

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: August 1, 2025

SUBJECT: Water Supply Projects Update



Corpus Christi Water (CCW) continues to evaluate a number of alternative water supply projects.

These projects are in addition to the Inner Harbor Water Treatment Campus, which was suspended at the request of City Council on July 29, 2025, until more information is provided by the Texas Water Development Board (TWDB) to determine if the current project funding can be appropriated to alternative projects. The suspension of work directs Kiewit to stop work on design services and the demonstration plant.

It also directs Frese and Nichols (FNI), the owner's agent, to stop work on all owner representative services. The suspension of work is effective August 1, 2025, and ends August 28, 2025, or until further Council action.

Kiewit acknowledged receipt of the project suspension and has communicated how this suspension will potentially impact project costs and schedule in a letter dated August 1 to the Program Management Office.

Inner Harbor Water Treatment Campus (IHWTC)

Cancelling the Inner Harbor Water Treatment Campus project, which is our only permitted new water supply, will have consequences for our ratepayers, especially the residents of Corpus Christi, more so than the customers outside the city limits.

In November 2024, the City sold a total of \$222 million in bonds through the Texas Water Development Board and the City of Corpus Christi to fund this project. City Council members were thoroughly informed of this decision, and the transaction received approval from the City Council on both January 23 and June 25, 2024.

If Council decides to cancel the Inner Harbor Project, the city would be left without a fully permitted alternative. None of the current potential projects being considered have the required permits needed to move forward. Permitting processes are outside of the City's control, and therefore timelines are unpredictable. The Inner Harbor Project's permits took five years to obtain.

If the project is canceled, the associated debt remains outstanding, and the ratepayers will still owe the State for the debt related to the bond sale. According to the bond covenants, the principal and interest must be paid as scheduled for the first 10 years. To meet these payment requirements,

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water rates would need to increase by approximately \$1.34 per thousand gallons (TG), resulting in an \$8.04 monthly increase for a typical residential customer using 6,000 gallons per month.

The burden of this cancellation will fall on the inside city limit customers of Corpus Christi. Based on Public Utility Commission (PUC) rate methodology, these costs could be contested if included in the calculation of outside city limit rates. This means that most of large industries the city serves, and other cities such as Portland and Rockport, which are served through our wholesale water contracts, and are outside the city limits but within our region, would not share any of the repayment responsibilities.

If Council decides to proceed with the project, we anticipate a water rate increase of approximately \$1.90 per thousand gallons, leading to an \$11.38 monthly increase for a typical residential customer using 6,000 gallons per month. This rate impact was previously presented during the July 22 City Council meeting. A previous rate impact based on the Freese and Nichols estimate of \$757M was presented at the January and June 2024 City Council presentations, when affirmative votes occurred to move the project forward.

In summary, cancelling the project impacts only the inside city limit customers by requiring them to pay an estimated \$8 per month for the next 10 years, while proceeding with the project results in a \$3 additional increase per month. An attachment to this memo provides a summary of cost impact to each customer-class if the project is cancelled.

Nueces River Groundwater Wells Project

Phase 1 – Groundwater Well Implementation for Diversions to Nueces River

Phase 1 consists of obtaining the necessary Texas Commission on Environmental Quality (TCEQ) Bed and Banks permit to discharge up to 15,680 acre-feet per year (approximately 14 MGD) of groundwater into the Nueces River. As of today, the current expenditure for this project is \$15,240,272.

A summary of the activities includes:

- Well Field 1 (Eastern Well Field)
 - Completion of Well No. 1
 - Completion of Well No. 2
 - Completion of Well No. 3
 - Completion of Well No. 4
 - Delivery of the generator was delayed for Well No. 5
 - City staff anticipate the well to be operable by mid-August
 - Operations began today on Well No. 6
 - Completion of Well No. 7 is expected the week of August 11.
 - Drilling has been completed on Well No. 8.
 - City staff anticipate the well to be operable by the end of August.

