Exhibit "C"

San Jacinto River Authority

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August 4, 2020

Board of Directors and
Samantha Reiter, General Manager
Lone Star Groundwater Conservation District
655 Conroe Park North Drive
Conroe, Texas 77303

Re: Draft Rules of the Lone Star Groundwater Conservation District

Dear Ms. Reiter and Board Members:

The San Jacinto River Authority ("SJRA") appreciates the opportunity to review the Draft Rules of the Lone Star Groundwater Conservation District ("Lone Star") or ("District") and provide you with questions and comments to which we would appreciate Lone Star providing responses.

General Comments and Questions:

The SJRA is pleased to see that Lone Star's Draft Rules propose to continue the regulation of groundwater pumping in Montgomery County as necessary to achieve the Desired Future Conditions ("DFCs") established for the aquifers. However, while these Draft Rules *contemplate* the Board *potentially* adopting rules to regulate production in a way that achieves the DFCs, they do not provide any specifics or objective standards describing what those regulations are, what they will be based on, or how they will be implemented. Rather, the Draft Rules discuss "proportional adjustment" regulations as if they are something new when, in reality, the Draft Rules simply propose to delete the District's current proportional adjustment regulations (the District Regulatory Plan) and replace them with new proportional adjustment regulations, but without any guidance on the specific nature of the replacement regulations.

The Draft Rules make it entirely unclear as to how Lone Star will actually achieve the 2010 DFCs that are included in the current Management Plan that was recently adopted by the Lone Star Board and approved by the Texas Water Development Board. A serious concern is that the total volume of groundwater production in Montgomery County permitted by Lone Star is approximately 98,089 afpy, and the Modeled Available Groundwater ("MAG") associated with the currently-approved DFC is approximately 61,629 afpy as determined by the Texas Water Development Board ("TWDB"). The fact that the permitted groundwater production is over

36,000 afpy greater than the MAG raises serious concerns as to how Lone Star will actually achieve the current DFCs with these Draft Rules. Until Lone Star adopts its new proportional adjustment regulations, the Draft Rules will not achieve the established DFCs, protect water levels in wells, prevent land subsidence, or generally protect the groundwater and aquifers in Montgomery County.

The only new management strategy set forth in the Draft Rules presently is well spacing. Well spacing is a tool for managing interference between wells and their cones of depression. We are unaware of any permittee in Montgomery County that has expressed a problem with interference between wells or cones of depression. The problem is total production from the aquifer and the very real consequences that result from declining water levels. It is unclear how Lone Star intends to use spacing for managing total aquifer production to achieve a DFC when cones of depression in an unconfined aquifer typically extend distances much greater than the spacing restrictions provided in the Draft Rules. Moreover, because spacing rules apply only to new wells, and because the existing wells that are exempt from spacing rules are already pumping more groundwater than is available under the MAG, there is no possibility that well spacing rules will achieve the DFC.

The Draft Rules are unclear as to the basis that will be used to reissue Historic Use and Operating Permits. Will the permitted limits for Historic Use and Operating Permits effective December 31, 2015, be used as the basis?

Without clarity of specific rules, processes, procedures, and/or protocols that Lone Star will follow to develop defendable Annual Production Limitations, Management Zones, and Proportional Adjustments, it is difficult to see how Lone Star will achieve the approved DFCs of the Chicot, Evangeline, and Jasper aquifers of Montgomery County and achieve the "best practicable conservation and development practices for the groundwater resources of Montgomery County."

Specific Comments and Questions:

1. The Texas Water Development Board ("TWDB") recently approved Lone Star's Management Plan, which refers to the 2010 Desired Future Conditions ("DFCs") and acknowledges that Lone Star is working with other members of GMA 14 to propose appropriate DFCs by May 1, 2021, and adopt final DFCs by January 5, 2022. The referenced 2010 DFCs include limitations for average drawdowns of the Chicot, Evangeline, and Jasper aquifers in Montgomery County. The Modeled Available Groundwater ("MAG") associated with those 2010 DFCs is approximately 61,629 afpy as determined by the TWDB (GAM Run 10-038 MAG Report, November 18, 2011).

   During a presentation to the Lone Star Board of Directors on April 14, 2020, consultants stated that the total volume of groundwater production in Montgomery County permitted by Lone Star is approximately 98,089 afpy. Therefore the current amount of permitted groundwater withdrawals exceeds the MAG by over 36,000 afpy.

