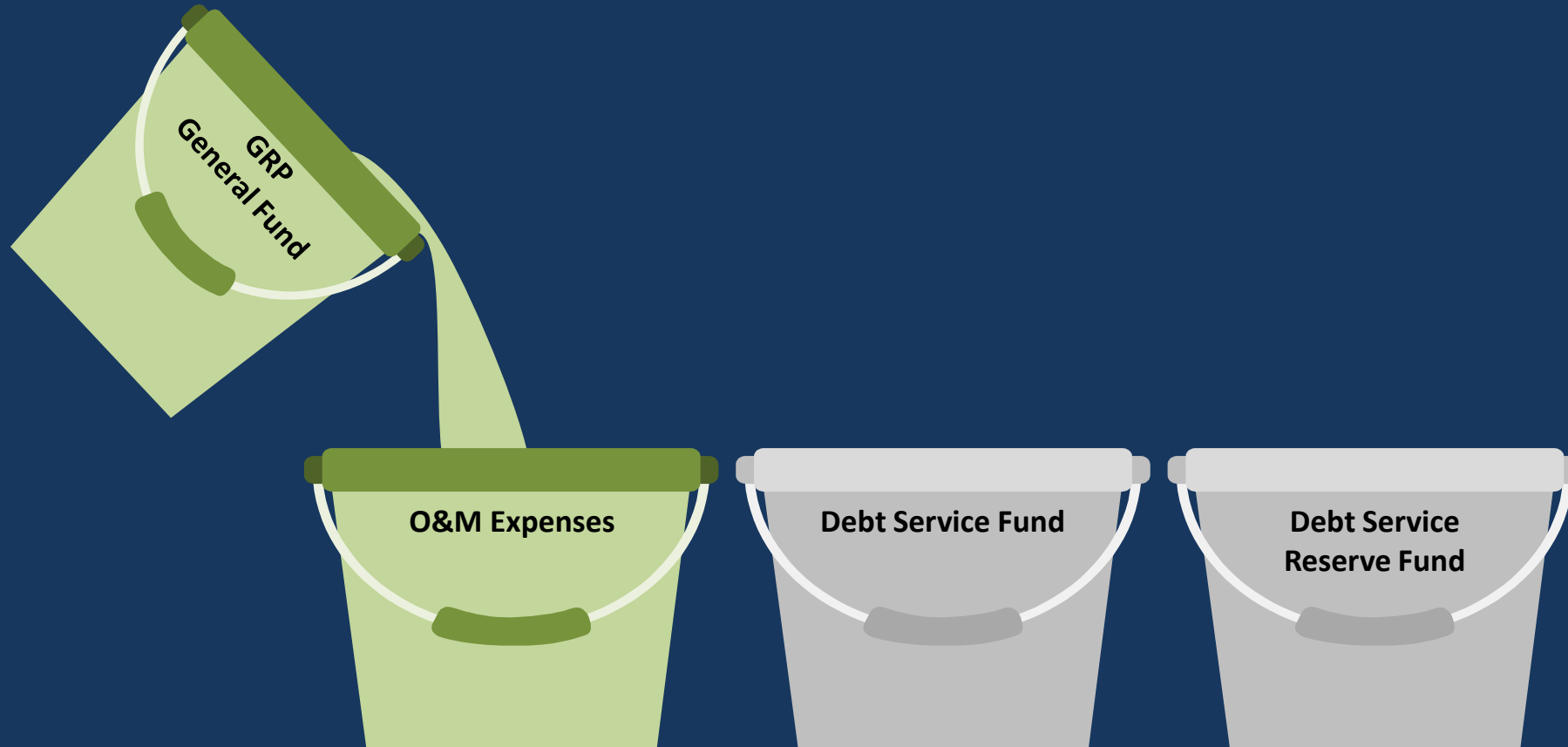


*All revenue is deposited in the GRP General Fund*

# Flow of GRP Funds

