

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
AUGUST 27, 2015**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., August 27, 2015, at the San Jacinto River Authority General and Administration Building, a notice of said meeting had been posted as required by law. President Lloyd Tisdale, Vice President Fredrick Koetting, Secretary Mary Rummell, Board Members John Eckstrum, Mike Bleier, and Jim Alexander were present. Treasurer Joseph Stunja 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, Public Relations Manager Ronda Trow, Woodlands Division Manager SuEllen Staggs, GRP Division Manager Mark Smith, Administrative Services Manager Cynthia Bowman, General Counsel Mitchell Page, and Financial Advisor Jan Bartholomew were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:00 a.m.

2. PLEDGE OF ALLEGIANCE

Mr. Eckstrum led the pledges.

3. PUBLIC COMMENTS

There were no public comments.

4. DIVISION UPDATES

a. G & A:

Mr. Houston commented on the recent meetings he attended: Bentwater Civic Association as well as the Texas Alliance of Groundwater Districts Texas Groundwater Summit in San Marcos.

b. G & A:

Ms. Trow had no comments with regard to Public Relations.

c. G & A:

Mr. Michel had no comments with regard to Financial and Administrative Services.

d. Woodlands:

Ms. Staggs had no comments with regard to the Woodlands Division.

e. GRP:

Mark Smith reported that the GRP Review Committee met on August 24, 2015, and recommended approval of all items on the agenda related to GRP. He then pointed out significant information provided in Exhibit 6 of the GRP Monthly Progress Report. Mr. Smith continued by

stating that staff continues to train and implement flushing and disinfecting processes in preparation for water delivery.

f. Technical Services:

Mr. Phil Smith and Mr. Shane Porter gave an update on the GRP Surface Water Facility and the Surface Water Transmission Line System, respectively, for the month of July, 2015.

g. Raw Water Enterprise:

Mr. Parkhill commented on the Highlands construction update to be presented next month. Mr. Page and Ms. Bartholomew gave a brief overview of the sale of the Highlands Water Revenue Bonds, Series 2015, stating that the Texas Water Development Board worked with SJRA in a favorable way, providing an interest rate of 4.12 percent, lower than originally projected in February.

5. CONSENT AGENDA

Mr. Eckstrum moved to approve all items on the consent agenda (listed below). The motion was seconded by Ms. Rummell and carried unanimously.

a. Approval of Minutes - Regular Meeting of July 23, 2015.

b. Unaudited Financials for the Month of July

Review and act upon unaudited financials for the month of July, 2015.

c. Woodlands - Purchase of Yard Spotter Truck

Consider authorizing the purchase of a yard spotter truck from American Commercial Equipment Leasing, L.L.C., in the amount of \$85,000, for Wastewater Treatment Plant No. 2 in The Woodlands.

d. Raw Water Enterprise - Additional Legal and Professional Appraisal Services Related to Land Acquisition in Highlands

Consider authorizing additional expenditures in the amount of \$100,000 with Andrews Kurth, LLP, for legal services, including professional appraisal services related to land/easement acquisition in Highlands.

6. REGULAR AGENDA

a. G&A

1. Fiscal Year 2016 Operating Budgets

Mr. Michel stated that no comments were received regarding the Fiscal Year 2016 Operating Budgets. He went on to say that the GRP Review Committee recommended approval at their August meeting as well as the Woodlands Joint Powers Agency. Mr. Bleier, on behalf of the Finance Committee, reiterated their recommendation for approval of the Fiscal Year 2016 Operating Budget. Mr. Michel then thanked the Accounting Department and everyone involved for their contributions to the process. With no further discussion, Ms. Rummell

made a motion to approve the Fiscal Year 2016 Operating Budgets. The motion was seconded by Mr. Alexander and carried unanimously.

b. WOODLANDS

It was announced that items 6b1 through 6b3 would be considered together.

Ms. Staggs provided information regarding items 6b1 through 6b3, stating that the project came in over the estimated budget however, staff worked to reduce the amount by almost \$800,000.

With no further discussion, Ms. Rummell made a motion to approve items 6b1 through 6b3. The motion was seconded by Mr. Alexander and carried unanimously.

1. Construction Contract for Wastewater Treatment Plant No. 1 Grit Removal Replacement and Filter Rehabilitation

Consider authorizing the General Manager to execute a construction contract for \$4,690,000, with LEM Construction Co., Inc., for Wastewater Treatment Plant No. 1 Grit Removal Replacement and Filter Rehabilitation in The Woodlands, and contract modifications up to \$75,000.

2. Work Order No. 5 for Construction Phase Services for Wastewater Treatment Plant No. 1 Grit Removal Replacement and Filter Rehabilitation

Consider authorizing the General Manager to execute Work Order No. 5 with Klotz Associates, Inc., in an amount not to exceed \$141,259.25, for construction phase services for Wastewater Treatment Plant No. 1 Grit Removal Replacement and Filter Rehabilitation Project in The Woodlands.

3. Work Order No. 3 for Construction Materials Testing for Wastewater Treatment Plant No. 1 Grit Removal Replacement and Filter Rehabilitation

Consider authorizing the General Manager to execute Work Order No. 3 for \$62,029.50 with Aviles Engineering Corporation for construction materials testing for Wastewater Treatment Plant No. 1 Grit Removal Replacement and Filter Rehabilitation Project in The Woodlands.

It was announced that items 6b4 and 6b5 would be considered together.

