

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

March 20, 2023

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 6:00 p.m. on Monday, the 20th day of March, 2023, at the Authority's office located at 3648 Cypress Creek Parkway, Suite 110, Houston, Texas, a public meeting place within the boundaries of the Authority; whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Mark Ramsey	President
Melissa Rowell	Vice President
Ron Graham	Secretary
David Barker	Treasurer
Kelly P. Fessler	Assistant Secretary

All members of the Board were present thus constituting a quorum. Also attending the meeting were: Mr. Jun Chang, P.E., D.WRE, General Manager for the Authority; Mr. Mark Evans, Director of Planning and Governmental Affairs for the Authority; Mr. Doug Haude, P.E., Construction Manager for the Authority; Ms. Cynthia Plunkett, Finance Director for the Authority; Mr. Mike Baugher and Mr. Paul Vining of AECOM Technical Services, Inc., Program Manager for the Authority; Mr. Carlton McDevitt of Inframark, LLC, operator for the Authority; Mr. Rafael Ortega of Aurora Technical Services; Mr. Sunil Kommineni, President of KIT Professionals, Inc.; Mr. Jon D. Polley, attorney, and Ms. Alison Miller, paralegal, of Radcliffe Bobbitt Adams Polley PLLC, general counsel and co-bond counsel for the Authority. Other members of the public and consultants to the Authority were also present at the meeting. Copies of the public sign-in sheets are attached hereto.

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

CALL TO ORDER

Director Ramsey called the meeting to order.

Minister Julie Rix delivered an invocation and led the meeting attendees in the Pledges of Allegiance to the United States and Texas flags.

APPROVE MINUTES OF PRIOR MEETINGS

Upon motion by Director Rowell, seconded by Director Barker, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor, with Director Ramsey abstaining, to approve the minutes of the regular meeting of March 6, 2023, as written.

PUBLIC COMMENT

Mr. Dennis Cormier of Harris County Municipal Utility District ("MUD") No. 24 noted that his comments are his alone and do not reflect Harris County MUD No. 24. Mr. Cormier addressed the Board regarding his opposition to House Bill ("HB") 3820.

Mr. Bill Papp of Harris County Water Control and Improvement District ("HCWCID") No. 132 noted that his comments are his alone and do not reflect HCWCID No. 132. Mr. Papp addressed the Board regarding bills filed during the 88th Legislative Session. Written comments from Mr. Papp are attached hereto.

Mr. Jerry Homan, General Manager of Harris County Fresh Water Supply District No. 61 addressed the Board regarding two (2) recent subsidence studies, the filing of HB 3820, the Authority's mission and vision statements and the Authority's goals and objectives over the next few years. Written comments from Mr. Homan are attached hereto.

Mr. Ron Chapman of Harris County MUD No. 222 addressed the Board regarding bills filed during the 88th Legislative Session as well as subsidence.

Mr. Norman Adamek of Harris County MUD No. 249 addressed the Board regarding the Authority's progress with the Harris-Galveston Subsidence District's ("HGSD") surface water conversion mandate. Mr. Adamek thanked the Board for representing the voters within the Authority. Mr. Adamek noted the Authority did not meet the 2022 conversion goals and he was surprised the Authority has not approached HGSD to ask for a delay.

Mr. Nick Fava of Bammel Utility District addressed the Board regarding the Board's handling of public comments received during a Board meeting.

Mr. Tom Tanous of Harris County MUD No. 168 addressed the Board regarding the Authority's surface water conversion projects and subsidence. Mr. Tanous stated that the new Board members are supported by many utility district directors. Mr. Tanous noted that it will cost Harris County MUD No. 168 \$27 million to receive surface water and he feels the cost is not justified. Mr. Tanous then complimented the new Board on their hard work.

MESSAGES FROM PRESIDENT AND BOARD MEMBERS

Director Rowell thanked everyone for attending tonight's meeting. Director Rowell stated that the Board meeting packets are posted on the Authority's website by 4:00 p.m. on the day of a Board meeting if meeting attendees are interested. Director Rowell then suggested signing up for the Authority's eblasts. Director Rowell then reported that over the last few weeks she has attended utility district meetings and has continued to learn new things everywhere she goes. Director Rowell thanked everyone that provided public comments. Director Rowell noted that the Authority has not stopped or slowed down construction on any Authority projects and that the Board is trying to allow flexibility with the timeline for surface water conversion projects. Director Rowell then stated that she is looking into alternate ways of paying for projects.

Director Barker stated that in light of recent banking news, he would like to make sure the Authority's bank accounts are secure.

Director Ramsey stated that he has no intention of turning Board meetings into a debate or political forum. Director Ramsey then reported that over the last few weeks he has attended several utility district meetings and has heard almost universal support for everything the new Board is trying to accomplish. Director Ramsey also reported that he has been working on several legislative items regarding the HGSD groundwater reduction mandates. Director Ramsey stated that he attended a productive meeting with the HGSD. Director Ramsey then stated that he believes that alternative water supplies are good for everyone but not without considering the cost to ratepayers. Director Ramsey next stated that he has also been concerned with the banking system these last few weeks. Director Ramsey then stated that the utility districts he has met with have been very appreciative and complementary of Inframark and Mr. McDevitt and the job he does for the Authority.

AMENDED RATE ORDER REGARDING PARTICIPATION IN AUTHORITY'S GROUNDWATER REDUCTION PLAN ("GRP")

Mr. Polley presented the Amended Rate Order and explained that it has been revised to include the option for well owners producing less than 10 million gallons per year ("GPY") to opt out of participation in the Authority's GRP. Mr. Polley stated that language has also been added to allow a well owner to opt back in to the Authority's GRP after they have opted out only after paying a reinstatement fee plus any Authority fees the well owner would have paid the Authority had the well owner never opted out of the GRP. Mr. Polley noted that if approved, the Amended Rate Order will be backdated to become effective February 6, 2023, as the Board previously discussed. Upon motion by Director Fessler, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Amended Rate Order regarding participation in Authority's GRP, as drafted.

LEGISLATIVE/GOVERNMENT AFFAIRS

Mr. Evans reported on the 88th Legislative Session and stated that the deadline for bill filing occurred on March 10th. Mr. Evans then provided an update on various legislative activities and events. Mr. Evans reported on the filing of Senate Bill ("SB") 1990 regarding the procedure related to the selection of service providers, SB 1991 regarding disbursement approval, HB 4659 regarding an interim study of financing of regional projects to convert from groundwater to surface water and HB 3820 regarding the authority of the HGSD over the Authority. Mr. Evans stated that he will continue to monitor the status of these and other bills as the Legislative Session continues.

Director Fessler stated that at the February 6th Board meeting, the Board adopted a resolution authorizing Director Ramsey to work with the Authority's legislative team to direct them on legislative action with regards to the Authority. Director Fessler then stated that he did not foresee that this action would be used by Director Ramsey to unilaterally request filing of legislation without a vote of the Board. Director Fessler next stated that HB 3820 was filed without knowledge by the Authority's legislative team or the Board. Director Fessler stated that HB 3820 would have a nuclear impact with water organizations across Texas and the ramifications are numerous and severe. Director Fessler then stated that he believes the immediate remedy is to ask Representative Tom Oliverson to cease efforts to pursue passage of HB 3820.

Director Fessler then made a motion to request that Representative Oliverson cease efforts to pursue passage of HB 3820. Discussion regarding the motion then ensued.

Director Rowell stated that if the Authority continues to build surface water infrastructure then she does not see the issue with HB 3820, and that it just gives the Authority more flexibility without the HGSD. Director Fessler stated that he has a list of 17 questions that Mr. Steve Bresnen, legislative affairs consultant to the Authority, has suggested the Authority be prepared to answer regarding HB 3820. Director Fessler then stated that HB 3820 has no concern for the other water authorities that the Authority is partnered with on projects. Director Fessler also stated he has had numerous people contacting him regarding HB 3820 and that everyone is shocked by the filing of HB 3820, that seems to have occurred out of the blue. Director Fessler noted that there are so many questions for which he has no answers.

Director Ramsey stated that he has just passed out to the Board a draft of his answers to the questions asked by Mr. Bresnen. Director Ramsey noted that this document is a very rough working draft. Director Ramsey then stated that it is up to legislators to decide which bills they are going to file and that they will not file bills on issues they do not care about. Director Ramsey commended Representative Oliverson for choosing to file HB 3820. Director Ramsey stated that HB 3820 simply redraws the boundary of the HGSD and withdraws the Authority from that boundary, and that it does not say that the Authority is cutting off water supply to anyone.

Director Fessler asked why secrecy was needed surrounding the filing of HB 3820 and why the Board was not informed until after it was filed. Director Ramsey stated that it was Representative Oliverson's choice to choose to file HB 3820 over other bills. Director Barker stated that the big issue is that the Authority is not keeping up with growth in Harris County and the infrastructure cannot be built fast enough to serve new development.

Director Ramsey called for a vote on Director Fessler's motion to request that Representative Oliverson to cease efforts to pursue passage of HB 3820. Directors Fessler and Graham voted in favor, with Directors Ramsey, Rowell and Barker voting in opposition. The motion failed for lack of a majority vote.

Director Fessler stated that he would like to read the questions provided by Mr. Bresnen. Director Ramsey ruled Director Fessler's request out of order.

Mr. Evans then provided a summary of the Authority's Alternative Water Use Incentive Program with the Board. Director Barker commended the previous Board for implementing the program and stated that it is one of his favorite things that the Authority has done. Discussion ensued regarding the program and the types of credits issued.

CURRENT MONTHLY SURFACE WATER CAPACITY, INCLUDING LAST 5 YEARS OF PUMPING HISTORY

Director Barker stated he requested this agenda item because he is concerned with growth in the area and being able to provide the water necessary to keep up with the development and growth. Director Barker reviewed a graph of historical conversion and monthly data from the past several years. Director Ramsey stated that it appears the Authority is not building capacity

as fast as subdivisions are being built. Mr. Chang explained that the biggest reason the Authority is not able to achieve higher surface water conversion rates is the limited delivery of water from the City of Houston (the "City"). Mr. Chang stated that the City does not allow the Authority to take more surface water than the Authority is contractually allowed to take. Discussion ensued regarding the Northeast Water Purification Plant ("NEWPP") Expansion project and surface water capacity. Director Barker asked if the 60% surface water conversion will be achieved once the NEWPP Expansion project is brought online. Mr. Chang stated that 60% conversion will not be achieved immediately because the demand for surface water will not be there.

UPDATE ON CONTRACTORS

Mr. Polley provided an update on the Authority's relationship with KIT. Mr. Polley stated there are only a few ongoing Authority projects that KIT is engaged in on behalf of the Authority, one (1) of which is approximately 75% complete by value. Mr. Polley then stated that if the Board would like to discuss additional details, the discussion can be had during executive session. Director Ramsey asked if Mr. Polley reviewed the bidding procedures that were used when awarding the contract. Mr. Chang stated that it was a professional services selection based on qualifications of the firm and not based on bid price. Mr. Chang then reviewed the details of the selection process and timeline of engaging KIT for each project. Mr. Sunil Kommineni, President of KIT, then addressed the Board and stated that the individual being charged with fraud claims is no longer an employee of KIT and all of the work that was done relating to the charges was done under another entity. Mr. Kommineni then stated that he has a letter from the prosecutor evidencing the Department of Justice has no intention of indicting anyone else in the matter and that KIT was not involved.

PERSONNEL UPDATE

Mr. Chang reported that Ms. Lisa Sagstetter returned to work last week but that she will be retiring from the Authority. Mr. Chang stated that Ms. Bonner will take over some of Ms. Sagstetter's duties and a new receptionist will be hired to relieve Ms. Bonner from some of her duties.

RESOLUTION ADOPTING AMENDED AND RESTATED PROCEDURAL RULES ("RESOLUTION") RELATED TO ACCEPTANCE OF GIFTS

Director Ramsey stated that in light of recent news items he has been reviewing the Authority's Procedural Rules. Director Ramsey then stated that he has identified a gap in the policy relating to acceptance of gifts and suggested amending the Procedural Rules to cap gifts accepted as a guest at \$100. Director Ramsey noted that the existing policy does not place a cap on the monetary value of a gift that can be accepted as a guest. Upon motion by Director Ramey, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution.

BOARD DISCUSSION OF POSSIBLE FUTURE AGENDA ITEMS

No future agenda items were requested.

ANNOUNCE NEXT MEETING DATE

Director Ramsey then confirmed the following upcoming meeting dates:

- Monday, April 3, 2023 at 6:00 p.m.
- Monday, April 17, 2023 at 6:00 p.m. (tentative due to tax day)

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 3rd day of April, 2023.



Ron Brubaker

Secretary, Board of Directors

AGENDA
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Notice is hereby given that pursuant to Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code, both as amended, the Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") will meet in special session, open to the public, on **Monday, March 20, 2023, at 6:00 p.m.**, at the **Authority's Office, 3648 Cypress Creek Pkwy., Suite 110, Houston, Harris County, Texas 77068** to consider and act on the matters listed below.

The Authority will broadcast this meeting on Zoom. People must register to view and/or listen to the meeting on Zoom at <https://tinyurl.com/4f4zfcmy>. Upon registration, a telephone number to listen to the meeting, a link to watch the meeting, and a password will be provided. **People viewing/listening to the meeting on Zoom will NOT be able to address the Board during the meeting. The Authority makes no assurances that all or any business conducted during this meeting will be visible or audible to people monitoring the meeting on Zoom. The Zoom broadcast will be recorded.**

1. Call to Order
 - a. Invocation – Julie Rix, Minister
 - b. Pledges of Allegiance
2. Approve minutes of prior meetings, including March 6, 2023 regular meeting
3. Public Comments (up to 3 minutes per person for a maximum of 30 minutes)
4. Messages from the President and Board Members
5. Amend Rate Order regarding participation in Authority's Groundwater Reduction Plan
6. Government Affairs, including:
 - a. Legislative update
 - b. Alternative Water Use Incentive Program (aka REUSE)
7. Current monthly surface water capacity, including last 5 years of pumping history
8. Update on contractors
9. Personnel update
10. Resolution Adopting Amended & Restated Procedural Rules related to acceptance of gifts
11. Board discussion of possible future agenda items

12. Announce next meetings:
 - a. Regular meeting - Monday, April 3, 2023 at 6:00 p.m.
 - b. Special meeting - Monday, April 17, 2023, at 6:00 p.m. (tentative – Tax Day)
13. Executive session, as needed
14. Reconvene in public session to act on items discussed in executive session
15. Adjourn

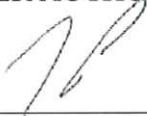
If, during the course of the meeting covered by this Notice, the Board should determine that a closed or executive session of the Board should be held or is required in relation to any agenda item included in this Notice, then such closed or executive meeting or session, as authorized by the Texas Open Meetings Act, will be held by the Board at the date, hour, and place given in this Notice concerning any and all subjects for any and all purposes permitted by the Texas Open Meetings Act or other applicable law, including, but not limited to Section 551.071, for the purpose of a private consultation with the Board's attorney on any and all subjects or matters authorized by law.

EXECUTED this 16th day of March, 2023.



NORTH HARRIS COUNTY REGIONAL
WATER AUTHORITY

By: _____


Jon Polley
Radcliffe Bobbitt Adams Polley PLLC
General Counsel for the Authority

I have been a water board Director for 37+ years. When appointed, I knew nothing about what my “job” as a water board director entailed. I knew how to run a meeting, having studied Roberts Rules of Order. I knew how to make decisions needed to run an international oil & gas funding entity. However, even after 37+ years of actively participating in an industry, it seems that at every meeting, I learn something new or different. I would categorize this phenomenon “as change”.

Many older individuals are not generally acceptable towards change.

But if you had spent as many years as I, in an industry that is charged with doing the same thing, year in and year out, you would understand “change”. You would understand that “change” is going to happen. And you always know, one thing.

Our job is delivering clean and drinkable water to our residents’ faucets. It seems that our job is now drastically changing, given the deceitful approach of our three new directors.

Forging the voluminous changes made to the past meeting minutes, especially relating to Director Rowell, we now have additional evidence of the deceitful nature of the said leader, Director Mark Ramsey.

Some recent examples may be helpful ^{ABOUT} who we are dealing with.

1. Friday 3/3/23

Director Ramsey sent 3 bills to Mr. Bresnen, NHCRWA's engaged professional, that Director Ramsey had some legislative offices obtain official drafts.

1. Saturday 3/4/23

After a lengthy phone conversation with Director Ramsey, Mr. Bresnen advised him to inform the Board and staff regarding the bills. Bresnen drafted one memo for Director Ramsey and another that would come from him, deferring to Director Ramsey who would inform the Board and staff.

2. Sunday 3/5/23

Sunday evening, Director Ramsey sent a text message to Mr. Bresnen that he (Ramsey) preferred to send a memo after the filing deadline of Friday March 10.

3. Monday 3/6/23

We were told that Director Ramsey was absent due to some other pressing business. Could that pressing business be making sure the bills, would be

shepherded through the filing process, even given their lateness: see
HB3820, HB4182 & companion SB1991.....

4. Tuesday 3/7/23

Director Ramsey, late that evening, in a text, indicated that no one had been
informed and that he preferred after Friday.

It is my hope that Item 6. a. Legislative update, allows Director Ramsey and
opportunity to explain his perceived deceitful action.

Good Evening My name is Jerry Homan and I am the General Manager for Harris County FWSD 61, and the Co-chair of The Water Users Coalition.

Two recent studies one from University of Houston and the second from Oklahoma – Texas Water Science, both showing significant land displacement (Subsidence) in the Greater Houston and surrounding suburbs and cities including the Cities of Katy, Jersey Village, Humble and Parts of Cypress Creek, Spring etc.; having some of the worse subsidence (1.37 to 3 centimeters per year). Subsidence equates to Flooding!

