

MINUTES OF SPECIAL MEETING OF THE  
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
OCTOBER 2, 2000

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special workshop session, open to the public, on the 2nd day of October, 2000, at 6:00 p.m. at the offices of the Authority, at 3648 FM 1960 West, Suite 110, Houston, Texas, whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Alan J. Rendl	-	President
Jim Burke	-	Vice President
Lenox A. Sigler	-	Secretary
Jim Pulliam	-	Treasurer
Dwight "Clint" Moore	-	Assistant Secretary

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Ed Shackelford, General Manager for the Authority; Messrs. Joseph T. Wozny and Jack Sakolosky of WSBC Civil Engineers, Inc. ("WSBC"), Program Manager for the Authority; Messrs. Alan Potok, Mike Baugher and Jim W. Johnson of Turner Collie & Braden Inc. ("TC&B"), alternate source study engineering consultant for the Authority; Mr. Bob Jones of Jones & Carter, Inc. ("Jones & Carter"), on-call engineering consultant for the Authority; Mr. Gerry Pate of Pate Engineers, Inc. ("Pate"), on-call engineering consultant for the Authority; Mr. Ray Zobel, City of Houston Regional Advisory Board Member; Ms. Barbara Payne of Payne Communications, communications coordinator for the Authority; Ms. Robin S. Bobbitt, attorney, and Ms. Brooke Dold, paralegal, of Winstead Sechrest & Minick P.C., and Mr. Andy Johnson of Johnson Radcliffe & Petrov L.L.P., attorneys for the Authority.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given and in compliance with the law. The posted notices of the meeting are attached hereto.

ALTERNATE SOURCE STUDY PRESENTATION

Mr. Potok first reviewed with the Board the updated preliminary results of the alternate source study prepared by TC&B in conjunction with WSBC. Mr. Potok explained that the study assumes increases in the population, employment and water demands in the area within the Authority during the years 2000 through 2030. Mr. Potok also noted that TC&B had identified approximately twenty (20) alternate sources of water, including, but not limited to, City of Houston, Brazos River Authority, Trinity River Authority, Lower Colorado River Authority, East Texas, Allen's Creek Reservoir, effluent reuses, water importation and purchase of water rights. Mr. Potok explained that, for each of the identified alternate sources, a cost estimate was prepared to determine the cost of transmission and delivery.

Mr. Potok next reviewed the following implementation costs that were considered for each of the alternate sources, including:

1. Raw water cost - the cost to acquire a source of water;
2. Supply cost - the cost to convey raw water to a treatment facility;
3. Transmission cost - the cost to provide treated water to a single major line to a common point; and
4. Distribution cost - the cost associated with distributing water from transmission lines to individual districts.

Mr. Potok pointed out that the TC&B costing methodology paralleled what was used by the Region H Water Planning Group ("Region H") in their analysis and study, including the breakdown of costs.

Mr. Potok then proceeded with an explanation of the incremental costs, economies of scale and comparison of strategies for the various alternate sources. Mr. Potok stated that there were five (5) main alternate sources that were identified that were comparatively close in cost, two (2) of which were City of Houston ("COH") options. An extensive discussion then ensued regarding the five (5) alternate sources.

Mr. Potok then reviewed the price sensitivity for the various alternate sources, emphasizing that the Authority has no knowledge of the cost at which any entity might sell water to the Authority. Extensive discussion regarding price sensitivity issues then ensued.

Mr. Potok concluded his presentation and Mr. Shackelford then opened the floor for further discussion. Mr. Jones cautioned the Authority from taking an isolationist attitude by seeking a single finite source of water. Mr. Jones recommended that the Authority obtain the best possible source of water and that the COH offers significant security with its many sources from which it can obtain water. Director Moore interjected that a bigger system was not necessarily the best system. Director Moore emphasized the need for a strong well base in a managed aquifer. Mr. Jones then observed that the COH likely sees the Authority as a competitor with regard to the acquisition of water rights. Director Burke then stated that prior to the Authority's creation, the COH stated it did not want to deal with the individual utility districts, but has not yet shown much willingness to negotiate with the Authority. Director Rendl then emphasized that the purpose of the alternate source study was to provide the Authority with knowledge of the options that may be available in order to be equipped to make informed decisions. Mr. Johnson then noted that one difficulty with the COH's proposed Memorandum of Understanding is that the COH is not planning to size certain transmission lines until after 2010 and there are areas within the Authority that need a water source now.

Mr. Potok then concluded his presentation by summarizing the initial findings of the alternate source study.

## DISCUSSION REGARDING JERSEY VILLAGE WATER INTERCONNECT LINE WITH THE COH AND EARLY ACTION PROGRAM ISSUES

A brief discussion then ensued regarding the possibility of the Authority purchasing the interconnect line between Jersey Village and the COH. Upon motion by Director Burke, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Shackelford and the appropriate consultants of the Authority to contact Jersey Village and proceed with negotiations and/or an offer to purchase the interconnect line and related appurtenances (exclusive of the well rehabilitation costs) as part of the Authority's Early Action Program.

Mr. Shackelford next reported that there had been very few responses from well owners concerning interest in the Authority's Early Action Program and that of the responses received several of them were negative. The Board then determined that the Early Action Program should be tabled if there is no interest.

Further discussion then ensued regarding the status of the Import Fee Committee. Extensive discussion then ensued regarding the proposed implementation of a water import fee. Director Rendl stated that he supported adoption of the import fees, noting that voters had agreed to be a part of the Authority when creation of the Authority was confirmed at the January election. Mr. Johnson then emphasized that the summary memorandum and Order regarding the proposed levy of import fees were still in draft form and subject to further review and revision.

## APPRAISAL AND VALUATION OF PRIVATELY OWNED BRAZOS RIVER AUTHORITY WATER RIGHTS

Upon motion by Director Burke, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to obtain proposals for the appraisal and valuation of the privately owned Brazos River Authority water rights.

## PURCHASE OF BRAZOS RIVER WATER RIGHTS

Upon motion by Director Burke, seconded by Director Sigler, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the General Manager to proceed with negotiations for the purchase of privately owned Brazos River Authority water rights.

## EXECUTIVE SESSION

Director Rendl then announced at 8:28 p.m. that pursuant to the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended (the "Act"), and, specifically, Sections 551.071(1) and (2) of the Act, the Board would convene in executive session to consult with its attorneys regarding matters covered by the attorney-client privilege and pending or contemplated litigation. The Board, along with Mr. Shackelford, Ms. Bobbitt, Ms. Dold and Mr. Johnson, then adjourned to the conference room for the executive session.

Director Rendl then reconvened the meeting at 9:30 p.m. at which time the following action was taken by the Board. Upon motion by Director Pulliam, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Shackelford to proceed with the preparation of a letter to the COH expressing the Authority's interest and desire to initiate negotiations for the purchase of water and the Authority's willingness to participate in and pay its pro rata share of costs for the construction of the proposed Northeast Treatment Plant and transmission lines and to authorize Mr. Shackelford and the Authority's attorneys to proceed with such negotiations. Mr. Shackelford stated he would prepare a draft of such letter for review and comment by the Board and the Authority's attorneys.

PASSED, APPROVED AND ADOPTED this 14th day of November, 2000.

/s/Lenox A. Sigler

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Secretary, Board of Directors

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