

**CITY OF CORPUS CHRISTI
CORPUS CHRISTI WATER**

TO: Peter Zaroni, City Manager
FROM: Drew Molly, P.E., Chief Operating Officer
COPY: Mayor & City Council
DATE: June 6, 2025

[Handwritten signature: Drew Molly] 6/6/25

SUBJECT: Water Supply Projects Update

Corpus Christi Water (CCW) continues to evaluate the four major alternative water supply projects, which include the Nueces River Groundwater Wells Project, the Evangeline Groundwater Project, the EV Ranch Groundwater Project, and the South Texas Water Authority (STWA). These are in addition to the Inner Harbor Water Treatment Campus, which is currently progressing with design under the City Council approved design-build contract with Kiewit.

CCW is working with Garver to review the Emergency Groundwater Assessment (formerly Emergency Evaluation of Ground Water Supply Alternatives), which will be presented to the Council on June 17th.

Inner Harbor Water Treatment Campus (IHWTC)

The project consists of three phases, with Phase 1 having two parts (A and B). Phase 1A was completed on June 1, 2025, and included planning, initiation of the Basis of Design Report, and development of the pilot plant protocol.

Phase 1B began in April 2025 and will include multiple "Steps" (contract amendments). Phase 1B Step 1 is in progress and includes modeling of the Inner Harbor Ship Channel, planning for long-lead material purchases, and advancing the Basis of Design Report. Phase 1B Step 2 is currently being negotiated and includes the construction and operation of the demonstration plant. In the interim, the City has issued a work directive to Kiewit directing them to continue with Step 2 until the negotiations are finalized.

Phase 1B Steps 2-4 will be executed this month, and will include the demonstration plant construction and operation, the development of critical procurement packages, design development, and guaranteed maximum price (GMP) development.

Phase 1: Nueces River Groundwater Wells Project in Nueces County

Phase 1 consists of obtaining the necessary TCEQ Bed and Banks permit to discharge up to 15,680 acre-feet per year (approx. 14 MGD) of groundwater into the Nueces River in Nueces County. As of today, the current expenditures for this project are \$8,356,088.

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A summary of the most recently completed activities includes:

- Groundwater Wells in Nueces County
 - Completion of Well No. 1
 - Completion of Well No. 2
 - Assembly of pumping equipment will begin next week on Well No. 3
 - City staff anticipate the well to be operable by mid-June
 - Assembly of pumping equipment will begin in the next two weeks on Well No. 4
 - City staff anticipate the well to be operable by the end of June
 - Test pumping will begin next week at Well No. 5 and No. 6
 - City staff anticipate the well to be operable by the end of July
 - Drilling has begun on Well No. 7
 - City staff anticipate the well to be operable by the end of August
 - Drilling is anticipated to begin on Well No. 8 within the next week
 - City staff anticipate the well to be operable by the end of August
- Bed and Banks Permit in Nueces County
 - City staff have completed their responses for additional information requested by the Texas Commission on Environmental Quality (TCEQ) earlier this week
 - City staff will meet with TCEQ on June 11th to discuss the response to the REI prior to submittal
 - City staff anticipate that TCEQ will review the additional information within the next week. The application will be declared administratively complete if no further information is requested. A 30-day public notice will then be issued

Phase 2: Nueces River Groundwater Wells Project in Nueces County

Phase 2 of the Nueces Groundwater Wells Project involves treating the Nueces River groundwater to meet drinking water standards and distributing it to the drinking water system.

On May 30th, the Garver team provided a conceptual site layout, estimated costs, and created a schedule to deliver up to 24 MGD. The CCW team is reviewing the assessment provided by Garver and will target a presentation to City Council on June 17th.

Evangeline Groundwater Project

A revised MOU was sent to Evangeline on May 30th extending all deadlines therein by 60 days to enable the City to complete its due diligence review of the Evangeline proposal and provide a counteroffer. A preliminary overview of some of the project data will be shown at the June 10th City Council meeting.