Please clarify and or update what the NHCRWA's mission & vision statements are. Can Water Districts that are converting to Surface Water count on the Authority to meet their obligations, related to surface water conversion? The Authority is definitely sending out mixed messages. Example: the 2023 Texas HB 3820, that amends Ch. 8801 and 8888, Special Districts Code, to remove Harris Galveston Subsidence District's authority over the NHCRWA. We need clarity as to what the authority's goals and objectives are for both short and long

term. We need leadership, Front and center, touting why it is important to convert to Surface water! As our population continues to grow, additional housing and commercial businesses will increase. We are going to need additional water resources, and diversifying those sources from groundwater to an alternative like surface water helps reduce subsidence and mitigates additional flooding.

Many Coalitions of business organizations and citizens are very concerned about flooding. Are you concerned about flooding and the direct correlation with subsidence? If not you should be. This organization was created (voted in place by an overwhelming majority) to meet the Ground Water Reduction Plan. Convert to surface water and reduce subsidence as soon as reasonably possible.

Thank you for your service to our community.



HOUSTON / KATY / CITY & COUNTY

Report shows high rates of subsidence in Katy, city continues to sink two centimeters every year



By **Asia Armour** | 2:05 PM Nov 16, 2022 CST
Updated 2:04 PM Nov 16, 2022 CST



SINKING CITY

Subsidence, or the sinking of land due to movement beneath the Earth's surface, has been recorded over several decades in the Katy area. Subsidence can result from natural or human activity.

Long-term subsidence effects

- Damage to buildings and infrastructure
- Increased flooding risk
- Elevation changes
- Compacting of aquifers

SOURCES: HARRIS-GALVESTON SUBSIDENCE DISTRICT; SHUHAB KHAN, ROBERT MACLEOD/COMMUNITY IMPACT

① An aquifer is an underground rock structure containing water.
② Original land surface elevation

Prior to excessive groundwater use, clay and silt layers are loosely packed. After long-term groundwater withdrawals, clay and silt layers compact.

The results show the Katy area has some of the most significant land displacement of all surrounding suburbs, sinking roughly 2 centimeters per year. (Designed by La'Toya Smith)



A University of Houston geological study released in August tracked land deformation in Houston's growing suburbs from 2016-21. The results show the Katy area has some of the most significant land displacement of all surrounding suburbs, sinking roughly 2 centimeters per year.

This gradual, vertical decline of Katy's surface is known as subsidence, or the sinking of the land due to movement beneath the earth's surface. Katy's sinking is chiefly caused by pumping water from underground reserves, which compacts sublayers of clay and silt in aquifers beneath the Earth's surface, according to the UH study.

Shuhab Khan, a geology professor at the University of Houston and one of the report's authors, explained there is a balance to using groundwater sustainably.

"Groundwater is the cleanest water all over the world," Khan said. "We use it for agriculture, for industry, and when we start pumping more water out, we're not replenishing [aquifers], that balance is gone."

Over time, subsidence can cause damage to property, pipes ar

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"We expect to receive surface water sometime between 2026 and 2028, thus reducing our use of groundwater supplies," he said.

Though the conditions that cause subsidence can be lessened by cities using alternative sources, such as surface and potable water, the effects of subsidence are permanent, said Robert Mace, water policy director at Texas State University.

"If you reduce your pumping, you can then decrease the maximum subsidence that would have occurred," he said. "But for the most part, land subsidence is a one-way trip. Once it's compressed, it's not coming back up."

Study findings

The UH report found the Katy area's population growth, development and geological characteristics affect subsidence, but the biggest contributor was the use of groundwater from aquifers.

Wells can be drilled into an aquifer, a large, underground water-bearing rock, and water can be pumped out for use by residents of a city.

Khan's report analyzed subsidence data in the Houston region from 2016-21.

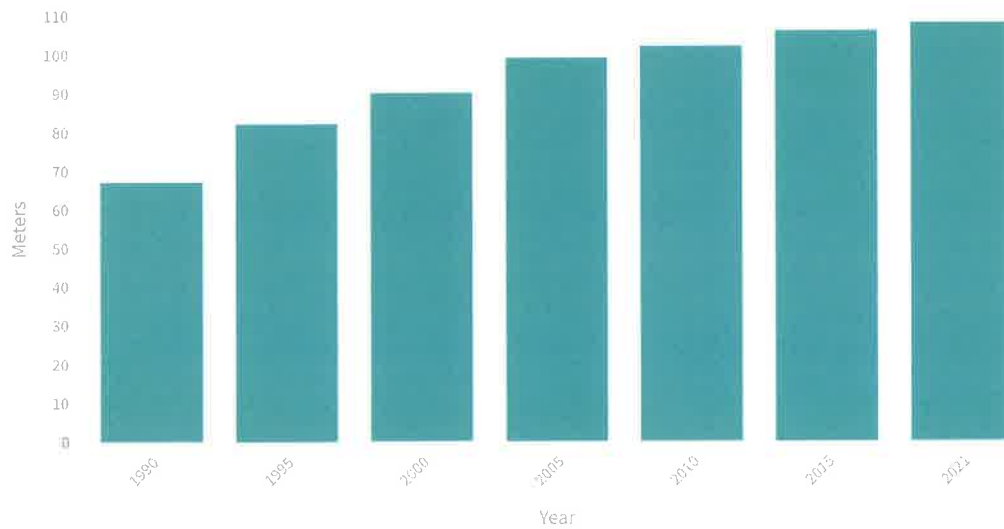
"This [is happening] all over Katy," Khan said.

Data from the Harris-Galveston Subsidence District, which regulates groundwater and monitors subsidence in Harris and Galveston counties, supports the study's findings.

The UH report also measured groundwater levels below the surface of Katy and other Houston suburbs from 1990-2021. The aquifer water level was around 65 meters below the surface in 1990, compared to 110 meters below ground in 2021.

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Source: MDPI, Remote Sensing Journal, City of Katy, 2021 Annual Drinking Water Quality Report/Community Impact

A Flourish chart

Even further, the report pinpointed new hot spots of subsidence in the southwest quadrant of the Katy area, coinciding with one of the city’s seven water wells in Waller County. The city’s 2021 drinking water report states the water wells have a combined storage capacity of 7.25 million gallons.

Ashley Greuter, director of research and water conservation for the HGSD, confirmed GPS data indicates the impacts of compaction in the aquifer associated with groundwater development.

In the past four years, mapping data from the HGSD found a 6.8-centimeter depression in the same location as the Waller County water well.

HGSD General Manager Mike Turco said the Katy area is experiencing subsidence because it has seen population increases and continued development, which leads to more groundwater pumping to meet water needs in the area. Between 2011-20, the six ZIP codes that make up Community Impact’s coverage area—77449, 77493, 77494, 77441, 77450 and 77094—saw a 57.31% population increase from 246,673 to 388,036, according to U.S. Census Bureau data.

The Katy Area Economic Development Council expects 41,466 more residents to join Katy and the surrounding region by 2027, per Esri geographic data. “Subsidence that we see at the land surface is pretty consistent [across the area],” Turco said.

Potential effects

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Mace, with more than 30 years of water policy experience in Texas, said the doughy geological sublayers of the Houston region and its flat landscape contribute to subsidence.

Damage to homes and buildings may occur along active faults—a fracture or zone of fractures between two blocks of rock—where differential subsidence can occur, Mace said.

“We have geologic variations, and we have these faults, where [land will] subside more on one side than the other,” he said.

If ground pumping trends continue, faults near the Katy area, such as the Addicks fault line near the Barker reservoir in southeastern Katy, will likely become reactivated or increase in activity over time, Khan’s report concluded.

Experts also warned excessive groundwater pumping will make flood mitigation more difficult in an area where it is already challenging.

Excessively extracting water from beneath the earth causes the land’s surface to sink. Even inland cities are impacted by subsidence, which contributes to changes in drainage patterns, flooding, fault movement, and damages to wells and pipelines, according to the HGSD.

Alternative sources

Katy’s land sunk a total of 7.2 inches from 2008-16 and another 4 inches from 2016-21, Khan’s report and HGSD data shows.

However, local water authorities, such as the West Harris County Regional Water Authority and the North Fort Bend Water Authority, are monitoring groundwater usage and working to wean cities off it as the primary source for drinking water and utilities.

To address subsidence, they are collaborating on a \$1 billion surface water pipeline that will run from Lake Houston to North Fry Road near Grand Parkway, under construction since 2020.

At a July 28 special meeting, Katy City Council approved a resolution with the WHCRWA to receive 3.6 million gallons of potable water to three of the city’s water production facilities as soon as the surface water supply pipeline is completed—in late 2025 by the WHCRWA’s earliest estimate.

The Surface Water Supply Project, jointly funded by the NFBWA and the WHCRWA, consists of large water transmission lines and two pump stations designed to convey surface water from the treatment plant at Lake Houston to entities and cities within their respective jurisdictions.

The project’s purpose is to meet the HGSD’s groundwater redline beyond—to eventually only use groundwater for 20% of a city SWSP team.

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In 2013, the HGSD set requirements for all water suppliers in H



Construction on the Katy portion of the pipeline—west of Beltway 8 to north Fry Road—began in 2020 and will be completed in late 2023, the SWSP team said. Kasper wrote in a July 28 memo the benefit of early conversion to surface water would be slowing land subsidence in the areas near the city of Katy’s water wells, but the four wells in Waller County will need to remain operational at their full capacity.

“Depending on the location of the development activity, it is possible that the city would need to construct a new water well in Waller County even if surface water supplies are available at the city’s facilities in Harris and Fort Bend counties,” Kasper said in the memo.

Khan sent his report to Katy officials to encourage an open dialogue about his research.

“Finding out about subsidence now is good,” Khan said. “Once you know a problem, you take steps to cure the problem before it gets too late.”

By **Asia Armour**
Reporter, Katy

Asia joined *Community Impact Newspaper* in February 2022. She studied journalism at Missouri State University in Springfield, Missouri. Before relocating to Houston Texas, Asia was a freelance reporter for the *Seattle Medium*, one of the city’s eldest and longstanding African American newspapers. She covers dining, transportation, government, business, development, education and more for Katy, Texas and South Houston. When she’s not writing, she’s likely trying a new restaurant or tv show.

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HOUSTON / SPRING-KLEIN / WEATHER

1/23 OKLAHOMA-TEXAS WATER SCIENCE CENTER
8/22 NOT H

Reports: Groundwater overuse contributing to subsidence in Spring



By **Asia Armour, Emily Lincke** | 8:52 AM Mar 14, 2023 CDT
Updated 4:08 PM Mar 15, 2023 CDT

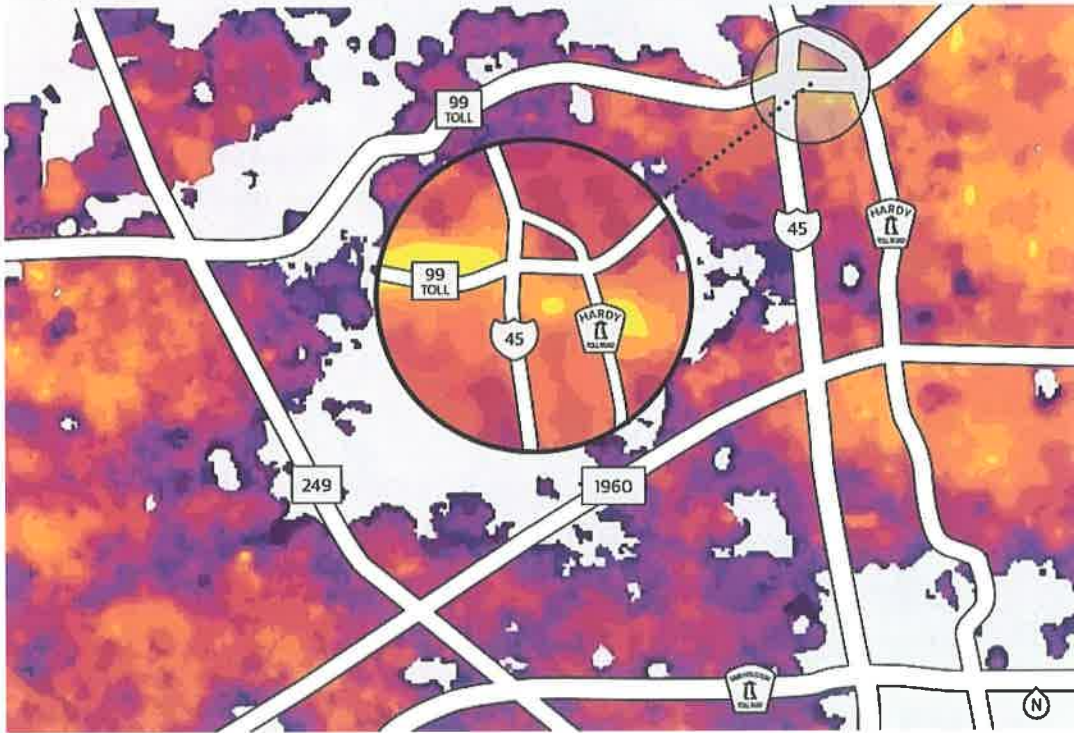


LOSING GROUND

Parts of north Spring saw significant rates of land depression—dubbed subsidence—from 2016-20, according to geological studies released in January and August. The most subsidence was recorded near the intersection of I-45 and the Grand Parkway.

CENTIMETERS OF DISPLACEMENT

- -8.97 to -2.75
- -2.75 to -2.45
- -2.45 to -1.75
- -1.75 to -1.25
- -1.25 to -0.85
- -0.85 to -0.45
- -0.45 to -0.20
- -0.20 to -0.10
- -0.10 to -0.00



As of 2021, an average of 4.2 feet of land sinking has occurred in Spring over the last century, according to a Jan. 12 report from the Oklahoma-Texas Water Science Center, with most of the land movement occurring since 1987. (Designed by Ronald Winters)

SILENTLY SINKING

4.2 feet of land displacement, on average, was observed in the Spring area from 1987-2021.

1.37 centimeters of land displacement per year was observed in parts of north Spring from 2016-20.

16% of land displacement in the Spring area is due to water use from the Aquifer Aquifer.

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Two reports released within the last six months show parts of the Cypress Creek watershed in the Spring area have experienced land displacement, which can worsen flooding and make it more severe.

feet of sinking, respectively, during the same time period.

This gradual, vertical decline is known as subsidence, or the sinking of the land due to movement beneath the Earth's surface.

John Ellis—who authored the Jan. 12 study and serves as the center's Gulf Coast studies chief—said subsidence worsens flooding in watersheds by “altering the base flood elevations.”

“[Subsidence] is an important phenomenon to document and study ... it can result in permanent loss of land, increased risk of flooding and damage to infrastructure,” Ellis said.

Subsidence is chiefly caused by pumping water from underground reserves, which compacts sublayers of clay and silt in aquifers beneath the Earth's surface, according to a [University of Houston](#) geological study released in August. The resulting sinking is a problem experienced all over the Greater Houston area.

Shuhab Khan, a UH geology professor and one of the August report's authors, said he believes there is a balance to using groundwater sustainably.

“Groundwater is the cleanest water all over the world,” Khan said. “It is a means for drinking, for agriculture, for industry, and when we start pumping more water than the amount of water that is replenishing [aquifers], that balance is gone.”

The UH study states its findings also imply subsidence may be responsible for fault movement in the Greater Houston area based on analysis of land displacement.

Over time, subsidence can cause damage to property, pipes and roads, Khan said.

To prevent subsidence from worsening, regional organizations are working to decrease groundwater use. Efforts include a \$1.4 billion expansion of the [North Harris County Regional Water Authority's](#) Northeast Water Purification Plant in Humble.

This plant treats Lake Houston water and turns it into drinking water for parts of Harris County and surrounding areas, including Spring. Upon completion in 2024, he said the plant will increase treated water capacity from 80 million gallons per day to 400 million gallons per day.

NHCRWA leaders were not available for comment as of press time on March 8.

Subsidence in Spring

The UH report also found that the Spring area and northern and northwestern Harris County are experiencing “substantial negative displacement” due to population growth and development as well as the use of groundwater from aquifers. Wells can be drilled into an aquifer—a large, underground water-bearing rock—and water can then be pumped out for residential and industrial use.

According to the USGS report, which covers a new model created to study land displacement and the flow of groundwater from 1897-2018, the Jasper Aquifer accounts for 16% of the subsidence occurring in the Spring area. The aquifer is the lowermost primary aquifer of the larger Gulf Coast Aquifer System, which provides groundwater for much of the Greater Houston area, according to USGS.

Parts of Spring saw among the greatest rates of subsidence in the Greater Houston area from 2016-20, according to UH’s report. These parts of Spring also saw among the fastest rates of sinking. A sinking rate of 1.37 centimeters per year was observed near I-45 and the Grand Parkway from March 2016 to December 2020, according to UH’s report.

Ellis also identified I-45 and FM 1960—near the Cypress Station area—as a subsidence hotspot in the Cypress Creek watershed that showed 5 feet of subsidence from about the 1930s-2021. Ellis said the hotspot near I-45 and the Grand Parkway is experiencing less total subsidence—about 4 feet—than the Cypress Station hotspot because it has not undergone development for as long.

Development leads to more groundwater pumping to meet water needs, said Mike Turco, who is the general manager for the [Harris-Galveston Subsidence District](#), which regulates groundwater and monitors subsidence in Harris and Galveston counties.

“As you add more people, you add more businesses, you’re going to have more needs for water resources, and diversifying those sources from groundwater to an alternative like surface water helps the subsidence issue and prevents subsidence for us,” Turco said.

Data from HGSD shows subsidence has contributed to flooding across the Greater Houston area. However, Turco said a study on the impact of subsidence in the Cypress Creek watershed has not yet been done.

