

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
JUNE 23, 2016**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., June 23, 2016, at the San Jacinto River Authority General and Administration Building, a notice of said meeting was posted as required by law. President Lloyd Tisdale, Vice President Fred Koetting, Secretary John Eckstrum, and Board Members Jim Alexander, Ronnie Anderson, and Gary Renola were present. Treasurer Mike Bleier was absent. General Manager Jace Houston, Deputy General Manager Ron Kelling, Director of Financial and Administrative Services Tom Michel, Director of Raw Water Enterprise David Parkhill, Woodlands Interim Division Manager Chris Meeks, GRP Division Manager Mark Smith, Lake Conroe Division Manager Bret Raley, Public Relations Manager Ronda Trow, Administrative Services Manager Cynthia Bowman, General Counsel Mitchell Page, and Financial Advisor Ryan Nesmith were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:03 a.m.

2. PLEDGE OF ALLEGIANCE

The Pledges of Allegiance were led by Mr. Eckstrum.

It was announced that the agenda would be followed out of order.

4. PUBLIC COMMENTS

Mr. Doug Miller, 818 Kid Lane, Pinehurst, Texas, and Ms. Cindy Hillman of HMU Special Utility District, spoke in opposition to agenda item 7c1.

3. APPOINTMENT OF DIRECTORS

a. Announce appointments to the Board of Directors by the Governor of the State of Texas.

Mr. Houston announced that Mr. Fred Koetting had been reappointed to the Board of Directors by the Governor and introduced newly-appointed directors Ronnie Anderson and Gary Renola. Mr. Anderson and Mr. Renola briefly introduced themselves and were welcomed by the Board.

b. Adoption of resolutions commending Mary Rummell and Joseph Stunja for their service to the San Jacinto River Authority as directors.

Mr. Houston along with Mr. Tisdale presented resolutions to Mary "Marissa" Rummel and Joseph "Joe" Stunja. Following comments from Ms. Rummell and Mr. Stunja, Mr. Koetting made a motion to adopt Resolution No. 2016-R-11 and Resolution No. 2016-R-12 commending Mary Rummell and Joseph Stunja for their service to the San Jacinto River Authority. The motion was seconded by Mr. Eckstrum and carried unanimously.

5. DIVISION UPDATES

a. General Manger

Mr. Houston reported on his attendance at various meetings in and around the area as well as his attendance at legislative committee hearings in Austin related to various water issues.

Mr. Houston, Mr. Raley, Mr. Meeks, Mr. Smith, and Ms. Trow presented information regarding the May 26-30, 2016, Memorial Day weekend rainfall event as it related to General and Administration Departments, the Lake Conroe Division, the Woodlands Division, the GRP Division, and public relations, respectively. Many department and division employees were thanked for their round-the-clock efforts and dedication during the event.

b. Public Relations

Ms. Trow reported that SJRA hosted students from the Conroe Independent School District's Student Leadership Academy.

c. Finance and Administration

Mr. Michel gave an overview of the quarterly investment report and reported that the Finance Committee would meet on June 30, 2016, to review the proposed Fiscal Year 2017 budget.

d. Woodlands

Mr. Meeks had nothing to report as it related to the Woodlands Division.

e. GRP

Mr. Smith provided the GRP Monthly Operations Report; spoke in regard to demand related to current weather conditions; provided an update regarding the extension of transmission line W3C from Rayford Road Municipal Utility District to Municipal Utility District No. 99; and reported that investigations continue regarding the water line break in The Woodlands.

f. Raw Water

Mr. Parkhill reported on the status of the joint grant application submission with the City of Conroe and Montgomery County related to flood protection planning.

6. CONSENT AGENDA

Mr. Koetting made a motion to approve the consent agenda with the exception of agenda item 6h, which was removed from the consent agenda for separate consideration. The motion was seconded by Mr. Eckstrum and carried unanimously.

G&A

a. **Approval of Minutes** - Regular Meeting of May 26, 2016.

b. **Unaudited Financials for the Month of May, 2016**

Consider approval of the unaudited financials for the month of May, 2016.

c. Quarterly Investment Report for the Quarter Ended May 31, 2016

Consider approval of the Quarterly Investment Report for the Quarter Ended May 31, 2016.

d. Request for Opinion to the Texas Attorney General Regarding the Investment of Authority Funds

Consider authorizing the Board President to sign and deliver to the Texas Attorney General a request for opinion regarding the investment of Authority funds.

WOODLANDS

e. There were no items for consideration as it related to the Woodlands Division.

GRP

f. Consent to Assignment of GRP Contract by Ranch Utilities, L.P., to Quadvest, L.P.

Consider authorizing the General Manager to execute Consent to Assignment of GRP Contract by Ranch Utilities, L.P., to Quadvest, L.P.

g. New GRP Participants

This item was not considered as there were no new participants.

7. REGULAR AGENDA

a. G&A

1. Appointment of Members to Standing Committees of the Board of Directors

Announce appointment of members to standing committees of the Board of Directors.

Mr. Tisdale announced the appointment of Board members to standing committees as follows: Construction Committee – Fred Koetting (Chair), John Eckstrum, and Gary Renola; Finance Committee – Mike Bleier (Chair), Ronnie Anderson, and Lloyd Tisdale; Long Range Planning Committee – Lloyd Tisdale (Chair), Jim Alexander, and Fred Koetting; Personnel Committee – John Eckstrum (Chair), Gary Renola, and Ronnie Anderson; and Retirement Plans Investment Committee – Mike Bleier.

2. Presentation Regarding Proposed Order Adopting Revised Code of Ethics and Other Policies and Procedures

Distribute and receive brief presentation regarding the proposed Order adopting revised Code of Ethics and other policies and procedures.

Mr. Page gave an overview of the changes being proposed, stating that this order will update the previous policy, account for State laws related to conflicts of interest and conflict disclosures, and add a Code of Ethics. Mr. Page stated that no action will be taken at this time, however the proposed order will be presented to the Board for approval at the July Board of Directors meeting.

b. WOODLANDS**1. Professional Services Agreement and Work Order No. 1 for Rehabilitation of Bear Branch Gravity Main**

Mr. Meeks presented information related to this project. With no discussion, Mr. Eckstrum made a motion to authorize the General Manager to execute a Professional Services Agreement and Work Order No. 1 with ARKK Engineers, LLC, in an amount not to exceed \$386,554.68, for Rehabilitation of Bear Branch Gravity Main in The Woodlands. The motion was seconded by Mr. Alexander and carried unanimously.

c. GRP**1. Amended Rate Order for GRP Participants**

Consider approving an amended rate order for GRP participants.

