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Quadvest Drops Conspiracy Claim from Frivolous Lawsuit against SJRA

*Remaining Contract Claim Will Likely Raise Water Costs for Hundreds of
Thousands of Water Users in Montgomery County*

Conroe, Texas—Quadvest and Woodland Oaks Utility, two private investor-owned companies that provide for-profit utility services in Montgomery County, this week dropped their conspiracy claim from the pending lawsuit against the San Jacinto River Authority (SJRA). The two utilities will, however, move forward on a claim that the SJRA’s Groundwater Reduction Plan (GRP) contracts are not enforceable.

The utilities’ lawsuit was filed in federal district court against the SJRA under the Sherman Antitrust Act of 1890. In their original filing, the utilities alleged that, beginning decades ago, SJRA embarked on a conspiracy to establish a monopoly on water supply in Montgomery County by purchasing all available surface water resources in the region, and then lobbying the Texas legislature to create the Lone Star Groundwater Conservation District (LSGCD) to regulate all available groundwater resources.

In response to court filings by SJRA, the utilities have now dropped their conspiracy claim from the lawsuit. “This shows that Quadvest and Woodland Oaks Utility fully recognize how ridiculous and wasteful this anti-trust lawsuit is,” stated Jace Houston, SJRA general manager. “Now all that’s left is a claim that the GRP contracts are unenforceable, despite the fact that three separate Texas laws declare these types of contracts legally incontestable.”

Houston emphasized the negative impact to other utilities, “This lawsuit will impact 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 costs go up for the almost 400,000 customers that we serve.”

“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.”

“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 could end up paying once again if the

court orders Quadvest and Woodland Oaks to reimburse everyone else’s legal expenses,” said Houston.

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](https://www.facebook.com/SanJacintoRiverAuthority), follow us on Twitter [@SJRA_1937](https://twitter.com/SJRA_1937), or find us on Instagram [@SanJacintoRiverAuthoritySJRA](https://www.instagram.com/SanJacintoRiverAuthoritySJRA).

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Background

When groundwater (aquifer) conservation rules were established by the LSGCD in 2006, each utility in Montgomery County had a choice of which Groundwater Reduction Plan to join to satisfy LSGCD’s requirements. Various 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. Each utility made their own decision on which GRP to join in order to satisfy the LSGCD requirements.

The SJRA’s GRP is one of more than 30 active GRPs in Montgomery County involving dozens of utilities – each utilizing its own alternative water supply strategy.

Eighty Montgomery County utilities – including Quadvest and Woodland Oaks – voluntarily entered into contracts with SJRA to build a \$500 million GRP water treatment plant and pipeline system to satisfy LSGCD’s rules. Quadvest and Woodland Oaks will now try to argue that these contracts are not enforceable under the Sherman Act of 1890.