

CITY OF HOUSTON

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April 1, 2019

The Honorable Lyle Larson, Chair
Texas House Committee on Natural Resources
P. O. Box 1910
Austin, Texas 78768-1910

Via electronic and First-Class Mail

Re: City of Houston Investment in Allens Creek Reservoir

Dear Rep. Larson;

Thank you for the written proposal contained in your March 29, 2019 letter to me. It helps everyone to see the request in writing, along with the rationale for HB 2846 which contains a less comprehensive offer than the March 29, 2019 letter. I have communicated my thoughts on HB 2846 directly to you previously, and this letter commits the City of Houston's position to writing.

To begin with, the factual premise of HB 2846 is flawed and inaccurate. There would be no Allens Creek Reservoir project as we know it today, without the City of Houston's financial and political support as buttressed by Water Use Permit No. 2925B for Allens Creek Reservoir, issued by the Texas Commission on Environmental Quality to three permittees: the Texas Water Development Board, the City of Houston, and the Brazos River Authority. Additionally, the Texas Water Development Board issued a loan guaranteed by the three owners of Permit No. 2925B. Houston made its \$23 million investment in Allens Creek Reservoir to secure a future water supply for the City of Houston which the State of Texas agreed was needed. Brazos River Authority could not develop the project on its own, and Houston marshalled regional political support and paid to remove opposition to the project from some of the very same entities which now support HB 2846.

In March of this year, Houston reiterated its willingness to BRA not only to honor previous agreements to pay \$500,000 to BRA, and to move forward with design and permitting of Allens Creek Reservoir, to begin to bring the project on line. To suggest that "the State of Texas is losing billions of dollars' worth of capital investments and thousands of jobs due to water access issues in the lower Brazos River Basin," while at the same time suggesting that BRA but not Houston can develop Allens Creek

Reservoir is to deny the legal, social and financial history of the reservoir, and its documented importance to Houston. Houston has repeatedly stated its willingness to move forward on the reservoir project, and Houston's commitment has only been met with more pressure to divest itself of its rightful interest in Allens Creek Reservoir at a loss.

HB 2846 proposes to "make Houston whole," regarding its investment in Allens Creek Reservoir through one of two options:

1. Either accept \$23 million in compensation for Houston's investment in Allens Creek Reservoir to date and walk away from the project; or
2. Accept \$5 million in compensation with a future interest of up to 20,000 acre-feet of water per year from Allens Creek Reservoir.

Neither of these proposals would make Houston whole for the simple reason that Option 1 deprives Houston of the return on its financial investment in terms of both dollars and water while denying Houston a future municipal water supply. Option 2 neither satisfies Houston's financial commitment, nor does it provide Houston a comparable water supply to the approximately 100,000 acre-feet of water per year expected from Allens Creek Reservoir or the means to purchase an alternative. As you know, efforts to locate an alternative future water supply for Houston have proven unsuccessful for several reasons, not the least of which is that everyone has learned the priceless value of water as an economic engine.

As steward of the City of Houston's financial future, I could not agree to deprive Houston citizens of a firm future water supply, only to give their economic future to some other business interests. Houston has asserted repeatedly that Houston is willing to allow any business interests which have an immediate need for water to pay for developing Allens Creek Reservoir as a water supply now, while they take the necessary steps to secure their own future water supply for their various commercial needs. Instead of handing the Allens Creek Reservoir project to BRA at a loss to Houston, Houston's alternative proposal seems to address the stated needs of all parties to develop Allens Creek Reservoir as a water supply reservoir for the present and for the future.

It is important to keep in mind that Houston's support for Allens Creek Reservoir was never simply lip service. Houston's documented need for the future water supply provided by Permit No. 2925B is the sound policy underpinning of Houston's ongoing financial support for Allens Creek Reservoir. It would be unfortunate if the Texas Legislature were to act to remove that priceless asset—a firm future water supply for the City of Houston—from Houston citizens in favor of business interests who declined to support the Allens Creek Reservoir project at first. Houston has pledged to make water available as needed from the reservoir, and to work with those local and State of Texas businesses which need a water supply in the nearer term, provided that Houston's municipal water supply needs will be met in the future.

April 1, 2019

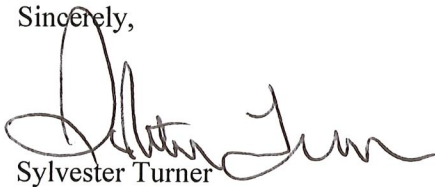
Letter to the Hon. Lyle Larson, Chair, Houston Committee on Natural Resources

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We have the option to work together to give all the parties a chance to develop a needed water supply for Southeast Texas in the lower Brazos River Basin. I welcome that collaborative opportunity, and I would appreciate your support for something everyone can live with, instead of insisting on a loss for the citizens of Houston.

Please let me know if I can provide any further information or assistance, or if you would like to work with the Permittees of Water Use Permit No. 2925B to assist in moving Allens Creek Reservoir forward. I look forward to hearing from you soon.

Sincerely,

A handwritten signature in black ink, appearing to read "Sylvester Turner". The signature is fluid and cursive, with a large initial "S" and a long, sweeping tail.

Sylvester Turner

Mayor