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Mr. Gary Westbrook
General Manager
Post Oak Savannah Groundwater
Conservation District
310 East Avenue C
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RE: Applications Submitted by Alcoa USA Corp. as follows:

- 1. Application to Amend Alcoa's Existing 25,000 af/yr Simsboro Operating Permit No. POS-D&O- 0148**
- 2. Application for a Transport Permit for 25,000 af/yr produced from the Simsboro Formation**

Dear Gary:

The purpose of this letter is to provide comments regarding whether the above-referenced application(s) are administratively complete in conformance with Post Oak Savannah Groundwater Conservation District ("District") rules. The Applications have each been reviewed and analyzed separately.

1. Amendment - Application to Amend Alcoa's Existing 25,000 af/yr Simsboro Operating Permit No. POS-D&O-0148.

From General Counsel's perspective, this Application is NOT administratively complete.

- a. Pursuant to Rule 7.4(c), Applicant fails to both note each use desired and explain the amount of groundwater to be used for each purpose. Applicant appears to have some additional uses in mind that are not clearly stated in the Application.
- b. While a Letter of Intent ("LOI") is provided, General Counsel does not believe that such LOI provides the details necessary to ascertain with specificity the different uses and amounts provided to each.
- c. As you have noted, the LOI is with EPCOR. The District's present understanding is that EPCOR is not the end user of the water, but merely a pipeline operator; please explain how the LOI provides clarity as to the end use of the water: Are they a local water utility, a special utility district, or any other entity included in the definition of "retail public utility" under Section 13.002, Texas Water Code.
- d. On page 3 of the Execution Draft of the LOI, the LOI addresses Phase 1, which will include initially 11,200 AFY of the groundwater from the 130 Project.... Phase 2 would include an additional supply of up to 33,600 AFY from Sandow Lakes Ranch groundwater delivered by a new pipeline project. Phase 1 does not appear to be applicable to this application as there is no direct link that shows that water from the Sandow Lakes Ranch will be part of the Phase 1 and in what amounts, if any. There is discussion about interconnection between the 130 Project and the new pipeline project for Phase 2, there is no definitive discussion about how such use of either municipal or industrial will be ensured, nor approximations of amounts intended to be used by each.
- e. Section 3, Water Conservation. There is reference in the second paragraph to industrial use "including both commercial and manufacturing." While the District's rules certainly set out in the definitions for "Beneficial use" that it means the use of groundwater for: "1. agricultural,

gardening, domestic (including lawn watering), stock raising, municipal, mining, manufacturing, industrial, commercial, or recreational purposes, and uses listed as having priority of use in Section 11.024, Texas Water Code.” However, nowhere else in the actual Application does it state that you desire the Amendment to be for Industrial AND municipal, commercial and manufacturing. Applicant should clearly let the District know what uses are intended or anticipated under this Application, as well as the anticipated amounts for each use and specifically and definitively where the groundwater will be used.

- f. The Application should not in any way act as though these are amendments to the Historic Use Permit No. 0330.
 1. Throughout the Application for Operating Permit Amendment there are numerous references to the Historic Use Permit and/or the 61 existing wells, of which 32 were became a part of Operating Permit No. 0148.
 2. Clarity is imperative to ensure a clear understanding that the Historic Use Permit No. 0330, which has a defined term that ends in December 2038, is not impacted and NOT EXTENDED.
 3. Further, it is necessary to understand that any dually permitted wells shall become singly permitted wells continuing to operate under Operating Permit No. 0148 after the term of the Historic Use Permit ends.
 4. Page 1 of 9 of the Summary begins this mixing of permits and terms and even states that as part of the permit amendment, Alcoa is requesting the term of the “permit be extended to a date 40 years from the date of issuance of the amendment. The Operating Permit currently has a term that ends November 13, 2052.
 5. Finally, clarification of the water from these dually permitted wells needs to be separated because the historic use permit allows only use on the property and only for industrial use.

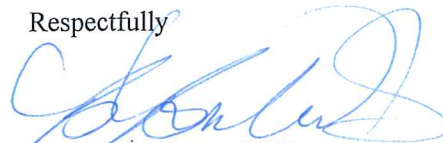
2. Application (Transport Permit for 25,000 af/yr produced from the Simsboro Formation.

From General Counsel’s perspective, this Application is NOT administratively complete.

- a. Rule 8.2(d) and (e) requires that the application needs to be fleshed out with more details relating to how and where the water will be transported, as well as the nature and purposes of the proposed use and the anticipated amount of groundwater to be used for each purpose - Applicant’s Section IV, Plans, as well as the Summary of the Transport Permit Application and Responses, as well as the Section 3, Water Conservation information does not give pertinent and logistical details but speaks in very generalized terms about the current Project 130 (which does not appear to include water from the Sandow Lakes Ranch together with a Phase 2 - another pipeline route that is being evaluated and will provide supply and redundancy. Due to the lack of detail on the where the water is going, Applicant finds it virtually impossible to give such detail – it may be within District and it may be outside the District. In fact, Section IV states the Applicant may not know anything for transportation for 1-4 years.

The comments and concerns expressed herein are from a legal review of compliance with the District’s Rules and are in addition to any comments or concerns of any other consultant. If there are any questions, please feel free to contact me.

Respectfully



Barbara Boulware-Wells
General Counsel

cc: Steve Young