

**NORTH HARRIS COUNTY  
REGIONAL WATER AUTHORITY**

**RATE ORDER**

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**NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
RATE ORDER**

STATE OF TEXAS                   §  
  §  
COUNTY OF HARRIS           §

**RECITALS**

WHEREAS, the North Harris County Regional Water Authority (the "Authority") is a regional water authority created and operating pursuant to chapter 8888, Texas Special Districts Local Laws Code, as amended (the "Act"), and Article XVI, Section 59 of the Texas Constitution; and

WHEREAS, the Authority was created, among other purposes, to accomplish the purposes of Article XVI, Section 59 of the Texas Constitution, including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions; and

WHEREAS, the Act provides that the Authority may: (1) provide for the conservation, preservation, protection, recharge, and prevention of waste of groundwater in a manner consistent with the purposes of Section 59, Article XVI, Texas Constitution; (2) acquire or develop surface water and groundwater supplies from sources inside or outside the boundaries of the Authority and may 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 for the purposes of reducing groundwater withdrawals and subsidence; and (3) provide for the reduction of groundwater withdrawals by the development, implementation, or enforcement of a groundwater reduction plan, which shall be binding on persons, districts, entities and wells within the Authority's boundaries; and

WHEREAS, the Act provides that the Authority may establish fees, rates and charges and classifications of fee and rate payers, as necessary to enable the Authority to fulfill the Authority's purposes and regulatory obligations and such fee, rates and charges must be sufficient to achieve water conservation, prevent waste of water, serve as a disincentive to pumping ground water, and accomplish the purposes of the Act, including making available alternative water supplies and to enable the Authority to meet operation and maintenance expenses and pay the principal of and interest on debt issued in connection with the exercise of the Authority's general powers and duties; and

WHEREAS, the Act authorizes the Authority to specify the rates, terms and conditions under which sources of water other than groundwater will be provided by the Authority, which may be changed from time to time as deemed necessary by the Authority, and to 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, power, and

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; and

WHEREAS, on September 11, 2023, the Board determined that it was necessary to amend this Rate Order to reduce the cost of water in the Authority's Pricing Policy, to be effective October 1, 2023 by \$0.50; and

WHEREAS, on September 9, 2024, the Board determined that it was necessary to amend this Rate Order to reduce the cost of water in the Authority's Pricing Policy, to be effective October 1, 2024 by \$1.00; and

WHEREAS, on May 5, 2025, the Board determined that it was necessary to amend this Rate Order to include the addition of Section 5.031; and

WHEREAS, on July 7, 2025, the Board determined that it was necessary to amend this Rate Order to add a New Participant Fee;

WHEREAS, on August 4, 2025, the Board determined that it was necessary to amend this Rate Order to add a Dormant Well Fee;

WHEREAS, on November 3, 2025, the Board determined that it was necessary to amend this Rate Order for the purpose of clarifying the applicability of section 5.03 and 5.031 for different water receiving facilities.

WHEREAS, on January 5, 2026, the Board determined that it was necessary to amend this Rate Order for the purpose of clarifying the applicability of section 5.03 and 5.031 for different water receiving facilities.

WHEREAS, on June 1, 2026, the Board determined that it was necessary to amend this Rate Order for the annual recalculation of the New GRP Participation Fee per Rate Order Section 3.08(c);

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 Carollo Engineers, 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.

"Dormant Well" means a Well included in the Authority's aggregated groundwater permit from the HGSD that produced less than 385,000 gallons of Water during the immediately preceding permit year.

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 (2<sup>nd</sup>) 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 18<sup>th</sup> 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 (1<sup>st</sup>) 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.

Section 3.08. New Participant.

(a) *Definitions.* As used in this Section, the following terms shall have the meanings set forth or referred to below:

“GRP Participant” means a Person who is paying the Authority for its Water use.

“New Participant” means a Person who is owning or controlling property within the Authority’s boundaries but not a GRP Participant before July 1, 2025.

