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WEST HARRIS COUNTY REGIONAL WATER AUTHORITY

December 15, 2011

TO: Groundwater Reduction Plan Participants ("GRP Participants")
FROM: West Harris County Regional Water Authority (the "Authority")
RE: Record Drought

Except for a few recent storms, it has been over a year since there has been any appreciable rainfall in the Houston region. Despite these storms, the region's rainfall deficit is approximately 30 inches and the drought continues. Some meteorologists believe the current unfavorable conditions will persist for the foreseeable future, perhaps into 2013. This drought has broken a number of previous records. This year, Houston has experienced the driest February to September period in history with the most days at or above 100 degree heat, the most consecutive 100 degree days, and the hottest June-August period for Texas ever recorded.

During the summer months, the City of Houston's Mayor called for the release of water from Lake Conroe to increase Lake Houston's water level, and also invoked mandatory water use restrictions for the City's retail customers. Lake levels in the reservoirs - Lake Conroe, Lake Houston and Lake Livingston - remain low.

The Authority's wholesale water contract with the City entitles the Authority to approximately 28 million gallons per day. The Authority, however, is concerned that as this drought continues the City's ability to deliver water to its wholesale customers, including the Authority, will become limited. Recent news coverage has revealed general unease related to the City's decision to impose water restrictions on its retail customers, but not its wholesale customers.

Water demand has increased significantly in the current drought. The demand was so high the Authority had to increase its aggregate Subsidence District permit for the period ending November 30, 2011, by two billion gallons. In addition, the unexpected surge in water usage, including groundwater usage, is putting pressure on the Authority's ability to maintain a 30% surface water conversion under Subsidence District rules. Groundwater usage has increased to such an extent that many utility districts are lowering their groundwater well pumps in order to maintain functionality of the well due to the drop in water levels of the aquifer.

Some water districts initiated voluntary and/or mandatory drought response measures during this past summer. Because of the extreme drought situation, we are strongly encouraging all GRP Participants (including municipalities and districts on groundwater or

surface water) to implement at least voluntary drought response measures, if not mandatory. Although irrigation requirements are low during the winter months, we believe implementing drought response measures now will help prepare consumers for severe drought conditions next summer.

The Authority is continuing to analyze the drought conditions to determine what additional actions the Authority may need to take and require of the GRP Participants. Thank you for your efforts and understanding during this difficult time. The Authority will continue to keep you apprised of the Authority's plans to cope with the drought.