



**GRP REVIEW COMMITTEE
MINUTES OF REGULAR MEETING**

January 23, 2023

The San Jacinto River Authority ("SJRA") GRP Review Committee Meeting was held at 11:30 a.m., January 23, 2023, at the SJRA G&A Building – Boardroom 1577 Dam Site Rd, Conroe, Texas 77304. The meeting was also available for viewing only via a livestream on www.sjra.net/grp/meetings. Notice of said meeting was duly posted per GRP Contract requirements.

The following Review Committee Members participated:

<u>Present:</u>	<u>GRP Review Committee:</u>	<u>Representing:</u>
Rick Moffatt	Chair	MUDs East of I-45
Mike Mooney	Vice Chair	Woodlands Water Agency
Jackie Chance		MUDs West of I-45
Mike Stoecker		Investor-Owned Utilities
Harry Hardman		City of Conroe
James Corn		Cities other than City of Conroe

Also present:

<u>Name:</u>	<u>Title:</u>
Ed Shackelford, P.E.	SJRA Director of Operations
Mitchell Page	Schwartz, Page & Harding, L.L.P., SJRA General Counsel
Chris Meeks	SJRA Utility Enterprise Manager
Summer Hvasta	SJRA Customer Service Manager
Renee Johnson	SJRA UE Administrative Manager
Daniel Hilderbrandt	SJRA Engineering Manager
Kelli Stormer	SJRA Senior Accountant
Pam Steiger	SJRA Controller
Joy Homewood	SJRA Administrative Assistant III
Kirstin Hein, G.I.T.	Lone Star Groundwater Conservation District ("LSGCD") Permitting Director
Jace Houston	SJRA General Manager

1. CALL TO ORDER

Mr. Mooney called the meeting to order at 11:30 am.

2. GRP REVIEW COMMITTEE MEMBERS

Pursuant to the GRP Contract (Sections 2.07 and 2.08) with Participants, Mr. Meeks confirmed the re-appointment of Michael Mooney by the Woodlands Water Agency, and the re-election of Jackie Chance, Sr. by MUDs west of I-45. Mr. Meeks then announced the election of James Corn to the Review Committee by cities exclusive of the City of Conroe. Messrs. Mooney, Chance, and Corn were duly seated. Upon invitation from Mr. Meeks, Mr. Corn provided a brief introduction of his professional background.

Mr. Meeks proposed holding an election for the office of Chair and Vice Chair. Mr. Mooney nominated Mr. Moffatt as Chair, and Mr. Chance seconded the motion. The motion passed with one abstention. Mr. Hardman nominated Mr. Stoecker for the position of Vice Chair; the motion failed as there was no second. Mr. Moffatt nominated Mr. Mooney for the position of Vice Chair, and Mr. Chance seconded it. The motion passed with one abstention and one nay.

Mr. Moffatt continued the meeting in his new position as Chair.

3. PUBLIC COMMENTS

There were no public comments.

4. APPROVAL OF MINUTES

Mr. Chance moved to approve the minutes from November 29, 2022, with the addition of congratulating Mrs. Hvasta on her contributions to GRP Division outreach. Mr. Mooney seconded the motion with the single addition, which was carried unanimously.

5. GRP DIVISION UPDATES

Mr. Meeks introduced Mr. Houston to address five specific questions emailed to the GRP Division staff by Mr. Stoecker. Mr. Houston read through each question and provided answers, listed below in the order to which they were given.

Mr. Houston acknowledged SJRA's Woodlands Division did submit an amendment to LSGCD and that the LSGCD Board provided commentary at a previous meeting. In order to provide clarification on this particular issue, the SJRA Woodlands Division cannot use additional treated surface water from the plant unless the GRP Review Committee members, as representatives of the 80 GRP participants, authorize a change in plant production. As there is no current groundwater reduction mandate from LSGCD, the desire from current participants is to keep the GRP surface water treatment plant operational while keeping operational costs as low as possible. If the GRP Review Committee made a decision to voluntarily increase plant production, costs for all 80 participants would also increase for the applicable budget cycle. In response to questions from the members, Mr. Houston did confirm discussion has occurred in the past about maintaining a 'separate and distinct' non-shared rate, bourn solely by the entity requesting additional surface water, that would cover all the incremental operational costs incurred by the additional production. Based on analysis done in the past, there is a significant cost barrier, as a hypothetical rate would likely run between \$7 and \$9 per 1000 gallons of treated surface water. In Montgomery County, the most efficient way for most entities to prevent subsidence is as a group, as the prohibitive cost means most entities are unable to manage it as individuals. We, as a group

of entities, have to work together to find these long-term solutions. Mr. Hardman stated that removing the non-exclusivity clause to increase competition and open the market could provide a possible solution. Mr. Houston and Mr. Page confirmed that the GRP contract does currently allow for GRP Participants to seek outside options to lower their groundwater usage, such as developing a Catahoula well or implementing a wastewater reuse program. In these hypothetical situations, participants receiving water from other sources, such as the Catahoula, and reducing their groundwater usage from the Jasper, Evangeline, and Chicot aquifers, for example, could lower their groundwater pumpage fees to the SJRA GRP Division; they would still be bound by the GRP Contract, as the GRP Division would also still be contractually bound to their own obligations for delivery of surface water to the respective participants. In conclusion, if the Review Committee would like to increase plant production and potentially the rates, the budget cycle is just now starting and would provide an opportune time to evaluate those numbers.