Mr. Smith reported that the amended Rate Order for GRP Participants was presented to the GRP Review Committee on May 23, 2016, at which time the committee members were given the opportunity to make comments regarding the proposed rate order. He stated that only one comment was submitted, which was discussed, and no further comments or concerns were expressed. Mr. Smith stated the GRP Review Committee voted unanimously to recommend approval of the amended rate order for GRP participants to the Board of Directors. With no further discussion, Mr. Koetting made a motion to approve the amended rate order for GRP Participants. The motion was seconded by Mr. Alexander and passed with all present voting aye.

2. Professional Services Agreement and Work Order No. 1 for Surface Water Treatment Plant Optimization

Mr. Smith stated that this project has been in the GRP Capital Improvements Program for a couple of years in anticipation of identifying processes to improve operations, reduce costs, and optimize effectiveness at the water plant. Mr. Kelling explained that HDR staff will work closely with GRP staff through this process. Following discussion, Mr. Eckstrum made a motion to authorize the General Manager to execute a Professional Services Agreement and Work Order No. 1 with HDR Engineering, Inc., in an amount not to exceed \$675,000, for Surface Water Treatment Plant Optimization for the GRP Program. The motion was seconded by Mr. Koetting and carried unanimously.

3. Construction Contract for a Bypass Pipe at the GRP Raw Water Intake and Pump Station

Mr. Smith explained that actual participant surface water demands are currently lower than anticipated resulting in a single pump at the Raw Water Intake and Pump Station running for longer continuous periods than originally contemplated. He stated that adding a bypass pipe at the pump station would allow either of the two larger pumps to provide redundancy for the small pump by simulating a lower flow profile if the small pump has to be removed from service on a temporary basis for any reason during these periods of lower demand. With no further discussion, Mr. Eckstrum made a motion to authorize the General Manager to execute a construction contract with C3 Constructors, LLC, in the amount of \$86,800, for a bypass pipe at the GRP Raw Water Intake and Pump Station. The motion was seconded by Mr. Alexander and carried unanimously.

d. RAW WATER ENTERPRISE

1. Briefing Regarding Determination of Emergency Condition and Execution of Amendment No. 2 for Toe Drain Repairs of Lake Conroe Dam

Receive briefing regarding determination of emergency condition by the General Manager and subsequent action to execute Amendment No. 2 for toe drain repairs of Lake Conroe Dam.

Mr. Parkhill provided information related to certain repairs that had been made to the toe drain at Lake Conroe Dam. The repairs were made on an emergency basis, therefore he explained that no board action was needed for this item at this time. He stated that the record setting rainfall of May 26, 2016, at the Lake Conroe Dam produced 4.6-inches of rainfall in one hour and up to 12-inches of total rainfall in some areas of the watershed. Further, on May 27, 2016, following inspection of the dam, it was revealed that the gravel toe drain system experienced significant washout and erosion, exposing part of the earthen subgrade on the backside of the dam. Mr. Parkhill stated that under the current policies and procedures, the General Manager has the authority to authorize these emergency expenditures. Mr. Parkhill further explained that due to the critical nature of the toe drain repairs and the need to ensure the safety of the dam and the general public, the General Manager authorized Amendment No. 2 (in the amount of \$60,000) to the existing annual contract with Huff and Mitchell, Inc., for said repairs.

8. BRIEFINGS AND PRESENTATIONS

a. Presentation regarding G&A Fiscal Year 2017-2021 Capital Improvement Program.

Mr. Houston presented an overview of the General and Administration Division Capital Improvement Program (CIP) for Fiscal Years 2017-2021. He provided information on each project detailing the funding source and fiscal year in which the projects would be funded.

b. Presentation regarding Woodlands Fiscal Year 2017-2021 Capital Improvement Program.

Mr. Robert Upton presented an overview of the Woodlands Division Capital Improvement Program (CIP) for Fiscal Years 2017-2021. He provided detailed information related to several projects for the water and wastewater systems. Mr. Upton concluded with a CIP cost schedule in a total estimated amount of \$50,482,500, over the five-year period. He provided an overview of potential funding options for those future costs.

9. EXECUTIVE SESSION

The meeting was called into executive session at 9:58 a.m., under the provisions of Section 551, Texas Local Government Code, to discuss topics under the authority of Section 551.072, deliberation regarding real property.

10. RECONVENE IN OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION

The meeting was called into open session at 10:37 a.m.

The Board then considered the item previously removed from the consent agenda for separate consideration.

6h. Sale of Surplus Real Property

Mr. Eckstrum made a motion to declare to be surplus and authorize the disposal by sale of a 5.074 acre tract of surplus real property located in Montgomery County, Texas, to WGB RV Park on the Lake, LLC, in the amount of \$347,400, and authorize the General Manager to execute all necessary documents to complete the transaction. The motion was seconded by Mr. Koetting and carried unanimously.

11. ANNOUNCEMENTS / FUTURE AGENDA

Mr. Tisdale announced that the next SJRA Board meeting will take place on July 28, 2016.

12. ADJOURN

Without objection, the meeting was adjourned at 10:39 a.m.



John Eckstrum, Secretary
San Jacinto River Authority

Exhibit A

RESOLUTION NO. 2016 R-11

A RESOLUTION RECOGNIZING MARY "MARISA" RUMMELL FOR HER SERVICE AS A MEMBER OF THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY

WHEREAS, on April 16, 2004, Governor Rick Perry appointed Mary "Marisa" Rummell, to serve as a member of the Board of Directors of the San Jacinto River Authority; and

WHEREAS, Ms. Rummell brought a wealth of business, civic, and political experience, as well as her established relationships in Montgomery County and the greater Houston business communities and her well-earned reputation and credibility in the petrochemical industry; and

WHEREAS, on May 22, 2008, Ms. Rummell was elected by the members of the Board of Directors to serve as Treasurer of the Board, a position she held until August 25, 2011, whereupon she was then elected by her peers to her current position of Board Secretary; and

