

J. RON YOUNG
MARK W. BROOKS
MARCARET R. MADDOX

YOUNG & BROOKS
ATTORNEYS AT LAW
1415 LOUISIANA, FIFTH FLOOR
HOUSTON, TEXAS 77002-7349

(713) 951-0800
FAX (713) 951-9805

February 26, 2003

Betty Hillman
Water District Service Co.
4234 Richmond Avenue
Houston, TX 77027

Jim Watson
Edminster, Hinshaw, Russ & Associates, Inc.
10555 Westoffice Drive
Houston, Texas 77042-5310

Re: Northwest Park Municipal Utility District; Groundwater Reduction Plan Agreement
with City of Houston

Dear Betty and Jim:

Enclosed for your review, please find a copy of the referenced agreement in final form as just received from the City of Houston. Should you have any questions or comments, please feel free to call.

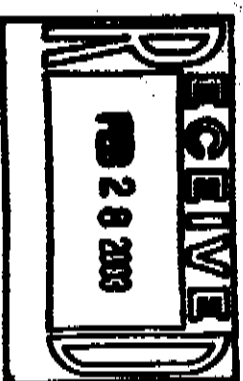
Sincerely,

Mark

Mark W. Brooks

MWB:tnk
Enclosure

cc: Board of Directors
Northwest Park MUD



CITY OF HOUSTON WATER SUPPLY AND
GROUNDWATER REDUCTION PLAN WHOLESAL AGREEMENT
FOR
REGULATORY AREA 3 OF THE
HARRIS-GALVESTON COASTAL SUBSIDENCE DISTRICT

03-0519

55099

THIS WATER SUPPLY AND GROUNDWATER REDUCTION PLAN ("GRP")
WHOLESAL AGREEMENT FOR REGULATORY AREA 3 OF THE HARRIS-
GALVESTON COASTAL SUBSIDENCE DISTRICT (this "Agreement") is made and entered
into as of the date of Countersignature below between the CITY OF HOUSTON, TEXAS, a
home rule municipal corporation ("GRP Manager"), and NORTHWEST PARK MUNICIPAL
UTILITY DISTRICT, a political subdivision of the State of Texas, acting by and through its
Board of Directors ("Participant").

W I T N E S S E T H:

Recitals

The GRP Manager is a municipal corporation and home-rule city, principally located in
Harris County, Texas. The GRP Manager has authority to enter into this Agreement under its
City Charter and Section 402.021 of Texas Local Government Code.

Participant is a municipal utility district located in Harris County, Texas, and a political
subdivision of the State of Texas.

This Agreement addresses the development of a project ("Project") to achieve regulatory
compliance within Regulatory Area 3 ("Area 3") of the Harris-Galveston Coastal Subsidence
District ("Subsidence District"). A map showing Area 3 is attached as Exhibit 1. The treated

water to be supplied from the Project must be derived primarily from surface water, so that the total amount of groundwater withdrawn by the Participants herein can and will be reduced to levels required by the Subsidence District by the deadlines established by the Subsidence District. Also, an alternative supply of treated water is needed for supply to certain areas within Area 3 in which groundwater quantity and/or quality problems currently exist or are anticipated.

A substantial portion of the GRP Manager's water service area lies within Area 3. The portion of GRP Manager's water service area that lies within Area 3 is also shown on Exhibit 1. The GRP Manager is a pumper of groundwater from wells located within Area 3 permitted by the Subsidence District ("Area 3 Pumper").

Participant also is an Area 3 Pumper.

Pursuant to current regulations of the Subsidence District, each non-exempt Area 3 Pumper must submit to the Subsidence District a "Groundwater Reduction Plan" ("GRP") and receive certification of its GRP from the Subsidence District by January 2003. Minimum requirements for an acceptable GRP include the following:

- Identification of source for water supply, water provider, and amount of water supply available;
- Evidence (executed contractual agreement and/or financial commitment) that the water supplier has sufficient water supplies and/or rights and is willing to meet the Area 3 Pumper's present and projected demands;
- Preliminary engineering report of the proposed facilities to be constructed through year 2010 including a description of the proposed project and area maps; and
- Conceptual schematic plans of the proposed facilities to be constructed for the year 2020 and 2030 requirements.