Ms. Staggs provided a brief overview of the Rehabilitation of Sanitary Sewer Gravity Mains project. With no further discussion, Mr. Alexander made a motion to approve items 6b4 and 6b5. The motion was seconded by Ms. Rummell and carried unanimously.

4. Construction Contract for Rehabilitation of Sanitary Sewer Gravity Mains

Consider authorizing the General Manager to execute a construction contract for \$1,396,446, with Layne Inliner, LLC, for the Rehabilitation of Sanitary Sewer Gravity Mains Project in The Woodlands, and contract modifications up to \$75,000.

5. Work Order No. 2 for Construction Phase Services During Rehabilitation of Sanitary Sewer Gravity Mains

Consider authorizing the General Manager to execute Work Order No. 2 with Klotz Associates, Inc., in an amount not to exceed \$45,779, for construction phase services during

Rehabilitation of Sanitary Sewer Gravity Mains in The Woodlands.

c. GRP

Mr. Smith presented each of the items on the agenda related to the GRP Division.

1. Change Order No. 2 to Construction Contract for Fiber Optic Network Communications System

Mr. Eckstrum made a motion to authorize the General Manager to execute Change Order No. 2 with Fisk Electric Company, for a credit in the amount of (\$15,745.55), for a Fiber Optic Network Communication System for the GRP Program. The motion was seconded by Mr. Alexander and carried unanimously.

2. Work Order and Three Amendments to Work Orders related to Population of CMMS for the GRP Surface Water Facilities

Mr. Eckstrum made a motion to authorize the General Manager to execute Work Order No. 2 with CDM Smith in the amount of \$339,762.72; Amendment No. 1 to Work Order No. 18 with HDR for a deduction in the amount of (\$207,900); Amendment No. 1 to Work Order No. 15 with AECOM for a deduction in the amount of (\$27,880.64); Amendment No. 1 to Work Order No. 9 for a deduction in the amount of (\$26,511.85), all related to population of CMMS for the GRP Surface Water Facilities. The motion was seconded by Mr. Alexander and carried unanimously.

3. New GRP Participants

Because there were no new participants, this item was not considered.

4. Amended Rate Order for GRP Participants

Mr. Smith explained that the GRP rate order approved in June provided for new rates effective September 1, 2015, however Article VI of the rate order was marked as a place holder until the Lone Star Groundwater Conservation District adopted rules related to permitting requirements. He reported that in July, the Lone Star Groundwater Conservation District adopted rules which provided the needed information to complete Article VI, *Conservation District Permitting; Other Information*, of the GRP rate order. He stated that the GRP Review Committee reviewed Article VI and recommended approval of the Amended GRP Rate Order. With no further discussion, Ms. Rummell made a motion to approve Order No. 2015-O-02, Amended Rate Order for GRP Participants, attached hereto as Exhibit A. The motion was seconded by Mr. Koetting and carried unanimously.

d. RAW WATER ENTERPRISE

It was announced that items 6d1 through 6d3 would be considered together.

Mr. Parkhill presented information related to the Siphon 37 Improvements Project, stating that the proposer submitting the lowest cost was also the highest rated proposal. He went on to state that this project is in close proximity to an industrial customer undergoing expansion of their facility in the near future, therefore completion of Siphon 37 Improvements is critical as it relates to delivery schedule. After further discussion, Ms. Rummell made a motion with a second from Mr. Koetting to approve items 6d1 through 6d3. The motion carried unanimously.

1. Construction Contract for Siphon 37 Improvements

Consider authorizing the General Manager to execute a construction contract for \$3,967,960 with Boyer, Inc., for the Siphon 37 Improvements Project in Highlands.

2. Work Order No. 2 for Construction Phase Services for Siphon 37 Improvements Project

Consider authorizing the General Manager to execute Work Order No. 2 in an amount not to exceed \$52,975, with HDR Engineering, Inc., for construction phase services for Siphon 37 Improvements Project in Highlands.

3. Professional Services Agreement and Work Order No. 1 for Construction Materials Testing During Construction of the Siphon 37 Improvements Project

Consider authorizing the General Manager to execute a professional services agreement and Work Order No. 1 in an amount not to exceed \$49,576 with Aviles Engineering Corporation, for construction materials testing during construction of the Siphon 37 Improvements Project in Highlands.

4. Change Order No. 2 for the Lake Conroe Dam Spillway and Service Outlet Refurbishment Project

Mr. Parkhill stated that this change order provides a net deductive change in the contract amount to zero out estimated quantities not used during the project. It also provides additional time due to inclement weather that occurred at the end of the project. Mr. Alexander made a motion with a second from Mr. Koetting to authorize the General Manager to execute Change Order No. 2 in the deductive amount of (\$53,300.09) with Blastco Texas, Inc., for the Lake Conroe Dam Spillway and Service Outlet Refurbishment Project. The motion carried unanimously.

5. Work Order Nos. 13, 14, and 15, for Professional Engineering Dam Safety Inspection of Lake Conroe Dam, Bear Branch Dam, and Highlands Reservoir

Mr. Parkhill explained that this work order provides for comprehensive dam safety inspections for all three SJRA-operated dams in order to remain in compliance with rules of the Texas Commission on Environmental Quality (TCEQ). Mr. Eckstrum made a motion to authorize the General Manager to execute Work Order Nos. 13, 14, and 15, for a lump sum amount of \$121,147, with Freese and Nichols, Inc., for professional engineering dam safety inspection of Lake Conroe Dam, Bear Branch Dam, and Highlands Reservoir Dam, respectively, for Raw Water Enterprise. The motion was seconded by Mr. Koetting with all present voting aye.