“New Participant Fee” means the supplemental rate for Water use to be paid by a New Participant.

(b) *Purpose.* The Authority’s Water users have invested significant sums of money to develop the Authority System and comply with the GRP, while New Participants have not contributed to such costs. As a result, the Authority has adopted a New Participant Fee as provided in this Section to create a supplemental rate whereby each New Participant will pay a share of the previously financed GRP infrastructure from which the New Participant will benefit.

(c) *New Participant Fee Amount.* The New Participant Fee shall be the present value of the total debt service payments paid by the Authority prior to the date of the calculation of the New Participant Fee, expressed as a rate per 1,000 gallons of Water previously consumed within the Authority. The General Manager shall determine the present value of the total debt service payments by adjusting the total of the debt service payments by a rate of inflation stated in the Engineering News-Record’s Construction Cost Index. The New Participant Fee calculation is reflected on **Exhibit “A-1”** attached hereto. The General Manager shall recalculate the New Participant Fee in accordance with **Exhibit “A-1”** at least annually to account for additional debt service payments paid by the Authority and the additional Authority Water consumed within the Authority, and present such recalculation to the Board. The Board may adopt such recalculation by order or resolution adopted in compliance with applicable law, in which case **Exhibit “A-1”** shall be replaced by the recalculation without the necessity of amending this Rate Order.

(d) *New Participant Fee Payments.* The New Participant shall provide written notice to the Authority at least 30 days prior to when it first consumes Water. The New Participant shall pay the New Participant Fee for the number of years elapsed from 2003 to the date its Water consumption is first included in the GRP, rounded to the nearest whole year. For example, if the New Participant first consumes Water in 2025, the New Participant Fee shall apply for 22 years (2025 – 2003 = 22). In addition to the New Participant Fee, the New Participant shall pay to the Authority all other applicable Fees, including without limitation Fees for Authority Water delivered to, Water pumped from a Non-Exempt Well by, or Imported Water received by the New Participant, in accordance with this Rate Order and Pricing Policy, as may be amended from time to time.

Section 3.09 Dormant Well Fee.

After the conclusion of each permit year for the Authority’s aggregated groundwater permit from HGSD (currently, November 30th), the Authority shall identify the owner of each Dormant Well included in the GRP during the immediately preceding permit year. Not later than the following January 31st, the Authority shall send the owner of each such Dormant Well written notice informing the Owner that (i) the Owner must pay the Authority a Dormant Well Fee in the amount \$1,000 by March 31st or the Authority will remove the Dormant Well from the aggregated groundwater permit;

(ii) upon removal of the Dormant Well from the Authority's aggregated groundwater permit the Authority will take no other action related to a failure to pay the Dormant Well Fee; and (iii) if upon request from the Dormant Well owner the Authority adds the Dormant Well to its aggregated groundwater permit in the future, the owner may be a New Participant subject to paying the New Participant Fee pursuant to Section 3.08 of the Rate Order.

#### **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 – Existing Water Plants.

(a) *Applicability.* Absent a written agreement to the contrary between the Authority and a Converted Entity, this Section 5.03 applies when a new Delivery Point is located at an existing water plant/facility.

(b) 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.

(c) *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, if necessary; 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.

(d) *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.

(e) *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 becomes 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 5.031 Water Receiving Facilities – New Water Plants.