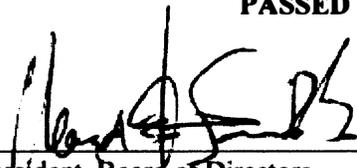
WHEREAS, during her distinguished tenure and, in no small measure, due to her leadership and guidance, the Authority experienced one of the most productive and exciting periods in its operating history of more than seventy-five years, including the development of a groundwater reduction plan for the Authority's service area; the restaffing of several key positions in the Authority's senior management; the continued improvement and increased efficiency of the Authority's business operations and contracting, procurement, and financial practices; the continued education of the general public, customers, and political leaders regarding the services and resources of the San Jacinto River Authority; and a number of other equally significant accomplishments; and

WHEREAS, Ms. Rummell's experience, business skills, professionalism, and advice will be long remembered and often missed;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT:

The San Jacinto River Authority hereby expresses to Mary "Marisa" Rummell, its best wishes for continued success in her future endeavors and its profound thanks and appreciation for her dedicated years of service and many valuable contributions to the Authority, for her leadership and advice, and for her efforts in ensuring a successful future for the Authority, its employees, customers, and constituents.

PASSED AND APPROVED this 23rd day of June, 2016.



President, Board of Directors



Secretary, Board of Directors

Exhibit B

RESOLUTION NO. 2016-R-12

A RESOLUTION RECOGNIZING JOSEPH L. STUNJA FOR HIS SERVICE AS A MEMBER OF THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY

WHEREAS, on April 25, 2008, Governor Rick Perry appointed Joseph L. Stunja, to serve as a member of the Board of Directors of the San Jacinto River Authority; and

WHEREAS, Mr. Stunja brought a wealth of business, civic, and political experience, as well as his established relationships in Montgomery County and the greater Houston business communities and his well-earned reputation and credibility in the field of real estate development; and

WHEREAS, on August 25, 2011, Mr. Stunja was elected by the members of the Board of Directors to serve as Treasurer of the Board, a position he held until his resignation on March 1, 2016; and

WHEREAS, during his distinguished tenure and, in no small measure, due to his leadership and guidance, the Authority experienced one of the most productive and exciting periods in its operating history of more than seventy-five years, including the development of a groundwater reduction plan for the Authority's service area; the restaffing of several key positions in the Authority's senior management; the continued improvement and increased efficiency of the Authority's business operations and contracting, procurement, and financial practices; the continued education of the general public, customers, and political leaders regarding the services and resources of the San Jacinto River Authority; and a number of other equally significant accomplishments; and

WHEREAS, Mr. Stunja has determined to forego the remainder of his term on the Board in order to afford himself more time and opportunity to pursue personal interests, and while his retirement from the Board is well-deserved, his experience, business skills, professionalism, and advice will be long remembered and often missed;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT:

The San Jacinto River Authority hereby expresses to Joseph L. Stunja, its best wishes for continued success in his future endeavors and its profound thanks and appreciation for his dedicated years of service and many valuable contributions to the Authority, for his leadership and advice, and for his efforts in ensuring a successful future for the Authority, its employees, customers, and constituents.

PASSED AND APPROVED this 23rd day of June, 2016.



President, Board of Directors



Secretary, Board of Directors

Exhibit C

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(GRP PARTICIPANTS)

Order No. 2016-0-01

*ADOPTED JUNE 23, 2016
EFFECTIVE JUNE 23, 2016*

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SAN JACINTO RIVER AUTHORITY

RATE ORDER

(GRP PARTICIPANTS)

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 authorized by the Act, and the general laws of the State to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend, inside and outside its boundaries, any and all works, improvements, facilities, plants, equipment and appliances necessary to provide a water supply system for serving its needs and/or the needs of its customers; 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 District Regulatory Plan 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 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 Participants, as

feasible and necessary to implement the GRP; (d) assess fees on the pumpage of groundwater wells operated by the 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 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; EFFECTIVE DATE; PRIOR RATE ORDER

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 Rate Order. This Order shall be effective as of June 23, 2016 (the "Effective Date"). That certain prior Rate Order adopted by the Authority on August 27, 2015, designated as Order No. 2015-O-02, shall be repealed and superseded hereby in 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:

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

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

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

"Authority Meters" has the meaning ascribed to such term in the GRP Contracts.

"AWS Well" means any groundwater well operated by any Participant, whether currently in operation or placed into operation hereafter, that produces water qualifying as an "Alternative Water Source" under the Rules.

"AWS Wells" means each and every AWS Well, collectively, whether one or more.

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

"Contract Quantity" has the meaning ascribed to such term in the GRP Contracts.

"Conversion Date" means the date upon a Converted Participant shall begin making payment for Surface Water.

"Converted Participant" means a Participant receiving Surface Water from the Project.

"Converted Participant's Receiving Facilities" means the water plant or other water system facilities at the Point of Delivery where a Converted Participant receives Surface Water from the Project.

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

"Effective Date" is defined in Section 1.02 hereof.

"Fees" means the Pumpage Fee, the Import Fee and the Surface Water Fee, collectively.

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

"GRP Administrator" has the meaning ascribed to such term in the GRP Contracts.

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

"GRP Drought Contingency Plan" means the Drought Contingency Plan for San Jacinto River Authority GRP Division, adopted by the Board of Directors of the Authority on March 27, 2014, and any amendments or supplements thereto.

"GRP Water Conservation Plan" means the Water Conservation Plan for San Jacinto River Authority GRP Division, adopted by the Board of Directors of the Authority on March 27, 2014, and any amendments or supplements thereto.

"Import Fee" means the fee imposed under Section 3.02(a) hereof.

"Initial-Conversion-Obligation-Adjusted Total Qualifying Demand" or "ICO-Adjusted Total Qualifying Demand" has the meaning ascribed to such term under the Plan and generally means (a) for Total Qualifying Demand of 10 million gallons or greater, 70 percent of the Total Qualifying Demand or 10 million gallons, whichever amount is greater, and (b) for Total Qualifying Demand of less than 10 million gallons, the original Total Qualifying Demand.

"ORS" means the online reporting system offered and maintained by or on behalf of the Authority, currently the "TrueBill" system or any successor system.

"Participant" means any of the Participants, without distinction.

"Participant Meters" has the meaning ascribed to such term in the GRP Contracts.

"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.

"Payment Commencement Date" has 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.

"Plan" means the District Regulatory Plan adopted by the Conservation District and includes any amendments, revisions or supplements thereto as may be adopted by the Conservation District on or after the Effective Date.

