

NO. _____

**JASON TITTER-BELL and
CDF TEXTILES, LTD,
for themselves and all others similarly
situated,**

PLAINTIFFS

v.

SAN JACINTO RIVER AUTHORITY,

DEFENDANT.

§ IN THE _____ JUDICIAL DISTRICT
§
§
§
§
§ IN AND FOR
§
§
§
§
§ MONTGOMERY COUNTY, TEXAS

PLAINTIFFS’ ORIGINAL CLASS ACTION PETITION AND JURY DEMAND

TO THE HONORABLE COURT:

Plaintiffs Jason Titter-Bell and CDF Textiles, Ltd. (together, “Plaintiffs”), for themselves and all other similarly situated residential and commercial water customers in Montgomery County, Texas (collectively, “Class members”), file this Original Class Action Petition and Jury Demand against Defendant San Jacinto River Authority (“SJRA”).

INTRODUCTION

1. This is an *ultra vires* class action seeking (i) a declaratory judgment that the Pumpage Fees set by, charged by, received by, and directly traceable to, SJRA, and collected monthly from Plaintiffs and Class members by the SJRA Groundwater Reduction Plan (“GRP”) participant water companies,¹ SJRA’s collection agents, at the direction of SJRA for the direct

¹ The SJRA GRP participant water companies that collected (and continue to collect) the Pumpage Fees from Plaintiffs and putative Class members under duress and threat of turning off their water include, without limitation: 1404 Blaketree, LP, Aqua Texas, Inc. (Brushy Creek), Aqua Texas, Inc. (Carriage Hills), Aqua Texas, Inc. (Cimarron Country), Aqua Texas, Inc. (Clear Creek Forest), Aqua Texas, Inc. (Crighton Ridge), Aqua Texas, Inc. (Crystal Forest), Aqua Texas, Inc. (Decker Woods), Aqua Texas, Inc. (Deerwood Sub.), Aqua Texas, Inc. (Dogwood Hills), Aqua Texas, Inc. (Greenfield Forest), Aqua Texas, Inc. (Huntington Est.),

Aqua Texas, Inc. (Indigo Ranch), Aqua Texas, Inc. (Lake Conroe Forest & Tejas Creek), Aqua Texas, Inc. (Lake Conroe Village), Aqua Texas, Inc. (Lake Creek Forest), Aqua Texas, Inc. (Legends Ranch Estates), Aqua Texas, Inc. (Shadow Bay), Aqua Texas, Inc. (Timberloch Estates), Aqua Texas, Inc. (Turtle Creek), Aqua Texas, Inc. (Walnut Springs), Aqua Texas, Inc. (Westwood 1&2/Old Egypt), Archdiocese of Galveston - Houston Circle Lake Retreat Center, C & R Water Supply Inc (Bridgepoint Water System) fka Wagner Services, C & R Water Supply Inc (Clear Water Cove) fka Wagner Services, C & R Water Supply Inc (Emerson Estates) fka Wagner Services, C & R Water Supply Inc (Rogers Road WS) fka Wagner Services, C & R Water Supply, Inc. (Timberline Estates) (fka Wagner Services), Cape Malibu Water Supply Inc., City of Conroe, City of Cut and Shoot, City of Magnolia, City of Oak Ridge North, City of Splendor, City of Willis, City of Woodbranch, Clover Creek MUD, Conroe ISD (Moorehead Jr. High/Caney Creek High), Conroe Resort Utilities, LLC (fka D L Utilities), Consumers Water Inc. (Pioneer Trails), Consumers Water Inc. (Porter Terrace), Consumers Water Inc. (Spring Forest), Corinthian Point MUD No.2, Cypress Woods Estates, Del Lago Estates, Diamondhead Water & Sewer, Dobbin-Plantersville WSC, Domestic Water Company, East Montgomery County Mud 3, Everett Square Inc. (Windcrest Est., Honea Egypt, Part of 1488 System), Everett Square, Inc. (Shady Oaks), Far Hills Utility District, Gallant GP, LLC (Wedgewood Golf Course) (fka Wedgewood Golf Course), H.H.J., Inc / Decker Utilities, HMW SUD (Allenwood), HMW SUD (Armadillo Woods), HMW SUD (Coe Country), HMW SUD (Hunters Retreat), HMW SUD (Kipling Oaks 1), HMW SUD (Kipling Oaks 2), HMW SUD (Sendera), HMW SUD (Towering Oaks), Johnston's Utilities, Inc., Keenan Water Supply Corp., Kings Manor MUD, Lake Bonanza Water Supply Corp., Lake Conroe Hills MUD, Lake South Water Supply, Lakeland Section 4 Civic Club, Lazy River Improvement District, MC Fresh Water Supply (Dist #6), MC MUD No. 112, MC MUD No. 119, MC MUD No. 15, MC MUD No. 16, MC MUD No. 19, MC MUD No. 24, MC MUD No. 83 (Also MUD No. 84), MC MUD No. 89 (Also MUD No. 88), MC MUD No. 94, MC MUD No. 99, MC UD No. 2, MC WCID No. 1, MSEC Enterprises (Crown Ranch), MSEC Enterprises (Highland Ranch/Lake Forest/Shoreline), MSEC Enterprises (Montgomery Trace WS/Crown Oaks), New Caney MUD, North Woods Water Supply Corp., Northwest Water System (White Oak Valley), Northwest Water Systems (Hazy Hallow East Estates), Patton Village (East), Patton Village (West), Pinedale Mobile Home Community, Pinehurst Decker Prairie, Piney Shores Utility, Point Aquarius MUD, Quadvest, L.P. (Benders Landing), Quadvest, L.P. (Creekside Village), Quadvest, L.P. (Indigo Lakes), Quadvest, L.P. (Lakes of Magnolia), Quadvest, L.P. 1 (Lake Windcrest WS), Quadvest, L.P. 1 (Mostyn Manor), Quadvest, L.P. 1 (Red Oak Ranch WS), Quadvest, L.P. 1 (Sendera Ranch), Quadvest, L.P. 2 (Lonestar Ranch), Quadvest, L.P. 2 (Northcrest Ranch 1,2 &3), Quadvest, L.P. 2 (Stonecrest Ranch), Ranch Utilities (Caddo Village), Rayford Road MUD, Roman Forest, San Jacinto River Authority (The Woodlands), San Jo Utilities, Sequoia Golf Woodlands, LLC (Lake Windcrest) (fka Lake Windcrest Golf Club), Sequoia Golf Woodlands, LLC (Palmer), Sequoia Golf Woodlands, LLC (Panther Trails), Sequoia Golf Woodlands, LLC (Player), Sequoia Golf Woodlands, LLC (TPC), Southern MC MUD, Southwest Utilities, Inc. (Texan American Water-Hidden Forest), Southwest Utilities, Inc. (Texas American Water-Frontier Arrowhead), Southwest Water Co.-Decker Hills/Park Place (fka Monarch), Southwest Water Co.-Hulon Lake/Woodcreek Valley (fka Monarch), Southwest Water Co.-Serenity Woods, Pine (fka Monarch), Spring Creek UD, T & I Taylor, Inc. (River Club/River Ridge), T & W Water Services (Deer Run, Grand Harbor/Gemstone, Harborside, Hidden Springs Ranch, Old Mill

