

# Texas Water Development Board

## Application Sabine River Authority Pump Station

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# Legal Authority

The legal authority under which the applicant was created and operates.: ALL\_DISTRICTS

## General Information

County: Orange

County: Newton

Name of Entity: Sabine River Authority

### System Contact Physical Address

Address 1: 12777 N. State Hwy 87

Address 2:

City: Orange

State: TX

Zip: 77632-7482

Phone: (409) 746-2192

Fax: (409) 746-3780

Website: <http://www.sratx.org>

### System Contact Mailing Address

Address 1: PO Box 579

Address 2:

City: Orange

State: TX

Zip: 77631-0579

## Description

Brief description of the project: Sabine River Authority Pump Station

## Officers/Members

### Applicant's Officers and Members

J.D. Jacobs, Jr

President

Stanley N. (Stan) Mathews

Vice President

C. Earl Williams  
Secretary/Treasurer

David W. Koonce  
Secretary Pro-Tem

M. Sharon Newcomer  
Board Member

Cliff R. Todd  
Board Member

Jeanette L. Sterner  
Board Member

Cary M. (Mac) Abney  
Board Member

## Primary Contact

Name: Travis Williams  
Title: Water Resource Manager  
Address 1: PO Box 579  
Address 2:  
City: Orange  
State: TX  
Zip: 77631-0579  
Phone: (409) 746-2192  
Fax: (409) 746-3780  
Email: [twilliams@sratx.org](mailto:twilliams@sratx.org)

## Applicant's Contributors

Contributor Type	Firm Name	Contact Name	Address	Phone	Fax	Email
Applicant Engineer	Freese and Nichols, Inc.	Mike Reedy	10497 Town and Country Way, Suite 600 Houston TX 77024-1133	713-600-6800	713-600-6801	<a href="mailto:mvr@freese.com">mvr@freese.com</a>

Bond Counsel	McCall, Parkhurst & Horton, LLP	Greg Schaecher	717 North Harwood Street, Suite 900 Dallas TX 75201-6514	214-754-9292	214-754-9250	gschaecher@mphillegal.com
Financial Advisor	Hilltop Securities, Inc.	Boyd London	1201 Elm Street, Suite 3500 Dallas TX 75270-2108	214-953-4013	214-840-5006	boyd.london@firstsw.com
Certified Public Accountant (or other appropriate rep)						
Legal Counsel						
Any other Contributor representing the Applicant before the board						

Contributor Contracts (documents follow this page)

276824

Engineer

276826

Financial Advisor

276825

Bond Counsel



**TASK AUTHORIZATION**

<b>Client:</b> Sabine River Authority P.O. Box 579 Orange, TX 77631-0579 Attn:	<b>FNI Project No.:</b>  <b>Phase/Task/Dept. No.:</b>  <b>Date:</b> October 30, 2015
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This authorization is in accordance with the terms and conditions outlined in the Master Agreement executed on January 18, 2013.

**Project Description:** Sabine River Pump Station, Pipeline and Canal Improvements  
Phase 1-Pipeline Route Selection

**Description of Services:**

As detailed in the attached Scope of Work

**Deliverables:**

As detailed in the attached Scope of Work

<p>Compensation shall be as follows: A cost plus not to exceed fee of Three Hundred Sixty-Seven Thousand Dollars in accordance with Attachment CO of Master Agreement between Sabine River Authority and Frieese and Nichols, Inc. dated January 18, 2013.</p>	
<b>Amount of this Authorization</b>	<b>\$367,000</b>
<p>Schedule shall be as follows: Scope of work and deliverables will be completed within 180 days of notice to proceed.</p>	

The above described services shall proceed upon return of this Task Authorization. Services will be billed as they are done. All other provisions, terms, and conditions of the agreement for services which are not expressly amended shall remain in full force and effect.

- A contract modification will be submitted.  
 This Task Authorization will serve as notice to proceed.

**FRIESE AND NICHOLS, INC.:**

BY: *Alan C. Hutson*  
 Alan C. Hutson  
 Print or Type Name  
 TITLE: Vice President  
 DATE: 10/30/2015

**SABINE RIVER AUTHORITY:**

BY: *David Hestagale*  
 David Hestagale  
 Print or Type Name  
 TITLE: General Manager  
 DATE: November 9th, 2015

**Sabine River Pump Station, Pipeline and Canal Improvements**  
**Scope of Work**  
**Phase 1 – Route Selection**

The Sabine River Authority (SRA) has an existing raw water pump station on the Sabine River that pumps water into its Gulf Coast Canal System. Due to the age, location, condition and reliability of this pump station; SRA plans to construct a new raw water pump station along the Sabine River, approximately 10.5 miles upstream of the existing pump station. The SRA has recently completed the purchase of the pump station site. The proposed pump station will, at a minimum, be able to meet the demand for SRA of 80 MGD. The conveyance system required for the proposed pump station would run from the pump station site to the SRA canal system and would consist of both pipeline and open canal.

It is anticipated that the project will be executed in 4 Phases:

- Phase 1 – Pipeline/canal Route Selection
- Phase 2 – Preliminary Design and Permitting
- Phase 3 – Final Design
- Phase 4 - Construction

The purpose of Phase 1 is to evaluate two alternative pipeline/canal routes and select a preferred route. This Phase 1 Study will include field review by engineering, environmental and archeological teams and coordination with affected agencies in order to select a final alignment for design, permitting and easement acquisition.

**Task 1 - Project Management**

1. Project Kick-Off Meeting: Conduct one (1) project kickoff meeting at SRA offices in Orange, Texas to discuss project goals and schedule. Prepare an agenda and distribute meeting minutes.
2. Project Update Meetings: Attend up to six (6) monthly project update meetings at SRA offices in Orange, Texas. Prepare agendas and distribute meeting minutes.
3. Project Management: Manage FNI and sub-consultant resources as required for execution of the project.

**Task 2 – Project Planning**

1. Verification of Demands: In cooperation with SRA staff, analyze current demands and make projections for future demands to determine initial and future flow rates for the proposed facilities. Compare projected industrial demands from the 2016 Region I Regional Water Plan. Develop technical memorandum to document findings.
2. Development of Overall Project Schedule: Develop a schedule to cover all phases of the project. Schedule will cover the four phases identified above and include permitting, design, and construction of the county road relocation. Intent of this schedule is to identify critical path items such as pump station preliminary design and county road relocation.
3. Identification of Delivery Points: Determine potential delivery points for the initial and future flows to set design basis for the pump station, pipeline, and canal facilities.



### **Task 3 – Funding Assistance**

1. Abridged SWIFT Application: Coordinate with SRA staff, SRA Financial Advisor, and SRA Bond Council to prepare abridged SWIFT application for the project and submit to TWDB. Abridged applications due to the TWDB by February 5, 2016. Attend one (1) meeting with SRA and TWDB staff in Austin to review the project and application.
  - a. Attend appropriate TWDB Board meetings during the review period for the abridged applications.
  - b. Assist SRA staff, SRA Financial Advisor, and SRA Bond Council during TWDB review of abridged application in response to questions and requests for additional information.
2. Full Funding Application: Following TWDB's prioritization of abridged applications, coordinate with and assist SRA staff, SRA Financial Advisor, and SRA Bond Council in the preparation of a full funding application for submittal to TWDB. Full funding applications are due 30 days following the TWDB's invitation to submit and are expected to be due in the Summer of 2016.
  - a. Assist SRA staff, SRA Financial Advisor, and SRA Bond Council during TWDB review of full financial application in response to questions and requests for additional information.
  - b. Attend appropriate TWDB Board meetings during the review period for the full financial applications. The TWDB is currently expected to approve financial commitments for SWIFT funding in the Summer of 2016.
  - c. Coordinate with SRA staff, SRA Financial Advisor, SRA Bond Council, and the TWDB following the TWDB approval of SRA's financial application up to the closing date of the loan. The TWDB is currently expected to close on the 2<sup>nd</sup> Cycle of SWIFT loans in November and December of 2016.

### **Task 4 – Conveyance System – Pipeline vs Open Canal**

1. Alignment Review: Review, by desktop survey, the proposed conveyance system alignment and identify sections to be constructed as open canal versus pipeline. Identify potential obstructions or crossings which could include, but are not limited to, public roads, structures, etc. Utility crossing will not be considered in this review.
2. Hydraulic Analysis: Utilizing the preliminary open channel hydraulic model developed for the canal alternative analysis in 2012, determine the preliminary sizing of the canal for up to three flow rates. Analysis will consider the following:
  - a. Head losses within the system and associated restrictions;
  - b. Freeboard capacity assuming 1-foot and 2-foot requirements;
  - c. Typical structures that may be necessary to navigate around or beneath existing structures. Examples include inverted siphons, culverts, gated structures or combinations of these.
3. Outfall: Determine possible infrastructure systems that may be required to interface the pipeline with the canal, including sediment basins and energy dissipating elements.
4. Right of Way (ROW) Width Determination: Develop a general cross section of the canal, based on the hydraulic analysis performed, to preliminarily size its width, depth, side

slopes, maintenance berms/levees, etc. to determine the maximum ROW/easement that may be necessary to construct and operate the canal.

5. Reporting: Prepare a technical memorandum summarizing results of the analysis. Include in the Route Selection Report

#### **Task 5 - Raw Water Conveyance System Route Selection**

1. Review Project Corridor and Assemble Mapping: Review the project corridors previously developed (maximum of 2). Assemble updated mapping of the corridor and develop a project map book that will be used during field review and alignment selection. The map book will consist of 11"x17" sheets at approximately 1:500 scale and will be produced from GIS using the latest available aerial photographs for Newton and Orange counties as well as the counties' appraisal district parcel data.
2. Property Research: Obtain property data from the Newton and Orange County Appraisal Districts for parcels within 1,000 feet of the corridor center lines. Prepare a landowner list to include a parcel number, landowner name and address, property address, and any other data available from the Appraisal Districts.
3. Right of Entry Permissions: Draft a letter for distribution by SRA to all potentially affected landowners on either side of the project corridor asking for permission to perform engineering, environmental, and archaeological pedestrian surveys in relation to the project. SRA will manage responses received from this letter and coordinate negative or non-responses to the letter to gain access to those properties.
4. Engineering Pedestrian Survey of Project Corridor: Conduct field review of up to 2 routes, up to 7.5 miles long each. Purpose of the field review is to minimize or avoid constructability, permitting, and engineering issues and determine presence of any additional constraints.
5. Agency Coordination
  - a. Coordination with County Commissioners: Meet with Newton and Orange County Commissioners to discuss requirements for County Road crossings such as angle of crossing, open cut allowance, and casing requirements. Discuss known planned developments or other projects that may affect the route alignment. Discuss options for relocating the county road at the pump station site and associated environmental permitting options.
  - b. Coordination with TxDOT: Meet with Area TxDOT representatives to discuss crossings of TxDOT roadways, including angle of crossing and roadway widening plans.
  - c. Coordination with Railroads: Meet with representatives from railroads crossed by the selected corridor to discuss crossing requirements, angle of crossing, casing requirements, cathodic protection systems, and any plans for expansion or upgrade projects.
  - d. Coordination with Major Petroleum Pipeline Owners: Meet with representatives from the Owners of major petroleum pipelines that are crossed by the selected

corridor to discuss crossing requirements, cathodic protection systems in place, and plans for parallel or pipeline upgrade projects.

- e. Coordination with Major Electrical Transmission Line Owners: Meet with representatives from the Owners of major electrical transmission lines (69kV and higher) that are crossed by the selected corridor to discuss crossing requirements and plans for parallel lines or upgrade projects.
- f. Preliminary Determination of Foreign Utility Crossings: Contact various utility companies for information regarding utilities crossing the project corridors. Author correspondence to public and private utility companies with potential facilities in the area notifying them of the project and requesting information as to the location of any of their existing, proposed, or relocated facilities.

6. Route Selection:

- a. Permanent and Temporary Easement Width: Evaluate the permanent and temporary easement width required considering potential conveyance system (i.e. pipe or open canal), pipe materials, construction area required, future parallel pipelines, and construction loading during the construction of those pipelines. Include recommendations in the route study report. No easements documents will be produced or easements obtained.
- b. Route Selection: Determine the proposed route based on minimizing environmental, permitting, and engineering concerns.
- c. Route Selection Meeting: Meet with the SRA to review the recommended route. Adjust the route based on SRA comments. It is assumed this meeting will occur concurrently with one of the monthly project meetings.
- d. Study-Level Cost Opinion: Develop an opinion of probable construction cost (OPCC) for the recommended route.
- e. Draft Route Selection Report: Prepare a report detailing the findings of the activities performed as part of the route selection for the proposed alignment. Deliver five (5) hard copies and an electronic (.pdf) version.
- f. Route Selection Report Review Meeting: Meet with SRA to obtain SRA's comments on the draft Route Selection Report. Discuss and respond to comments. It is assumed this meeting will occur concurrently with one of the monthly project meetings.
- g. Final Route Selection Report: Finalize the Route Selection Report, incorporating SRA's comments. Deliver five (5) hard copies and an electronic (.pdf) version.

**Task 6 - Environmental**

- 1. Compile Information: FNI will obtain and review information for two proposed alignment routes such as soils maps, National Wetland Inventory maps, topographic maps, floodplain maps, and other readily available, pertinent data. This information will be evaluated to guide a limited pedestrian survey, identify potential environmental issues present along each route, and to develop a description of the area surrounding each project. FNI will also obtain the U.S. Fish and Wildlife Service threatened/endangered

species lists for Newton and Orange Counties and Texas Natural Diversity Database files from the Texas Parks and Wildlife Department to identify known locations of threatened/endangered species and species of concern within or near the two proposed corridors. FNI will also consult with the General Land Office (GLO) to determine if any GLO easements are required for the two proposed corridors.

2. Meeting with the U. S. Army Corps of Engineers (USACE), Galveston District  
FNI will attend one meeting with the USACE in Galveston District to discuss the project and obtain input on the current design and routing of the project. This discussion will be a further discussion of the project to update the USACE with the current concepts and obtain additional input in light of any project revisions and pending changes in the regulatory environment. FNI would prepare minutes of the meeting for the project team's review and use.
3. Pedestrian Survey: FNI will conduct a limited pedestrian survey of the proposed routes to assess readily observable environmental issues (including potential wetlands and other waters of the U.S.) and to develop the baseline data required for the preparation of a memorandum. FNI will also determine approximate wetland boundaries at the proposed pump station site using a handheld Trimble GeoXT GPS unit. In order to determine the approximate wetland boundaries at the proposed pump station site, FNI will conduct up to four data points (two wetland points and two upland points) using the U.S. Army Corps of Engineers' approved Wetland Determination Data Form for the Atlantic and Gulf Coast Plain Region. The pedestrian survey will not include a detailed wetland delineation, threatened/endangered species habitat surveys, or threatened/endangered species presence/absence surveys. The pedestrian survey does not include Phase I Environmental Site Assessments or the identification of potential hazardous materials sites.
4. Prepare Environmental Memorandum: FNI will prepare an environmental memorandum for the two corridors based upon the pedestrian survey, review of aerial photography, the results of the literature search and a review of other information readily available in the public domain. Issues to be discussed include Section 404 of the Clean Water Act and federally threatened or endangered protected species and their habitats, and permitting options for relocating the county road leading to the proposed pump station location. FNI will identify the environmental effects on these resources and provide an assessment of the environmental permits required based upon our understanding of the regulations. The memorandum will include project location maps with routes and maps of notable resources relative to the proposed routes, and photographs of the project areas. The maps produced for the environmental memorandum will also include the approximate wetland boundaries at the proposed pump station site. Preparation of an environmental assessment (EA) or other National Environmental Policy Act (NEPA) level document and environmental permitting for any of the proposed routes is not included as part of this scope.
5. Waters of the U.S. Delineation [OPTIONAL – NOT INCLUDED IN THIS AUTHORIZATION]:
  - a. Detailed Waters of the U.S. Field Delineation: If adequate funding is in place, FNI would perform a detailed waters of the U.S., including wetlands, field delineation of the preferred route alternative. This would be an optional task conducted at the discretion of the SRA.

- b. Preliminary Jurisdictional Determination Report: If adequate funding is in place, FNI would complete a preliminary jurisdictional determination report based on information obtained from the detailed waters of the U.S. field delineation (Item a, above). This would be an optional task conducted at the discretion of the SRA.

### **Task 7 – Cultural Resources**

1. Cultural Resource Background Study: review up to two route alternatives and compare those alternatives with accessible cultural resource background information to assist with the route selection process. This information may include soils, topography, previously recorded archaeological and historic sites and surveys, historic maps and aerial imagery, and other data. All information will be compiled into a GIS-based database defining areas of high, medium, and low probability for containing significant cultural resources. This information, along with an accompanying short report detailing the findings, will be provided for inclusion in the route evaluation criteria.
2. Project Coordination Letter: Once a preferred route has been selected, compile details of that route with the gathered background information to prepare a project coordination letter for submittal to the Texas Historical Commission (THC) for ACT and Section 106 compliance. This letter will serve to inform the THC of the project and request their recommendations for further work (if any). Along with expected recommendations for archaeological survey, the letter will define the Area of Potential Indirect Effects (Indirect Effects APE) to non-archaeological cultural resources (a requirement for Section 106 compliance). Once prepared and approved by SRA, the letter will be submitted to the THC for their 30-day review and response.
3. Field Survey of Pump Station and Preferred Route: With the assumption that field investigations will be recommended following coordination letter preparation, under this scope item, conduct full cultural resource investigations of the preferred 7.5-mile corridor and the proposed 8-acre pump station site. This survey will include evaluations of impacts to archaeological sites and standing non-archaeological cultural resources (historic-age buildings) within a 150-foot wide corridor. For archaeological resources, acquire an Antiquities Permit to conduct field survey and, once acquired, conduct a 100% pedestrian field inspection and shovel testing at a rate of 16 subsurface tests per linear mile per 100 feet of proposed impacts (currently estimated at 240 tests for the corridor) and at two subsurface tests per acre of non-linear impacts (currently estimated at 16 tests for the pump station). If necessary, backhoe trenching will also be conducted at select locales along the survey route in a subsequent phase. During the survey all archaeological sites identified will be recorded, assessed for significance, and submitted to the State of Texas for trinomial issuance. In the event that significant cultural resources are identified during the course of the survey that must be avoided, or the route is altered significantly from initial investigations, additional fee will be needed for additional field work.

A requirement of Section 106 compliance, conduct a non-archaeological cultural resource survey of the project area and its indirect effects APE to identify historic-age structures that may be impacted by the proposed pump station and/or conveyance alignment. All buildings will be assessed for significance and recorded for coordination with the THC. The study area is assumed to be 300 feet beyond the boundary of the pump station and 150 feet for the conveyance alignment.

4. Draft Reporting: Data from both phases of survey (archaeological and non-archaeological cultural resource survey) will be included in a draft cultural resource survey report that will document the resources that may be impacted by construction and provide recommendations relative to their significance. This report will remain in draft form until backhoe trenching is completed.

If background information and archaeological field data indicate that archaeology-bearing sediments extend beyond the reach of shovel testing, backhoe trenching may be required to fully assess project-related impacts. Backhoe trenching, incorporation of data in to the draft report, report finalization, submittal to THC and the USACE and subsequent close-out activities will be completed in a later phase.

## **FINANCIAL ADVISORY AGREEMENT**

This Financial Advisory Agreement (the "Agreement") is made and entered into by and between Sabine River Authority (the "Issuer") and FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") effective as of the date executed by the Issuer as set forth on the signature page hereof.

### **WITNESSETH:**

WHEREAS, the Issuer will have under consideration from time to time the authorization and issuance of indebtedness in amounts and forms which cannot presently be determined and, in connection with the authorization, sale, issuance and delivery of such indebtedness, Issuer desires to retain an independent financial advisor; and

WHEREAS, the Issuer desires to obtain the professional services of FirstSouthwest to advise the Issuer regarding the issuance and sale of certain evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by the Issuer (hereinafter referred to collectively as the "Debt Instruments") from time to time during the period in which this Agreement shall be effective; and

WHEREAS, FirstSouthwest is willing to provide its professional services and its facilities as financial advisor in connection with all programs of financing as may be considered and authorized by Issuer during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and FirstSouthwest, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

### **SECTION I DESCRIPTION OF SERVICES**

Upon the request of an authorized representative of the Issuer, FirstSouthwest agrees to perform the financial advisory services stated in the following provisions of this Section I; and for having rendered such services, the Issuer agrees to pay to FirstSouthwest the compensation as provided in Section V hereof.