The Jasper Aquifer accounts for most, if not all, of the drinking water in northern Harris County, Turco said. Experts warned excessive groundwater pumping will make flood mitigation more difficult in areas across the Greater Houston area where it is already challenging.

“These [flooding events] are in the same areas where we are seeing subsidence rates at 1 1/2 to 3 centimeters per year,” Turco said.



Although the conditions that cause subsidence can be lessened if residents cut groundwater usage and switch to alternative water sources, the effects of subsidence are permanent, said Robert Mace, water policy director at [Texas State University](#).

"If you reduce your pumping, you can then decrease the maximum subsidence that would have occurred," he said. "But for the most part, land subsidence is a one-way trip. Once it's compressed, it's not coming back up."

To prevent subsidence from worsening, HGSD set pumping requirements for all water suppliers in Harris and Galveston counties in 2013. The NHCRWA is required under the plan to reduce groundwater usage to no more than 40% of its total water supply by 2025, according to the HGSD's regulatory plan.

"We expect those subsidence rates to come down to near zero as we implement this plan," Turco said.

By [Asia Armour](#)
 Reporter, Katy

Asia joined *Community Impact Newspaper* in February 2022. She studied journalism at Missouri State University in Springfield, Missouri. Before relocating to Houston Texas, Asia was a freelance reporter for the Seattle Medium, one of the city's eldest and longstanding African American newspapers. She covers dining, transportation, government, business, development, education and more for Katy, Texas and South Houston. When she's not writing, she's likely trying a new restaurant or tv show.

By [Emily Lincke](#)
 Reporter, Spring/Klein & Lake Houston/Humble/Kingwood

Emily joined *Community Impact Newspaper* in August 2021 after working for a small town newspaper in El Campo, TX for two years. Before that, she interned and freelanced for the Houston Chronicle and worked as a freelance photographer and writer in the Houston area. A controversial fact about Emily is that she prefers sugar cookies over chocolate chip cookies. She graduated with a print journalism degree from the University of Houston in 2018.

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SIGNED AND SEALED the 20th day of March, 2023.



President, Board of Directors



Secretary, Board of Directors



**NORTH HARRIS COUNTY
REGIONAL WATER AUTHORITY**

RATE ORDER

Date Adopted: October 5, 2009
Dates Amended: February 1, 2021
March 20, 2023, effective
February 6, 2023

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EXHIBIT "B" *Delivery Point*

EXHIBIT "C" *Form of Water Supply Agreement*

authority under the Act and requires the Authority to adopt and enforce rules reasonably required to implement the Act; and

WHEREAS, the Board has determined that the fees, rates, charges, and classifications of fee and ratepayers, as well as the terms and conditions under which Authority Water will be provided, established in this Rate Order are necessary to accomplish the purposes and requirements set forth in the Act.

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

As used herein, the following terms shall have the respective meanings set forth or referred to below:

"Act" means Chapter 8888, Texas Special Districts Local Laws Code, as amended.

"Authority" means the North Harris County Regional Water Authority or its representatives or consultants.

"Authority Engineer" means the Authority's Program Manager (currently AECOM USA Group, Inc.), which may be changed from time to time by the Authority.

"Authority Operator" means the operating company performing operations for the Authority (currently Inframark, LLC), which may be changed from time to time by the Authority.

"Authority System" means the Authority's facilities, pipelines, storage tanks, conduits, pumping stations, treatment plants, meters, valves, remote Meter reading devices and any other facility, device, or related appurtenance or connection used in the treatment, transportation, storage, or measurement of Authority Water or otherwise related to the Authority's provision of Authority Water, including all easements, rights-of-way and sites owned or utilized by the Authority.

"Authority Water" means water (whether surface water, groundwater, or a blend of surface water and groundwater) delivered through or by the Authority System.

"Board" means the Board of Directors of the Authority.

"Chloramine System" means a chlorine and ammonia automatic proportional feed disinfection system.

"Commission" means the Texas Commission on Environmental Quality, and any predecessor or successor agency.

"Converted Entity" means a Person who is designated by the Authority to receive or is actually receiving Authority Water other than through an emergency water interconnect with a Converted Entity.

"Cost of Water" means the Fee charged to a Payor based on the amount of (i) Water pumped from a Non-Exempt Well; (ii) Imported Water transported into the Authority; and/or (iii) Authority Water received, and shall be expressed as an amount of dollars for each 1,000 gallons of Water pumped, imported and/or received from the Authority, as applicable.

"Delivery Point" means the location at which the Authority's System connects to the water system of a Converted Entity through which Authority Water is supplied by the Authority to the Converted Entity.

"Exempt Well" means a Well within the Authority's boundaries that (i) is not subject to groundwater reduction requirements imposed by the HGSD, as such requirements may be amended from time to time, and was not subject to such requirements on June 30, 2013; (ii) is owned by a municipality not providing service to customers within the boundaries of the Authority and included in another entity's approved groundwater reduction plan; (iii) has a casing diameter of less than five (5) inches that solely serves a single family dwelling; (iv) is regulated under Chapter 27 of the Texas Water Code (injection wells); (v) is used for irrigation of agricultural crops; (vi) singularly or when aggregated with other Wells produces less than five (5) million gallons annually, unless pumpage was reduced below such amount as a result of receiving Authority Water or by use of alternative water pursuant to a contract entered into pursuant to the Authority's Alternative Water Use Incentive Program; or (vii) is used solely for electric generation.

"Fee" shall mean, collectively or individually, any fee, rate or charge imposed by the Authority under the provisions of this Rate Order.

"General Manager" means the General Manager of the Authority or his/her designee(s), or any other person who may hereafter exercise the functions of the said General Manager.

"GRP" means that certain groundwater reduction plan, as amended, approved by HGSD on October 14, 2015, and all directives, determinations and requirements issued by the Authority (or the Authority Engineer or Authority Operator) pursuant to such plan, as all of same may be amended from time to time.

"HGSD" means the Harris-Galveston Subsidence District.

"Houston" means the City of Houston, Texas.

"Imported Water" means water, whether groundwater or surface water, that is produced outside of the boundaries of the Authority and transported into the boundaries of the Authority, by a Person other than the Authority, for use within the boundaries of the Authority.

"Importing Water" means the act of transporting water produced outside the Authority's boundaries across the Authority's boundaries for use within the Authority's boundaries.

"Meter" means any meter required to be installed by Section 4.01(a) hereof.

"Non-Exempt Well" means any Well within the Authority other than an Exempt Well.

"Non-Exempt Well Owner" means any Person owning a Non-Exempt Well.

"OPRS" means the Online Pumpage Reporting System maintained by the Authority to track the volume of Water received and from which each Payor will generate and print monthly bills for Fees owed by each Payor unless and until the Authority has implemented an automatic meter reading system for the Payor.

"Payor" means a Person required to pay a Fee under this Rate Order.

"Payor Meter" means a Meter measuring Water other than Authority Water.

"Person" means any individual, corporation, organization, government or governmental subdivision or agency, special district, municipality, county, political subdivision, business trust, trust, estate, partnership, association, or any other legal entity.

"Pricing Policy" means the policy adopted by the Board pursuant to which the Cost of Water is determined and implemented. The Cost of Water shall be stated within the body of or as an exhibit or attachment to the Pricing Policy. The Authority's current Pricing Policy is attached hereto as **Exhibit "A"**.

"Rate Order" means this North Harris County Regional Water Authority Rate Order, as may be amended by the Authority from time to time.

"Water" means, collectively, groundwater pumped by a Non-Exempt Well, Imported Water and Authority Water.

"Water Importation Site" means each connection, other than a connection through which the Authority receives water, whether permanent or temporary, at which water originating from outside the boundaries of the Authority enters the boundaries of the Authority.

"Water Receiving Facilities" means all equipment constructed at a Delivery Point necessary or convenient for the Authority to deliver Authority Water from the Authority System to and into the Converted Entity's water system, including without limitation a Chloramine System, water lines, control valves, meter stations, SCADA equipment and "hot boxes."

"Water Supply Agreement" means a written agreement in a form substantially similar to that attached hereto as **Exhibit "C"** wherein the Authority covenants to supply and sell, and a buyer covenants to receive and purchase, a stated volume of Authority Water.

"Well" means a facility, device, or method used to withdraw groundwater.

Section 1.02 Interpretations.

The article and section headings of this Rate Order are included herein for convenience of reference purposes only and shall not constitute a part of this Rate Order or affect its interpretation

in any respect. Except where the context otherwise requires, words imparting the singular number shall include the plural and vice versa.

Section 1.03 References.

Any reference in this Rate Order to a document shall mean such document and all exhibits thereto as amended or supplemented from time to time.

Section 1.04 Effective Date.

This Rate Order shall become effective immediately upon adoption.

**ARTICLE II
FINDINGS**

Section 2.01 Findings.

(a) *Recitals.* Each of the recitals stated in this Rate Order are hereby adopted as a finding of the Board. All statutory requirements and conditions have been met for the establishment of those fees, rates, charges and classifications of fee and rate payers set forth in this Rate Order.

(b) *Truth in Billing.* The Board hereby finds that retail water customers within the Authority deserve to receive accurate information regarding the amount of charges from the customers water bill each Payor pays to the Authority for its share of the groundwater reduction projects the Authority has undertaken for the benefit of all Payors. To that end, the Authority requests (but does not require) the following: If a Payor implements a separate rate intended to recover the Payor's costs related to Fees of the Authority, the Board believes each such Payor should include two (2) such line items on the customer's bill. The first line item should be the amount of Fees incurred by the Payor as a result of the retail water customer's water consumption stated on that bill (the "Pass-Through Amount"). The second line item should be the amount the Payor charges in excess of the Pass-Through Amount, including without limitation any amounts related to recovery for water loss within Payor's water distribution system or administrative costs related to collecting and remitting the Pass-Through Amount. The Board believes billing in this manner enables retail water customers to better understand how much money from their invoice the Payor remits to the Authority and how much is retained by the Payor.

**ARTICLE III
PRICING POLICY, COST OF WATER, FEE COLLECTION
AND CONTRACT PARTICIPATION**

Section 3.01 Pricing Policy; Cost of Water.

The Authority shall, by order or resolution of the Board adopted in compliance with all applicable laws, implement a Pricing Policy and set the Cost of Water. The Board may periodically adopt an updated Pricing Policy and/or Cost of Water without the necessity of amending this Rate Order. A copy of the current Pricing Policy, which contains the Cost of Water, is attached hereto as **Exhibit "A"**.

Section 3.02 Date Payments Due.

A Payor must pay the full amount of Fees owed on a monthly basis, and such Fees for Water received each month shall be due by the 18th day of the second (2nd) month following month during which the Payor incurred the Fee. For example, Fees for Water received during the month of January must be paid by the 18th of March. All payments must be received at the office of the Authority, if mailed, or in the Authority's account, if wired, on or before the due date.

Section 3.03 Meter Reading; Reporting.

(a) *Authority.* For any Payor Meter for which the Authority has not provided the notice required under Section 4.01(c), the Authority will not send invoices or bills to the Payor for the Water measured by such Meter. However, the Authority shall deliver to each Payor a notice, including a copy, of any orders or resolutions changing the Pricing Policy or Cost of Water and will read each Meter measuring Authority Water on the last regular business day of each month and enter such readings into the OPRS.

(b) *Payor.* For any Payor Meter for which the Authority has not provided the notice required in Section 4.01(c), Payors must read each such Meter on a daily basis and enter such readings into the OPRS a minimum of two (2) non-consecutive days each week. However, Payors whose water distribution systems serve fewer than 250 connections and use only groundwater or purchase treated Water shall read Payor Meters and enter such readings into the OPRS a minimum of one (1) time each week.

(c) *Late Fees.* In the event a Payor fails to read a Meter and enter such readings, as required, after giving notice of such failure the Authority shall have the right to read the Meter. If the Authority reads a Meter under such conditions, the Payor will be billed \$150 for this service. In addition, if a Payor enters pumpage data into the OPRS late by 15 or less days, a fee shall be applied to the next invoice in an amount equal to the greater of \$50 or 10% of the billings for Water on such invoice. If a Payor is required to enter pumpage data and enters such data into the OPRS more than 15 days late, a fee shall be applied to the next invoice in an amount equal to the greater of \$100 or 20% of the billings for Water on such invoice. Finally, if a Payor is required to enter pumpage data, for any month in which the amount of Water reported was more than 10% below the actual amount of such Water received, as determined by the Authority, the Authority may impose a penalty equal to the greater of \$100 or 20% of the corrected billings for Water for each such inaccurate invoice.

Section 3.04 Collection of Fees.

(a) *Fee Statements.* For any Payor Meter for which the Authority has not provided the notice required under Section 4.01(c), upon entering all such Meter readings pursuant to Section 3.03 hereof, the Payor shall print its Fee statement from the OPRS and deliver the Fee statement to the Authority with full payment, within the timeframe required by Section 3.02 hereof. For each Meter for which the Authority has provided the notice required in Section 4.01(c), the Authority shall read the Meter on the last business day of each month and shall immediately send an invoice to the Payor based on such reading.

(b) *Late Fees.* Payments for Fees not received by the Authority by the date required in Section 3.02 hereof shall accrue interest at a rate equal to the sum of one percent (1%) and the prime rate published in the Wall Street Journal on the first (1st) day of the preceding July that does not fall on a Saturday or Sunday.

(c) *Collection Costs.* In a formal administrative or judicial action to collect Fees or interest due under this Rate Order, the opposing party, which may be the Authority or the Payor, shall pay the reasonable attorney fees of the prevailing party.

Section 3.05 Form of Payment.

All Fees payable to the Authority shall be paid in money which is legal tender in the United States of America. Payments will be accepted only by check or money order made payable to the "North Harris County Regional Water Authority" or by wire transfer according to written wiring instructions provided by the Authority. No cash will be accepted. Written wire instructions are available upon request.

Section 3.06 Contract GRP Participants.

The Authority may contract with a Person on mutually agreeable terms to allow Wells located outside the Authority to be included in the Authority's GRP. The Authority shall specify in the Pricing Policy the Cost of Water for any Well included in the GRP by contract. Other than the Cost of Water, any such Well shall be subject to the Authority's rules, including without limitation this Rate Order, as though the Well were located in the Authority.

Section 3.07 Opting Out of Authority GRP.

Any Person owning a Well or Wells included in the Authority's GRP that pumps less than 10 million gallons per year in aggregate from such Well(s) may opt to be removed from the Authority's GRP by providing a signed written statement to that effect to the Authority's General Manager. The written statement must include the location and HGSD permit number for the Well(s) to be excluded. Upon receipt of such written statement, the Authority shall use all reasonable diligence to remove the Well(s) from its GRP and aggregate permit issued by the HGSD. Once Well(s) have been excluded as such, the Well(s) may only be added back to the Authority's GRP if the Well owner pays to the Authority all Authority Fees the owner would have paid if the Well(s) were never excluded, plus a reinstatement fee determined by the Board of Directors of the Authority.

**ARTICLE IV
MEASUREMENT OF WATER USAGE**

Section 4.01 Meters.

(a) *Locations.* Each Non-Exempt Well, Delivery Point and Water Importation Site shall be equipped with a Meter to measure the volume of (i) water pumped from each Non-Exempt Well, (ii) Authority Water supplied by the Authority to a Converted Entity; or (iii) Imported Water transported into the Authority, respectively; provided however, that any Water Importation Site which is solely for emergency use and is utilized for less than 30 days in any 365-

day period shall be exempt from the requirement to be equipped with a Meter. The Authority may, in its sole discretion and on a case-by-case basis, exempt a Water Importation Site installed solely for emergency purposes in the event it must be used for more than 30 days in any 365-day period.

(b) *Accuracy Standards; Testing and Recalibration.* All Meters must be calibrated at least once every two (2) years. Any Meter measuring Authority Water must be between 97% and 103% accurate. Any Payor Meter must be between 95% and 105% accurate. If the Authority at any time believes a Payor Meter fails to meet the aforementioned accuracy standards, it may cause such Payor Meter to be independently tested and the results thereof be reported to the Authority. If the Payor refuses to test a Payor Meter after the Authority so requests, the Authority may have the Payor Meter independently tested and recalibrated, including, if necessary, removing the Payor Meter for testing and replacing it with a temporary Meter. Likewise, should a Payor believe a Meter measuring Authority Water fails to meet the aforementioned accuracy standards, it may notify the Authority and request that such Meter be independently tested, and the results thereof be reported to the Payor. If the testing reveals that the Meter fails to meet these accuracy standards, the total quantity of Water received by the Payor will be deemed to be the average daily consumption as measured by the Meter when in working order, and the Meter shall be corrected, repaired, or replaced with an accurate Meter. In such event, the Payor's payments of Fees to the Authority shall be adjusted (increased or decreased) for a period extending back to the time when the inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, for a period extending back to the last test of the measuring equipment, the date of a material change in average daily use or 120 days, whichever is shorter. Any such adjustments shall be reflected on the Payor's first payment following the adjustment. The party that owns and is responsible for operation and maintenance of the Meter, pursuant to Section 5.03 of this Rate Order, shall pay the cost for any testing, recalibrating, removing or replacing a Meter or installing a temporary Meter, as applicable, unless the testing reveals that the Meter complies with the aforementioned accuracy standards, in which case the party requesting the testing shall pay such costs.