benefit of SJRA, is an unconstitutional and illegal tax or exaction, and (ii) a refund of the Pumpage Fees paid by Plaintiffs and Class members since January 1, 2016 in the form of restitution.

DISCOVERY PLAN

2. Plaintiffs, for themselves and Class members, intend to seek entry of a Level 3 order requiring a discovery control plan tailored to the specific circumstances of this action. TEX. R. CIV. P. 190.4.

PARTIES

3. Plaintiff Jason Titter-Bell is a citizen and resident of Montgomery County, Texas. Since January 1, 2016, Plaintiff, a residential water customer, has suffered (and continues to suffer) injury and harm as a direct and/or proximate result of the unconstitutional and illegal tax or exaction in the form of the Pumpage Fees set by, charged by, received by, and directly traceable to, SJRA, and collected monthly from Plaintiff and Class members by Quadvest, an SJRA GRP participant water company, SJRA's collection agent, at the direction of SJRA for the direct benefit of SJRA. Such Pumpage Fees, which are labeled "SJRA Fees" on Plaintiff's monthly water bills, are collected by Quadvest and immediately remitted by Quadvest to SJRA. Plaintiff paid the Pumpage Fees under duress and threat of having his water turned off if not paid.² Plaintiff will continue to pay the unconstitutional and illegal Pumpage Fees and suffer

Lake, Riverwalk, and Thousand Oaks), Texaba Water System, Texas National MUD, Walnut Cove Water Supply Corp., Washington County Railroad, Westwood North Water Supply, White Oak Utilities, Inc., White Oak Water Supply Corporation, and Woodland Oaks Utility Co., Inc.

² According to the United Nations, "[w]ater is critical for sustainable development, including environmental integrity and the alleviation of poverty and hunger, and is indispensable for human health and well-being." Per Dr. Albert Szent-Gyorgyi, "[w]ater is life's matter and matrix, mother and medium. There is no life without water." Water is critical to life. It certainly should not be turned off for failing to pay an illegal tax or exaction in the form of Pumpage Fees.

further injury and harm unless and until the Court (i) enters a declaratory judgment holding that since January 1, 2016, the Pumpage Fees charged by SJRA, collected by Quadvest, SJRA's collection agent, received by SJRA, and paid by Plaintiff are an unconstitutional and illegal tax or exaction, and (ii) enters an order requiring SJRA to (a) make restitution to Plaintiff (and Class members) for the Pumpage Fees Plaintiff paid, from January 1, 2016 to the present, and (b) cease charging the Pumpage Fees going forward.

4. Plaintiff CDF Textiles, Ltd. is a citizen and resident of Montgomery County, Texas. Since January 1, 2016, Plaintiff, a commercial water customer, has suffered (and continues to suffer) injury and harm as a direct and/or proximate result of the unconstitutional and illegal tax or exaction in the form of the Pumpage Fees set by, charged by, received by, and directly traceable to, SJRA, and collected monthly from Plaintiff CDF Textiles and other Class members by the City of Conroe, Texas, an SJRA GRP participant water utility provider, SJRA's collection agent, at the direction of SJRA for the benefit of SJRA. Such Pumpage Fees, which are labeled "SJRA Fee" on Plaintiff's monthly water bills, are collected by Conroe and immediately remitted by Conroe to SJRA. Plaintiff paid the Pumpage Fees under duress and threat of having its water turned off if not paid. Plaintiff will continue to pay the unconstitutional and illegal Pumpage Fees and suffer further injury and harm unless and until the Court (i) enters a declaratory judgment holding that since January 1, 2016, the Pumpage Fees charged by SJRA, collected by Conroe, SJRA's collection agent, received by SJRA, and paid by Plaintiff are an unconstitutional and illegal tax or exaction, and (ii) enters an order requiring SJRA to (a) make restitution to Plaintiff (and Class members) for the Pumpage Fees Plaintiff paid, from January 1, 2016 to the present, and (b) cease charging the Pumpage Fees going forward.

5. Defendant San Jacinto River Authority (SJRA) is a local political subdivision created by the Texas Legislature in 1937 to conserve, control, and utilize the storm and flood waters of the San Jacinto River and its tributary streams. Covering all or part of seven Texas counties, SJRA's boundaries include the entire watershed of the San Jacinto River and its tributaries, excluding Harris County but including all of Montgomery County and parts of Walker, Waller, San Jacinto, Grimes, Fort Bend, and Liberty Counties. By volume, Defendant SJRA is the largest wholesaler of potable water in Montgomery County, obtaining its water from a surface water treatment plant on Lake Conroe, as well as groundwater wells, all of which it owns and operates. Defendant SJRA sets and charges the Pumpage Fee, an unconstitutional and illegal tax or exaction, which, since January 1, 2016, has been (and continues to be) collected monthly by the GRP participant water companies, SJRA's collection agents, from Plaintiffs and Class members, and then remitted to SJRA to pay for its surface water treatment plant on Lake Conroe. As a local political subdivision, Defendant SJRA, is not an "arm of the State," and, therefore, is not entitled to 11th Amendment immunity. *See, e.g., Monell v. Department of Social Services*, 436 U.W. 658 (1978); *Lower Colo. River Auth. v. City of San Marcos*, 523 S.W.2d 641, 643 (Tex. 1975); *Guadalupe-Blanco River Auth. v. Kraft*, 77 S.W.3d 805, 807 (Tex. 2002). Defendant SJRA may be served with citation and a copy of this Original Class Action Petition and Jury Demand by serving its General Manager, Mr. Aubrey Spear, at 1577 Dam Site Road, Conroe, Texas 77304, SJRA's principal administrative office.