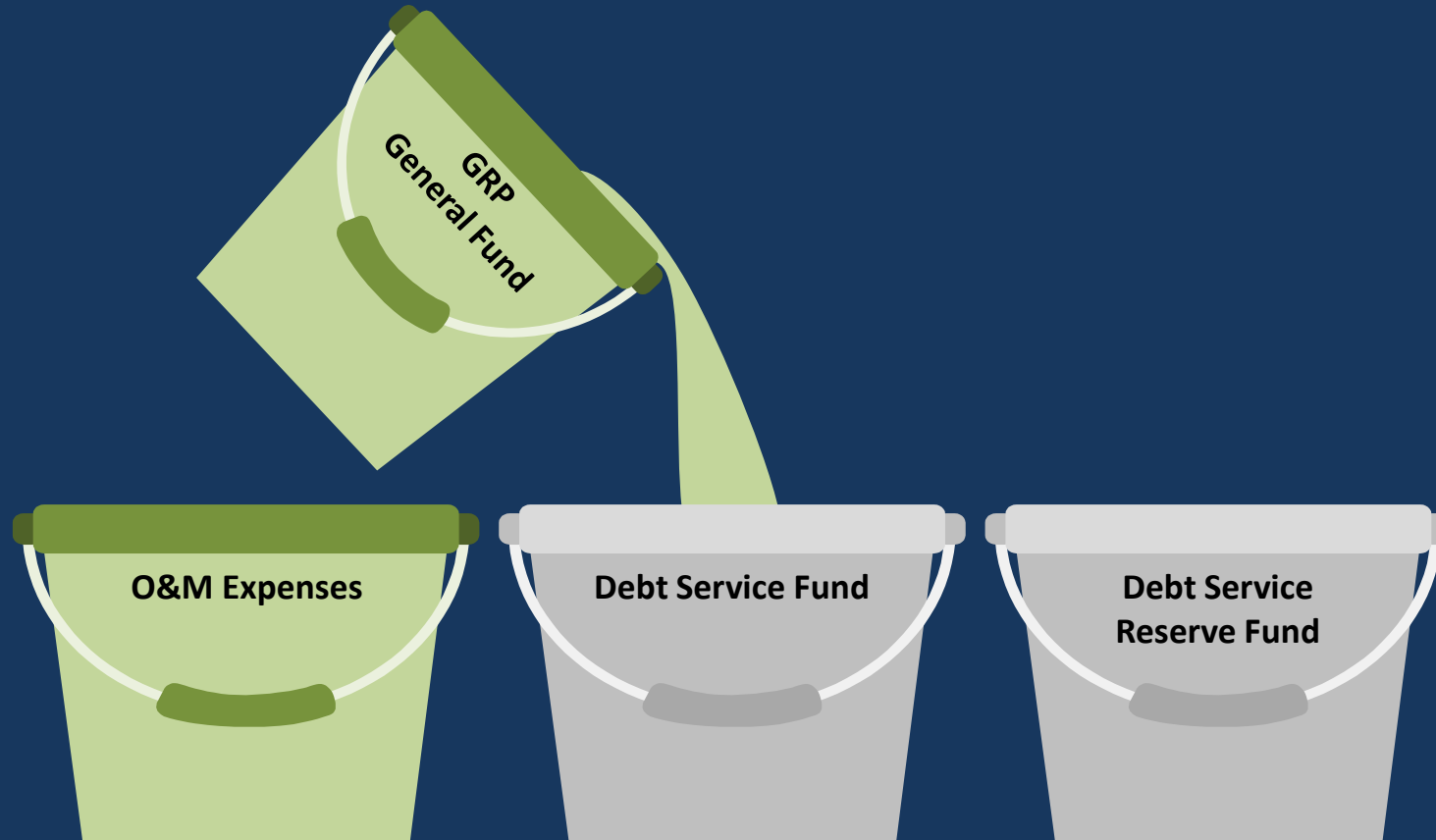


# Flow of GRP Funds



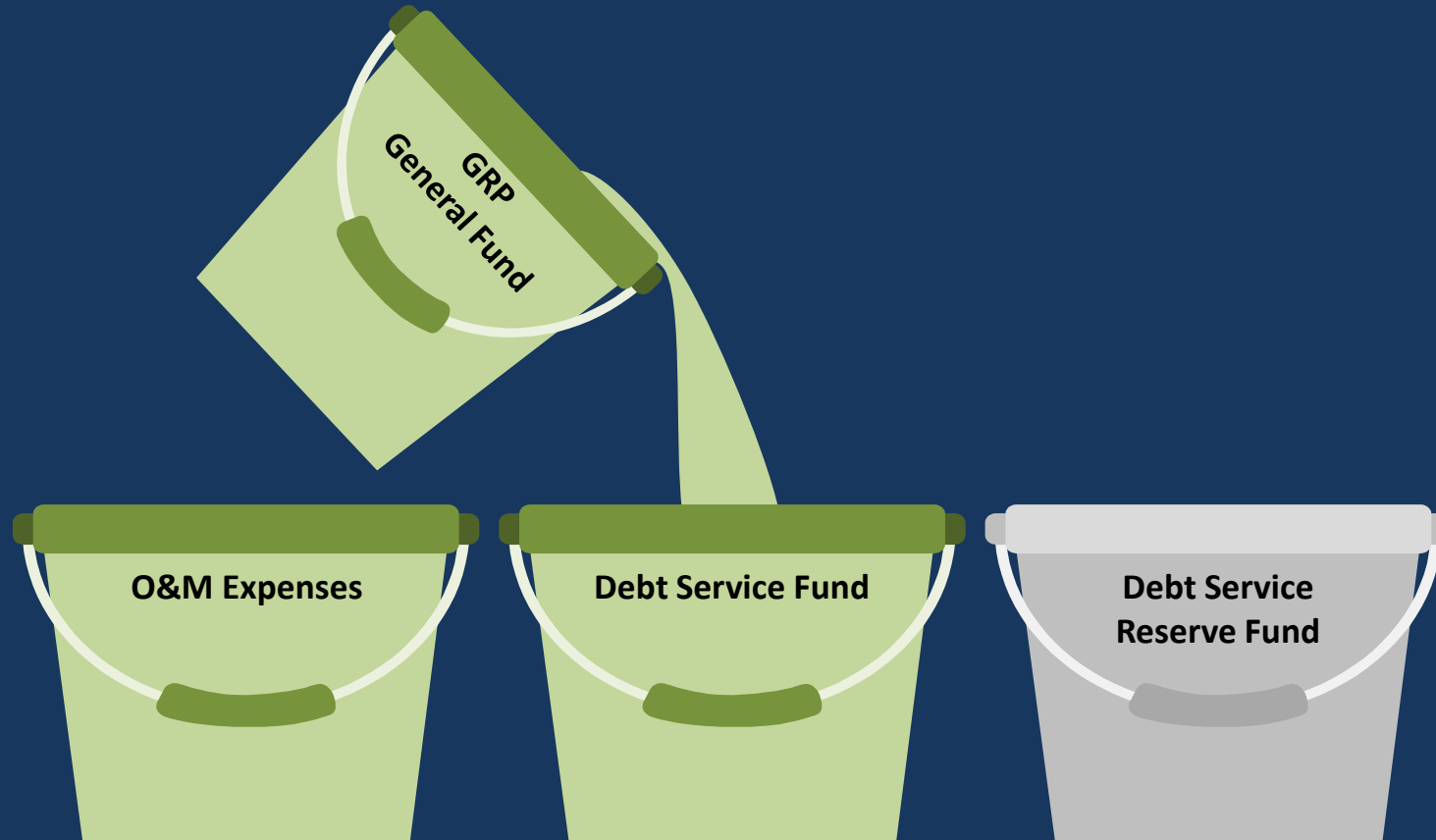
Note: Legal fees are  
considered O&M  
Expenses