   How will the Draft Rules proposed by Lone Star achieve the currently adopted DFCs?

2. The Draft Rules provide for the issuance of permits (Draft Rule Section 2) to include Annual Production Limitations (Draft Rule 4.1) and potentially Management Zones (Draft Rule 6.2)

and Proportional Adjustment (Draft Rule 6.3), however the specific details are not provided as to how these parameters/restrictions will be quantified or implemented.

What specific rules, processes, procedures, and/or protocols will Lone Star follow to develop the Annual Production Limitations, Management Zones, and Proportional Adjustments to regulate groundwater pumping to meet the current 2010 DFCs for the reissuance of existing permits and the issuance of new permits?

What Best Available Data and Science will be used to determine and defend the Annual Production Limitations, Management Zones, and Proportional Adjustments?

3. Section 1, Rule 1.1, Definitions - The term "fair share" is referenced in numerous portions of the Draft Rules, however it is not defined. What is Lone Star's definition of "fair share?" What specific processes, procedures, and/or protocols will Lone Star follow to determine each Well Owner's "fair share" as Annual Production Limitations, Management Zones, and Proportional Adjustments are developed?

4. Section 1, Rule 1.1, Definitions – The definition of "Administratively Complete" does not conform to Section 36.113(c), Water Code. The definition should be revised to indicate that the term means that all information required by the rules has been fully and accurately provided.

5. Section 1, Rule 1.1, Definitions – In the definition of "Aquifer of the District," the Draft Rule considers the Chicot and Evangeline Aquifers as one aquifer for regulatory purposes. What is the purpose of combining these aquifers?

6. Section 1, Rule 1.1, Definitions – The definition of "deteriorated well" is not consistent with the statute, Sec 1901.255 Occupations Code, or the TDLR rules. Also, in the definition of "deteriorated well," it is indicated that the determination of whether the well is deteriorated is "…in the discretion of the District." We suggest that the determination of a deteriorated well should be conducted in coordination with the Well Owner. This gives the Well Owner the opportunity to address any potential issues with the well before it is determined to be deteriorated.

7. Section 1, Rule 1.1, Definitions – In the definition of "Existing Well," a well is considered existing if "...the Administratively Complete well registration or permit or permit amendment application was filled, before the Effective Date." While Rule 2.3(f) provides that a new exempt well must be drilled and completed within 120 days following issuance of a registration, there is no similar provision in the Draft Rules for non-exempt wells. Also, the Draft Rules are not clear regarding whether the registration expires after that period of time. Is there a length of time for which the registration, permit, or permit amendment for a non-exempt well expires before the construction of a well must actually commence? If so, what is that length of time? Are registrants and permit holders able to request an extension of time to complete construction? The language in the current rules addressing these questions appears to have been eliminated in these Draft Rules.

8. Section 1, Rule 1.1, Definitions – What is the basis of determining the "maximum, instantaneous pump rate" in the definition of "Maximum Allowable Pumping Rate"? For

existing Wells? For new Wells? What operating conditions are used to determine this rate? Is it the highest pumping rate indicated on the pump curve for the well pump?

9. Section 1, Rule 1.1, Definitions and Section 8, Rule 8.1(c) – The "Overproduction Disincentive Fee" is identified as $3.00 per each 1000 gallons of water overproduced. While the fee may have been sufficient at the time it was originally adopted by Lone Star, the proposed fee does not appear to be large enough now to impact permittee behavior to comply with Lone Star's Rules. As a comparison, the current disincentive fee assessed by the Harris-Galveston Subsidence District is $9.24 per 1000 gallons. What study/analysis was used by Lone Star as the basis of the proposed Overproduction Disincentive Fee of $3.00 per 1000 gallons as an effective amount that will encourage compliance with the Rules?

10. Section 1, Rule 1.1, Definitions – "Owner" is defined as "the owner or holder of the right to produce groundwater from a tract of land." What specific "right to produce groundwater from a tract of land" is required of public/governmental entities?

11. Section 1, Rule 1.1, Definitions – Definition of the term "Qualifying Minor Violation" is missing.

12. Section 1, Rule 1.12, Request for Reconsideration and Appeal – The Draft Rule states "a request for an appeal may be filed with the District within twenty (20) calendar days of the date of the decision" for an appeal by the General Manager. Since these decisions of the General Manager are not made in a noticed public meeting, this provision should be changed to "within twenty (20) calendar days of the date a person is provided *notice of the* decision."