A. Financial Planning. At the direction of Issuer, FirstSouthwest shall:

1. Survey and Analysis. Conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue and service any Debt Instruments contemplated. This survey will include an analysis of any existing debt structure as compared

with the existing and projected sources of revenues which may be pledged to secure payment of debt service of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the Debt Instruments then under consideration, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues to be available from any proposed rate increases and additional revenues, as projected by consulting engineers employed by the Issuer, resulting from improvements to be financed by the Debt Instruments under consideration.

2. Future Financings. Consider and analyze future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, employed by the Issuer.
  3. Recommendations for Debt Instruments. On the basis of the information developed by the survey described above, and other information and experience available, submit to the Issuer recommendations regarding the Debt Instruments under consideration, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and such other provisions as may be appropriate in order to make the issue attractive to investors while achieving the objectives of the Issuer. All recommendations will be consistent with the goal of designing the Debt Instruments to be sold on terms which are advantageous to the Issuer, including the lowest interest cost consistent with all other considerations.
  4. Market Information. Advise the Issuer of our interpretation of current bond market conditions, other related forthcoming bond issues and general information, with economic data, which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a favorable time.
  5. Elections. In the event it is necessary to hold an election to authorize the Debt Instruments then under consideration, FirstSouthwest will assist in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to a firm of municipal bond attorneys ("Bond Counsel") retained by the Issuer.
- B. Debt Management and Financial Implementation. At the direction of Issuer, FirstSouthwest shall:
1. Method of Sale. Evaluate the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size, and structure in order to make a recommendation as to an appropriate method of sale, and:



a. If the Debt Instruments are to be sold by an advertised competitive sale, FirstSouthwest will:

- (1) Supervise the sale of the Debt Instruments;
- (2) Disseminate information to prospective bidders, organize such informational meetings as may be necessary, and facilitate prospective bidders' efforts in making timely submission of proper bids;
- (3) Assist the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids; and
- (4) Advise the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids.

b. If the Debt Instruments are to be sold by negotiated sale, FirstSouthwest will:

- (1) Discuss with and recommend to, for Issuer's final approval and acceptance, one or more investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments.
- (2) Cooperate with and assist any selected managing underwriter and their counsel in connection with their efforts to prepare any Official Statement or Offering Memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters agreement and other related documents. The costs incurred in such efforts, including the printing of the documents, will be paid in accordance with the terms of the Issuer's agreement with the underwriters, but shall not be or become an obligation of FirstSouthwest, except to the extent specifically provided otherwise in this Agreement or assumed in writing by FirstSouthwest.
- (3) Assist the staff of the Issuer in the safekeeping of any good faith checks, to the extent there are any such, and provide a cost comparison, for both expenses and interest which are suggested by the underwriters, to the then current market.
- (4) Advise the Issuer as to the fairness of the price offered by the underwriters.

2. Offering Documents. Coordinate the preparation of the notice of sale and bidding instructions, official statement, official bid form and such other documents as may be required and submit all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute by mail or, where appropriate, by electronic delivery, sets of the same to prospective purchasers of the Debt Instruments. Also, FirstSouthwest shall provide copies of the final Official Statement to the purchaser of the Debt Instruments in accordance with the Notice of Sale and Bidding Instructions.
3. Credit Ratings. Make recommendations to the Issuer as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments and, when directed by the Issuer, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be finally approved or directed by the Issuer.
4. Trustee, Paying Agent, Registrar. Upon request, counsel with the Issuer in the selection of a Trustee and/or Paying Agent/Registrar for the Debt Instruments, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.
5. Financial Publications. When appropriate, advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.
6. Consultants. After consulting with and receiving directions from the Issuer, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the Debt Instruments.
7. Auditors. In the event formal verification by an independent auditor of any calculations incident to the Debt Instruments is required, make arrangements for such services.
8. Issuer Meetings. Attend meetings of the governing body of the Issuer, its staff, representatives or committees as requested at all times when FirstSouthwest may be of assistance or service and the subject of financing is to be discussed.
9. Printing. To the extent authorized by the Issuer, coordinate all work incident to printing of the offering documents and the Debt Instruments.

investment advisor. Issuer may, from time to time, utilize the broker/dealer services of FirstSouthwest and/or the investment advisory services of FirstSouthwest Asset Management with respect to matters which do not involve or affect the financial advisory services referenced in this Agreement. The terms and conditions of the engagement of FirstSouthwest and/or FirstSouthwest Asset Management to provide such services shall be determined by mutual agreement at the time such services are requested.

2. Exercising Calls and Refunding. Provide advice and assistance with regard to exercising any call and/or refunding of any outstanding Debt Instruments.

3. Capital Improvements Programs. Provide advice and assistance in the development of any capital improvements programs of the Issuer.

4. Long-Range Planning. Provide advice and assistance in the development of other long-range financing plans of the Issuer.

5. Post-Sale Services. Subsequent to the sale and delivery of Debt Instruments, review the transaction and transaction documentation with legal counsel for the Issuer, Bond Counsel, auditors and other experts and consultants retained by the Issuer and assist in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters.

### **SECTION III TERM OF AGREEMENT**

This Agreement shall become effective as of the date executed by the Issuer as set forth on the signature page hereof and, unless terminated by either party pursuant to Section IV of this Agreement, shall remain in effect thereafter for a period of five (5) years from such date. Unless FirstSouthwest or Issuer shall notify the other party in writing at least thirty (30) days in advance of the applicable anniversary date that this Agreement will not be renewed, this Agreement will be automatically renewed on the fifth anniversary of the date hereof for an additional one (1) year period and thereafter will be automatically renewed on each anniversary date for successive one (1) year periods.

### **SECTION IV TERMINATION**

This Agreement may be terminated with or without cause by the Issuer or FirstSouthwest upon the

giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

## **SECTION V COMPENSATION AND EXPENSE REIMBURSEMENT**

The fees due to FirstSouthwest for the services set forth and described in Section I of this Agreement with respect to each issuance of Debt Instruments during the term of this Agreement shall be calculated in accordance with the schedule set forth on Appendix A attached hereto. Unless specifically provided otherwise on Appendix A or in a separate written agreement between Issuer and FirstSouthwest, such fees, together with any other fees as may have been mutually agreed upon and all expenses for which FirstSouthwest is entitled to reimbursement, shall become due and payable concurrently with the delivery of the Debt Instruments to the purchaser.

## **SECTION VI MISCELLANEOUS**

1. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.
2. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FirstSouthwest, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.
3. Entire Agreement. This instrument contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto.

FIRSTSOUTHWEST, A DIVISION OF  
HILLTOP SECURITIES INC.

By: Hill A. Feinberg  
Hill A. Feinberg, Chairman and  
Chief Executive Officer

By: W. Boyd London, Jr.  
W. Boyd London, Jr.  
Managing Director

Sabine River Authority of Texas

By: Paul M. Day

Title: GENERAL MANAGER

Date: May 3, 2016

ATTEST:

Lisa M. Magel  
Secretary

**APPENDIX A**

The fees due FirstSouthwest will not exceed those contained in our customary fee schedule as listed below.

\$9,000 (minimum)	for the first	\$ 1,000,000	of bonds issued
plus \$ 5.00 per \$1,000	for the next	\$ 4,000,000	of bonds issued
plus \$ 3.50 per \$1,000	for the next	\$ 5,000,000	of bonds issued
plus \$ 3.00 per \$1,000	for the next	\$ 10,000,000	of bonds issued
plus \$ 2.50 per \$1,000	for the next	\$ 10,000,000	of bonds issued
plus \$ 2.00 per \$1,000	for the next	\$ 20,000,000	of bonds issued
plus \$ 1.50 per \$1,000	thereafter		

The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services which are reasonably necessary in completing the transaction and which are reasonable in amount, unless such charges were incurred at the specific direction of the Issuer.

*The payment of charges for financial advisory services described in Section I of the foregoing Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered. The payment of charges for services described in Section II of the foregoing Agreement shall be due and payable in accordance with the mutual agreement therefor between FirstSouthwest and Issuer.*

The Issuer shall be responsible for the following expenses, if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by FirstSouthwest as reimbursable expenses:

- Bond Counsel
- Disclosure Counsel
- Bond printing
- Bond ratings
- Computer structuring
- Credit enhancement
- CPA fees for refunding
- Official statement preparation and printing
- Paying agent/registrar/trustee
- Travel expenses
- Underwriter and underwriters counsel
- Miscellaneous, including copy, delivery, and phone charges

*The payment of reimbursable expenses that FirstSouthwest has assumed on behalf of the Issuer shall NOT be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FirstSouthwest.*

LAW OFFICES  
MCCALL, PARKHURST & HORTON

1400 MERCANTILE BANK BUILDING

DALLAS, TEXAS 75201

AREA CODE 214 748-9501

HOBBY H. MCCALL  
PAUL B. HORTON  
ROBERT T. LEWIS  
PETER M. TART  
ROY M. POINSETT  
RICHARD C. PORTER

JOHN D. MCCALL (892-1962)  
MILLARD PARKHURST (908-1973)  
CLARENCE E. CROWE (903-1962)

February 11, 1976

Sabine River Authority of Texas  
P. O. Box 579  
Orange, Texas 77630

Gentlemen:

At your request, this letter is submitted to state the fee schedule and describe the legal services of the undersigned law firm in performing the duties of Bond Counsel for the Authority with respect to the issuance of its various issues and types of bonds, and with particular reference to the proposed air and water pollution control facilities revenue bonds relating to Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, and Texas Utilities Services Inc., and other corporations which have requested your cooperation in pollution control financing.

Generally, we would propose to serve as Bond Counsel to the Authority and perform all usual and necessary legal services as Bond Counsel in connection with the authorization, issuance, and delivery of each installment or series of bonds. Specifically, we will prepare and direct the legal proceedings and perform the other necessary legal services with reference to the authorization, issuance, and delivery of each installment or series of bonds, including the following:

1. prepare and aid in the negotiation of the contracts which are to provide for the acquisition, construction, and operation of the facilities.
2. prepare and aid in the negotiation of the contracts providing for the payment and security of any bonds, unless such matters are covered in the contracts mentioned in 1., above.
3. prepare all resolutions and other instruments pursuant to which the bonds will be authorized, issued, and delivered, in cooperation and upon consultation with the Board, the Executive Vice President and General Manager of the Authority, and the Financial Consultants of the Authority.
4. prepare any trust indentures or trust agreements authorizing or securing the issuance of any bonds.
5. with reference to the authorization and issuance of the bonds, attend meetings of the Board to the extent required.
6. cooperate with the Board, the Executive Vice President and General Manager of the Authority, and the Financial Consultants of the Authority or underwriters in the preparation of each prospectus or notice of sale relating to the issuance of the bonds, to the end that the most favorable reception and marketing of such bonds may be obtained.
7. attend information meetings with prospective bond purchasers and meetings with bond rating agencies to the extent required.
8. obtain the approval of the bonds by the Attorney General of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas.
9. supervise the execution of the bonds and the delivery thereof to the purchasers.
10. when so delivered, give our approving opinion covering the validity of the bonds, it being understood that such approving opinion will be fully acceptable nationally in regular commercial investment banking bond marketing channels.



For each separate installment or series of bonds the fee covering the legal services of this firm as Bond Counsel, will be as follows, based on the principal amount of each issue:

For the first \$1,000,000 thereof,	1%
For the next \$ 4,000,000 thereof,	3/4 of 1%
For the next \$ 5,000,000 thereof,	1/2 of 1%
For the next \$10,000,000 thereof,	1/4 of 1%
For the next \$20,000,000 thereof,	1/8 of 1%

(with a minimum fee of \$10,000 for air and water pollution control facilities revenue bonds issued to aid industries, and \$2,500 for all other bonds)

The additional fee for amounts of an issue in excess of \$40,000,000, and fees for mandamus suits in the Texas Supreme Court, and any other special services not normally included in the legal services performed by Bond Counsel will be negotiated between the Authority and the undersigned.

Also, we would expect to be reimbursed for our actual out-of-pocket expenses reasonably and necessarily incurred in connection with the authorization, issuance, and delivery of such bonds.

The foregoing legal services as Bond Counsel do not include any direct responsibility for proceedings before administrative agencies, or any kind of litigation. However, if during the issuance of bonds any litigation should develop regarding the issuance of the bonds or the provisions made for their payment or security, we will consult, advise, and cooperate with the Authority concerning any such litigation.

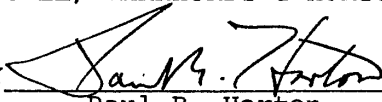
Our fees and expenses will be payable at the time of the delivery of and payment of each installment or series of such bonds, but our fees are wholly contingent upon actual delivery of each installment or series of such bonds.

If the arrangement proposed herein is satisfactory, please indicate acceptance hereof by having the Executive Vice President and General Manager of the Authority sign the acceptance clause below and return two copies of this letter to the undersigned.

Respectfully submitted,

MCCALL, PARKHURST & HORTON

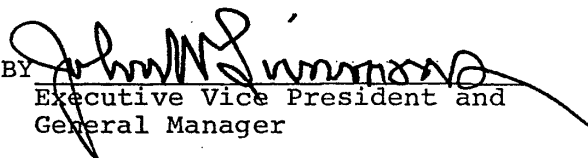
BY

  
Paul B. Horton

ACCEPTED this the 9<sup>th</sup> day of March, 1976.

SABINE RIVER AUTHORITY OF TEXAS

BY

  
Executive Vice President and  
General Manager

A6 & A7

Counties

Orange

Newton

Identify the Applicant's total service area population:: 2,195,914

## Funding Program(s)

Funding Programs

SWIFT: \$75,000,000

## Other Funding Sources

Other Funding Sources

Funding Source	Type of Funds (Loan, Grant, etc.)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
Debt Service Reserve Fund	Revenues of the System	\$4,238,047		

Other Funding Comments: Authority will fund DSRF from Syst Revs-60 months

Funding\_1 N/A

# Funding & Project Type

Requesting Funding for Planning: Y

Requesting Funding for Acquisition: Y

Requesting Funding for Design: Y

Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS:

Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
2. Did applicant receive over \$25 million in Federal Awards last year?:
3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):

TWDB-0215 N/A

# Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?:

Have contracts already been awarded?:

## Legal Information

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: Chapter 110, Acts of the Regular Session of the 51st Texas Legislature, 1949, as amended (formerly compiled as Vernon's Ann. Civ. St. Article 8280-133)

What type of pledge will be used to repay the proposed debt?: SYSTEMS\_REVENUE

Provide the full legal name of the security for the proposed debt issue(s): First Lien on Net System Revenues of the Authority

Describe the pledge being offered and any existing rate covenants.: The pledge is net revenues of all of the Authority's existing water, power and other systems, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof. Other than the 1964 Texas Water Development Board loan for the Toledo Bend Reservoir, there are no outstanding bonds secured by these revenues, and so there are no existing rate covenants.

**RESOLUTION NO. 622**

**AUTHORIZING APPLICATION TO THE TEXAS WATER  
DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE ON THE  
WATER SYSTEM PROJECT**

---

WHEREAS, the Sabine River Authority of Texas (the "Authority") hereby finds and determines that there is an urgent need for the construction of additions and improvements to the Authority's raw water supply system consisting of a new raw water pump station and associated conveyance system; and

WHEREAS, such capital improvements cannot be reasonably financed unless financial assistance is obtained from the Texas Water Development Board; and

WHEREAS, it is hereby officially found and determined that public notice of the time, place, and purpose of said meeting was given, all as required by Texas Government Code, Chapter 551.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS THAT:

Section 1. An application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$75,000,000 to provide funds to pay costs for additions and improvements to the Authority's raw water supply system consisting of a new raw water pump station and associated conveyance system, including acquisition of land and interests in land, mitigation, engineering and other design costs and professional fees related to such projects.

Section 2. The Executive Vice President and General Manager is hereby designated the authorized representatives of the Authority for the purpose of furnishing such information and executing such documents as may be required in connection with the preparing and filing of such application for financial assistance and with complying with the rules of the Texas Water Development Board.

Section 3. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of such application and appear on behalf of and represent the Authority before any hearing held by the Texas Water Development Board on such application, to-wit:

**Financial Advisor**

Mr. Boyd London  
FirstSouthwest, A Division of Hilltop Securities Inc.  
1201 Elm Street, Suite 3500

**Engineer**

Mr. Michael Reedy, P.E.  
Freese and Nichols, Inc.  
10497 Town and Country Way, Suite 600  
Houston, Texas 77024

**Bond Counsel**

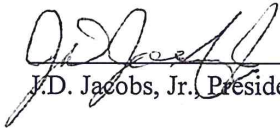
Mr. Greg Schaecher  
McCall, Parkhurst & Horton L.L.P.  
717 North Harwood Street, Suite 900  
Dallas, Texas 75201



This Resolution shall take effect and be in force from and after the date of its passage, and it is so resolved.

PASSED AND APPROVED this the 7<sup>th</sup> day of April, 2016.

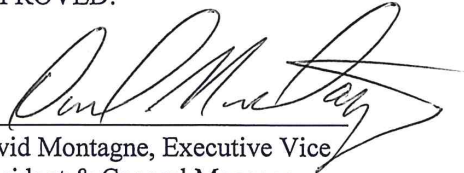
SABINE RIVER AUTHORITY OF TEXAS

  
\_\_\_\_\_  
J.D. Jacobs, Jr., President

ATTEST:

  
\_\_\_\_\_  
Earl Williams, Secretary

APPROVED:

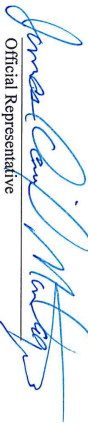
  
\_\_\_\_\_  
David Montagne, Executive Vice  
President & General Manager

**Application Affidavit (WRB-201)**

THE STATE OF TEXAS §  
COUNTY OF Orange §  
APPLICANT Sabine River Authority of Texas §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared David Montagne as the Authorized Representative of the Sabine River Authority of Texas, who being by me duly sworn, upon oath says that:

1. the decision by the Sabine River Authority of Texas (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("Board") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §§51.001, et seq.) and after providing all such notice as required by such Act as is applicable to the Sabine River Authority of Texas (authority, city, county, corporation, district);
2. the information submitted in the application is true and correct according to my best knowledge and belief;
3. the Sabine River Authority of Texas (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none"): none
4. the Sabine River Authority of Texas (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the Board provides the financial assistance; and
5. the Sabine River Authority of Texas (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the Board.

  
Official Representative

Title: General Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by James David Montagne,  
this 9<sup>th</sup> day of May, 2016.

(NOTARY'S SEAL)



  
Notary Public, State of Texas

**CERTIFICATE FOR RESOLUTION**

THE STATE OF TEXAS §  
COUNTY OF ORANGE §  
SABINE RIVER AUTHORITY OF TEXAS §

I, the undersigned Secretary of the Board of Directors (the "Board") of Sabine River Authority of Texas (the "Authority"), hereby certify as follows:

1. The Board convened in regular session, open to the public, on the 7<sup>th</sup> of April, 2016, at the regular meeting place thereof, and the roll was called of the members of the Board, to-wit:

J.D. JACOBS, JR.	CLIFF R. TODD
STANLEY MATHEWS	KIMBERLY FISH
C. EARL WILLIAMS	JEANNETTE STERNER
SHARON NEWCOMER	CARY "MAC" ARNEY
DAVID W. KOONCE	

All members of the Board were present except, Stan Mathews thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting:

**RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS  
WATER DEVELOPMENT BOARD FOR FINANCIAL ASSISTANCE ON  
THE WATER SYSTEM PROJECT**

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: 8

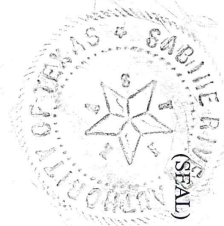
NOES: 0

2. A true, full, and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Resolution has been duly recorded in said Board's minutes of such meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of such Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place, and purpose of such meeting and that such Resolution would be introduced and considered for adoption at such meeting and each such officers and members consented, in advance, to the holding of such meeting for such purpose; such meeting was open to the public, as required by law, and public notice of the time, place and purpose of such meeting was given as required by

Chapter 551, Texas Government Code, as amended and Section 49.063, Texas Water Code,  
as amended.

SIGNED AND SEALED THIS 7<sup>th</sup> DAY OF APRIL 2016.

  
Earl Williams  
Secretary/Treasurer, Board of Directors



## Bonds, CCN, Enforcement Action

Is the applicant proposing to issue revenue bonds?: Y

Does the applicant possess a Certificate of Convenience and Necessity (CCN)?:

Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?: N

N/A - The Authority has no parity debt outstanding at this time.