# Flow of GRP Funds



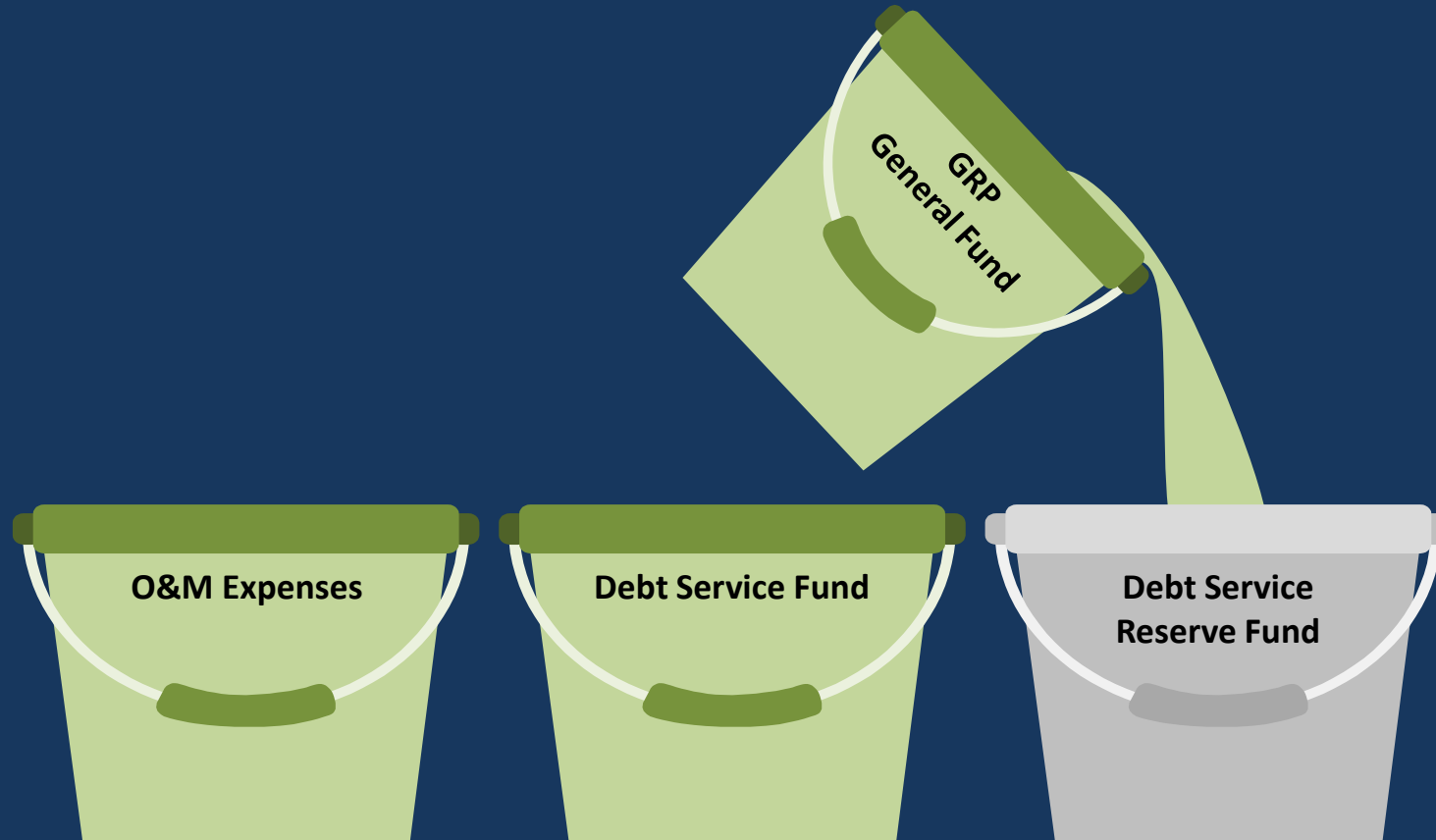
Note: Legal fees are  
considered O&M  
Expenses