JURISDICTION AND VENUE

6. This Court has subject matter jurisdiction over Plaintiffs' and Class members' claims under TEX. GOVM'T CODE § 24.007(b).

7. Plaintiffs, for themselves and Class members, seek restitution within the

jurisdictional limits of this Court; to wit, monetary relief more than \$1,000,000 (TEX. R. CIV. P. 47(c)(4)). Plaintiffs, for themselves and Class members, also demand judgment for all other relief to which they are justly entitled at law or in equity.

8. This Court has *in personam* jurisdiction over SJRA because at all relevant times, SJRA, directly and/or through its employees, agents, and representatives resided, was found, is headquartered, and/or conducted business in Montgomery County, Texas, and continues to do so. SJRA's wrongful acts alleged herein were (and continue to be) directed at, and had the intended effect of causing injury to, individuals and entities that are residential and commercial water customers in Montgomery County, Texas.

9. Venue is proper in Montgomery County, Texas, under TEX. CIV. PRAC. & REM. CODE § 15.002(a)(1) because (i) at all relevant times, SJRA, directly and/or through its employees, agents, and representatives, resided, was found, and conducted business in Montgomery County, Texas, and continues to do so, and (ii) a substantial part—if not all—of the wrongful acts, omissions, and/or events giving rise to Plaintiffs' and Class members' claims occurred in Montgomery County, Texas.

FACTS

I. In 2010, with help from the Lone Star Groundwater Conservation District, SJRA found a way “to create a market” for the more expensive Lake Conroe surface water and force Montgomery County residential and commercial water customers to transition to it.

10. Historically, Montgomery County has relied on groundwater for its water supply. To the consumer, surface water and groundwater are indistinguishable. Surface water, however, is significantly more expensive to produce because of the infrastructure needed to produce, treat, and deliver it. To be sure, SJRA's cost to produce a thousand gallons of surface water in

Montgomery County is more than four (4) times what it costs the SJRA GRP participant water companies to produce a thousand gallons of groundwater.

11. Since at least the 1980s, SJRA claimed that Montgomery County residential and commercial water customers needed to convert to using 60% surface water because the county's groundwater was (allegedly) being rapidly depleted by development.³ A study SJRA commissioned at the time concluded there would "likely not be adequate groundwater supplies" and surface water "would likely be the most viable alternative source."⁴ The study also claimed available groundwater would be depleted by 2030.⁵ SJRA was (and continues to be) the only entity with the ability to convert Montgomery County to 60% surface water.⁶

12. Beginning in the early 2000s, SJRA desired to build a surface water treatment plant at Lake Conroe to sell treated surface water to Montgomery County residential and commercial water customers. But SJRA had a problem: it could not fund the infrastructure necessary for the transition, including building a surface water treatment plant and transmission lines needed to deliver water throughout the county. SJRA estimated the cost to construct a surface water treatment plant would exceed half-billion dollars, which it could not fund on its own. SJRA had no taxing authority, and no authority to levy fees against groundwater users. Nor could SJRA sell surface water to pay for the plant because the surface water was too expensive. James Spigener, the president of the Lone Star Groundwater Conservation District ("LSGCD")

³ Exhibit 1: Excerpts from Record on Appeal, *Quadvest, L.P. v. San Jacinto River Authority*, No. 25-20415 in the Fifth Circuit Court of Appeals (hereafter "ROA.mnnnn"); ROA.14172.

⁴ ROA.13705-708, 14506.

⁵ *Id.*

⁶ ROA.14172.

testified in another legal proceeding that to make conversion financially feasible, “they [SJRA] had to create a market for that.”⁷

13. While SJRA could not regulate groundwater, the LSGCD provided the help SJRA needed. Created by the Texas Legislature in 2001, LSGCD is charged with managing the aquifers under Montgomery County. See www.lonestargcd.org. After LSGCD was formed, it created a task force, including SJRA members, to concoct a scheme to convert Montgomery County to surface water.⁸

14. In 2003, LSGCD initiated the scheme by declaring the "sustainable" amount of groundwater production in Montgomery County was 64,000-acre feet per year, and that any groundwater production above this amount would be prohibited as "aquifer mining."⁹ Despite the massive aquifers beneath Montgomery County,¹⁰ LSGCD claimed that groundwater production above 64,000-acre feet per year would cause the aquifers to go dry, and further, claimed that groundwater production above recharge would cause groundwater wells across Montgomery County to go dry. Along with LSGCD, SJRA initiated a propaganda campaign

⁷ ROA.14152, 14204.

⁸ ROA.14172-75.

⁹ See *Regulatory Study and Facilities Implementation Plan for Lone Star Groundwater Conservation District and San Jacinto River Authority* (June 2006) (Exhibit 2); *District Regulatory Plan Phase II(B), Lone Star Groundwater Conservation District* (Dec. 2015) (“DRP Phase II(B)”) (Exhibit 3).

¹⁰ Contrary to LSGCD’s calculations, the Texas Water Development Board subsequently confirmed that the total recoverable groundwater beneath Montgomery County is approximately 185 million acre-feet, or just over 60 trillion gallons which, even if the current usage rate is doubled, is enough water to meet the needs of Montgomery County residents and businesses for multiple hundreds of years. See, e.g., Wade, Thorkildsen, and Anaya, *Texas Water Development Board GAM Task 13-037: Total Estimated Recoverable Storage for Aquifers in Groundwater Management Area 14* (June 9, 2014) (Exhibit 4).

designed to instill fear in Montgomery County residents and businesses that the aquifers beneath the county could not sustain groundwater production of more than 64,000-acre feet per year, and that drastic steps must be immediately implemented to avoid a water crisis. LSGCD reached that number simply by assuming a recharge of approximately 1.1 inch per year and multiplying it by the total acreage of the county.¹¹

15. In furtherance of the scheme, effective January 1, 2016, LSGCD promulgated formal groundwater production reduction rules designed to cap groundwater production in Montgomery County at 64,000 acre-feet per year. The new groundwater production reduction rules required all groundwater producers to reduce their groundwater production by 30% from their 2009 production levels or replace 30% of their groundwater with alternative water sources—such as treated Lake Conroe surface water sold by SJRA. LSGCD threatened to impose draconian fines of up to \$10,000 per day on any Montgomery County groundwater producer that failed either to reduce groundwater production or find alternative water supplies. LSGCD also implemented a 30% reduction rule, requiring that by 2016, every large volume groundwater user (LVGU) must reduce production to at least 70% of its 2009 usage. Failure to comply would subject an LVGU to fines of up to \$10,000 per day, per violation.