"Point of Delivery" has the meaning ascribed to such term in the GRP Contracts.

"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.

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

"Surface Water Fee" means the fee imposed under Section 3.03 hereof applicable to Surface Water delivered by and through the Project to a Converted Participant.

"Surface Water" means treated surface water delivered by and through the Project (i.e., "Water" as defined under the GRP Contracts).

"Total Qualifying Demand" has the meaning ascribed to such term under the Plan and generally means the final volume of groundwater that a permit holder is authorized under the terms of a permit issued by the Conservation District to produce from Wells in the Gulf Coast Aquifer (Chico, Evangeline and Jasper Aquifers) in calendar year 2009, as determined by the Conservation District in accordance with the Plan.

"Well" means any groundwater well operated by any Participant, whether currently in operation or placed into operation hereafter, that is subject to the groundwater reduction requirements set forth in the Plan. Accordingly, such term does not include any AWS Well.

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

Section 2.02: Interpretations. The article, section, subsection and paragraph 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. For the avoidance of doubt, 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 RATES

Section 3.01: Pumpage Fee.

(a) *General.* Each Participant shall pay a Pumpage Fee of \$2.32 per 1,000 gallons of groundwater pumped from 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 and continuing through August 31, 2016. Thereafter, each Participant shall pay a Pumpage Fee of \$2.50 per 1,000 gallons of groundwater pumped from its Wells during each whole or partial calendar month, beginning on the later of September 1, 2016 or the Payment Commencement Date stated in such Participant's GRP Contract. Such pumpage of groundwater shall be metered by Participant in accordance with Article VIII hereof and reported to the Authority in accordance with Article IV hereof. Payment of the Pumpage Fee shall be remitted to the Authority in accordance with Article V hereof.

(b) *Exception.* 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. If a Participant is exempt, in whole or in part, from paying a Pumpage Fee pursuant to the above, 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 V hereof.

Section 3.02: Import Fee.

(a) *General.* Each Participant shall pay an Import Fee of \$2.32 per 1,000 gallons of water imported by Participant from any person or entity, 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 and continuing through August 31, 2016. Thereafter, each Participant shall pay an Import Fee of \$2.50 per 1,000 gallons of water imported by Participant from any person or entity, during each whole or partial calendar month, beginning on the later of September 1, 2016 or the Payment Commencement Date stated in such Participant's GRP Contract. Such importation of water shall be metered by Participant as in accordance with Article VIII hereof and reported to the Authority in accordance with Article IV hereof. Payment of the Import Fee shall be remitted to the Authority in accordance with Article V hereof.

(b) *Exceptions.* Notwithstanding paragraph (b) above, no Import Fee shall be due if –

- (1) such imported water was supplied to a Participant from another Participant;
- (2) such imported water was derived from the re-use of water (from any source) or wastewater effluent;
- (3) such imported water was derived from water withdrawn from an AWS Well;
or
- (4) 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 an Import Fee pursuant to the above, then Participant shall submit a statement describing with reasonable detail the basis for the exemption along with, or in place of, payment to the Authority under Article V hereof.

Section 3.03: Surface Water Fee. Each Converted Participant shall pay a Surface Water Fee of \$2.51 per 1,000 gallons of Surface Water delivered by and through the Project to the Converted Participant's Receiving Facilities during each whole or partial calendar month, beginning on the Conversion Date and continuing through August 31, 2016. Thereafter, each Converted Participant shall pay a Surface Water Fee of \$2.69 per 1,000 gallons of Surface Water delivered by and through the Project to the Converted Participant's Receiving Facilities during each whole or partial calendar month, beginning on September 1, 2016. Such delivery of Surface Water shall be metered at the Point(s) of Delivery by Authority in accordance with Article VIII hereof and reported to the Converted Participant in accordance with Article IV hereof. Payment of the Surface Water Fee shall be remitted to the Authority in accordance with Article V hereof.

ARTICLE IV

REPORTING

Section 4.01: Self-Reporting.

(a) *Measurement of Groundwater.* Each Participant shall be responsible for measuring the amount of groundwater pumped from each of its Wells and/or AWS Wells by reading the Participant Meters on the Payment Commencement Date and on the first day of every month thereafter.

(b) *Measurement of Imported Water.* Each Participant shall be responsible for measuring the amount of water imported from any non-Participant by reading the Participant Meters on the Payment Commencement Date and on the first day of every month thereafter. A Participant shall not be responsible for measuring the amount of water imported from another Participant.

(c) *Measurement of Surface Water.* The Authority shall be responsible for measuring the amount of Surface Water supplied to each Converted Participant by reading the Authority Meters on the Conversion Date and on the first day of every month thereafter. Such reading shall generally be conducted remotely but from time to time may be conducted by direct reading by the Authority or its agents.

(d) *Other Measurement.* In order to monitor Participant water demands, the GRP Administrator may implement reasonable procedures to directly or indirectly measure (1) water imported from another Participant, and (2) water demands met by a Participant with water derived from the re-use of water (from any source) or wastewater effluent. Such procedures shall not require the installation of meters unless such installation is at the cost and expense of the Authority.

(e) *Reporting.* Water usage measured by the Participant (even if zero) shall be reported to the Authority by submitting readings through ORS or, if applicable, by submitting readings on a completed reporting form provided by the Authority. Reports must be received by the Authority on or before the 10th day of the first calendar month for which water usage is required to be measured incurred (e.g., water usage measured during June, 2016, must be reported by July 10, 2016, and payment of any associated Fees will be due on August 18, 2016; water usage measured during July, 2016, must be reported by August 10, 2016, and payment of any associated Fees will be due on September 18, 2016; etc.). Surface Water usage measured by the Authority Meters shall be made available by the Authority to the Converted Participant through ORS. The GRP Administrator may provide a form to be submitted to the Authority in writing to supplement reporting through ORS with respect to any category of water usage that is not then supported through the ORS reporting system. In addition, the GRP Administrator will provide a form that may be submitted to the Authority in writing to report usage as an alternative to reporting same through ORS but only upon the request of Participant.

Section 4.02: Failure to Report. 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 upon 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 \$250, and any Fees due under Article III hereof shall be calculated based upon the Authority's readings or average daily usage, if necessary, regardless of when the Authority reads the Participant Meters.