(c) *Remote Meter Reading Devices.* The Authority may install, maintain, modify, repair, operate and/or replace remote Meter reading devices on any Payor Meter, or the replacement of any such Meter if a remote Meter reading device cannot feasibly be installed, maintained, modified, repaired, operated and/or replaced, as determined in the Authority's sole discretion. In the event the Authority installs or replaces such remote Meter reading devices or any Payor Meter for such purpose, the Authority shall own, maintain, and operate the remote Meter reading device, but shall not acquire an obligation to maintain the Payor Meter. When the Authority completes installation of a remote Meter reading device on a Payor Meter, the Authority shall provide written notice of same to the Payor. Notwithstanding the foregoing, if a Payor has already installed a remote Meter reading device on any Payor Meter, (i) the Authority will cooperate with the Payor in an attempt to configure such device to permit the Authority to utilize the existing device; and (ii) if the existing remote Meter reading device cannot be reconfigured as such, the Authority will use its best efforts to install a device that will enable the same functionality for Payor as existed prior to such installation.

The Authority shall charge any Payor \$150.00 per month for each Payor Meter the Authority must read manually if: (i) the Payor has failed to provide a written right of entry

agreement in a form acceptable to the Authority authorizing the installation of the Authority's remote Meter reading device within 60 days after the Authority's written request for same; (ii) the Payor has prevented the Authority from installing, maintaining, modifying, repairing, operating, and/or replacing the Authority's remote Meter reading device; or (iii) the Payor has prevented the Authority from obtaining information from the Authority's remote Meter reading device.

(d) *Meter Replacements.* Each Payor and not the Authority, shall own, maintain and operate any Payor Meter, regardless of whether the Meter was installed by the Authority or the Payor and regardless of whether the Authority has installed a remote Meter reading device on such Meter. Prior to installing a new or replacement Payor Meter, the Payor shall obtain from the Authority Engineer written approval of the type, make, and model of the Meter to be installed. If a Payor fails to obtain such written approval and installs a Payor Meter that is incompatible with the remote meter reading devices installed by the Authority, the Payor shall be responsible for all costs (including the Authority's costs if the Authority performs the work) to replace such Meter with a Meter that has been approved in writing by the Authority Engineer and is compatible with the Authority's remote meter reading devices.

Section 4.02 Audits.

The Authority shall have the right to audit the Water measurements or calculations submitted by the Payor by reading any of the Payor's Meter(s) and reviewing the Payor's records. Upon written request, a Payor shall provide to the Authority, without charge, a copy of any agreement related to a Water Importation Site or Imported Water and all data and reports used to calculate the volume of Imported Water or Non-Exempt Well pumpage. Any such audit shall be conducted in accordance with audit procedures adopted and implemented by the Authority.

ARTICLE V AUTHORITY WATER USE AND CONVERSION

Section 5.01 Use of Authority Water by Converted Entities.

Except as otherwise provided by this Section 5.01, all Converted Entities must use only Authority Water. In the event the Authority is unable to supply a Converted Entity with an adequate quantity of Authority Water to allow the Converted Entity to meet its demand, the Converted Entity may operate its Well(s) for the minimum duration necessary to meet its demand. However, a Converted Entity required to use its Well(s) to meet demand shall coordinate with the Authority and operate its water production and distribution system to maximize Authority Water consumption. In addition, a Converted Entity may exercise its Well(s) as necessary to maintain its/their proper operability; provided that the Converted Entity provides prior notice of such necessity to the Authority Operator detailing the duration and frequency of exercise the Well requires. Notwithstanding the foregoing, nothing in this Rate Order shall be interpreted as prohibiting a Converted Entity from taking steps necessary to respond to a life-safety emergency or to mitigate the impact thereof. The Authority will use its best efforts to provide reasonable assistance to Converted Entities in responding to a life-safety emergency as rapidly as practicable. As used in this Section 5.01, a "life-safety emergency" shall include an explosion, fire or other event requiring unusual quantities of Water; sabotage, infection or contamination of Water; loss of pressure; disinfection failure; or another condition involving or relating to Water that could cause public illness, injury or loss of life.

Section 5.02 Delivery Point; Title to Authority Water.

(a) The Delivery Point for Authority Water supplied by the Authority to a Converted Entity shall be one (1) foot downstream of the pressure/flow control station and/or Meter installed by the Authority to serve such Converted Entity, whichever is furthest downstream, as further illustrated on **Exhibit "B"** attached hereto. Title to Authority Water delivered hereunder shall pass from the Authority to the Converted Entity at the Delivery Point. As such, the Authority shall be deemed to be in exclusive control and possession of Authority Water until the same shall have been delivered to the Delivery Point and the Converted Entity shall be deemed to be in exclusive control and possession of Authority Water after receipt of same at the Delivery Point. In addition, the risk of loss for Water delivered hereunder shall be and remain with the party having exclusive control and possession of the Water as provided herein.

(b) Notwithstanding any other statement herein, the Authority's provision of Authority Water pursuant to this Rate Order does not confer upon any Converted Entity a right to the indirect reuse of effluent derived from Authority Water. Any such indirect reuse of effluent derived from Authority Water shall require the consent of the Authority, and each Converted Entity shall be responsible for securing the Authority's consent before making investments in any such reuse projects. In order for the Authority to secure rights for the indirect reuse of Authority Water that has been used by a Converted Entity, the Converted Entity shall upon request by the Authority provide to the Authority such documents, information and approvals related to the Converted Entity's use of Authority Water and/or discharge of wastewater effluent derived from Authority Water as may be reasonably required by Authority for such purposes. Notwithstanding the foregoing, to the extent a Converted Entity utilizes, sells, or otherwise makes or has contracted for the beneficial reuse of its treated wastewater effluent as of November 30, 2020, the continued beneficial reuse of such effluent shall be permitted for the purposes, to the extent, and on the terms existing as of such date.

Section 5.03 Water Receiving Facilities.

(a) The Authority will design and construct all Water Receiving Facilities whether on property owned by a Converted Entity or on property owned by the Authority. The Authority shall own, operate and maintain all Water Receiving Facilities installed by the Authority upstream of the Delivery Point; the Converted Entity shall own, operate and maintain all Water Receiving Facilities and all other facilities downstream of the Delivery Point, including without limitation the Chloramine System and any other facilities, tanks, buildings, materials, wells, lines and other similar or related equipment or facilities related to the receipt and distribution of Authority Water, specifically including the Converted Entity's existing water production and distribution system. The Payor shall be responsible for operation and maintenance of all Payor Meters and related appurtenances.

(b) *Design.* The Authority, on behalf of each Converted Entity, shall: (i) design all Water Receiving Facilities, including any necessary Chloramine System, at the Authority's expense and in accordance with generally accepted engineering practices; (ii) obtain Commission approval for the Converted Entity to use chloramine disinfection; and (iii) obtain Commission approval of the plans and specifications for the Water Receiving Facilities, including any necessary Chloramine System. For any Water Receiving Facilities located on property owned by a Converted Entity, the Authority will engage as the design engineer for such Water Receiving

Facilities a qualified engineering firm acceptable to the Converted Entity and allow the Converted Entity with at least 30 days to review and provide comments on all plans and specifications for such facilities prior to commencing construction.

(c) *Construction.* After obtaining all necessary approvals on the plans and specifications for the Water Receiving Facilities, the Authority will procure the necessary construction contractor(s) in accordance with applicable law. During construction, the Converted Entity may inspect and provide comments to the Authority on the progress of construction, provided that the Converted shall not directly correspond with the construction contractor and any such activities do not interfere with the work. Further, the Authority's contract with the contractor(s) for the construction of any Water Receiving Facilities located on a Converted Entity's property shall include the following requirements:

(i) The Converted Entity must be added as an additional insured to all liability policies the contractor is required to carry under the construction contract with the Authority;

(ii) The Contractor must coordinate all work performed on the Converted Entity's property with the Converted Entity's engineer and operator;

(iii) The Contractor shall provide record drawings to the Converted Entity upon final completion of the construction;

(iv) The Contractor shall invite the Converted Entity's engineer to all project meetings and the final inspection.

(d) *Ownership and Maintenance.* On the 30th day after the Authority approves the final pay application on a contract for construction of a Water Receiving Facility, the Converted Entity become the owner of all Water Receiving Facilities located downstream of the Delivery Point and shall thereafter be responsible for operation and maintenance of same. The Authority shall be the owner of any Water Receiving Facilities located upstream of the Delivery Point and shall be responsible for operation and maintenance of same. The Authority and Converted Entity shall execute any documents reasonably necessary to evidence ownership as such.

Section 5.04 Connection to Authority System.

No Person shall connect to the Authority System unless and until the Authority consents in writing to such connection. If the Authority, at its option, so consents, the connection shall be made in strict conformity with the terms and conditions of such Authority consent. The Authority shall furnish, install, and operate, at its own expense, the necessary equipment and devices of standard type for measuring the quantity of Authority Water delivered by the Authority. Unless otherwise agreed to in writing by the Authority, the Converted Entity shall at all times, at its own expense, maintain an air gap, in accordance with a location and specifications approved by the Authority downstream of the Delivery Point before Authority Water enters the Converted Entity's ground storage tank. Nothing in this Section 5.04 shall: (i) require a Converted Entity to obtain any additional consent from the Authority related to connections to the Authority System existing

on October 5, 2009, the date this Rate Order was initially adopted by the Authority; or (ii) apply to a connection constructed by the Authority.

Section 5.05 Quantity or Pressure of Water; Water Supply Agreements.

(a) Except as provided in this Section 5.05 and notwithstanding any other provision of this Rate Order or act of the Authority, the Authority does not and will not guarantee to any Person a specific quantity or pressure of Authority Water for any purpose whatsoever. In no case shall the Authority be liable for the failure or refusal to furnish Authority Water or any particular amount or pressure of water. In addition, under current Commission rules, Authority Water is not considered a source of water for purposes of complying with Commission rules absent an executed water supply agreement. The Authority will consider entering such agreements in a form substantially similar to that attached hereto as **Exhibit "C"**.

(b) The terms of this Rate Order shall be incorporated by reference into each Water Supply Agreement as if fully set forth therein. The General Manager shall negotiate each Water Supply Agreement on the terms specified on the form of such agreement attached hereto, or on such other terms as the General Manager determines necessary or convenient after consultation with the Authority Engineer and general counsel to the Authority. The General Manager shall have authority to execute each Water Supply Agreement and fully bind the Authority thereto.

Section 5.06 Interruptions in Service.

Notwithstanding any provision of this Rate Order or any applicable agreement entered into by the Authority, the Authority may interrupt, reduce or cease deliveries of Authority Water if such interruption or reduction is necessary: (i) due to limitations in the Authority System or Houston's water system; (ii) in case of emergencies or breakdowns in the Authority System or Houston's water system; or (iii) for equipment installation, repairs, modifications, replacements, inspections, or maintenance on the Authority System or Houston's water system. When practicable, the Authority shall provide notice in advance of such interruptions, reductions, or cessation. However, the Authority may interrupt, reduce, or cease deliveries of Authority Water without notice if such interruption or reduction is necessary because of any emergency condition involving public health, safety or welfare or for purposes of the GRP. The Authority shall have no liability to any Person for any damages caused by any interruption in service or any failure (partial or total) to deliver Authority Water.

Section 5.07 Maintenance of Groundwater Wells and Interconnects.

Subject to the limitations provided in Section 5.01, Converted Entities: (i) to the extent reasonable, shall maintain their existing groundwater well(s) and other groundwater facilities; and (ii) are encouraged to maintain water line interconnect(s) with other political subdivision(s). If a Converted Entity determines that its groundwater well cannot reasonably be maintained, such Converted Entity shall immediately notify the Authority of such determination.

Section 5.08 Early Conversion; Inadequate Groundwater Facilities.

To the extent that a Person desires to purchase Authority Water on a wholesale basis for any reason in advance of the date that the Authority intends to provide Authority Water, such

Person may submit a written request for Authority Water to the Authority, which request will be evaluated by the Authority, in its sole discretion, on economic feasibility, GRP cost, and other factors; and the Authority will determine, in its sole discretion, if such request can be satisfied, in what amount, and according to what time frame and terms.

Section 5.09 Implementation of GRP.

Pursuant to the Act, the Authority is authorized to develop, prepare, revise, adopt, implement, enforce, manage, and participate in the GRP. The GRP may specify the measures to be taken to reduce groundwater withdrawals and the dates and extent to which Persons shall reduce or terminate withdrawal of groundwater and instead receive water from alternative sources. The Authority shall manage the GRP, including, without limitation, coordinating with the HGSD and implementing the GRP's goals. In order to implement the GRP, the Authority may from time-to-time issue groundwater reduction requirements to Persons in order to: (a) comply with or exceed HGSD groundwater reduction requirements; (b) allocate Authority Water among Persons, including requiring Persons to take Authority Water in amounts determined by the Authority, but that shall not exceed the Person's total demand; and/or (c) comply with the aggregated groundwater permit from the HGSD. All Persons shall comply with such orders and requirements of the Authority.

Section 5.10 Early-Conversion/Over-Conversion Credits.

The Authority shall receive and be entitled to any early-conversion or over-conversion credits issued by the HGSD related to Authority Water (or any Water other than groundwater) consumed or utilized by any Person within the GRP. No Person within the GRP shall obtain (or attempt to obtain) for such Person's own benefit or the benefit of anyone other than the Authority or sell (or attempt to sell), any such early-conversion or over-conversion credits. If requested by the Authority, Persons within the GRP shall cooperate with the Authority in order to enable the Authority to receive such early-conversion or over-conversion credits. Nothing in this section shall mean that the Authority will receive or be entitled to any credits resulting from any Person's participation in HGSD's WaterWise program.

Section 5.11 Drought Contingency and Water Conservation Plans.

(a) *Drought Contingency Plans.* Prior to first receiving Authority Water, each Converted Entity shall certify to the Authority that it has adopted and implemented the drought contingency plan already required by 30 Texas Administrative Code ("TAC") Chapter 288. If a Converted Entity intends to resell Authority Water to a wholesale customer, the Converted Entity shall require its wholesale customer to also implement a drought contingency plan meeting the requirements of 30 TAC Chapter 288.

(b) *Water Conservation Plans.* Prior to first receiving Authority Water, each Converted Entity shall (i) implement a water conservation plan that complies with 30 TAC § 288.2(a), **whether or not the Person is otherwise currently required to implement such a plan**; and (ii) certify such fact to the Authority. If a Converted Entity intends to resell Authority Water to a wholesale customer, the Converted Entity shall require its wholesale customer to also implement a water conservation plan meeting the requirements of this section.

(c) *Certifications.* The certifications required in Sections 5.11(a)-(b) stating that the drought contingency plan and/or water conservation plan, as applicable, has been adopted and implemented shall be signed by the Converted Entity's highest-ranking officer (e.g., Board President) and delivered to the General Manager at the Authority's business office. In addition, each Converted Entity certifying it has complied with Section 5.11(b) hereof shall enclose therewith a copy of the non-promotional rate structure (i.e., a rate structure that charges a higher rate as Water consumption increases) adopted pursuant to its water conservation plan.

Section 5.12 Compliance of Converted Entities' Water Systems.

In order to protect the Authority System, each Converted Entity's water system, shall be constructed and operated to comply with the rules promulgated by the Commission, or any successor agency. Should a condition in violation of these requirements be discovered, such Converted Entity shall promptly cure same. The Authority may conduct inspections from time to time to determine that no conditions exist in such Converted Entity's water system and in connections to the Converted Entity's customers' premises which would or might adversely affect the Authority System.

Section 5.13 Termination and Reconnection of Service.

The Authority may take steps necessary to prevent a Converted Entity from continuing to receive Authority Water as a result of violating the terms of this Rate Order or other Authority rules. If a Converted Entity's ability to receive Authority Water is terminated by the Authority for any legally authorized cause, all charges then due and a reconnection fee shall be paid, and any non-compliance with this Rate Order or other Authority rules cured, prior to service being restored. In the event the Authority deems it necessary to remove a Converted Entity's Meter to enforce such termination, a reinstallation fee shall be paid prior to service being restored, which fee is in addition to any other Fees imposed (including, without limitation, the reconnection fee). The amount of the reconnection and reinstallation fees described above shall equal the actual cost incurred by the Authority to reconnect service and/or remove and reinstall the Converted Entity's Meter, respectively, plus an administrative charge equal to 20% of such actual cost.

ARTICLE VI
AUTHORITY RULES AND PENALTIES

Section 6.01 Rate Order Constitutes Authority Rule.

All of the terms, conditions and duties imposed upon any Person under this Rate Order shall constitute rules of the Authority. As such, failure by any Person to comply with this Rate Order shall be a violation of the Authority's rules. Such violations shall include, but are not limited to any Person's failure to:

- (a) read any Payor Meter(s) and accurately report such readings to the Authority, as may be required herein;
- (b) report to the Authority any Meter testing or calibration results for Payor Meters;

- (c) allow the Authority to audit quantities of Well Pumpage or Imported Water, read any Payor Meter(s), or test and recalibrate, if necessary, any Payor Meter(s);
- (d) maintain any Payor Meter(s) at the applicable accuracy standard;
- (e) pay all Fees when due; and
- (f) comply with the GRP and all directives and requirements issued by the Authority related to the GRP, including all requirements related to the amounts of Authority Water a Converted Entity must take from the Authority.

Section 6.02 Civil Penalty.

A Person is subject to a civil penalty of up to \$10,000 for each violation or each day of a continuing violation if the Person: (i) violates any provision of this Rate Order, the GRP or, any rules contained in either of same; (ii) makes unauthorized use of Authority services or facilities, or (iii) causes damage to Authority facilities by using such facilities in a manner or for a purpose contrary to the purpose for which such facilities were designed. The Authority shall set the amount of the penalty based on (a) the severity of the offense; (b) whether such violation was willful, knowing, reckless or inadvertent; (c) the history of offenses by such Person; and (d) the damages sustained by the Authority. The Authority may bring an action to recover the penalty in a district court in the county where the violation occurred. Any such penalties shall be paid to the Authority.

Section 6.03 Termination for Rate Order or GRP Violations.