# Flow of GRP Funds



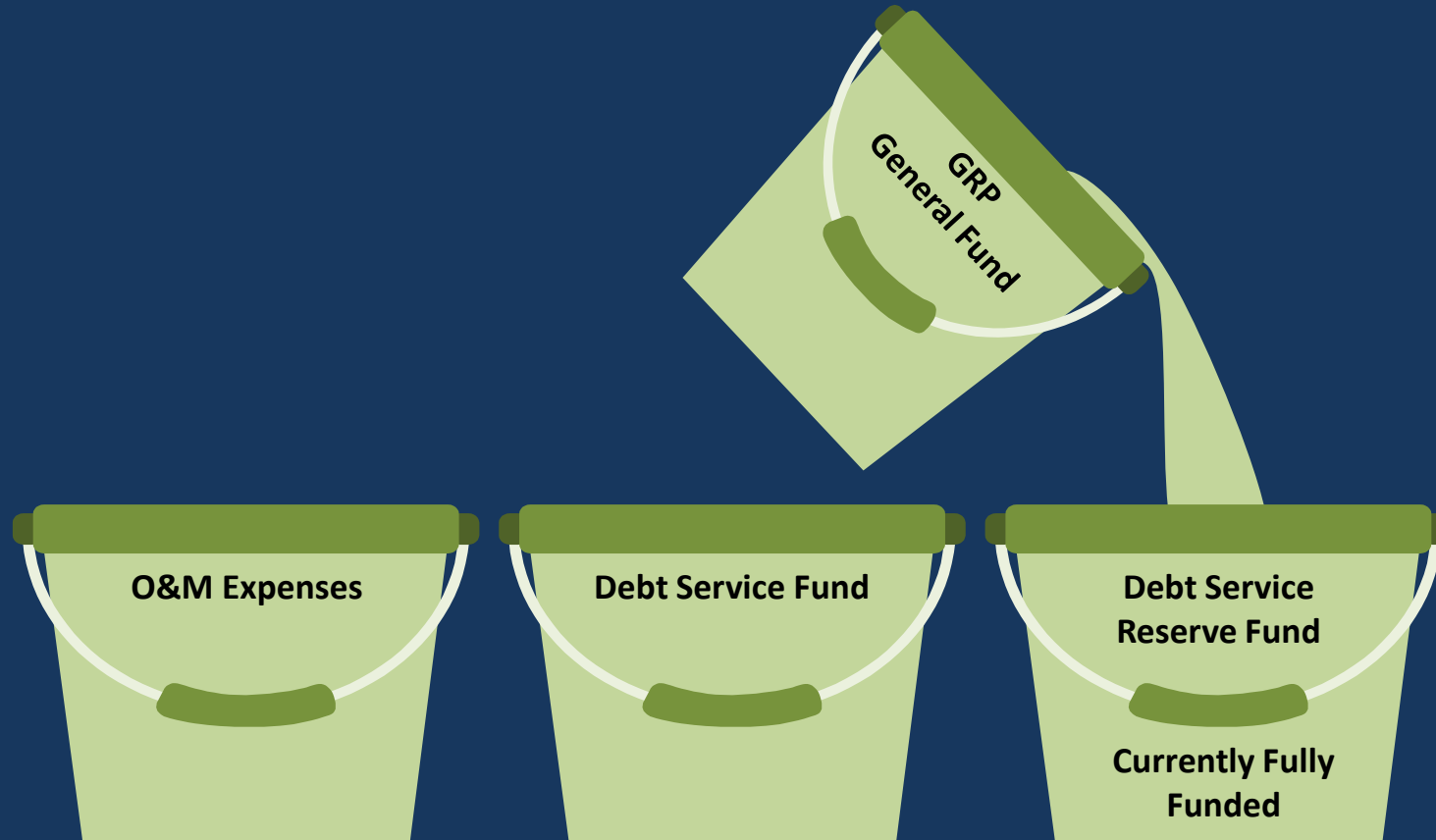
Note: Legal fees are  
considered O&M  
Expenses

