



Jimmie Schindewolf, P.E.  
General Manager

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February 22, 2016

Mr. Jim Marks, Board President  
Bridgestone MUD  
4939 Bridgemont Lane  
Spring, TX 77388

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

Dear Mr. Marks:

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 7, 2015. The Authority Board conducted a Budget Workshop on November 23, 2015, and a Public Hearing on December 7, 2015 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 7<sup>th</sup>, the Board adopted an increase of the current well pumpage fee from \$2.00 per 1,000 gallons to \$2.40 per 1,000 gallons and an increase in the cost of surface water from \$2.45 per 1,000 gallons to \$2.85 per 1,000 gallons. These new rates will become effective as of April 1, 2016.

Factors that impacted this decision include:

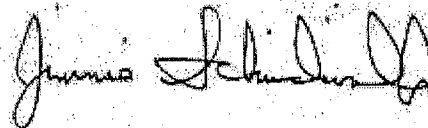
- The current well pumpage fee and the current cost of surface water have been in place since April 1, 2014. During that same period of time, the cost of surface water that the Authority purchases from the City of Houston and in turn delivers to our customers has increased over 40%.
- The Harris-Galveston 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. Jim Marks  
Bridgestone MUD  
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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. For your reference, a sample of the brochure is enclosed.

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

Attachments

xc:

Robin S. Bobbitt, Radcliffe Bobbitt Adams Polley PLLC  
Danny Staab, Water District Management Company, Inc.  
Authority Board of Directors  
Robin S. Bobbitt, Radcliffe Bobbitt Adams Polley PLLC  
Jon Polley, Radcliffe Bobbitt Adams Polley PLLC  
Tom Rolen, P.E., AECOM Technical Services, Inc.  
Cyndi Plunkett, Authority Financial Assistant



UPDATED 12/7/15

**UPDATED PRICING POLICY  
OF THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY  
(Effective April 1, 2016)**

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, 2016, the following Cost of Water will apply to and be due by users of Water within the Authority:

Authority Water	\$2.85 per 1,000 gallons
Water pumped from a Non-Exempt Well	\$2.40 per 1,000 gallons
Imported Water	\$2.40 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.

## Top Questions...

**Q. What are the fees that show up on my water bill?**

**A.** The NHCRA "fee" is charged to the MUDs/Well Owners within the Authority's boundaries based on the amount of groundwater pumped by their wells, and/or the amount of surface water they receive from the NHCRA. The MUDs charge their individual customers for the water they use. The more water a customer uses, the higher the fee will be.

**Q. How often does the Authority increase the fee?**

**A.** Fee increases are imposed only as necessary. Without taxing authority, funding for construction projects must come from pumpage fees and water sales. There will be more rate increases in the future; however, the Authority is committed to keeping the price as low as possible...for as long as possible.

**Q. What are the Authority's current ground- and surface water fees?**

**A.** As of January 1, 2014, the current rates are:

- \$2.00 per 1,000 gallons for groundwater
- \$2.45 per 1,000 gallons for surface water.

**Q. When is the next increase and how much will it be?**

**A.** The next increase, which will go into effect on April 1, 2016, is \$0.40 per 1,000 gallons.

**The new rates will be:**

- \$2.40 per 1,000 gallons for groundwater
- \$2.85 per 1,000 gallons for surface water.

## Looking Forward...

**Q. Will we have enough water to meet the needs of a growing population and to sustain economic growth and development for future generations?**

**A.** The answer is a cautiously optimistic "Yes". We may not have all the water we want, but we will have the water we need if we all make a commitment to use water as efficiently as possible and to end wasteful practices such as excessive residential turf irrigation. The 2011-12 drought provided compelling testimony that we cannot take our finite water supplies for granted. The Texas Water Development Board's state water plan (WATER FOR TEXAS 2012) calls for 34% of our water supply to come from water conservation and reuse by 2060, when the population of Texas is expected to nearly double. If we have any chance of achieving that goal, the commitment to stop wasting water has to start today.

NHCRA is a proud partner in the **Save Water Texas Coalition**. Please join us in this critical effort by visiting [www.SaveWaterTexas.org](http://www.SaveWaterTexas.org). Learn how to start saving water -- and money -- today!



