

RESOLUTION ESTABLISHING CHLORAMINE CONVERSION POLICY

WHEREAS, North Fort Bend Water Authority (the "Authority") has been legally created by Special Act (the "Act") of the legislature of the State of Texas for the purpose, among others, of causing the reduction of groundwater withdrawals and the conservation, preservation, protection, and recharge of groundwater reservoirs; and

WHEREAS, the Act further provides that the Authority may provide for the reduction of groundwater withdrawals as necessary to develop, implement, or enforce a groundwater reduction plan ("GRP") and facilitate compliance with applicable subsidence district regulations;

WHEREAS, the Fort Bend Subsidence District ("FBSD") has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water or wastewater treatment plant effluent);

WHEREAS, the Authority has developed its GRP to facilitate compliance with the FBSD regulations;

WHEREAS, in order to implement its GRP, the Authority has acquired a source of treated surface water and is constructing a water distribution system to provide surface water to municipal utility districts and other water well owners in its jurisdiction; and

WHEREAS, under the Authority's GRP, municipal utility districts and other water well owners in the Authority's jurisdiction will be designated to receive surface water from the Authority (each a "Converted Customer"); and

WHEREAS, in order to blend treated surface water and groundwater within the water supply and distribution system, it is necessary to construct and operate chloramine facilities within the Owners' water plants;

WHEREAS, the Authority is willing to finance the cost to install chloramine facilities under the terms of this Policy. Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH FORT BEND WATER AUTHORITY THAT:

Section 1: Each Converted Customer is required to: (i) convert its water treatment system to a chloramine disinfection system, or install a chloramine disinfection system, prior to becoming a Converted Customer and no later than the date required by the Authority; and (ii) maintain use of such chloramine disinfection system thereafter for so long as such Converted Customer is connected to the Authority's System and for so long as the Surface Water delivered by the Authority is disinfected with chloramines. (The chlorine and ammonia feed systems installed by the Converted

Customer for the water supplied by the Authority are required to be automatic proportional feed systems with residual analyzers.) It shall be the responsibility of each Converted Customer (and each Person that receives water from a Converted Customer, for example and without limitation, via a water interconnect), and not the Authority, to: (i) notify such Converted Customer's (or such Person's) water customers and water users about its conversion to and use of chloramine disinfection; and (ii) comply with any applicable United States Environmental Protection Agency and Commission (and other applicable agency) regulations and requirements, and applicable laws. Prior to completion of design (and commencement of construction) of the chloramine disinfection system required by this Section, the Person to be converted to Surface Water (and each Person that is not to be converted to Surface Water, but that receives water from and/or provides water to a Converted Customer, for example and without limitation, via a water interconnect, and who intends to convert to a chloramine disinfection system) shall submit plans and specifications to the Authority's Engineer for review and approval. Any such approval does not relieve the Person, and its engineer, of adequately designing and constructing the facilities and any such approval is not an assumption by the Authority (or the Authority's Engineer) of responsibility or liability for the adequacy (or inadequacy) of such plans and specifications or the facilities constructed thereby, all of same being expressly disclaimed.

Section 2: In lieu of the Authority designing or installing the Water Line Segment or the Chloramine System (both defined below), the Authority has determined to require Persons that will become Converted Customers to design and install the Water Line Segment and the Chloramine System and to allow the related costs incurred by Converted Customers to be eligible for potential reimbursement from the Authority, as provided in this Section. Nothing in this Section shall be construed as limiting the Authority's right to require a Person, at the Person's sole cost, to: (i) convert to Surface Water, or (ii) install the Water Line Segment or the Chloramine System.

(a) If a written request for reimbursement is made by a Converted Customer to the Authority as set forth in this Section, then such Converted Customer may be eligible for Authority reimbursement of construction and engineering costs for the Water Line Segment and the Chloramine System as follows:

- (i) The Converted Customer may be eligible for reimbursement of the actual and reasonable construction and engineering costs incurred by the Converted Customer to construct a segment of water line ("Water Line Segment") from the Authority's water meter/vault facilities to such Customer's ground storage tank facilities (or other water plant facilities). A Converted Customer shall not be eligible for this reimbursement if the Converted Customer fails to execute a Realty Interest Document in favor of the Authority in a form and at the time required by the Authority, and at no expense to the Authority. The Authority may require that such Realty Interest Document, among other things, allow the Authority the right to: (i) install, own, operate

and maintain water line and/or meter facilities and related appurtenances, and (ii) install, own, operate and maintain sensor equipment on such Customer's ground storage tank facilities (or other water plant facilities) and electrical and control connections by conduit pipe (or other means) connecting such sensor equipment to the Authority's System. No costs for repair, maintenance, operation, upgrade or replacement of the Water Line Segment shall be eligible for reimbursement from the Authority.

