

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(GRP PARTICIPANTS)

ADOPTED MAY 26, 2011
EFFECTIVE SEPTEMBER 1, 2011

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WHEREAS, the Addenda and the GRP Contracts provide, in pertinent part, that the Authority will: (a) develop, implement, administer and enforce a groundwater reduction plan ("GRP") for the Woodlands Water Supply System and the water supply systems of such other participating Large Volume Groundwater Users (collectively, and inclusive of the Authority, the "Participants"); (b) plan, design, permit, construct, operate, maintain and administer a surface water treatment and transmission system, including all related facilities, improvements, appurtenances, property and interests in property and contract rights needed therefor, and administrative facilities needed in connection therewith (the "Project"); (c) furnish and sell treated surface water from the Project to certain of the GRP Participants, as feasible and necessary to implement the GRP; (d) assess fees on the pumpage of groundwater wells operated by the GRP Participants; and (e) utilize revenues derived from such treated surface water sales and pumpage fees to finance the Project and the GRP, including the pledge of such revenues to the payment of, and as security for, the bonds or other obligations of the Authority issued or incurred to finance or refinance the Project and the GRP; and

WHEREAS, the Board of Directors of the Authority deems it necessary and proper at this time to establish certain fees, rates and charges applicable to the GRP Participants, as authorized and required under the Addenda and the GRP Contracts, in order to: (a) achieve and maintain compliance with the rules of the Conservation District and the GRP; (b) develop, implement, administer and enforce the GRP; (c) accomplish the purposes of the Addenda and the GRP Contracts, including making available alternative water supplies; (d) recoup certain losses, damages, costs, interest or expenses; (e) purchase, lease, reserve, option or contract for alternative water supplies, by, through or with third parties or the Authority; (f) meet operation and maintenance expenses related to the Project and the GRP; (g) pay certain capital costs, as well as the principal of and interest on certain notes, bonds and/or other obligations issued or incurred, or to be issued or incurred, in connection with the Project, the GRP or the Authority's obligations under the Addenda or the GRP Contracts; (h) satisfy all rate covenants relating to any of such notes, bonds and/or other obligations of the Authority; and (i) establish, accumulate, maintain or replenish one or more operating, debt service, contingency or emergency reserve funds, as deemed reasonably necessary by the Authority;

NOW THEREFORE, be it ordered by the Board of Directors of the San Jacinto River Authority that:

ARTICLE I

FINDINGS; PRIOR RATE ORDER; EFFECTIVE DATE

Section 1.01: Findings. Each of the recitals stated in this Rate Order are hereby adopted as findings of fact of the Board of Directors. All statutory and contractual requirements and conditions have been met for the establishment of fees, rates, and charges under this Rate Order.

Section 1.02: Prior Rate Order; Effective Date. This Resolution shall be effective as of September 1, 2011 (the "Effective Date"). That certain prior Rate Order adopted by the Authority on July 22, 2010, shall continue in force and effect on and after the adoption hereof through the Effective Date, but shall be repealed and superseded hereby on all respects as of the Effective Date.

ARTICLE II

DEFINITIONS; INTERPRETATIONS; REFERENCES

Section 2.01: Definitions. In addition to terms defined elsewhere in this Rate Order, and unless the context requires otherwise, the following terms used in this Rate Order shall have the following meanings and, to the extent applicable, shall serve to supplement terms defined elsewhere in this Rate Order:

(a) "Act" is defined in the recitals hereto and means and includes any amendments to the Act.

(b) "Addenda" is defined in the recitals hereto and means and includes any amendments or supplements to the Addenda.

(c) "Authority" is defined in the recitals hereto and means and includes the legal successors or assigns of the Authority.

(d) "Conservation District" is defined in the recitals hereto and means and includes the legal successors or assigns of the Conservation District.

(e) "Customer Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the Customer Contracts.

(f) "Effective Date" is defined in Section 1.02 hereof.

(g) "Fees" refers to the Pumpage Fee and the Import Fee, collectively.

(h) "GRP" is defined in the recitals hereto and means and includes any amendments or supplements to the GRP.

(i) "GRP Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the GRP Contracts.

(j) "Import Fee" means the fee imposed under Section 3.01(b) hereof.

(k) "Participant" means any of the Participants, without distinction.