Section 4.03: Direct Reading. As provided in the GRP Contracts, the Authority may, by amendment, revision or restatement of this Rate Order, modify or repeal self-reporting procedures applicable to the Participant Meters and require readings by the Authority or its agents.

ARTICLE V

PAYMENT OF FEES

Section 5.01: Payment of Fees.

(a) *ORS Reporting.* Once all Participant Meter readings have been entered into ORS pursuant to Section 4.01 hereof, each Participant shall print its statement of Fees from the ORS and deliver the statement to the Authority with full payment, on or before the due date specified in Section 5.03 hereof.

(b) *Form Reporting.* If a Participant does not report through ORS, or must supplement reporting through ORS, then such Participant shall calculate Fees due the Authority for a given calendar month on the form provided by the GRP Administrator and deliver the completed form to the Authority with full payment, on or before the due date specified in Section 5.03 hereof.

Section 5.02: Manner and Method of Payment.

(a) All Fees due the Authority under Sections 5.01 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, ORS 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
Attn: GRP Administrator
GRP Division
P.O. Box 329
Conroe, TX 77305

Section 5.03: Due Date. A ORS fee statement or a completed reporting form, and payment of all Fees due under Article III 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 such Fees were incurred (e.g., water usage measured during June, 2016, must be reported by July 10, 2016, and payment of any associated Fees will be due on August 18, 2016; water usage measured during July,

2016, must be reported by August 10, 2016, and payment of any associated Fees will be due on September 18, 2016; etc.).

Section 5.04: Self-Remission. Each Participant shall be responsible for remitting payment to the Authority for Fees on or before the due date specified under Section 5.03 hereof. The Authority will not and shall not be obligated to send an invoice or bill to a Participant for Fees unless the Authority, except to the extent that the Authority reads the Participant Meters under Sections 4.02 or 4.03 hereof. In such case, the Fees and 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 after the date of the invoice.

ARTICLE VI

CONSERVATION DISTRICT PERMITTING; OTHER INFORMATION

Section 6.01: Applicability of Conservation District Permitting Requirements. The GRP provides that the Authority will reduce groundwater production from the Gulf Coast Aquifer (Chico, Evangeline and Jasper Aquifers) by certain Participants so that, collectively, all Participants achieve and maintain compliance with the Plan. This will be achieved primarily through the Authority's delivery of Surface Water to the Converted Participants and the consequent reduction in groundwater production from the Wells owned and operated by such Converted Participants. The development of other alternative water supplies (such as groundwater production from AWS Wells and water supplies developed from re-use projects) and the impacts of water conservation may further reduce groundwater production by Participants. Based upon the foregoing, the GRP is a "Joint GRP" as defined in and for all purposes of Phase II(B) of the Plan. The Authority, as administrator of the GRP, and all Participants are subject to the permitting requirements applicable to Joint GRPs under Phase II(B) of the Plan.

Section 6.02: Summary of Permitting Requirements; AWS Wells Excluded. (a) The Conservation District is to provide notice of Well permit renewals to the Authority and to all Participants included in the GRP on an annual basis. Under Phase II(B) of the Plan, the GRP Administrator is obligated to then prepare and provide to the Conservation District, not later than September 1, a schedule (the "Production Schedule") of the amount of groundwater each Participant will be authorized to produce from its Well(s) during the following calendar year. The Production Schedule must demonstrate that the Participants, collectively, will achieve the Initial Conversion Obligation for the aggregated Total Qualifying Demand of all Participants and otherwise meet the Conservation District's groundwater reduction requirements under the Plan. The Conservation District is to review and take action on the Well renewal permit application(s) and the accompanying Production Schedule in accordance with the Plan and the Conservation District's Rules.

(b) Under Phase II(B) of the Plan, the Authority has no right or obligation to process renewal permits for AWS Wells owned, operated or maintained by Participants. Accordingly, each Participant shall be responsible for securing, renewing, and otherwise maintaining permits for the Participant's AWS Wells.

Section 6.03: Implementation of Permitting Requirements by GRP Administrator.

(a) *Production Schedule.* In order to timely process permit renewals for all Participant Wells included in the GRP, develop the Production Schedule, and otherwise comply with applicable permitting requirements under Phase II(B) of the Plan, the Authority hereby adopts the following procedures.

(1) On an annual basis, the GRP Administrator shall determine, in his or her reasonable discretion, the proposed amount of groundwater each Participant will be authorized to produce from its Well(s) during the following calendar year. In making such determination, the GRP Administrator shall for each Participant (i) estimate the Participant's projected water demands for the following calendar year based upon the Participant's historical water demands and projected water demands, as reflected in the Participant's GRP Contract, and based upon the Participant's actual reported production from its Well(s), and (ii) estimate the sources of supply necessary to meet the Participant's projected water demand for the following calendar year, including but not limited to the Participant's ICO-Adjusted Total Qualifying Demand, Surface Water to be delivered to the Participant, if any, and any other alternative water supplies that may be used to supplement or supplant groundwater production from the Participant's Well(s). To the extent that a Participant's projected water demands exceed the Participant's sources of supply, the GRP Administrator shall allocate additional groundwater production from the Gulf Coast Aquifer made available through the GRP to such Participant.

(2) Not later than July 1, the GRP Administrator shall provide each Participant with written notice of the proposed amount of groundwater each Participant will be authorized to produce from its Well(s) during the following calendar year. Each Participant shall have the opportunity to submit written comments to same to the GRP Administrator at the address specified in the notice or, if no address is so specified, at the address set forth in Section 5.02(b) hereof. Any comments must be received by the GRP Administrator on or before August 15.

(3) The GRP Administrator shall reasonably consider all comments received from the Participant and, in connection therewith, prepare a final Production Schedule for the GRP and all Participants.

(4) On or before September 1, the GRP Administrator shall submit the final Production Schedule to the Conservation District for review and approval.

(b) *Renewal Filings.* The GRP Administrator shall sign renewal application(s) on behalf of all the Participants and their Wells included in the GRP, and take all other actions necessary to secure the annual renewal of permits for such Wells by the Conservation District. To the extent required by the Conservation District, each Participant shall execute any necessary permit renewal application materials reasonably requested by the GRP Administrator. Unless otherwise extended by the GRP Administrator, such materials shall be provided to the GRP Administrator no later than thirty (30) days following receipt of a written request for same.