- (a) *Applicability.* Absent a written agreement to the contrary between the Authority and a converted Entity, this Section 5.031 applies to any new water plants/facilities that has not yet been constructed where a new Delivery Point may be constructed.
- (b) *Property Interests.* All water line easements, temporary construction easements, rights-of-way, and other property interests deemed necessary by the Authority for the construction, operation, maintenance, repair, and replacement of the Water Receiving Facilities and any extensions of the Authority System, must be acquired by or conveyed to the Authority, as applicable.
- (c) *Form and Substance.* All water line easements and temporary construction easements required under Subsection (b) shall be documented using the Authority's standard form Right of Way and Easement Agreement, a template of which is attached hereto as **Exhibit "D"**. Such documents must be properly executed and suitable for recording. Any other property interests deemed necessary by the Authority shall be documented in a form and substance acceptable to the Authority.
- (d) *Responsibility for Securing Easements.* The Converted Entity shall be responsible for acquiring and conveying such property interests to the Authority, including paying all associated costs and expenses.
- (e) *Facility Compatibility Plans.* *New Water Receiving Facilities must be designed to accommodate future conversion to surface water via a new Delivery Point. This includes the installation of a Chloramination System with adequate space and electrical feed for future Authority assets.* The Converted Entity shall design the Water Receiving Facilities, including any necessary Chloramine System, in compliance with Authority technical standards and shall submit such designs, as well as the design for the water plant/facility at which the Delivery Point may be located, to the Authority Engineer for its review and approval of the Water Receiving Facilities design. An Authority Engineer shall have a minimum of 30 days for review and approval of the Converted Entity's design.
- (f) *TCEQ Approvals.* The Converted Entity shall obtain and maintain all necessary approvals from the Commission related to the Water Receiving Facilities, including any necessary Chloramine System. The Converted Entity shall provide evidence of such approvals to the Authority upon request.
- (g) *Extensions of Authority System.* The Authority shall design and construct any extensions of or improvements to the Authority System necessary or convenient to convey Authority Water to the Delivery Point, including paying all associated costs and expenses.

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 reinstatement 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 reinstatement 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 Amcndments 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 June 1, 2026)**

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 June 1, 2026, 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	\$3.05 per 1,000 gallons
Water pumped from a Non-Exempt Well	\$2.60 per 1,000 gallons
Imported Water	\$2.60 per 1,000 gallons
New Participant Fee ( <u>In addition to</u> the Cost of Water above)	\$2.93 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 A-1

<b>Authority GRP Participant Fee Calculation</b>	
Total Debt Service Payments	\$1,179,978,222
Present Value of Total Debt Service Payments	\$1,487,804,847
Total Water Consumed (in gallons)	508,156,013,812
Cost per Gallon	\$0.00293
New GRP Participant Fee per 1,000 gallons	\$2.93

Total Debt Service Payments – Total bonds issued, and fiscal cost associated with the bonds from the inception of the Authority.

Present Value of Total Debt Service Payments – Present value of the Total Debt Service Payments using the Engineering News-Record's Construction Cost Index.

Total Water Consumed since Inception within the Authority's boundaries.