13. Section 1, Rule 1.17, District Management Plan – The Draft Rule identifies the general steps and timeframe for which a District Management Plan will be developed. Based on the timeframe provided and the schedule for the development of DFCs by GMA 14, it could be 2024 before a new District Management Plan is developed. Lone Star recently adopted a District Management Plan which was approved by the Texas Water Development Board and which included DFCs previously adopted by GMA 14 and Lone Star. Specifically how will Lone Star monitor the aquifers and assure that these Draft Rules achieve the current DFCs until such time as a new District Management Plan that includes the new DFCs to be adopted in 2022 is developed and adopted in three or four years?

14. Section 2, Rule 2.4, Historic Use Permits and Rule 2.5, Operating Permits – The Draft Rule retains Historic Use Permits and Operating Permits, but they do not seem to be differentiated in any way. Will Historic Use Permits be handled differently than Operating Permits?

15. Section 2, Rule 2.5, Operating Permits – Will Lone Star continue to issue new Operating Permits even after Proportional Adjustment rules have been implemented? If so, what will be the basis for the authorized production amount in the new Operating Permit? As the Draft Rules are currently written, isn't it possible that a permit applicant could just apply for more production than they actually need to circumvent the Proportional Adjustment requirements since there are no objective standards in the Draft Rules for how much water an applicant is entitled to apply for?

16. Section 2, Rule 2.8(a)(3), Considerations for Granting or Denying an Operating Permit – The Draft Rules indicate that Lone Star will consider whether "the proposed use of water unreasonably affects existing groundwater and surface water resources or existing permit holders" as a factor. What is a potential "unreasonable effect" when considering "fair share" of the applicant and other existing Well Owners in the vicinity of the proposed Well? What is the timeframe for which Lone Star will consider the "unreasonable effect"? Short-term? Long-term?

17. Section 2, Rule 2.8(a)(4), Considerations for Granting or Denying an Operating Permit – The Draft Rule indicates that "the proposed use of water is dedicated to a beneficial use" will be a factor. What information will Lone Star require and/or verify to determine that the applicant requires the total quantity of water that is requested in the Operating Permit? What is the acceptable timeframe for which the water will need to be used? In other words, how far out into the future can the demand be used to justify a new Operating Permit since permits are now to be issued in perpetuity and no longer for a specific permit term?

18. Section 2, Rule 2.8(b)(1), Considerations for Granting or Denying an Operating Permit – The Draft Rule states that "the District shall manage total groundwater production on a long-term basis to achieve the applicable Desired Future Conditions and shall consider: (1) the Modeled Available Groundwater determined by the Executive Administrator of the TWDB." The current Lone Star-adopted and TWDB-approved District Management Plan includes the 2010 DFCs which are associated with a MAG of 61,629 afpy as determined by the TWDB. How will Lone Star consider this MAG in the reissuance of existing permits and the granting or denying of new Operating Permits once these Draft Rules are adopted?

19. Section 2, Rule 2.8(b), Considerations for Granting or Denying an Operating Permit – Is the language taken from Section 36.1132(b), Water Code, intended to serve as a basis for the Proportional Adjustments in Section 6? The Draft Rule states that "yearly precipitation and production patterns" shall be considered. How will yearly precipitation and production be considered in determining whether and when to reduce production under Operating Permits, particularly if abnormally hot, dry or cool, wet weather occurs before or during the time of the implementation of Proportional Adjustment rules?

20. Section 2, Rule 2.9(c)(10), New or Amended Operating Permits Issued by District – What are "other adjustments" that the District may state in a permit?

21. Section 2, Rule 2.10 – Aggregation of Withdrawal Among Multiple Wells – The Draft Rule includes only the aggregation of "multiple wells that are a part of a well system that are owned and operated by the same person and serve the same subdivision, facility or a certified service area…" Owners of smaller systems may find complying with Annual Production Limitations (Draft Rule 4.1) and Proportional Adjustments (Draft Rule 6.3) financially challenging. Will Lone Star consider revising the Draft Rules to allow more cost-effective regional approaches to groundwater management driven by the free market through the aggregation of multiple Well Systems with multiple Well Owners and including such flexibility in its Proportional Adjustment Orders?