After certification of an Area 3 Pumper's GRP, the pumper must meet the Subsidence

District requirements for ground water reduction as follows:

| | |
|--------------|---|
| January 2005 | Commence construction of the proposed facilities |
| January 2010 | Reduce and maintain groundwater withdrawals to comprise no more than 70% of the pumper's total water demand |
| January 2020 | Reduce and maintain groundwater withdrawals to comprise no more than 30% of the pumper's total water demand |
| January 2030 | Reduce and maintain groundwater withdrawals to comprise no more than 20% of the pumper's total water demand |

The Subsidence District's regulations provide for contractual arrangements and co-permitting by groups of Area 3 Pumpers, as follows:

Two or more Area 3 Pumpers may enter into contractual agreements to share costs or cooperate in ways that achieve orderly reductions in total groundwater use and conversions to alternative water supplies. Area 3 Pumpers may join with or form associations for the purpose of reducing groundwater withdrawal. Area 3 Pumpers' groundwater reduction requirements are met when they form a group within Area 3 that together achieve compliance with the regulatory requirements for Area 3.

The GRP Manager over the past 50 years has developed supplies of surface water that, together with groundwater available to the GRP Manager, are adequate to satisfy current demands for potable water by its citizens as well as projected demands for a substantial period of time. The

GRP Manager intends to comply with the Subsidence District requirements.

Area 3 Pumpers that have executed this Agreement ("Participants") and the GRP Manager have developed a collective solution in response to the Subsidence District requirements as well as existing and anticipated groundwater quality and/or quantity problems. The collective solution will utilize the GRP Manager's existing surface water supplies and additional facilities that the GRP Manager may acquire or develop as the source of surface water for the Project.

Under this program, the GRP Manager and the Participants will form a group to achieve overall compliance with the Subsidence District regulations in an efficient and cost effective manner. In order to achieve compliance, treated surface water from the Project will be supplied only to the GRP Manager and some of the Participants, but in sufficient quantities to achieve overall compliance for the GRP Manager and for all Participants. Another element of this cooperative program is to prioritize the delivery of treated surface water to Participants with actual or potential water quantity or quality problems.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto do mutually agree as follows:

ARTICLE I

Definitions

Unless the context requires otherwise, the following terms as used in this Agreement shall have meanings as follows:

"Agreement" is defined in the Preamble.

"Area 3" is defined in the Preamble.

"Contract Quantity" is the minimum amount of water Participant is required to take from the Project (Reference Section 3.04). The Contract Quantity may be amended by mutual written agreement of the GRP Manager Director and the Participant, but shall never be less than the quantity of Project water required pursuant to Section 3.04(1).

"GRP" means the single Groundwater Reduction Plan to be developed by the GRP Manager pursuant to Section 4.01.

"GRP Area" means the total areas of the GRP Manager within Area 3 and all of the Participants.

"GRP Manager" is defined in the Preamble.

"GRP Manager Director" means the Director of the GRP Manager's Department of Public Works and Engineering or his or her designee, and any other person who may hereafter exercise the functions of the GRP Manager Director.

"GRP Rate" is defined in Section 5.04.

"Measuring Equipment" is defined in Section 8.01.

"Participant" is identified in the Preamble. When the term "Participant" is used in the plural or general sense it means the entities within Area 3 who execute an agreement with the GRP Manager in substantially the form of this Agreement.

"Participant's System" means all groundwater wells, pipelines, storage facilities and other facilities comprising Participant's treated water supply and distribution system.

"Payment Commencement Date" for any Participant means (i) the date the Participant must renew its Subsidence District water well permit in 2003; (ii) the inception date for the initial

Subsidence District water well permit issued after 2003 for which the Participant is subject to a disincentive fee; or (iii) the date on which the Participant begins to take treated water from the Project if (i) or (ii) have not yet occurred.

"Point(s) of Delivery" for any Participant means the point or points on the distribution system of the Project where treated water from the Project is delivered to that Participant.

"Project" means the project to supply treated water from alternative sources developed by the GRP Manager pursuant to this Agreement. The initial description of the Project shall be included in the GRP. See Section 4.01.

"Review Committee" is defined in Section 4.05.

"Subsidence District" is defined in the Preamble.

"TCEQ" means the Texas Commission on Environmental Quality.

ARTICLE II

Participant and Participant's Permits and Water Demands

2.01 – Participant's Subsidence District Permits and Applications.