On June 11, 2025, the TCEQ declared the permit to be administratively complete. The City then started to discharge groundwater into the Nueces River in accordance with the approved monitoring plan and in compliance with all State and Federal laws. As the project continues to develop, the City has coordinated closely with TCEQ and other water users downstream by supplementing approximately 5 million gallons per day (MGD) of groundwater into the river.

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As of July 28, 2025, the 30-day public notice period ended, and assuming no protests are received, a temporary bed and banks permit will be issued, likely next week.

Phase 2A & 2B – Proposed Future Brackish Reverse Osmosis (RO) Treatment Plant

Phase 2A of the Nueces River Groundwater Project will utilize groundwater from the eight new wells (Eastern Well Field) as a source of water for a future brackish groundwater plant. The City has estimated that the eight groundwater wells will provide approximately 11 MGD of drinking water to its current supply. Preliminary and conceptual design work has commenced for the development of a future plant and is included in the Region N Water Plan.

Phase 2B of the Nueces River Groundwater Project will utilize groundwater from the 251-acre Sutherland tract (Western Well Field) purchased by the City. City staff anticipate developing additional groundwater wells at this location.

Evangeline Groundwater Project

City leadership team met with Evangeline on July 23 and presented a counteroffer based on a broker's price opinion by a third-party consultant team. The City sent a formal counteroffer on July 24 and updated the Council at the scheduled executive session on July 29. A presentation to City Council was provided by Garver that summarized the status of the project and anticipated costs.

South Texas Water Authority (STWA)

On July 22, the Council postponed a target date of August 24, 2025, to have a negotiated contract in place with STWA for 28 MGD. This postponement was based on STWA and their legal representation's assertions made multiple times during a July 17 meeting that a contract could not be achieved by August 24. City staff will continue to work with STWA to confirm costs, timeline of delivery, and terms of the contract.

A subsequent meeting between City staff, City legal, STWA and their legal counsel, and Seven Seas Water (SSW) occurred today, August 1.

Based on the meeting, STWA confirmed the following:

- Results from their first test well will not be available until the end of the month.
- Permitting will not be started until SSW can determine the most optimal option for discharging brine. Discharge to Baffin Bay is still being considered, in addition to deep-well-injection.
- Costs have not been determined even though costs have been communicated in several meetings and emails at prices from \$3.50/TG from a representative of Seven Seas in a June 9 email to \$5.50/TG by the Kleberg County Judge at the June 10 City Council meeting. Our third-party consultant team has estimated costs likely to be \$6.50/TG or greater.
- Assessment of the 42-inch pipeline have not occurred, nor are they expected to occur within the next four weeks. STWA will present to their Board on August 5, two options for assessing the condition of the pipeline. They could not provide a timeline for when the assessment would occur and when subsequent reporting would be complete.

EV Ranch Groundwater Project

There is no update to add regarding the EV Ranch Groundwater Project for this week.

CC Polymers Seawater Desalination Treatment Plant

At the request of a councilmember on July 24, the City Manager and staff met with leadership from the CC Polymer team to discuss terms of a potential agreement that was presented by the Councilmember. City staff are working to evaluate this new alternative.

Reclaimed Water Infrastructure Project

On April 8, the Council approved a professional services contract with Garver to provide the preliminary design services for this project. Garver received the executed contract on June 20 which includes evaluating alternative water reclamation and reuse applications that would add a new water supply for the City.

The main tasks associated with this project include:

- Develop a Reuse Alternatives Summary
- Develop a 12-month source water characterization report at Greenwood and Oso WWTP.
- Develop pilot study protocol documents, as required by TCEQ, which will serve as the basis for a future pilot plant design.

Projected Monthly Rate Impact by Customer Class

Customer Billing Type	Monthly Usage (TGAL)	Additional Monthly Cost Impact (FY26)
Average Wholesale	449,772	\$0
Average Large Volume	244,000	\$0
Average Commercial	109	\$146.06
Average Residential	6	\$8.04

- Estimated rate impact due to the desalination project cancellation.
- Estimated raw water rate impact based on the 2025 rate model.
- Increase of \$1.34/1,000 gallons on raw water charge (FY26).
- Rate impact to inside city limit customers only for next ten years.