- (ii) The Converted Customer may be eligible for reimbursement of the actual and reasonable construction and engineering costs incurred by the Converted Customer to convert its water treatment system from a chlorine disinfection system to a chloramine disinfection system ("Chloramine System"). The purpose of this reimbursement is intended for costs associated with converting a pre-existing disinfection system to a chloramine disinfection system. Accordingly, unless approved in writing by the Authority, Persons scheduled by the Authority to become Converted Customers will not be eligible for a Chloramine System reimbursement on any new water plants constructed within 3 years before such time as Surface Water is generally available from the Authority, as determined by the sole discretion of the Authority. No costs for repair, maintenance, operation, upgrade or replacement of a Chloramine System shall be eligible for reimbursement from the Authority.

(b) Actual and reasonable engineering costs will be eligible for reimbursement in an amount not to exceed 25% of the actual and reasonable construction costs that are eligible and approved by the Authority for reimbursement under this Section if, and only if, such approved construction costs are less than or equal to \$500,000 for each water plant of the Converted Customer. If such approved construction costs are greater than \$500,000 for each water plant of the Converted Customer, then the percentage of engineering costs eligible for reimbursement will be determined by the Board, at the Board's sole discretion.

(c) Any reimbursement pursuant to this Section shall be subject to approval by the Authority's Engineer; and any such reimbursement shall be made in accordance with standards approved by the Authority's Engineer and the Board, which standards may change from time to time. Prior to completion of design (and advertisement for bids and commencement of construction) of the Water Line Segment and Chloramine System, the Person to be converted to Surface Water shall submit plans and specifications to the Authority's Engineer for review and approval. The Authority's Engineer will provide written approval of the plans and specifications, and will identify any items included in the plans and specifications that are not eligible for reimbursement by the Authority pursuant to this Policy. ANY SUCH APPROVAL DOES NOT RELIEVE THE PERSON, AND ITS ENGINEER, FROM OBTAINING

APPROVAL OF ITS PLANS AND SPECIFICATIONS BY ALL OTHER APPLICABLE AGENCIES AND JURISDICTIONS, ANY SUCH APPROVAL DOES NOT RELIEVE THE PERSON, AND ITS ENGINEER, OF ADEQUATELY DESIGNING AND CONSTRUCTING THE FACILITIES, AND ANY SUCH APPROVAL IS NOT AN ASSUMPTION BY THE AUTHORITY (OR THE AUTHORITY'S ENGINEER) OF RESPONSIBILITY OR LIABILITY FOR THE ADEQUACY (OR INADEQUACY) OF SUCH PLANS AND SPECIFICATIONS OR THE FACILITIES CONSTRUCTED THEREBY, ALL OF SAME BEING EXPRESSLY DISCLAIMED.

(d) Construction of the Water Line Segment and the Chloramine System shall be done pursuant to the competitive bidding requirements of Chapter 49, Texas Water Code, or, if applicable, the Commission emergency approval of negotiated contracts under Section 49.274, Texas Water Code. In the event the Water Line Segment and Chloramine System are constructed pursuant to a contract negotiated under said Section 49.274 (instead of a contract that was competitively bid pursuant to said Chapter 49), the Board may disapprove any amount of reimbursement sought by the Converted Customer if the Board determines that the reimbursement exceeds the costs that would have been incurred had the contract been competitively bid.

(e) The potential reimbursement eligibility set forth in this Section shall not be available until and after a Person becomes a Converted Customer. Accordingly, for example and without limitation, a Person that is not directly connected to the Authority's System but that receives water through a water interconnect with a Converted Customer shall not be eligible for the potential reimbursement described in this Section until and after such Person becomes a Converted Customer. In addition to and without limiting the other provisions of this Section, some or all of the potential reimbursement eligible to a Converted Customer under this Section may be reduced or eliminated by the Board: (i) if the Converted Customer fails to install the Water Line Segment and Chloramine System and commence receiving Surface Water by the date that the Authority is able to deliver Surface Water; or (ii) if the Converted Customer fails to submit a written request for reimbursement (with adequate supporting documentation) to the Authority within 180 days after the Person becomes a Converted Customer. No interest or interest expenses shall be included in any potential reimbursement eligible under this Section.

(f) Any and all reimbursement pursuant to this Section shall be subject to Board approval, which approval may be granted or denied based on the Board's sole discretion.

Section 3: The Authority reserves the right to modify this Policy at any time, except that a contract executed by an Owner and the Authority will not be modified without the mutual agreement of the Owner and the Authority.

Pat C. Slaughter

President, Board of Directors

ATTEST:

Melony Gay

Secretary, Board of Directors

(SEAL)