22. Section 2, Rule 2.11(b) – Historic Use and Operating Permit Terms; Administrative Review – The Draft Rule states that "The District shall reissue existing Historic Use Permits and

Operating Permits … including without limitation a Maximum Allowable Pumping Rate and Annual Production Limitations for each Aquifer of the District, and are subject to proportional adjustments in accordance to Rule 6.3 and management zones in accordance with Rule 6.2." Those limitations are not specifically quantified in the Draft Rules, therefore how will Lone Star develop the initial Annual Production Limitations, Management Zones and Proportional Adjustments as existing Historic Use Permits and Operating Permits are reissued?

How will Lone Star take into consideration that some permittees who already "overconverted" by using more alternative water under the current Lone Star rules aggregated and adjusted their planned groundwater pumpage downward so that other permittees could increase their groundwater pumpage through the Declaration of Intent process initiated by Lone Star in 2019? Will Lone Star "undo" the DOI process of 2019 and restore all Historic Use Permits and Operating Permits to December 31, 2015, levels? How will Lone Star assure that all existing permittees reissued permit amounts reflect their "fair share" of available groundwater?

For example, the SJRA Woodlands permits on December 31, 2015, reflected the following:

SJRA Woodlands HUP	4,913,470,000 gallons
SJRA Woodlands Operating Permit	1,601,821,000 gallons
Total	6,515,191,000 gallons

Through the Declaration of Intent process conducted by Lone Star in 2019, the total projected groundwater usage for 2020 is as follows:

Aggregated Permit	3,013,641,000 gallons

In addition, what process, procedures and protocols will Lone Star utilize to allocate amounts in each existing permit into the different aquifers?

23. Section 2, Rule 2.12 – Operating Permit Amendments and Limited Authorized Amendments to Historic Use Permits and Rule 2.17 Transfer of Well Ownership – The Draft Rule allows "change in ownership of a well" to be a minor amendment that can be considered and granted "without public notice and hearing." Transfer of ownership of permitted wells may have an impact on existing contractual arrangements among various Well Owners, therefore will Lone Star consider requiring a "public notice" upon application for a "change in ownership of a well" for permitted wells?

24. Section 3, Spacing and Location of Wells – How will the criteria of spacing and location of wells included in the Draft Rules specifically help Lone Star meet the TWDB-approved Management Plan and accompanying DFCs in the confined aquifers that exist in Montgomery County? Well spacing is designed to prevent interference between Wells, not as a tool capable for regulating total production from an aquifer. This is especially true under these Draft Rules, since the existing wells can already produce a greater quantity of water than the amount that will achieve the DFCs, and they are exempt from these spacing rules.

What is the specific Best Available Data and Science used in the development of the criteria in Draft Rule 3.3(a)? How were these criteria derived? Were those well spacing criteria developed based on cones of depression for wells in the confined area of the Aquifers or in the outcrop area? It is our understanding that the cone of depression for a well in the confined area of an Aquifer extends much farther out than the criteria provided in the Draft Rules. Has Lone Star reviewed any previous studies it conducted on well spacing? How do the recommended spacing distances in those previous studies compare to those proposed in the Draft Rule 3.3(a)?

25. Section 3, Rule 3.2(a), Spacing Requirement for All New Wells – The Draft Rules state that a New Well "may not be drilled within 50 feet of the property line." Since a goal of Lone Star is to protect property rights, shouldn't the spacing limits included in Rule 3.3(a) be considered as applicable spacing from a property line so that larger wells require a greater distance from the neighboring property? Otherwise, won't this end up being a race between adjacent property owners to see who can be the first to drill a well? The first property owner to drill a well will be able to produce a greater amount of groundwater than the adjacent property owner who arrives a day later with a well registration application.

    The Draft Rules do not include a restriction on the number of Wells owned by a single Well Owner on a specific property. As long as the Owner maintains the spacing limits between wells provided, there are no other restrictions, correct? Can an Owner drill a Chicot or Evangeline well on the same tract as a Jasper well without the need to comply with well spacing requirements as between the two wells? Also, given the automatic exception and waiver to spacing requirements provided under Draft Rule 3.4(b) and (c), can an Owner just exempt his own wells from meeting the spacing rules from each other, thereby working around the purpose and implementation of the spacing limits in Draft Rule 3.3(a)?

26. Section 3, Spacing and Location of Wells – Are there restrictions for the number of Exempt wells that can be located on one property? The current rules address this issue, but the Draft Rules do not. It appears this could lead to the drilling of multiple exempt wells on one property to avoid permit limits.