Participant represents that all of Participant's current Subsidence District permits and applications pending with the Subsidence District are attached hereto under Exhibit 2.

2.02 – Participant's Historical Use and Demand Projections.

(1) Participant represents that the amounts of ground water that have been pumped annually in the past five years from Participant's permitted wells are set forth in the table attached hereto as Exhibit 3.

(2) Participant represents that its good faith projections of the total amounts of water needed annually to meet its demand through the year 2040 are set forth in the table attached hereto as Exhibit 4. Participant shall provide the GRP Manager updated projections from time to time upon request by the GRP Manager Director, and the parties shall periodically review these and any other available water demand projections for the purpose of establishing revisions to the Contract Quantity and the requirements of Section 3.04(1).

ARTICLE III Project

3.01 – Development of the Project.

The GRP Manager shall be responsible for the design, construction and operation of the Project

3.02 – Design to Achieve Compliance with Subsidence District Requirements.

(1) The Project shall be designed in phases for compliance with the Subsidence District deadlines, as follows: the January 2005 deadline for commencement of construction of the initial phase; the January 2010 deadline to reduce groundwater withdrawals such that the GRP Manager and Participants as a group withdraw no more than 70% of their demand from groundwater; and subsequent deadlines to further reduce and maintain groundwater withdrawals.

(2) In order to achieve compliance with Subsidence District requirements in an efficient and cost effective manner, the Project will be designed so that treated water from alternative

sources is supplied to only a portion of Area 3, but in sufficient quantities to achieve overall compliance for the Participants and the GRP Manager.

3.03 -- Design to Mitigate Groundwater Quality and Quantity Problems.

The Project will also be designed so that treated water from the Project is supplied to Participants with current or anticipated groundwater quality or quantity problems, even if other designs could achieve overall compliance with Subsidence District requirements at less cost. For such Participants, the Project may include the supply of groundwater and the necessary facilities for such supply, including one or more new groundwater wells and facilities to convey groundwater pumped from these new wells or existing wells.

3.04 -- Connection to Project by the Participant.

(1) The GRP Manager Director will decide when the Participant must connect to the Project and the minimum amount of water the Participant must take from the Project, except (b) the GRP Manager Director shall not require the Participant to connect to the Project prior to January 1, 2010, and (ii) the GRP Manager Director shall not require the Participant to take water from the Project in excess of the then current Subsidence District regulatory requirement. The GRP Manager Director will also establish maximum peak rates for the Participant consistent with the Participant's Contract Quantity and the requirements of other Participants. The GRP Manager has the sole discretion under this Agreement to determine the time, if ever, the GRP Manager will supply water to the Participant.

By written agreement between the Participant and the GRP Manager Director, the GRP Manager may supply water from the Project at an earlier date at a flow rate established under the

agreement. The written agreement must specify the financial, legal and engineering responsibilities of the GRP Manager and the Participant for any necessary facility construction. Provided, however, prior to January 1, 2010 the minimum flow rate must not be less than 30% of Participant's current demand. Moreover, the GRP Manager Director shall not accelerate the January 1, 2010 conversion date if the Participant and the GRP Manager enter into such an agreement for water supply prior to January 1, 2010.

(2) The GRP Manager Director shall have the right to require that the Participant connect to the Project at specified location(s) on the Project. Provided the GRP Manager Director shall not require the Participant to oversize its transmission main without pro-rata reimbursement by other parties, and provided further, the GRP Manager Director shall not require the Participant to construct more than one mile of off-site water transmission main outside the boundary of the Participant. However, it may be necessary for the Participant to construct transmission main longer than one mile for connection to the Project prior to being required to connect by the GRP Manager Director.

(3) When the GRP Manager Director determines that a Participant must connect to the Project, the GRP Manager Director shall give that Participant written notice to connect, specifying the point or points of connection and conditions and standards applicable to the connection. Provided no such notice shall take effect prior to June 30, 2008 regardless of the date delivered. The Participant shall connect to the Project at the specified point or points of connection in accordance with such conditions and standards at its cost within 18 months after receipt of the notice. On or before the date of initial delivery of treated water from the Project, the Participant

shall install the facilities itemized below. Participant must obtain the written approval of the GRP Manager Director for the design of these facilities prior to commencement of construction.