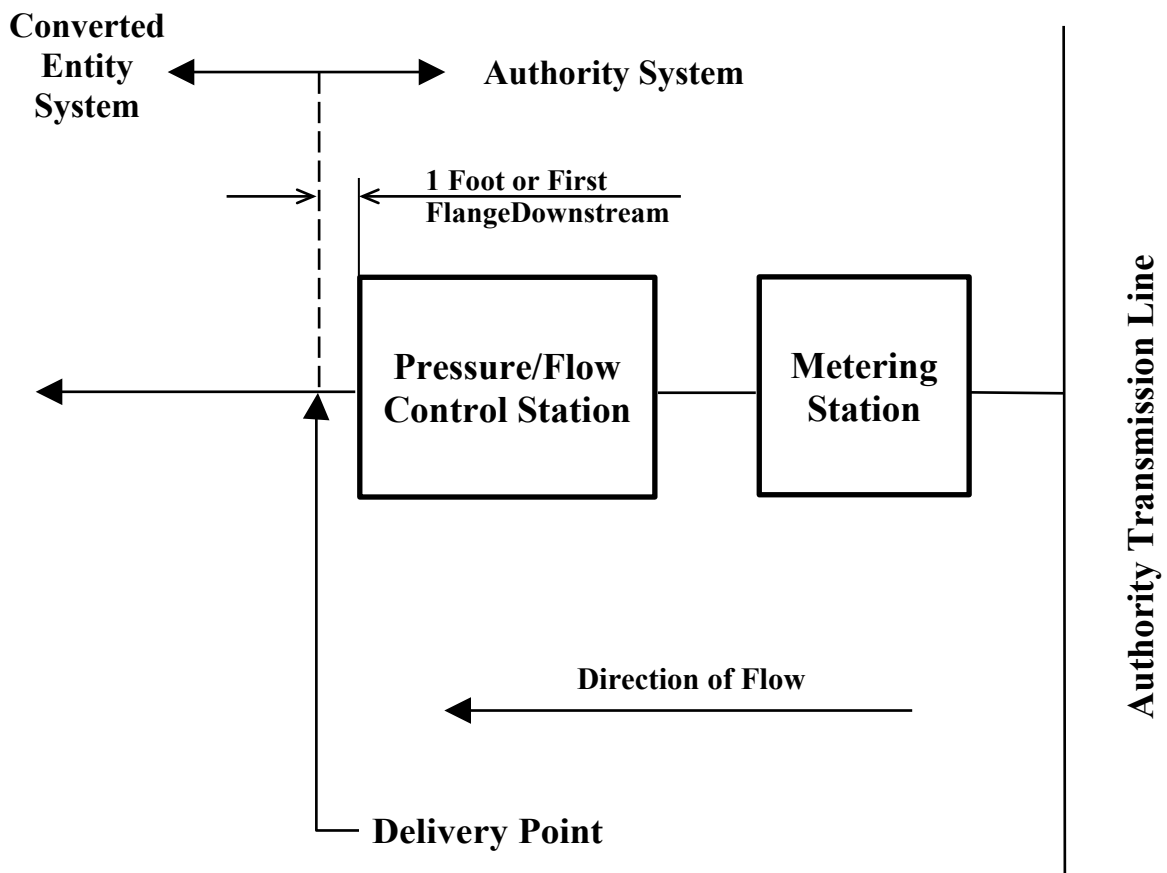
Total Water Consumed = Total Groundwater Pumpage + Total Authority Water Delivered

Cost per Gallon = Present Value of Total Debt Service Payments / Total Water Consumed

Note: All the above will be recalculated annually.

**EXHIBIT "B"**  
*Delivery Point*

**EXHIBIT B**  
**SCHEMATIC LAYOUT OF LOCATION**  
**OF DELIVERY POINT**



NOT TO SCALE

**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:

<b>Buyer</b>	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:***

Andrew Johnson  
Johnson Petrov LLP  
2929 Allen Parkway, Suite 3150  
Houston, Texas 77019  
(Tel) 713-489-8977

**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.

**EXHIBIT "D"**

**RIGHT OF WAY AND EASEMENT AGREEMENT**

THE STATE OF TEXAS                   §  
  §   KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF HARRIS                   §

THAT FOR AND IN CONSIDERATION of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, \_\_\_\_\_ (being referred to herein as "Grantor," whether one or more) does hereby grant, sell, and convey unto the NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (the "Authority"), a governmental agency and body politic and corporate situated in Harris County, Texas, and having a mailing address of 3648 Cypress Creek Parkway, Suite 110, Houston, Texas 77068, Attention: General Manager, its successors and assigns, a perpetual, unobstructed right of way and easement to lay, construct, alter, maintain, inspect, operate, service, repair, replace, relocate, change the size of, protect, patrol, and remove an underground water line together with appurtenances for the operation thereof (such water line and appurtenances being referred to herein collectively as the "Line"), over, through, under, and across a strip of land \_\_\_\_\_ (\_\_) feet in width (the "Easement Area"), more particularly described on Exhibit A attached hereto and made a part hereof, together with the right of (i) unimpaired ingress and egress to and from said Easement Area on public and private roads and (ii) unimpaired access on, over, and through said Easement Area for any and all purposes necessary and incident to the exercise of the aforesaid rights.

During the initial construction of the Line, the Authority shall have the temporary right to use a temporary work area (the "Temporary Construction Easement"), as described on Exhibit B attached hereto and made a part hereof. The Authority's rights in and to such temporary work area, and its right to use the same, shall expire upon completion of construction or two (2) years from the date of execution hereof, whichever occurs first.

