

## **REGULATORY AREA 3 OVER-CONVERSION CREDIT POLICY**

Beginning in January 2003, permittees in Regulatory Area 3 who exceed the District's groundwater reduction requirements may request over-conversion credits for the amount of surface water or alternative supply that they utilize over and above the amount of reduction required in the District Regulatory Plan. Over-conversion credits will be issued, administered, and redeemed in accordance with this policy.

1. At the time of permit issuance, a permittee must notify the District of the permittee's intention to seek over-conversion credits and the approximate 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.

The permittee may request a permit for the entire amount of groundwater that the permittee is entitled to withdraw under the applicable groundwater reduction requirements, and at the end of the permit term, the permittee will be issued over-conversion credits for any amount of surface water or alternative supply utilized by the permittee in excess of the amount of conversion required in the District Regulatory Plan. 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.

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 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 surface 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 total water produced is at least 85%. The procedures for submission 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. A permittee may request a permit for an amount of groundwater that exceeds the applicable groundwater reduction requirements without becoming subject to payment of a disincentive permit fee provided that the permittee submits over-conversion credits to cover the amount of groundwater requested in excess of the amount allowed. The permittee will be required to pay the regular permit fee for any amount of groundwater allocation requested, including any amount for which over-conversion credits are submitted. Over-conversion credits may only be applied to groundwater pumpage occurring in Regulatory Area 3, and over-conversion credits will not be honored or accepted by the District in conjunction with any permit beginning on or after January 1, 2030.