- (i) Air gap at Point(s) of Delivery (back flow preventers may be installed only if approved in writing by the GRP Manager Director). The air gap to prevent back flow may be located at the Participant's ground storage tank rather than at the Point of Delivery as long as the water enters the top of the tank and there are no connections on the water transmission main between the Point of Delivery and the ground storage tank.
- (ii) Flow restriction equipment.
- (iii) Measuring Equipment as described in Section 8.01.

The GRP Manager Director may approve facilities already constructed or installed if such facilities substantially conform to the GRP Manager Director's requirements.

- (4) In the event the Participant must construct the transmission main and/or other facilities to make the connection, it shall either (i) at its own cost construct the transmission main and/or other facilities itself (or pursuant to a cost sharing agreement with other Participants), or (ii) enter into an agreement with the GRP Manager under which the GRP Manager will construct the transmission main and/or other facilities for the Participant pursuant to a memorandum of agreement executed by the GRP Manager's Mayor and the Participant. Under any such memorandum of understanding, the Participant will be required to repay the GRP Manager the full cost of the transmission main and facilities according to a schedule of payments agreeable to the parties, but payments cannot be less than the GRP Manager's debt service for the cost of the

transmission main and facilities. All transmission main and other required facilities for the transmission of water outside the Participant's boundaries shall be owned and maintained by the GRP Manager. If Participant constructs the main, it must secure all required easements in the name of the GRP Manager, obtain written approval for the design of the transmission main from the GRP Manager Director, and provide the GRP Manager record drawings of the transmission main after completion of the main.

(5) A connected Participant shall take water at the Point(s) of Delivery of the Project in accordance with the requirements of this Agreement.

ARTICLE IV

Groundwater Reduction Plan

4.01 - Development of the GRP.

(1) The GRP Manager shall develop a single GRP for itself and all Participants that provides overall compliance with the Subsidence District requirements for the GRP Area. The description of the Project shall be included in the GRP. The GRP shall be based upon the Project and shall include a plan for co-permitting all groundwater wells owned or controlled by the Participants in accordance with the requirements of the Subsidence District. The GRP may also include criteria upon which the GRP Manager shall design and construct the Project as well as manage the GRP.

(2) The GRP Manager may prepare and make available one or more drafts of the proposed GRP. The Participant agrees to review each draft and promptly provide any comments it may have to the GRP Manager.

(3) The GRP Manager may modify the proposed GRP as may be necessary or desirable in response to Participant comments it may receive, and it shall distribute the modified proposed GRP to all Participants.

4.02 -- Filing and Certification of the GRP.

The GRP Manager shall file the GRP and amendments thereto for certification by the Subsidence District at such times as necessary to secure compliance for itself and the Participants.

4.03 -- Co-Permitting.

The GRP Manager and the Participant agree to cooperate to allow co-permitting of their wells under the Subsidence District's rules as provided in the certified GRP. The GRP Manager shall prepare and submit all required reports to the Subsidence District for the GRP.

Under requirements of the Subsidence District, the GRP Manager is responsible for obtaining all Subsidence District groundwater permits for wells that are included in the GRP. The GRP Manager shall be responsible for making applications for the renewal of these groundwater permit(s). The Participant shall maintain ownership of its groundwater wells, and shall reimburse the GRP Manager for Subsidence District fees (including application fees, permit fees, pumpage fees, etc.) that the GRP Manager pays on behalf of the Participant. The Participant also agrees to provide the GRP Manager data and other information necessary for the GRP Manager to apply for the permits and maintain the GRP as required by the Subsidence District.

4.04 -- Amendment of the GRP.

After certification of the GRP by the Subsidence District, the GRP Manager may amend the GRP only after allowing all Participants the opportunity to review and comment on the

proposed amendment for at least 60 days. The GRP Manager shall file the amended GRP with the Subsidence District and seek certification of such amended GRP.

4.05 – GRP Review Committee.

(1) **Organization.** The GRP Manager Director shall organize the GRP Review Committee, which shall consist of seven members. The GRP Manager Director shall appoint three members of the Review Committee as follows:

Two members who reside within the GRP Manager city limits within Area 3.

One member who is employed by an industry that is a major ground water pumper within

Area 3.

Other members of the GRP Review Committee are as follows:

The GRP Manager Director or his/her designee.

One member appointed by the Subsidence District.