(l) "Participant Meters" shall have the meaning ascribed to such term in the GRP Contracts.

(m) "Participants" is defined in the recitals hereto and means and includes the Authority, and any Large Volume Groundwater User that executes a GRP Contract with the Authority.

(n) "Payment Commencement Date" shall have the meaning ascribed to such term in a Participant's GRP Contract with respect to such Participant, or August 1, 2010, with respect to the Authority, if applicable.

(o) "Project" is defined in the recitals hereto and means and includes any and all extensions, modifications, enlargements or improvements to the Project permitted under the Addenda and the GRP Contracts.

(p) "PROS" means the "Pumpage Reporting Online System" offered and maintained by or on behalf of the Authority, to record the volume of groundwater water pumped from each Well on a monthly basis and generate monthly bills for fees due thereon pursuant to Section 3.01 hereof.

(q) "Pumpage Fee" means the fee imposed under Section 3.01(a) hereof

(r) "Rules" means the District Regulatory Plan duly adopted by the Conservation District and includes any amendments or supplements to the District Regulatory Plan.

(s) "Well" means any groundwater well operated by any of the Participants, whether currently in operation or placed into operation hereafter, that is subject to the groundwater reduction requirements set forth in the Rules.

(t) "Wells" means each and every Well, collectively, whether one or more.

Section 2.02: Interpretations. The article, section, and subsection 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. References to an entity refer to the legal successors of such entity, and to the board of directors, officers, or other officials of such entity where appropriate.

Section 2.03: 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.

ARTICLE III

FEES AND REPORTING

Section 3.01: Prevailing Fees; Exemptions. (a) *Pumpage Fee.* Each Participant shall pay a Pumpage Fee equal to \$0.75 for each 1,000 gallons of groundwater pumped from each of its Wells during each whole or partial calendar month, beginning on the later of the Effective Date or the Payment Commencement Date stated in such Participant's GRP Contract.

(b) *Import Fee.* Each Participant shall pay an Import Fee equal to \$0.75 for each 1,000 gallons of water imported by the Participant from any person or entity other than another Participant, during each whole or partial calendar month, beginning on the later of the Effective Date or the Payment Commencement Date stated in such Participant's GRP Contract.

(c) *Exemptions.* Notwithstanding paragraph (a) above, no Pumpage Fee shall be due with respect to Wells acquired by Participant that is a municipality if such Wells were formerly owned or operated by a conservation and reclamation district or entity that functioned under a groundwater reduction plan separate from the GRP, and such Participant has notified the Authority in writing that the Wells owned or operated by the district or entity will remain part of the groundwater reduction plan that is separate from the GRP. Notwithstanding paragraph (b) above, no Import Fee shall be due if -

(1) such imported water was derived from the re-use of water (from any source) or wastewater effluent; or

(2) such importation is necessary due to an emergency impacting the ability of Participant to meet its water demands, the period of importation lasts for less than fifteen (15) consecutive days, and Participant has not imported water during more than thirty (30) days during the current calendar year.

If a Participant is exempt, in whole or in part, from paying Fees pursuant to the above provisions of this paragraph, then Participant shall submit a statement describing with reasonable detail the basis on such exemption in place of, or along with, payment to the Authority under Article IV hereof.

Section 3.02: Self-Reporting. (a) *Measurement.* Each Participant shall be responsible for measuring the amount of groundwater pumped from each of its Wells, or imported, by reading the Participant Meters on the Payment Commencement Date, and on the first day of every month thereafter. In the event that Participant Meters have not been installed by a Participant to measure the amount of water imported from a non-Participant, then Participant shall estimate such amount as follows:

$$\begin{array}{r} \text{(Participant's total} \\ \text{metered water sold to} \\ \text{its customers during} \\ \text{time period water was} \\ \text{imported)} \end{array} \quad \times \quad 1.1 \quad - \quad \begin{array}{r} \text{(Participant's} \\ \text{metered} \\ \text{groundwater} \\ \text{pumpage during} \\ \text{same period)} \end{array}$$

(b) *Reporting.* Groundwater pumpage shall be reported to the Authority by submitting such readings through PROS, or by completing and submitting the reporting form attached hereto as Exhibit "A", on or before the applicable due date under Section 4.04 hereof. Unless and until a Participant is provided written notice by the Authority to report the importation of water through PROS, all importation of water shall be reported by completing and submitting the reporting form attached hereto as Exhibit "A", on or before the applicable due date under Section 4.04 hereof.

