

Exhibit C

TCEQ Recommendation on a Groundwater Conservation District (GCD)

Hill Country Priority Groundwater Management Area (PGMA) in Western Comal and Southwestern Travis Counties

- Aug. 12, 2010 -Executive Director (ED) of TCEQ released report with a primary recommendation to form a GCD that includes the Hill Country PGMA areas of SW Travis County, western Comal County, and western Hays County
- Release of the report included the ED petitioning the TCEQ Commission for action to create the GCD
- The recommendation would require the replacement of the existing Hays-Trinity GCD with this new GCD spanning parts of three counties
- The recommendation is consistent with the resolutions submitted to TCEQ from the Commissioner Courts of Travis, Hays, and Comal counties
- The report describes other options to address the PGMA that were determined to be less feasible and practical
- The ED makes specific recommendations with regard the name, purpose, boundaries, board of directors, revenue source, and management of the new district:
 - District would have the general authority identified in Chapter 36, TX Water Code
 - Proposed to be named "Hill Country Trinity Aquifer GCD"
 - Purpose would be to manage water of the Trinity Group Aquifer
 - Five elected as permanent board of directors apportioned by county
 - Temporary directors appointed initially with one appointment from Travis County
 - An estimated generation of \$500,000 annually would fund the district from a tax rate of \$0.00206 per \$100 assessed valuation (\$2.06 per \$100,000 valuation)
 - TCEQ suggests a tax rate of \$0.003 to \$0.004 per \$100 assessed valuation may initially be needed for startup
 - TCEQ estimates only \$41,123 can be generated from well production fees
- GCD Creation Process
 - ED of TCEQ petitions TCEQ Commission for action to create the GCD (Aug. 12, 2010)
 - State Office of Administrative Hearings (SOAH) convenes preliminary hearing on TCEQ-ED recommendation (Oct. 28, 2010), naming parties and considering pre-trial matters
 - Evidentiary hearing inclusive of the parties granted hearing status to present evidence, take testimony. Hearing must be concluded 75 days after notice of the hearing is published
 - SOAH proposal for decision considered by TCEQ Commission
 - If created, Travis County Commissioners will appoint one of the five temporary directors within 90 days
 - Within 120 days of temporary directors being qualified to serve, a confirmation election for the district and elected board of directors is held