Two members who have had experience as board members for conservation and reclamation districts. These shall be selected by the conservation and reclamation districts that are Participants herein, each such district having one vote. The GRP Manager Director shall develop an initial election procedure after conferring with the Participants.

(2) **Procedures.** The Review Committee shall adopt rules and regulations for member terms (not to exceed 3 years), election of Review Committee members, from conservation and reclamation districts, removal of Review Committee members, and other regulations relating to procedures and activities of the Review Committee. A majority of members of the Review Committee present shall constitute a quorum.

(3) **Activities of the Review Committee.** The activities of the Review Committee are:

- (a) Annual review and recommendations regarding the GRP.
- (b) Recommendations regarding proposed connections requested by the GRP Manager Director.
- (c) Recommendations regarding requests from the Participants to make connections to the Project.
- (d) Recommendations regarding requests from the Participants to increase the Contract Quantity or to change the restrictions of the GRP Manager Director made under Section 3.04 herein.
- (4) **Open Meetings and Records.** The Review Committee shall be subject to the requirements of Chapters 551 (open meetings) and 552 (open records) of the Texas Government Code.
- (5) **Duties of the GRP Manager.** The GRP Manager shall provide administrative support for the Review Committee, including notice for meetings, meeting facilities, and a secretary to take meeting notes. The GRP Manager shall make records and data regarding the GRP and GRP Rate available to the Review Committee upon request.

ARTICLE V

Charges

5.01 -- Payment Commencement Date

Charges for the benefits provided the Participant by this Agreement shall begin to accrue after the Payment Commencement Date

5.02 -- Monthly Charge for Participants

The amount due from the Participant for each month from and after the Payment

Commencement Date shall be calculated as follows:

(1) Until the date on which the Participant connects (or is required by the GRP Manager Director to connect) to the Project, the Participant shall pay the amount determined by the formula:

$R \times P \times Q$ where:

R is the GRP Rate per thousand gallons;

Q is a quantity of groundwater pumped by the Participant in thousands of gallons

P is 30% through 2016, 70% from 2017 through 2026, and from 2027 and thereafter is 80%, except such percentage may be increased or reduced by the GRP Manager.

(2) After the date on which the Participant connects (or is required by the GRP Manager Director to connect) to the Project, the Participant shall pay the amount determined by the formula:

$R \times C$, where

R is the GRP Rate per thousand gallons;

C is the Contract Quantity or such greater quantity of water taken by the Participant in thousands of gallons.

(3) In addition, in the event the Participant fails to make the required connection or takes more groundwater than permitted by the GRP Manager Director under Section 3.04 (1), the Participant must pay the GRP Manager all Subsidence District disincentive fees required due to

¹ If the GRP Rate includes a separate surcharge formula for peaking, R is the base rate only.

² If the GRP Rate includes a separate surcharge formula for peaking, apply both base rate and surcharge to 'C' according to the formula in the GRP Rate.

failure of the Participant to comply with this Agreement. Disincentive fees as assessed by the Subsidence District under this requirement shall be paid yearly (if necessary) upon demand by the GRP Manager Director.

(4) Participants who sign Agreements substantially the same as this Agreement prior to January 1, 2002 will receive a discount equal to 10% per month for the first twelve consecutive months after the Payment Commencement Date.

5.03 - Catch-up Payment for Participants Who Execute Agreement After January 1, 2003.

A Participant who executes this Agreement after the Payment Commencement Date must pay "catch-up," which will be the entire amount of payments that the Participant would have made after Payment Commencement Date under the requirements of this Agreement, plus interest compounded annually at the current rate for the GRP Manager's water and sewer system bonds.

5.04 - Rates.

(1) The GRP Rate is the GRP Manager's ordinance rate for contract treated surface water (currently codified at Code of Ordinances §47-61(f)), unless and until modified by the GRP Manager. The contract treated water rate shall be calculated on the basis of legally permitted cost components pursuant to guidelines and requirements of the TCEQ. The rate analysis utilized by the GRP Manager shall set forth cost data, assumptions, principles, and methodologies used to develop the rates. The GRP Manager may amend the rates charged the Participants at any time.

(2) Uniform rates shall be charged to all similarly situated Participants.

5.05 -- Billing and Payment.

(1) Each month, the GRP Manager shall send a statement of charges to the Participant showing the calculation of the monthly charge in accordance with Section 5.02.