Section 3.03: Failure to Read Meters. In the event a Participant fails or refuses to read its Participant Meters, the Authority shall have the right, but not the obligation, to read the Participant Meters. In the event that a Participant fails or refuses to read its Participant Meters on the Payment Commencement Date, the Authority shall have the right to read the Participant Meters on two or more occasions in order to calculate Participant's average daily usage and, based on such calculation of average daily

usage, to estimate the reading of the Participant Meters as of the Payment Commencement Date. If the Authority is required to read the Participant Meters, such Participant will be charged an inspection fee of \$50, and the fee due under Section 3.01 hereof shall be calculated based on the Authority's readings or average daily usage, if necessary, regardless of when the Authority reads the Participant Meters.

Section 3.04: Direct Reading. As provided in the GRP Contracts, the Authority may, by amendment, revision or restatement of this Rate Order, modify or repeal such self-reporting procedures and require readings by the Authority or its agents.

ARTICLE IV

PAYMENT OF FEES

Section 4.01: Payment of Pumpage Fee. (a) *PROS Reporting.* Once all Participant Meter readings have been entered into PROS pursuant to Section 3.02(b) hereof, each Participant shall print its Pumpage Fee statement from the PROS and deliver the statement to the Authority with full payment, on or before the due date specified in Section 4.04 hereof.

(b) *Form Reporting.* If a Participant does not utilize PROS, then such Participant shall calculate the Pumpage Fee due the Authority for a given calendar month on the form attached hereto as Exhibit "A" and deliver the completed form to the Authority with full payment, on or before the due date specified in Section 4.04 hereof.

Section 4.02: Payment of Import Fee. If a Participant imports water from a non-Participant, then unless and until a Participant is provided written notice by the Authority to report the importation of water through PROS, such Participant shall calculate the Import Fee due the Authority for a given calendar month on the form attached hereto as Exhibit "A" and deliver the completed form to the Authority with full payment, on or before the due date specified in Section 4.04 hereof.

Section 4.03: Manner and Method of Payment. (a) All Fees due the Authority under Sections 4.01 and 4.02 hereof, and any other fees, rates or charges payable to the Authority under this Rate Order, 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 "San Jacinto River 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.

(b) For purposes of submitting payments, PROS fee statements, reporting forms, or other documents pursuant to this Rate Order, the address of the Authority shall be as set forth below.

San Jacinto River Authority - GRP Division
c/o AVANTA
5635 Northwest Central Dr., Suite 104E
Houston, Texas 77092

Section 4.04: Due Date. A PROS fee statement or a completed reporting form, and payment of all Fees due under Section 3.01 hereof, must be received by the Authority on or before the 18th day of the second calendar month following the whole or partial calendar month for during which Fees were incurred (e.g., payment for pumpage during September, 2011, is due by November 18, 2011; payment for pumpage during October, 2011, is due by December 18, 2011; etc.).

Section 4.05: Self-Remission of Fees. Each Participant shall be responsible for remitting payment to the Authority for Fees on or before the due date therefor specified under Section 4.04 hereof. The Authority will not and shall not be obligated to send an invoice or bill to a Participant for Fees unless the Authority reads the Participant Meters under Section 3.03 hereof. In such case, the Fees any related charges owed by a Participant hereunder shall be specified in a written invoice promptly delivered to such Participant by the Authority. Such invoice shall specify thereon a due date for payment, which due date shall not be less than ten (10) days from the date of the invoice.

ARTICLE V

LATE FEES; INTEREST CHARGES; COLLECTIONS

Section 5.01: Late Fees. Fees due under Section 3.01 hereof shall be increased by 5% if not paid on or before the due date specified under Section 4.04 hereof.

Section 5.02: Interest Charges. Overdue amounts (including applicable late fees) shall accrue interest at 12% per annum (i.e., 1% per month) for each whole or partial calendar month such payment is past due.

Section 5.03: Invoice for Late Fees and Interest Charges. The Authority will provide a written invoice to a Participant for any late fees or interest charges due under Section 5.01 and/or 5.02 hereof. Such invoice shall specify thereon a due date for payment, which due date shall not be less than ten (10) days from the date of the invoice.