6. Presentation/Consideration of Professional Services Agreement and Work Order No. 1 for Development of a Raw Water Supply Master Plan

Mr. Parkhill presented information regarding the Raw Water Supply Master Plan, stating that the goal is to identify potential SJRA options for meeting long-range water needs of Montgomery County and the Highlands areas in East Harris County. He went on to explain that the various objectives were to define 50-year demand projections for industrial, municipal, and irrigation use for each area; to identify various possible strategies for meeting demands; and to prioritize strategies with respect to risks and benefits, which will be

accomplished by demand analyses, supply analyses, water supply options related to Montgomery County, as well as water supply options related to the Highlands. Mr. Eckstrum voiced his concern with the timing and the necessity of outsourcing the project. Mr. Koetting opined that this study can be used more as a model to be tweaked each year and will be beneficial in future years. Mr. Alexander suggested that staff take the opportunity to present this project in a way that the Board better understands the value of it. Mr. Tisdale acknowledged the Board's consensus that the item not be considered at this time, but should be presented to the Board at a later date. After further discussion, Mr. Houston recommended that no action be taken on the item at this time and that staff will present this item for consideration to the Board in thirty to sixty days.

7. Amended Raw Water Rate Order

Mr. Parkhill stated that in keeping with the recommendations contained within the Raw Water Rate Study dated July, 2014, the proposed rate will increase from \$0.3700/1,000 gallons (\$120.57/acre foot) to \$.3900/1,000 gallons (\$127.08/acre foot). Mr. Eckstrum made a motion to approve Order No. 2015-O-03, Amended Raw Water Rate Order, effective January 1, 2016, establishing the revised prevailing raw water rate of \$0.3900/1,000 gallons (\$127.8/acre foot), attached hereto as Exhibit B. The motion was seconded by Mr. Koetting and carried unanimously.

8. Presentation - Proposed Amendments to Order Adopting Rules for On-Site Sewage Facilities

Mr. Raley, Lake Conroe Division Manager, presented information related to on-site sewage facilities (OSSF) within 2,075 feet of Lake Conroe. He stated the need for requiring maintenance contracts on aerobic systems, allow for SJRA inspection of all systems, identify inspection and reporting requirements for self-maintained systems, and allow SJRA staff to periodically inspect all OSSFs to confirm maintenance provider compliance. He further stated that these efforts support the Watershed Protection Plan initiatives and is consistent with current procedures in Montgomery and Walker Counties. Mr. Raley concluded with a timeline of implementation activities beginning September, 2015, concluding February, 2016, with a targeted implementation and enforcement of amended order being March 1, 2016.

9. Resolution Regarding Proposed Adoption of Amended and Restated Order for Adopting Rules for On-Site Sewage Facilities (OSSF)

Mr. Eckstrum made a motion to adopt Resolution No. R-2015-04, attached hereto as Exhibit C, regarding proposed adoption of amended and restated order adopting rules for On-Site Sewage Facilities (OSSF) within 2,075 feet of Lake Conroe, Texas; authorizing submittal of proposed order to the Texas Commission on Environmental Quality; and containing other provisions relating to the subject. The motion was seconded by Ms. Rummell and carried unanimously.

7. EXECUTIVE SESSION

The meeting was called into executive session at 9:52 a.m., under the provisions of Section 551, Texas Government Code, to discuss one or more of the following topics: under the authority of Section 551.071, consultation with attorney; under the authority of Section 551.072, real property; under the authority of Section 551.073, prospective gift; under the authority of Section 551.074, personnel matters; and under the authority of Section 551.076, security devices.

8. OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION

The meeting was called into open session at 10:11 a.m. No action was taken regarding the items discussed in executive session.

9. ANNOUNCEMENTS/FUTURE AGENDA

Mr. Tisdale announced that the next SJRA Board meeting will take place on September 24, 2015.

10. ADJOURN

Without objection, the meeting was adjourned at 10:12 a.m.


Mary L. Rummell, Secretary

Exhibit A

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(GRP PARTICIPANTS)

Order No. 2015-0-02

*ADOPTED AUGUST 27, 2015
EFFECTIVE AUGUST 27, 2015*

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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 August 27, 2015 (the "Effective Date"). That certain prior Rate Order adopted by the Authority on June 25, 2015, 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 "Pumpage Reporting Online 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 \$2.25 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, 2015. Thereafter, 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 September 1, 2015 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 \$2.25 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, 2015. Thereafter, 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 September 1, 2015 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 \$2.44 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, 2015. Thereafter, 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 September 1, 2015. 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 shall be reported to the Authority by submitting readings through ORS on or before the applicable due date under Section 5.03 hereof. 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 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., payment for pumpage during September, 2015, is due by November 18, 2015; payment for pumpage during October, 2015, is due by December 18, 2015; 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 historical groundwater production from its Well(s) based upon Conservation District records, 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.

(d) *Transition Provision.* For the Production Schedule due to be filed with the Conservation District on or before September 1, 2015, the GRP Administrator may amend the dates set forth in Section 6.03(a)(2) and (3), above, in order to timely file the Production Schedule with the Conservation District and thereafter receive comments from the Participants and file an amendment to the Production Schedule, as and if deemed necessary and appropriate after reasonable consideration of any comments received from the Participants.