# Municipality

Is the area to be served by the project within the service area of a municipality or other public utility?: Y

If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?: N

If no, provide an explanation as to why not.: Although the project will provide raw water to industrial, municipal and agricultural customers located within the service area of another municipality's and public utility's service area, the SRA is the only regional wholesale raw water provider in the area capable of providing raw water.

NoObjectionAffidavit N/A

# Board Approved WCP

If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than FIVE years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.): Y

Enter date of Applicant's WCP adoption: 2014-07-10 00:00:00.0



# WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

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REVISED MAY 2014

FINAL

ADOPTED JULY 10, 2014

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# Section 1 – Introduction

## 1.1 Sabine River Authority

The Sabine River Authority of Texas (SRA) was created by the Legislature in 1949 as an official agency of the State of Texas. SRA was created as a conservation and reclamation district with responsibilities to control, store, preserve, and distribute the waters of the Sabine River and its tributary streams in the Texas portion of the Sabine River Basin (Basin) for useful purposes. The Sabine River Authority, State of Louisiana (SRA-LA), was formed in 1950 by the Louisiana Legislature to provide for economic utilization and preservation of the waters of the Sabine River and its tributaries by promoting economic development, irrigation, navigation, improved water supply, drainage, public recreation, and hydroelectric power for the citizens of Louisiana. Representatives from the two states ultimately developed the Sabine River Compact, which is responsible for the allocation of waters in the Basin between the two states. Representatives of the state legislatures and Congress approved the Sabine River Compact in 1953.

The Sabine River has its headwaters in northwest Hunt County at an elevation of about 700 feet (see Figure 1 Map of SRA's Service Area, pg. 4). The river flows eastward and is joined by the South Fork at the intersection of Hunt, Van Zandt, and Rains Counties within Lake Tawakoni. From Lake Tawakoni, the river flows a distance of about 250 channel miles southeasterly to the boundary between Texas and Louisiana near the town of Logansport, Louisiana. The river then flows southward as the Texas-Louisiana boundary, emptying into Sabine Lake on the Gulf Coast. The total drainage area of the Basin is 9,756 square miles, with 7,426 square miles in Texas and 2,330 square miles in Louisiana.<sup>1</sup>

SRA is committed to providing adequate supplies of high quality raw, untreated water to municipal, industrial, agricultural, mining, and recreational users. Water conservation is an integral element of that commitment.

## 1.2 Purpose for Water Conservation

Holders of water rights of 1,000 acre-feet per year (ac-ft/yr) or more for municipal, industrial and other uses and 10,000 ac-ft/yr for irrigation are required to submit a water conservation plan (Title 30, Texas Administrative Code (TAC), Chapter 288). According to TAC Rule §288, conservation means "Those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water, or increase the recycling and reuse of water so that a water supply is made available for future or alternative uses."

---

<sup>1</sup> *Water for Texas*, Texas Department of Water Resources, 1984.

## Section 2 – Service Area and System Evaluation

### 2.1 Description of Service Area

SRA's statutory area of responsibility consists of the total contributing watershed of the Sabine River within the State of Texas and includes all or portions of twenty-one counties (see Figure 1 Map of SRA's Service Area, pg. 4): Collin, Franklin, Gregg, Harrison, Hopkins, Hunt, Jasper, Kaufman, Newton, Orange, Panola, Rains, Rockwall, Rusk, Sabine, San Augustine, Shelby, Smith, Upshur, Van Zandt, and Wood Counties. SRA supplies raw, untreated water within the Basin and also outside of it via interbasin transfers to the Trinity River Basin, Sulphur River Basin, and the Neches River Basin. SRA's service area within its Basin is not well defined because it includes a multitude of water users, some of which purchase raw, untreated water from SRA and others that purchase water from other wholesale water providers or store and divert water under their own water rights. Also, some of SRA's customers have other sources of water supply in addition to SRA.

SRA owns and operates four major projects in the Basin: the John W. Simmons Gulf Coast Canal System, Iron Bridge Dam and Reservoir (Lake Tawakoni), Lake Fork Dam and Reservoir, and Toledo Bend Dam and Reservoir. Water diverted from the John W. Simmons Gulf Coast Canal System is used for industrial, municipal, and irrigation purposes. The three reservoirs primarily serve as sources of raw, untreated municipal water supply and provide recreational opportunities. Hydroelectric power generation is a secondary use of Toledo Bend, a joint project of SRA and SRA-LA.

The Gulf Coast Division operates the John W. Simmons Gulf Coast Canal System that serves the Orange County area. The main canal is approximately 30 miles long and has over 45 miles of lateral canals that branch off to serve customers in the area. There are eleven fixed diversions from the canal system with contract maximums totaling 79,962 acre-feet per year (ac-ft/yr) or 71.4 million gallons per day (mgd). The pump station has a design capacity of approximately 360 mgd and the conveyance capacity is 346,000 ac-ft/yr (309 mgd). The canal system supplies raw, untreated water to one municipality and several industries including petrochemical plants, a pulp and paper mill, a steel mill, and an electric generating station. The canal system also supplies irrigation water for miscellaneous agricultural uses such as crawfish and rice farming. The Gulf Coast Division operates the SRA 1 Plant wastewater treatment plant (WWTP) located in Orange County.

Toledo Bend Dam and Reservoir, managed by the Toledo Bend Division, lies on the state boundary of Texas and Louisiana. The reservoir yield of 2,086,600 ac-ft/yr (1,863 mgd) is shared equally between the two states. The storage capacity of the reservoir is 4,477,000 ac-ft. SRA has eight water supply contracts -- six municipal, one industrial, and one mining -- totaling 27,289 ac-ft/yr (17.2 mgd). In addition to serving as a raw water supply source, Toledo Bend Dam provides hydroelectric power that represented a non-consumptive use of 1,602,350 ac-ft in 2013.

Iron Bridge Dam and Lake Tawakoni are located in parts of Hunt, Rains, and Van Zandt Counties and are managed by SRA's Iron Bridge Division. The reservoir has an as-built storage capacity of 927,440 ac-ft and a permitted yield of 238,100 ac-ft/yr (213 mgd). Iron Bridge Division has a total of nine firm water supply contracts which allow diversion of up to 236,716 ac-ft/yr (211 mgd) of raw, untreated water from Lake Tawakoni. The City of Dallas, through its Dallas Water Utilities Division (DWU), maintains the largest Lake Tawakoni water supply contract with SRA for 80 percent of the yield of the reservoir. The Iron Bridge Division operates and maintains all facilities for the Iron Bridge Dam and Lake Tawakoni Reservoir and also operates both the Wind Point Park wastewater treatment system and the Lake Tawakoni State Park WWTP which serve areas near the reservoir.



Lake Fork Dam and Reservoir, operated by the Lake Fork Division of SRA, is located in Wood, Rains, and Hopkins Counties. The reservoir has an as-built storage capacity of 675,819 ac-ft and a permitted yield of 188,660 ac-ft/yr (168 mgd). Seven entities have Lake Fork Division firm water supply contracts to divert up to 169,082 ac-ft/yr of raw, untreated water from Lake Fork Reservoir, with 35,262 ac-ft/yr of that total amount contracted for release to four downstream customers. DWU maintains the largest current Lake Fork water supply contract with SRA for 131,860 ac-ft/yr. The Lake Fork Division also operates the Lake Fork WWTP No. 1 which serves some areas near the reservoir.

The Lake Tawakoni and Lake Fork water rights have a joint use operation authorization that allows SRA to contract water from one reservoir with the water actually being diverted from the other reservoir, provided all appropriate permit conditions are met. SRA currently allows ten entities with contracts for 19,149 ac-ft/yr of water from Lake Fork Reservoir to divert their Lake Fork Reservoir water supplies from Lake Tawakoni Reservoir under this joint use operation authorization.

The total contracted diversion amounts from Lake Tawakoni and Lake Fork identified above do not include diversions under a contract referred to as the North Texas Municipal Water District (NTMWD) Interim Water Contract. The Interim Water Contract allows NTMWD to use water reserved for SRA wholesale customers (other than Dallas) but not currently needed. The NTMWD Interim Water Contract is subordinate to pre-existing SRA wholesale customers' contracts. The annual amount of interim water available to NTMWD under the NTMWD Interim Water Contract is determined prior to each calendar year based upon the estimated amount of water which is expected to be unused during the coming year by the existing wholesale customers who have contracted for long-term future supplies beyond their current actual required usage.

## **2.2 SRA Service Area Population, Historical and Projected Use**

Although, twenty-one counties lie entirely or partially within the Basin, the population and area currently served by SRA's wholesale raw water supply cannot be defined because many entities in the Basin do not receive any water supply from SRA and many SRA-supplied entities receive water from multiple sources and, in turn, distribute water to multiple customers. Therefore, SRA relies upon the TWDB regional water planning Basin population projections for Basin population estimates.

Figure 1 Map of SRA's Service Area

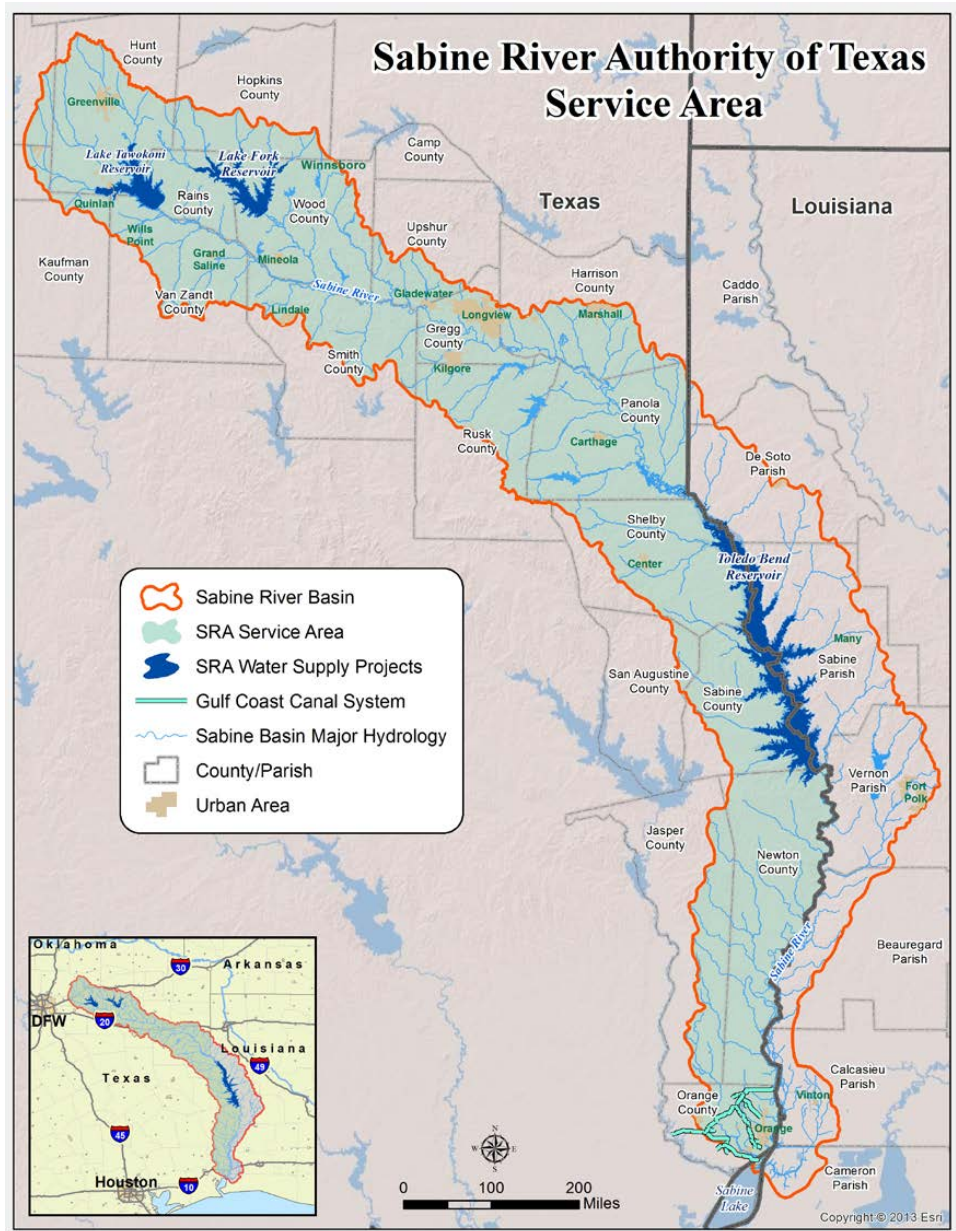


Table 1 shows the projected population for the Basin for each decade until 2070 (through the 50 year planning horizon of the 2016 Regional and 2017 State Water Plans).<sup>2</sup>

**Table 1 Projected Population for Sabine River Basin 2020-2070**

Decade	2010 <sup>3</sup>	P2020	P2030	P2040	P2050	P2060	P2070
Population	551,471	615,497	684,443	763,348	872,079	1,013,141	1,165,203

Table 2 lists SRA's wholesale raw water customers, the contracted amount of water for each, and the amount of water delivered in Calendar Year 2013. Note that since water availability varies significantly from the upper Basin (Lake Tawakoni/Lake Fork) to the lower Basin (Toledo Bend/Gulf Coast Division), each division is summarized separately and then totaled.

**Table 2 Wholesale Customers, Contracted Amount, and Amount Delivered in Calendar 2013**

Contractor Name	Contracted Amount (ac-ft)	Calendar 2013 Amount of Water Delivered (ac-ft)
<b>Gulf Coast Division</b>		
Chevron Phillips	1,841	911
City of Rose City	479	85
E.I. DuPont	24,643	16,289
Entergy	4,481	2,281
Firestone Polymers	1,473	658
Gerdau Ameristeel	1,120	1,232
Honeywell	1,120	753
International Paper	22,403	18,321
Lanxess	8,960	3,619
NRG Cottonwood Plant	13,442	4,737
<b>Gulf Coast Division Totals</b>	<b>79,962</b>	<b>48,886</b>
<b>Toledo Bend Division</b>		
Beechwood WSC	190	0
City of Hemphill	743	694
City of Huxley	280	211
El Camino WSC	37	17
G-M WSC	560	0
Pendleton Harbor WSC	57	39
Tenaska	17,922	3,910
XTO	7,500	189
<b>Toledo Bend Division Totals</b>	<b>27,289</b>	<b>5,060</b>
<b>Lake Fork Division</b>		
NTMWD (Able Springs)**	1,120	1,120
Bright Star Salem SUD	840	0
Cash SUD**	4,125	0
City of Dallas	131,860	13,519

<sup>2</sup> TWDB Complete Regional Population Projections in Texas By River Basins (<http://www.twdb.state.tx.us/waterplanning/data/projections/2017/popproj.asp>, referenced 2/6/2014).

<sup>3</sup> 2010 Sabine Basin population estimated by GIS analysis of U.S. 2010 Census Block Data.

Contractor Name	Contracted Amount (ac-ft)	Calendar 2013 Amount of Water Delivered (ac-ft)
City of Edgewood**	840	398
City of Emory**	2,016	0
City of Greenville**	4,480	0
City of Henderson	5,041	1,350
City of Kilgore	6,721	2,240
City of Longview	20,000	6,242
City of Point**	224	0
City of Quitman	1,120	293
Combined Consumers SUD**	2,240	769
Eastman Chemical	3,500	0
Mac Bee SUD**	2,240	633
South Tawakoni WSC**	1,680	334
Tawakoni Plant Farm Ltd**	184	111
<b>Lake Fork Division Totals</b>	<b>188,231</b>	<b>27,009</b>
<b>Iron Bridge Division</b>		
Cash SUD	1,679	1,256
City of Dallas	190,480	106,664
City of Emory	1,213	951
City of Greenville	21,283	6,005
City of Point	224	188
City of West Tawakoni	1,120	262
City of Wills Point	2,240	698
Commerce Water District	8,396	951
NTMWD (Terrell)	10,081	10,081
<b>Iron Bridge Division Totals</b>	<b>236,716</b>	<b>127,056</b>
<b>Total All Division</b>	<b>532,198</b>	<b>208,011</b>

\*\*Indicates a Lake Fork Division contract but water is diverted from Lake Tawakoni under the joint use water right authorization.

**Table 3 Raw Water Provided Under Annual Wholesale Contracts for Previous Five Calendar Years (ac-ft)**

Year	Treated Water	Raw Water
2009	NA	153,990
2010	NA	157,737
2011	NA	167,867
2012	NA	153,407
2013	NA	208,011

The total contracted amounts from Iron Bridge Division and Lake Fork Division identified above do not include the up to 40,000 ac-ft/yr of water contracted to NTMWD under the Interim Water Supply Contract as described in Section 2.1.

Table 4 lists the total amount of raw water diverted for the previous five calendar years for all uses, including hydroelectric.

**Table 4 Total Amount of Water Diverted for All Water Uses for the Previous Five Calendar Years (ac-ft)**

	2009	2010	2011	2012	2013
Jan	42,513	857,215	12,495	12,813	405,702
Feb	21,955	322,012	12,959	13,215	164,676
Mar	278,035	900,688	14,899	293,633	24,569
Apr	369,676	172,904	14,659	347,617	19,463
May	519,997	182,691	15,200	165,289	24,616
Jun	221,943	209,061	21,785	97,974	106,628
Jul	232,995	159,207	21,029	42,130	148,891
Aug	171,391	53,845	23,650	46,316	85,399
Sep	79,952	377,492	19,233	44,784	36,951
Oct	471,607	50,525	19,898	221,831	32,359
Nov	1,398,821	41,159	16,170	38,962	347,653
Dec	799,425	51,018	9,944	41,091	439,314
<b>Totals In ac-ft</b>	<b>4,608,310</b>	<b>3,377,817</b>	<b>201,921</b>	<b>1,365,655</b>	<b>1,836,211</b>

Table 5 illustrates the total amount of water diverted for municipal use for calendar years 2009 - 2013.

**Table 5 Total Amount of Water Diverted for Municipal Use for the Previous Five Calendar Years (ac-ft)**

Year	Annual Water Diverted for Municipal Use (ac-ft)
2009	104,886
2010	102,990
2011	137,942
2012	121,131
2013	175,011

**Table 6 TCEQ Permit Limits for SRA Systems within the Sabine River Basin**

System	SRA Water Right No.	Diversion Right (ac-ft/yr)
Toledo Bend	CA-4658	750,000
Gulf Coast Canal System	CA-4662	147,100
Lake Fork	CA-4669	188,660
Lake Tawakoni	CA-4670	238,100
<b>Totals</b>		<b>1,323,860</b>

SRA, as a river authority and a regional raw wholesale water supplier, depends on the TCEQ for data on the wastewater treatment systems in its Basin. Table 7 describes the wastewater treatment plants owned and operated by SRA.

**Table 7 Wastewater Treatments Plants Owned and Operated by SRA (CN600801864)**

TCEQ Name	TCEQ Number	Design Capacity, MGD	How treated wastewater disposed	Receiving Stream	Location	Description of area serviced
Lake Tawakoni State Park WWTP	RN103014023	0.030	Direct discharge into Lake Tawakoni (Segment 0507)	Lake Tawakoni	Approx. 3500 ft S-SE of Spring Point & approx. 4000 ft NW of Autumn Point near White Deer Ranch on the SW shore of Lake Tawakoni in Hunt County	Serves Tawakoni State Park and adjacent mobile home community
SRA 1 Plant	RN101528420	0.003	Direct discharge into drainage ditch; then to Sandy Creek; then to Cow Bayou Tidal (Segment 0511)	Cow Bayou Tidal	SW corner of intersection of SH 62 and Southern Pacific Railroad approx. 2.7 mi NE of Orangefield in Orange County	Serves a small plastics warehouse in Orange County
Wind Point Park	RN102076510	0.020	Direct ground application via sprinkler system	NA	Approx. 4.5 miles southwest of the intersection of US HWY 69 and FM 1571 on Park Road 55 in Hunt County	Serves a largely transient, seasonal recreation population
Lake Fork WWTP No. 1	RN102183308	0.030	Direct discharge into 6 acre pond; then to Lake Fork (Segment 0512)	Lake Fork	Located 200 ft E of FM 2946 approx. 1.2 mi S of the intersection of FM 2946 and HWY 514 and approx. 7.5 mi ENE of the City of Emory in Rains County	Serves a residential golf course community

## Section 3 – Conservation Practices for a Regional Wholesale Supplier

SRA's conservation activities consist of those that improve its efficiency in producing and marketing raw water and those that encourage or support the conservation of supplies by its customers. SRA recognizes that it can promote conservation most effectively by protecting the resources it has developed through efficient system operation and watershed management planning. A discussion follows of the conservation practices applicable to SRA as a wholesale raw water supplier in compliance with Texas Administrative Code (TAC) Rule §288.5.