Section 5.04: Collection Costs. If the Authority is required to incur costs to collect an overdue account, all such costs, including reasonable attorney's fees, court costs and expenses, shall be paid by the delinquent Participant, and the Authority shall be entitled to collect such costs in any suit for collection of a delinquent account.

ARTICLE VI

RULES RELATING TO METERING

Section 6.01: Audits. The Authority shall have the right to audit the readings from Participant Meters by examining the books and records of a Participant, reading such Participant Meters, or by any other means and methods prescribed by the Authority.

Section 6.02: Right to Enter Land. The Authority and its representatives shall have the right to enter upon the land of a Participant at any reasonable time in order to audit the readings of the Participant Meters or to read Participant Meters in the event a Participant has failed or refused to do so.

Section 6.03: Maintenance and Testing of Participant Meters. The provisions of Section 5.03 of the GRP Contracts, relative to the maintenance and testing of Participant Meters, are incorporated herein for all purposes. The provisions of Section 5.05 of the GRP Contracts, relative to the resolution of disputes concerning tests of Participant Meters, are incorporated herein for all purposes.

Section 6.04: Adjustments. The provisions of Section 5.04 of the GRP Contract, relative to the adjustment of pumpage measured by inaccurate Participant Meters, are incorporated herein for all purposes.

ARTICLE VII

MISCELLANEOUS

Section 7.01: Violation of Rate Order. The adoption of this Rate Order is authorized by the Addenda and by the GRP Contracts and, therefore, any violation of this Rate Order shall be deemed a breach of such contracts. The Authority may exercise any remedy

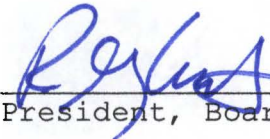
specified under the Addenda or the GRP Contracts, or otherwise available in law or equity to the Authority, where a violation of this Rate Order occurs or is threatened to occur.

Section 7.02: Conflict with Addenda or GRP Contracts. In the event that any provision of this Rate Order is in conflict with any provision of the Addenda or the GRP Contracts, the terms and provisions of this Rate Order shall control unless the Addenda or GRP Contracts specifically provide otherwise.

Section 7.03: Future Amendments. As determined necessary by the Authority, the Authority reserves the right to amend from time to time: (1) the rates, charges and fees contained in this Rate Order; and (2) any other terms and provisions of this Rate Order. The Authority specifically reserves the right to amend this Rate Order, and at such time as the Authority deems necessary, to include provisions related to the delivery of treated surface water to certain Participants by and through the Project or to other charges payable by Participants under the GRP Contracts.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED on May 26, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

Exhibit "A"

**SAN JACINTO RIVER AUTHORITY
Reporting Form**

Participant: _____

Check the billing period for which this report is being filed

√	Billing Period	Due Date
	Sept. 1 – Oct. 1	November 18, 2011
	Oct. 1 – Nov. 1	December 18, 2011
	Nov. 1 – Dec. 1	January 18, 2012
	Dec. 1 – Jan. 1	February 18, 2012
	Jan. 1 – Feb. 1	March 18, 2012
	Feb. 1 – Mar. 1	April 18, 2012
	Mar. 1 – April 1	May 18, 2012
	April 1 – May 1	June 18, 2012
	May 1 – June 1	July 18, 2012
	June 1 – July 1	August 18, 2012
	July 1 – Aug. 1	September 18, 2012
	Aug. 1 – Sep. 1	October 18, 2012

Gallons of groundwater pumped during billing period

Well Identifier / Permit Number	Start Meter Reading	End Meter Reading	Total
<i>(For additional wells or sites, attach additional pages as necessary and put total below)</i>			
All Wells	N/A	N/A	
Import Water	N/A	N/A	

1	Enter total gallons of water	
2	Divide by 1,000	
3	Total fee due (multiply line 2 x \$0.75)	
4	Total due	

If your payment is received late, the Authority will send an invoice for late payment fees and interest as set forth in the Authority's Rate Order.

I declare that the above information is true and correct to the best of my knowledge and belief.

Dated: _____

By: _____

Name: _____

Title: _____

Please complete and return with payment to the following address:

**San Jacinto River Authority – GRP Division
c/o AVANTA
5635 Northwest Central Dr., Suite 104E
Houston, Texas 77092**