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

(a) *Request for Amendment of 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 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, file and prosecute an application with the Conservation District to honor the approved request, which application shall include any revisions to the Production Schedule required by the Conservation District. To the extent required by the Conservation District, each Participant shall execute any necessary amendment 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. If the request is denied or conditioned, the GRP Administrator shall notify the Participant in writing of the reasons therefor.

(b) *Approval of Amendment by Conservation District.* Following Conservation District approval of a request for a permit amendment pursuant to subsection (a), above, the GRP Administrator shall notify the Participant of same within thirty (30) calendar days 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 by Conservation District 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 perming 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, pursuant to Section 6.04 hereof, the Conservation District approves an application for an increase of the annual amount of groundwater authorized to be produced from a Participant's Well(s), 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, pursuant to Section 6.04 hereof, the Conservation District approves an application for a decrease of the annual amount of groundwater authorized to be produced from a Participant's Well(s), the GRP Administrator shall pass-through any resulting credit issued by the Conservation District. 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.

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 date 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.

Section 9.03: Reimbursements.

(a) *Alkalinity Costs.* The Authority shall reimburse a Converted Participant for its actual and reasonable chemical costs incurred to make adjustments to alkalinity in its wastewater treatment processes if, as a result of taking delivery of Surface Water, a Converted Participant must make such adjustments to meet applicable permit and regulatory requirements. Such reimbursement shall be made on a semi-annual basis in accordance with procedures specified by the GRP Administrator.

(b) *Other.* Except as set forth in subsection (a) or as agreed to in writing by a Converted Participant and the Authority, no reimbursement shall be due to a Converted Participant from the Authority for costs that may be incurred to accept delivery of and use Surface Water.

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

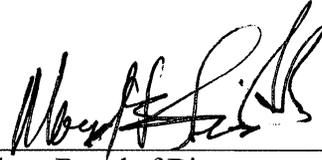
MISCELLANEOUS

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 August 27, 2015.



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 August 27, 2015, 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
Mary Marisa Rummell	Secretary
Joseph L. Stunja	Treasurer
John Eckstrum	Director
Michael Bleier	Director
James Alexander	Director

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

RATE ORDER
(GRP PARTICIPANTS)

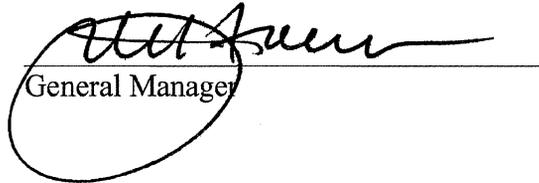
was duly introduced for the consideration of the Board of Directors. It was then duly moved and seconded that such Order be adopted and, after due discussion, such motion, carrying with it the adoption of such Order, prevailed and carried by the following vote:

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 27 day of August, 2015.


General Manager

(SEAL)



Exhibit B

SAN JACINTO RIVER AUTHORITY

RATE ORDER

(RAW WATER CUSTOMERS)

ORDER NO. 2015-D-03

ADOPTED: August 27, 2015

EFFECTIVE: January 1, 2016

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SAN JACINTO RIVER AUTHORITY

RATE ORDER

(RAW WATER CUSTOMERS)

THE STATE OF TEXAS §
COUNTIES OF HARRIS AND 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 generally provide that the Authority may establish and adjust the rates for the sale of Raw Water from time to time, and may also provide that the Authority may establish and adjust fees for the reservation of Raw Water for future purchase; 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 Addenda and the GRP Contracts provide for reservation and sale of Raw Water to the GRP Division for subsequent treatment, distribution, and use as a source of potable water supply in accordance with the Groundwater Reduction Plan administered by the GRP Division; and

WHEREAS, the Addenda and the GRP Contracts provide that the Authority may adjust the reservation fee and/or 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 determined to continue in effect the 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 make certain provisions for the short-term reservation and/or sale of Raw Water, at fees and rates to be determined by the General Manager of the Authority, or a designee of the General Manager, within specified parameters, and to also make provisions for the assessment and collection of application fees for certain raw water sales contract requests;

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 Rate Order shall be effective as of January 1, 2016. That certain prior Rate Order pertaining to the sale and/or reservation of Raw Water, as passed and approved by the Board of Directors of the Authority on August 28, 2014, and effective as of January 1, 2015, is repealed and superseded hereby in all respects as of January 1, 2016.

Section 1.03: Applicability. This Rate Order shall be applicable to all reservations and sales of Raw Water under any Raw Water Contract, and to the reservation and sale of Raw Water to the GRP Division.

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, all untreated groundwater to which the Authority has rights, powers and authority and all future raw water rights; 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 pursuant to a Raw Water Contract, or by the GRP Division.

(j) "Short-Term Raw Water Contract" shall mean any Raw Water Contract with a term of less than one year.

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 \$127.08 per acre-foot (\$0.3900 per 1,000 gallons) as of and after January 1, 2016.

(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.

(c) Unless otherwise agreed in writing, the provisions of this Section, including but not limited to the prevailing Raw Water Rate set forth in subsection (a), shall not apply to Short-Term Raw Water Contracts, which contracts are the subject of Article IV hereof.

Section 3.02: Prevailing 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 Fee 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 monthly. The various provisions of the Raw Water Contracts, the Addenda, and the GRP Contracts shall govern all matters other than the prevailing fee for the reservation of Raw Water for future purchase,

including but not limited to quantity, metering, billing, payment, credits against the Reservation Fee, collections, late fees, penalties and interest, in respect of the reservation of Raw Water thereunder.

