



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

ALL

Item Creation Date: 6/19/2017

20IPB444 Settlement Agreement between Montgomery County MUD 8, Montgomery County MUD 9, the City of Huntsville, the City of Houston, and the San Jacinto River Authority

Agenda Item#:

Background:

SUBJECT: Settlement Agreement Including Terms for Water Pass-Through, Water Commitment, and Encroachment between Montgomery County MUD 8, Montgomery County MUD 9, the City of Huntsville, the City of Houston, and the San Jacinto River Authority ("Settlement Agreement").

RECOMMENDATION: It is recommended that City Council adopt an ordinance approving the Settlement Agreement.

SPECIFIC EXPLANATION: The Settlement Agreement resolves a disagreement among the parties regarding water rights permit applications filed by Montgomery County MUDs 8 and 9 (the "MUDs") and the City of Huntsville ("Huntsville") with the Texas Commission on Environmental Quality ("TCEQ") seeking authorization to use the bed and banks of Lake Conroe to discharge wastewater effluent for subsequent diversion and reuse by the MUDs. The bed and banks permit application filed by the MUDs seeks authorization to discharge effluent into Lake Conroe and subsequently divert that effluent through an intake facility built on Lake Conroe. The bed and banks permit application filed by Huntsville seeks authorization to discharge effluent above Lake Conroe for subsequent diversion by the MUDs through that same intake facility pursuant to a water supply contract between Huntsville and the MUDs (the "Huntsville Contract"). Houston and the San Jacinto River Authority ("SJRA"), as co-owners of Lake Conroe, objected to TCEQ's issuance of the requested bed and banks permits on the grounds that the permits would allow the MUDs and Huntsville to store water in Lake Conroe without the consent of, or compensation to, Houston and SJRA.

After six years of negotiation, including a mediation session conducted by a TCEQ mediator in 2016, the parties propose to settle the disagreement on the following terms and conditions:

1. Houston and SJRA will execute an Encroachment Agreement authorizing the MUDs to construct, operate, and maintain an intake facility in and on the banks of Lake Conroe (the Encroachment Agreement is attached to the Agreement as Exhibit B).
2. Each year, the MUDs will leave in Lake Conroe 21% of the effluent they discharge into Lake Conroe for use by Houston and SJRA (jointly).
3. Each year, Huntsville will leave in Lake Conroe 21% of the effluent Huntsville discharges into Lake Conroe to supply the MUDs with water under the Huntsville Contract for use by Houston and SJRA (jointly).
4. Each year, the MUDs will pay Houston and SJRA (jointly) a diversion fee equal to the diversion fee rate (initially set at \$0.115 per 1,000 gallons) multiplied by the quantity of water diverted by the MUDs (from both the MUDs' effluent and Huntsville's effluent) through their Lake Conroe intake facility.
5. If the MUDs overdivert and fail to leave the required 21% in Lake Conroe for Houston and SJRA, the MUDs must pay Houston and SJRA (jointly) a water commitment fee equal to the Harris-Galveston Subsidence District's disincentive fee (currently set at \$8.46 per 1,000 gallons) multiplied by the quantity of water overdiverted by the MUDs through their Lake Conroe intake facility.
6. Upon full execution of the Settlement Agreement, Houston and SJRA will withdraw their protests of the bed and banks permit applications filed by the MUDs and Huntsville.

Houston and SJRA will share the water and fees in proportion to their ownership interest in Lake Conroe (Houston 2/3; SJRA 1/3).

The governing bodies of MUD 8, MUD 9, Huntsville, and SJRA have approved the Settlement Agreement. PWE recommends that City Council approve the Settlement Agreement and authorize the Mayor to execute the Settlement Agreement and Encroachment Agreement on behalf of the City.

Karun Sreerama, MBA, PhD, PE

Director

Department of Public Works and Engineering

Contact Information:

Yvonne W. Forrest

Acting Deputy Director

Phone: (832) 395-2847