



August 1, 2012

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Dear Irrigator:

As you may know, a group of stakeholders in the Edwards Aquifer region over the past four years have developed a Habitat Conservation Plan (HCP) in an effort to secure an Incidental Take Permit (ITP) from the United States Fish and Wildlife Service (USFWS). It is expected that the USFWS will issue the ITP in December of 2012. With this in mind, the purpose of this letter is to update you regarding the status of a major component of the HCP -- the Voluntary Irrigation Suspension Program (VISPO) -- which provides the opportunity for Edwards Aquifer irrigators to participate in the HCP by suspending irrigation in exchange for financial compensation.

As you may recall, the VISPO is a conservation incentive program designed to ensure sufficient water levels in the Edwards Aquifer during the most severe droughts. In non-drought years, irrigators may continue to use their water as they normally would and the permit holder retains the right to transfer their water, even if it is enrolled in the VISPO. The suspension of pumping water enrolled in the VISPO will be triggered only when the J-17 index well in Bexar County declines to 635 ft. above mean sea level (msl) or less on October 1 of any year. If this level is met, VISPO participants will have to suspend pumping of any enrolled water for the following calendar year. In the event, however, that aquifer levels rise to 660 ft. above msl or higher by January 1, VISPO participants may choose to opt out of the program and pump their enrolled water, but in so doing will relinquish the suspension payment for that year.

These guidelines for implementing the VISPO were developed with input from a cross-section of agricultural interests that were brought together for several meetings starting in February of this year. With guidance from this group the Edwards Aquifer Authority developed an agreement, referred to as the Forbearance Agreement, which will serve as the contract for participants in the VISPO. For your convenience, a short summary outlining the highlights of the VISPO, the agreement, and other key information relevant to the Edwards Aquifer VISPO and the Edwards Aquifer HCP can be found at www.eahcp.org/vispo.

The VISPO will be available with a five and ten year option. Beginning in 2014, all participants in the VISPO will receive a "standby payment" every year they are enrolled regardless of aquifer conditions. For those opting to enroll in the five-year program, the "standby payment" will be \$50 per acre-foot of water enrolled annually. This amount will escalate at a rate of 1.5% annually. Participants opting for the ten-year option will receive a stand-by payment of \$57.50 per acre-foot for years one through five, and \$70.20 for years six through ten. When VISPO is triggered, participants in the five-year program will receive a forbearance payment of \$150 per acre-foot. This amount will escalate at a rate of 1.5% annually. Participants in the ten-year option will receive a forbearance payment of \$172.50 an acre-foot during years one through five, and \$210.60 an acre-foot during years six through ten.

To better explain the merits of the VISPO, the Edwards Aquifer Authority will host a series of public meetings concerning the program in January 2013 and will begin enrolling participants thereafter. Notices of these meetings will be sent to you in early December. The first eligible trigger date for pumping suspension will be October 1, 2013 for possible calendar year 2014 suspension, with the first stand-by and possible forbearance payments being distributed in March of 2014.

As an irrigator, you may also be interested to know about an additional initiative of the HCP that is focused on enrolling 50,000 acre-feet of water for use in the San Antonio Water System Aquifer Storage and Recovery (ASR) program. This opportunity will allow Edwards groundwater permit holders to lease their unrestricted irrigation, industrial, and municipal groundwater rights to the Edwards Aquifer Authority, for terms of up to 15 years. We recognize that the decision to enroll in either program -- VISPO or ASR -- is dependent upon individual circumstances, and must be carefully considered. As you evaluate these options, we wanted to provide you with a comparative outline of the two programs to assist you in understanding the differences between them as follows.

Element	ASR	VISPO
Program description	<ul style="list-style-type: none"> • Goal 50,000 acre-feet (af)-3 tiers: <ul style="list-style-type: none"> - Tier 1 - 16,667 af lease for immediate use - Tier 2* - 16,667 af option called when 10-yr. average recharge = 572,000 af - Tier 3* - 16,666 af option called when 10-yr. average recharge = 472,000 af * Tier 2 & 3 water will not be acquired until all Tier 1 leases are filled 	<ul style="list-style-type: none"> • Goal 40,000 af • Enrolled water suspended for following calendar year if J-17 is at/below 635' on October 1 • Permit holder can opt out (w/o implementation compensation) if J-17 at/above 660' on January 1 • Permit holder receives annual standby payment based on af enrolled • Permit holder receives implementation payment when trigger condition met = 3 times standby payment
Eligible water for enrollment	Unrestricted irrigation, industrial and municipal	Unrestricted and base irrigation
Irrigator's access to enrolled water	No access to Tier 1 leased water	Permit holder has total access; except when trigger condition met
Term of commitment	10 - yr. and 15 - yr terms will be offered	5-yr and 10-yr options
Payments	Tier 1 leases will be offered as follows: <ul style="list-style-type: none"> • 10 - yr \$135/af/yr • 15 - yr \$150/af/yr 	5 - yr. program <ul style="list-style-type: none"> • Standby = \$50/af; increases 1.5%/yr. • Implementation = \$150/af; increases 1.5%/yr. 10 - yr. program <ul style="list-style-type: none"> • Standby = \$57.50/af yrs. 1-5; \$70.20/af yrs. 6-10 • Implementation = \$172.50/af yrs. 1-5; \$210.60/af yrs. 6- 10
Date for enrollment	August 2012 (Tier 1 only)	January 2013

We look forward to meeting with you in January and answering any questions you may have in the meantime. Please feel free to contact Rick Illgner with the Edwards Aquifer Authority at (210) 477-5140 regarding any questions about the VISPO. For questions about leasing options with the ASR, please contact Julia Velez at the San Antonio River Authority at (210) 302-3641.

Thank you for your time and consideration of these two conservation programs of the Edwards Aquifer HCP.



Robert Gulley
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 Threatened and Endangered Species
 Edwards Aquifer Authority