Exhibit "B"

BOARD WORKSHOP ON DRAFT RULES

JULY 14, 2020

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BUSINESS & WATER LITIGATION

PURPOSE AND GOALS OF WORKSHOP

- Discuss and evaluate draft rules in detail not normally possible at Board meetings.
- Create forum for open and free discussion by and between Board members.
- Evaluate specific recommendations from study groups.
- Answer all questions before board meeting where draft rules will be considered for publication.
- Receive input from the General Manager and consultants.

PROCESS AND REVIEW

March 2019 Held Board workshop on Chapter 36.

April 2019 Held 5 Town Hall Sessions for public input.

May 2019 Formed Technical, Non-technical study groups

- Each group is comprised of 3 directors, consultants (technical and legal) and the General Manager.

May 2019-June 2020

- Each group met regularly over 14 months to review current rules and discuss potential changes.
- Technical consultants performed various analyses, which were shared and discussed with each group.
- Each study group made recommendations.
- Based on study group recommendations, legal counsel prepared draft rules with technical and operational input.

July 2020 Board workshop and meeting to review, edit, and approve draft rules for publication.

PREAMBLE AND SECTION 1

Preamble:

- Revised to address the judgment and new management plan, and repeal of all phases of the regulatory plan.
- Changes will formally abolish LVGU designation, and reduction/conversion and GRP requirement.
- All permitting, invoicing and payment will be directly with District (not by or through a GRP Sponsor).

Rule 1.12: Appeal Process

- Creates a process to appeal a GM or Board decision

Rule 1.18: Procedure, Conduct, Decorum

- Memorializes current policy and practice

SECTION 2: WELL REGISTRATIONS AND PERMITTING

Rule 2.2: **Exempt well statuses preserved**

Rule 2.3: **Almost all exempt wells must register**

- 60-day grace period; unregistered wells not considered in spacing or impact analysis

Rule 2.4: **Historic Use Permits preserved but:**

- Subject to adjustments & maximum allowable pumping rate; changes other than reduction/transfer require Operating Permit

Rule 2.5: Permits issued by Aquifer

- Chicot/Evangeline
- Jasper
- Catahoula (lower water fee, no DFC currently, less restrictive spacing)

Rule 2.6: New application requirements

- Information regarding ownership, service, demands, and a hydrogeological report for certain applications
- Rationale behind requirements

SECTION 2: CONT'D

Rule 2.7: Administrative completeness process

Rule 2.8: Considerations for granting or denying Operating Permit

Rule 2.9: All Historic Use Permits and Operating Permits

- Annual limits, max pumping rate, subject to adjustments

Rule 2.11: Renewals

- 1 year, 5 or 10 year, 30 year (transport, brackish) or perpetual

Rule 2.12: Amendments

- GM can approve minor amendment; amendment applies prospectively

Rules 2.13-2.16: Replacement/Alteration, Other Permits

- Substantial alteration requires amendment or Operating Permit
- GM can approve replacement, test holes, emergency & temporary permits subject to appeal

Rule 2.17: Transfer of Well Ownership

- Registrations and permits are transferrable with documentation

SECTION 3: SPACING AND LOCATION OF WELLS

Rule 3.1: Spacing for Existing Wells

- All existing wells are grandfathered in under current rules

Rule 3.2: Spacing for all New Wells

- 50 feet from property line (gen. Texas Dep't Licensing & Regulation)

Rule 3.3: Spacing for New, Non-exempt Wells

- Spacing from all registered & permitted wells based on production capacity of new, non-exempt well
  - Chicot/Evan.: not less than 2 feet multiplied by Max. Allow. Pumping Rate (gpm)
  - Jasper: not less than 1.5 feet multiplied by Max. Allow. Pumping Rate (gpm)
  - Catahoula: not less than 1 feet multiplied by Max. Allow. Pumping Rate (gpm)
- Rationale for scope and application

Rule 3.4: Exceptions to Spacing Requirements

- Application must include hydrogeological report; automatically granted if same owner; granted without hearing if obtain waivers; hearing required for all other requests

SECTION 4: PRODUCTION LIMITS AND DROUGHT BUFFER

Rule 4.1: Annual Production Limitations

- Annual Production Limitations will be assigned for existing permits and determined for all new permits
- All permits are subject to proportional adjustments or other adjustments/reductions as authorized under rules

Rule 4.2: Temporary Drought Buffer

- Authorizes Board by resolution to adopt a drought buffer temporarily increasing Annual Production Limitations based on conditions reported by TWDB:
  - DO abnormally dry conditions: up to 5%;
  - D1 drought-moderate or D2 drought-severe: up to 10%; and
  - D3 drought-extreme or D4 drought-exception: up to 15%.