16. LSGCD's groundwater production reduction rules effectively forced LGVUs to agree to a surface water solution. LGVUs could not afford to pay the fines, nor could they "turn off the spigot" to conserve water because they are obligated by existing contracts and regulatory

¹¹ Notably, LSGCD no longer follows the 64,000 acre-feet per year limit; it now admits there was "not a tremendous basis" to support the number. ROA.14196. At the trial of another case, LSGCD's president testified conversion from groundwater in Montgomery County is "not necessary now, by any stretch." ROA.15414-15. SJRA also subsequently conceded that whether groundwater will ultimately need to be conserved by limiting pumping remains to be seen. July 28, 2025 Respondent's Brief on the Merits, at *8; Case No. 24-0533 (Sup. Ct. Tex.) (Exhibit 5).

rules to provide water to their customers.

17. Under LSGCD's new groundwater production reduction rules, and similar to a "cap and trade" arrangement, Montgomery County groundwater producers (*i.e.*, municipalities and GRP participant water companies) could form groups whose overall production could be averaged as a means of complying with the new rules. For example, a group could be formed where a city such as Conroe could agree to buy treated Lake Conroe surface water from SJRA, thereby reducing its groundwater production by 60%. Other members of the group could then take advantage of the City of Conroe's 60% reduction in groundwater production and not be required to reduce their own groundwater production at all.

18. SJRA formed just such a group in 2010. Eighty (80) GRP participant water companies joined SJRA's group, signing identical, detailed, written contracts titled "Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services" (collectively, the "SJRA GRP Contracts"). As Ricky Moffett, general manager of the Southern Montgomery County MUD, testified in another legal proceeding, for an entity with a large demand for water, one of, if not the most, economical way to achieve compliance with SJRA's groundwater reduction rules was to join SJRA's GRP.¹² Thus, with LSGCD's help, SJRA succeeded in creating a market for its Lake Conroe surface water.

II. The SJRA GRP Contracts dramatically increased the cost of water to all customers in Montgomery County. The GRP Contracts were executed for one purpose and one purpose only: compliance with the LSGCD groundwater production reduction rules that were declared void *ab initio*.

19. The SJRA GRP Contracts specifically describe the Lake Conroe surface water treatment plant and corresponding pipeline infrastructure, which SJRA would construct, manage,

¹² ROA.15440, 15449-50.

and operate, that enable SJRA to sell and deliver treated Lake Conroe surface water to Montgomery County water customers. To finance the surface water treatment plant and pipeline infrastructure, SJRA issued several series of revenue bonds (some before the SJRA GRP Contracts were signed), totaling approximately \$500 million.

20. SJRA, however, required revenue to pay the \$500 million of bonds issued to finance the Lake Conroe water treatment plant. The SJRA GRP Contracts provided the necessary revenue in two ways: SJRA would (i) charge the cities a fee to purchase treated surface water (*i.e.*, the “Surface Water Rate,” which is the surface water purchase price), and (ii) charge a groundwater pumpage fee (“Pumpage Fee”) to the SJRA GRP participant water companies that pumped groundwater from their own wells at their own expense to meet their customers’ needs yet joined the SJRA GRP Group to avoid LSGCD’s massive penalties. The Pumpage Fees, which per the SJRA GRP Contracts are scheduled to be collected and remitted to SJRA through 2045, are based on, and exist solely because of, the January 1, 2016 LSGCD groundwater production reduction rules and the SJRA/LSGCD Lake Conroe surface water scheme.

21. The GRP Contracts grant SJRA the authority to set Pumpage Fees without regulatory review. The same is true for setting the price of Lake Conroe surface water. With SJRA in firm control, Plaintiffs and Class members now pay more in monthly Pumpage Fees than they pay for the actual water they purchase.

22. Per the explicit language in the SJRA GRP Contracts, they were executed for one purpose and one purpose only: to comply with the new LSGCD groundwater production reduction rules:¹³

(i) “The Authority [SJRA] acknowledges that an essential element of the

¹³ Contract for Groundwater Reduction Planning, Alternative Water Supply, and Related Goods and Services by and between SJRA and Quadvest, L.P. (Exhibit 6).

consideration for Participant [GRP participant water companies] to enter into this Contract is that the Authority will adopt, implement and enforce the GRP [LSGCD Groundwater Reduction Plan] in good faith and with due diligence for the purpose and objective of achieving and maintaining compliance with the Plan.” *Id.* at 8.

- (ii) “Section 2.01. Purposes of GRP. The purpose of the GRP is to set forth the general plan of the Authority to reduce groundwater withdrawals by certain Participants so that, collectively, all Participants will achieve and maintain compliance with the Conservation District’s groundwater reduction requirements under the Plan.” *Id.*
- (iii) “Section 2.05. Implementation and Enforcement of GRP. The Authority covenants and agrees that it will diligently implement and enforce the GRP with the purpose that all Participants achieve and maintain compliance with the requirements of the Plan in a cost-effective manner.” *Id.* at 10.
- (iv) “Section 4.09(f). THIS CONTRACT IS INTENDED ONLY TO ENSURE PARTICIPANT’S COMPLIANCE WITH THE PLAN” *Id.* at 26-27.

