

- SUBJECT:** Studying the development of a market and conveyance network for water
- COMMITTEE:** Natural Resources — favorable, without amendment
- VOTE:** 8 ayes — Keffer, Ashby, Frank, Kacal, T. King, Larson, Lucio, Workman
- 0 nays
- 3 absent — D. Bonnen, Burns, Nevárez
- WITNESSES:** For — Albert Cortez, Coastal Water Regional Supply Company; Donovan Burton, San Antonio Water System; Mike Nasi, Water Energy Nexus for Texas Coalition; (*Registered, but did not testify*: Michelle Wittenburg, Balanced Energy for Texas; Jay Barksdale, Dallas Regional Chamber; Larry McGinnis, Exelon Corporation; Todd Votteler, Guadalupe-Blanco River Authority; Wes Strickland, Jackson Walker, Water Energy Nexus for Texas; Tom Oney, Lower Colorado River Authority; Wendy Foster, SJWTX; Mike Nasi, South Texas Electric Cooperative (STEC); Ned Munoz, Texas Association of Builders; CJ Tredway, Texas Oil & Gas Association; Perry Fowler, Texas Water Infrastructure Network; Max Jones, The Greater Houston Partnership)
- Against — Steve Box, Environmental Stewardship; Michele Gangnes, League of Independent Voters of Texas; Myron Hess, National Wildlife Federation; (*Registered, but did not testify*: Judith McGeary, Farm and Ranch Freedom Alliance; Cyrus Reed, Lone Star Chapter Sierra Club)
- On — (*Registered, but did not testify*: Matt Nelson, Texas Water Development Board)
- DIGEST:** HB 3298 would require the Texas Water Development Board (TWDB) to conduct a study to evaluate improvements to the transfer of water entitlements and the establishment of a water grid, including an integrated network of pipelines, pumping stations, reservoirs, and other works for the conveyance of water between river basins, water sources, and areas of water use in the state.

In conducting the study, TWDB would be required to:

- review studies previously conducted as part of the state water planning process or otherwise;
- identify the necessary and useful features of an efficient market for water, including water rights, institutions, and infrastructure;
- examine case studies of water markets both within and outside the United States;
- identify and evaluate potential sources of water for the market and the water grid;
- identify and evaluate potential areas of use for water delivered by the water grid, including municipal, industrial, agricultural irrigation, recreational, and environmental;
- evaluate alternative facilities with varying capacities, source and delivery points, and alignments — including subsea alignments — and whether the water grid should convey treated or untreated water;
- develop a strategy for the water grid to achieve optimal water use efficiency, water supply reliability, economic efficiency, the functioning of a market for water transfers, and the protection and enhancement of water rights, investments, and the natural environment;
- connect the establishment, construction, operation, and management of the water grid to the state water planning process;
- evaluate alternative methods for ownership, construction, operation, maintenance, control, and financing of the water grid;
- identify and evaluate methods to fund the establishment of a water grid;
- evaluate methods of incorporating existing water conveyance infrastructure into a water grid;
- consult with the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, the Railroad Commission of Texas, and the General Land Office; and
- offer the public an opportunity to submit written comments on the study for TWDB consideration.

By September 1, 2016, TWDB would be required to submit to the Legislature a final written report containing the findings of the study and recommendations for any legislation or other action necessary to implement the program.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.

**SUPPORTERS
SAY:**

HB 3298 would charge the Texas Water Development Board (TWDB) with taking the first step in creating a master plan for an efficient conveyance of water throughout the state by means of water markets and a water grid.

Water markets have been widely recognized as valuable tools to alleviate scarcity. The existence of a water market outside the current regulatory scheme would allow municipal utilities to seek willing sellers of water rather than the state having to enforce the water rights priority system or force cutbacks in agricultural water deliveries. The development of such a market along with a water grid would facilitate the conveyance of water from water right holders with excess supplies — or areas of relative abundance — to areas of relative shortage. Shifting supplies of water in this fashion would improve water security and help prevent shortages that would be devastating to the economy and the environment.

While some argue that the focus of the study should be on conservation strategies rather than a market and network for water, conservation, while a key strategy, is not enough on its own. To meet an ever-growing need, it is imperative that the state begin working toward ways to transport water from areas that have abundant resources to water-insecure communities. HB 3298 would help break away from the practice of hoarding water within arbitrary political boundaries by working toward a blueprint for a hydrovascular network that would enable the mutually beneficial sharing of water supplies between communities.

While there are concerns that the bill would not protect property rights or give sufficient consideration to the areas from which water could be transported, HB 3298 would only create a study and would not change the current regulatory environment or impact existing water rights.

OPPONENTS
SAY:

HB 3298 would require a study on constructing a water grid — essentially pipelines — that could be costly, energy intensive, environmentally harmful and politically challenging, with the potential to pit some areas of the state against others. Developing a water grid could create management challenges if the wet areas of the state faced an extended drought and communities relying on imported water were left high and dry.

While HB 3298 would make a good faith effort to meet the state's water challenges, an expensive and elaborate water grid could harm the already stressed rivers and aquifers and risk the economic viability of rural areas from which water would be exported. Any discussion of water transfers should include consideration of long-term effects on the areas from which water would be transferred, including any impact to property rights.

TWDB estimates that the study will cost about \$2 million. Using state and agency resources on a statewide grid could undermine efforts to build a consensus on statewide water policy that balances rural and urban interests. The study instead should focus on maximizing conservation and efficiency in Texas agriculture, industry, and cities. Maximizing water efficiency would minimize the financial, environmental, and social costs of pumping and transporting more water supplies.

As the state grows, it would be more appropriate to develop voluntary regional water markets, bound by clear conditions to protect rivers, aquifers, and rural communities. Texas also should continue to focus on local and regional projects, such as aquifer storage and recovery and wastewater reuse, to help communities meet reasonable water demands without subsidizing growth with water from other parts of the state.

NOTES:

According to the Legislative Budget Board's fiscal note, HB 3298 would result in a \$2 million cost to general revenue in 2016.