As described in more detail within the previous sections of this document, while SRA is the exclusive water right holder for both Lake Fork and Lake Tawakoni, large quantities of both reservoirs are contracted to DWU. DWU is a wholesale water provider with a large service area throughout the Dallas Metroplex served by multiple water sources. DWU, as required by TAC Rule §288, also maintains a comprehensive water conservation and drought contingency plan for its system and SRA's Water Conservation and Drought Contingency Plan (WCDCP) is not intended to extend to DWU's service area.

### 3.1 Targets for Water Savings

#### 3.1.1 Target Goals for Municipal Use in Gallons Per Capita Per Day

Per-capita water use, measured by gallons per person per day (gpcd), varies according to climate, geography, and an individual water utility's population and service profile.<sup>4</sup> This is especially true in the Sabine Basin due to its large size and variable geographic and hydrologic conditions.

In a special report to the 79<sup>th</sup> Legislature, the TWDB recommends that a Municipal Water Conservation Plan consider establishing targets and goals for a minimum reduction of one percent in total gpcd, based upon a five-year rolling average, until such time as the entity achieves a total gpcd of 140 or less.<sup>5</sup> SRA encourages its municipal water customers to establish this goal within their Water Conservation Plans, and will assist them in reducing their gpcd in any way that is practical, reasonable, and cost-effective.

#### 3.1.2 Target Goals for Maximum Acceptable Unaccounted-for Water

Unaccounted-for water (UFW) is the difference between the amount of water delivered to a customer (by SRA or other supplies) and the amount of water accounted for through individual retail customer metering. As a general rule of thumb, a well-managed water distribution system typically experiences 10-15 percent UFW, and the American Water Works Association (AWWA) Leak Detection and Accountability Committee recommended 10 percent as a benchmark for UFW<sup>6</sup>.

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<sup>4</sup> Several of SRA's municipal customers have other sources of water, including ground water, run-of-river water rights, and other sources of surface water.

<sup>5</sup> Texas Water Development Board Special Report: Water Conservation Implementation Task Force Report to the 79<sup>th</sup> Legislature, November 2004, [https://www.twdb.texas.gov/conservation/resources/doc/WCITF\\_Leg\\_Report.pdf](https://www.twdb.texas.gov/conservation/resources/doc/WCITF_Leg_Report.pdf), referenced 3/19/2014 (pg. 5).

<sup>6</sup> "Committee Report: Water Accountability", AWWA Leak Detection and Water Accountability Committee, Journal AWWA, July 1996.

SRA encourages its municipal water customers to reduce the maximum ratio of UFW to total water supplied of 10 percent. Each customer is encouraged to take measures to control UFW as part of their routine operations; and if the UFW exceeds the 10 percent goal, the customer is encouraged to implement a water audit that identifies and then develops a plan to reduce the source(s) of UFW.

### **3.2 Practices and Devices to Measure Water Diverted**

Flow meters are used to measure and account for all water diverted from SRA's water supply system and all water sales will continue to be metered to accurately record the amount of water used. SRA installs, operates, and maintains measuring equipment at the point of release from the water supply, or requires the customer to install and maintain this equipment. All new and renewed raw water supply contracts require the buyer to furnish and maintain water meters that must measure in accordance with AWWA Standards with an accuracy tolerance not to exceed two percent. Meters are calibrated by their owner with the other party having the right to be present during the calibration.

### **3.3 Monitoring and Record Management Program**

Diversion tracking meters on the canal system are read by SRA personnel and recorded in a journal at the Gulf Coast Division office. Water supply customers taking water from the reservoirs or run of the river read their meters and report the amount of water taken to the appropriate operations division and these totals are subsequently reported to SRA's Operations Branch office. Annually, monthly diversion totals for each SRA water right are reported to the TCEQ. Copies of these reports and supporting data are on file at the Authority General Office in Orange, Texas.

Operational accounting plans for Lake Tawakoni Reservoir and Lake Fork Reservoir are maintained by both SRA and DWU. As a part of the routine monitoring and record management program of the two reservoirs, SRA and DWU storage amounts are estimated each month within Lake Tawakoni and Lake Fork Reservoirs through use of these accounting plans. The accounting plans record monthly inflows, releases, net rainfall/evaporation, and reported diversions from the reservoirs. Both SRA and DWU have established procedures for recording and approving the monthly data required for the accounting plans.

### **3.4 Leak Detection and Repair**

The John W. Simmons Gulf Coast Canal System, the only raw water conveyance system owned and operated by SRA, experiences variable water loss from the canal system depending, to a great extent, on weather conditions. SRA has an ongoing program for rapid leak detection and repair. Key components of this program include:

- Regular inspections and maintenance of the canal system by SRA.
- A biannual inspection of the entire canal system to identify inefficiencies and maintenance requirements.
- Regular maintenance activities and improvements to the pump station and canal systems are identified to ensure that the system is operating as efficiently as possible.

### **3.5 Reservoir Systems Operations Plans**

The Lake Tawakoni and Lake Fork water rights have a joint use operation authorization that allows SRA to contract water from one reservoir with the water actually being diverted from the other reservoir provided all appropriate permit conditions are met. This joint use authorization allows



entities with intakes on Lake Fork to contract for Lake Fork water and divert water it from Lake Tawakoni, and vice versa.

### **3.6 Conservation and Drought Contingency Stipulations of Water Sales Contracts**

In accordance with TAC Title 30, Chapter TAC Title 30, Rule 288.5 (1)(F), SRA water supply contracts require each wholesale customer to develop and implement a water conservation plan or water conservation measures using the applicable elements of Chapter 288. If SRA allows the customer to resell water, then the SRA contract states that the contract for the resale of the water must have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures in accordance with applicable provisions of Chapter 288. SRA customers must also adopt SRA's WCDCP as well as develop and implement its own TCEQ-approved water conservation and drought contingency plan if required by TCEQ.

### **3.7 Implementation and Enforcement of Plan**

SRA's operations divisions, through the routine operation and maintenance of reservoirs and the canal system, implement conservation measures directed at improving SRA's water conservation and efficiency.

The terms and conditions of new and renewed water contracts specify the required conservation measures for each customer and implement SRA's conservation and drought contingency program as it relates to water sales. Current new and renewed contracts stipulate that all customers 1) must comply with all TCEQ, TWDB, or any other federal, state, or local rules and regulations pertaining to the beneficial use and conservation of water including the development and implementation of conservation plans, 2) must install and maintain measuring equipment meeting AWWA or other current industry standards to accurately measure the amount of water diverted, and 3) must calibrate all measuring equipment at least every two years and provide a report of the calibration to SRA.

The SRA Board of Directors has adopted this WCDCP as indicated by SRA Board Resolution Adopting Conservation and Drought Contingency Plans in Appendix A.

### **3.8 Coordination with the Regional Water Planning Groups (RWPG)**

SRA facilitates regional water conservation and drought contingency planning through its participation in RWPG activities for its service area, mainly Regions D and I but also a small part of Region C. SRA will provide a copy of this WCDCP to the chairman of each of these Regions. SRA serves as a river authority representative for Region D and Region I. As such, SRA is actively involved in regional planning activities in the Basin and adequate coordination between the RWPG planning efforts and those of SRA is assured.

### **3.9 Review and Update Schedule**

SRA will continue to review and update this WCDCP every five years hereafter to coincide with the RWPG planning cycle.

### **3.10 Additional Water Conservation Strategies**

#### **3.10.1 Education and Information Program**

SRA offers a coordinated water conservation public education and information program in cooperation with its customers. Key components of SRA's education and information program include:

- SRA welcomes visitors to Division offices and conducts tours of the reservoir facilities to educate the public about the importance of conserving water and protecting water resources from pollution.
- SRA provides knowledgeable staff speakers for civic meetings to discuss water issues, including water conservation.
- SRA participates in the *Major Rivers* conservation education program for fourth grade students.<sup>7</sup> *Major Rivers* was developed to help educate Texas students about water and the importance of using it wisely. SRA distributes the educational materials at no charge to elementary schools throughout the Basin.
- SRA maintains a website<sup>8</sup> to provide the public with current information on water resource management activities, conservation opportunities, and data on water supply and quality conditions. A copy of this WCDCP is available for download from the website as well.<sup>9</sup>
- SRA provides an overview of its WCDCP at its annual Sabine Basin Steering Committee meetings which are usually conducted in April as part of the Texas Clean Rivers Program.
- SRA includes water conservation information and materials at public events at which it participates, such as boat shows, eco-fairs, and other community events.

#### **3.10.2 Technical Assistance in Development of Conservation Plans**

SRA provides a copy of this WCDCP via its website and offers technical assistance toward the development of conservation plans to each SRA water supply customer.

#### **3.10.3 Best Management Practices (BMPs)**

The TWDB has BMP guides for most water user types on its website. SRA provides a link to this TWDB website this on its own website<sup>10</sup> and encourages its water customers to implement water conservation BMPs that are applicable, proven, and cost-effective.

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<sup>7</sup> <http://www.twdb.state.tx.us/conservation/education/kids/majorrivers/>, referenced 1/30/2014.

<sup>8</sup> <http://www.sratx.org>, referenced 4/28/2009.

<sup>9</sup> [http://www.sratx.org/basin/water\\_conservation/Conservation\\_and\\_Drought\\_Contingency\\_Plan/](http://www.sratx.org/basin/water_conservation/Conservation_and_Drought_Contingency_Plan/), referenced 2/4/2014.

<sup>10</sup> Water Conservation in the Sabine River Basin, [http://www.sratx.org/basin/water\\_conservation/default.asp](http://www.sratx.org/basin/water_conservation/default.asp), referenced 2/7/2014.

### **3.10.4 Community Assistance Program**

SRA's Community Assistance Program<sup>11</sup> provides competitive grants of up to \$10,000 per calendar year that can complement or leverage water project funds for entities within the Basin. Funds provided for the grant program must fall within four project categories, one of which is water conservation.

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<sup>11</sup> <http://www.sratx.org/services/ecodev/cap/default.asp>, referenced 2/17/2009

## Section 4 – Drought Contingency Plan

### 4.1 Declaration of Policy, Purpose, and Intent

In order to conserve the available water supply and/or to protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortages and other water supply emergency conditions, SRA adopts the following Drought Contingency Plan (DCP).

### 4.2 Public Involvement

SRA provided its wholesale raw water customers and the public the opportunity to comment on and provide input to the development of this DCP by:

- Posting a draft version of this DCP on the SRA website and accepting comments on the draft DCP.
- Notifying all SRA water customers of the proposed DCP and its location on the SRA website (see Appendix B – DCP Public Involvement Notifications).
- Providing those customers or the public who did not have access to SRA website a copy of the draft DCP at their request.
- Providing notice to the public on the draft DCP and the public meeting on the draft DCP (see Appendix B – DCP Public Involvement Notifications).

SRA provided the opportunity for the public and its wholesale water customers to suggest input into this revision of the DCP at the April 2014 Sabine Basin Steering Committee meetings, part of the Texas Clean Rivers Program. The Sabine Basin Steering Committee is comprised of members from entities and interested parties throughout the Basin. In addition, the current version of SRA's Water Conservation and Drought Contingency Plan (WCDCP) (of which this DCP is a part) is available to the public on SRA's Water Conservation Webpage.<sup>12</sup>

### 4.3 Wholesale Raw Water Customer Education

Wholesale raw water customer education was provided through the public involvement meetings described in the previous section and through SRA's Water Conservation Webpage. In addition, *Section 3.10.1* of SRA's WCDCP (of which this DCP is a part) outlines the overall education program of SRA.

### 4.4 Coordination with Regional Water Planning Groups (RWPG)

SRA's service area is located within portions of the Senate Bill 1 East Texas Regional Water Planning Area (Region I), the North East Texas Regional Water Planning Area (Region D), and Region C. SRA will provide a copy of the final adopted DCP to these RWPGs.

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<sup>12</sup> [http://www.sratx.org/basin/water\\_conservation/](http://www.sratx.org/basin/water_conservation/), referenced 2/23/2009.

## 4.5 Authorization

SRA's Executive Vice President and General Manager (General Manager), as approved by the SRA Board of Directors, is authorized to implement the applicable provisions of this DCP upon determination that implementation is necessary to protect public health, safety, and welfare. The General Manager has the authority to initiate or terminate drought or other water supply emergency response measures as described in this DCP.

## 4.6 Application

The provisions of the DCP apply to all wholesale customers using water provided by SRA with the limited exception of those customers served under the contract with DWU, as further explained below. As a term of contract renewal, SRA is now requiring its customers to adopt this DCP and to create specific water conservation and drought contingency plans for their respective retail systems. Additionally, the contracts require that the locally developed plans must be at least as stringent as the adopted SRA DCP.

The only exception to these provisions is for the contracts with DWU. The DWU system serves both retail and wholesale customers and is covered by a separate and independent DCP that was developed by DWU for its entire system. As a result of the size and complexity of the DWU system and as a result of the availability of multiple sources of water supply for this system, it is more appropriate that DWU operate under a separate DCP for its entire system. To this end, SRA and DWU maintain monthly accounting plans that allow computation of the individual diversions and the resulting storage allocation within Lake Tawakoni and Lake Fork Reservoirs for each of the two individual entities. Consequently, the criteria and actions required during drought conditions, including the goals for reduced diversions, are applied independently for SRA and DWU based on their respective storage allocations. The following criteria and actions required for drought response stages as outlined below are therefore only applicable to SRA customers other than DWU.

## 4.7 Criteria and Actions Required for Drought Response Stages for Iron Bridge and Lake Fork Divisions

The General Manager will monitor water supply conditions on a monthly basis, and when conditions warrant, initiate or terminate each stage of the DCP by implementing the following described actions. Customer notification of the initiation or termination of drought response stages will be made by mail, telephone, email, and/or SRA's website. The news media will also be informed.

Lake Tawakoni and Lake Fork Reservoirs are considered a combined system for the SRA DCP. Therefore, the drought triggers will take effect when SRA's allocation of combined storage<sup>13</sup> in both reservoirs falls below the trigger criteria identified below. The SRA portion of the reservoir storage for Lake Fork and Lake Tawakoni will be computed using an operational drought accounting model. This drought accounting model records monthly inflows, releases, net rainfall/evaporation, and reported diversions. Through use of this drought accounting model, the storage remaining at the end of each month for SRA and DWU can be computed appropriately and each entity can use these monthly values to independently implement required actions within the respective DCPs for each entity.

As outlined in more detail in the report sections below for the Iron Bridge and Lake Fork Divisions, Table 8 summarizes the drought triggers for successively more severe drought stages and corresponding reduction targets for diversions under these drought response stages.

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<sup>13</sup> Lake Tawakoni storage volume is based on 1997 TWDB volumetric survey ([http://www.twdb.texas.gov/hydro\\_survey/tawakoni/1997-04/Tawakoni1997\\_FinalReport.pdf](http://www.twdb.texas.gov/hydro_survey/tawakoni/1997-04/Tawakoni1997_FinalReport.pdf), referenced 12/18/2013). Lake Fork storage volume is based on 2001 TWDB volumetric survey ([http://www.twdb.texas.gov/hydro\\_survey/Fork/2001-03/Fork2001\\_FinalReport.pdf](http://www.twdb.texas.gov/hydro_survey/Fork/2001-03/Fork2001_FinalReport.pdf), referenced 12/18/2013).

**Table 8 Summary of Drought Triggers and Diversion Reduction Goals for Iron Bridge and Lake Fork Divisions**

Drought Stage	Drought Trigger: Percent of Combined Reservoir Storage Allocation for SRA*	Drought Trigger: Combined Reservoir Storage Allocation for SRA (ac-ft)	Drought Response: Diversion Reduction Target**
1- Mild	65%	239,504	4,000 ac-ft/yr (~4%)
2- Moderate	55%	202,657	6,000 ac-ft/yr (~6%)
3- Severe	45%	165,810	8,000 ac-ft/yr (~8%)
4- Critical	30%	110,540	10,000 ac-ft/yr (~10%)
5- Emergency***	Time in Stage 4 > 6 mo	N/A	General Mgr Decision

\* The drought stages take effect when the SRA allocation of combined storage in Lake Tawakoni and Lake Fork falls to and remains at or below the trigger level for two consecutive months.

\*\* Reduction target percentages are based on the total SRA permanent contracted amount of 102,609 ac-ft/yr for Lake Tawakoni and Lake Fork.

\*\*\***Stage 5 is not triggered on the combined reservoir storage remaining, but on the length of time the storage is below 30%.** This is an extreme condition during which the General Manager will determine the drought response based on reservoir conditions and need.

Based on the 1997 TWDB volumetric survey of Lake Tawakoni, its storage volume at the conservation pool elevation of 437.5 ft is 888,137 ac-ft. SRA’s allocation of Lake Tawakoni storage is 177,627 ac-ft (20%). Based on the 2001 TWDB volumetric survey of Lake Fork, its storage volume at the conservation pool elevation of 403.0 ft is 636,133 ac-ft. SRA’s allocation of Lake Fork storage is 190,840 ac-ft (30%). Therefore, SRA’s allocation of the combined storage in Lake Fork and Lake Tawakoni totals to 368,467 ac-ft.

**4.7.1 Stage 1 – Mild Water Shortage Conditions**

**4.7.1.1 Requirement for initiation**

SRA will recognize that *mild water shortage conditions* exist in the service areas of the Lake Fork and Iron Bridge Divisions when:

- SRA’s allocation of the combined storage in Lake Tawakoni and Lake Fork falls to and remains at or below 65% of the full storage allocation for two consecutive months (65% of SRA’s allocation of combined Lake Fork and Lake Tawakoni storage is 239,504 ac-ft).

**4.7.1.2 Requirements for termination**

Termination of the mild water shortage condition and corresponding measures will take place when conditions that initiated the mild water shortage condition no longer exist. Conditions are no longer considered to exist when SRA’s allocation of the combined storage in Lake Tawakoni and Lake Fork remains above the drought trigger for two consecutive months. SRA will inform its customers and the news media of the termination of mild water shortage conditions in the same manner as in its initiation.

**4.7.1.3 Goal**

Achieve a 4,000 ac-ft/yr reduction of total annual diversions, or an average monthly amount of 333 ac-ft. Based on SRA’s permanent contract amount of 102,609 ac-ft/yr, this amounts to an approximately 4% reduction goal.

#### 4.7.1.4 Measures

- 1) When mild water shortage conditions exist, the allowable contract diversion amount will be reduced until the required diversion goal is achieved by first reducing from temporary and short-term contract/s and, if these contract/s are not sufficient to achieve the reduction goal, by then applying proportionate reductions on the contract amounts of long-term water contract holders.
- 2) During drought conditions, the General Manager may limit SRA customer diversions to each customer's maximum usage over the last five calendar years. The General Manager may waive the limit on a case by case basis for identified, specific purposes.
- 3) SRA will inform its customers of the drought condition by mail, telephone, email, or SRA's website.
- 4) Customers will be asked to activate an appropriate system for answering inquiries from the citizens. Each customer entity in turn will follow its individual measures for the water shortage condition. At the same time, representatives of SRA and its customers will initiate discussion of the drought condition and its impact on the water supply situation with the news media.
- 5) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

#### 4.7.2 Stage 2 – Moderate Water Shortage Conditions

##### 4.7.2.1 Requirement for initiation

SRA will recognize that *moderate water shortage conditions* exist in the service areas of the Lake Fork and Iron Bridge Divisions when:

- SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork falls to and remains at or below 55% of the full storage allocation for two consecutive months (55% of SRA's allocation of combined Lake Fork and Lake Tawakoni storage is 202,657 ac-ft).

##### 4.7.2.2 Requirements for termination

Termination of the moderate water shortage condition and corresponding measures will take place when conditions that initiated the moderate water shortage condition no longer exist. Conditions are no longer considered to exist when SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork remains above the drought trigger for two consecutive months. SRA will inform its customers and the news media of the termination of moderate water shortage conditions in the same manner as in its initiation.

##### 4.7.2.3 Goal

Achieve a 6,000 ac-ft/yr reduction of total annual diversions, or an average monthly amount of 500 ac-ft. Based on SRA's permanent contract amount of 102,609ac-ft/yr, this amounts to an approximately 6% reduction goal.