(emphasis in original)

23. SJRA, in a 2010 PowerPoint, entitled “GRP Stakeholder Meeting,” confirmed that the purpose of the SJRA GRP Contracts was to comply with the new LSGCD groundwater production reduction rules. *See* PowerPoint: “GRP Stakeholder Meeting” at 7 (January 14, 2010) (Exhibit 7) (“The primary goal of the GRP is to achieve compliance with the LSGCD’s rules.”). The PowerPoint further states: “The purpose of the GRP Contract is to authorize the Authority [SJRA] to include contracting LVGUs in a joint Groundwater Reduction Plan (“GRP”) that will be developed, implemented, and administered by the Authority, so that all Participants achieve and maintain compliance with Lone Star’s regulations.” *Id.* at 11.

24. As such, the SJRA GRP participant water companies exist to provide water to Plaintiffs and Class members. Pursuant to Texas Public Utility Commission (PUC) authority, the SJRA GRP participant water companies, as SJRA’s agents, and at the direction of SJRA for the direct benefit of SJRA, have collected (and continue to collect) the Pumpage Fees from Plaintiffs and Class members and remitted (and continue to remit) such Pumpage Fees to SJRA on a

monthly basis, from January 1, 2016 to the present.

25. At all times, SJRA, in fact, has known about, intended, approved, directed, and expected the SJRA GRP participant water companies, its agents, to collect the Pumpage Fees from Montgomery County residential and commercial customers (*i.e.*, Plaintiffs and Class members) and pass through such Pumpage Fees, which are based solely on the January 1, 2016 LSGCD groundwater production reduction rules, on to SJRA.¹⁴ In fact, it's the sole purpose for this arrangement. SJRA never intended for the SJRA GRP participant water companies to fund the Pumpage Fees; they were to be paid and, in fact, have been paid by Plaintiffs and Class members. SJRA knew that the SJRA GRP participant water companies could not afford to pay the Pumpage Fees and doing so would bankrupt them. Rather, from the get-go, SJRA intended that the Pumpage Fees would be paid by Plaintiffs and Class members and collected and remitted by the SJRA GRP participant water companies, SJRA's collection agents, to SJRA. The Pumpage Fees have always been intended to "pass-through" the SJRA GRP participant water companies from Plaintiffs and Class members to SJRA. *See, e.g.*, June 10, 2026 letter from SJRA's counsel to Cypresswood Estates' counsel for failing to report groundwater pumpage volumes to SJRA (Exhibit 9).

26. To ensure that the Lake Conroe surface water scheme and the monthly collection and remittance of the Pumpage Fees proceeded smoothly, SJRA has repeatedly intervened in Texas PUC proceedings involving the SJRA GRP participant water companies, confirming, for example, that if the SJRA GRP participant water companies failed to remit the Pumpage Fees to

¹⁴ *See, e.g.*, San Jacinto River Authority's Motion to Intervene, Application of Quadvest, L.P. For Pass-Through Rate Change in Montgomery County, Tarriff Control No. 54009 Before the Public Utility Commission of Texas (Exhibit 8).

SJRA then Montgomery County residential and commercial water customers “could be at risk of being on the hook for the pass-through amounts that were already paid to [the PWS] but never passed through to SJRA.”¹⁵ And in that same matter, SJRA also told the Texas PUC that it had a justiciable interest in intervening in the matter, including “[a]voiding the exploitation of retail customers that have already paid their respective pass-through fees that were not passed through to SJRA.”¹⁶

27. In other filings with the Texas PUC, SJRA further revealed that from the get-go, it intended the SJRA GRP participant water companies to serve as its *de facto* agents to collect the Pumpage Fees from Plaintiffs and Class members as a pass-through remittance to SJRA:

- (i) “The GRP Contract includes a fee structure under which Quadvest collects a Commission-approved pass-through fee that provides the funding for the bonds sold to fund the construction of such water treatment plant and distribution system.” SJRA’s Motion to Intervene in Application of Quadvest, L.P. for Pass-Through Rate Change in Montgomery County, PUC Docket No. 54009 (September 22, 2022) (Exhibit 12).
- (ii) “Therefore, SJRA seeks to intervene in Docket No. 54009 to request the Commission to require approved pass-through payments to pass-through to SJRA.” *Id.* at 2.
- (iii) “SJRA pledged revenues from groundwater users and surface water users across Montgomery County [*i.e.*, Plaintiffs and Class members] to repay the bonds. The GRP fees are then used for the purpose of repaying the bonds for building the water treatment plant.” SJRA’s Reply to South Coast Utilities, LLC’s Response to Commission Staff’s Recommendation on Administrative Completeness and Notice, PUC Docket No. 50407 (Feb. 14, 2020) (Exhibit 13).
- (iv) “T&W claims that the pass-through fee is a matter between T&W, its customers, and regulators, and therefore T&W’s Application seeks permission from the Commission to stop paying SJRA. T&W’s underlying premise for this claim is

¹⁵ SJRA Reply in re Motion to Intervene at 4, PUC Docket No. 56426 (Sept. 26, 2024) (Exhibit 10).

¹⁶ SJRA’s Motion to Reconsider the Denial of its Motion to Intervene, PUC Docket No. 56426 (Oct. 1, 2024) (Exhibit 11).

inaccurate. The pass-through fee is a matter that includes SJRA because it is a requirement of the GRP Contract, and due to the structure of the pass-through fee being used as collateral to fund the bonds used for construction of the surface water treatment plant and the service lines, that pass-through fee also implicates bonds backed by the State of Texas.” SJRA’s Reply in Support of Intervention, PUC Docket No. 51688 (June 22, 2021) (Exhibit 14).

(v) SJRA’s Matt Corley testified under oath:

8 Q. WHAT IS THE GROUNDWATER REDUCTION PROGRAM OF SJRA?

9 A. The Groundwater Reduction Program is the result of a regulatory requirement to reduce

10 pumping of groundwater in Montgomery County. Applicable regulations were adopted by

11 the county’s groundwater regulator, the Lone Star Groundwater Conservation District, to

12 reduce the county’s use of groundwater and to replace such usage with SJRA-treated

13 surface water supplies. SJRA was designated as the entity to provide the treated surface

14 water, and in order to implement the program (which includes substantial infrastructure

15 development and costs), GRP contracts like the one with CWE were entered into with more

16 than 90 entities. Each of those contracts provides a method by which SJRA’s costs are

17 addressed through applicable [Pumpage] fees, which are tied to the use of groundwater. Such GRP

18 customers are required to pay SJRA (sometimes through pass-through rates) for their

19 designated obligation.

