

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(RAW WATER CUSTOMERS)

EFFECTIVE JANUARY 1, 2011

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SAN JACINTO RIVER AUTHORITY

RATE ORDER

(RAW WATER CUSTOMERS)

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

RECITALS

WHEREAS, the San Jacinto River Authority (the "Authority"), is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution (the "Act"); and

WHEREAS, the Authority is the holder of permits and other rights for the storage, diversion and withdrawal of water from Lake Conroe, the San Jacinto River, Lake Houston, and the Trinity River ("Raw Water"); and

WHEREAS, the Authority has entered into certain contracts with customers (the "Raw Water Contracts") for the sale of Raw Water to such customers ("Raw Water Customers"); and

WHEREAS, the Raw Water Contracts provide that the Authority may establish and adjust the rate for the sale of Raw Water from time to time; and

WHEREAS, the Authority has entered into certain contracts (the "Customer Contracts") for the financing, construction and operation of the Woodlands Water Supply System (as defined in the Customer Contracts) to serve the conservation and reclamation district customers of the Woodlands Division of the Authority; and

WHEREAS, each of the Customer Contracts has been amended and supplemented by a written addendum, dated as of November 10, 2009 (the "Addenda"), in order to address compliance with groundwater reduction requirements imposed by the Lone Star Groundwater Conservation District (the "Conservation District") and that are applicable to the Authority and the Woodlands Water Supply System; and

WHEREAS, the Authority has entered into contracts (the "GRP Contracts") with certain Large Volume Groundwater Users (as defined in the rules of the Conservation District) in order to address compliance with groundwater reduction requirements imposed by the Conservation District that are also applicable to the water supply systems of such Large Volume Groundwater Users; and

WHEREAS, the Groundwater Reduction Plan Division of the Authority ("GRP Division") has heretofore been created to manage the Authority's operations and responsibilities under the Addenda and the GRP Contracts; and

WHEREAS, the General and Administrative Division of the Authority may sell water to the GRP Division from time to time; and

WHEREAS, the Addenda and the Customer Contracts provide that the Authority may adjust the rate for the sale of Raw Water to the GRP Division from time to time; and

WHEREAS, the Board of Directors of the Authority has determined to adjust its rate for the sale of Raw Water under the Raw Water Contracts and to the GRP Division pursuant to the Addenda and the GRP Contracts; and

WHEREAS, the Board of Directors of the Authority has heretofore determined to establish a uniform Raw Water reservation fee chargeable to Raw Water customers and/or to the GRP Division in consideration for the Authority's undertaking to hold and reserve such Raw Water and to refrain from making long-term contracts with others for the sale and use of such Raw Water; and

WHEREAS, the Board of Directors of the Authority has determined to rescind that certain Resolution Establishing Reservations Fees, passed and approved on December 10, 2009, and incorporate into this Rate Order the substantive provisions set forth in said Resolution;

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

ARTICLE I

FINDINGS; EFFECTIVE DATE; APPLICABILITY

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: Effective Date; Prior Resolutions or Orders. This Resolution shall be effective as of January 1, 2011. That certain Resolution Establishing Reservations Fees, passed and approved by the Board of Directors of the Authority on December 10, 2009, is repealed and superseded hereby in all respects as of January 1, 2011. Further, any prior resolution or order of the Board of Directors of the Authority establishing rates of the sale of Raw Water is repealed and superseded hereby in all respects as of January 1, 2011.

Section 1.03: Applicability. This Rate Order shall be applicable to all sales of Raw Water under any Raw Water Contract, and to the sale of Raw Water to the GRP Division. Notwithstanding the foregoing, this Rate Order shall not be applicable to a Raw Water Contract with a term of six months or less, except to the extent the Raw Water Rate or other provisions hereof are specifically incorporated therein.

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

(e) "GRP Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the GRP Contracts, and any substantially similar contract or contracts hereafter entered into by the Authority with a Large Volume

Groundwater User or Large Volume Groundwater Users relative to achieving compliance with the Conservation District's groundwater reduction requirements.

(f) "Raw Water" is defined in the recitals hereto and shall mean and include all untreated surface water in Lake Conroe, the San Jacinto River, Lake Houston, and the Trinity River, to which the Authority has rights, powers, and authority under or evidenced by Certificate of Adjudication Nos. 10-4963, 10-4964, and 08-4279, and Water Permit Nos. 5271, 5807, 5808 and 5809, as amended, issued by the Texas Commission on Environmental Quality or its predecessors; provided, however, that such term does not include any part of the City of Houston's two-thirds interest in untreated surface water in Lake Conroe under or evidenced by Certificate of Adjudication Nos. 10-4963.

(g) "Raw Water Contracts" is defined in the recitals hereto and means and includes any amendments or supplements to the Raw Contracts, and any substantially similar contract or contracts hereafter entered into by the Authority customer relative to the sale of Raw Water.

(h) "Raw Water Rate" shall mean the rate set forth in Section 3.01(a) hereof applicable to the sale of Raw Water to customers pursuant to the Raw Water Contracts, or to the GRP Division pursuant to the Addenda and the GRP Contracts.

(i) "Reservation Fee" shall mean the fee shall mean the fee set forth in Section 3.02(a) hereof applicable to the commitment and reservation by the Authority of Raw Water for future use by a customer or by the GRP Division.

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

RAW WATER RATE; RESERVATION FEE

Section 3.01: Prevailing Raw Water Rate. (a) Unless otherwise agreed in writing, the prevailing Raw Water Rate shall equal \$0.29 per 1,000 gallons (\$94.50 per acre-foot).

(b) The various provisions of the Raw Water Contracts, the Addenda, and the GRP Contracts shall govern all matters other than the prevailing rate for the sale of Raw Water, including but not limited to quality, quantity, diversion rates, diversion points, operations, repairs, maintenance, re-sales or exchanges, metering, billing, payment, credits against the Raw Water Rate, collections, late fees, penalties and interest, shortages or water and force majeure, in respect of the sale of Raw Water thereunder.

Section 3.02: Reservation Fee. (a) Unless otherwise agreed in writing, the prevailing Reservation Fee shall equal twenty-five percent (25%) of the Raw Water Rate.

(b) The Reservation Fee shall be chargeable to each Raw Water customer of the Authority, and to the GRP Division, for the reservation and commitment by the Authority of Raw Water for future use. The Reservation Fees shall not be applicable to Raw Water purchased at the Raw Water Rate by a customer pursuant to a Raw Water Contract (i.e., all Raw Water under a "take or pay" contract, or any Raw Water actually used under a "requirements" contract), or by the GRP Division, but shall only apply to Raw Water reserved or committed, but not actually used by such customer or by the GRP Division.

(c) Unless otherwise agreed in writing, the Reservation Fee shall be payable as of January 1 of a calendar year, in arrears for the previous calendar year or any portion thereof during which Raw Water was so reserved or committed.

ARTICLE VII

MISCELLANEOUS

Section 4.01: Raw Water Contracts; Addenda; GRP Contracts. In the event that any provision of this Rate Order is in conflict with any provision of the Raw Water Contracts, the Addenda, or the GRP Contracts, then the terms and provisions of this Rate Order shall control only with respect to the prevailing Raw Water Rate or Reservation Fee, and the Raw Water Contracts, the Addenda, or GRP Contracts shall control with respect to any other matter.

Section 4.02: 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.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED on August 26, 2010.



President, Board of Directors

ATTEST



Secretary, Board of Directors

(SEAL)