(c) *Notice of Renewal.* If not otherwise provided by the Conservation District, the GRP Administrator shall provide each Participant with a copy of the renewed permit(s) for the Participant's Wells within thirty (30) days following receipt of same by the Authority.

Section 6.04: Amendments to Production Schedule and Conservation District Permits; Total Qualifying Demand.

(a) *Request for Amendment of Production Schedule and/or Permit Amount.* A Participant may from time to time submit a written request to the GRP Administrator for an increase, or a decrease, of the annual amount of groundwater authorized to be produced from the Participant's Well(s) under the Production Schedule and/or under the Participant's Conservation District permit(s). The GRP Administrator shall consider the request and approve of same if, after giving effect to such request, the GRP Administrator determines that the Participants will achieve the Initial Conversation Obligation for the aggregate Total Qualifying Demand of all Participants. If the request is approved, the GRP Administrator shall notify the Participant in writing and prepare an amendment to the Production Schedule to reflect the approved request. Further, the GRP Administrator shall file and prosecute an application with the Conservation District to reflect the approved request, as and if required by the Conservation District. Each Participant shall execute any necessary amendment application materials reasonably requested by the GRP Administrator to file and prosecute such an amendment. Unless otherwise extended by the GRP Administrator, such materials shall be provided to the GRP Administrator no later than thirty (30) days following receipt of a written request for same. If the request is denied or conditioned, the GRP Administrator shall notify the Participant in writing of the reasons therefor.

(b) *Approval of Production Schedule and/or Permit Amendment by Conservation District.* The GRP Administrator shall provide the Participant requesting an amendment to the Production Schedule with written notice of the approval or denial of such request within thirty (30) calendar days thereafter. Notice of approval of a request shall be accompanied by a revised Production Schedule reflecting approved request. Further, if a permit amendment must be approved by the Conservation District to reflect an amendment pursuant to subsection (a), above, the GRP Administrator shall notify the Participant of same within thirty (30) calendar days of approval by the Conservation District and provide the Participant with a copy of the Conservation District approval and the amended permit.

(c) *Adjustment of Permitting Fees.* If a request for a permit increase or decrease is approved pursuant to a request made under subsection (a), above, the GRP Administrator shall issue an invoice or credit to the Participant for associated Conservation District permitting fees in accordance with Section 6.06 hereof.

(d) *Total Qualifying Demand.* In order to ensure that the Total Qualifying Demand of the Participants, collectively, is available for allocation in accordance with the GRP and the Production Schedule, no Participant shall sell, transfer, or otherwise dispose of Total Qualifying Demand without the prior written consent of GRP Administrator, which consent must receive prior approval by the Review Committee and the Authority's Board of Directors.

Section 6.05: Permits Binding; Penalties and Disincentive Fees. (a) Under Phase II(B) of the Plan, the Conservation District's approval of a Participant's Well permit application and the applicable information in the Production Schedule shall be a condition of the renewed permit and shall be binding upon the Authority, as administrator of the GRP, and upon the Participant.

(b) If a Participant produces groundwater from its Well(s) in excess of the total authorized production reflected under the Conversation District permit for the Well(s), the Participant shall pay the Authority for any Conservation District disincentive fees or penalties assessed against the GRP as a result. The GRP Administrator shall provide a written invoice to the Participant for any disincentive

fees or penalties due hereunder. 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. All disincentive fees or penalties invoiced hereunder shall be in addition to, and not in substitution for, any other Fees or amounts owed the Authority.

Section 6.06: Pass-Through of Permitting Fees. (a) Under Phase II(B) of the Plan, the Authority is responsible for payment of all Conservation District permitting fees (including, but not limited to, water use fees, groundwater transport fees, and administrative fees) associated with all Participant Well permits in the GRP. Accordingly, the GRP Administrator shall pass-through such fees to the Participants by providing a written invoice to each Participant, on a quarterly basis, for Conservation District permitting fees due in respect of the Participant's Well permit(s). Such invoice shall specify thereon a due date for payment, which due date shall not be less than sixty (60) calendar days from the date of the invoice.

(b) If a request for an increase of the annual amount of groundwater authorized to be produced from a Participant's Well(s) is approved pursuant to Section 6.04 hereof, the GRP Administrator shall pass-through any resulting Conservation District permitting fees to the Participant by providing a written invoice for same to the Participant. Such invoice shall specify thereon a due date for payment, which due date shall not be less than sixty (60) days from the date of the invoice, or the date that is ten (10) calendar days before payment is due from the Authority to the Conservation District, whichever occurs first in time. As an alternative to the foregoing, at the option and discretion of the GRP Administrator, the GRP Administrator may add any such Conservation District permitting fees to the next ensuing quarterly invoice provided to the Participant under subsection (a), above.

(c) If a request for a decrease of the annual amount of groundwater authorized to be produced from a Participant's Well(s) is approved pursuant to Section 6.04 hereof, the GRP Administrator may pass-through a credit for Conservation District fees paid or due with respect to the reduction, subject to the ability of the GRP Administrator to allocate the reduction in pumpage to other Participants requesting an increase in pumpage and to collect additional permitting fees from such other Participants to pass-through the credit. As and if approved, such credit shall be due from and paid by the Authority within sixty (60) days from the date of receipt of such credit from the Conservation District. As an alternative to foregoing, at the option and discretion of the GRP Administrator, the GRP Administrator may apply any such Conservation District credit to the next ensuing quarterly invoice provided to the Participant under subsection (a), above.

(d) In the event that the amount of groundwater actually produced from the Participants' Wells in a given year is less than the annual amount of groundwater projected to be produced from the Participants' Wells in such year, as shown on the current Production Schedule for such year, the GRP Administrator shall file an application with the Conservation District for a credit of permit fees paid by the GRP. Any credit approved by the Conservation District shall be passed through to the Participants on a pro-rata basis (based on amount of under production) and shall be applied to the next ensuing quarterly invoice provided to the Participant under subsection (a), above; provided, however, a Participant must have actually produced 75% or more of the groundwater authorized to be produced in such year in order to be eligible to receive such credit unless such requirement is waived by the GRP Administrator in his or her sole discretion.

Section 6.07: Notice of Permit Filings. A Participant shall provide the GRP Administrator with a copy of any permit application filed with the Conservation District within ten (10) business days after filing, but only if such filing (1) requests a permit for the installation of a new Well or AWS Well,

(2) relates to the removal, abandonment or closure of an existing Well or AWS Well, (3) requests an increase or decrease in annual groundwater pumpage, or (4) relates to the transfer, assignment or termination of a Conservation District permit held by Participant.