##### 4.7.2.4 Measures

- 1) When moderate water shortage conditions exist, the allowable contract diversion amount will be reduced until the required diversion goal is achieved by first reducing from temporary and short-term contract/s and, if these contract/s are not sufficient to achieve

the reduction goal, by then applying proportionate reductions on the contract amounts of long-term water contract holders.

- 2) During drought conditions, the General Manager may limit SRA customer diversions to each customer's maximum usage over the last five calendar years. The General Manager may waive the limit on a case by case basis for identified, specific purposes.
- 3) SRA will inform its customers by mail, telephone, email, or SRA's website that the drought has reached the moderate trigger level.
- 4) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

### **4.7.3 Stage 3 – Severe Water Shortage Conditions**

#### **4.7.3.1 Requirements for initiation**

SRA will recognize that *severe water shortage conditions* exist in the service areas of the Lake Fork and Iron Bridge Divisions when:

- SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork falls to and remains at or below 45% of the full storage allocation for two consecutive months (45% of SRA's allocation of the combined Lake Fork and Lake Tawakoni storage is 165,810 ac-ft).

#### **4.7.3.2 Requirements for termination**

Termination of the severe water shortage condition and corresponding measures will take place when conditions that initiated the severe water shortage condition no longer exist. Conditions are no longer considered to exist when SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork remains above the drought trigger for two consecutive months. SRA will inform its customers and the news media of the termination of severe water shortage conditions in the same manner as in its initiation.

#### **4.7.3.3 Goal**

Achieve an 8,000 ac-ft/yr reduction of total annual diversions, or an average monthly amount of 667 ac-ft. Based on SRA's permanent contract amount of 102,609ac-ft/yr, this amounts to an approximately 8% reduction goal.

#### **4.7.3.4 Measures**

- 1) When severe water shortage conditions exist, the allowable contract diversion amount will be reduced until the required diversion goal is achieved by first reducing from temporary and short term contract/s and, if these contract/s are not sufficient to achieve the reduction goal, by then applying proportionate reductions on the contract amounts of permanent long-term water contract holders.
- 2) During drought conditions, the General Manager may limit SRA customer diversions to each customer's maximum usage over the last five calendar years. The General Manager may waive the limit on a case by case basis for identified, specific purposes.
- 3) When severe water shortage conditions exist, SRA will inform its customers by mail, telephone, email, or SRA's website about the serious water supply situation. The news media also will be informed. Situation reports will be issued to SRA's customers and the news media weekly. SRA may call emergency meetings with its customers to discuss



major operational changes if it finds such action necessary during the progress of a severe drought.

- 4) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

#### **4.7.4 Stage 4 - Critical Water Shortage Conditions**

##### **4.7.4.1 Requirements for initiation**

SRA will recognize that *critical water shortage conditions* exist in the appropriate part(s) of its system when:

- SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork falls to and remains at or below 30% of the full storage allocation for two consecutive months (30% of SRA's allocation of the combined Lake Fork and Lake Tawakoni storage is 110,540 ac-ft).

##### **4.7.4.2 Requirements for termination**

Termination of the critical water shortage condition and corresponding measures will take place when conditions that initiated the critical water shortage condition no longer exist. Conditions are no longer considered to exist when SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork remains above the drought trigger for two consecutive months. SRA will inform its customers and the news media of the termination of critical water shortage conditions in the same manner as in its initiation.

##### **4.7.4.3 Goal**

Achieve a 10,000 ac-ft/yr reduction of total annual diversions, or an average monthly amount of 833 ac-ft. Based on SRA's permanent contract amount of 102,992 ac-ft/yr, this amounts to an approximately 10% reduction goal.

##### **4.7.4.4 Measures**

- 1) When critical water shortage conditions exist, the allowable contract diversion amount will be reduced until the required diversion goal is achieved by first reducing from temporary and short term contract/s and, if these contract/s are not sufficient to achieve the reduction goal, by then applying proportionate reductions on the contract amounts of long-term water contract holders.
- 2) During drought conditions, the General Manager may limit SRA customer diversions to each customer's maximum usage over the last five calendar years. The General Manager may waive the limit on a case by case basis for identified, specific purposes.
- 3) SRA will request its municipal customers to prohibit all outdoor water use (except for livestock watering) and to activate applicable drought measures to minimize indoor uses until the drought condition changes to a Stage 3 (Severe) condition or better.
- 4) When critical water shortage conditions exist, SRA will inform its customers by mail, telephone, email, or SRA's website about the critical water shortage situation. The news media also will be informed. Situation reports will be issued to SRA's customers and the news media weekly. SRA may call emergency meetings with its customers to discuss major operational changes if it finds such action necessary during the progress of a severe drought.

- 5) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

#### **4.7.5 Stage 5 – Emergency Water Shortage Conditions (related to drought)**

##### **4.7.5.1 Requirements for initiation**

SRA will recognize that *emergency water shortage conditions (related to drought)* exist in the appropriate part(s) of its system when:

- SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork falls to and remains at or below 30% of the full storage allocation for **six consecutive months** (30% of SRA's allocation of the combined Lake Fork and Lake Tawakoni storage is 110,540 ac-ft).

##### **4.7.5.2 Requirements for termination**

Termination of the emergency water shortage condition (related to drought) and corresponding measures will take place when conditions that initiated the critical water shortage condition (Stage 4) no longer exist. Conditions are no longer considered to exist when SRA's allocation of the combined storage in Lake Tawakoni and Lake Fork remains above the Stage 4 drought trigger for two consecutive months. SRA will inform its customers and the news media of the termination of emergency water shortage conditions (related to drought) in the same manner as in its initiation.

##### **4.7.5.3 Goal**

Reduce delivery as appropriate to alleviate the emergency condition.

##### **4.7.5.4 Measures**

- 1) When emergency water shortage conditions (related to drought) exist, the General Manager, on a monthly basis, will determine the allowable monthly diversion for each customer based on need and the condition of the reservoirs. The allowable contract diversion amount will be reduced as necessary to address the emergency condition by first reducing from temporary or short term contract/s and, if these contract/s are not sufficient to address the emergency, by then applying proportionate reductions on the contract amounts of long-term water contract holders.
- 2) SRA may reduce water delivery to its customers as the situation dictates. This is further discussed in **WATER ALLOCATION** (Section 4.9).
- 3) When emergency water shortage conditions (related to drought) exist, SRA will inform its customers by mail, telephone, email, or SRA's website about the emergency water supply situation. The news media also will be informed. Situation reports will be issued to SRA's customers and the news media as frequently as the emergency condition dictates. SRA may call emergency meetings with its customers to discuss major operational changes if it finds such action necessary during the progress of a severe drought.
- 4) SRA will prohibit all non-essential outdoor water use and activate applicable drought measures to minimize indoor uses until the drought condition changes to a Stage 3 (Severe) condition or better.
- 5) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

## **4.7.6 Emergency Water Shortage Conditions (not related to drought)**

### **4.7.6.1 Requirements for initiation**

SRA will recognize that *emergency water shortage conditions (not related to drought)* exist in the appropriate part(s) of its system when:

- There is a major contamination or a required drawdown of Lake Tawakoni or Lake Fork Reservoir for emergency repairs of major infrastructure, or
- there is a failure or breakdown of a major component of the pumps or delivery system that significantly impacts the supply of water to SRA's customers.

### **4.7.6.2 Requirements for termination**

Termination of the emergency water shortage condition (not related to drought) and corresponding measures will take place when conditions that initiated the emergency water shortage condition no longer exist and the system delivery capacity is returned to normal. SRA will inform its customers and the media of the termination of the emergency water shortage conditions in the same manner as in its initiation.

### **4.7.6.3 Goal**

Reduce delivery as appropriate to address the emergency condition.

### **4.7.6.4 Measures**

- 1) When emergency water shortage conditions exist, SRA will inform its customers by mail, telephone, email, or SRA's website about the emergency water supply situation. The news media also will be informed. Situation reports will be issued to SRA's customers and the news media as frequently as the emergency condition dictates. SRA may call emergency meetings with its customers to discuss major operational changes if it finds such action necessary during the progress of a severe drought.
- 2) SRA may request its customers to prohibit all non-essential water use including outdoor water use (except for livestock watering) and to activate applicable water shortage measures to minimize indoor uses until the emergency water shortage condition is resolved.
- 3) SRA may reduce water delivery to its customers as the situation dictates. This is further discussed in **WATER ALLOCATION** (Section 4.9).
- 4) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

## **4.8 Criteria and Actions Required for Drought Response Stages for Toledo Bend and Gulf Coast Divisions**

The General Manager will monitor water supply conditions on a monthly basis and when conditions warrant, initiate or terminate each stage of the DCP and will implement the following described actions. Customer notification of the initiation or termination of drought response stages will be made by mail, telephone, email, and/or SRA's website. The news media will also be informed.

As outlined in more detail in the report sections below for the Toledo Bend Division, Table 9 summarizes the drought triggers for successively more severe drought stages and corresponding water use reduction targets under these drought response stages.

**Table 9 Summary of Drought Triggers and Diversion Reduction Goals for the Toledo Bend Division**

Drought Stage	Drought Trigger: Water Surface Elevation (ft)*	Drought Response: Water Use Reduction Target
1- Mild	165.1	Voluntary
2- Moderate	162.2	10%
3- Severe	156	20%

\* The drought stages take effect when the water surface elevation in Toledo Bend falls to and remains at or below the trigger levels for fourteen consecutive days.

#### 4.8.1 Stage 1 – Mild Water Shortage Conditions

##### 4.8.1.1 Requirement for initiation

SRA will recognize that *mild water shortage conditions* exist in the appropriate part(s) of its system when:

- The water surface elevation in Toledo Bend falls to and remains at or below 165.1 feet for fourteen consecutive days, or
- The flow measured by the U.S. Geological Survey (USGS) gage on the Sabine River near Ruliff, Texas,<sup>14</sup> falls to and remains at or below the mild conditions flow in Table 10 for fourteen consecutive days. The trigger flow at the Ruliff gage depends on the amount of water SRA is contracted to deliver.

##### 4.8.1.2 Requirements for termination

Termination of the mild water shortage condition and corresponding measures will take place when conditions that initiated the mild water shortage condition no longer exist. Conditions are no longer considered to exist when the Toledo Bend elevation remains above the drought trigger for fourteen consecutive days or the USGS gage near Ruliff remains above the mild conditions flow in Table 10 for fourteen consecutive days. SRA will inform its customers and the news media of the termination of the mild water shortage conditions in the same manner as in its initiation.

##### 4.8.1.3 Goal

Inform SRA's customers and the general public of the situation and encourage voluntary water use reductions.

##### 4.8.1.4 Measures

- 1) When mild water shortage conditions exist, SRA will inform its customers of the drought condition by mail, telephone, email, or SRA's website. SRA will continue to advise its

<sup>14</sup> USGS 08030500 Sabine Rv nr Ruliff, TX, [http://waterdata.usgs.gov/tx/nwis/nwisman/?site\\_no=08030500&agency\\_cd=USGS](http://waterdata.usgs.gov/tx/nwis/nwisman/?site_no=08030500&agency_cd=USGS), referenced 2/5/2014.

customers of the Toledo Bend Reservoir elevation and river level at the USGS gage near Ruliff every business day on the SRA website.<sup>15</sup>

- 2) Customers will be asked to activate an appropriate system for answering inquiries from the citizens. Each customer entity in turn will follow its individual measures for mild water shortage conditions. At the same time, representatives of SRA and its customers will initiate discussion of the drought condition and its impact on the water supply situation with the news media.

## **4.8.2 Stage 2 – Moderate Water Shortage Conditions**

### **4.8.2.1 Requirement for initiation**

SRA will recognize that *moderate water shortage conditions* exist in the appropriate part(s) of its system when:

- The water surface elevation in Toledo Bend falls to and remains at or below 162.2 feet for fourteen consecutive days, or
- the flow measured by the USGS gage on the Sabine River near Ruliff, Texas, falls to and remains at or below the moderate conditions flow in Table 10 for fourteen consecutive days. The trigger flow at the Ruliff gage depends on the amount of water SRA is contracted to deliver.

### **4.8.2.2 Requirements for termination**

Termination of the moderate water shortage condition and corresponding measures will take place when conditions that initiated the moderate water shortage condition no longer exist. Conditions are considered to no longer exist when the water surface elevation of Toledo Bend remains above the drought trigger for fourteen consecutive days or the flow measured by the USGS gage near Ruliff remains above the moderate conditions flow in Table 10 for fourteen consecutive days. SRA will inform its customers and the media of the termination of the moderate water shortage conditions in the same manner as in its initiation.

### **4.8.2.3 Goal**

Achieve a 10 percent reduction in total water use through implementing reductions in non-essential outdoor water use.

### **4.8.2.4 Measures**

- 1) When moderate water shortage conditions exist, SRA will inform its customers by mail, telephone, email, or SRA's website that the drought has reached the moderate trigger level. This information will be given at weekly intervals as long as the moderate drought condition continues. SRA will continue to advise its customers of the Toledo Bend Reservoir elevation and river level at the USGS gage near Ruliff every business day on the SRA website.
- 2) During the moderate water shortage conditions, SRA may curtail water delivered to its customers, if necessary. The General Manager shall establish the methodology for determining curtailment of the water delivery. See **WATER ALLOCATION** (Section 4.9).
- 3) Using the news media or direct contact, SRA may request its customers to prohibit non-essential outdoor uses such as lawn irrigation, vehicle washing, filling of swimming pools, or routine maintenance of facilities.

<sup>15</sup> [http://www.sratx.org/basin/lake\\_and\\_river\\_conditions.asp](http://www.sratx.org/basin/lake_and_river_conditions.asp), referenced 2/17/2005.

- 4) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

**4.8.3 Stage 3 – Severe Water Shortage Conditions**

**4.8.3.1 Requirements for initiation**

SRA will recognize that *severe water shortage conditions* exist in the appropriate part(s) of its system when:

- The water surface elevation in Toledo Bend falls to and remains at or below 156 feet for fourteen consecutive days, or
- the flow measured by the USGS gage on the Sabine River near Ruliff, Texas, falls to the severe conditions flow in Table 10 for fourteen consecutive days. The trigger flow at the Ruliff gage depends on the amount of water SRA is contracted to deliver.

**4.8.3.2 Requirements for termination**

Termination of the severe water shortage condition and corresponding measures will take place when conditions that initiated the severe water shortage condition no longer exist. Conditions are no longer considered to exist when the Toledo Bend elevation remains above the drought trigger for fourteen consecutive days or the USGS gage near Ruliff remains above the severe conditions flow in Table 10 for fourteen consecutive days. SRA will inform its customers and the news media of the termination of the severe water shortage conditions in the same manner as in its initiation.

**Table 10 Gulf Coast Division Drought Trigger Conditions**

Contracted Diversion (ac-ft/yr)	Contracted Diversion (cfs)	Minimum Ruliff Flows for Diversion (cfs)	Trigger Flow at Ruliff Gage		
			Mild Conditions (cfs)	Moderate Conditions (cfs)	Severe Conditions (cfs)
50,000	69	173	260	216	173
60,000	83	208	312	260	208
70,000	97	243	365	304	243
80,000	111	278	417	348	278
90,000	124	310	465	388	310
100,000	138	345	518	431	345
110,000	152	380	570	475	380
120,000	166	415	623	519	415
130,000	180	450	675	563	450
140,000	193	483	725	604	483
147,100	203	508	762	635	508

NOTE The minimum flow required at Ruliff to allow the contracted diversion was calculated by multiplying the contracted diversion (in cfs) by 2.5. The following assumptions were used in determining the multiplication factor:

- i) Only half the flow downstream of the gage flows on the Texas side.
- ii) At least 20% of the flow on the Texas side flows past the canal intake structure.
- iii) The mild drought trigger flow is 1.5 times the minimum; the moderate drought trigger flow is 1.25 times the minimum; the severe drought trigger flow is the minimum flow required to allow the contracted diversion.

#### 4.8.3.3 Goal

Achieve a 20 percent reduction in total water use.

#### 4.8.3.4 Measures

- 1) When severe water shortage conditions exist, SRA will inform its customers by mail, telephone, email, or SRA's website about the serious water supply situation. The news media also will be informed. Situation reports will be issued to SRA's customers and the news media weekly. SRA may call emergency meetings with its customers to discuss major operational changes if it finds such action necessary during the progress of a severe drought. SRA will continue to advise its customers of the Toledo Bend Reservoir elevation and river level at the USGS gage near Ruliff every business day on the SRA website.
- 2) SRA may request its customers prohibit all outdoor water use (except for livestock watering) and to activate applicable drought measures to reduce indoor uses until the drought condition changes to a moderate condition or better.
- 3) SRA may reduce water delivery to its customers as the situation dictates. This is further discussed in **WATER ALLOCATION** (Section 4.9).
- 4) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.

### 4.8.4 Emergency Water Shortage Conditions (not related to drought)

#### 4.8.4.1 Requirements for initiation

SRA will recognize that *emergency water shortage conditions* exist in the appropriate part(s) of its system when:

- There is a major contamination or a major required drawdown of Toledo Bend for emergency repairs of major infrastructure, or
- the failure of a major component of the pumps or canals in the John W. Simmons Gulf Coast Canal System significantly impacts the supply of water to its customers.

#### 4.8.4.2 Requirements for termination

Termination of the emergency water shortage condition and corresponding measures will take place when conditions that initiated the emergency water shortage condition no longer exist. Conditions are considered to no longer exist when Toledo Bend repairs are made and the reservoir is returning to normal water surface elevation levels, or the repair of any failed equipment is completed and Canal System delivery capacity is returned to normal. SRA will inform its customers and the media of the termination of the emergency water shortage conditions in the same manner as in its initiation.

#### 4.8.4.3 Goal

Reduce delivery as appropriate to address the emergency condition.

#### 4.8.4.4 Measures

- 1) When emergency water shortage conditions exist, SRA will inform its customers by mail, telephone, email, or SRA's website about the water supply situation. The news media also will be informed. Situation reports will be issued to SRA's customers and the news media weekly. SRA may call emergency meetings with its customers to discuss major operational changes if it finds such action necessary during the progress of a severe drought. SRA will continue to advise its customers of the Toledo Bend Reservoir elevation and river level at the USGS gage near Ruliff every business day on the SRA website.
- 2) SRA will request its customers prohibit all outdoor water use (except for livestock watering) and to activate applicable measures to minimize indoor uses until the emergency water shortage condition is terminated.
- 3) SRA may reduce water delivery to its customers as the situation dictates. This is further discussed in **WATER ALLOCATION** (Section 4.9).
- 4) SRA will notify the TCEQ Executive Director within five business days of implementing any mandatory provisions of the DCP.
- 5) Specific to the John W. Simmons Gulf Coast Canal System, a supply restriction resulting from pump or canal failure will tend to be of short duration; but in the event of an emergency condition, SRA will notify its customers of the water supply situation and make such operational changes it finds necessary while the emergency condition exists. Customers will be notified when the situation has been rectified and the system is fully operational.

## 4.9 Water Allocation

In the event that the trigger criteria specified in the DCP have been met, the General Manager is authorized to initiate all appropriate measures including reductions in the allocation of diversions to achieve the goals of the required drought stage in accordance with Texas Water Code Section 11.039 and with the water allocation policies and procedures defined herein. When water allocation is in effect, water diversions by or deliveries to each wholesale customer shall be limited to the monthly allocation established for each customer during the designated drought condition unless explicitly modified by the General Manager through a variance request by the customer as outlined in Section 4.11 below.

## 4.10 Enforcement

During any period when allocation of available water supplies is in effect, wholesale customers shall pay the following surcharges on excess water diversions and/or deliveries:

- **Five** times the normal water charge per acre-foot for water diversions and/or deliveries in excess of the monthly allocation up through 5 percent above the monthly allocation.
- **Ten** times the normal water charge per acre-foot for water diversions and/or deliveries in excess of the monthly allocation from 5 percent through 10 percent above the monthly allocation.
- **Twenty Five** times the normal water charge per acre-foot for water diversions and/or deliveries in excess of the monthly allocation from 10 percent through 15 percent above the monthly allocation.



- **Fifty** times the normal water charge per acre-foot for water diversions and/or deliveries more than 15 percent above the monthly allocation.

The above surcharges shall be cumulative. Upper Basin customers (Lake Tawakoni and Lake Fork) will also be subject to the surcharges if they divert in excess of their maximum usage over the last five calendar years during any drought stages unless approved by the General Manger.