Direct Testimony of Matt Corley on behalf of SJRA before the Texas PUC (Docket No. 50303) (Jan. 13, 2020) (Exhibit 15).

Thus, the plan, design, and intent of the Pumpage Fees is (and always has been) for Plaintiffs and Class members to pay the Pumpage Fees (which are reflected on their monthly water bills as a separate line-item heading, such as “SJRA Fee” or “SJRA Fees” and based solely on the January 1, 2016 LSGCD groundwater production reduction rules) to the SJRA GRP participant water companies, SJRA’s collection agents, which, in turn, remitted the Pumpage Fees to SJRA for the direct benefit of SJRA.

28. In fact, in all its filings with the Texas PUC, SJRA never suggested the contrary; to wit, that the SJRA GRP participant water companies should refrain from collecting the Pumpage Fees from Plaintiffs and Class members, but rather, pay the Pumpage Fees themselves—because SJRA knew that absorbing the Pumpage Fees would bankrupt the SJRA GRP participant water companies. Rather, SJRA’s filings have always requested the Texas PUC to require the Pumpage Fees collected by the SJRA GRP participant water companies from Plaintiffs and Class members to “pass through” the SJRA GRP participant water companies directly to SJRA for the direct benefit of SJRA. As such, from the beginning, Plaintiffs and Class members have been (and continue to be) the ultimate payors of the Pumpage Fees set by, charged by, remitted to, and received by SJRA.

29. And, adding insult to injury, because the Pumpage Fees set and charged by SJRA, without any oversight or accountability, are so excessive, they more than double the cost of water paid by Plaintiffs and Class members. As such, Montgomery County residential and commercial water customers pay the Pumpage Fees reflected on their monthly water bills under duress because if they don’t pay the Pumpage Fees, their water will be turned off.

III. On May 17, 2019, a Montgomery County state district court declared the LSGCD groundwater production reduction rules void *ab initio*. Plaintiffs and Class members, therefore, are entitled to restitution of the Pumpage Fees they have paid since January 1, 2016.

30. On May 17, 2019, the 284th District Court of Montgomery County, Texas, in *City of Conroe, et. al. v. Tramm*; Case No. 15-08-08942, entered a final judgment declaring that the September 1, 2016 LSGCD groundwater production reduction rules, the sole basis for the Pumpage Fees, were *ultra vires* and, therefore, unlawful, unenforceable, and void from the outset. Exhibit 16. This final judgment was not appealed.

31. Thereafter, on September 8, 2020, and pursuant to the final judgment, LSGCD

formally repealed the groundwater production reduction rules and, to date, has not implemented any similar rules. As such, the only legal basis for the Pumpage Fees was retroactively eliminated by the Montgomery County state district court's May 17, 2019 final judgment and LSGCD's subsequent repeal of the groundwater production reduction rules.

32. At no time have the Pumpage Fees ever been based on SJRA's actual cost of providing water, goods, and/or services (or anything else) to Plaintiffs and Class members who paid the Pumpage Fees. Nor was there ever a cost to SJRA to enforce LSGCD's groundwater production reduction rules; LSGCD absorbed such costs.

33. The Pumpage Fees, therefore, are nothing more than a source of revenue to SJRA to finance the Lake Conroe surface water treatment plant and related infrastructure—which is the type of public facility that ordinarily is the subject of a bond election authorizing a tax as the source of general revenue. As such, the Pumpage Fees are and always have been nothing more than an illegal tax or exaction paid by Plaintiffs and Class members, collected by the SJRA GRP participant water companies, SJRA's agents, and remitted to SJRA to finance an otherwise public facility (*i.e.*, the Lake Conroe surface water treatment plant).¹⁷

34. But since SJRA does not have taxing authority, and since LSGCD's groundwater production reduction rules, the sole basis for the Pumpage Fees, were declared void *ab initio* by the Montgomery County state district court (and later formally repealed by LSGCD), since January 1, 2016, the Pumpage Fees have been (and continue to be) an unconstitutional and illegal tax or exaction paid by and extracted from Montgomery County residential and

¹⁷ See draft of "Better, Faster and Cheaper Water Planning" (Exhibit 17) ("SJRA has no taxing authority and infrastructure will be paid for with two types of user fees – a 'pumpage fee' based on the amount of groundwater that users pump, and a 'water fee' based on the amount of surface water supplied to over-converted users by SJRA's surface water system.").

commercial water customers (*i.e.*, Plaintiffs and Class members)—for which Plaintiffs and Class members are entitled to declaratory relief and restitution.

CLASS ACTION ALLEGATIONS

35. Pursuant to TEX. R. CIV. P. 42(b)(3), Plaintiffs bring this restitution action against SJRA as a class action, for themselves and all members of the following class of similarly situated individuals and entities (the “Class members”):

All residential and commercial water customers in Montgomery County, Texas, who paid the Pumpage Fees charged on their water bills, from January 1, 2016, to the present.

Excluded from the proposed Class are (i) SJRA and its officers, employees, representatives, agents (but the SJRA GRP participant water companies and their officers, employees, representatives, and agents), and their immediate family members, (ii) Montgomery County municipalities, (iii) other federal, state, and local government agencies and entities located in Montgomery County, Texas, and (iv) the Court and its personnel.

36. The proposed Class consists of multiple thousands of Montgomery County, Texas, residential and commercial water customers, the joinder of whom in one action is impracticable by their sheer number alone. The precise number, identities, and contact information, including mailing addresses, of the Class members are readily ascertainable and available from (i) SJRA’s books, billing records, and Pumpage Fee collection records and/or (ii) the SJRA GRP participant water companies’ books and records.

37. By its above-described wrongful actions, SJRA violated the rights of Plaintiffs and each putative Class member in precisely the same way; to wit, knowingly setting, charging, and collecting, via the SJRA GRP participant water companies, SJRA’s collection agents, an unconstitutional and illegal tax or exaction in the form of the Pumpage Fees, from January 1, 2016 to the present, which Plaintiffs and Class members paid, thereby inflicting injury and harm

on Plaintiffs and Class members that will continue into the future unless and until the Court declares the Pumpage Fees to be an unconstitutional and illegal tax or exaction.

