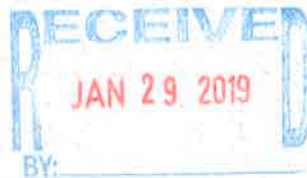




Jimmie Schindewolf, P.E.  
General Manager



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January 23, 2019

Mr. Gregory Dicioccio, Board President  
Cypress Forest PUD  
c/o Allen, Boone, Humphries & Robinson, LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

**Re: North Harris County Regional Water Authority  
Rate Order and Updated Pricing Policy**

Dear Mr. Dicioccio:

Please consider this letter as a reminder of actions that were taken by the North Harris County Regional Water Authority (the "Authority") Board of Directors (the "Board") at its regular monthly Board meeting held on December 3, 2018. The Authority Board conducted a Budget Workshop on November 19, 2018, and a Public Hearing on December 3, 2018 to review and discuss the possibility of increasing the Authority's well pumpage fee and the cost of surface water. At its regular meeting on December 3rd, the Board adopted an increase of the current well pumpage fee from \$3.40 per 1,000 gallons to \$3.85 per 1,000 gallons and an increase in the cost of surface water from \$3.85 per 1,000 gallons to \$4.30 per 1,000 gallons. These new rates will become effective as of April 1, 2019.

Factors that impacted this decision include:

- The Harris-Galveston Subsidence District completed an update of the 1999 Regulatory Plan and adopted a 2013 Regulatory Plan. A major requirement of that plan is that the Authority achieve a 60% use of surface water by 2025 as compared to the current 30% requirement. In order to reach that 60% mandate, the Authority will have to deliver surface water to a significant number of additional utility districts which will require construction of a greatly expanded water transmission and distribution system.
- In addition, the Authority will be required to participate in the cost of the City's expansion of the Northeast Water Purification Plant as well as construction of a second transmission line from the plant and will also have to pay the Authority's prorata share of the cost of constructing the Luce Bayou Interbasin Transfer Project.

Mr. Gregory Dicioccio  
Cypress Forest PUD  
January 23, 2019  
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Enclosed for your information and reference is a copy of the Updated Pricing Policy. We will soon post a revision of the Authority's brochure, "The Rising Cost of Water", on the Authority website. The brochure will also be available in bulk quantities – at no charge – for utility districts to distribute to their customers. Please notify Lisa Sagstetter (281) 440-3924 if you would like to place an order for the brochure.

We certainly appreciate your support and cooperation. Please call Cyndi Plunkett, Authority Financial Assistant, at (281) 440-3924 if you have any questions or need any additional information relative to the Authority fees.

Sincerely,



Jimmie Schindewolf, P.E.  
General Manager

JAS/lr

Attachment

xc:

Greer Pagan, Allen, Boone, Humphries & Robinson, LLP  
Andrew Phelps, Environmental Development Partners, LLC  
Authority Board of Directors  
Robin S. Bobbitt, Radcliffe Bobbitt Adams Polley PLLC  
Jon Polley, Radcliffe Bobbitt Adams Polley PLLC  
Steve Berckenhoff, P.E., AECOM Technical Services, Inc.  
Cyndi Plunkett, Authority Financial Assistant



UPDATED 12/3/18

**UPDATED PRICING POLICY  
OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
(Effective April 1, 2019)**

This Updated Pricing Policy of the North Harris County Regional Water Authority (this "Updated Pricing Policy") is intended to define the Cost of Water paid to the Authority for Water used within the Authority and is an integral part of the Authority's Rate Order (the "Rate Order"), adopted on October 5, 2009. Unless specifically defined otherwise, capitalized terms in this Updated Pricing Policy shall have the meanings defined in the Rate Order.

Effective April 1, 2019, the following Cost of Water will apply to and be due by users of Water within the Authority:

Authority Water	\$4.30 per 1,000 gallons
Water pumped from a Non-Exempt Well	\$3.85 per 1,000 gallons
Imported Water	\$3.85 per 1,000 gallons

In addition to the above Fees, the Authority shall continue to provide a credit to each Converted Entity that constructed a Chloramine System prior to December 1, 2015 in accordance with the Authority's prior policy and procedures. Such credits shall be calculated as outlined below. Furthermore, any credits for capital contributions paid to the Authority by a Payor shall continue as provided in the applicable written agreement executed between the Payor and the Authority.

The Authority may revise the above Fees and modify, delete or add any credit(s), subject to the provisions of any applicable written agreements, if and when necessary. Payors will be notified of any such changes.

Chloramination Credits

The annual Chloramination Credit shall be calculated by amortizing the cost of the Chloramine System at 6% interest over a 30-year period, which shall begin the year the facilities are placed in service. The annual Chloramination Credit amount will be divided by 12 and the resultant amount will be credited monthly toward the fees payable to the Authority for the Water used by the Converted Entity.

New/Replacement Facilities

In order to help facilitate the effective implementation of the GRP, any Payor who anticipates the construction of new or replacement Water production, storage and/or treatment facilities and/or related appurtenances shall advise the Authority of those plans as early in the process as possible. The Authority will review such proposed improvements for conformity with the goals of the GRP and the possibility of the Authority being able to address those needs (i.e., by providing water in lieu of the Payor having to construct or replace facilities). Within the limits of its jurisdiction, the Authority will regulate construction of such facilities to accomplish the goals of the GRP.

Policy Implementation

The General Manager is authorized to take any actions on behalf of the Authority necessary and convenient to accomplish the purposes of this Updated Pricing Policy. The General Manager is also authorized to take actions necessary to comply with any special credit provisions provided under any agreements that may exist between a Payor and the Authority.