#### **4.11 Variances**

The General Manager, or designee, may, in writing, grant a temporary variance to water allocation policies provided by this DCP if it is determined that failure to grant such variance would cause conditions adversely affecting an entity's public health, welfare, safety, or economy.

An entity requesting an exemption from the provisions of this DCP shall file a petition for variance with the General Manager within 5 days after notice that water allocation has been invoked. All petitions for variances shall be reviewed by the General Manager, and shall include the following:

- (a) Name and address of the petitioner(s).
- (b) Detailed statement with supporting data and information as to how the allocation of water under the policies and procedures established in the DCP adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this DCP.
- (c) Description of the relief requested.
- (d) Period of time for which the variance is sought.
- (e) Alternative measures the petitioner is taking or proposes to take to meet the intent of this DCP and the compliance date.
- (f) Other pertinent information.

Variances granted by the General Manager shall be subject to the following conditions, unless waived or modified by the General Manager or designee:

- (a) Variances granted shall include a timetable for compliance.
- (b) Variances granted shall expire when the DCP is no longer in effect, unless the petitioner has failed to meet specified requirements.

**No variance shall be retroactive or otherwise justify any violation of this DCP occurring prior to the issuance of the variance.**

#### **4.12 Severability**

It is hereby declared to be the intention of the SRA Board of Directors that the sections, paragraphs, sentences, clauses, and phrases of this DCP are severable and, if any phrase, clause, sentence, paragraph, or section of this DCP shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this DCP, since the same would not have been enacted by the Board without the incorporation into this DCP of any such unconstitutional phrase, clause, sentence, paragraph, or section.

#### **4.13 Drought Contingency Plan Update Schedule**

In accordance with TAC Rule §288.30 (6), SRA will continue to review and update this DCP every five years hereafter to coincide with the planning cycle of the State's Regional Water Planning Groups.

## Appendices

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Appendix A – SRA Board Resolution Adopting Conservation and Drought  
Contingency Plan

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RESOLUTION NO. 614

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought; and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes; and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan; and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan; and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan, revised May 1, 2014, attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

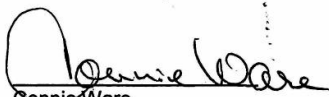
SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

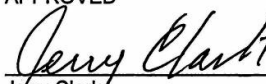
SECTION 3. That this resolution shall take effect immediately upon its passage.

UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 10<sup>th</sup> DAY OF JULY 2014.

  
Cliff Todd  
President, Board of Directors

ATTEST TO:

  
Connie Ware  
Secretary/Treasurer, Board of Directors

APPROVED  
  
Jerry Clark  
Executive Vice President  
and General Manager

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## Appendix B – DCP Public Involvement Notifications

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The Sabine River Authority provided the opportunity for its wholesale water customers and the public to suggest input into this revision of the Water Conservation and Drought Contingency Plan (WCDCP) by means of the Sabine Basin Steering Committee meetings which were conducted in April 2014 as part of the Texas Clean Rivers Program. The Sabine Basin Steering Committee is comprised of members from entities and interested parties throughout the Sabine Basin. These meetings were held on consecutive business days in the upper, middle, and lower Basin.

- Monday, April 7 at Orange, Texas
- Tuesday, April 8 at Longview, Texas
- Wednesday, April 9 at Emory, Texas

Highlights of the WCDCP were presented at each of these meetings and the attendees were asked to submit comments by April 25<sup>th</sup>, 2014.

## Retail Water Services

Does the applicant provide retail water services?: N

NOT APPLICABLE

# Potable Water Services

Is the applicant a retail public utility that provides potable water?: N

WATER USE AUDIT SHEET IS NOT REQUIRED AS ENTITY IS WHOLESALE WATER PROVIDER

# Provide Wastewater Services

Does the applicant provide wastewater services?: N

# Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: Y

List the top TEN customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
International Paper	1	36.27%	N
E. I. Dupont	1	31.99%	N
Cottonwood NRG	1,667,988,696	10.68%	N
Lanxess	1,154,734,274	7.39%	N
Entergy	1,046,231,000	6.70%	N
Chevron Phillips Chemical	330,182,000	2.11%	N
Firestone	300,079,000	1.92%	N
Gerdau Ameristeel U.S.	236,802,000	1.52%	N
Honeywell International	196,489,263	1.26%	N
Rose City	23,812,000	0.15%	N

Comments: FY2015 usage; See Additional Attachments TopTenByUsage for ACTUAL IP and Dupont usage



List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy.

Customer Name	Annual Revenue	Percent of Revenue	Bankruptcy (Y/N)
International Paper	\$1,085,414.67	33.19%	N
E. I. Dupont	\$935,226.06	28.59%	N
Cottonwood NRG	\$419,363.04	12.82%	N
Lanxess	\$304,166.64	9.30%	N
Entergy	\$227,157.81	6.95%	N
Firestone	\$83,742.36	2.56%	N
Chevron Phillips Chemical	\$78,934.23	2.41%	N
Honeywell International	\$64,998.44	1.99%	N
Gerdau Ameristeel U.S.	\$62,792.69	1.92%	N
Rose City	\$8,836.03	0.27%	N

Provide a summary of the wholesale contracts with customers.

Contract Type	Minimum Annual Amount	Usage Fee Per 1000 Gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
E. I. Dupont	\$907,390	\$0.23	\$0	\$0	\$0	\$0
International Paper	\$907,390	\$0.23	\$0	\$0	\$0	\$0
Cottonwood NRG	\$464,280	\$0.21	\$0	\$0	\$0	\$0
Lanxess	\$362,080	\$0.25	\$0	\$0	\$0	\$0
Entergy	\$211,992	\$0.26	\$0	\$0	\$0	\$0
Chevron Phillips Chemical	\$88,800	\$0.3	\$0	\$0	\$0	\$0
Firestone	\$71,040	\$0.3	\$0	\$0	\$0	\$0
Gerdau Ameristeel U.S.	\$59,422	\$0.3	\$0	\$0	\$0	\$0
Honeywell International	\$59,428.51	\$0.3	\$0	\$0	\$0	\$0
Rose City	\$8,518.8	\$0.23	\$0	\$0	\$0	\$0

## Debt

Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc).: At this time, the Authority does not foresee any issues affecting the ability to repay debt.

Has the applicant ever defaulted on any debt?: N

## Taxing Authority

Does the applicant have taxing authority?: N

Tax Assessed Valuations

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate (\$)	General Fund (\$)	Interest & Sinking Fund (\$)	Tax Levy (\$)	Percentage Current Collections (%)	Percentage Total Collections (%)
2016							
2015							
2014							
2013							
2012							

Tax Assessed Values Comments:

TaxRateTable N/A

TaxAssessedValueByClass\_0 N/A

TaxAssessedValueByClass\_1 N/A

TaxAssessedValueByClass\_2 N/A

TaxAssessedValueByClass\_3 N/A



TaxAssessedValueByClass\_4 N/A

# Top Ten Taxpayers

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)

Top Ten Taxpayer Comments:

## Tax Rate and Sales Tax

Provide the maximum tax rate permitted by law per \$100 of property value.:

Does the applicant collect sales tax?: N

Is the proposed loan tax-exempt?: N



**SABINE RIVER AUTHORITY OF TEXAS  
INCOME AND EXPENSES**

	FYE 8/31/2011	FYE 8/31/2012	FYE 8/31/2013	FYE 8/31/2014	FYE 8/31/2015	FY 2016 thru 3/31/16
<b>OPERATING REVENUES</b>						
Water Sales	13,968,923.00	12,923,569.00	14,593,165.00	14,493,602.00	14,484,783.00	9,451,490.00
Power Sales	557,506.00	1,215,429.00	1,514,146.00	2,599,284.00	6,381,340.00	2,202,886.00
Wastewater Treatment	47,353.00	39,934.00	46,265.00	70,650.00	67,290.00	68,306.00
Permits	840,931.00	867,681.00	851,074.00	986,570.00	921,476.00	919,189.00
Water Quality Activity	844,315.00	756,362.00	816,696.00	834,104.00	773,787.00	428,356.00
Miscellaneous	1,361,197.00	1,039,279.00	898,904.00	864,548.00	847,606.00	423,179.00
Reservation Fee	651,702.00	651,702.00	651,702.00	651,702.00	651,702.00	651,702.00
Total Operating Revenues	<u>18,271,927.00</u>	<u>17,493,956.00</u>	<u>19,371,952.00</u>	<u>20,500,460.00</u>	<u>24,127,984.00</u>	<u>14,145,108.00</u>
<b>OPERATING EXPENSES</b>						
Operating and Maintenance	18,084,046.00	17,363,254.00	17,284,765.00	17,036,591.00	17,527,226.00	9,978,992.13
Depreciation Expense	3,718,629.00	3,595,104.00	3,580,089.00	3,667,751.00	3,714,691.00	-
Total Operating Expenses	<u>21,802,675.00</u>	<u>20,958,358.00</u>	<u>20,864,854.00</u>	<u>20,704,342.00</u>	<u>21,241,917.00</u>	<u>9,978,992.13</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Grant Program	(169,533.00)	(120,000.00)	(100,000.00)	(77,995.00)	(81,000.00)	(76,000.00)
Gain/(loss) from disposition of capital assets	(967,005.00)	(6,832.00)	76.00	(663.00)	-	-
Bad Debt Expense	(216,872.00)	-	(7,702.00)	-	-	-
Investment Income	482,909.00	380,266.00	134,120.00	297,059.00	235,684.00	220,596.00
Interest Expense	(458,152.00)	(441,761.00)	(432,948.00)	(423,465.00)	(413,655.00)	-
Total Nonoperating Revenues (Expenses)	<u>(1,328,653.00)</u>	<u>(188,327.00)</u>	<u>(406,454.00)</u>	<u>(205,064.00)</u>	<u>(258,971.00)</u>	<u>144,596.00</u>
Change in Net Position	<u>\$ (4,859,401.00)</u>	<u>\$ (3,652,729.00)</u>	<u>\$ (1,899,356.00)</u>	<u>\$ (408,946.00)</u>	<u>\$ 2,627,096.00</u>	<u>\$ 4,310,711.87</u>
<b>Calculation of Net Revenues Available for Debt Service</b>						
Total Operating Revenues	\$ 18,271,927.00	\$ 17,493,956.00	\$ 19,371,952.00	\$ 20,500,460.00	\$ 24,127,984.00	\$ 14,145,108.00
Less Total Operating Expenses	21,802,675.00	20,958,358.00	20,864,854.00	20,704,342.00	21,241,917.00	9,978,992.13
Plus Investment Income	482,909.00	380,266.00	134,120.00	297,059.00	235,684.00	220,596.00
Plus Depreciation Expense	3,718,629.00	3,595,104.00	3,580,089.00	3,667,751.00	3,714,691.00	-
Net Revenues Available for Debt Service	<u>\$ 670,790.00</u>	<u>\$ 510,968.00</u>	<u>\$ 2,221,307.00</u>	<u>\$ 3,760,928.00</u>	<u>\$ 6,836,442.00</u>	<u>\$ 4,386,711.87</u>

(1) Depreciation expense not yet available for Fiscal Year 2016 to date.

**SABINE RIVER AUTHORITY  
OF TEXAS**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE FISCAL YEAR ENDED  
AUGUST 31, 2015 AND 2014**



**SABINE RIVER AUTHORITY OF TEXAS**

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**SABINE RIVER AUTHORITY OF TEXAS**

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## **FINANCIAL SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

### Report on the Financial Statements

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend — Joint Operation, which represents approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2015, and approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2014. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2015 and 2014 for Toledo Bend – Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Post-Employment Benefits on pages 4-10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 23, 2015

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

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## **Management's Discussion and Analysis**

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2015 and August 31, 2014, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

### **Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows**

The financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### **Net Position**

The net position of the Authority increased during 2015 by \$2.6 million or 1.5% while the net position during 2014 decreased by \$0.4 million or 0.2%. Total Assets increased during 2015 by \$1.9 million resulting from an increase in accounts receivable and investments which were partially offset by an increase in accumulated depreciation and a decrease in work in progress while total assets increased in 2014 by \$0.4 million. Total liabilities decreased during 2015 by \$0.7 million and increased during 2014 by \$0.8 million, or 2.1% and 2.6% respectively. The decrease in total liabilities for 2015 is the result of a decrease in accounts payable while the increase in 2014 is the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets increased by \$1.5 million or 0.8% during 2015 after a decrease of 0.5% for 2014. The increase in 2015 is the result of an increase in investments and capital assets which was partially offset by a decrease in work in progress and an increase in accumulated depreciation. The decrease in 2014 is the result of recognition of depreciation expense which was partially offset by an increase in investments.

Current assets increased by \$0.4 million following an increase of \$1.4 million for 2014. The increase in 2015 is mainly attributable to an increase in accounts receivable.

#### FINANCIAL HIGHLIGHTS

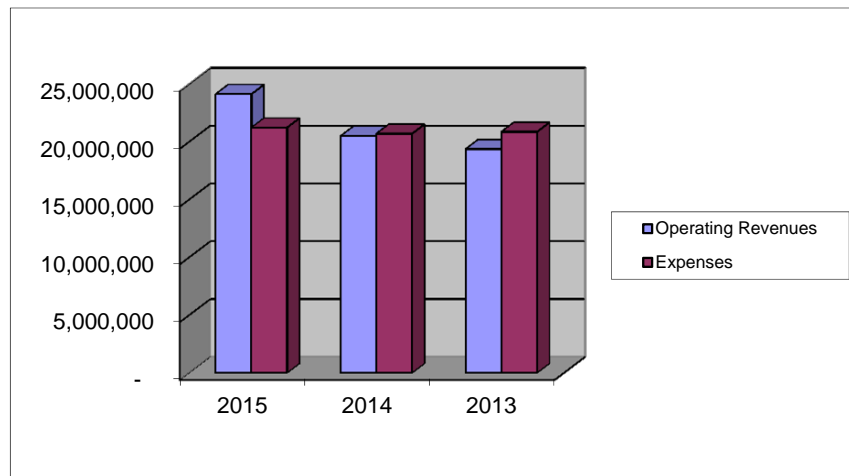
	2015	2014	2013
Assets:			
Current assets	\$ 8,411,917	\$ 8,012,309	\$ 6,592,130
Noncurrent assets	35,116,519	31,135,035	30,579,285
Capital assets, net	<u>162,274,365</u>	<u>164,713,703</u>	<u>166,282,311</u>
Total assets	<u>205,802,801</u>	<u>203,861,047</u>	<u>203,453,726</u>
Liabilities:			
Current liabilities	1,127,691	2,139,730	1,790,922
Noncurrent liabilities	<u>30,701,207</u>	<u>30,374,510</u>	<u>29,907,051</u>
Total liabilities	<u>31,828,898</u>	<u>32,514,240</u>	<u>31,697,973</u>
Net Assets:			
Net investment in capital assets	141,541,440	143,052,238	143,540,306
Restricted for debt service	800,079	800,017	825,016
Unrestricted	<u>31,632,384</u>	<u>27,494,552</u>	<u>27,390,431</u>
Total net assets	<u>173,973,903</u>	<u>171,346,807</u>	<u>171,755,753</u>
Change in net assets:			
Operating revenues:			
Water sales	14,484,783	14,493,602	14,593,165
Power sales	6,381,340	2,599,284	1,514,146
Waste water treatment	67,290	70,650	46,265
Permits	921,476	986,570	851,074
Water quality activity	773,787	834,104	816,696
Miscellaneous	847,606	864,548	898,904
Reservation fee	<u>651,702</u>	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>24,127,984</u>	<u>20,500,460</u>	<u>19,371,952</u>
Operating expenses:			
Operation and maintenance	17,527,226	17,036,591	17,284,765
Depreciation	<u>3,714,691</u>	<u>3,667,751</u>	<u>3,580,089</u>
Total operating expenses	<u>21,241,917</u>	<u>20,704,342</u>	<u>20,864,854</u>
Operating income	2,886,067	( 203,882)	( 1,492,902)
Nonoperating revenues (expenses):			
Grant program	( 81,000)	( 77,995)	( 100,000)
Loss from disposition of capital assets	-	( 663)	76
Bad debt expense	-	-	( 7,702)
Investment income	235,684	297,059	134,120
Interest expense	<u>( 413,655)</u>	<u>( 423,465)</u>	<u>( 432,948)</u>
Total nonoperating revenues (expenses)	<u>( 258,971)</u>	<u>( 205,064)</u>	<u>( 406,454)</u>
Change in net assets	2,627,096	( 408,946)	( 1,899,356)
Total net assets, beginning	<u>171,346,807</u>	<u>171,755,753</u>	<u>173,655,109</u>
Total net assets, ending	<u>\$ 173,973,903</u>	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>

## Operating Income

Operations for 2015 resulted in an income of \$2.9 million, while operations in 2014 resulted in a loss of \$0.2 million and 2013 resulted in a loss of \$1.5 million. The income in 2015 resulted from higher than average power sales due to large rainfall events in the Sabine River basin which raised the lake level at Toledo Bend and allowed hydropower generation. In 2014 and 2013, drought conditions affected the lake level and deterred the ability to generate electricity. Operating expenses increased \$0.5 million in 2015 while operating revenues increased \$3.6 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The increase in operating revenues during 2015 follows an increase of 5.8% during 2014. Water sales remained substantially the same and power sales increased dramatically for 2015 when compared to 2014. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2015, 2014 and 2013. Additionally, miscellaneous income of \$0.9 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are ongoing in the basin.

Operating expenses increased \$0.5 million, a 2.6% increase following a \$0.2 million, or 0.8% decrease in 2014. While the operating expenses increased in 2015 and decreased in 2014, no single category of expenses accounted for the differences, however a portion of the increase in 2015 is attributable to the purchase of an accounting system and the associated hardware and an increase in legal fees.



## Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

## **Significant Capital Assets**

Net capital assets decreased from \$164,713,703 to \$162,274,365 a decrease of \$2,439,338. The decrease is primarily the result of the recognition of depreciation expense which is partially offset by an increase in dams and electric plant and a decrease in work in progress. The Authority's projects and a description of each are as follows:

### **Gulf Coast Division**

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of four horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22 feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.

The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 43.93 million gallons daily (mgd) for 2015 as compared to the 2014 water sales which were 42.11 mgd.

### **Lake Tawakoni**

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2015, 56.69 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 141.32 mgd delivered in 2014.

### **Toledo Bend Reservoir**

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authorities for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authorities revenue bonds and constitutes the principal source of income for operation of the project.

The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin as well as other customers in the north Texas region. In 2015, water sales from Toledo Bend totaled 4.46 mgd compared to 4.18 mgd in 2014. Water is delivered to two municipalities and three industrial customers.

### **Lake Fork**

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The Cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2015, 76.27 mgd of water was delivered to these customers as compared to 28.41 mgd delivered in 2014.

### **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with State regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2015, Environmental Services Division performed 85,366 tests which is an increase from the 65,322 tests performed in 2014.

For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the Notes to Financial Statements.

### **Long-Term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2015 and 2014 were \$924,238 and \$922,091, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the Long-Term Liabilities section in Note 3 of the Notes to Financial Statements as well as the Supplementary Information which follows the Notes to Financial Statements.

**Restricted Assets**

The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, restricted funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.

**Change in Financial Position**

The net position for the Authority has increased from 2014 to 2015 and decreased from 2013 to 2014. Total operating revenues increased from 2014 to 2015 and increased from 2013 to 2014.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409.746.2192.