(d) Unless otherwise agreed in writing, the provisions of this Section, including but not limited to the prevailing Reservation Fee set forth in subsection (a), shall not apply to Short-Term Raw Water Contracts, which contracts are the subject of Article IV hereof.

ARTICLE IV

SHORT-TERM RAW WATER CONTRACTS; APPLICATION FEES

Section 4.01: Short-Term Raw Water Contract Rates and Reservation Fees. The Board of Directors finds and declares that the adoption of a uniform fee for the reservation of Raw Water for future purchase, and the adoption of a uniform rate for the sale of Raw Water, are not practicable with respect to Short-Term Raw Water Contracts, as the transitory nature of customer demand for short-term Raw Water supply does not generally afford the Board of Directors a reasonable opportunity to study, develop, consider and adopt applicable fees, rates, and customer classes. Therefore, the General Manager of the Authority, or a designee of the General Manager, shall be authorized to approve fees for the reservation of Raw Water for future purchase, and rates for the sale of Raw Water, under Short-Term Raw Water Contracts from time to time, and on a case by case basis, as deemed appropriate; provided, however, that such a reservation fee shall not be in excess of four times the fee specified under Section 3.02(a) hereof, and such Raw Water rate shall not be in excess of four times the rate specified under Section 3.01(a) hereof.

Section 4.02: Application Fees. The General Manager of the Authority shall be authorized to adopt a reasonable and uniform fee or schedule of fees for the processing of an application (or other form of request) for a Raw Water Contract for the sale, based on reasonable expectations, of less than ten (10) acre-feet of Raw Water in total during the term of such contract. The General Manager of the Authority, or a designee of the General Manager, may publish, impose and collect such application fees from time to time. Such fee or schedule of fees shall not exceed \$500 in total, as applied to any single application.

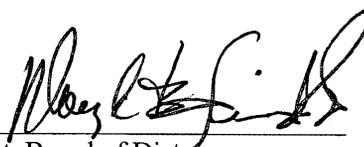
ARTICLE V

MISCELLANEOUS

Section 5.01: 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, Reservation Fee or short-term Raw Water Rate, and the Raw Water Contracts, the Addenda, or GRP Contracts shall control with respect to any other matter.

Section 5.02: 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.

PASSED AND APPROVED on August 27, 2015.



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 August 27, 2015, 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
Mary Marisa Rummell	Secretary
Joseph L. Stunja	Treasurer
John Eckstrum	Director
Michael Bleier	Director
James Alexander	Director

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

RATE ORDER
(RAW WATER CUSTOMERS)

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 27 day of August, 2015.



General Manager

(SEAL)



Exhibit C

RESOLUTION NO. 2015-R-04

RESOLUTION REGARDING PROPOSED ADOPTION OF AMENDED AND RESTATED ORDER ADOPTING RULES FOR ON-SITE SEWAGE FACILITIES WITHIN 2,075 FEET OF LAKE CONROE, TEXAS; AUTHORIZING SUBMITTAL OF PROPOSED ORDER TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, Chapter 366 of the Texas Health and Safety Code sets forth certain legal requirements related to on-site sewage facilities ("OSSFs") and, in pertinent part, authorizes a local government to regulate OSSFs within the local government's jurisdiction in order to abate or prevent pollution or injury to public health arising out of the use of OSSFs; and

WHEREAS, the Texas Commission on Environmental Quality (the "TCEQ") has adopted rules related to OSSFs, including rules related to local government regulation of OSSFs, in order to provide the citizens of this State with adequate public health protection and a minimum of environmental pollution; and

WHEREAS, the Board of Directors of the San Jacinto River Authority (the "Authority") passed and approved an Order on February 26, 2004, regulating OSSFs located within 2,075 feet of Lake Conroe in order to abate or prevent pollution of the waters of Lake Conroe or injury to public health; and

WHEREAS, the Board of Directors has considered the adoption of an amended and restated Order regulating OSSFs located within 2,075 feet of Lake Conroe, a copy of which is attached hereto as Exhibit A (the "Proposed Order"), and deems it appropriate at this time to preliminarily approve of the Proposed Order, to authorize the management and staff of the Authority to (i) submit the Proposed Order to the TCEQ and any other governmental agency with jurisdiction for review and comment, and to direct the management and staff of the Authority to provide public notice prior to the passage and approval of the Proposed Order by the Board of Directors, and (ii) after final passage and approval of the Proposed Order by the Board of Directors, submit same to the TCEQ for final approval pursuant to and in accordance with all applicable rules and regulations of the TCEQ;

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

Section 1: Recitals. The matters and facts recited in the preamble of this Resolution are hereby found and determined to be true and correct.

Section 2: Preliminary Approval of Proposed Order; Regulatory Review. The Board of Directors hereby approves of the form and substance of the Proposed Order. The General Manager of the Authority is hereby authorized and directed to submit the Proposed Order to the TCEQ for review and preliminary approval pursuant to and in accordance with 30 T.A.C. § 285.10(b)(4). The General Manager shall revise the Proposed Order as deemed necessary and appropriate, in his reasonable discretion, to secure written preliminary approval of same by the Executive Director of the TCEQ.