# Flow of GRP Funds



Note: Legal fees are  
considered O&M  
Expenses

# Flow of GRP Funds



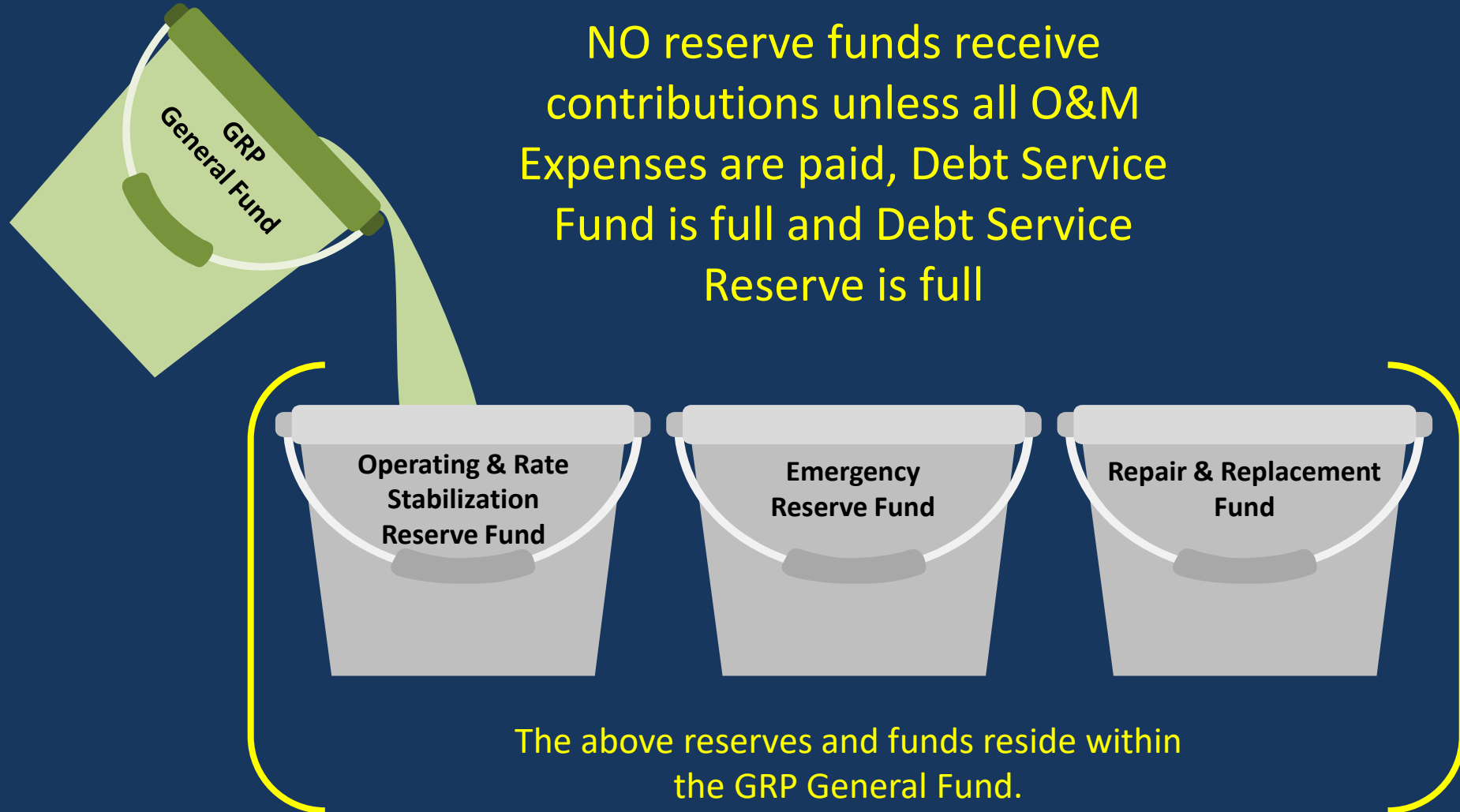
Note: Legal fees are  
considered O&M  
Expenses

# Flow of GRP Funds



# Flow of GRP Funds

NO reserve funds receive contributions unless all O&M Expenses are paid, Debt Service Fund is full and Debt Service Reserve is full



# Intangibles

## Scenario L (Alternative to Scenario K)

- Conroe/Magnolia current arrears (\$4.7MM thru August 2020)
- Quadvest/Conroe/Magnolia rate case thru trial = \$800,000
- Quadvest Anti-trust case thru discovery = \$700,000
- LSGCD DFCs/GMA/Rules = \$260,000
- W2A/W2B = \$250,000
- **Rate increase to cover all costs, including all legal but does not cover any uncollected revenue (shortfalls from Conroe and Magnolia)**
- Surface Water Production = **12 MGD**
- Total Demand = **51.5 MGD**

# Reserve Contributions

Scenario K

\$0

Scenario L

\$0

# Total Revenue Requirements

	Scenario K (51.5 MGD/12 MGD)	Scenario L (51.5 MGD/12 MGD)
O&M Expenses (Base) + Other Expenses	\$18,998,862	\$18,998,862
Legal Fees	\$ 340,000	\$ 2,090,000
Debt Service	\$34,554,465	\$34,554,465
Contributions to Reserves	\$ 0*	\$ 0*
Uncollected Revenue (Conroe and Magnolia)	<u>\$ 0*</u>	<u>\$ 0*</u>
Total	\$53,893,327	\$55,643,327