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**BASIC  
FINANCIAL STATEMENTS**

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**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF NET POSITION**

**AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,666,703	\$ 4,878,010
Investments	1,165,412	1,463,726
Accounts receivable	2,209,013	1,302,946
Accrued interest receivable	106,233	113,935
Other current assets	<u>264,556</u>	<u>253,692</u>
Total current assets	<u>8,411,917</u>	<u>8,012,309</u>
Noncurrent assets:		
Restricted cash and cash equivalents	800,079	800,017
Investments	34,316,440	30,335,018
Capital assets:		
Land	54,976,538	54,976,538
Dams and electric plant	138,227,735	132,429,266
Water and pumping plant	30,280,360	30,280,360
Buildings	8,789,501	8,789,501
Equipment	8,112,635	8,068,291
Work in progress	2,962,620	7,750,047
Less: accumulated depreciation	<u>( 81,075,024)</u>	<u>( 77,580,300)</u>
Net capital assets	162,274,365	164,713,703
Total noncurrent assets	<u>197,390,884</u>	<u>195,848,738</u>
Total assets	<u>205,802,801</u>	<u>203,861,047</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	627,373	1,656,798
Current portion of long-term liabilities	337,751	318,449
Accrued liabilities	125,000	125,000
Other payables	<u>37,567</u>	<u>39,483</u>
Total current liabilities	<u>1,127,691</u>	<u>2,139,730</u>
Noncurrent liabilities:		
Texas Water Development Board loan	20,557,925	21,501,465
Net obligation for post-employment benefits	9,655,033	8,397,696
Compensated absences	<u>488,249</u>	<u>475,349</u>
Total noncurrent liabilities	<u>30,701,207</u>	<u>30,374,510</u>
Total liabilities	<u>31,828,898</u>	<u>32,514,240</u>
<b>NET POSITION</b>		
Net investment in capital assets	141,541,440	143,052,238
Restricted for debt service	800,079	800,017
Unrestricted	<u>31,632,384</u>	<u>27,494,552</u>
Total net position	<u>\$ 173,973,903</u>	<u>\$ 171,346,807</u>

**The accompanying notes are an integral part of these financial statements.**

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**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 14,484,783	\$ 14,493,602
Power sales	6,381,340	2,599,284
Wastewater treatment	67,290	70,650
Permits	921,476	986,570
Water quality activity	773,787	834,104
Miscellaneous	847,606	864,548
Reservation fee	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>24,127,984</u>	<u>20,500,460</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	17,527,226	17,036,591
Depreciation	<u>3,714,691</u>	<u>3,667,751</u>
Total operating expenses	<u>21,241,917</u>	<u>20,704,342</u>
<b>OPERATING INCOME (LOSS)</b>	2,886,067	( 203,882)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant program	( 81,000)	( 77,995)
Gain/(loss) from disposition of capital assets	-	( 663)
Investment income	235,684	297,059
Interest expense	<u>( 413,655)</u>	<u>( 423,465)</u>
Total nonoperating revenues (expenses)	<u>( 258,971)</u>	<u>( 205,064)</u>
<b>CHANGE IN NET POSITION</b>	2,627,096	( 408,946)
<b>TOTAL NET POSITION, BEGINNING</b>	<u>171,346,807</u>	<u>171,755,753</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 173,973,903</u>	<u>\$ 171,346,807</u>

**The accompanying notes are an integral part of these financial statements.**

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**SABINE RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 22,363,447	\$ 20,120,915
Payments to suppliers	( 10,768,281)	( 8,835,483)
Payments to employees	( 6,520,049)	( 6,456,875)
Other receipts	847,606	864,548
Net cash provided by operating activities	5,922,723	5,693,105
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	( 6,633,999)	( 5,166,787)
Disposal of capital assets	5,358,646	3,066,981
Principal paid on capital debt	( 924,238)	( 922,091)
Interest paid on capital debt	( 413,655)	( 423,465)
Grants	( 81,000)	( 77,995)
Net cash used by capital and related financing activities	( 2,694,246)	( 3,523,357)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (sell of) investments, net	( 3,683,108)	( 1,058,402)
Interest received	243,386	289,993
Net cash provided (used) by investing activities	( 3,439,722)	( 768,409)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 211,245)	1,401,339
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	5,678,027	4,276,688
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 5,466,782	\$ 5,678,027
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 2,886,067	\$( 203,882)
Noncash items included in operating income:		
Depreciation	3,714,691	3,667,751
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 906,067)	494,654
(Increase) decrease in other assets	( 10,864)	( 3,776)
Increase (decrease) in unearned revenue	-	( 5,875)
Increase (decrease) in accounts payable	( 1,029,425)	345,268
Increase (decrease) in accrued and other liabilities	( 1,916)	( 2,909)
Increase (decrease) in compensated absences	12,900	( 9,060)
Increase in net obligation for post-employment benefits	1,257,337	1,410,934
Net cash provided by operating activities	\$ 5,922,723	\$ 5,693,105
<b>NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES</b>		
(Loss) gain from disposition of assets	\$ -	\$( 663)

**The accompanying notes are an integral part of these financial statements.**

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# SABINE RIVER AUTHORITY OF TEXAS

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sabine River Authority of Texas ("Authority") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

#### **Reporting Entity**

The Sabine River Authority of Texas was created in 1949, pursuant to Vernon's Annotated Civil Statutes Article 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59 of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. Responsibilities of the Authority include municipal, industrial and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; and recreation facilities.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of 21 counties in the Sabine Basin and is administered by a 9-member Board of Directors appointed by the Governor to 6-year staggered terms. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

#### **Fund Financial Statements**

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

### **Basis of Accounting**

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows associated with the operation of this fund are included on the Statement of Net Position. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, power sales, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

### **Assets, Deferred Outflows (Inflows) of Resources, Liabilities and Net Position**

#### **Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

#### **Investments**

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. Investments in TexPool are stated at cost which approximates fair value. The change in the difference between fair value and cost of investments is reported as a component of investment income. All investments are in accordance with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

#### **Accounts Receivable**

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

## **Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50 - 5.00%
Buildings	2.00 - 5.00%
Equipment	4.00 - 20.00%

The Authority capitalizes interest on major construction projects.

## **Restricted Assets**

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

## **Sick Leave and Vacation**

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

## **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority does not have any items that qualify for reporting in either of the above categories in the current fiscal year.

## **Subsequent Events**

Management has evaluated subsequent events through November 23, 2015, the date the financial statements were available to be used.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### **Budgets and Budgetary Accounting**

The Authority prepares a budget in accordance with the Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. Appropriate sections of the budget are reviewed by the City of Dallas and the Toledo Bend Project Joint Operations Board.

### **Rates and Regulations**

Water rates are established by the Authority's Board of Directors. These contracted rates can be appealed to the Texas Commission on Environmental Quality. On May 16, 2008, the Public Utility Commission of Texas (PUC) approved the Authority's request for registration as a power generation company pursuant to P.U.C. SUBST.R.25.109. As of August 31, 2015 and 2014, the rate was \$0.04381 and \$0.04384, respectively, per KWH.

### **Other Post-employment Benefits**

The Authority provides certain health care and insurance benefits to its employees after retirement, and prior to fiscal year 2009, accounted for the benefits in accordance with Government Accounting Standards Board Statement No. 12, *Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Government Employees*. Beginning with the fiscal year ended August 31, 2009, the Authority was required to prospectively adopt Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (see Note 3).

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## 3. DETAILED NOTES ON ALL FUNDS

### **Deposits and Investments**

*Interest Rate Risk.* In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years. Maximum allowable maturity shall be 10 years with the exception of investments made specifically to retire debt.

*Credit Risk.* The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. An Advisory Board reviews the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of the Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of August 31, 2015 and 2014, the Authority had \$13,167 and \$13,161, respectively, invested in TexPool. The weighted average maturity of TexPool as of August 31, 2015 and 2014, was 41 days and 53 days, respectively.

The Board of Directors has authorized the Authority to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds, certificates of deposit, or interest-bearing demand deposits and is stated at fair value.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of August 31, 2015, all of the Authority's \$37,532,832 deposit balances exceeding depository insurance limits were collateralized with securities pledged by the financial institutions in the Authority's name and held in safekeeping by a third party. Fair values of pledged securities are monitored on a monthly basis to assure that they are in excess of 100% of the carrying values.

As of August 31, 2015 and 2014, \$800,079 and \$800,016 of the Authority's deposits was placed in money market funds secured by obligations of the United States therefore the principal and interest are unconditionally guaranteed or insured by the United States and no additional collateralization was required.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority invests primarily in bank issued certificates of deposits. Concentration of investments as of August 31, 2015, is as follows:

Issuer	Description	Amount	Percentage of Total Investments
Wyandotte County KS	Bond holding	\$ 2,050,987	5.67%
First Financial Bank	Certificate of deposit	15,581,702	43.10%
Mobil Oil Federal Credit Union	Certificate of deposit	6,363,438	17.60%
Texas Bank and Trust	Certificate of deposit	2,872,000	7.94%
Federal Farm Credit Bank	Investment	3,600,000	9.96%
All other under 5%	Various	<u>5,685,274</u>	<u>15.73%</u>
Total		<u>\$ 36,153,401</u>	<u>100.00%</u>

### Capital Assets

Capital assets activity for the year ended August 31, 2015, was as follows:

	Balance 08/31/14	Increases	Decreases	Balance 08/31/15
Capital assets, not being depreciated:				
Land	\$ 54,976,538	\$ -	\$ -	\$ 54,976,538
Work in progress	<u>7,750,047</u>	<u>571,222</u>	<u>( 5,358,649)</u>	<u>2,962,620</u>
Total capital assets not being depreciated	<u>62,726,585</u>	<u>571,222</u>	<u>( 5,358,649)</u>	<u>57,939,158</u>
Capital assets, being depreciated:				
Dams and electric plant	132,429,266	5,798,469	-	138,227,735
Water and pumping plant	30,280,360	-	-	30,280,360
Buildings	8,789,501	-	-	8,789,501
Equipment	<u>8,068,291</u>	<u>264,309</u>	<u>( 219,965)</u>	<u>8,112,635</u>
Total capital assets being depreciated	<u>179,567,418</u>	<u>6,062,778</u>	<u>( 219,965)</u>	<u>185,410,231</u>
Less: accumulated depreciated for:				
Dams and electric plant	59,173,335	2,215,478	-	61,388,813
Water and pumping plant	5,609,712	904,908	-	6,514,620
Buildings	5,745,644	230,945	-	5,976,589
Equipment	<u>7,051,609</u>	<u>363,358</u>	<u>( 219,965)</u>	<u>7,195,002</u>
Total capital assets being depreciated	<u>77,580,300</u>	<u>3,714,689</u>	<u>( 219,965)</u>	<u>81,075,024</u>
Total capital assets being depreciated, net	<u>101,987,118</u>	<u>2,348,089</u>	<u>-</u>	<u>104,335,207</u>
Total capital assets	<u>\$ 164,713,703</u>	<u>\$ 2,919,311</u>	<u>\$( 5,358,649)</u>	<u>\$ 162,274,365</u>

### Self-insurance

The Authority has established a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of the Authority's employees and their covered dependents, and to minimize the total cost of medical insurance. Cost incurred to provide this plan was \$1,402,281 and \$1,569,140 for the years ended August 31, 2015 and 2014, respectively. Medical claims exceeding \$1,800,261, and \$1,856,082 for 2015 and 2014, respectively, for the group, or \$60,000 per covered individual, were covered through a commercial insurance carrier. The maximum amount of coverage offered through the commercial insurance carrier is \$2,000,000 for a specific incident or \$2,000,000 in the aggregate. The Authority has not exceeded its insurance coverage in the last three years.

Governmental Accounting Standards Board, Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Management has estimated this liability to be \$125,000. As required by this statement, a reconciliation of claims liabilities is shown below:

<u>Reconciliations of Claims Liabilities</u>		
	<u>2015</u>	<u>2014</u>
Claims on liabilities at September 1	\$ 125,000	\$ 125,000
Incurred claims	1,402,281	1,569,140
Payments on claims	<u>( 1,402,281)</u>	<u>( 1,569,140)</u>
Claims on liabilities at August 31	<u>\$ 125,000</u>	<u>\$ 125,000</u>

## **Employee Benefits**

### **Pension Plan**

The Authority has created the Sabine River Authority of Texas Employee Retirement Plan (Plan) by conforming to the requirements of Section 401(a) of the Internal Revenue Code for the exclusive use and benefit of the permanent employees of the Authority and their beneficiaries. The Plan is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984; and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification. The Plan is authorized by Article 8280-133 of Vernon's Texas Civil Statutes as amended. It is a defined contribution pension plan, whereby the Authority contributes an amount equal to 15% of the employees' compensation which is within the limitations as set out in Section 415(c) of the Internal Revenue Code. Fulltime employees, after one year of service, are enrolled in the retirement plan, and the employees are fully vested after seven years. Benefits are based on the amounts accumulated from such contributions. At August 31, 2015, there were 125 plan members consisting of 100 active employees, 15 retirees and 10 inactive. At August 31, 2014, there were 125 plan members consisting of 100 active employees, 15 retirees and 10 inactive. Retirement contribution costs for the current year and two preceding years are as follows:

	<u>Employer Contributions Required</u>	<u>Employer Contributions Made</u>	<u>Percentage of Contributions Made</u>
2015	\$ 1,027,503	\$ 1,027,503	100%
2014	1,056,671	1,056,671	100%
2013	1,054,439	1,054,439	100%

Voluntary employee contributions totaled \$69,685 and \$78,910 for the years ended August 31, 2015 and 2014, respectively.

Retirement contributions are deposited into each employee's individual account at ICMA-RC (International City/County Management Association-Retirement Corporation). ICMA-RC is a not-for-profit corporation that assists in the establishment and maintenance of retirement plans exclusively for State and Local government employees. Through ICMA-RC, each employee manages and invests the funds in their individual accounts.



The total assets in the plan as of August 31, 2015, are \$34,243,601. The asset allocation breakdown is as follows:

<u>FUND</u>	<u>Percentage Invested</u>	<u>Fund Balance</u>
VT Invesco Diversified Div	<1%	\$ 313,419
VT AMG TimesSquare Mid Cap	<1%	336,217
VT Puritan Fund	<1%	307,430
Vantagepoint Discovery	<1%	164,201
Vantagepoint Money Market	<1%	130,469
VT Harbor Mid Cap Growth	<1%	172,539
VT PIMCO High Yield	1.06%	363,290
VT Gold Sachs Mid Cap Value	<1%	162,611
VantageBroker	<1%	150,327
VT Vantagepoint Milestone 2015	<1%	107,758
VT Vantagepoint Milestone 2040	<1%	154,185
Vantagepoint Milestone Ret Inc	<1%	111,720
VT Vantagepoint Infltn Focused	<1%	192,141
VT Vantagepoint MP Trad Growth	<1%	246,456
VT Diversified Intl	1.73%	593,557
VT T Rowe Price Growth Stock	1.35%	461,425
VT Vantagepoint Milestone 2010	<1%	245,641
VT Vantagepoint Milestone 2020	1.14%	392,016
VT Nuveen Real Estate Secs	1.61%	550,228
VT Vantagepoint Milestone 2025	2.47%	846,733
VT Vantagepoint International	1.42%	487,096
VT Vantagepoint Overseas Eq Idx	<1%	280,642
VT Vantagepoint Cor Bnd Idx	1.13%	388,599
Vantagepoint Growth & Income	1.71%	585,462
VT Vantagepoint Milestone 2030	1.97%	674,618
VT Vantagepoint Md/Sm Co Idx	2.82%	965,575
VT Retirement Income Advantage	12.83%	4,392,777
VT Vantagepoint 500 Stk Idx	2.49%	851,521
Vantagepoint MP All-Eqty Grwth	2.03%	695,831
VT Contrafund	1.38%	473,573
VT Oppenheimer Discovery	1.03%	354,074
VT Western Asset Core Plus Bnd	2.72%	931,655
VT Vantagepoint MP Lng-Trm Gr	3.27%	1,121,009
VT Vantagepoint Brd Mkt Idx	3.30%	1,130,725
Vantagepoint Equity Income	4.07%	1,394,784
Vantagepoint Aggressive Ops	5.39%	1,846,977
VT Vantagepoint Growth	6.18%	2,116,536
Vantage Trust PLUS Fund	25.84%	8,849,852
Other Funds w/ less than \$100,000 ( 51 funds)	2.04%	<u>699,933</u>
<b>TOTAL ALL FUNDS</b>		<u><u>\$ 34,243,601</u></u>

## Other Post-employment Benefits

### **Plan Description and Funding Policy**

In addition to providing pension benefits, the Authority provides post-employment health care benefits, in accordance with federal and state statutes and Board resolution, to employees who attain retirement status. Fulltime employees hired before January 1, 2003 are eligible to receive retiree health care benefits upon reaching retirement status. Employees hired after January 1, 2003, are not eligible for post-employment health benefits. Employees are eligible for retirement status at age 65 or they may also attain early retirement status prior to age 65 provided that for each year of age prior to age 65, the employee shall have completed one year of service such that the employee's age plus years of service must equal 80. The Plan is a defined benefit plan and the cost for each employee is paid on a "pay-as-you-go" basis. The Authority pays the health care costs under its medical self-insurance plan described in Note 3. At August 31, 2015 and 2014, respectively, there were 33 and 32 active employees meeting these eligibility requirements who could elect to retire. During the fiscal years ended August 31, 2015 and 2014, respectively, 40 and 40 qualified retirees received these benefits. The Plan's provisions and funding requirements are established and can be amended by the management of the Authority. The plan is a single employer plan.

### **Annual OPEB Cost and Net OPEB Obligation**

During the fiscal year ended August 31, 2010, the Authority implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. The implementation was prospective, meaning there was a zero net OPEB obligation at transition. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 1,980,761
Interest on net OPEB obligation	377,896
Adjustment to annual required contribution	<u>( 504,284)</u>
Annual OPEB cost (expense)	1,854,373
Contributions made	<u>( 597,036)</u>
Increase in net OPEB obligation	1,257,337
Net OPEB obligation, beginning of year	<u>8,397,696</u>
Net OPEB obligation, end of year	<u>\$ 9,655,033</u>

The Authority's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended August 31, 2015 and 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
August 31, 2015	\$ 1,854,373	32.2%	\$ 9,655,033
August 31, 2014	1,875,608	24.8%	8,397,696
August 31, 2013	1,777,457	21.7%	6,986,762

The Authority is only required to obtain a complete actuarial evaluation every three years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last evaluation. The actuarial accrued liability for benefits was \$23,077,640, and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$23,077,640. The covered payroll (annual payroll of active employees covered by the plan) was \$5,436,700 and the ratio of the UAAL to the covered payroll was 424.48%. Refer to Required Supplementary Information.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. Additional information as of the latest actuarial valuation follows:

Valuation date	August 31, 2015	August 31, 2014
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar amortization	Level dollar amortization
Remaining amortization period	30 years - open amortization	30 years - open amortization
Asset valuation	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.50%	4.50%
Salary scale	3.0%	3.0%
Health care cost trend rate	7% initial 4.25% ultimate	7% initial 4.25% ultimate
General inflation rate	3.00%	3.00%

## Long-term Liabilities

Outstanding long-term liabilities consist of the following (in thousands):

	Date of Issue	Date of Maturity	Interest Rates	Original Amount	Outstanding Balance 08/31/14	Added	Retired	Outstanding Balance 08/31/15	Current Portion
Facilities:									
TWDB Loans:									
Series 1964	1964	2034	6.54%	15,000	\$ 21,661	\$ -	\$ 929	\$ 20,733	\$ 175
Compensated Absences:									
Vacation pay	-	-	-	-	634	450	433	651	163
Subtotal long-term liabilities					22,295	450	1,361	21,384	338
Less:									
Current portion					318	19	-	338	-
Net long-term liabilities					\$ 21,977	\$ -	\$ -	\$ 21,046	\$ -

The Texas Water Development Board Series 1964 total amount outstanding at August 31, 2015, of \$20,732,925 includes \$6,165,000 of principal and \$14,567,925 of deferred interest.

Future debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 175,000	\$ 1,171,731	\$ 1,346,731
2017	185,000	1,160,286	1,345,286
2018	195,000	1,148,187	1,343,187
2019	210,000	1,135,434	1,345,434
2020	225,000	1,121,700	1,346,700
2021-2025	1,350,000	5,369,463	6,719,463
2026-2030	1,855,000	4,866,537	6,721,537
2031-2034	<u>1,970,000</u>	<u>3,372,711</u>	<u>5,342,711</u>
Total	<u>\$ 6,165,000</u>	<u>\$ 19,346,049</u>	<u>\$ 25,511,049</u>

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service. The required accounts have been established on the books of the Authority and are reported as restricted assets in the financial statements.

### **Texas Water Development Board Loan**

On December 2, 1994, the Authority entered into a revised agreement with the Texas Water Development Board (TWDB) regarding the state's ownership rights at the Toledo Bend Reservoir. The Authority made a principal payment of \$6,430,186 on December 28, 1994, and received a revised interest rate of 3.6% from April 16, 1964 through December 28, 1994. This reduction in the interest rate resulted in a reduction of \$11,683,809 of interest payable to TWDB. The reduction of accrued interest was a noncash transaction. The interest rate is 6.54% on the remaining \$6,165,000 in principal.