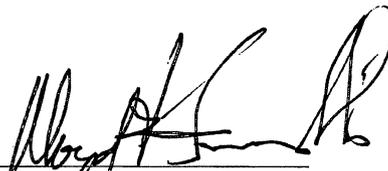
Section 3: Presentation of Proposed Order for Final Passage and Approval; Public Notice. Following the Authority's receipt of written preliminary approval of the Proposed Order by the Executive Director of the TCEQ, the General Manager shall present the Proposed Order to the Board of Directors for consideration, passage and approval at the next regular meeting of said Board, or at such later meeting as the General Manager deems appropriate, pursuant to and in accordance with 30 T.A.C. § 285.10(b)(5). Public notice of the consideration of the Proposed Order for passage and approval shall be provided by the General Manager in accordance with the applicable laws of the State of Texas and applicable regulations of the TCEQ.

Section 5: Submission of Approved Order to TCEQ for Final Approval. Following the final passage and approval of the Proposed Order by the Board of Directors, the General Manager shall submit the Proposed Order and the proceedings regarding said final passage and approval to the TCEQ for final approval pursuant to and in accordance with 30 T.A.C. § 285.10(b)(6) and (b)(7).

Section 6: Delegation. The General Manager shall be authorized to designate one or more employees of the Authority to act on his behalf for purposes of carrying out the General Manager's responsibilities under this Resolution.

Section 7: Effective Date. This Resolution shall be in full force and effect from and after the date of adoption.

PASSED AND ADOPTED on August 27, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors



Exhibit A

[PROPOSED ORDER FOLLOWS]

ORDER NO. _____

ORDER ADOPTING RULES FOR ON-SITE SEWAGE FACILITIES WITHIN
2,075 FEET OF LAKE CONROE, TEXAS

WHEREAS, Chapter 366 of the Texas Health and Safety Code sets forth certain legal requirements related to on-site sewage facilities ("OSSFs") and, in pertinent part, authorizes a local government to regulate OSSFs within the local government's jurisdiction in order to abate or prevent pollution or injury to public health arising out of the use of OSSFs; and

WHEREAS, the Texas Commission on Environmental Quality (the "TCEQ") has adopted rules related to OSSFs, including rules related to local government regulation of OSSFs, in order to provide the citizens of this State with adequate public health protection and a minimum of environmental pollution; and

WHEREAS, the Board of Directors of the San Jacinto River Authority (the "Authority") passed and approved an Order on February 26, 2004, regulating OSSFs located within 2,075 feet of Lake Conroe in order to abate or prevent pollution of the waters of Lake Conroe or injury to public health; and

WHEREAS, the Board of Directors of the Authority has considered the matter and deems it appropriate to amend and restate the aforesaid Order relative to the Authority's standards for OSSFs located within 2,075 feet of Lake Conroe in order to abate or prevent pollution of the waters of Lake Conroe or injury to public health; and

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

Section 1: Recitals. The matters and facts recited in the preamble of this Order are hereby found and determined to be true and correct.

Section 2: Findings. It is hereby found, determined and declared that:

(1) the operation or use of OSSFs within 2,075 feet of Lake Conroe is causing or may cause pollution or is injuring or may injure the public health;

(2) a draft of this Order was duly submitted to the TCEQ as required by the rules and procedural requirements of the TCEQ, and the Authority has received the written approval of same from the Executive Director of the TCEQ;

(3) this Order was considered and passed and approved at a regular meeting of the Board of Directors of the Authority beginning at 7:30 a.m., Conroe, Texas time on _____, 2015, at the Authority's General and Administration Building, 1577 Dam Site Road, Conroe, Montgomery County, Texas 77304 (the "Meeting"), and that the Meeting was open to the public, as required by law, at all times during which this Order and the subject matter hereof was discussed, considered and acted upon;

(4) written notice of the date, hour, place and subject of the Meeting was duly and timely posted and/or furnished for posting to the County Clerk of Montgomery County, Texas,

and to the Secretary of State of Texas for the time prescribed by law preceding the Meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and Chapter 49, Texas Water Code, as amended;

(5) written notice of the consideration and proposed passage and approval of this Order at the Meeting was duly published in newspapers of general circulation as required by rules and procedural requirements of the TCEQ; and

(6) all requirements of the constitution and laws of the State of Texas and the rules and procedural requirements of the TCEQ with respect to the notice, consideration, passage and approval of this Order have been fulfilled and accomplished.

Section 3: Governing Laws. The Authority acknowledges and understands that there are technical criteria, legal requirements, and administrative procedures and duties associated with regulating OSSFs and will fully enforce Chapter 366 of the Texas Health and Safety Code and Chapters 7 and 37 of the Texas Water Code (the "Governing Laws"), and the associated rules referenced in Section 4 of this Order.

Section 4: OSSF Rules Adopted. The rules and regulations set forth in Title 30, Texas Administrative Code ("TAC"), Chapters 285 and 30, as promulgated and amended and revised from time to time by the TCEQ for OSSFs (the "Rules") are hereby incorporated by reference and adopted, and all officials and employees of the Authority having duties under the Rules are authorized to perform such duties as are required of them under the Rules.

Section 5: Area of Jurisdiction. The Rules shall apply to all the area lying within 2,075 feet of Lake Conroe, except for any portion of said area:

- (1) regulated under any predecessor Rule; or
- (2) located within the corporate limits of any municipality.

Section 6: OSSF Permits. Any permit issued for an OSSF within the jurisdictional area of the Authority must comply with the Rules.