On June 4th, Ed Cross, from Evangeline L.P., stated he felt it unnecessary to sign the City's extension request by seeking:

- A specified quantity, price, and timing before extending the MOU
- A June 9th conference call to discuss and negotiate:
 - The amount of water to be purchased and the price, as well as
 - The amount of earnest money, the time frame for due diligence and closing
 - The conditions for closing so that a simple non-binding term sheet could be provided to Council for its consideration on June 17th

The City hired a valuation expert to evaluate the Evangeline proposal. Evangeline will need to provide the following, at a minimum, for its proposed groundwater rights to be considered by the City:

- Clear indefeasible title to the groundwater it proposes to sell to the City
- General Warranty Deed to the City at closing, conveying to the City all rights, free-and-clear (*i.e.*, without reservation, encumbrance, restriction, or condition), in and to:
 - The groundwater and the right to test, explore for, drill for, develop, withdraw, capture, treat, transport, distribute, sell, resell, reuse, or otherwise beneficially use the Groundwater

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- The right to use the surface of the Property for access (satisfactory to the City) to all water-bearing formations below the surface of the Property and to test, explore for, drill for, develop, withdraw, capture, treat, produce, store, and transport the Groundwater on and from the Property surface; and all permits, licenses, and
- All other governmental authorizations relating to production and transport of the water. This includes:
 - Groundwater production permit for production of at least 12 MGD of groundwater
 - All Groundwater well permits to produce the aforementioned water
 - All transport permits necessary to transfer the water to the ON Stevens Plant in Nueces County

In addition, the City's testing will need to ensure that the following is provided:

- Groundwater quality meets or exceeds National Primary Drinking Water Standards and state standards, and otherwise meets the City's water quality needs, based on a City-commissioned water quality analysis
- A qualified hydrogeologist hired by the City (*i.e.*, a Texas-licensed Professional Geoscientist) shall conduct a hydrogeologic assessment of, at a minimum, groundwater availability, groundwater quality, impacts from anticipated drawdowns under various production scenarios (both on impacts to existing production and impacts from cross-communication), and efficient wellfield design, and the analysis demonstrates that:
 - The Gulf Coast Aquifer below the Property is hydrogeologically capable of producing Groundwater under modeled conservative hydrogeologic scenarios
 - The City's anticipated wellfield operation and production will not result in a projected material long-term decline in Groundwater production efficiency or, quantity, and
 - The City's anticipated wellfield operation and production will not result in a projected material long-term decline in Groundwater quality for, at a minimum, maximum contaminant levels for all applicable NPDWS
- The City will have access to the Property surface for wellfield planning, design, construction, and operation, based on a wellfield design that the City determines, in its discretion, would maximize production efficiency, minimize groundwater level drawdowns of neighboring wells and minimize cross-communication between City wells, and minimize the potential for water quality degradation from the City's anticipated wellfield production and operations protocol. This includes a disclosure by the seller, and verification by the City, that there are no existing or future anticipated:
 - Mineral, solar, wind, geothermal, or similar leases that would interfere with the City's access to or efficient production of the Groundwater
 - Subsurface or surface trespasses that would interfere with the City's access to or efficient production of the Groundwater
 - Agricultural production or grazing leases that would interfere with the City's access to or efficient production of the Groundwater
 - Hunting or other wildlife-related leases that would interfere with the City's access to or efficient production of the Groundwater
- An ALTA Survey of the Property that provides a complete assessment of property boundaries, showing that there are no pipeline easements, electric transmission easements, conservation easements, land use restrictions, or other encumbrances that would interfere with the City's ability to develop a wellfield of its design
- A satisfactory Phase 1 environmental assessment, conducted by the City, that has identified no potential environmental risks on the surface of the Property