27. Section 4, Annual Production Limitations and Rule 4.1 Annual Production Limits for Permits – The Draft Rules state the District will "protect property rights by affording an opportunity for a fair share to every owner, the District shall manage total groundwater production on a long-term basis to achieve the applicable Desired Future Conditions." Specifically how and when will Lone Star develop the initial Annual Production Limits to meet the current DFCs that are included in the Lone Star Board-adopted and the TWDB-approved Management Plan? What will be the basis of those Annual Production Limitations?

    Also, Draft Rule 4.1 states "The District shall designate the Annual Production Limitations for each Aquifer of the District under each permit issued by the District." What does this mean to designate the Annual Production Limitations for the entire Aquifer as part of a permit decision?

28. Section 4, Annual Production Limitations and Draft Rule 4.2, Temporary Drought Buffer – The Draft Rules imply that a temporary increase in production authorized could be for some period of time less than a year. Should the temporary increase be for an entire year since it is

a total annual production issue? The Draft Rules state that "The Board may by resolution adopt a temporary drought buffer temporarily increasing the Annual Production Limitations…' and that "A person with permits where the Annual Production Limitations have been temporarily increased shall pay the Water Use Fees associated with the increased authorization." Some Well Owners may not want to increase their production during a drought and should not be forced to pay the additional Water Use Fee associated with the blanket increased authorization. Also, should Lone Star consider only allowing such Temporary Drought Buffers during more severe droughts?

29. Section 6, Rule 6.2, Authority to Establish Management Zones – The Draft Rules state that Lone Star may "create specific Management Zones within the District…" and that these Management Zones may include "…a more restrictive Maximum Allowable Pumping Rate" and "authorize total production and make proportional adjustments to Annual Production Limitations…." Specifically how will Lone Star consider the impact to economic development in Montgomery County and the establishment of "winners" and "losers" that will result from the breakup of Montgomery County into separate geographically based Management Zones?

30. Section 6, Rule 6.3, Proportional Adjustment – The Draft Rule does not quantify the specific initial Proportional Adjustment that may be included with the issuance of the revised permits discussed in Rule 2.11 (b). How and when will Lone Star develop the Proportional Adjustments for the initial reissued permits to comply with the current DFCs that are included in the Management Plan adopted by the Lone Star Board and approved by the TWDB?

31. Section 6, Rule 6.3 (g), Proportional Adjustment – The Draft Rules state "All affected permits shall comply with any adjusted maximum allocation limits within 5 years of the date of the Proportional Adjustment Order." Will Well Owners who may receive a Proportional Adjustment during the initial reissuance of permits be given five years to comply from the date of the initial reissuance of permits by Lone Star without the need to utilize Early Conversion Credits that were obtained under the old rules?

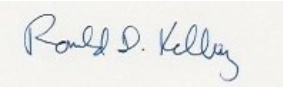
32. Section 6, Rule 6.3(f), Proportional Adjustment – The Draft Rules state "In the event that the Board elects to issue a Proportional Adjustment Order, then the procedures in Rule 4.1 shall apply to set new Annual Production Limitations under each permit issued for that particular Aquifer of the District or Management Zone." However, there are no procedures in Rule 4.1 that address how Lone Star determines the Annual Production Limitations or how Lone Star will amend permits to change the authorized production limits in them. Will permit holders be given notice and an opportunity for a public hearing? This issue is complicated by the Draft Rule that permits will be issued in perpetuity.

33. Section 10, Rule 10.1(b), Metering – The Draft Rules state "A mechanically driven, totalizing water meter is the only type of meter that nay be installed on a well permitted by or registered with the District." We have found mechanical flow meters to be less reliable, and as they begin to fail, they under report the water flow. We have found electromagnetic flow meters to be more reliable. If they start to drift, they can be electronically re-configured rather than rebuilt or replaced as is the case with mechanical flow meters. Will Lone Star add "electromagnetic flow meters" as an acceptable type of flow meter in the Rule?

34. Section 13, Rule 13.5(b), Desired Future Conditions Hearings – The Draft Rules state "the District shall make available in its office a copy of the proposed Desired Future Conditions and any supporting materials...." Given the size of the proposed DFC file, will Lone Star consider adding that it will also provide a copy of the proposed Desired Future Conditions and any supporting materials on its website for download by the public?

We would appreciate Lone Star responding to these questions and comments and the opportunity to discuss these questions and comments with Lone Star's staff and consultants at your convenience during the month of August and prior to Lone Star Board's consideration of the Draft Rules.

Sincerely,



Ronald Kelling, P.E.
Deputy General Manager
San Jacinto River Authority

cc: Jace Houston, General Manager, SJRA