SECTION 5: WELL COMPLETION

Rule 5.1:

- Requires all owners or operators to prevent the pollution or harmful alteration of groundwater.

Rule 5.2:

- Requires all owners to comply with the Texas Department of Licensing and Regulation's rules on well drillers and well pump installers, regardless of whether the well is required to obtain a permit from the District.

No other substantive changes

SECTION 6: MANAGEMENT ZONES, PROPORTIONAL ADJUSTMENTS

Rule 6.1: Purpose

- Defines purpose of rules

Rule 6.2: Management Zones

- Authorizes a management zone to:
  - assess water availability and water quality,
  - establish more restrictive spacing requirements, or
  - limit and/or adjust total production.

Rule 6.3: Proportional Adjustments

- Tied to achievement of a desired future condition
- May be applicable to all permits in the affected aquifer or management zone on a pro rata basis
- Authorizes issuances of new permits to provide an opportunity for a fair share
- Early conversion credit may offset adjustment if fees are paid

SECTIONS 7-8: TRANSPORT AND FEES

Rule 7.1: General Provisions

- No export permit; authorized in Operating Permit

Rule 8.1: Water Use Fees

- Early conversion credit may offset an overproduction disincentive fee provided all water use fees are paid

Rule 8.3: Groundwater Transport Fee

- Transport fees do not apply to:
  - a retail public utility whose service area is located both inside and outside of the District; or
  - against a person who uses the water outside the boundaries if the property where the well is located and the water is used is contiguous and owned by the same person.

SECTION 9-10: REBATES AND METERING

Water Use Rebate Fee Program

- Will continue
- Encourages conservation and offers a rebate up to 10%

Rule 10.9 Surface Impoundments

- Removes the restriction on the amount of water that can be put into a surface impoundment for irrigation or other purposes
- Retains the conservation standards for losses and the metering and reporting requirements
- Rationale for changes

SECTIONS 11-12: REPORTING AND ENFORCEMENT

- **No substantive changes**
- **General Manager summary of current rules**

SECTION 13: HEARINGS

Clarifies the process for each hearing:

Rule 13.2: **Rulemaking and Management Plan Hearings**

- 20 day notice; authorizes emergency rules

Rule 13.3: Permit Application Hearings

- 10 day notice
- hearing on all major amendments or any minor amendments GM recommends
- administrative completeness

Rules 13.3.1- 13.3.5

- Request for a contested case hearing; request for removal to SOAH; process for preliminary hearing and hearing on the merits; appeal process

Rule 13.4 Show Cause and Enforcement Hearings

- 20 day notice on contested matters

Rule 13.5 Desired Future Conditions Hearings

- 90 day comment period
- 10 day notice of hearing

SECTION 14 AQUIFER STORAGE AND RECOVERY

Rule 14.1 Registration Required

- Project operator of ASR project must register injection and recovery wells and provide all reports submitted to TCEQ

Rule 14.2 Authorized Recovery by TCEQ

- No permit required or water use fees owed on injection or recovery authorized by TCEQ
- District may assess well registration or admin fee

Rule 14.3 Exceeding Authorized Recovery Volume

- Subject to spacing, permitting, metering, production limits and fees to volume that exceeds TCEQ authorization

Rule 14.4 Desired Future Conditions Planning

- May consider hydrogeological conditions of ASR project in connection with DFC planning

SECTION 15: BRACKISH GROUNDWATER PRODUCTION ZONES

Rule 15.1 Rules for Permits for Brackish Zones

- New bill last session
- If TWDB designates brackish groundwater production zone over any part of District, District may adopt rules and shall adopt rules within 180 days of receiving a petition.
- Permits can be obtained for certain projects.
- TWDB conducts technical review of applications.
- Will expand if TWDB designates zone and/or District receives petition.

DECISIONS TO CONFIRM OR MAKE

Rule 1.12: GM authority; appeal of decisions by GM and Board

Rule 2.3: exempt well registration; 60 day grace period; unregistered wells not part of analysis

Rule 2.6(b)(16): Hydrogeological Report- gpm

Rule 2.11: Permit Term – perpetual or term

Rule 2.12: amendments apply prospectively

Rule 3.3: Spacing: 50 foot property line; gpm for non-exempt

Rule 4.2: Drought Buffer: between 5-15% temporary increase

Rule 6.3: Proportional Adjustments- apply pro rata; five years to comply; issue new permits; ECC

Rule 8.3: Groundwater Transport Fee- expand exception

Rule 10.9: Surface Impoundments: remove restriction on amount but maintain limit on losses and reporting/metering requirements

QUESTIONS

Questions?

Discussion?