



WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

November 20, 2017

TO: Utility Districts; the Cities of Houston and Katy, Texas; Non-District/Non-City Well Owners within the West Harris County Regional Water Authority

FROM: West Harris County Regional Water Authority (the "Authority")

RE: Notice of Fee Increase

At the Authority's Board of Directors meeting held on November 8, 2017, at 20111 Saums Road, Katy, Texas 77449, the Authority adopted increased fees in order to fund the massive water supply projects that are needed to meet the Harris Galveston Subsidence District ("HGSD") groundwater reduction regulations and to avoid the \$8.75 per 1,000 gallons fine that the HGSD imposes for non-compliance.

These water supply projects are briefly described in the enclosed material entitled "The Rising Cost of Water." (Five copies of this material are attached and additional copies are available for your distribution to customers, upon request.)

Effective January 1, 2018, the Groundwater Reduction Plan Fee will be \$2.70 per 1,000 gallons of groundwater pumped and the Surface Water Fee will be \$3.10 per 1,000 gallons of water delivered by the Authority. Such increase would correspondingly increase the Imported Water Fee.

Please remember to report your water usage online at the Authority's website (oprswcrwa.com), as required by the Authority's Amended Rate Order.

Traditionally — in northwest Harris County — our drinking water has been pumped from groundwater wells that might now be 50 or 60 years old. This water has been delivered to homes and businesses by hundreds of individual MUDs (Municipal Utility Districts). When the faucets were turned on...water came out. People were blissfully unaware that the ground was sinking in their neighborhoods, and the aquifers that had provided what seemed like an endless supply of drinking water were beginning to decline.

The **Harris-Galveston Subsidence District** was created by the Texas Legislature in 1975 — the first entity of its kind in the U.S. with the power to restrict groundwater withdrawals — to remedy the serious condition of land subsidence and the decline of critical aquifer storage. Initially, the Subsidence District addressed the severe subsidence occurring in the Baytown-Pasadena-Galveston area — where whole subdivisions had to be abandoned after sinking below sea level — by requiring industries on the Houston Ship Channel to convert to surface water. The results were dramatic — subsidence in the Baytown-Pasadena area was significantly improved, and has since been largely halted altogether.

The Subsidence District extended similar mandates into north and west Harris County, where increasing levels of subsidence had also been measured. The Subsidence District's Regulatory Plan outlined a phased timeline for reducing reliance on groundwater through conversion to surface or alternate water resources in this area, as well.

The **West Harris County Regional Water Authority** (WHCRWA) was created by the Texas Legislature to identify and secure a long-term supply of quality drinking water at the lowest responsible cost, to promote water conservation, and to facilitate compliance with groundwater reduction strategies and mandates. In 2003, the WHCRWA 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. In 2010, WHCRWA met the first of the Subsidence District's groundwater reduction mandates by converting to more than 30 percent surface (or alternate) water. The next mandate is to increase surface water usage to 60 percent by 2025.

**LUCE BAYOU INTERBASIN
TRANSFER PROJECT:**

Total Cost = ~\$350 M
WHCRWA COST = ~\$70 M

**NE WATER PURIFICATION
PLANT EXPANSION:**

Total Cost = ~\$1.28 B
WHCRWA COST = ~\$320 M

**SURFACE WATER SUPPLY
PROJECT:**

Total Cost = ~\$680 M
WHCRWA COST = ~\$375 M

**WHCRWA 2025
INFRASTRUCTURE (CIP)
PROJECTS:**

~\$361 M over next decade

**TOTAL WHCRWA
ADDITIONAL
CAPITAL COST:**

**Over
\$1.1 BILLION**

A large amount of money will be needed as these massive projects move from the design phase into the construction phase. The Authority has to charge sufficient rates to cover debt service and our operating costs for the infrastructure we already have in the ground. We need to continue paying for the water we purchase from the City of Houston; funding our Capital Improvement Plan that includes constructing 75 miles of new water distribution lines and converting an additional 52 MUDs to surface water; and paying our fair share of the massive infrastructure projects — estimated to be over **\$1.1 Billion**.

Fortunately, we have access to a great new source of funding. Financial assistance applications were submitted by the WHCRWA under the State's SWIRFT program or the **State Water Implementation Revenue Funding Program**. The TWDB approved these loan requests in 2015 and 2017. This multi-year, low interest loan commitment is for a total of \$862,140,000.

We know that the cost of water will continue to rise. The Board of Directors is committed to keeping the cost of water as low as possible for as long as possible and will keep the periodic rate increases reasonable and consistent with this commitment. Increasing the WHCRWA fee steadily and in smaller amounts will help avoid a sharp increase in the fee in the years ahead.

Effective January 1, 2018, the WHCRWA well pumpage fee is \$2.70/1000 gallons and the surface water fee is \$3.10/1000 gallons.