Any Person who violates any provision of this Rate Order or the GRP shall be subject to being removed from the GRP, having service terminated, or both; provided, however, that prior to such removal or termination for violations that do not constitute a hazard to health or safety or endanger the integrity of the Authority's system or adversely affect the GRP, the Authority shall give written notice to such Person of the pending removal and/or disconnection, and such notice shall contain a timeframe during which the Person may contest, explain or correct the violation. In the event a Person's violations create a hazard to health or safety or endanger the integrity of the Authority's system or adversely affect the GRP, the Authority may terminate service to such Person without prior notice; provided that the Authority gives notice to such Person as soon as practicable after service has been terminated. Removal from the GRP and/or termination of service shall be in addition to any other penalties that may be imposed by the Authority under this Rate Order and remedies that may otherwise be available to the Authority.

Section 6.04 Injunction.

The Authority may bring an action for injunctive relief in a district court in the county where a violation of an Authority rule or order occurs or is threatened to occur. The Authority may bring an action for a civil penalty and injunctive relief in the same proceeding.

Section 6.05 Penalties Passed through to Violator.

In the event the Authority is penalized for any reason and the cause for such penalty can be attributed to the action or inaction of any Person, to the maximum extent possible such penalty shall be passed through to such Person.

**ARTICLE VII
MISCELLANEOUS**

Section 7.01 Right to Enter Land.

In addition to any other rights that the Authority may have (by easement or otherwise), the Authority and its representatives shall have the authority to enter upon any Payor's property or any property where a Payor's Meter is located at any reasonable time in order to: (1) inspect, repair, install, test, maintain or operate any Authority facilities located on a Payor's property or to test or monitor the Authority Water delivered; (2) audit the Water measurements submitted to the Authority; (3) measure Water in the event a Payor has failed to do so; (4) inspect and investigate conditions relating to the quality of Water or compliance with any Authority rule, regulation, permit or order; or (5) install or maintain any remote Meter reading device on a Payor Meter. If requested by the Authority or an authorized representative of the Authority, a Payor shall immediately cooperate with the Authority or such authorized representative to allow entry to such site(s) for any of such purposes. Unless the Authority has reason to believe that a Payor has not submitted correct Water data or an emergency condition involving the public health, safety or welfare exists, the Authority will provide the Payor a minimum of one (1) business days' notice of its intent to enter upon the Payor's land or any property where a Payor's Meter is located. Authority representatives entering private property pursuant to this section shall observe the establishment's rules and regulations concerning safety, internal security, and fire protection and shall notify any occupant or management of their presence and shall exhibit proper credentials.

Section 7.02 Damage to Authority Property.

No Person other than the Authority Operator or duly authorized representative of the Authority shall repair, alter, adjust, remove, modify, or make connections or additions to, or in any way take any action which affects the Authority System, any Meter owned by the Authority, and any remote Meter reading device owned by the Authority without the express written approval of the Authority. The Authority reserves the right to immediately, and without notice, disconnect water service to any Person who violates this section. The Authority reserves the right to repair any damage to Authority property related to a Person's violation of this section, and the cost of such repair shall be due from such Person to the Authority. In addition, the Authority reserves the right to assess against any Person such penalties as are provided by law and/or this Rate Order, including the right to file any available legal and/or criminal charges against any Person. These charges and remedies are in addition to all remedies available to the Authority under law or in equity.

Section 7.03 Amendments to Rate Order and GRP.

As determined necessary by the Authority, the Authority reserves the right to modify from time to time the GRP and the rates, charges, fees, or any other terms of this Rate Order.

Section 7.04 Authority Designee.

The Authority hereby designates its General Manager, Deputy General Manager, the Board President and Vice President, the Authority Engineer, the Authority's Financial Assistant and the Authority Operator as its designees with authority to exercise the Authority's powers under its GRP and this Rate Order. In addition, the General Manager may take any action on behalf of the Authority necessary and convenient to accomplish the purposes of this Rate Order and the GRP.

Section 7.05 Refusal to Add Persons to GRP.

The Authority, at its sole discretion, may refuse to add Persons (and their wells) to the GRP, including, without limitation, any Person seeking to be re-admitted to the GRP who at any time had been removed from the GRP.

Section 7.06 Compliance with Other Rules.

Except as specifically provided in this Rate Order, nothing herein shall affect any Person's duty to ensure it complies with all applicable rules, regulations, ordinances or laws governing such Person, specifically including without limitation those rules, regulations, ordinances or laws promulgated by the State of Texas, the Commission, the Texas Water Development Board, Harris County, HGSD and Houston.

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EXHIBIT "A"
Pricing Policy



**UPDATED PRICING POLICY
OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Effective February 1, 2023)**

This Updated Pricing Policy of the North Harris County Regional Water Authority (this "Updated Pricing Policy") is intended to define the Cost of Water paid to the Authority for Water used within the Authority and is an integral part of the Authority's Rate Order (the "Rate Order"), originally adopted on October 5, 2009 and as may be amended from time to time. Unless specifically defined otherwise, capitalized terms in this Updated Pricing Policy shall have the meanings defined in the Rate Order.

Effective February 1, 2023, the following Cost of Water will apply to and be due by users of Water within the Authority and/or members of the Authority's GRP:

Authority Water	\$4.55 per 1,000 gallons
Water pumped from a Non-Exempt Well	\$4.10 per 1,000 gallons
Imported Water	\$4.10 per 1,000 gallons
Contract GRP Fee	Set by contract

In addition to the above Fees, the Authority shall continue to provide a credit to each Converted Entity that constructed a Chloramine System prior to December 1, 2015, in accordance with the Authority's prior policy and procedures. Such credits shall be calculated as outlined below. Furthermore, any credits for capital contributions paid to the Authority by a Payor shall continue as provided in the applicable written agreement executed between the Payor and the Authority.

The Authority may revise the above Fees and modify, delete or add any credit(s), subject to the provisions of any applicable written agreements, if and when necessary. Payors will be notified of any such changes.

Chloramination Credits

The annual Chloramination Credit shall be calculated by amortizing the cost of the Chloramine System at 6% interest over a 30-year period, which shall begin the year the facilities are placed in service. The annual Chloramination Credit amount will be divided by 12 and the resultant amount will be credited monthly toward the fees payable to the Authority for the Water used by the Converted Entity.

New/Replacement Facilities

In order to help facilitate the effective implementation of the GRP, any Payor who anticipates the construction of new or replacement Water production, storage and/or treatment facilities and/or related appurtenances shall advise the Authority of those plans as early in the process as possible. The Authority will review such proposed improvements for conformity with the goals of the GRP and the possibility of the Authority being able to address those needs (i.e., by providing water in lieu of the Payor having to construct or replace facilities). Within the limits of its jurisdiction, the Authority will regulate construction of such facilities to accomplish the goals of the GRP.

Policy Implementation

The General Manager is authorized to take any actions on behalf of the Authority necessary and convenient to accomplish the purposes of this Updated Pricing Policy. The General Manager is also authorized to take actions necessary to comply with any special credit provisions provided under any agreements that may exist between a Payor and the Authority.

EXHIBIT "B"
Delivery Point

EXHIBIT "C"
Form of Water Supply Agreement

WHEREAS, [buyer name], a [entity type] (the "Buyer") has requested this Water Supply Agreement (the "Agreement") from the North Harris County Regional Water Authority (the "Authority") in connection with the Authority's provision of Authority Water to the Buyer.

WHEREAS, Buyer desires to purchase and the Authority desires to sell the volume of water specified below in the manner and on the terms herein specified;

NOW, THEREFORE, for and in consideration of the mutual promises and consideration hereinafter described, the Authority and Buyer hereby agree as follows:

1. Purchase and Sale of Water. The Authority shall make available for sale and delivery to the Buyer, at the Delivery Point, a volume of Authority Water between __ million gallons per day ("MGD") and __ MGD, with the understanding that these volumes are not considered "take or pay" and that this Agreement may be revised and/or amended at any time upon written request to the Authority. Authority approval of any such request shall not be unreasonably withheld.

2. Flow Rate, Pressure and Disinfection Method. The Authority shall deliver Authority Water at a rate not to exceed __ gallons per hour and at pressure adequate to discharge Authority Water into Buyer's ground storage tank. The flow rate cited herein may be increased upon mutual consent of the Authority and the Buyer. To facilitate the operation of both the Authority System and Buyer's water production and distribution system, Buyer shall accept at the Delivery Point __ MGD average daily flow and __ MGD during peak day flow. Authority Water will be disinfected using chloramines.

3. Contact Information. The contact information for Buyer for all correspondence related to this Agreement shall be:

Buyer	With a copy to:
[Name]	[Name]
[Street]	[Street]
[City, State Zip]	[City, State Zip]
[Phone #]	[Phone #]
[Fax #] Fax	[Fax #] Fax

4. Term. This Agreement shall be effective on the date on which this Agreement is signed by both parties hereto and shall end on January 1, 2040. The term of this Agreement may be extended for ten (10) year periods upon the mutual consent of the Authority and the Buyer, with no limit as to the number of renewal terms.

5. Other Terms Incorporated by Reference. The Authority's Standard Terms of Water Supply Agreement (the "Standard Terms") and Rate Order, as it may be amended from time to time, are incorporated by reference and made a part of this Agreement as though fully set forth herein. A copy of the Standard Terms is attached hereto as **Appendix "1"**. Unless otherwise defined, capitalized terms in this Agreement and the Standard Terms shall have the meaning assigned in the Rate Order. The parties hereto have caused this Agreement to be duly executed effective as of the date of the latest signature hereon.

Buyer: _____
Name: _____
Title: _____

Authority: _____
Jun Chang, P.E.
General Manager

Attest: _____
Name: _____
Title: _____

Date: _____

Date: _____

Standard Terms of Water Supply Agreement

Notices. All notices, consents, or other communications required hereunder shall be in writing and shall be sufficiently given (i) if addressed and mailed by first-class, certified or registered mail, postage prepaid, or (ii) upon receipt of notice given by facsimile, overnight courier or personal delivery, in either case as follows:

If to the Buyer: to the address and/or fax number listed in Paragraph 3 of the Water Supply Agreement.

If to the Authority:

General Manager
North Harris County Regional Water Authority
3648 Cypress Creek Parkway, Suite 110
Houston, Texas 77068
(Tel) 281-440-3924
(Fax) 281-440-4104

With a copy to:

Jon D. Polley
Radcliffe Bobbitt Adams Polley PLLC
2929 Allen Parkway, Suite 3450
Houston, Texas 77019-7120
(Tel) 713-237-1221
(Fax) 713-237-1313

Binding Effect; Assignment. The Agreement shall inure to the benefit of, and shall be binding upon, the Authority, Buyer and their respective successors and assigns authorized by the terms of the Agreement. Neither party may assign the Agreement or its rights and responsibilities thereunder to a third party without the prior written consent of the other party to the Agreement.

Severability. In the event any provision of the Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of such Agreement and the Agreement shall be read as though the invalidated or unenforceable provision were not present.

Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, including, but not limited to, the rules and regulations of the Commission. Venue shall be in Harris County, Texas.

Third-Party Benefit. Nothing in the Agreement, express or implied, is intended or shall be construed to confer upon or give to any person, other than the Authority and the Buyer involved, any right, remedy or claim under or by reason of the Agreement; and the covenants and agreements contained therein are and shall be for the sole and exclusive benefit of the parties thereto or their successors and assigns.

Integration. The Water Supply Agreement, these Standard Terms and the Rate Order constitute the entire agreement between the Authority and Buyer and shall completely and fully supersede all prior undertakings or agreements, whether oral or written, relating to the subject matter hereof.

Headings. Section and subsection headings in the Agreement are included for convenience of reference only and will not constitute a part of the Agreement for any purpose.

Updates to Authority Rules. The sale of Authority Water under the Agreement shall be subject to all of the provisions of the rules, rates and regulations established and amended from time to time by the Authority's Board of Directors or its General Manager concerning rate review and adjustment, generally-applicable temporary interruptions of service, cut-off, lien for charges, and all other generally-applicable matters now or hereafter prescribed by resolution of the Authority or delegated to the Authority's General Manager, including rules required by or promulgated under the Authority's Rate Order or GRP; provided that no amendment to or waiver of any provision of the Agreement, nor consent thereto, will be effective unless the same is in writing executed by both the Authority and the Buyer. Such amendment, waiver or consent will be effective only in the specific instance and for the specific purpose for which given. Nothing in this section shall prohibit any change to these Standard Terms of Water Supply Agreement required to comply with an order or a regulation of any State or Federal agency with jurisdiction over the Authority, and any such change shall be binding on the Buyer.

Waiver. Failure of either party at any time to require performance of any provision of the Agreement shall not limit the party's right to enforce such provision, nor shall any waiver of any breach of any provision constitute a waiver of any succeeding breach of that provision or a waiver of that provision itself.

Counterparts. The Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Agreement.

Consequential Damages. In no event shall the parties or any of their affiliates, by reason of any of their respective acts or omissions relating to any of their obligations under the Agreement unless such acts or omissions are intentional, be liable, whether in contract, tort, misrepresentation, warranty, negligence (but not gross negligence), strict liability or otherwise, for any special, indirect, incidental or consequential damages arising out of or in connection with the Agreement, or the performance or breach thereof; provided however that nothing in the foregoing statement shall be construed to be a waiver of sovereign or

governmental immunity protections or defenses to which the Authority or Buyer may otherwise be entitled.

Relationship of the Parties. The Authority and a Buyer shall not be deemed in a relationship of partners or joint ventures by reason of the Agreement or the activities taken pursuant hereto. The Agreement is intended to secure and provide for the services of each party hereto as an independent contractor.

Further Assurances. In furtherance of the terms and conditions of the Agreement, each of the parties shall cooperate in good faith with each other in order to achieve the performance of their respective obligations under the Agreement.

Force Majeure. In the event either Buyer or the Authority (a "Party") is rendered unable, wholly or in part, by Force Majeure, to carry out any of its obligations under this Agreement, it is agreed that upon such Party's giving notice and full particulars of such Force Majeure in writing to the other Party as soon as possible after the occurrence of the Force Majeure, the obligations of the Party giving such notice, to the extent it is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. Such cause shall, as far as possible, be remedied with all reasonable dispatch.

The term "Force Majeure," as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, acts of terrorism, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other incapacities of either Party, whether similar to those enumerated or otherwise, and not within the control of the Party claiming such inability, which by the exercise of due diligence and care such Party could not have avoided.

DRAFT Possible HB 3820 Issues and Answers

Summary of the bill. It would remove the territory of the North Harris County Regional Water Authority (NHCRWA) from the jurisdiction of the Subsidence District (SD).

- Any obligations of the NHCRWA regarding the Groundwater Reduction Plan (GRP) adopted pursuant to the SD's regulations would be eliminated and water districts within the NHCRWA would also be freed of compelled compliance with that GRP (unless the NHCRWA adopts or maintains its own GRP provisions, as it could after the bill became law).
- Wells within the NHCRWA would no longer be subject to regulation by the SD.
- The SD could not impose conversion requirements on the NHCRWA or any water district/well within the NHCRWA's boundaries. The NHCRWA could impose its own regs.
- The SD's disincentive fees would no longer apply to the NHCRWA or any water district in the NHCRWA.
- The NHCRWA would retain its power of eminent domain and any limitations on its power stated in Chapter 8888, Special District Local Laws Code (SDLLC) would remain in effect.
- The NHCRWA would be required to set pumpage fees to achieve the criteria in §8888.155, SDLLC, which provides:

Fees established by the board must be sufficient to:

- (1) achieve water conservation;
 - (2) prevent waste of water;
 - (3) serve as a disincentive to pumping groundwater;
 - (4) accomplish the purposes of this chapter, including making available alternative water supplies;
 - (5) enable the NHCRWA to meet operation and maintenance expenses; and
 - (6) pay the principal of and interest on debt issued in connection with the exercise of the NHCRWA's general powers and duties.
- The NHCRWA would retain the power to procure alternative water supplies, compel water districts within the NHCRWA to purchase and receive surface water, and all the tools needed to plan and construct the facilities to deliver it to the water districts within the NHCRWA.

Questions to be anticipated.

1. What are the NHCRWA's future intentions, should the bill become law?

- a. The board's intention is to improve operational efficiency and statutory flexibility in how the massive freshwater delivery system of the NHCRWA is built out. This water infrastructure system is behind schedule and far more costly than originally envisaged. Continuing down the current path—much of which is outside of our direct control—will result in massive new debt and a resulting unsustainable increase in charges from the NHCRWA to the wholesale customers and hence to the retail customers of the MUDs.
- b. The unintended and very expensive consequences of the current “unfunded mandate”, cannot be overstated. This mandate is currently controlled and implemented by the unelected board of the HGSD, (which reportedly has only 1 of 19 members even living in the geographic boundaries of the NHCRWA). The mandate was authorized by a prior state legislature in 1975, 1999, and amended slightly since then. Again, the excessive costs of this mandate cannot be overstated and needs to be corrected in an economically sound manner.
- c. Passage of this bill will enable the 700,000+/- residents of the NHCRWA to exercise local control of a major portion of their living expenses, i.e. their water bills.
- d. The NHCRWA board remains open to suggestions for improving the initial draft of HB3820.

2. How will the bill affect the NHCRWA or water districts within the NHCRWA? If the bill fails to pass, what effect will its non-passage have on the NHCRWA in the future?

No currently approved plans are anticipated to be affected in any way. If the bill fails, even more debt eventually leading to higher water rates will likely be needed at some point in the future. The bill has had a very favorable reception in the MUD directors meetings I (MSR) have attended since its filing by Dr. Oliverson.

3. Assuming no specific plans will have been adopted prior to a hearing, how long will that uncertainty affect the NHCRWA and water districts within the NHCRWA?

No currently approved plans are anticipated to be affected in any way.

4. What effect would the bill have on water rates (surface water and production fees), now, in the near term and in the long term?

Short term—little effect.