38. Certain questions of law and fact common to the proposed Class predominate over any questions affecting individual Class members, including, without limitation:

- (i) whether the Pumpage Fee is an illegal tax or exaction;
- (ii) whether Plaintiffs and Class members are entitled to declaratory relief; and
- (iii) whether Plaintiffs and Class members are entitled to restitution.

39. Plaintiffs' claims are typical of Class members' claims because Plaintiffs and Class members are all victims of SJRA's above-described unconstitutional and illegal Pumpage Fee tax collection/exaction scheme in precisely the same manner; to wit, SJRA knowingly set, charged, and collected, via the SJRA GRP participant water companies, SJRA's collection agents, an unconstitutional and illegal tax or exaction in the form of the Pumpage Fees, from January 1, 2016 to the present, which Plaintiffs and Class members paid, thereby inflicting injury and harm on Plaintiffs and Class members.

40. Plaintiffs and their counsel will fairly and adequately represent the interests of Class members. Plaintiffs have no interests antagonistic to, or in conflict with, the interests of any Class members. Plaintiffs' counsel are experienced in leading and litigating class actions, complex commercial litigation, and mass torts, including cases involving the production and sale of groundwater and surface water in Texas.

41. Plaintiffs and Class members have been (and will continue to be) harmed as a direct and proximate result of SJRA's above-described wrongful actions; to wit, setting, charging, and collecting the unconstitutional and illegal Pumpage Fee tax or exaction, via the SJRA GRP participant water companies, SJRA's collection agents, which Plaintiffs and Class

members have paid (and will continue to pay into the future). Litigating this case as a class action is appropriate because (i) it will avoid a multiplicity of suits and corresponding burden on the courts and Parties, (ii) by their sheer number it would be impossible for all Class members to intervene as individual parties-plaintiff, and (iii) it will provide court oversight of the claims process once SJRA's liability is adjudicated.

42. Certification, therefore, is appropriate under TEX. R. CIV. P. 42(b)(3) because questions of law or fact common to Class members predominate over any questions affecting only individual members, and a class action is superior to other available methods for fairly and efficiently adjudicating the controversy.

43. SJRA's above-described wrongful actions—setting, charging, and collecting an unconstitutional and illegal tax or exaction from Plaintiffs and Class members in the form of a Pumpage Fee since January 1, 2016, which Plaintiffs and Class members paid—impacted (and continues to impact) the entire Class in the same manner, for which Plaintiffs, for themselves and Class members, seek declaratory relief and restitution. Absent a class action, SJRA will continue to reap the financial benefits from (i) retaining the Pumpage Fees wrongfully charged and collected from Plaintiffs and Class members to date, and (ii) charging and collecting the unconstitutional Pumpage Fee tax or exaction from Plaintiffs and Class members through 2045.

CLAIMS AND CAUSES OF ACTION

COUNT I

ILLEGAL TAX OR EXACTION

44. The preceding factual statements and allegations are incorporated by reference.

45. The Pumpage Fees set by and charged by SJRA and collected by the SJRA GRP participant water companies, SJRA's collection agents, from Plaintiffs and Class members, at the

direction of SJRA for the direct benefit of SJRA, are an unconstitutional and illegal tax or exaction because SJRA lacks legal, statutory, and/or constitutional authority to impose or collect such fees as a tax or otherwise. Nor was SJRA ever granted taxing power by the Texas Legislature either expressly or by necessary implication. Nor are the Pumpage Fees tied to any service or regulatory oversight provided by SJRA or a valid user fee measured by any actual costs incurred in the supply or regulation of groundwater or surface water.

46. Instead, the Pumpage Fees, which are scheduled to be collected through 2045, are a disguised illegal tax or exaction used as a revenue source to finance SJRA's Lake Conroe surface water treatment plant and infrastructure without voter approval and/or the statutory authorization required to impose a tax. Because SJRA lacks taxing authority, any funds collected under the guise of Pumpage Fees have been (and continue to be) unlawfully exacted from Plaintiffs and Class members under duress for fear of having their water turned off if not paid.

47. Moreover, on January 1, 2016, the underlying regulatory justification for the Pumpage Fees—the LSGCD groundwater production reduction rules—were declared *ultra vires* and void *ab initio* by a Montgomery County state district court. The ruling was never challenged on appeal and LSGCD thereafter formally repealed the rules. The court's final judgment and subsequent rules repeal eliminated any lawful basis to continue to charge and collect the Pumpage Fees, thereby rendering further collection of the Pumpage Fees an unconstitutional and illegal tax or exaction.

48. Under Texas law, an unconstitutional and illegal tax or exaction occurs when a government officer or entity collects funds without legal authority and retains them. SJRA's charging, collection (via the SJRA GRP participant water companies, SJRA's collection agents), receipt, and retention of the Pumpage Fees paid by Plaintiffs and Class members since January 1,

2016, under duress for fear of having their water turned off if not paid, constitutes an unconstitutional and illegal tax or exaction at Texas common law. Plaintiffs, therefore, for themselves and Class members, are entitled to full restitution of the Pumpage Fees paid since January 1, 2016, and a declaratory judgment prohibiting SJRA from charging and collecting Pumpage Fees in the future.

COUNT II

DECLARATORY JUDGMENT

49. The preceding factual statements and allegations are incorporated by reference.

50. Pursuant to Chapter 37 of the Texas Civil Practice and Remedies Code, this Court is authorized to enter a judgment declaring the Parties' rights and legal relations and grant further necessary relief based upon such a judgment.

51. As set forth above, an actual controversy exists regarding the unconstitutionality and illegality of SJRA's past, present, and future charging and collection of the unconstitutional and illegal Pumpage Fee tax or exaction from Plaintiffs and Class members.

52. As a direct and/or proximate result of SJRA's above-described wrongful actions, Plaintiffs and Class members have suffered (and will continue to suffer) injury and harm in the form of the mandated Pumpage Fees unless and until the Court enters judgment against SJRA (i) declaring that the Pumpage Fees constitute an unconstitutional and illegal tax or exaction, (ii) requiring SJRA to make full restitution to Plaintiffs and Class members, from January 1, 2016 to the present, and (iii) prohibiting SJRA from setting, charging, and collecting the Pumpage Fees from Plaintiffs and Class members in the future.