\* Not Included in Revenue  
Requirement for Rate

# Resulting Rates (per 1000 gallons) & Cash

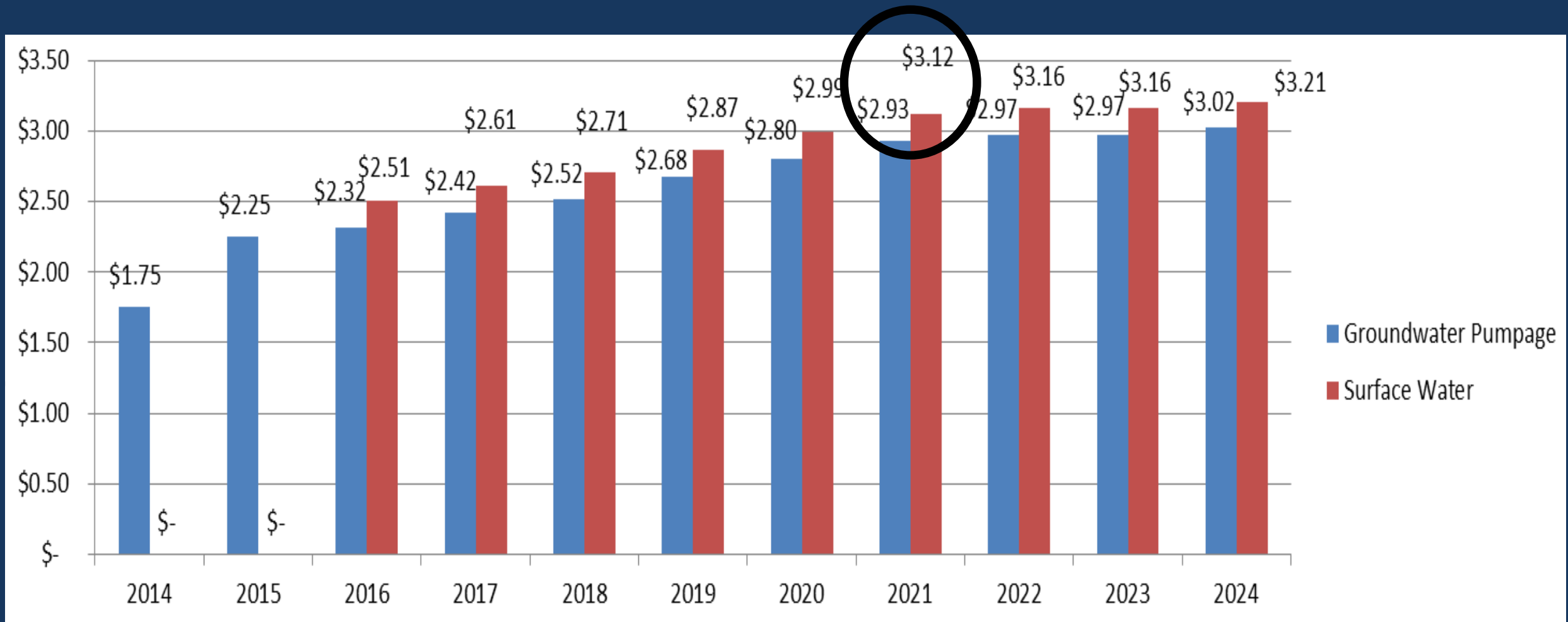
	Scenario K	Scenario L
Groundwater Pumpage	\$2.73	\$2.83
Surface Water	\$3.15	\$3.25
Increase over FY 2020	0%	3.3%
Budgeted Revenue	\$54,413,973	\$56,293,700
Withdrawal from Debt Service Reserve	\$3,573,177*	\$2,013,573*