Section 7: Local Standards. (a) Pursuant to the Governing Laws and the Rules, the Authority hereby adopts the following local standards for OSSFs within the area of jurisdiction of the Authority:

(1) All lots utilizing an OSSF and being served by a public water system must be at least one acre, and all lots not served by a public water system must be at least one and one half acres in size.

(2) All new OSSFs, and existing OSSF being modified, must be designed and submitted by a registered sanitarian or professional engineer.

(3) All OSSFs, regardless of the size of the property served, must meet all requirements of the Rules and the Authority and must be permitted by the Authority.

(4) The inspection and maintenance of all OSSFs identified in 30 TAC § 285.91(12) must be performed by a maintenance provider licensed by the TCEQ, under a written

contract between the property owner served by the OSSF and such TCEQ-licensed maintenance provider, unless the OSSF serves a single family dwelling that is the primary residence of the property owner and:

(A) the property owner is a maintenance provider licensed by the TCEQ;

(B) the property owner holds a valid Class D or higher wastewater treatment license;

(C) the property owner has satisfactorily completed a TCEQ-approved Basic Maintenance Provider Course; or

(D) the property owner has satisfactorily completed the OSSF – Aerobic/Surface Application System Orientation and Maintenance Course entitled – General Guidance for Monitoring Aerobic Treatment Units, Disinfection Units, and Spray Fields in Texas (B-6235) offered by the AgriLife Extension, Texas A&M System.

(5) The Authority may periodically inspect any OSSF at a frequency deemed appropriate by the Authority.

(6) All subsurface OSSFs shall be designed with the usage rate in gallons per day without the 20-percent reduction for using water-saving devices.

(7) Timed pump tanks will allow for a two-third day flow in reserve. An override switch may be installed as long as it is positioned above the high-water alarm to activate after the reserve storage space has been used and prior to the tank completely filling.

(8) All gravity-fed subsurface disposal fields must be close-looped and have an inspection port at the furthest point of the disposal area from the tank.

(9) OSSFs will not be installed in the regulatory floodway. Aerobic systems may be installed in the regulatory floodway if the components of the OSSF (risers, chlorinator, clean-outs, inspection ports, control panels, compressors) are elevated above base-flood elevation. Sprinklers shall be of the back-flow prevention type.

(10) Maintenance inspections and reports.

(A) All OSSFs must be inspected each year with the inspection report to be filed, either directly by the property owner or indirectly through a TCEQ-licensed maintenance provider, with the Authority on or before the anniversary date of the OSSF permit issued by the Authority.

(B) Any property owner that is not required to contract with a TCEQ-licensed maintenance provider to perform testing, reporting, and maintenance on an OSSF under subdivision (4), above, shall still be required to submit all required reports and testing required of a TCEQ-licensed maintenance provider to the Authority.

(C) Inspections and maintenance, at a minimum, must meet all requirements set forth in the Rules.

(D) Inspection and maintenance reports shall address all inspection and testing required by the policies and procedures of the Authority and the State of Texas, including the Rules. In addition to the information required by 30 TAC, Chapter 285, all inspection and maintenance reports shall include:

- (i) the date of the inspection;
- (ii) the anniversary date for annual inspection reports to be filed;
- (iii) the reporting of any unauthorized alterations to the OSSF;
- (iv) the condition of the spray area, if applicable;
- (v) the permit number of the OSSF;
- (vi) the license number of the TCEQ-licensed maintenance provider;
- (vii) the physical address of the OSSF;
- (viii) the printed name and signature of the representative of the TCEQ-licensed maintenance provider, or the property owner if the property owner is submitting the inspection report; and
- (ix) the physical address, business address, business phone number and emergency phone number of the TCEQ-licensed maintenance provider.

(E) In addition to the information required by 30 TAC Chapter 285, all contracts of TCEQ-licensed maintenance providers shall include:

- (i) the permit number of the OSSF;
- (ii) the physical address of the OSSF;
- (iii) the printed name and signature of the representative of the TCEQ-licensed maintenance provider and the property owner; and
- (iv) the physical address, business address, business phone number and emergency phone number of the maintenance provider.

(b) The local standards adopted hereinabove shall control and take precedence over any conflicting requirements of the Rules.

Section 8: Conflicts. This Order repeals and replaces any prior resolution or order of the Authority related to the regulation of OSSFs within 2,075 feet of Lake Conroe including, without limitation, that certain Order passed and approved by the Board of Directors of the Authority on February 26, 2004.

Section 9: Duties and Powers. The General Manager shall designate an "OSSF Designated Representative." The OSSF Designated Representative must be (i) an Authority employee, and (ii) licensed by the TCEQ before assuming the duties and responsibilities of said position pursuant to 30 TAC § 285.62. Subject to the supervision of the General Manager and the Board of Directors, the OSSF Designated Representative is authorized and directed to implement and administer the Authority's OSSF program and this Order and, without limiting the foregoing, may enforce this Order, the Rules, and the Governing Laws in any manner authorized by law.

Section 10: Administrative Fees. (a) The OSSF Designated Representative, with the prior approval of the Board of Directors, may adopt and publish fees to be imposed and collected in connection with the OSSF program implemented and administered by the Authority under this Order, including, without limitation, annual inspection report filing fees applicable to property owners and/or TCEQ-licensed maintenance providers, late fees related to delinquent annual inspection reports, and other reasonable administrative fees. Following approval of such fees by the Board of Directors, the OSSF Designated Representative shall be authorized to impose and collect same, subject to the supervisions of the General Manager.]