Section 6.08. Other Documents or Information. A Participant shall provide the GRP Administrator with copies of documents or other reasonably available or ascertainable information, data or materials that, as determined by GRP Administrator, is necessary in connection with the implementation of the GRP. Unless otherwise extended by the GRP Administrator, such documents, information, data or materials shall be submitted to the GRP Administrator no later than thirty (30) days following receipt of a written request for same.

ARTICLE VII

LATE FEES; INTEREST CHARGES; COLLECTIONS

Section 7.01: Late Fees. Fees due under Article III hereof shall be increased by 5% if not paid on or before the due date specified under Section 5.03 hereof. Amounts due under Article VI hereof shall be increased by 5% if not paid on or before the due date specified on an invoice therefor. Any other amounts due under this Rate Order shall be increased by 5% if not paid on or before the due date specified on an invoice therefor.

Section 7.02: 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 7.03: 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 7.01 and/or 7.02 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 7.04: 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 VIII

METERING AND CALIBRATION

Section 8.01: Maintenance and Testing of Meters. The provisions of Section 5.03 of the GRP Contracts, relative to the maintenance, testing and calibration of Participant Meters and Authority 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 and/or Authority Meters, are incorporated herein for all purposes.

In the event that Participant fails or refuses to test and calibrate the Participant Meters in accordance with such provisions of the GRP Contracts, the Authority shall have the right, but not the

obligation, to test and calibrate the Participant Meters. If the Authority so tests and calibrates the Participant Meters, such Participant will be charged a fee of \$250 plus the Authority's actual and direct expenses for such testing and calibration. Such fee shall be specified in a written invoice promptly delivered to such Participant by the Authority, and the invoice shall specify thereon a due date for payment, which due date shall be less than then (10) days after the date of the invoice.

Section 8.02: 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 8.03: 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, to read Participant Meters in the event a Participant has failed or refused to do so, to directly read any Authority Meters, or to perform testing and calibration of the Participant Meters in the event Participant has failed or refused to do so.

Section 8.04: Adjustments. The provisions of Section 5.04 of the GRP Contract, relative to the adjustment of pumpage measured by inaccurate Participant Meters and/or Authority Meters, are incorporated herein for all purposes.

ARTICLE IX

CONVERSION TO SURFACE WATER

Section 9.01: Terms of Service. Surface Water shall be provided by the Authority and received and used by a Converted Participant in accordance with the terms and conditions set forth in the GRP Contract. Without limiting the foregoing, the Authority specifically incorporates by reference the following provisions of the GRP Contracts: Section 4.09 (Contract Quantity, relating to force majeure, penalties for failure to take the Contract Quantity, and use of groundwater wells and other sources of supply to meet demands); Section 4.10 (Warranties Regarding Water); Section 4.12 (Passing of Title to Water; Re-use); Section 10.02 (Delivery Limitations); and Section 12.03 (Continuation of Service).

Section 9.02: Failure to Take Contract Quantity. If a Participant fails or refuses to timely connect to the Project in accordance with Section 4.07 of the GRP Contracts, or if a Converted Participant has connected to the Project and fails or refuses to at least take the Contract Quantity designated by the GRP Administrator, the GRP Administrator may impose penalties under Section 11.03 hereof.

ARTICLE X

DROUGHT CONTINGENCY AND WATER CONSERVATION

Section 10.01: Updating and Submittal of Plans. In accordance with Section 3.05 of the GRP Contracts, all Participants must adopt and enforce a water conservation plan (see 30 T.A.C. §§ 288.1-288.7), as well as a drought contingency plan (see 30 T.A.C. §§ 288.20-288.22), that meets the minimum requirements adopted by the Authority under the GRP Water Conservation Plan and the GRP Drought Contingency Plan. Unless otherwise extended by the GRP Administrator, such plans shall be submitted to the GRP Administrator no later than thirty (30) days following receipt of a written request for same.

Section 10.02: Drought Management Surcharge. The goal of the GRP Drought Contingency Plan is to reduce the total water demand of all Participants by targeted percentages in response to various stages of drought or due to emergency conditions. Accordingly, the GRP Administrator may impose a surcharge on water usage to enforce the GRP Drought Contingency Plan during any whole or partial calendar month in which Stages 2 through 4 of the GRP Drought Contingency Plan has been triggered, or during any Emergency Water Supply Condition under the GRP Drought Contingency Plan. The surcharge on Fees shall only apply to the extent that Participant's actual water usage (as determined by the Authority based upon reporting information submitted pursuant to Article IV hereof) exceeds targeted water usage (as calculated pursuant to Section 3.6 of Drought Contingency Plan and reduced by the applicable percentage). The surcharge on Fees shall be calculated based upon the maximum civil penalty rate that may be imposed by the Conservation District on Large Volume Groundwater Users that are not part of a GRP under the Plan (currently \$4.00 per 1,000, which is subject to increase hereafter) unless a lesser rate is determined to be sufficient to achieve compliance by the GRP Administrator. The surcharge shall be in addition to any other Fees or other amounts due to the Authority.

ARTICLE XI

PENALTIES; RECOVERY; VIOLATION OF RATE ORDER

Section 11.01: Generally Applicable Penalties.

(a) *Reporting.* A Participant shall be subject to penalties for failure or refusal to report water usage to the Authority in accordance with Section 4.01 hereof.

(b) *Calibration.* A Participant shall be subject to penalties for failure or refusal to timely calibrate its Participant Meters in accordance with Section 8.01 hereof and/or the GRP Contracts.

(c) *Access to Meters.* A Participant shall be subject to penalties for failure or refusal to provide timely access to any Participant Meters or Authority Meters in accordance with Section 8.03 hereof and/or the GRP Contracts.

(d) *Documents.* A Participant shall be subject to penalties for failure or refusal to timely provide the GRP Administrator with documents, information, data or materials requested under this Rate Order.

(e) *Water Conservation and Drought Contingency Plans.* A Participant shall be subject to penalties for failure or refusal to –

(1) timely submit the Participant's water conservation plan or drought contingency plan to the Authority in accordance with Section 10.01 hereof and/or the GRP Contracts;

(2) include provisions in the Participant's water conservation plan or drought contingency plan that meet minimum criteria established by the Authority in accordance with the GRP Contract; or

(3) implement or enforce the Participant's water conservation plan or drought contingency plan.