Moderate to Long term—lower water rates than if the bill does not pass.

5. What effect would the bill have on the NHCRWA's contract with the City of Houston (COH), which extends to 2080, and its extra-contractual relationship with the COH?

Little or no significant effect anticipated. There could be necessary language adjustments to one or more current contracts. (MSR) Details TBD JP et.al.

6. What effects would the bill have on other partners in the development of the regional water system under construction, including the West Authority, the Central Authority, the Coastal Authority?

No effect on currently approved projects.

7. What effects would the bill have on the Regional Water Planning group?

TBD ME SB JC:

8. What effect would the bill have on the NHCRWA's relationship with the Texas Water Development Board (TWDB) in terms of:

TBD ME SB JC JH:

A. Financing agreements that have closed?

B. Future expected tranches of financing from the TWDB based on agreements that have been closed?

C. The ability of the NHCRWA to secure premium ranking among future applicants for financial assistance from the TWDB?

D. Rates for financial assistance and any terms that may be imposed as a result of the legislation?

9. What effect the bill would have on the holders of NHCRWA bonds or bond rating houses?

TBD ME JH:

10. What effect would the bill have on other sources of financing for NHCRWA?

TBD ME JH:

11. What effect would the bill have on construction projects underway, planned for near term implementation, or parts of the long-term construction program?

No effect on current projects. Potentially a longer timeline for projects in the distant future to minimize debt burden on ratepayers.

12. Would the bill affect the NHCRWA's ability to contract for professional, consulting or construction services in the future?

No.

13. Would the bill's passage have any effect on the NHCRWA's ability to acquire, use or retain Rights of Way or other property?

No.

14. Would water districts be freed up to develop new wells within the NHCRWA or rework existing wells? Does or would the NHCRWA have regulations in place that would govern those issues and, if so, do those regulations need to be amended?

Districts already have that ability. No change would be anticipated except that permitting would be through NHCRWA rather than HGSD. Any necessary rule changes could be accommodative as needed.

15. Would water districts or municipalities within the NHCRWA be free to acquire alternative water supplies from providers other than the NHCRWA or could the NHCRWA maintain its monopoly as the provider of treated surface water?

The City of Houston is the monopoly provider of treated surface water. Changes could potentially be made to accommodate the needs of residents and businesses in the geographic area of the NHCRWA.

16. What effects do the NHCRWA's financial advisors foresee from introduction or passage of the legislation?

TBD ME JH:

17. What effects do the NHCRWA's Program Director, planners and construction contractors foresee from introduction or passage of the legislation?

TBD JC DH ...:

Moved:

However, our strong recommendation is that the Board clearly articulate its intentions should the bill pass. Only then can the work of answering each of the questions confidently be commenced. The many people who need to be addressed with answers should be responded to sooner, rather than later, but only after the work has been done.

We need prompt answers to those questions before requesting a hearing on the bill and certainly before our sponsor (Rep. Dr. Tom Oliverson) would lay the bill out in committee (most likely the House Natural Resources Committee). If Mr. Ramsey, Steve or anyone else are to present testimony, as will be expected, they will need answers, too.

In our opinion, the overarching questions below are for the Board because staff and consultants would need to know the Board's intentions in order to estimate the follow-on effects. The Board's intentions will be taken as promises by legislators and other policymakers, so they need to be made thoughtfully and stated clearly. *As Steve told Mr. Ramsey, we are providing legislative advice, not policy recommendations.*

For SB: Who specifically has expressed opposition to HB 3820 and who has expressed “grave concerns”? Did anyone articulate why or what these concerns were?

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §

COUNTY OF HARRIS §

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY §

I, the undersigned Secretary of the Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority"), hereby certify as follows:

1. The Board convened in special session, open to the public, on the 20th day of March, 2023, at a meeting place within the boundaries of the Authority, and the roll was called of the members of the Board, to-wit:

Mark Ramsey	President
Melissa Rowell	Vice President
Ron Graham	Secretary
Kelly Fessler	Assistant Secretary
David Barker	Treasurer/Investment Officer

All members of the Board were present thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting:

**RESOLUTION ADOPTING AMENDED AND RESTATED
PROCEDURAL RULES OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: 5 NOES: 0

2. A true, full, and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Resolution has been duly recorded in said Board's minutes of such meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place, and purpose of such meeting and that such Resolution would be introduced and considered for adoption at such meeting and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; such meeting was open to the public, as required by law, and public notice of the time, place and purpose of such meeting was given as required by Chapter 551, Texas Government Code, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED the 20th day of March, 2023.


Secretary, Board of Directors



**RESOLUTION ADOPTING AMENDED AND RESTATED
PROCEDURAL RULES OF
THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

THE STATE OF TEXAS §
COUNTY OF HARRIS §
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY §

WHEREAS, the North Harris County Regional Water Authority (the "Authority") is a governmental agency and body politic and corporate of the State of Texas created and operating pursuant to Chapter 8888, Texas Special Districts Local Laws Code (the "Act"), to accomplish the purposes provided by Section 59, Article XVI, Texas Constitution;

WHEREAS, Section 8888.153 of the Act states that the Authority shall adopt and enforce rules reasonably required to implement the Act, including rules governing procedures before the Board;

WHEREAS, the Board of Directors (the "Board") of the Authority has determined that in order to comply with the Act it is necessary to adopt procedural rules of the Authority (the "Procedural Rules");

WHEREAS, the Board previously adopted Procedural Rules at its regular meeting on February 1, 2000, and amended and restated Procedural Rules on June 20, 2000, December 12, 2000, February 12, 2002, April 2, 2002, August 4, 2003, December 5, 2005, April 3, 2006, December 3, 2012, June 6, 2016, February 1, 2021 and January 9, 2023; and

WHEREAS, the Board desires to further amend and restate certain provisions of the Procedural Rules to designate the first (1st) Monday of each month as the regular Board meeting date of the Authority, unless a holiday occurs on such date, in which case the regular Board meeting date would occur on the second (2nd) Monday of that month.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY, THAT:

ARTICLE I
ORGANIZATION, POWERS AND OFFICE

Section 1.01 Organization. The Authority is a governmental agency and body politic and corporate of the State of Texas created pursuant to the Act, and confirmed by a confirmation election held on Saturday, January 15, 2000.

Section 1.02 Powers. The Authority has all the rights, powers, privileges, authority, functions and duties necessary and convenient to accomplish the purposes of the Act, including those provided by Chapter 49 of the Texas Water Code, as amended. In accordance with Section 8888.151–52 of the Act, the Authority has the following powers:

- A. The Authority may provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and for the reduction of groundwater withdrawals, in a manner consistent with the purposes of Article XVI, Section 59, Texas Constitution;
- B. The Authority may, for the purposes of reducing groundwater withdrawals and subsidence, acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the Authority and conserve, store, transport, treat, purify, distribute, sell, and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the Authority;
- C. The Authority may enter into contracts with persons, including political subdivisions of the state, on terms and conditions the board considers desirable, fair, and advantageous for the performance of its rights, powers, and authority under the Act;
- D. The Authority may establish fees and charges as necessary to enable the Authority to fulfill the Authority's regulatory obligations provided by the Act;
- E. The Authority may coordinate water services provided inside of, outside of, or into the Authority; and
- F. The Authority may administer and enforce the provisions of the Act.

Section 1.03 Office. The chief administrative office of the Authority shall be located within the boundaries of the Authority in Harris County, Texas. Such office may be changed from time to time by resolution of the Board. The Authority may have such other offices either within or without the boundaries of the Authority as the Board may determine from time to time.

ARTICLE II BOARD OF DIRECTORS

Section 2.01 General Powers and Number. The business and affairs of the Authority shall be conducted under the authority and direction of the Board. The number of directors of the Board shall be five (5). As set forth in the Act, one (1) director shall be elected from each of the five (5) single-member voting districts by the qualified voters of the voting district. In the event of a vacancy in the office of director, the Board shall appoint a qualified person to the office until the next election for directors.

Section 2.02 Qualification of Directors. Each director, whether elected or appointed, shall be required to qualify by the execution of a Constitutional Oath of Office and Statement of Elected Officer. A person shall not serve as a director if he or she is not qualified to do so under the provisions of the Act and the Texas Water Code, as amended. Within sixty (60) days after the Board determines that any director is not qualified to serve on the Board, it shall replace such director with a person who is qualified. Any director not qualified to serve on the Board, who willfully occupies an office and exercises the duties and powers of that office, may be subject to penalties under the Texas Water Code, as amended, including possible conviction of a misdemeanor and imposition of a fine.

Section 2.03 Tenure. Except as provided by the Act, each director shall serve for a period of four (4) years and until his or her successor is elected and qualified. Any director appointed to the Board shall serve for the remainder of the term of the office to which such director is appointed.

Section 2.04 Meetings. The Board hereby establishes the first (1st) Monday of each calendar month as its regular meeting day and the offices of the Authority located at 3648 Cypress Creek Pkwy., Suite 110, Houston, Texas 77068 as its regular meeting place. Subject only to a majority vote of the Board to conduct a specified regular meeting on a different day or at a different place, the Board shall conduct a monthly meeting on this regular meeting day and at the regular meeting place. Notwithstanding the foregoing, if the first (1st) Monday of a calendar month shall be a federal holiday, then the Board shall hold the regular meeting for that month on the second (2nd) Monday. Special meetings of the Board may be called by or at the request of the President or any two (2) directors.

Section 2.05 Agendas. The President and/or the General Manager shall confer with the Authority's attorneys prior to each meeting to determine the agenda items. Directors wishing to place an item on the agenda should contact the President or the General Manager.

Section 2.06 Posting Agendas and Notice to Directors. After approval of the agenda by the President, the Authority's attorneys shall post the agenda as required by the Texas Open Meetings Act. Notice to the directors of any meeting of the Board shall be given at least seventy-two (72) hours prior to the meeting. Such notice shall be given by electronic transmission, facsimile, or telephone if the notice is given less than five (5) days prior to a meeting. Copies of the agenda will be mailed to any person who purchases a one (1) year subscription in the amount of \$52.00, made payable to the North Harris County Regional Water Authority, to the attention of General Manager, 3648 Cypress Creek Pkwy., Suite 110, Houston, Texas 77068.

Section 2.07 Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. The act of three (3) directors at a meeting for which a quorum is present shall be the act of the Board.

Section 2.08 Conduct of Meetings. The President shall preside at Board meetings. In the absence of the President, the Vice President shall preside. The meetings shall be conducted in accordance with Robert's Rules of Order, as the same may be modified from time to time, with the concurrence of all directors. The Board shall provide a portion of each meeting for public comments in accordance with the Policies and Procedures for Public Comment, adopted by the Board on June 10, 2000, and revised on November 21, 2003, a copy of which is attached here as **Appendix A**.

ARTICLE III OFFICERS

Section 3.01 Officers. The officers of the Authority shall be a President, a Vice President, a Secretary and a Treasurer, and such other officers as may be elected in accordance with the provisions of this Article, including, but not limited to, an Investment Officer. The Board may elect or appoint such officers including an Assistant Secretary or Assistant Treasurer as it may deem desirable, such officers to have the authority and to perform the duties prescribed from time

to time by the President. Any two (2) or more offices may be held by the same person, except the office of President and Secretary.

Section 3.02 Election and Term of Office. The officers of the Authority shall be elected annually by the Board at the regular meeting of the Board in January. New offices may be created and filled at any meeting of the Board. Each officer shall hold office until his successor shall have been duly elected.

Section 3.03 Removal. Any officer elected or appointed by the Board may be removed by the Board whenever the best interests of the Authority would be served thereby, but such removal shall not constitute a removal from the Board.

Section 3.04 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board for the unexpired portion of the term.

Section 3.05 President. The President shall be a member of the Board with all the rights and privileges thereof, including the right to introduce motions before the Board and to vote on all matters. The President shall preside at all meetings of the Board. The President may sign any deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board to the general manager or other employee of the Authority; and in general the President shall perform all duties as may be prescribed by the Board from time to time.

Section 3.06 Vice President. The Vice President shall be a member of the Board and in the absence of or upon the death of the President and in the event of the inability or refusal of the President to perform, the Vice President shall perform the duties, succeed to the authority and assume the responsibilities and powers of the office of President. In the event there is more than one (1) Vice President, the Vice Presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election shall succeed the President. A Vice President shall perform such other duties as are prescribed by the Board or assigned by the President.

Section 3.07 Secretary. The Secretary is responsible for seeing that all records and books of the Authority are properly kept and that all notices are duly given in accordance with the provisions of these rules or as required by law. The Secretary shall be Records Management Officer of the Authority and shall be custodian of the records and of the seal of the Authority. In general, the Secretary shall perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board. The Secretary may attest the President's signature on documents. The Secretary may delegate such duties as may be prudent to staff and consultants but shall not be relieved of any responsibility to perform legally required duties.

Section 3.08 Treasurer. The Treasurer, with the assistance of the Finance Director, shall be responsible for all funds and securities of the Authority, shall receive and give receipts for moneys due and payable to the Authority from any source whatsoever, and shall deposit all such moneys in the name of the Authority in such banks as shall be selected by the Board, and in general shall perform all duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board. The Investment Officer, if not

the same person as the Treasurer, shall be responsible for the investment of the Authority's funds, as provided in Section 3.09 hereof.

Section 3.09 Investment Officer. Any officer of the Board may be appointed as the investment officer of the Authority (the "Investment Officer"). The Investment Officer so appointed by the Board, along with the Finance Director, shall be the Investment Officers of the Authority and, in such capacity, shall fulfill the responsibilities of such office regarding the investment of the Authority's funds, pursuant to the Public Funds Investment Act, as amended, and the Investment Policy of the Authority, as such policy may be amended by the Board from time to time.

ARTICLE IV CODE OF ETHICS

Section 4.01 Purpose. The purpose of this Code of Ethics is to set forth the standards of conduct and behavior for the directors, officers, employees, and persons handling the business and investments of the Authority (collectively with the directors, the "Authority Officials").

Section 4.02 Conflicts of Interest. Except where a majority of the Board is required to abstain from participation in a vote because of conflict of interest, a director will abstain from participating in a decision of the Board which either confers an economic benefit on a business in which the director or a close relative has a substantial interest, or affects the value of property in which the director or a close relative has a substantial interest differently from how it affects other real property in the Authority. For these purposes, a person is considered to have a "substantial interest" in a business if (a) the person owns 10% or more of the voting stock or shares of the business entity or owns either 10% or more or \$15,000.00 or more of the fair market value of the business entity; or (b) funds received from the business exceed 10% of the person's gross income for the previous year. A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500.00 or more. A "close relative" of a director for these purposes is a person related to the director within the first degree of affinity or consanguinity.

Section 4.03 Conduct of Authority Business. Each Authority Official will conduct all business of the Authority in a manner consistent with the requirements of the Texas Open Meetings Act.

Section 4.04 Acceptance of Gifts. No Authority Official shall accept any benefit as consideration for any decision, opinion, recommendation, vote, or other exercise of discretion in carrying out his official acts for the Authority. No Authority Official shall solicit, accept, or agree to accept any benefit from a person known to be interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the Authority Official's discretion. As used herein, "benefit" shall not include:

- A. A fee prescribed by law to be received by a public servant or any other benefit to which the Authority Official is lawfully entitled or for which he gives legitimate consideration in a capacity other than as an Authority Official;

- B. A gift or other benefit conferred on account of kinship or a personal, professional, or business relationship independent of the status of the recipient as an Authority Official;
- C. A political contribution, as defined by the Texas Election Code;
- D. A benefit consisting of food, lodging, transportation, or entertainment, that is under \$100 and is accepted as a guest;
- E. A benefit to an Authority Official required to file a financial statement under the Texas Election Code that is derived from a function in honor or appreciation of the recipient if
 - 1. The benefit and the source of any benefit in excess of \$50.00 is reported in the required financial statement;
 - 2. The benefit is used solely to defray the expenses that accrue in the performance of duties or activities in connection with its official duties for the Authority which are non-reimbursable by the Authority;
- F. An item with a value of less than \$50.00, excluding cash or a negotiable instrument; or
- G. An item issued by a governmental entity that allows the use of property or facilities owned, leased, or operated by the governmental entity.

Section 4.05 Investment Officer. Any Investment Officer of the Authority who has a personal business relationship with an entity seeking to sell an investment to the Authority shall file a statement disclosing that personal business interest. Any Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Authority shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board.

ARTICLE V DISCLOSURES

Section 5.01 Purpose. The purpose of these disclosure rules is to insure Authority compliance with Chapter 176 of the Texas Local Government Code.

Section 5.02 Disclosure Statement. The directors, officers and General Manager of the Authority, who are required to complete a Conflicts Disclosure Statement ("Disclosure Statement") under Section 176.003 of the Texas Local Government Code, shall use the Disclosure Statement form attached hereto as **Appendix B**. It is the policy of the Authority that each Authority Official is individually responsible for determining if a Disclosure Statement must be completed or updated.

Section 5.03 Disclosure Questionnaire. Any person who contracts or seeks to contract with the Authority for the sale or purchase of property, goods, or services shall complete a Disclosure Questionnaire (the "Questionnaire") as required by Section 176.006 of the Texas Local

Government Code in a form substantially similar to the Questionnaire form attached hereto as **Appendix C**. It is the policy of the Authority that each person is individually responsible for completing or updating the questionnaire.

Section 5.04 Filing. Any document required under Sections 5.02 and 5.03 above must be filed with the Authority's Records Administrator within seven (7) business days after the date that the person required to complete the form becomes aware of events requiring disclosure. For purposes of this Article, "Records Administrator" shall mean the person or persons designated by the Authority to maintain the Authority's records.

