Quadvest Files Frivolous Lawsuit Likely Raising Water Costs for Hundreds of Thousands of Water Users in Montgomery County

SJRA Vows to Seek Full Reimbursement of Legal Expenses on Behalf of Customers

Conroe, Texas — Quadvest and Woodland Oaks Utility, two private investor-owned companies that provide for-profit utility services in Montgomery County, this week filed a lawsuit in federal district court against the San Jacinto River Authority (SJRA) alleging violation of the Sherman Antitrust Act of 1890.

Quadvest's lawsuit alleges that SJRA conspired beginning decades ago to establish a monopoly on water supply in Montgomery County through its Groundwater Reduction Plan (GRP) by purchasing all available surface water resources in the region and also lobbying the legislature to create the Lone Star Groundwater Conservation District (LSGCD) to regulate all available groundwater resources. Quadvest argues that the Sherman Act applies to their alleged claims because the San Jacinto River eventually flows into Galveston Bay and the fish from Lake Conroe may be sold into interstate commerce.

SJRA's GRP does not have a monopoly on alternative water supplies – a point amply demonstrated by the fact that dozens of separate utilities in Montgomery County have developed their own water supplies. There are more than 30 active GRPs in the county involving dozens of utilities – each utilizing its own alternative water supply strategy.

When groundwater (aquifer) conservation rules were established by the LSGCD in 2006, each utility had a choice of which GRP they wanted to join to satisfy the requirements. Some Montgomery County GRPs utilize surface water resources to fulfill the mandated conservation rules, while others utilize groundwater resources from the Catahoula aquifer – a deep aquifer that is completely unregulated in Montgomery County.

One of 32 active GRPs in Montgomery County, the SJRA GRP provides a surface water alternative (treated water from Lake Conroe) to reduce reliance on groundwater supplies. Eighty Montgomery County utilities – including Quadvest and Woodland Oaks – voluntarily entered into contracts with SJRA to build a $500 million water treatment plant and pipeline system to satisfy LSGCD's rules. SJRA's GRP also includes the City of Willis, which chose to utilize Catahoula supplies.

"Quadvest's lawsuit is ridiculous and an irresponsible waste of money of the almost 400,000 customers served by our system," stated Jace Houston, SJRA general manager. "This lawsuit isn't against SJRA. It's against the 78 other utilities participating in our GRP who are forced to absorb the legal costs for fighting these baseless claims. It will do nothing more than make everyone's costs go up."

"Fortunately the Sherman Act allows for recovery of legal expenses in defending against frivolous claims," Houston explained. "I've already heard from several utilities who expect us to aggressively pursue these costs from Quadvest and Woodland Oaks, plus punitive damages if possible. And the sad irony is that Quadvest's own retail customers – the people actually subject to a monopoly by virtue of Quadvest's right to exclude competition from its service area – end up being harmed the most. Presumably, they are paying Quadvest's legal expenses to assert these absurd claims; their GRP rates, along with those of the other 400,000 customers in the GRP, will likely increase due to the added legal defense costs. Then they'll end up paying once again to reimburse everyone else's legal expenses."

One of the major river authorities in Texas, SJRA's mission is to develop, conserve, and protect the water resources of the San Jacinto River basin. Covering all or part of seven counties, the organization's jurisdiction includes the entire San Jacinto River watershed, excluding Harris County. For additional information on SJRA visit our website at www.sjra.net, like SJRA on Facebook @SanJacintoRiverAuthority, follow us on Twitter @SJRA_1937, or Instagram @SanJacintoRiverAuthoritySJRA.

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