(2) Payment of each statement shall be due and payable to the GRP Manager at Department of Public Works & Engineering, City of Houston, P. O. Box 4863, Houston, TX 77210-4863, on or before the 30th day after receipt of such statement. If the GRP Manager changes the location at which payment is to be made, the GRP Manager shall notify the Participant in writing.

(3) The Participant has determined that all obligations to expend money arising out of this Agreement can be fully satisfied out of monies now on hand and available for expenditure for the purposes herein stated. Such charges are an operating expense of the Participant's water system and shall be paid out of funds on hand at the time such charges are incurred. The Participant covenants and agrees to assess user charges to all customers on the Participant's System that will produce revenues sufficient to discharge its obligations under this Agreement.

5.06 – Failure to Pay when Due.

Should the Participant fail to tender payment of any amount when due, interest thereon shall accrue at the rate of 10% per annum from the date when due until paid. In the event the Participant fails to timely tender payment of any amount billed within the 30-day period established in Section 5.05 hereof, and such failure continues for 30 days after the notice to the Participant of such default, the GRP Manager may take any and all actions allowed by law as described in Section 9.14.

5.07 – Title to and Responsibility for Water.

If treated water from the Project is supplied to the Participant, then title to, possession, and control of such water shall remain in the GRP Manager until it passes through the Point(s) of Delivery, where title to, possession, and control of the water shall pass from the GRP Manager to the Participant.

ARTICLE VI

Term

This Agreement shall be in force and effect from and after the Date of Counter-signature by the City of Houston Controller and shall expire at noon on December 31, 2040 unless sooner terminated pursuant to the terms of this Contract.

ARTICLE VII

Performance by the Parties

7.01 -- Force Majeure.

In the event either party is rendered unable, wholly or in part, by Force Majeure to carry out any of its obligations under this Agreement, it is agreed that upon such party's giving notice and full particulars of such Force Majeure in writing to the other party as soon as possible after the occurrence of the Force Majeure, the obligations of the party giving such notice, to the extent it is affected by Force Majeure and to the extent that due diligence is being used to resume performance, shall be suspended for the duration of the Force Majeure. Such cause shall, as far as possible, be remedied with all reasonable dispatch.

7.02 -- Force Majeure Defined.

The term "Force Majeure," as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other inability of either party, whether similar to those enumerated or otherwise, and not within the control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

7.03 - Delivery Limitations.

If the Participant connects to the Project, then the Participant is not guaranteed any specific quantity or pressure of treated water whenever the Project's or GRP Manager's water supply is limited or when the Project's or GRP Manager's equipment may become inoperative because of unforeseen breakdown or scheduled maintenance and repairs. The GRP Manager is in no case to be held to any liability for failure to furnish any specific amount or pressure of treated water.

ARTICLE VIII

Measuring Equipment

8.01 -- Installation of Measuring Equipment.

At the Participant's own cost and expense, and to the extent the Participant has not already done so, the Participant shall install at all of its water wells, Points of Delivery, and other appropriate measuring points such measuring equipment properly sized and able to measure the amount of water withdrawn or otherwise made available to the Participant, within the accuracy tolerance of 2% ("Measuring Equipment"). Specifications for the Measuring Equipment and

location for all points of measurement must be approved in writing by the Participant and the GRP Manager Director. The Measuring Equipment must include remote meter reading devices with telephonic connections as required by the GRP Manager Director. The GRP Manager Director shall specify in writing the remote meter reading equipment required and shall stipulate installation requirements necessary for the equipment to operate with the Project's data collection equipment. The Participant shall furnish and install the equipment. The GRP Manager shall be responsible for the cost of any modification or replacement for the hardware or software previously installed by Participant in accordance with this Agreement in case the GRP Manager Director desires different type(s) of hardware or software installed.

8.02 – Maintenance and Testing.

The GRP Manager shall maintain the Measuring Equipment within the accuracy tolerance specified in Section 8.03 by periodic tests. The GRP Manager shall conduct such tests at least once every 12 months and shall notify the Participant at least 48 hours in advance of the time and location at which tests are to be made. If the Participant requests an additional test within the 12 months of any such test, the GRP Manager shall make the test and charge Participant an amount equal to the GRP Manager's cost to perform such test, unless the test reveals that the Measuring Equipment registers 102% or more of the correct flow amount for a given rate of flow. The Participant shall have the right to be present and witness any test performed by GRP Manager.