Section 5.05 List of Authority Officers. To better facilitate the requirements of this Article, the Records Administrator for the Authority shall maintain a list of officers of the Authority required to file a Disclosure Statement. The list shall be made available to the public or any person who may be required to file a Questionnaire under Section 5.03 of these Procedural Rules.

Section 5.06 Internet Access. The Authority shall maintain on the Authority's website access to the Disclosure Statements and Questionnaires filed under this Article.

ARTICLE VI EXPENSE POLICY

Section 6.01 Purpose. The purpose of this Expense Policy is to set forth the policies of the Authority concerning fees of office and expense reimbursements. The Amended Purchasing and Payment Procedures attached hereto as **Appendix D** shall be applicable to directors, officers and employees of the Authority.

Section 6.02 Fees of Office for Directors. Pursuant to Section 49.060 of the Texas Water Code, as amended, directors are entitled to receive fees of office of \$150.00 a day for each day the director actually spends performing the duties of a director, provided the fees of office shall not exceed a sum of \$7,200.00 per annum. "Performing the duties of a director" means substantive performance of the management or business of the Authority, including participation in board and committee meetings and other activities involving the substantive deliberation of Authority business and in pertinent educational programs. The phrase does not include routine or ministerial activities such as the execution of documents, self-preparation for meetings, or other activities requiring a minimal amount of time. Directors may attend other meetings relating to the management or business of the Authority and receive fees of office and expenses at the discretion of each director.

Section 6.03 Attendance at Conferences and Meetings. Directors and designated employees of the Authority may attend conferences and meetings of the Association of Water Board Directors – Texas and the Texas Water Conservation Association, whether within or outside the City of Houston. Attendance at other conferences, hearings or meetings outside the Houston metropolitan area by directors must be approved by the Board. Attendance at conferences, hearings or meetings by employees must be approved by the General Manager. Attendance at local meetings or conduct of other local Authority business will be at each director's discretion.

Section 6.04 Expenses Outside of Metropolitan Houston. If Authority business requires that the director or employee be out of metropolitan Houston, the Authority will reimburse a director or employee for hotel room expenses based on the conference rate, government rate or most favorable corporate rate, including costs of the room the night before the commencement of a conference, meeting or seminar and the night of the final meeting day of the conference, meeting or seminar. Other reimbursable expenses include reasonable tips incurred in making the trip, round trip mileage at the then current IRS mileage rate, parking or round-trip airfare at current commercial rates for standard (not first class) airfare, and reasonable rental car or taxi charges. The Authority will reimburse a director or employee for meals that are actually eaten and paid for by the director or employee on an approved trip outside of metropolitan Houston; provided, however, reimbursement for meals of a director, employee and any guest (excluding spouse) will be limited to \$125.00 per day per person. Appropriate documentation listing the persons in attendance and a description of the business discussed at the meeting or activity is required. No reimbursement shall be made for the purchase of alcoholic beverages for a director, spouse, employee or guest. No reimbursement shall be made for the meals of a spouse of a director or employee.

Section 6.05 Expenses for Local Meetings and Activities. The Authority will reimburse a director or employee for round trip mileage at the then current IRS mileage rate for travel by car, parking or other related out-of-pocket expenses, and will reimburse a director or employee for meals that are directly related to attendance at local meetings or activities or that are directly related to the conduct of Authority business; provided, however, reimbursement for meals of a director, employee and any guest (excluding spouse) will be limited to \$125.00 per day per person. Appropriate documentation listing the persons in attendance and a description of the business discussed at the meeting or activity is required. No reimbursement shall be made for the purchase of alcoholic beverages for a director, spouse, employee or guest. No reimbursement shall be made for the meals of a spouse of a director or employee.

Section 6.06 Expenses Related to Authority Business. The Authority will provide a monthly cellular telephone allowance, set by the General Manager, for cellular telephone usage in connection with the conduct of Authority related business. The Authority will reimburse a director or employee for expenses incurred in connection with the conduct of Authority-related business, including, but not necessarily limited to postage, office supplies and other related items. To receive reimbursement for such expenses, the director or employee must submit an itemized expense report accompanied by supporting itemized receipts (credit card receipts reflecting only the total expense amount will not be accepted), invoices or other appropriate documentation to the Finance Director in accordance with the Authority's Amended Purchasing and Payment Procedures, attached hereto as **Appendix D**. An expense reimbursement request submitted without an itemized receipt will not be approved for reimbursement, unless approved by the General Manager.

Section 6.07 Reimbursement Procedures. Directors attending conferences, meetings or other activities and wishing to receive a fee of office and/or expense reimbursement must submit a verified statement showing the number of days actually spent in service to the Authority and a general description of the duties performed for each day of service. To receive reimbursement for expenses, the director or employee must also submit an itemized expense report accompanied by supporting itemized receipts (credit card receipts reflecting only the total expense amount will not be accepted), invoices or other appropriate documentation to the Finance Director in accordance with the Authority's Amended Purchasing and Payment Procedures, a copy of which is attached

hereto as **Appendix D**. An expense reimbursement request submitted without an itemized receipt will not be approved for reimbursement, unless approved by the General Manager. Items on the expense report shall include lodging, meals, tips, parking and transportation. Directors sharing expense items may split reported expenses in any matter they deem equitable, but the Board will pay no more than 100% of the actual total cost of reimbursable items. All expense report forms submitted for reimbursement shall be included in the Finance Director's monthly report package.

Section 6.08 Extraordinary Expenses. Any extraordinary expenses for a director or employee attending a sanctioned activity of the Authority must be approved by the Board prior to receiving reimbursement for such expenses.

ARTICLE VII GENERAL MANAGER

Section 7.01 Duties of General Manager.

- A. In accordance with Section 8888.107 of the Act, the Board shall employ a General Manager as the chief administrative officer of the Authority. The General Manager shall have full and exclusive management and control of decisions in the day-to-day affairs of the Authority including the power to do any and all things deemed appropriate, necessary, or advisable in the conduct of the Authority's business and, except as otherwise provided herein or under applicable law, may, without limitation:
1. obtain permits or other governmental approvals with respect to the construction, development, ownership, operation or disposition of any real property or facility owned by the Authority;
 2. approve plans and specifications for, and constructional alteration of, any improvements with respect to real property or facilities owned by the Authority;
 3. manage any such improvements or facilities;
 4. prosecute, defend or settle any dispute or litigation involving the Authority;
 5. negotiate and execute any contracts and agreements involving the Authority which the General Manager deems necessary or appropriate, and to pay, prepare, modify, renew, extend or otherwise cause the Authority to perform its obligations with respect to, and otherwise deal with, any such contracts or agreements; provided, however, that
 - a. all contracts must be approved by the Board; and
 - b. and any contract having aggregate value exceeding \$50,000.00 shall be executed by the Board; and
 - c. for the calendar months of January 2023 through March 2023, all transactions involving payments or incurring of new obligations in

excess of \$20,000 are reported in writing to the Board on a weekly basis. This section 7.01A.5.c expires March 31, 2023 unless extended by the Board.

6. employ and compensate from Authority funds appropriate managers, employees and agents; provided, however, prior to extending a final offer of employment to an exempt employee, the offer shall first be discussed with the Board President;
 7. negotiate and enter into agreements for the lease of office space, furniture, fixtures and equipment;
 8. obtain and maintain insurance against all risks and hazards reasonably related to the Authority in its business in amounts and with companies determined by the General Manager; and
 9. do any act which is necessary or incidental to carry out the purposes of the Authority.
- B. The General Manager may execute in the Authority's name any and all plats, plans, applications, leases, deeds, bills of sale, contracts, certificates and other documents and papers pertaining to the business of the Authority and the person dealing with the Authority shall be entitled to presume any prerequisites to the taking of action by the General Manager have been satisfied, and no person shall be entitled to inquire into the authority of the General Manager to act on behalf of the Authority with respect to any matter.

ARTICLE VIII EVALUATION OF PROFESSIONAL CONSULTANTS

Section 8.01 Definition of Professional Consultant. "Professional Consultant" shall mean and include the Authority's attorneys, auditors, bookkeepers, financial advisors, engineers, and such other consultants, other than employees, the Authority may engage.

Section 8.02 Selection of Consultants. Whenever the Authority decides to retain the services of one (1) or more of its Professional Consultants, the Authority shall follow the procedures of the Professional Services Procurement Act.

Section 8.03 Monitoring of Professional Consultants. For those Professional Consultants with annual contracts, the General Manager will review the performance of the Professional Consultants for the prior year at the time the contract is renewed. The General Manager shall review the performance of its other Professional Consultants annually at the time of its audit or more often, upon the request of one (1) or more directors.

ARTICLE IX ADMINISTRATION

Section 9.01 Books. The Authority shall keep correct and complete books and records of accounts and shall also keep minutes of the proceedings of its Board. All books and records

may be inspected at any reasonable time. The Board has adopted and implemented Purchasing and Payment Procedures for handling all purchases, invoice payments, expense reimbursements and director fees of office. A copy of the Amended Purchasing and Payment Procedures is attached hereto as **Appendix D** and made a part hereof for all purposes.

Section 9.02 Public Information Policy. All documents, reports, records, and minutes of the Authority shall be available for public inspection and copying in accordance with the Texas Public Information Act and the Authority's Public Information Act Request Policies and Procedures, a copy of which is attached hereto as **Appendix E**.

Section 9.03 Records Retention Policy. The Board shall keep a complete account of all its meetings and proceedings and shall preserve its minutes, contracts, records, notices, accounts, receipts and other records in a safe place at the Chief Administrative Office of the Authority in Harris County, Texas.

Section 9.04 Annual Budget. Prior to each fiscal year, the Board of the Authority shall adopt an annual budget for the next fiscal year for use in planning and controlling of costs.

Section 9.05 Audits. The financial records of the Authority shall be kept in accordance with generally accepted accounting practices and at such time as the Authority has income, an annual audit of the books and records of the Authority shall be made by an independent certified public accountant or public accountant. The Authority hereby appoints its Board as an audit committee to review the annual audit prepared by the Authority's auditor. The Authority hereby directs its auditor to adopt uniform auditing reporting requirements that use "Audits of State and Local Governmental Units" as a guide on audit working papers and that uses "Governmental Accounting and Financial Reporting Standards".

Section 9.06 Fiscal Year. The Fiscal Year of the Authority shall be the twelve (12) months commencing on January 1st of each year.

Section 9.07 Corporate Seal. The Authority shall have a corporate seal which shall consist of: two (2) concentric circles with a five point star surrounded by the word "TEXAS" in the middle and the name of the Authority appearing between the circles.

ARTICLE X MISCELLANEOUS

Section 10.01 Amendments. These Rules, as amended and restated herein, may be altered, amended or repealed and new Rules may be adopted by a majority of the directors present at any regular meeting or at any special meeting, if a description of the change in the Rules is on the agenda for the meeting and has been posted in accordance with law and these Rules.

Section 10.02 Effective Date. These Rules shall be effective from and after the date of their approval.

APPROVED and ADOPTED this 20th day of March, 2023.



President, Board of Directors

ATTEST:



Secretary, Board of Directors



APPENDIX A

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES FOR PUBLIC COMMENT

SECTION 1.1: STATEMENT OF GENERAL POLICY.

A. The Authority is required to comply with the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended (the "Act"), which generally requires that meetings of the Board be open to the public. Although the Act does not give the public the right to speak at such public meetings, it is the policy of the Authority to allow and encourage members of the public to speak and provide public comment at public meetings of the Authority during specifically allotted times, in accordance with the Procedural Rules of the Authority and the policies herein adopted by the Board (the "Policies").

B. It is the Policy of the Authority that any member of the public shall have a reasonable opportunity to be heard at all regular and special meetings of the Board in regard to any and all matters to be considered at such meetings that are germane and relevant to the Authority's affairs. Any member of the Board shall have the privilege of raising a point of order as to whether the subject matter to be presented by a member of the public is germane and relevant to the Authority's affairs to be considered by the Board. Decisions of the Board's presiding officer are final.

C. It is the policy of the Authority to act reasonably and not discriminate among members of the public on the basis of the particular views expressed, and it is the intent of the Board to apply and administer these policies in a nondiscriminatory manner.

SECTION 1.2: NOTICE. If the Board is aware, prior to a meeting, of specific topics to be raised during the public comment period, an item regarding the matter will be included on the agenda for such meeting. Otherwise, public comments will only be permitted during the specified time on the agenda. Members of the public may not participate in the discussions of the Board unless recognized by the Board's presiding officer.

SECTION 1.3: PUBLIC COMMENT CARD. Members of the public must complete and sign a Public Comment Card prior to the start of the meeting. When called upon by the presiding officer, the individual should stand at the place designated for public commentary and state his or her name and affiliation for the record.

SECTION 1.4: RESPONSE TO INQUIRY. In accordance with Section 551.042, of the Act, the Board shall make a limited response to any inquiry from members of the public about a subject not included on the posted agenda for the meeting, and no deliberation or decision making about the subject matter of the inquiry will occur at the meeting. Such matter will be placed on a future agenda if so determined by the Board.

SECTION 1.5: CONDUCT OF THE PUBLIC. All comments should be addressed to the Board as a whole and not to individual members. Members of the public shall refrain from making accusatory, condemnatory or threatening remarks to members of the Board, Authority employees, consultants, or any other member of the public present at the meeting. If a member of the Board feels that a member of the public is acting in such a way to threaten or endanger members of the Board, the Authority employees, consultants, or any other member of the public present at the meeting, the presiding officer may rule the individual out of order and terminate the public comment from such individual.

SECTION 1.6: TIME LIMIT. At each public meeting, the Board shall accept public comment from members of the public who wish to present comments for no more than two (2) minutes per person for a maximum of thirty (30) minutes per meeting, unless the entire Board agrees otherwise. Once the presiding officer indicates the time period of two (2) minutes has ended, the member of the public shall refrain from speaking any further.

SECTION 1.7: VISUAL AIDS/INFORMATION TABLE. Members of the public wishing to display visual aids or distribute literature during the meeting shall contact the General Manager of the Authority prior to the meeting in order to facilitate the orderly presentation of such information or materials. Information and materials placed on the information table during Authority meetings for display and dissemination are limited to Authority-related items only that have been reviewed and approved by the Authority's General Manager, such as sign-in sheets, minutes, agendas, etc. Any information or materials found on the information table that are not in compliance with this policy will be removed and disposed of as may be appropriate.

APPENDIX B

DISCLOSURE STATEMENT FORM

[SEE ATTACHED FORM]

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT

FORM CIS

(Instructions for completing and filing this form are provided on the next page.)

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This is the notice to the appropriate local governmental entity that the following local government officer has become aware of facts that require the officer to file this statement in accordance with Chapter 176, Local Government Code.

OFFICE USE ONLY

Date Received

1 Name of Local Government Officer

2 Office Held

3 Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code

4 Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3.

5 List gifts accepted by the local government officer and any family member, if aggregate value of the gifts accepted from vendor named in item 3 exceeds \$100 during the 12-month period described by Section 176.003(a)(2)(B).

Date Gift Accepted _____ Description of Gift _____

Date Gift Accepted _____ Description of Gift _____

Date Gift Accepted _____ Description of Gift _____

(attach additional forms as necessary)

6 SIGNATURE

I swear under penalty of perjury that the above statement is true and correct. I acknowledge that the disclosure applies to each family member (as defined by Section 176.001(2), Local Government Code) of this local government officer. I also acknowledge that this statement covers the 12-month period described by Section 176.003(a)(2)(B), Local Government Code.

Signature of Local Government Officer

Please complete either option below:

(1) Affidavit

NOTARY STAMP / SEAL

Sworn to and subscribed before me by _____ this the _____ day of _____, 20 _____, to certify which, witness my hand and seal of office.

Signature of officer administering oath

Printed name of officer administering oath

Title of officer administering oath

OR

(2) Unsworn Declaration

My name is _____, and my date of birth is _____.

My address is _____, _____, _____, _____, _____.
(street) (city) (state) (zip code) (country)

Executed in _____ County, State of _____, on the _____ day of _____, 20_____.
(month) (year)

Signature of Local Government Officer (Declarant)

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT

Section 176.003 of the Local Government Code requires certain local government officers to file this form. A "local government officer" is defined as a member of the governing body of a local governmental entity; a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. This form is required to be filed with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of this statement.

A local government officer commits an offense if the officer knowingly violates Section 176.003, Local Government Code. An offense under this section is a misdemeanor.

Refer to chapter 176 of the Local Government Code for detailed information regarding the requirement to file this form.

INSTRUCTIONS FOR COMPLETING THIS FORM

The following numbers correspond to the numbered boxes on the other side.

- 1. Name of Local Government Officer.** Enter the name of the local government officer filing this statement.
- 2. Office Held.** Enter the name of the office held by the local government officer filing this statement.
- 3. Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code.** Enter the name of the vendor described by Section 176.001(7), Local Government Code, if the vendor: a) has an employment or other business relationship with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code; b) has given to the local government officer or a family member of the officer one or more gifts as described by Section 176.003(a)(2)(B), Local Government Code; or c) has a family relationship with the local government officer as defined by Section 176.001(2-a), Local Government Code.
- 4. Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3.** Describe the nature and extent of the employment or other business relationship the vendor has with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code, and each family relationship the vendor has with the local government officer as defined by Section 176.001(2-a), Local Government Code.
- 5. List gifts accepted, if the aggregate value of the gifts accepted from vendor named in item 3 exceeds \$100.** List gifts accepted during the 12-month period (described by Section 176.003(a)(2)(B), Local Government Code) by the local government officer or family member of the officer from the vendor named in item 3 that in the aggregate exceed \$100 in value.
- 6. Signature.** Signature of local government officer. Complete this section after you finish the rest of this report. You have the option to either: (1) take the completed form to a notary public where you will sign above the first line that says "Signature of Local Government Officer" (an electronic signature is not acceptable) and your signature will be notarized, or (2) sign above both lines that say "Signature of Local Government Officer (Declarant)" (an electronic signature is not acceptable), and fill out the unsworn declaration section.