(b) The Board of Directors of the Authority specifically authorizes the General Manager to require that any annual inspection filing fee(s) be paid, at the time of filing of the annual inspection report, by:

(1) the TCEQ-licensed maintenance provider that prepared the annual inspection report; or

(2) the property owner, if the property owner is not required to contract with a TCEQ-licensed maintenance provider under subsection (a)(4), above.

(c) All fees adopted hereunder shall be made payable to the San Jacinto River Authority.

(d) All fees adopted, published or collected hereunder shall be construed as being separate and apart from, and in addition to, any penalties sought or collected under Section 12 hereof.

Section 11: Appeals. Persons aggrieved by an action or decision of the OSSF Designated Representative may appeal such action or decision to the General Manager of the Authority.

Section 12: Penalties. This Order adopts and incorporates all applicable penalty provisions related to OSSF, which includes, but is not limited to, those found in Chapters 341 and 366 of the Texas Health and Safety Code, Chapters 7, 26, and 37 of the Texas Water Code and the Rules.

Section 13: Severability. It is hereby declared to be the intention of the Authority that the phrases, clauses, sentences, paragraphs, and sections of this Order are severable, and if any phrase, clause, sentence, paragraph, or section of this Order should be declared unconstitutional by a valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, or sections of this Order, since the same would have been enacted by the Authority without incorporation in this Order of such unconstitutional phrases, clause, sentence, paragraph, or section.

Section 14: Effective Date. This Order shall be in full force and effect from and after the date of adoption and upon the approval of the TCEQ.

[signatures commence on following page]

PASSED AND APPROVED on _____, 2015.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

Redline Version

RESOLUTION NO. _____

RESOLUTION REGARDING PROPOSED ADOPTION OF AMENDED AND RESTATED ORDER ADOPTING RULES FOR ON-SITE SEWAGE FACILITIES WITHIN 2,075 FEET OF LAKE CONROE, TEXAS; AUTHORIZING SUBMITTAL OF PROPOSED ORDER TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, Chapter 366 of the Texas Health and Safety Code sets forth certain legal requirements related to on-site sewage facilities ("OSSFs") and, in pertinent part, authorizes a local government to regulate OSSFs within the local government's jurisdiction in order to abate or prevent pollution or injury to public health arising out of the use of OSSFs; and

WHEREAS, the Texas Commission on Environmental Quality (the "TCEQ") has adopted rules related to OSSFs, including rules related to local government regulation of OSSFs, in order to provide the citizens of this State with adequate public health protection and a minimum of environmental pollution; and

WHEREAS, the Board of Directors of the San Jacinto River Authority (the "Authority") passed and approved an Order on February 26, 2004, regulating OSSFs located within 2,075 feet of Lake Conroe in order to abate or prevent pollution of the waters of Lake Conroe or injury to public health; and

WHEREAS, the Board of Directors has considered the adoption of an amended and restated Order regulating OSSFs located within 2,075 feet of Lake Conroe, a copy of which is attached hereto as **Exhibit A** (the "Proposed Order"), and deems it appropriate at this time to preliminarily approve of the Proposed Order, to authorize the management and staff of the Authority to (i) submit the Proposed Order to the TCEQ and any other governmental agency with jurisdiction for review and comment, and to direct the management and staff of the Authority to provide public notice prior to the passage and approval of the Proposed Order by the Board of Directors, and (ii) after final passage and approval of the Proposed Order by the Board of Directors, submit same to the TCEQ for final approval pursuant to and in accordance with all applicable rules and regulations of the TCEQ;

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

Section 1: Recitals. The matters and facts recited in the preamble of this Resolution are hereby found and determined to be true and correct.

Section 2: Preliminary Approval of Proposed Order; Regulatory Review. The Board of Directors hereby approves of the form and substance of the Proposed Order. The General Manager of the Authority is hereby authorized and directed to submit the Proposed Order to the TCEQ for review and preliminary approval pursuant to and in accordance with 30 T.A.C. § 285.10(b)(4). The General Manager shall revise the Proposed Order as deemed necessary and appropriate, in his reasonable discretion, to secure written preliminary approval of same by the Executive Director of the TCEQ.

Section 3: Presentation of Proposed Order for Final Passage and Approval; Public Notice. Following the Authority's receipt of written preliminary approval of the Proposed Order by the Executive Director of the TCEQ, the General Manager shall present the Proposed Order to the Board of Directors for consideration, passage and approval at the next regular meeting of said Board, or at such later meeting as the General Manager deems appropriate, pursuant to and in accordance with 30 T.A.C. § 285.10(b)(5). Public notice of the consideration of the Proposed Order for passage and ~~adoption~~approval shall be provided by the General Manager in accordance with the ~~constitution and~~ applicable laws of the State of Texas and applicable regulations of the TCEQ.

Section 5: Submission of Approved Order to TCEO for Final Approval. Following the final passage and approval of the Proposed Order by the Board of Directors, the General Manager shall submit the Proposed Order and the proceedings regarding said final passage and approval to the TCEO for final approval pursuant to and in accordance with 30 T.A.C. § 285.10(b)(6) and (b)(7).

Section 6: Delegation. The General Manager shall be authorized to designate one or more employees of the Authority to act on his behalf for purposes of carrying out the General Manager's responsibilities under this Resolution.

Section 6Z: Effective Date. This Resolution shall be in full force and effect from and after the date of adoption.

PASSED AND ADOPTED on August 27, 2015.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

Exhibit A

[PROPOSED ORDER FOLLOWS]