

## Administration of Groundwater Credits

### District Operational Policy

12/10/2025

Approved by Board Resolution 2025-1142

## INTRODUCTION

The District Plan provides guidance to permittees regarding the required diversification of source waters. It specifies the proportion of groundwater and alternative water supplies that may be used based upon the permittees estimated total water demand (TWD). Permittees that fail to comply with the District Plan requirements may be subject to the assessment of the Disincentive Permit Fee associated with the amount of groundwater used above which is allowed by the plan. The Groundwater Credit concept was created in the 1990s to aid permittees in remaining compliant with the District Plan by providing a measure of risk mitigation, encourage accelerated infrastructure development, and incentivize the promotion of water efficiency. The policies contain within serve to describe the process by which credits may be earned, used, and transferred.

## GROUNDWATER CREDIT TYPES

The groundwater credit program has evolved since it was initially created in the 1990's. Credits are issued as bearer bonds. Upon redemption the permittee must submit the actual credit for it to be valid. Currently there are three types of credits that are available to permittees in the Harris-Galveston Subsidence District:

### 1. Series A Credits

- a. Description: Series A Credits ("A" Credits) were the first groundwater credits offered by the District related to the District's Water Conservation Program. "A" Credits may be used to offset 100% of a permittees total water demand and expire 40 years from the year of activation.
- b. Earning: Discontinued in 2001
- c. Offset: 100% TWD
- d. Expiration Begins: 40 years from year of sponsorship

### 2. Series B Credits

- a. Description: Series B Credits ("B" Credits") were offered by the District when the "A" credit offerings were discontinued. "B" credits may be used to offset 30% of a permittees total water demand and expire 20 years from the year of activation.
- b. Earning: Sponsors of the District Water Conservation Program earn 84,000 gallons of credit for each sponsorship.
- c. Offset: 30% TWD
- d. Expiration Begins: 20 years from year of sponsorship

### 3. Over-Conversion Credits.

- a. Description: Over-Conversion Credits (OCCs) are offered to permittees with an approved groundwater reduction plan upon submittal of proof that more alternative



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water was used by the permittee than was required by the regulatory plan during the permit term.

- b. Earning: May be earned by all permittees whose total over conversion exceeds 10 MG and Groundwater Reduction Plan (GRP) administrators
- c. Offset: 100% TWD
- d. Expiration Begins: N/A

### Earning Credits

Credits earned through the Water Conservation Program require sponsors to purchase sponsorship at a specified amount per credit. The cost per sponsorship is included in the District annual budget. Over-conversion credits for Regional Water Suppliers are earned through the permit reconciliation process described in the District Rules. OCCs may be earned through any combination of alternative water use including treated surface water, reclaimed water, or other District approved alternative water management strategy.

### Using Credits

Credits may be used at any time during the permitting process/period to address excess groundwater use up to the limitations specified for each type of credit. Different types of credits may be used to maintain compliance on the same permit. For example, a permittee required to source no more than 20% of their TWD from groundwater may use a combination of B Credits and OCCs to utilize 100% groundwater during their permit term. Generally, there are three opportunities when credits may be utilized:

1. Permit Application or Amendment: when it is known (either by submitted information and/or previous water use) that the permittee will exceed the regulatory requirements of the District Plan.
2. Compromise and Settlement: when a permittee violates the District Rules and/or plan during the permit term, exceeding the regulatory requirements of the District Plan.
3. Legal Settlement

### Transferring Credits

Credits may be transferred and exchanged. Specific requirements and conditions associated with the transfer of OCCs are specified in the District Rules and Plan.

### Credit Expiration

A and B credits begin to expire 40 and 20 years (respectively) from the year the credit was earned. Each credit certificate will be reduced over a five-year period until the credit certificate no longer has any value based on Table 1.

*Table 1. Expiration schedule for A and B credits and calculation for adjusted value.*

Year	Percent Reduction	Value Equation
Expiration Year + 1	20%	(Credit Value) x 0.8
Expiration Year + 2	40%	(Credit Value) x 0.6
Expiration Year + 3	60%	(Credit Value) x 0.4
Expiration Year + 4	80%	(Credit Value) x 0.2
Expiration Year + 5	100%	(Credit Value) x 0.0

### Case Study #1

Kevins Oyster House (well number 8675309) is a commercial establishment that may only use their well for 20% of their total water demand because they have water available from the City of Humble. They intend to irrigate their outside landscaping and water features using their well water with the City water serving the restaurant. The permittee total water demand is 8 million gallons (MG) with 3.5 MG metered at their well. 1.9 million gallons of credit will be needed to bring this permit into compliance. Since the number of credits needed is less than 30% of the TWD, B credits may be used.

TWD	8 MG	
GW Used	3.5 MG	43.75%
GW Allowed	1.6 MG	20.00%
Credits needed	1.9 MG	23.75%

### Case Study #2

Well number 5150 is a residential well for a home located in a plated subdivision that may only use their well for 20% of their total water demand because they have water available from the City of Houston. They intend to irrigate their outside landscaping and water features using their well water with the City water serving the home. The permittee's total water demand is 5 million gallons (MG) with 3.5 MG metered at their well. 2.5 million gallons of credit will be needed to bring this permit into compliance. Since the number of credits needed is more than 30%, B credits may be used for the first 30%, but either OCCs (which would not be available for transfer to this permittee), A credits, or disincentive fee payment would be required to account for the remaining 20%.

TWD	5 MG	
GW Used	3.5 MG	70.00%
GW Allowed	1.0 MG	20.00%
Credits needed	2.5 MG	50.00%
B Credits	1.5 MG	30.00%
Dis. Fee	1.0 MG	20.00%