



SJRA Option Agreement with the Trinity River Authority

By: Jace A. Houston

By now many of you have probably read about the option agreement recently entered into between the San Jacinto River Authority (SJRA) and the Trinity River Authority (TRA). Because of the lingering drought conditions throughout much of Texas, including our region, and because of the groundwater supply issues that we've been dealing with in Montgomery County for almost a decade, Dock Line readers are keenly aware of water issues. The purpose of this article is to provide you with additional information about the SJRA-TRA option agreement so you will be fully-informed regarding this significant milestone.

The leadership of SJRA and TRA have engaged in ongoing discussions for many years regarding the purchase by SJRA of raw

water from TRA's water rights in Lake Livingston in order for SJRA to plan for growth in Montgomery County beyond the year 2050. Large-scale water rights transactions in Texas are enormously expensive and complicated. That's why you don't see or read about many transactions of this nature. When you add the fact that the water must be moved from one river basin to another, it complicates the transaction even more.

In addition to the normal legal and technical hurdles that must be overcome to complete these transactions, there is also a delicate balance that must be struck between how much money today's customers are willing to pay for water that might not be needed for many decades.

In an effort to gain input from the customers who would be paying for the water, SJRA staff first presented the proposed agreement for consideration by the GRP Review Committee, which represents the 86 customers in SJRA's GRP. The GRP Review Committee voted to approve the agreement and re-

serve the entire option quantity for the GRP program. Consequently, the applicable fees under the agreement will be payable by the GRP Division of SJRA.

After receiving a positive vote from the GRP Review Committee, SJRA completed negotiations with TRA and finalized an agreement. The agreement was approved by the SJRA board on March 28th and the TRA board on April 24th. Official press releases following each board action are available for viewing at www.sjra.net under the Quick Links box.

The following is a summary of certain notable provisions of the proposed agreement.

- The agreement with TRA is a 15-year option to contract for the purchase of up to 50,000 acre-feet



Kevin Ward, General Manager of the Trinity River Authority, shakes hands with Jace Houston following final approval of the SJRA-TRA option agreement.



Trinity River Authority

per year of water from Lake Livingston (the "option quantity") on certain agreed upon terms.

- 50,000 acre-feet per year is approximately 45 million gallons per day, which is more than the current usage of Conroe and The Woodlands combined. It is one half of Lake Conroe's annual yield.

- The agreement secures water for Montgomery County by giving SJRA a first right of refusal to contract with TRA for the purchase of all or part of the option quantity.

- The option quantity can be increased or decreased by mutual agreement of the parties.

- The annual fee payable to TRA under the agreement is equal to five percent of TRA's approved raw water rate, as applied to the option quantity. At TRA's current raw water rate of \$95 per acre-foot, the annual option fee is \$237,500.

- With respect to obtaining the necessary permit rights to transfer water from Lake Livingston (in the Trinity River basin) to Lake Conroe (in the San Jacinto River basin), the agreement contemplates that SJRA and TRA will enter into a separate agreement to address the matter on or before December 31, 2021.

The option agreement between SJRA and TRA is just the first step in securing this additional 50,000 acre-feet per year of water for Montgomery County. There are still additional steps of finalizing a water supply contract, obtaining an interbasin transfer permit, and designing and constructing the necessary infrastructure to deliver the water. Preliminary estimates of the cost to design, permit, finance, and construct a conveyance system to move the water from Lake Livingston into Lake Conroe is \$300 million.

Because of the expense to purchase and deliver this water into Lake Conroe, SJRA will continue to study additional water supply options, including reuse, the Catahoula aquifer, and conservation. It is important to note that beginning in 2016, we will only be using about 1/3 of Lake Conroe's available, annual yield, so it is important that we use the time we have to carefully plan our next steps. ♦

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