

**ORDER ADOPTING AND IMPLEMENTING UPDATED PRICING POLICY OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

THE STATE OF TEXAS §

COUNTY OF HARRIS §

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY §

WHEREAS, the North Harris County Regional Water Authority (the "Authority") is a regional water authority created pursuant to House Bill 2695 of the 76th Legislature, as amended (the "Act"), and Article XVI, Section 59 of the Texas Constitution; and

WHEREAS, the Authority was created, among other purposes, to accomplish the purposes of Article XVI, Section 59 of the Texas Constitution, including the provision of surface water, the reduction of groundwater withdrawals and the control of subsidence caused by withdrawal of water from groundwater reservoirs; and

WHEREAS, the Act provides that the Authority may establish fees, and classifications of payors of such fees, as necessary to enable the Authority to fulfill its purposes and regulatory obligations and that such fees must be sufficient, among other things, to achieve water conservation, prevent waste of water and accomplish the purposes of the Act; and

WHEREAS, the Authority made certain assumptions in formulating its Pricing Policy, which was adopted by the Authority's Board of Directors (the "Board") on September 5, 2002 (the "Initial Pricing Policy"), some of which have not come to fruition;

WHEREAS, the Authority deems it appropriate to adopt an updated pricing policy that more accurately reflects current conditions and the Board finds that the Updated Pricing Policy, as such term is defined in Section 2 below, accomplishes this purpose.

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY THAT:

Section 1. All capitalized terms not otherwise defined herein shall have the same meaning given in the North Harris County Regional Water Authority Rate Order. The recitals stated above are incorporated by reference and made a part of this Order Adopting and Implementing Updated Pricing Policy of the North Harris County Regional Water Authority (this "Order") as though fully set forth herein.

Section 2. The Board hereby finds that the fees, rates and charges and classifications of fee and rate payers stated in the Updated Pricing Policy of the North Harris County Regional Water Authority (the "Updated Pricing Policy"), a copy of which is attached hereto as **Exhibit "A"** and is incorporated by reference and made a part of this Order as though fully set forth herein, are currently necessary to enable the Authority to fulfill the Authority's purposes and regulatory obligations and are currently sufficient to achieve water conservation, prevent waste of water and accomplish the purposes of the Act.

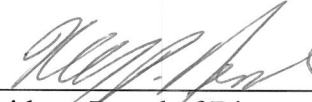
Section 3. As result of the finding stated in Section 2 above, the Authority hereby adopts and implements the Updated Pricing Policy with an effective date of January 1, 2010. As of January 1, 2010, the Updated Pricing Policy shall replace the Initial Pricing Policy except for instances in which the Initial Pricing Policy is an integral part of an existing written agreement. In such instances the General Manager shall review those written agreements and propose amendments as necessary.

Section 4. The Updated Pricing Policy and/or the Cost of Water may be amended or updated from time to time by the Authority. However, the Authority shall deliver to each Payor a notice, including a copy, of any orders or resolutions changing the Updated Pricing Policy or Cost of Water.

Section 5. The Board President or Vice President is authorized to execute, and the Board Secretary or any Assistant Secretary is authorized to attest, this Order on behalf of the Board and the Authority.

[Signature Page Follows]

PASSED AND APPROVED this 5th day of October, 2009.



President, Board of Directors
North Harris County Regional Water Authority

ATTEST:



Secretary, Board of Directors
North Harris County Regional Water Authority

(AUTHORITY SEAL)





**UPDATED PRICING POLICY
OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**
(Effective January 1, 2010)

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 January 1, 2010, the following Cost of Water will apply to and be due by users of Water within the Authority:

Authority Water	\$2.20 per 1,000 gallons
Water pumped from a Non-Exempt Well	\$1.75 per 1,000 gallons
Imported Water	\$1.75 per 1,000 gallons

In addition to the above Fees, the Authority will provide a credit for the cost of the Chloramine System constructed by each Converted Entity (the "Chloramination Credit"). Requirements to receive such credit and the basis for calculating same is defined 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 Credit

A Converted Entity shall be eligible to receive the Chloramination Credit. In order to receive the Chloramination Credit the Converted Entity shall provide, in a timely manner and in a form acceptable to the General Manager, information documenting and certifying the cost of its Chloramine System. Such cost shall include the actual construction and engineering/design costs of the Converted Entity's Chloramine System.

Once the required information is provided to and accepted by the General Manager, the Chloramination Credit will be calculated by the Authority. 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 the Groundwater Transfer Program or any other agreements that may exist between a Payor and the Authority.