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- A Threatened and Endangered Species Survey that reveals the presence of no threatened or endangered species, species stressors, or other potential T/E impacts that could impair the City's ability to develop and operate the wellfield, including well locations, pump stations, collection lines, transmission lines, and related facilities
- There are no unplugged, uncapped, or orphaned wells on the Property that could serve as conduits for subsurface contamination (either from surface sources or between formations), including contamination of the Groundwater
- There are no injection (disposal or waterflood) wells (permitted or otherwise) that are located on the Property
 - In addition, there is no reservation of right for seller to authorize—and the deed will prohibit— injection disposal or waterflood activities on the Property in any formation or at any depth
- There are no current fracking operations on the Property
- There is no landfarming of drilling mud, cuttings, or other materials are allowed on the Property
- Sufficient ingress/egress easements to any public or private roads are permanently in place without any restrictions to be conveyed to the City all electricity, gas, or other power easements and deliveries for operation of the well field(s) and pump stations are secured in the name and for the benefit of the City for the City's production operations, including the appropriate easements, to be conveyed to the City

EV Ranch Groundwater Project

This is a privately financed project that proposes to develop a large brackish groundwater wellfield on a 100,000-acre ranch located southeast of Hebbronville in Jim Hogg County. The project includes a treatment facility and a transmission pipeline terminating near Kingsville. The Catahoula Water Company proposes to sell water to the City under a long-term take-or-pay contract with escalation clauses, over a 30+ year term, contingent on favorable results from a feasibility study. An additional 24-mile pipeline would be required to deliver water directly to the City of Corpus Christi if the water were to be conveyed to the City's O.N. Stevens Water Treatment Plant. The developer is currently requesting the City obligates itself to pay for his feasibility study if the City fails to execute a long-term agreement with him.

City staff contacted Dr. Mince on June 4th to discuss the project with him. He mentioned they had a good conversation recently with Garver. Dr. Mince understood the City was still evaluating the project, and if we had technical questions, their representative, Darrell Brownlow, would be available to respond.

South Texas Water Authority (STWA)

STWA is working on a brackish groundwater well desalination project with Seven Seas Corporation (Seven Seas). The City of Corpus Christi (City) was approached about entering into an agreement to purchase water from STWA/Seven Seas. The City has contracted with Garver to evaluate the feasibility and costs associated with groundwater projects in the Coastal Bend.

On May 9th, John Marez, STWA Executive Director, instructed the City and Garver to reach out to International Consulting Engineers (ICE) to get information about the Seven Seas Project. On May 14th, ICE responded that they needed to verify whether information could be shared with Garver. ICE followed up on May 16th, requesting a meeting with Garver to discuss the details of the information request. On May 21st, ICE gave Garver instructions to file a written data request for Seven Seas to review in order to receive the requested information. Garver submitted the written data request to Seven Seas on June 5th.

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On May 27th, Seven Seas and STWA met with the City Manager, Chief Operating Officer of CCW, and the Mayor to describe the Seven Seas Brackish Groundwater Project. Seven Seas requested that the City decide within two weeks if they are interested in purchasing water from STWA/Seven Seas so that the desalination plant can be appropriately sized. The City requested documentation regarding the project, including the contract between STWA and Seven Seas ("Contract"). STWA offered to provide a copy of the Contract later in the week. On May 28th, the attorney for STWA, Charlie Zahn, contacted Drew Molly and instructed him to file an official request for the Contract in writing.

On May 30th, Drew Molly officially filed a request for the Contract. On June 2nd, Charlie Zahn sent Drew Molly a copy of the letter request he sent to Seven Seas for their agreement and consent to release the Contract to the City of Corpus Christi. On June 3rd, Peter Zanon called Charlie Zahn and asked how long it would take to receive a copy of the Contract. Charlie Zahn said that it may likely be sent to the Texas State Attorney General (A.G.) for their determination of whether it can be released without the City signing a Nondisclosure Agreement (NDA). The City does not agree to sign an NDA, given that this is a public project for the public good. Moreover, during our conversation with Charlie Zahn he stated, the last time a similar request was made to the A.G. office it took seven months to be received.

CCW will present an overview of this project at the City Council meeting on June 10th. STWA Executive Director John Marez will present additional material at the June 10th City Council meeting on Seven Seas and their Brackish Groundwater Project, including possible action.

A second meeting is being scheduled with officials from the City of Corpus Christi, STWA, Kleberg County, and Seven Seas to continue to evaluate this project.