\* Unscheduled draws  
trigger public disclosure  
under SEC rules

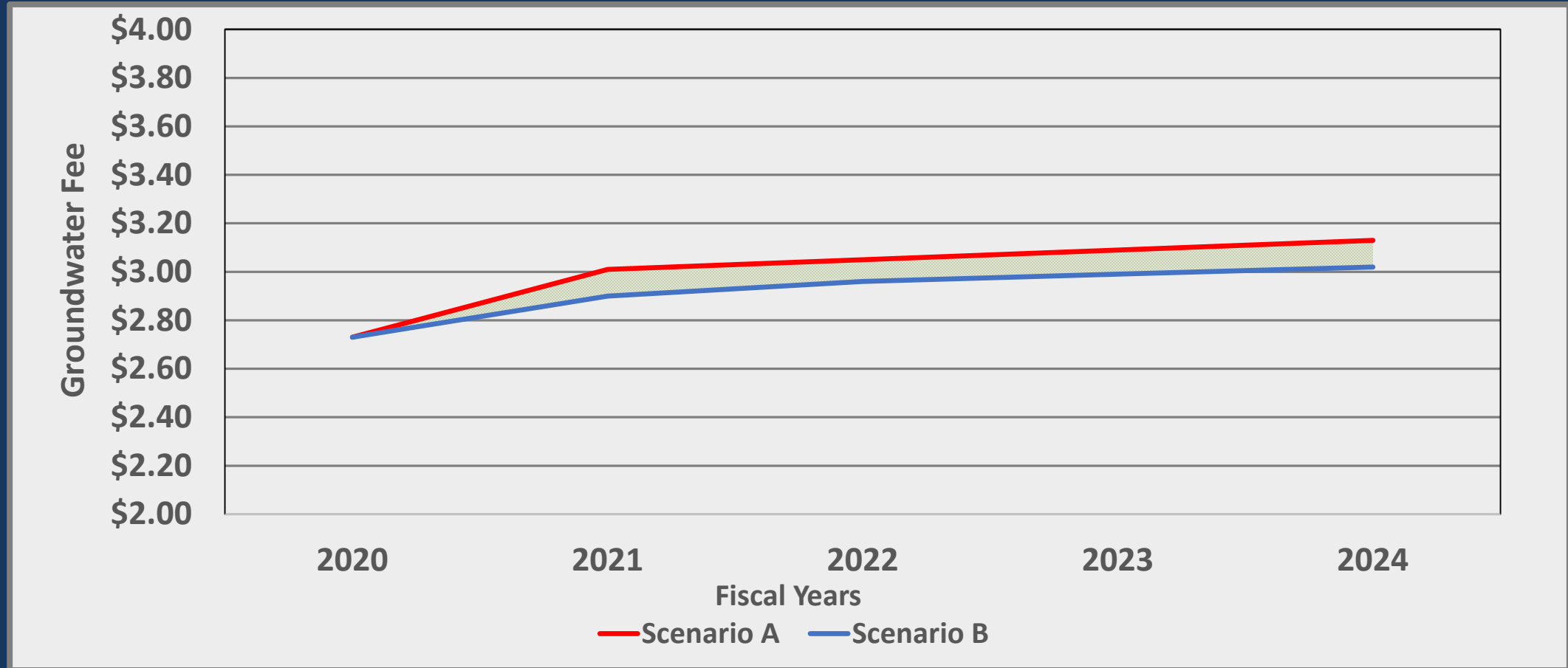
# Withdrawals from Debt Service Reserve

- Unscheduled draw triggers disclosure under SEC rules
- Coordinated with Texas Water Development Board
- Must be replenished in future years
  - Primarily from awards by Court required of Conroe and Magnolia
  - Any remaining from revenue generated from rates
- Other stipulations that may be required by TWDB and bond holders