53. Plaintiffs, therefore, on behalf of themselves and Class members, request the Court to enter a judgment against SJRA (i) declaring that the Pumpage Fees constitute an

unconstitutional and illegal tax or exaction, (ii) requiring SJRA to make full restitution to Plaintiffs and Class members, from January 1, 2016 to the present, and (iii) prohibiting SJRA from setting, charging, and collecting the Pumpage Fees from Plaintiffs and Class members in the future.

PRESERVATION OF EVIDENCE/SPOLIATION NOTICE

54. Plaintiffs, for themselves and Class members, hereby request and demand that SJRA and its officers, employees, representatives, and agents preserve and maintain all hard copy and electronic documents and information pertaining in any way to SJRA's wrongful acts and practices at issue in this lawsuit, and the injury and harm resulting therefrom, including, without limitation, contracts, emails, minutes of meetings, memoranda, correspondence, financial records, diagrams, photographs, videotapes, audiotapes, video and audio recordings, recordings, invoices, checks, files, facsimiles, voicemails, text messages, calendar entries, disciplinary actions, and/or other hard copy and electronic documents and information relevant and/or related to the claims and defenses in this case. Failure to maintain such evidence may constitute "spoliation" of the evidence.

NOTICE OF SELF-AUTHENTICATION

55. Pursuant to TEX. R. CIV. P. 193.7, Plaintiffs, for themselves and Class members, hereby notify SJRA that any documents and/or information produced in response to written discovery requests will be self-authenticated for use *against* SJRA in any pre-trial proceeding and/or at trial.

REQUEST FOR DISCLOSURE

56. Pursuant to TEX. R. CIV. P. 194, Plaintiffs, for themselves and Class members, hereby request SJRA to produce and/or disclose the documents and/or information described in

TEX. R. CIV. P. 194.2(a)-(k) on or before fifty (50) days from the date this Class Action Petition and Jury Demand, including this Request for Disclosure, is served.

RELIEF REQUESTED

57. The preceding factual statements and allegations are incorporated by reference.

58. **DECLARATORY JUDGMENT.** As a direct and proximate result of SJRA's above-described wrongful actions, Plaintiffs and Class members have suffered (and will continue to suffer) injury and harm in the form of the unconstitutional and illegal tax or exaction cast as a Pumpage Fee on Plaintiffs' and Class members' monthly water bills that has been set and charged by SJRA, collected by the SJRA GRP participant water companies, SJRA's collection agents, at the direction of SJRA for the direct benefit of SJRA, and paid by Plaintiffs and Class members, since January 1, 2016. Plaintiffs, therefore, on behalf of themselves and Class members, are entitled to a judgment against SJRA (i) declaring that the Pumpage Fees constitute an unconstitutional and illegal tax or exaction, (ii) requiring SJRA to make full restitution to Plaintiffs and Class members, from January 1, 2016 to the present, and (iii) prohibiting SJRA from setting, charging, and collecting the Pumpage Fees from Plaintiffs and Class members in the future. All injury and harm suffered (and to be suffered) by Plaintiffs and Class members were reasonably foreseeable by SJRA. All conditions precedent to Plaintiffs' and Class members' claims for declaratory relief have been performed or occurred.

59. **RESTITUTION.** As a direct and proximate result of SJRA's above-described wrongful actions, Plaintiffs and Class members have suffered (and will continue to suffer) injury and harm in the form of the unconstitutional and illegal tax or exaction cast as a Pumpage Fee on Plaintiffs' and Class members' monthly water bills that has been set and charged by SJRA, collected by the SJRA GRP participant water companies, SJRA's collection agents, at the

direction of SJRA for the direct benefit of SJRA, and paid by Plaintiffs and Class members, since January 1, 2016—for which Plaintiffs and Class members are entitled to restitution. All injury and harm suffered by Plaintiffs and Class members was reasonably foreseeable by SJRA. All conditions precedent to Plaintiffs’ and Class members’ claims for relief have been performed or occurred.

60. **ATTORNEYS’ FEES, LITIGATION EXPENSES, AND COURT COSTS.** Plaintiffs and Class members are also entitled to recover their attorneys’ fees, litigation expenses, and court costs pursuant to, *inter alia*, TEX. R. CIV. P. 42(h);(i), TEX. CIV. PRAC. & REM. CODE § 37.009, and principles of equity under the common-fund/common-benefit doctrine. All conditions precedent to Plaintiffs’ and Class members’ claims for attorneys’ fees, litigation expenses, and court costs have been performed or occurred.

WHEREFORE, Plaintiffs, for themselves and Class members, respectfully request that (i) SJRA be summoned to appear and answer this lawsuit, (ii) this action be certified as a class action, (iii) Plaintiffs be designated the Class Representatives, and (iv) Plaintiffs’ counsel be appointed Class Counsel. Plaintiffs, for themselves and Class members, further request that upon final trial or hearing, judgment be awarded against SJRA in favor of Plaintiffs and Class members for:

- (i) declaratory relief as set forth above;
- (ii) restitution of the Pumpage Fees paid by Plaintiffs and Class members, from January 1, 2016 to the present;
- (iii) pre- and post-judgment interest at the highest legal rates;
- (iv) attorneys’ fees, litigation expenses, and court costs; and
- (v) such other and further relief the Court deems just and proper.

JURY DEMAND

Plaintiffs, for themselves and Class members, respectfully demand a trial by jury on all claims so triable.

Dated: June 29, 2026

Respectfully submitted,

/s/ Marvin W. Jones

Marvin W. Jones

Texas Bar No: 10929100

C. Brantley Jones

Texas Bar No: 24079808

SPROUSE SHRADER SMITH PLLC

701 S. Taylor, Suite 500

Amarillo, Texas 79105-5008

Telephone: (806) 468-3300

Facsimile: (806) 373-3454

Email: marty.jones@sprouselaw.com

Email: brantley.jones@sprouselaw.com

Richard L. Coffman

Texas Bar No: 04497460

THE COFFMAN LAW FIRM

3355 West Alabama, Suite 240

Houston, Texas 77098-1864

Telephone: (713) 528-6700

Facsimile: (866) 835-8250

Email: rcoffman@coffmanlawfirm.com

Attorneys for Plaintiff and the Putative Class