# Why does the cost of water keep going up?

# Q&A

## and Other Frequently Asked Questions



3648 Cypress Creek Parkway, Suite 110  
Houston, TX 77068  
281-440-3924

For additional information about the Authority, visit [www.nhcrwa.com](http://www.nhcrwa.com)

## WHO?

### The Harris-Galveston Subsidence

**District** (HGSD) was created by the Texas Legislature in 1974. The new District compiled hydrologic information on the Chicot and Evangeline aquifers and studied water usage and water supply in Harris and Galveston counties, then issued their first groundwater regulatory plan. This required that industries on the Houston Ship Channel convert to surface water supplied from the recently completed Lake Livingston reservoir. The results were dramatic -- subsidence in the Baytown-Pasadena area was dramatically improved, and has since been largely halted.

### The North Harris County Regional

**Water Authority** (NHCRWA) was created by the 76th Texas Legislature in 1999 and was approved by voters in January 2000. Its mission was to find and assure a long-term supply of quality drinking water at the lowest responsible cost, to promote water conservation, and to identify/provide cost effective alternative water sources for the future.

## WHAT?

Decades before WATER became the global issue that it is today, the state of Texas began taking concerted measures to preserve and protect this finite natural resource.

The Gulf Coast Aquifers -- the source we traditionally relied upon for our drinking water -- are made up of many layers of clay, rocks and sand. Over geologic time, these layers naturally compacted. Sadly, the area's steadily increasing population and voracious demand for water sped up this natural process. Decades of aggressive groundwater pumping not only resulted in a decline of the aquifers, but also triggered land-surface elevation loss, or what is called **subsidence**.

## WHEN?

The Subsidence District's success in reigning in the advance of subsidence by conversion to surface water in Galveston County provided the impetus to extend similar groundwater reduction mandates into north and west Harris County, where increasing levels of subsidence had also been measured. The District issued its 1999 Regulatory Plan that outlined a phased timeline for reducing reliance on groundwater through conversion to surface or alternate water.

In 2002, the NHCRWA successfully negotiated a long-term water supply contract with the City of Houston and design and construction of the necessary transmission lines and facilities began. Thanks to cooperation by the many MUDs within the Authority's boundaries -- and the imposition of pumpage fees that are passed through to all water users -- the 30 percent groundwater reduction goals required by the initial HGSD 2010 mandate were met.

In their 2013 Regulatory Plan, the Subsidence District revised their conversion requirements which allow a little more time to meet the next milestone -- 60% conversion by 2025. The challenge continues, however, with some of the biggest hurdles still ahead because there is not enough water in the San Jacinto River system to meet our 2025 needs and beyond.

## WHERE?

People and businesses have been flocking to north Harris County in record numbers since the early 1970's when about a quarter of a million people called the area home. The population boom has continued; the 2010 census recorded a staggering population of 601,000 for the northwest community. To address the pressing question,

"where will the water come from?" the water authorities in the region have teamed up with the City of Houston to initiate the **Luce Bayou Interbasin Transfer Project** with the capacity to bring nearly 450 MGD of raw water from the Trinity River to Lake Houston and the City's North East Water Purification Plant (NEWPP).

## WHY?

The Authority is committed to efficient and conservative management of financial resources to minimize future cost increases as much as possible. Simply stated, the Authority has pledged to keep the cost of water as low as possible, for as long as possible.

With the availability of more raw water coming into the San Jacinto/Lake Houston reservoir, additional treatment capacity is urgently needed. A Supplemental agreement for participation in the NEWPP expansion was recently negotiated by the regional water Authorities and signed with the City of Houston.

The NHCRWA will have approximately 144 MGD treatment capacity in the plant. The project will be completed in phases over the next 6 to 9 years, increasing the treatment capacity from the current 80 MGD to 400 MGD at a total cost of about \$1.28 billion. The NHCRWA share of the expansion will be approximately \$469 million.

In addition to the cost of purchasing the surface water from the City of Houston, there are shared transmission, operations and maintenance expenses to be paid. Some routine water facility expenses -- chemicals and energy, for example -- have spiraled in recent years.

**All of these factors -- coupled with the cost of constructing the 2025 system -- will impact the future cost of water.**