TO HAVE AND TO HOLD said right of way and easement unto the Authority, its successors and assigns, until said right of way and easement is abandoned and released by the Authority, its successors or assigns, in a recordable instrument that is filed in the real property records of Harris County, Texas.

The above-described right of way and easement is subject to the following terms and conditions:

1. Subject to the conditions and limitations herein, Grantor reserves the right (i) to grant additional easements and rights of way across (but not along) the Easement Area to such other persons or entities and for such purposes as Grantor may desire, including the right to dedicate private and public roads and streets, underground water lines, storm water lines, sanitary sewer lines, and other utilities across (but not along) the Easement Area and (ii) to construct or locate across the surface of the Easement Area landscaping (but not trees), irrigation systems, paved uncovered parking areas together with associated curbs, fences, private lighting, private electrical lines, jogging trails, sidewalks, and signage. The uses of and improvements permitted on the Easement Area, as specified in clauses (i) and (ii)



above or as otherwise approved by the Authority pursuant to the terms of this Right of Way and Easement Agreement, are referred to herein as the "Permitted Encroachments."

In all cases in which Grantor exercises rights specified in clauses (i) through (ii) above, Grantor shall grant, dedicate, or construct the Permitted Encroachments only in such a manner that: the Line is not endangered, obstructed, damaged, or interfered with; access to the Easement Area and the Line is not interfered with; the grade of the Easement Area is not changed and cover over the Line is not reduced below seventy-two inches (72"); the Line is left with proper, sufficient, and permanent support; use of the Easement Area for the purposes set forth herein is not unreasonably interfered with; and any easements, rights of way, road or street dedications, roads, streets, water lines, storm sewer lines, sanitary sewer lines, and other utilities shall cross the Easement Area at an angle of not less than seventy-five degrees (75°) nor more than one-hundred and five degrees (105°) to the Line. Further, in connection with the design and installation of any Permitted Encroachments, vertical and horizontal separation shall be maintained between the Permitted Encroachments and the Line as may be prescribed by law or good engineering practices, but in no event shall any Permitted Encroachments be constructed or installed so as to have separation of less than thirty-six inches (36") from the Line; provided, however, that with respect to roads, streets, and paved parking areas, there shall be maintained separation of not less than sixty inches (60") between the bottom of the road, street, or paved parking area and the top of the Line.

Grantor shall be required to submit construction plans to the Authority at least three (3) months prior to the commencement of construction of any Permitted Encroachments, and the Authority shall have one (1) month from the date the plans are received, in a form consistent with the standards of the Authority, to review said plans and submit to Grantor construction requirements, if any, for the protection of the Line within the Easement Area or which are otherwise deemed necessary to avoid unreasonable interference with the Authority's exercise of the rights granted herein. If so submitted by the Authority, Grantor shall incorporate any such requirements in its plans for construction of the Permitted Encroachments and shall construct the Permitted Encroachments in a manner consistent with such requirements. Additionally, if the Line has not been constructed at the time the Authority receives such plans and the Authority then has the intention to commence construction (or cause the commencement of construction) of the Line anywhere within the Easement Area within the ensuing six (6) months, the Authority may require the Grantor to delay the commencement of construction of the proposed Permitted Encroachments until the completion of construction of that portion of the Line where such proposed Permitted Encroachments are to be located. However, during such time period, Grantor shall not be precluded from proceeding with construction activities on portions of the property outside the Easement Area, and the Authority shall allow reasonable access across the Easement Area to such portions of the property.

Grantor must notify the Authority in writing at least one (1) week prior to the initiation of construction on the Easement Area. The Authority shall have the right to monitor such construction activities and may halt construction if any Permitted Encroachments are not being built to specifications.