Local Government Code § 176.001(2-a): "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter 573, Government Code.

Local Government Code § 176.003(a)(2)(A):

- (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

- (2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or
- (ii) the local governmental entity is considering entering into a contract with the vendor.

APPENDIX C

DISCLOSURE QUESTIONNAIRE FORM

[SEE ATTACHED FORM]

CONFLICT OF INTEREST QUESTIONNAIRE
For vendor doing business with local governmental entity

FORM CIQ

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

OFFICE USE ONLY

Date Received

1 Name of vendor who has a business relationship with local governmental entity.

2 **Check this box if you are filing an update to a previously filed questionnaire.** (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information is being disclosed.

Name of Officer

4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?

Yes No

5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.

6 Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).

7

Signature of vendor doing business with the governmental entity

Date

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that

(i) a contract between the local governmental entity and vendor has been executed;
or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or
(ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

(a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

APPENDIX D

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY AMENDED PURCHASING AND PAYMENT PROCEDURES

PURCHASING PROCEDURES

General Manager Authorization:

The General Manager of the North Harris County Regional Water Authority (the “Authority”) is authorized to approve purchases and expenditures up to \$50,000.00.

Funds must be available in the budget prior to the General Manager’s approval of a purchase or expenditure of \$50,000.00 or less.

Board of Directors Authorization:

The Board of Directors must approve all purchases or expenditures requiring a contract or agreement, and all purchases or expenditures over \$50,000.00.

Unauthorized Purchases:

An unauthorized purchase is defined as any item(s) purchased or service requested by an Authority employee or Director without prior approval of the General Manager or action by the Board of Directors, as may be applicable. Any unauthorized purchases may result in the employee or Director being held personally responsible for payment of such unauthorized item(s) or service.

INVOICE PAYMENT PROCEDURES

All vendor/consultant invoices are to be delivered to the Authority office. The invoices will be distributed to the Finance Director for review, consideration and processing. Invoices will be returned to the vendor/consultant if an error exists, if further clarification or explanation is needed or if it is an unauthorized purchase. If an error exists, a corrected invoice will be requested.

An unauthorized invoice consists of a purchase of goods or services that was not authorized in advance by the General Manager or the Board of Directors. Payment of such invoice becomes the responsibility of the requesting party.

The Finance Director shall review all invoices for accuracy and budget appropriation, and shall attach all necessary backup for the invoice, including receipts, times sheets, etc. and shall submit all processed invoices for approval by the General Manager or the Board of Directors, as may be applicable. Invoices will be paid by their due date or as close thereto as possible. Checks with totals exceeding the General Manager’s authorization amount will be submitted to the Board of Directors for approval and execution at the next regularly scheduled meeting of the Board.

EXPENSE REIMBURSEMENTS (Directors and Employees)

Expense Reports may be submitted either monthly or quarterly, but may not exceed a quarterly submittal. If submitting quarterly, a separate form is to be used for each month submitted. Expense Reports not submitted within the appropriate time frame will be denied.

The Expense Report form is available electronically.

The Expense Report must be filled out completely, must have **all** receipts attached, and must be executed by the person requesting reimbursement.

Itemized receipts, along with a brief explanation/description of the expenditure, are required for the following: parking, meals, transportation costs (taxi fare, car rental, etc.), hotel stays, seminars, etc. Parking in an unattended lot requires location of cross streets if in excess of \$10.00. Receipts shall not be required for tips, tolls and unattended parking lot expenses. A credit card receipt reflecting only the total expense amount will not be accepted. An expense reimbursement request submitted without an itemized receipt will not be approved for reimbursement, unless approved by the General Manager.

Expenses incurred for the consumption of alcohol shall not be reimbursed.

Mileage expenses shall be reimbursed at the then current rate allowed by the Internal Revenue Service.

The Finance Director shall review, verify dollar amounts and receipts, and obtain approval to pay all expense reimbursement requests submitted to the Authority.

Expense Report checks (if Expense Report forms are timely submitted) will be issued at the monthly Board of Directors meeting or at such time as other checks are being processed.

FEES OF OFFICE

Director fees of office shall be paid at the rate of \$150.00 for each day the director actually spends performing the duties of a director, provided the fees of office shall not exceed a sum of \$7,200.00 per annum. "Performing the duties of a director" means substantive performance of the management or business of the Authority, including participation in board and committee meetings and other activities involving the substantive deliberation of Authority business and in pertinent educational programs. The phrase does not include routine or ministerial activities such as the execution of documents, self-preparation for meetings, or other activities requiring a minimal amount of time. Applicable taxes, i.e. Federal Withholding, Social Security and Medicare, shall be deducted. A description of the specific duties performed for each day of service, including documentation of persons in attendance at such meeting or activity and the purpose of the meeting or activity, is required. The Finance Director will monitor the amount of the fees of office received by each director. Requests for payment of fees of office may be submitted monthly or quarterly; provided, however, if a director has reached the annual limit of \$7,200.00, requests for payment of fees of office for service performed during the last two (2) calendar months of the year must be submitted for payment within the first two (2) months of the next calendar year. The requests for fees of office will be processed in the same manner as Expense Reports.

APPENDIX E

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY TEXAS PUBLIC INFORMATION ACT REQUEST POLICIES AND PROCEDURES

It is the policy of the North Harris County Regional Water Authority (the "Authority") to, at all times, provide full and complete information about the affairs of the Authority to the public in compliance with the Texas Public Information Act, Chapter 552, Texas Government Code (the "Act"), as amended by the 79th Texas Legislature. The following Policies and Procedures are adopted pursuant to Section 552.230, as amended of the Act to ensure the orderly compliance with the Act so that public information may be inspected and copied efficiently, safely and without delay.

1. The Authority's General Manager, or his/her designated representative, will be the custodians of public records, and the custodians will be responsible for the preservation and care of the public records of the Authority.

2. It shall be the duty of the custodians of public records, to see that the public records are made available for public inspection and copying and that the records are carefully protected and preserved from deterioration, alteration, mutilation, loss, removal, or destruction; and that the public records are repaired, renovated, or rebound when necessary to preserve them in a proper manner.

3. Neither the General Manager nor agents of the Authority who control the use of public records will make any inquiry of any person who applies for inspection or copying of public records beyond the purpose of establishing proper identification of the public records being requested or establishing whether the custodians are authorized to refuse to honor the request for the records.

4. The General Manager, and the agents of the Authority, shall treat all requests for information uniformly without regard to the position or occupation of the requestor, the person on whose behalf the request is made, or the status of the individual as a member of the media.

5. The Authority shall promptly produce public information for inspection, duplication, or both upon application by any person.

6. If the Authority receives a written request for information which it considers within one of the exceptions of the Act, but there has been no previous determination that it falls within one of the exceptions of the Act, the Authority shall promptly, after receiving a written request, shall request a decision from the Attorney General to determine whether the information is within that exception.

7. "Promptly" means as soon as possible under the circumstances that is within a reasonable time, without delay.

8. All requests to view public information shall be made in writing to the Authority's General Manager. A written request includes a request made in writing that is sent to the General Manager, or the person designated by the General Manager, by U.S. Mail, electronic mail or facsimile transmission or that is hand delivered. Such written request may be submitted on forms

provided by the Authority's General Manager. If the requestor chooses not to use the Authority's form for requesting to view or obtain copies of public records, the request must be submitted in writing and must clearly identify the public records or documents to be viewed.

9. The General Manager of the Authority may submit these written requests to legal counsel for review and advice, if necessary.

10. All written requests under the Act will be received in the official office of the Authority.

11. All reviews and examinations of public records will be made during regular Authority business hours.

12. All reviews and examinations of public records will be made in the presence of the General Manager or his/her designee.

13. If the public information is in active use or in storage and, therefore, not available at the time the person asks to examine it, the General Manager will certify this fact in writing to the applicant and set a date and hour within a reasonable time when the information will be available for review and examination under the provisions of the Act.

14. No person, who is not an official of the Authority, will be authorized to remove original copies of public records from the offices of the Authority.

15. No official of the Authority will be authorized to remove original copies of public records from the offices of the Authority without the written permission of the General Manager.

16. A review of public information must be completed within ten (10) business days after the date the General Manager makes the material available to the person requesting the public information for review, unless the requestor files within the initial ten (10) business days a request for additional time which shall entitle the requestor to an additional ten (10) business days to review the information. After that time, the information will be returned to the official files of the Authority and a new request will be required.

17. The time during which a person may examine information may be interrupted by the General Manager if such information is needed for use by the Authority.

18. The period of interruption is not considered to be part of the time during which the person may examine the information.

19. Copies of public information may be requested by completing the Copy Request Form promulgated by the General Manager. The Authority hereby adopts the schedule of charges for providing copies of public information as established by the Texas Attorney General's Office, as same may be amended from time to time. If a request is for 50 or fewer pages of paper records, the charge for providing the copy of the information may not include cost of materials, labor, or overhead, except under the exceptions set forth in the Act. A schedule of such charges is included herein as Attachment "A".

20. A suitable copy of the public information shall be provided to the requestor within a reasonable time after the date on which the copy is requested.

21. If a request for a copy of public information will result in the imposition of a charge that exceeds \$40.00 or under certain other circumstances under the Act, the General Manager shall provide the requestor with an itemized statement that details all of the estimated charges that will be imposed, including all allowable charges for labor or personnel costs.

22. A deposit or bond for payment of anticipated costs for copies shall be required if the anticipated costs are expected to exceed \$50.00 or if a requestor owes the Authority more than \$50.00 from unpaid previous requests. Failure to provide the required deposit within ten (10) days of the request shall be viewed as a withdrawal of the request for public information.

23. Any person who willfully destroys, mutilates, or removes documents without permission as provided herein, or alters public records, shall be guilty of a misdemeanor subject to criminal prosecution.

24. The General Manager shall prominently display in the official office of the Authority a sign in the form prescribed by the Texas Attorney General's Office that contains basic information about the rights of a requestor, the responsibilities of the Authority and the procedures for inspecting and obtaining a copy of public information under the Act, the form of which is included herein as Attachment "B".


NHCRWA BOARD MEETING SPECIAL SESSION

March 20, 2023



Call to Order

- Invocation – Julie Rix, Minister
- Pledges of Allegiance

The background of the image is a stylized American flag. The top-left corner features a blue canton with white stars, while the rest of the image is filled with horizontal stripes of red and white. The text is centered within a black rectangular box.

**I pledge allegiance to the flag of the
United States of America
and to the Republic for which it
stands, one Nation
under God, indivisible, with liberty
and justice for all.**



**Honor the Texas
flag; I pledge
allegiance to
thee, Texas, one
state under God,
one and
indivisible.**

Approve minutes of prior meetings including:

- March 6, 2023 regular meeting

Public Comments

Message from the President and Board
Members

Amend Rate Order regarding
participation in Authority's
Groundwater Reduction Plan

Government Affairs, including:

- Legislative update
- Alternative Water Use Incentive Program (aka REUSE)



**North Harris County Regional Water Authority
ALTERNATIVE WATER USE INCENTIVE PROGRAM**





ALTERNATIVE WATER USE INCENTIVE PROGRAM

- **Originally Adopted by Authority Board on April 6, 2009**
- **Amended and Adopted November 4, 2013**
- **Amended and Adopted January 8, 2018**



- **Highlights**

- The Authority may enter into a written contract with the owner of a source of Alternative Water and a person engaging in Alternative Water Use
- Alternative Water Use Credits are earned through the metered use of an Alternative Water Supply, such as wastewater treatment plant effluent or captured storm water
- Alternative Water Use Credits are one-half (1/2) of the rate then being charged by the Authority for Water pumped from a Non-Exempt Well.
- The Authority, upon execution of a contract shall issue the Parties Alternative Water Use Credits in the amount of \$25,000 or 10% of the capital cost of the Alternative Water Use System, whichever is greater



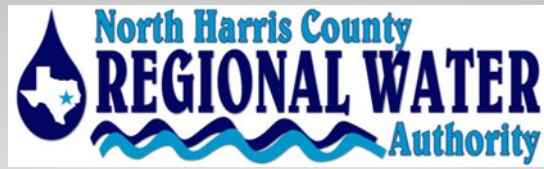
- Total Alternative Water Use Credits issued may not exceed 100% of the approved capital cost of the Alternative Water Use System.
- Alternative Water Use Credits are credited against Authority Fees otherwise due to the Authority
- Reimbursable costs:
 - Engineering fees
 - Construction Cost
 - Interest Cost for a governmental entity that incurs debt to finance the system
- Alternative Water Use Credits will be issued for a maximum of 20 years after execution of a Contract.
- The Parties shall operate and maintain the System in a manner such that Alternative Water Use in the System complies with the definition of Alternative Water Supply, as defined by the HGSD, for 20 years from the date on which the Authority first (1st) issues Alternative Water Use Credits for such System.
- All Harris-Galveston Subsidence District conversion credits associated with the Alternative Water use System shall be transferred to the Authority for the benefit of the Authority's Groundwater Reduction Plan.

ALTERNATIVE WATER USE INCENTIVE PROGRAM SUMMARY

- Total Number of Agreements in Place: 12
- Total Number of Districts in the Program: 19*
- Total Number of District System's Operational and Reporting: 8
- Total Amount of Agreements and Approved Capital Cost: \$17,582,357.11
- Gallons of Alternative Water Produced, Used, and Reported: 2,257,841,640
- Harris-Galveston Subsidence District Credits Earned: 2,257,841,640

*Includes Kleinwood Joint Powers Board

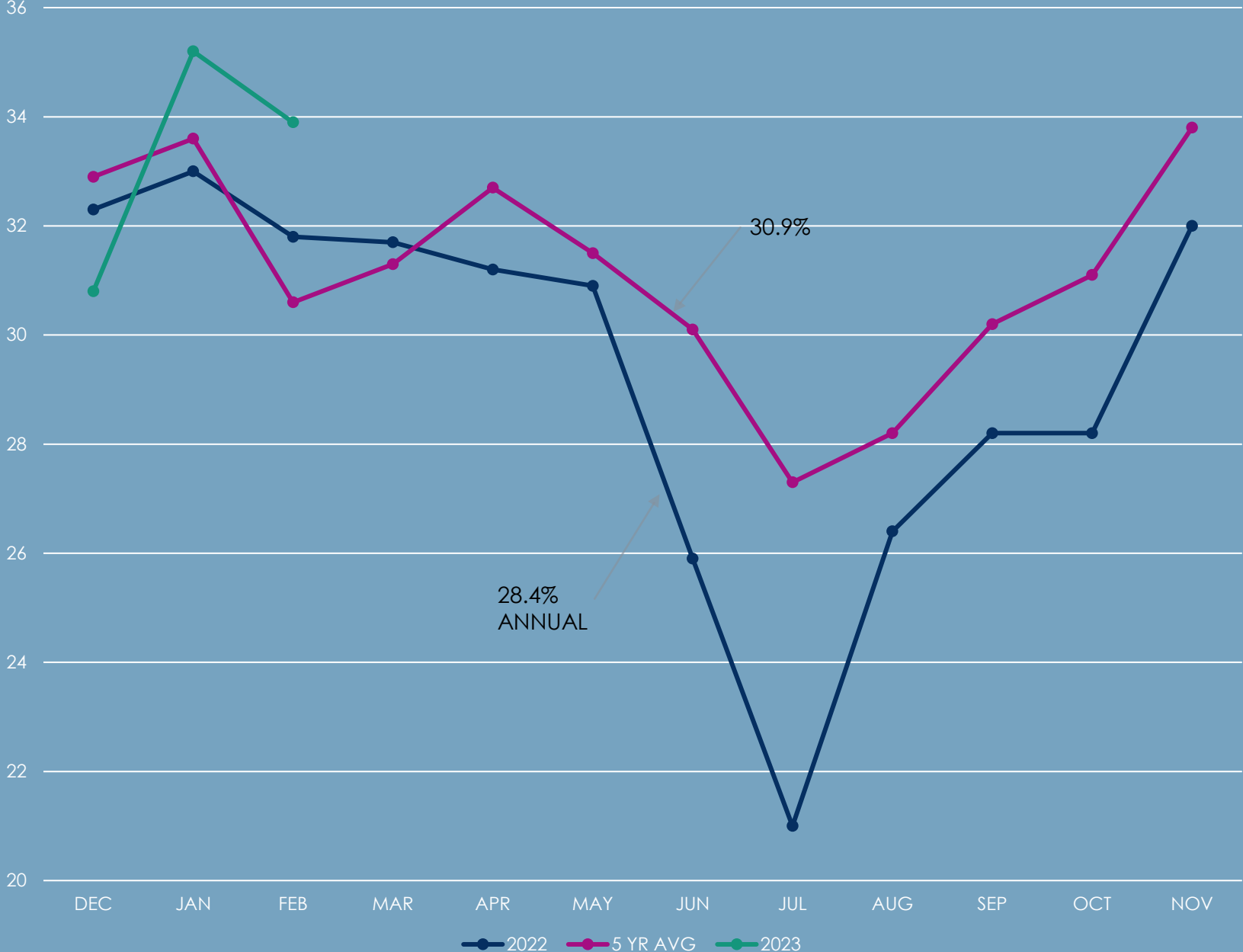
*As of December 31, 2022



QUESTIONS?

Current monthly surface water capacity, including last 5 years of pumping history

Historical Conversion % by Month



Update on contractors

Personnel update

Resolution Adopting Amended &
Restated Procedural Rules related to
acceptance of gifts

Board discussion of possible
future agenda items



Next regular meeting date

**Monday, April 3, 2023
at 6:00 p.m.**



Next special meeting date

Monday, April 17, 2023

at 6:00 p.m.

(tentative – Tax Day)



Executive session, as needed



Reconvene



Adjourn