In regard to Mr. Stoecker's second question, Mr. Houston stated the answer is similar to the above information. The City of Conroe requested more surface water and was denied, as none of the participants receiving surface water can take above their allocation unless the GRP Review Committee voluntarily approves increasing plant production and increasing operational costs at the same time. All of the surface water recipients were reduced. Mr. Stoecker requested more detail around the cost of production, in particular around the \$0.40 rate differential between the groundwater usage rate and the treated surface water rate, as he believes it should be higher. Mr. Houston provided background around how that data was previously gathered and confirmed staff will provide that data to all the committee members.

Regarding the presence of extensometers in Montgomery County, Mr. Houston confirmed there are currently zero extensometers in Montgomery County. He confirmed this has been discussed multiple times in the past, and while he would love to have even one in Montgomery County, they are not necessary to manage the problem of subsidence in his opinion. The data subset provided specifically by extensometers determines which "layer" the subsidence may be originating from. The question around do we have subsidence, and how much, can be accurately measured and confirmed using traditional releveling methods and satellite benchmarks for GPS. Mr. Houston agreed that if LSGCD decided to budget for adding one or more extensometers, and slightly increased their permit fees to accommodate that goal, he would 100% support it. Mr. Stoecker argued for the necessity of extensometers, as some people believe the Jasper aquifer is not contributing to the subsidence. Mr. Houston responded that while some people might believe that, he does not consider that an accurate statement. He then mentioned a USGS model that will be coming out very shortly that includes "compressibility" in the Jasper. Mr. Hardman stated a request to the LSGCD representative to have Samantha Reiter and Jim from the LSGCD attend the next meeting for further discussion of this item.

Mr. Houston responded to question four and confirmed the top priorities of any escrow funds received by the GRP would be filling the reserve funds and reducing rates for entities who have been paying more than their fair share. Another priority would be undertaking postponed projects that would increase efficiency and improve operations overall.

In response to question five related to public relations campaigns Mr. Houston stated one reason for these campaigns is direction given from the Sunset Review committee during the legislative session. He added that while a bottling facility was considered when the plant was being built, we would be unable to produce the volume needed to break even, considering infrastructure costs. He did approach a local entity in the past to gauge potential interest in utilizing water from the plant to produce local products as a partnership endeavor, but there was not sufficient response at that time.

Mr. Moffatt tendered his thanks to Mr. Houston for his time in the meeting today.

6. PRESENTATION AND REVIEW OF THE GRP DIVISION’S FISCAL YEAR 2024 BUDGET CONSIDERATIONS AND PROCESS

Mrs. Hvasta reviewed all of the displayed FY 2024 slides related to the budget timeline, revenue and expense categories, the evaluation of assets, and the 10-year project plan. On the slide showing the schedule, she stressed the anticipated dates where members will vote on proposed items.

Mr. Meeks confirmed that members will not be voting on the SJRA recommendation for 13 MGD projected demand today. Information is being provided to allow members ample time before the scheduled vote at the next meeting. He also reminded the Review Committee they may increase the plant production number if they think the appetite for such an increase exists. In response to a question, he stated the very approximate incremental operational cost is around \$1.5 million per 3 MGD, which roughly equates to around \$0.075 in fees.

7. DISCUSS FISCAL YEAR 2023 BUDGET AMENDMENT

Mr. Meeks reviewed the presented slides on a Fiscal Year 2023 Budget Amendment. He requested the members pull the December Monthly Operating Report from their meeting packets, as SJRA has just completed the annual audit. There was a surplus due to the increase in groundwater pumpage throughout the GRP Participants in response to the drought. As discussed previously, the first priority is fully funding the R&R fund and emergency reserve fund. The other proposed usage is related to the Process Water Basin Project. As stated for the previous agenda item, Mr. Meeks is presenting information at the current meeting to allow members time to process and discuss before voting on the proposal at the next GRP meeting. In response to a question from Mr. Stoecker, he confirmed the final design is already completed and the project initiation is only pending approval on the budget amendment currently shown. Mr. Hardman asked if any of these items would increase the rate to the GRP Participants for Fiscal Year 2023, and Mr. Meeks confirmed none of these items would affect the GRP FY 2023 Rate Order.

8. LONE STAR GROUNDWATER CONSERVATION DISTRICT REPORT

Ms. Hein provided an update from the LSGCD. During the December 13, 2022, meeting, district consultants provided a plan for Phase III of the subsidence study, which will focus on site specific research. They are also requesting participation from stakeholders at this point in time. The presentation is available on the district website.

9. GRP ITEMS FOR CONSIDERATION BY THE SJRA BOARD OF DIRECTORS

10. ATTORNEY’S UPDATE

Mr. Page provided an update on GRP related legal matters.

11. FUTURE GRP REVIEW COMMITTEE MEETING AGENDA ITEMS

No items recommended for February’s meeting.

12. FUTURE MEETING SCHEDULE

a. Tuesday, February 21, 2023.

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13. ADJOURN

Mr. Moffatt adjourned the meeting at 12:50 PM.

A handwritten signature in black ink, appearing to read "Chris Meeks", written over a horizontal line.

Chris Meeks

SJRA Utility Enterprise Manager / GRP Administrator