(f) *Bond Sale Documents.* If the Authority provides Participant with a written request that certain documentation be executed and returned to the Authority pursuant to Section 8.02 and/or Section 8.03 of the GRP Contracts, then Participant shall be subject to penalties when –

(1) the written request was delivered to Participant in accordance with the notice provisions of Section 13.03 of the GRP Contracts;

(2) the documentation was provided simultaneously with the written request; and

(3) the Participant does not execute and return the documentation to the Authority on or before the later of (i) the deadline specified in the written request, or (ii) the 30th day following receipt of the written request by Participant.

Section 11.02: Imposition of Penalty; Penalty Amount. The GRP Administrator shall be authorized to impose a penalty if permitted under Section 11.01 hereof or any other provision of this Rate Order. The penalty amount shall be determined at the discretion of the GRP Administrator, taking into consideration the relative water demands of such Participant compared to the demands of all Participants; provided, however, the penalty shall not exceed \$2,500 per day per violation.

Section 11.03: Additional Penalties Related to Conversion to Surface Water.

(a) *Connection to Project.* A Participant shall be subject to penalties for failure or refusal to timely connect to the Project as and if required under Section 4.04 of the GRP Contract.

(b) *Contract Quantity.* A Converted Participant shall be subject to penalties for failure or refusal to at least take the applicable Contract Quantity of Surface Water from the Project on a monthly basis.

(c) *Imposition of Penalty; Penalty Amount.* The GRP Administrator shall be authorized to impose a penalty if permitted under subsection (a) or (b), above. The penalty amount shall be determined on a monthly or other periodic basis by multiplying the Contract Quantity of Surface Water that was not taken from the Project (whether through a failure to connect to the Project under subsection (a) or as a result of a failure to at least take the Contract Quantity) by the maximum civil penalty rate that may be imposed by the Conservation District on Large Volume Groundwater Users that are not part of a GRP under the Plan (currently \$4.00 per 1,000, which is subject to increase hereafter) unless a lesser rate is determined to be sufficient to achieve compliance by the GRP Administrator.

Section 11.04: Invoice for Penalties. The GRP Administrator shall provide a written invoice to the Participant for any penalty imposed under this Article. 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. All penalties imposed under this Article shall be in addition to, and not in substitution for, any other Fees or amounts owed the Authority.

Section 11.05: Appeal of Penalty. A Participant that has been invoiced a penalty under this Article may appeal the penalty to the GRP Administrator. The final decision of the GRP Administrator shall be subject to further review by the Board of Directors of the Authority as specified in Section 9.03(f) of the GRP Contracts.

Section 11.06: Recovery. In addition to the payment of any Fees, penalties, surcharges or other amounts under this Rate Order, the Authority has and reserves the right under Section 4.11 of the GRP Contracts the right to recover from a Participant by any lawful means, including intervention in legal proceedings of a Participant, for any losses, damages, claims, expenses, costs, or judgments, including reasonable attorneys fees and court costs incurred by the Authority, and interest not to exceed the interest rate permitted by Section 2251.025, Texas Government Code, as amended.

Section 11.07: 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. This Rate Order is also intended to set forth, in part, the rules and regulations of the Authority applicable to the GRP and the Project. The Authority is authorized to adopt rules and regulations under Section 10f of the Act and, therefore, any violation of this Rate Order shall be deemed a violation of such rules and regulations. 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. The right to exercise any such remedy under the Addenda or the GRP Contracts shall not be deemed to be waived by the exercise of any remedies specified herein, specifically including but not limited to the imposition of penalties, which remedies shall be cumulative.

ARTICLE XII

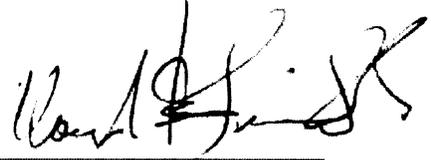
MISCELLANEOUS

Section 12.01: 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 12.02: 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.

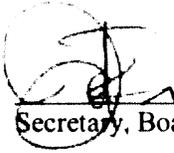
[SIGNATURES COMMENCE ON FOLLOWING PAGE]

PASSED AND APPROVED on June 23, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(SEAL)

CERTIFICATE

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

I, the undersigned General Manager of the San Jacinto River Authority (the "Authority"), hereby certify as follows:

1. That I am the duly qualified and acting General Manager of the Authority, and that as such, I have custody of the minutes and records of the Authority.

2. That the Board of Directors of the Authority convened in Regular Session on June 23, 2016, at the regular meeting place thereof, and the roll was called of the duly constituted officers and members of the Board of Directors, to-wit:

Lloyd B. Tisdale	President
Fred Koetting	Vice President
John Eckstrum	Secretary
Michael Bleier	Treasurer
James Alexander	Director
Ronald Anderson	Director
Gary Renola	Director

and all of said persons were present, except Director(s) Bleier, thus constituting a quorum, whereupon, among other business, the following was transacted at such meeting: a written

RATE ORDER

(GRP PARTICIPANTS)

Order No. 2016-0-01

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

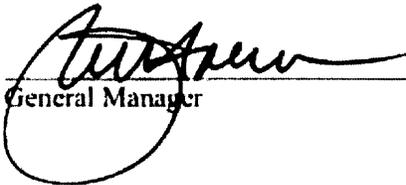
AYES: 6
NOES: 0

3. That a true and correct copy of such Order adopted at such meeting is attached to and follows this certificate; that such Order has been duly recorded in the minutes of the Board of Directors for such meeting; that the persons named in the above and foregoing Paragraph 2. were the duly chosen, qualified and acting officers and members of the Board of Directors as indicated therein, that each was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of such meeting, and that such Order would be introduced and considered for adoption at such meeting, and that each consented in advance, to the holding of such meeting for such purpose; that the

canvassing of the officers and members of the Board of Directors present at and absent from such meeting and of the votes of each on such motion, as set forth in the above and foregoing Paragraph 2., is true and correct; that such meeting was open to the public as required by law; and that sufficient and timely notice of the hour, date, place and subject of such meeting was given and posted as required by Chapter 551, Texas Government Code, as amended.

SIGNED AND SEALED the 23 day of June, 2016.




General Manager