2. Grantor shall not build, create, construct, or install or permit to be built, created, constructed, or installed any house, building, obstruction, water-retaining structure, or other structure, facility, or improvement under, upon, in, or over the Line or the Easement Area without the prior written consent of the Authority, (i.e. Permitted Encroachment). Absent such Permitted Encroachment, the Authority shall be entitled, at its option at any time, to remove the same without obligation to restore the same or any other liability to Grantor. The Authority also shall be entitled, at its option at any time, to remove Permitted Encroachments, subject to the obligation of the Authority to restore any such Permitted Encroachments as provided in Par. 6. Upon completion of the construction of Permitted Encroachments, Grantor shall submit record drawings to the Authority indicating the location and specifications of the Permitted Encroachments.
3. Following any activities by Grantor on the Easement Area, whether in connection with the construction of Permitted Encroachments or otherwise, Grantor shall be responsible for restoring the surface of the Easement Area in a timely manner. Further, in the event Grantor's activities on the Easement Area, whether in connection with the construction of Permitted Encroachments or otherwise, cause damage to the Line, the Authority will be entitled to make the necessary repairs to the damaged portion of the Line, and Grantor shall compensate the Authority for the cost of repairing such damage.
4. The consideration that the Authority has paid to Grantor concurrent with the granting of the above-described right of way and easement and temporary work area includes payment for all damages and injuries necessarily caused by the laying, and construction of the Line within the Easement Area.
5. The Authority shall, at the time of construction, bury the Line (exclusive of appurtenances and equipment customarily located at or near ground level) to a depth of at least sixty inches (60") below the surface of the ground and thereafter shall not alter or change the Line such that it would permanently remain at a lesser depth.
6. Within a reasonable time following completion of the construction of the Line, and thereafter following each entry upon the Easement Area for purposes authorized herein, the Authority shall, to the fullest extent reasonably practicable, clean up and restore the surface of the Easement Area and the Temporary Construction Easement to the condition that existed immediately prior to such entry and activities on the Easement Area and the Temporary Construction Easement by the Authority. The Authority shall at all times have the right, but not the obligation, to keep the Easement Area clear of trees, overhanging limbs, undergrowth, and brush.

7. Grantor reserves all rights, if any, in and to oil, gas, sulphur, uranium, fissional materials, and other minerals under the surface of the Easement Area; provided, however, that Grantor shall not be permitted to explore, drill, mine, produce, or operate for oil, gas, sulphur, uranium, fissional materials, or other minerals on the surface of the Easement Area, but will be permitted to extract such minerals and materials from under the Easement Area by directional drilling or other means from land located outside the boundaries of the Easement Area so long as the equipment (and any wells) used in connection therewith are no closer than three hundred feet (300') to the bottom of the Line and so long as the use of the Easement Area is not disturbed and the Line is left with proper, sufficient, and permanent support and is not endangered, obstructed, damaged, or interfered with.
8. It is the intention of Grantor and the Authority that the strip of land comprising the Easement Area shall extend completely across Grantor's property. Accordingly, it is understood and agreed that, in the event that it should ever be determined that either boundary line at which the Easement Area enters and exits Grantor's property has not been properly located or that there is a conflict between calls for the boundary lines included in Exhibit A hereto and the actual boundary lines as subsequently determined (including the boundaries of any strips, gores, rights-of-way, or other pieces of property in which Grantor owns an interest), the Easement Area shall be deemed to be extended in length in order that the intention of the parties will be effectuated.

The foregoing terms, conditions, and provisions shall extend to and be binding upon the heirs, executors, administrators, successors, and assigns, as applicable, of Grantor and the Authority. The rights granted to the Authority (and the obligations of the Authority hereunder) may be assigned in whole or in part by the Authority.

Grantor warrants that Grantor owns the land subject to the above-described right of way and easement in fee simple, that Grantor has the right, title, and power to convey the rights granted herein, and that Grantor shall execute any further assurance of title reasonably requested by the Authority, its successors or assigns.

This Right of Way and Easement Agreement may be executed in multiple counterpart originals that, when taken together, shall constitute one and the same instrument.

[SIGNATURE PAGES TO FOLLOW]





**EXHIBIT A**

**EXHIBIT B**