8.03 – Billing Adjustments for Inaccurate Meters.

(1) Should the test of the Measuring Equipment in question show that the Measuring Equipment registers either more than 102% or less than 95% of the water withdrawn or delivered

for a given rate of flow, the total quantity of water withdrawn or delivered through such Measuring Equipment will be deemed to be the average daily amount as measured by the Measuring Equipment when in working order, and the GRP Manager shall calibrate the meter to the manufacturer's specifications (in the case of Venturi meters), the American Water Works Association specifications (for all other types of meters) for the given rate of flow, or replace the Measuring Equipment with accurate Measuring Equipment that is tested by the GRP Manager before it is placed in service.

(2) Any billing adjustment under this Section shall be for a period extending back to the time when the inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, for a period extending back to the last test of the measuring equipment or 120 days, whichever is shorter.

(3) As used in this Section, the expression "given rate of flow" means one of the following selected by the GRP Manager for each calibration or test:

- (1) the total quantity of water withdrawn or delivered through the measuring equipment during the preceding period (usually a calendar month) as reflected by the totalizer, converted to gallons per minute;
- (2) high, low, and intermediate rates of flow in the flow range, as reflected by the flow recording devices;
- (c) the applicable minimum monthly quantity converted to gallons per minute; or
- (d) AWWA-specified test flow rates for that size and type of meter.

8.04 -- Disputes as to Testing.

(1) In the event of dispute between the Participant and the GRP Manager as to the accuracy of the testing equipment used to conduct the accuracy test, an independent check may be mutually agreed upon between the Participant and the GRP Manager Director to be conducted by an independent measuring equipment company suitable to both the Participant and the GRP Manager Director. The cost of such test will be at the Participant's sole expense.

(2) The Participant and the GRP Manager Director shall accept the test results of the independent measuring equipment company, provided that the calibration procedure and test equipment are mutually agreeable to the Participant and the GRP Manager Director.

ARTICLE IX

Miscellaneous Provisions

9.01 -- Quality and Quantity of Water.

(1) If the GRP Manager Director determines that the Participant must connect to the Project, then after such connection is made, the GRP Manager shall provide treated water from the Project meeting all applicable Texas and Federal regulations regarding water quality, including the Safe Drinking Water Act. The GRP Manager agrees that it will not contract for the sale of treated water to others to such an extent or for such quantities as to impair its ability to perform its obligations to deliver water at contract quantities under this Agreement.

(2) EXCEPT AS PROVIDED IN THIS SECTION 9.01, THE GRP MANAGER MAKES NO WARRANTY EXPRESSED OR IMPLIED, REGARDING THE QUALITY, QUANTITY OR DELIVERY PRESSURE OF TREATED WATER FROM THE PROJECT,

INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(3) THE PARTICIPANT HEREBY RELEASES AND DISCHARGES THE GRP MANAGER FROM ANY AND ALL FINES, DEMANDS, JUDGEMENTS, LIABILITIES OR CLAIMS ARISING BY REASON OF OR IN CONNECTION WITH THE DELIVERY OF WATER WHICH MEETS THE REQUIREMENTS OF THIS SECTION 9.01.

9.02 – Ingress and Egress.

During the term of this Agreement, the GRP Manager shall have the right of ingress and egress in, upon, under and over any and all land, easements and rights-of-way of the Participant on which are constructed any facilities of the Project.

9.03 – Assignments.

This Agreement shall bind and benefit the respective parties and their legal successors but shall not otherwise be assignable, in whole or in part, by either party without first obtaining written consent of the other. "Assignment" as used herein means assignment in law or otherwise.

9.04 – Subject to Laws and Regulations.

(1) This Agreement shall be subject to all present and future valid laws, orders, rules and regulations of the United States of America, the State of Texas, any regulatory body having jurisdiction, and the Charter and Ordinances of the City of Houston, Texas. In order to protect the Project, it is specifically agreed that Participant's System shall be constructed and operated to comply with the rules promulgated by the TCEQ, the Houston Plumbing Code, and the policy of requirements of the GRP Manager Director regarding backflow prevention and cross connections.

Should a condition in violation of these requirements be discovered, the Participant shall promptly cure same.

