



**NORTH FORT BEND WATER AUTHORITY**  
September 24, 2008

TO: Utility Districts, the City of Fulshear, Texas, and Non-District/Non-City Well Owners Located Within the North Fort Bend Water Authority

FROM: North Fort Bend Water Authority (the "NFBWA")

RE: Notice of Preliminary Groundwater Reduction Plan Fee

In response to numerous requests from utility districts in the process of adopting their budgets, this notice is being provided to assist in the annual budgeting process.

Based upon an initial review of the NFBWA's anticipated operating and capital costs related to obtaining a long term surface water supply from the City of Houston and finalizing the Groundwater Reduction Plan ("GRP"), the NFBWA's Board of Directors anticipates adopting a **GRP Fee of \$0.60 per 1,000 gallons of water pumped, effective January 1, 2009**. Additionally the NFBWA's Board of Directors anticipates adopting future GRP Fees in amounts increased annually in increments of \$0.30 per 1,000 gallons of water pumped, to achieve a GRP Fee in the amount of \$1.80 per 1,000 gallons of water pumped by year 2013.

The NFBWA has executed a Water Supply Contract with the City of Houston (the "City") for a long term supply of surface water under which it is obligated to make significant payments to the City for the NFBWA's pro-rata share of existing surface water plant and transmission line capacity sufficient to meet its anticipated demands, and for the NFBWA's operations and maintenance costs, calculated per the amount of water used. Both the North and West Harris County Regional Water Authorities were obligated to make significant payments to the City to reserve their pro-rata share of surface water plant and transmission line capacity sufficient to meet their anticipated demands. Both Authorities adopted pumpage fee increases during this process. Please see the attached chart.

The NFBWA's annual budget will be adopted at the November 2008 or the December 2008 regular meeting of the Board of Directors, at which time a thorough discussion of water supply and GRP issues will take place. A notice of the meeting date and location for adoption of the GRP Fee will be distributed at a later date.

<b>Authority</b>	<b>Pumpage Fees</b>	<b>Date</b>	<b>Bond Sales</b>	<b>Date</b>
NHCRWA	\$0.12	1/1/2000		
NHCRWA	\$0.25	4/1/2000		
NHCRWA	\$0.34	10/1/2003	\$124,685,000	Series 2003
NHCRWA	\$0.59	4/1/2005	\$93,875,000	Series 2005
NHCRWA	\$0.84	10/1/2006		
NHCRWA	\$0.99	10/1/2007		
WHCRWA	\$0.35 (GW) \$0.65 (SW)	11/5/2001		
WHCRWA	\$0.50 (GW) \$0.80 (SW)	1/1/2003	\$72,950,000	8/6/2003
WHCRWA	\$0.50 (GW) \$0.80 (SW)	2005	\$71,295,000	4/14/2005
WHCRWA	\$0.65 (GW) \$0.95 (SW)	2006	\$47,000,000	8/9/2006
WHCRWA	\$0.75 (GW) \$1.05 (SW)	1/1/2007		
NFBWA	\$0.19	10/1/2005		
NFBWA	\$0.30	1/1/2008		
NFBWA				