

FBSD REGULATORY AREA A OVER-CONVERSION CREDIT POLICY

Permittees in Regulatory Area A who exceed the District's groundwater reduction requirements may request over-conversion credits for the amount of alternative water supply that they utilize over and above the amount of reduction required in the District Plan. Over-conversion credits will be issued, administered, and redeemed in accordance with this policy.

1. Issuance of Over-Conversion Credits

At the time of permit issuance, a permittee must notify the District of the permittee's intention to seek over-conversion credits and the estimated amount of over-conversion the permittee plans to achieve. Over-conversion credits will only be issued to permittees achieving at least 10 million gallons of over-conversion during the permit term.

A permittee may request a permit for the maximum amount of groundwater that the permittee is allowed to withdraw under the applicable groundwater reduction requirements. At the end of the permit term, the permittee will be issued over-conversion credits for any amount of alternative water supply (as defined in the District Plan) utilized by the permittee in excess of the amount of conversion required as follows:

For permits with a begin date prior to December 31, 2024, groundwater withdrawals comprise no more than 70% of the permittee's total water demand.

For permits with a begin date on or after January 1, 2025, groundwater withdrawals comprise no more than 40% of the permittee's total water demand.¹

For the purpose of determining the amount of over-conversion credits to be issued, the amount of conversion required will be determined at the end of the permit term based on actual total water demand. The permittee shall provide the District with evidence of metered groundwater use and metered alternative water supply used. Over-conversion credits will be issued in the form of a District over-conversion credit certificate stating the amount of credit in gallons. For any metered alternative water supply other than treated effluent, over-conversion credits will be issued on a gallon for gallon basis. For over-conversion achieved through the reuse of treated effluent, the permittee will receive 1.5 gallons of credit for each gallon of over-conversion.

At the end of the permit term, the permittee may request a permit fee rebate for the amount by which the permittee's estimated total water demand (determined at the beginning of the permit term) exceeds the actual total water demand (measured at the end of the permit term), provided that (1) the amount of the rebate exceeds \$100, (2) water meters were installed and operating on both groundwater and alternative water sources during the entire permit term, and (3) if the well or wells are for public supply, the ratio of water sold or otherwise accounted for to

¹ Although the deadline for achieving the goal to reduce groundwater withdrawals to no more than 40% of total water demand is 2027, beginning January 1, 2025, over-conversion credits may only be earned if the 40% goal is met.

total water produced is at least 85%. The procedures for submitting and approval of an application for a permit fee rebate under this paragraph will be governed by district rule.

Permit fees will be based on the amount of permitted allocation. Over-conversion credits will not be issued on any amount of water for which permit fees have not been paid.

2. Redemption of Over-Conversion Credits

A permittee may utilize over-conversion credits for any amount of groundwater requested that exceeds the applicable groundwater reduction requirements without becoming subject to payment of a disincentive permit fee. The permittee will be required to pay the regular permit fee for the amount of groundwater allocation requested, including the over-conversion credits. Over-conversion credits may only be applied to groundwater pumpage occurring in Regulatory Area A.

Over-conversion credits are issued as certificates that may be sold or otherwise transferred without the involvement of the District. The District will honor valid over-conversion credit certificates by increasing the amount of authorized withdrawal for the permittee who presents that certificate.