(2) The Participant agrees to adopt and enforce a water conservation plan as may be required by the GRP Manager, the Subsidence District, and the TCEQ (30 T.A.C. § 288). The water conservation plan must be completed and filed with the GRP Manager within six months of execution of this Agreement.

9.05 -- No Additional Waiver Implied.

The failure of either party hereto to insist, in any or more instances upon performance of any of the terms, covenants or conditions of this Agreement, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by the other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.

9.06 -- Inspections.

The GRP Manager shall have the right to conduct inspections from time to time to determine that no conditions exist in the Participant's System and connections to its customers' premises which would or might adversely affect the Project.

9.07 -- Merger

This instrument contains all the agreements made between the parties for the groundwater reduction plan and the provision of water. However, other agreements may be entered into by the Participant and the GRP Manager for the purposes of constructing the infrastructure such as transmission lines throughout Area 3 that is not included in the Project.

9.08 -- Notices.

Until the GRP Manager is otherwise notified in writing by the Participant, the address of the Participant is and shall remain as follows:

Northwest Park MUD
c/o Young & Brooks
1415 Louisiana, 5th Floor
Houston, Texas 77002

Until the Participant is otherwise notified in writing by the GRP Manager, the addresses of

the GRP Manager Director and the GRP Manager are and shall remain as follows:

Director, Department of Public Works & Engineering
GRP Manager
City of Houston
P. O. Box 1560
Houston, Texas 77251-1560

All written notices, statements and payments required or permitted to be given under this Agreement from one party to the other shall be deemed given by the deposit in a United States Postal Service mailbox or receptacle of certified or registered mail, with proper postage affixed thereto, addressed to the respective party at the address set forth above or at such other address as the parties respectively shall designate by written notice.

9.09 -- Authorship.

The parties agree that this Agreement shall not be construed in favor of or against either party on the basis that the party did or did not author this Agreement.

9.10 -- Parties in Interest.

This Agreement shall be for the sole and exclusive benefit of the Participant and the GRP Manager, and shall not be construed to confer any rights upon any other party. The GRP Manager shall never be subject to any liability in damages to any customer of the Participant for any failure to perform under this Agreement.

9.11 -- Captions.

The captions appearing at the first of each numbered section in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision hereof, or in connection with the duties, obligations, or liabilities of the respective parties hereto or in ascertaining intent, if any questions of intent should arise.

9.12 -- Enforcement.

The City Attorney of the GRP Manager, or his or her designee, shall have the right to enforce all legal rights and obligations under this Agreement without further authorization.

9.13 -- Approvals.

Unless otherwise provided for herein, any consent or approval of the parties shall be made by the governing body of each party.

9.14 -- Default and Remedies.

Default shall occur only in the event either party fails to adhere to its respective obligations hereunder. In such event, the non-defaulting party shall give the defaulting party written notice describing such default and the proposed date of termination. Such date may not be sooner than the 30th day following receipt of the notice. The non-defaulting party, at its sole option, may extend the proposed date of termination to a later date. If prior to the proposed date of termination

the defaulting party cures the default, then the proposed termination shall not occur. If the defaulting party fails to cure such default prior to the proposed date of termination, then the non-defaulting party may terminate its performance under this Agreement as of such date. This Section shall not be considered as specifying the exclusive remedy for any default, and all remedies existing at law and in equity are available to either party. The GRP Manager Director is authorized to act on behalf of the GRP Manager to declare a default and terminate this Agreement.

9.15 -- Severability.

If any part of this Agreement is for any reason found to be unenforceable, all other parts remain enforceable unless the result materially prejudices either party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of which shall be deemed to be an original.

"GRP MANAGER"
CITY OF HOUSTON, TEXAS
"PARTICIPANT"
NORTHWEST PARK MUNICIPAL
UTILITY DISTRICT

By: Joe P. Brown
Mayor

By: Dennis Duckett
Dennis Duckett
President, Board of Directors

ATTEST/SEAL
[Signature]
City Secretary

ATTEST/SEAL
[Signature]
Name: _____
Title: _____

APPROVED
[Signature]
Director, Department of Public Works and
Engineering

DATE AGREEMENT
EXECUTED: March 19, 2003

APPROVED AS TO FORM:
[Signature]
Sr. Assistant City Attorney
L.D. File No. _____

COUNTERSIGNED BY:
[Signature]
City Controller

DATE COUNTERSIGNED: 7-11-03