# 2014 GRP Rate Study Rate Forecasts

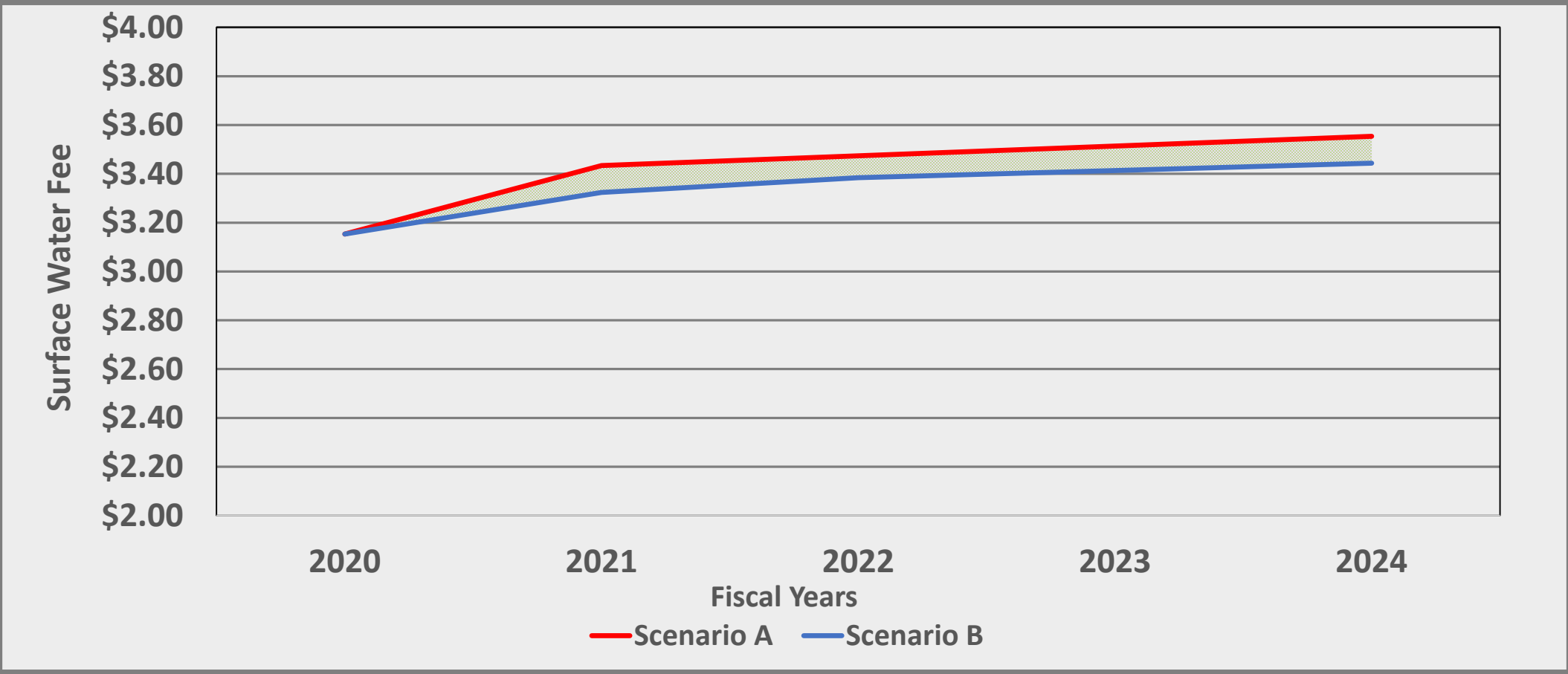


# 2019 GRP Rate Study Groundwater Fee Forecast



Scenario A – Reserves fully funded over 5 years  
Scenario B – Reserves fully funded over 10 years  
Includes a 3% Annual Inflation Rate

# 2019 GRP Rate Study Surface Water Fee Forecast



Scenario A – Reserves fully funded over 5 years  
Scenario B – Reserves fully funded over 10 years  
Includes a 3% Annual Inflation Rate

# Next GRP Review Committee Meeting

Monday, June 22, 2020

11:30 am

GRP Operations Center  
11998 Pine Valley Drive  
Conroe, Texas 77304

Key Agenda Item

**Take action on GRP Division FY 2021 Budget and Amended Rate Order**

# Questions, Discussion, & Guidance





## **Item 6 – Other Items:**

- a. Discuss and consider request from City of Conroe for GRP Division to engage an independent rate analyst to review and prepare a report regarding the fees, rates and charges adopted by the GRP Review Committee and San Jacinto River Authority for FY2021 including a review of the adopted and published rates of the SJRA for the sale or reservation of raw water.

# City of Conroe Request for Independent Rate Analyst



# CITY OF CONROE

Est. 1904

May 18, 2020

Mark Smith, GRP Division Manager  
SJRA GRP Division  
11998 Pine Valley Drive  
Conroe, Texas 77304

Re: GRP Rates – Independent Rate Analyst

Dear Mr. Smith:

Pursuant to Section 2.12 of the GRP contract the City of Conroe requests the SJRA to engage an independent rate analyst to review and prepare a report regarding the fees, rates and charges adopted or to be adopted by the Authority for the upcoming fiscal year, including a review of the adopted and published rates of the Authority for the sale or reservation of raw water.

The selection of the independent rate analyst should be subject to the approval of the GRP Advisory Committee.

Please include an item on the agenda of the next GRP Advisory Committee Meeting to act on this request.

Sincerely,

Duke Coon  
Mayor Pro Tem, City of Conroe  
GRP Advisory Committee Member

CC: Jace Houston

# GRP Contract References to Rate Studies

- Section 2.12: Review of Fees, Rates and Charges. If requested by resolution or other written instrument adopted by an affirmative vote of a majority (but not less than three (3)) members of the Review Committee, the Board of Directors of the Authority shall engage an independent rate analyst to review and prepare a report regarding fees, rates and charges adopted or to be adopted by the Authority pursuant to this Contract; provided, however, that such review shall not (i) be undertaken more frequently than annually, or (ii) unless authorized in writing by the Authority, encompass a review of the adopted and published rates of the Authority for the sale or reservation of raw water.
- Section 6.04: Rate Order. (f) – The Authority further agrees that it shall, not more often than every five (5) years, engage an independent rate analyst to review and prepare a written report regarding the fees charged by the Authority to reserve raw water for the benefit of the Participants and the rates at which such raw water has been or may be sold by the Authority for use in connection with the project.

# Recent Rate Studies with Model Development

## SAN JACINTO RIVER AUTHORITY

GRP Division Rate Study and Financial  
Planning/Rate Design Model  
Development Report

Final Report / June 19, 2019



Fee >\$140,000

## SAN JACINTO RIVER AUTHORITY

Raw Water Rate Study  
Final Report / May 7, 2018



Fee >\$120,000

# Professional Services Process

- SJRA issue Request for Proposals (RFP)
- SJRA receive and evaluate Statements of Qualifications (SOQ)
- SJRA select consultant and negotiate Professional Services Agreement (PSA) including scope, fee and schedule
- GRP Review Committee consider PSA and recommend approval to SJRA Board
- SJRA Board consider and authorize GM to execute PSA
- Consultant conduct rate study with oversight by SJRA staff
- Consultant presents rate study results to GRP Review Committee and SJRA Board

# Questions, Discussion, & Guidance





## **Item 7 – Discussion Regarding Future Agenda Items:**

- a. Discuss protocol for the GRP Review Committee to request items to be added to agenda for the GRP Review Committee Meetings

The background is a light blue gradient with several realistic water droplets of various sizes scattered across the surface. The droplets have highlights and shadows, giving them a three-dimensional appearance.

## **Item 8 – Future Meeting Schedule:**

- June 22, 2020
- July 20, 2020
- August 24, 2020



# **NEXT GRP REVIEW COMMITTEE REGULAR MEETING**

**JUNE 22, 2020**

Location:

GRP Operations Building  
11998 Pine Valley Drive  
Conroe, Texas