The Authority owes \$6,165,000 of principal and \$14,567,925 of interest at August 31, 2015, related to the state's 21.6075% ownership of the water storage rights at the Toledo Bend Reservoir. The following recaps the payments made on the debt:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
November 8, 1974	\$ 475,000	\$ -
November 21, 1975	94,815	-
August 20, 1987	500,000	-
March 17, 1988	500,000	-
December 28, 1994	6,430,186	-
July 11, 1996	-	217,000
July 11, 1997	-	217,000
July 1, 1998	-	217,000
June 7, 1999	-	217,000
June 29, 2000	-	217,000
June 18, 2001	-	217,000
June 26, 2002	-	217,000
June 25, 2003	-	217,000
June 24, 2004	-	217,000
June 27, 2005	-	217,000
June 27, 2006	-	217,000
June 25, 2007	-	217,000
June 25, 2008	-	217,000
June 25, 2009	-	217,000
June 25, 2010	120,000	1,226,340
June 25, 2011	125,000	1,218,492
June 25, 2012	135,000	1,210,317
June 25, 2013	150,000	1,201,488
June 25, 2014	150,000	1,192,005
June 25, 2015	160,000	1,182,195

### **Commitments and Contingencies**

On October 9, 2014, the SRA Board of Directors (the “Board”) set a rate for the next 40-year renewal term for the Lake Fork Water Supply Contract and Conveyance (the “Contract”) between the Authority and the City of Dallas (“City”), dated October 1, 1981, after the parties failed to agree upon a rate during negotiations in accordance with Section 6.02 of the Contract. The rate set by the Board in addition to the City’s pro rata share of the Service Charge was \$0.5613/kgal, adjusted annually by the Consumer Price Index.

On October 30, 2014, the City filed a petition with the Public Utility Commission of Texas (“PUC”) complaining of the Board’s decision to set a rate. The PUC abated the matter upon request by the Authority, and ordered the City to pay the Authority’s rates into an escrow account pending a final determination of the rate dispute. The interim rate set by the PUC was \$0.5613/kgal without an annual adjustment, which totals approximately \$24,117,216 per year.

On January 30, 2015, the City filed a petition for declaratory judgment in Travis County district court, seeking a declaration that the Authority’s rates were not set pursuant to a written contract. The district court granted the Authority’s plea to the jurisdiction on the grounds of governmental immunity, and dismissed the case. The City appealed to the Third Court of Appeals in Travis County. Briefs will be filed before the end of the year. No date for oral argument has been set.

On February 13, 2015, the City filed a petition for declaratory judgment in Orange County, Texas, against the members of the Board of Directors of the Authority in their official capacities, alleging the Authority's rate order setting rates was unlawful. The Board members filed pleas to the jurisdiction, and the Authority filed an Original Plea in Intervention asserting that the City was in breach of its obligation to pay the Authority's lawful rate. Several pretrial hearings have been held, and mediation has been ordered by the presiding judge.

The Authority is vigorously defending its action taken to establish fair and reasonable rates for its water, and vigorously asserting its claim to payment from the City pursuant to those rates. Although a trial date has not been established for the Orange County action, it is expected that a trial will be held in the latter part of 2016, if the matter is not settled. While litigation is inherently uncertain, if this matter is not settled prior to trial, the Authority expects that the rates it has set for water contracted to the City will be found to be just and reasonable, and that the City will be ordered to pay all past-due amounts.

**Pollution Control Bonds**

In conformity with the State of Texas Auditors' Report dated October 6, 1986, Pollution Control Bonds have been removed from the statement of net position and are disclosed instead in the notes to financial statements. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount Authorized and Issued</u>	<u>Cumulative Amount Retired</u>	<u>Balance August 31, 2015</u>
Texas Utilities Electric Company:						
Series 2000A - Construction of solid waste disposal facility at the Martin Lake Station in Rusk County	2000	2021	6.45%	\$ 51,000,000	\$ -	\$ 51,000,000
Series 2001A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2022	15.0%	91,460,000	-	91,460,000
Series 2001B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2030	15.0%	106,900,000	-	106,900,000
Series 2001C - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2028	5.20%	70,000,000	-	70,000,000
Series 2003A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	5.80%	12,390,000	-	12,390,000
Series 2003B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	6.15% (variable)	44,615,000	-	44,615,000
American Electric Power:						
Series 2006 - Construction and improvements of air and water pollution control including solid waste disposal facilities at the generating plant in Harrison County, Texas	2006	2018	4.95%	<u>81,700,000</u>	<u>-</u>	<u>81,700,000</u>
Totals				<u>\$ 458,065,000</u>	<u>\$ -</u>	<u>\$ 458,065,000</u>

### **Concentrations**

During the years ended August 31, 2015 and 2014, respectively, approximately 43% and 45% of water sales were to Dallas Water Utilities. The agreement for water sales for Lake Tawakoni is in perpetuity while the Lake Fork agreement remains in effect until 2014.

### **Joint Operations**

The Authority has a 50% interest in the Toledo Bend Project Joint Operation (TBPJO). The TBPJO is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority in 1955. TBPJO was formed for the purpose of constructing the dam, reservoir, structures, and hydroelectric generating station at Toledo Bend Reservoir. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority. Sabine River Authority of Texas is responsible for administration of the reservoir and the Texas shoreline. Sabine River Authority of Louisiana is responsible for engineering aspects and the Louisiana shoreline.

The Authority's investment in the net position of the TBPJO is reflected on the Authority's financial statements as capital assets and investments. Capital contributions are made by the Authority to TBPJO to cover operating costs; the contributions are reflected on the Authority's financial statements as operating expenses.

The audited financial statements of TBPJO are on file at the administrative offices of Sabine River Authority of Texas.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**SABINE RIVER AUTHORITY OF TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS**

**AUGUST 31, 2015**

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
August 31, 2009	\$ -	\$ 21,743,485	\$ 21,743,485	- %	\$ 5,604,136	387.99%
August 31, 2010	-	21,743,485	21,743,485	- %	5,585,890	389.26%
August 31, 2011	-	20,289,694	20,289,694	- %	5,679,542	357.24%
August 31, 2012	-	20,289,694	20,289,694	- %	5,202,016	390.04%
August 31, 2013	-	20,289,694	20,289,694	- %	5,141,494	394.63%
August 31, 2014	-	23,077,640	23,077,640	- %	5,013,830	460.28%
August 31, 2015	-	23,077,640	23,077,640	- %	5,436,700	424.48%

GASB 45 was implemented prospectively in fiscal year August 31, 2009. Actuarial information and annual OPEB costs are not available prior to that time. See Note 3 for frequency of actuarial valuations and other conditions.

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## **SUPPLEMENTARY INFORMATION**

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**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF AMORTIZATION OF  
TEXAS WATER DEVELOPMENT BOARD LOAN**

**AUGUST 31, 2015**

Principal Balance Financed \$7,000,000

Fiscal Year	Interest Receivable	Principal Payment	Interest Payment	Total Payment	Total Debt Service	Deferred	Adjusted Payment
2016	\$ 631,690	\$ 175,000	\$ 403,191	\$ 578,191	\$ 1,209,881	\$ 136,850	\$ 1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 12,002,110</u>	<u>\$ 6,165,000</u>	<u>\$ 4,778,124</u>	<u>\$ 10,943,124</u>	<u>\$ 22,945,234</u>	<u>\$ 2,565,815</u>	<u>\$ 25,511,049</u>

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**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF INSURANCE IN FORCE**

**AUGUST 31, 2015**  
(UNAUDITED)

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	General liability	\$ 1,000,000	\$ 20,739
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Automobile liability	1,000,000	27,317
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Auto physical damage	Scheduled	13,515
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Property	10,729,187	20,695
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Errors and omissions	1,000,000	20,640
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Excess liability	9,000,000	15,842
Zurich American Insurance Company	GTU6548008	07/01/15 - 07/01/16	Travel accident	500,000	1,058
Travelers Casualty Insurance Company	105815971	07/01/15 - 07/01/18	Crime/employee dishonesty	1,000,000	1,750
Travelers Casualty & Surety Co.	105648039	07/01/15 - 07/01/16	Blanket public official bond	1,000	100
Liberty Mutual National 50% Ace American 25% National Union Fire Insurance (Chartis) 25%	3LA106680014 EUTN09171976 2071551	07/01/15 - 07/01/16	Commercial property All property policies Includes terrorism 6/30/14 - 6/30/15	Scheduled	11,067
Travelers Lloyd's Insurance Company	QT660272D7866	07/01/15 - 07/01/16	Lake Fork dam, watercraft, radio tower, and base station, and Kilgore/Henderson Weir	Scheduled	175,558
Deep East Texas Worker's Compensation Insurance Fund	76-134	07/01/97 - (Until Canceled)	Worker's compensation	500,000	<u>34,687</u>
					<u>\$ 342,968</u>

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## **STATISTICAL SECTION**

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# STATISTICAL SECTION

## (Unaudited)

This part of the Authority's comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules provide trend information to outline the Authority's change in financial performance over time.	32
Debt Service These schedules provide information regarding levels of outstanding debt including principal and interest components of debt service over time.	41
Demographic and Economic Information These schedules present demographic and economic indicators representing the environment in which the Authority's financial activities occur over time.	43
Operating Information These schedules supply information associated with the Authority's operations and resources in order to show the relationship between the services the Authority provides and the activities it performs.	45

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

SABINE RIVER AUTHORITY OF TEXAS

TABLE 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government:										
Net investment in capital assets	\$ 123,150,281	\$ 122,749,783	\$ 122,623,992	\$ 121,806,366	\$ 121,968,213	\$ 144,580,865	\$ 143,503,128	\$ 143,540,306	\$ 143,052,238	\$ 141,541,440
Restricted	1,539,861	1,772,417	1,367,308	847,680	847,586	846,350	825,016	825,016	800,017	800,079
Unrestricted	29,385,590	30,496,191	33,779,454	33,823,504	34,879,808	31,880,623	29,326,965	27,390,431	27,494,552	31,632,384
Total primary government net assets	\$ 154,075,732	\$ 155,018,391	\$ 157,770,754	\$ 156,477,550	\$ 157,695,607	\$ 177,307,838	\$ 173,655,109	\$ 171,755,753	\$ 171,346,807	\$ 173,973,903

TABLE 2

## SABINE RIVER AUTHORITY OF TEXAS

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) Before Capital Contributions	Extraordinary Items/ Capital Contributions	Change in Net Position
2006	\$ 14,217,919	\$ 15,706,297	\$ ( 1,488,378)	\$ 233,302	\$ ( 1,255,076)	\$ 642	\$ ( 1,254,434)
2007	17,343,853	17,224,675	119,178	814,105	933,283	9,376	942,659
2008	18,645,877	17,643,179	1,002,698	1,669,945	2,672,643	79,720	2,752,363
2009	18,931,509	20,264,696	( 1,333,187)	39,983	( 1,293,204)	-	( 1,293,204)
2010	21,874,597	20,575,593	1,299,004	( 80,947)	1,218,057	-	1,218,057
2011	18,271,927	21,802,675	( 3,530,748)	( 1,328,653)	( 4,859,401)	24,471,632	19,612,231
2012	17,493,956	20,958,358	( 3,464,402)	( 188,327)	( 3,652,729)	-	( 3,652,729)
2013	19,371,952	20,864,854	( 1,492,902)	( 406,454)	( 1,899,356)	-	( 1,899,356)
2014	20,500,460	20,704,342	( 203,882)	( 205,064)	( 408,946)	-	( 408,946)
2015	24,127,984	21,241,917	2,886,067	( 258,971)	2,627,096	-	2,627,096

TABLE 3

## SABINE RIVER AUTHORITY OF TEXAS

## OPERATING REVENUES BY SOURCE

## LAST TEN FISCAL YEARS

Fiscal Year	Water Sales	Power Sales	Wastewater Treatment	Permits	Water Quality Activity	Miscellaneous	Bond Issue Fees	Reservation Fee	Total
2006	\$ 10,488,136	\$ 721,340	\$ 81,273	\$ 760,795	\$ 741,983	\$ 364,190	\$ 408,500	\$ 651,702	\$ 14,217,919
2007	11,495,394	2,528,598	52,994	750,935	725,362	625,468	513,400	651,702	17,343,853
2008	11,884,812	3,772,516	58,189	794,681	747,972	736,005	-	651,702	18,645,877
2009	13,350,041	2,620,794	52,763	816,363	759,787	680,059	-	651,702	18,931,509
2010	12,924,928	6,018,152	50,411	810,474	823,269	595,661	-	651,702	21,874,597
2011	13,968,823	557,506	47,353	840,931	844,315	1,361,197	-	651,702	18,271,827
2012	12,923,569	1,215,429	39,934	867,681	756,362	1,039,279	-	651,702	17,493,956
2013	14,593,165	1,514,146	46,265	851,074	816,696	898,904	-	651,702	19,371,952
2014	14,493,602	2,599,284	70,650	986,570	834,104	864,548	-	651,702	20,500,460
2015	14,484,783	6,381,340	67,290	921,476	773,787	847,606	-	651,702	24,127,984



TABLE 4

## SABINE RIVER AUTHORITY OF TEXAS

## OPERATING EXPENSES

## LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Operation and Maintenance</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2006	\$ 12,835,203	\$ 2,871,094	\$ 15,706,297
2007	14,344,378	2,880,297	17,224,675
2008	14,738,525	2,904,654	17,643,179
2009	17,356,286	2,908,410	20,264,696
2010	17,626,268	2,949,325	20,575,593
2011	18,084,046	3,718,629	21,802,675
2012	17,363,254	3,595,104	20,958,358
2013	17,284,765	3,580,089	20,864,854
2014	17,036,591	3,667,751	20,704,342
2015	17,527,226	3,714,691	21,241,917

TABLE 5

## SABINE RIVER AUTHORITY OF TEXAS

## NONOPERATING REVENUES AND EXPENSES

## LAST TEN FISCAL YEARS

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Grant Program	Capital Asset Impairment Loss	Investment Income	Interest Expense	Bad Debt Expense	Total Nonoperating Revenues (Expenses)
2006	\$ 38,622	\$( 223,626)	\$( 40,397)	\$ 1,141,571	\$( 682,868)	\$ -	\$ 233,302
2007	( 11,424)	( 130,000)	( 20,146)	1,596,600	( 620,925)	-	814,105
2008	899,264	( 153,000)	-	1,468,162	( 544,481)	-	1,669,945
2009	( 29,924)	( 391,000)	-	946,269	( 485,362)	-	39,983
2010	( 12,257)	( 149,100)	-	555,499	( 475,089)	-	( 80,947)
2011	( 967,005)	( 169,533)	-	482,909	( 458,152)	( 216,872)	( 1,328,653)
2012	( 6,832)	( 120,000)	-	380,266	( 441,761)	-	( 188,327)
2013	76	( 100,000)	-	134,120	( 432,948)	( 7,702)	( 406,454)
2014	( 663)	( 77,995)	-	297,059	( 423,465)	-	( 205,064)
2015	-	( 81,000)	-	235,684	( 413,655)	-	( 258,971)

TABLE 6

## SABINE RIVER AUTHORITY OF TEXAS

## WATER SUPPLIED, POWER GENERATED AND LABORATORY TESTS PERFORMED

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Gulf Coast Division	Lake Tawakoni	Toledo Bend Division	Lake Fork	Total Water Supplied	MWH Hours of Power Generated	Environmental Services Division Tests Performed
2006	39.75	165.92	4.62	11.52	221.81	70,370	83,066
2007	39.64	127.89	3.77	12.59	183.89	172,956	68,499
2008	42.06	80.44	3.88	5.67	132.05	196,665	65,306
2009	37.99	140.70	2.71	6.98	188.38	136,544	57,211
2010	42.74	37.20	3.32	24.70	107.96	305,027	63,225
2011	43.05	86.68	3.42	38.10	171.25	38,359	68,040
2012	43.75	70.41	4.56	22.62	141.34	60,609	60,755
2013	45.80	131.03	4.23	21.79	202.85	72,499	66,721
2014	42.11	141.32	4.18	28.41	216.02	122,716	65,322
2015	43.93	56.69	4.46	76.27	181.35	293,580	85,366

Note: Water supplied is presented in million gallons daily (MGD).

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TABLE 7

## SABINE RIVER AUTHORITY OF TEXAS

## NUMBER OF WATER CUSTOMERS AND LABORATORY TESTS PERFORMED BY TYPE

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Municipal	Industrial	Irrigation	Other	Total	Laboratory Tests Performed				Total Tests Performed
						Industrial	Municipal	Watershed Monitoring Program	Quality Assurance	
2006	22	11	1	3	37	8,665	7,488	40,120	26,793	83,066
2007	22	12	1	3	38	8,412	7,490	29,341	23,256	68,499
2008	22	11	0	4	37	8,621	8,244	24,244	24,197	65,306
2009	22	12	1	3	38	6,419	8,186	23,143	19,463	57,211
2010	22	12	1	3	38	5,662	9,509	23,909	24,145	63,225
2011	22	14	1	3	40	8,081	8,851	24,486	26,622	68,040
2012	22	14	1	3	40	7,124	7,154	23,726	22,751	60,755
2013	23	12	1	4	40	8,327	6,428	26,600	25,366	66,721
2014	24	12	1	4	41	8,253	6,681	24,433	25,955	65,322
2015	24	11	1	7	43	7,742	7,241	39,692	30,691	85,366

TABLE 8

## SABINE RIVER AUTHORITY OF TEXAS

## FIVE LARGEST CUSTOMERS

## CURRENT YEAR AND NINE YEARS AGO

Customer	2015			2014		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 6,246,262	43.12%	1	\$ 6,580,627	45.40%	1
North Texas Municipal Water Dist.	1,454,722	10.04%	2	1,213,049	8.37%	2
International Paper	1,047,938	7.23%	3	1,028,505	7.10%	3
City of Greenville	952,843	6.58%	5	905,931	6.25%	4
E. I. Dupont DeNemours	954,695	6.59%	4	892,911	6.16%	5
Subtotal (5 largest)	10,656,460	73.57%		10,621,023	73.28%	
Balance from other customers	3,828,323	26.43%		3,872,579	26.72%	
Grand Totals	\$ 14,484,783	100.00%		\$ 14,493,602	100.00%	

Customer	2013			2012		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 6,825,000	46.77%	1	\$ 5,587,070	43.23%	1
North Texas Municipal Water Dist.	1,491,168	10.22%	2	1,056,393	8.17%	2
International Paper	915,493	6.27%	3	836,081	6.47%	5
City of Greenville	863,995	5.92%	4	839,509	6.50%	4
E. I. Dupont DeNemours	848,957	5.82%	5	868,305	6.72%	3
Subtotal (5 largest)	10,944,613	75.00%		9,187,358	71.09%	
Balance from other customers	3,648,552	25.00%		3,736,211	28.91%	
Grand Totals	\$ 14,593,165	100.00%		\$ 12,923,569	100.00%	

Customer	2011			2010		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,552,885	39.75%	1	\$ 5,480,438	42.40%	1
E. I. Dupont DeNemours	734,422	5.26%	5	n/a		
City of Longview	n/a			651,703	5.04%	5
International Paper	904,842	6.48%	3	871,879	6.75%	3
City of Greenville	839,509	6.01%	4	863,843	6.68%	4
North Texas Municipal Water Dist.	1,186,871	8.50%	2	961,961	7.44%	2
Subtotal (5 largest)	9,218,529	65.99%		8,829,824	68.32%	
Balance from other customers	4,750,394	34.01%		4,095,104	31.68%	
Grand Totals	\$ 13,968,923	100.00%		\$ 12,924,928	100.00%	

TABLE 8

## SABINE RIVER AUTHORITY OF TEXAS

## FIVE LARGEST CUSTOMERS

## CURRENT YEAR AND NINE YEARS AGO

Customer	2009			2008		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,719,332	42.84%	1	\$ 5,009,554	42.15%	1
North Texas Municipal Water Dist.	1,225,524	9.18%	2	n/a		
E. I. Dupont DeNemours	n/a			656,598	5.52%	4
City of Longview	651,703	4.88%	5	651,703	5.48%	5
International Paper	767,055	5.75%	4	827,568	6.96%	3
City of Greenville	985,509	7.38%	3	985,509	8.29%	2
Subtotal (5 largest)	9,349,123	70.03%		8,130,932	68.41%	
Balance from other customers	4,000,918	29.97%		3,753,880	31.59%	
Grand Totals	\$ 13,350,041	100.00%		\$ 11,884,812	100.00%	

Customer	2007			2006		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 4,696,527	40.86%	1	\$ 3,904,131	37.22%	1
E. I. Dupont DeNemours	632,954	5.51%	5	620,717	5.92%	5
City of Longview	651,703	5.67%	4	665,887	6.35%	3
International Paper	703,670	6.12%	3	621,930	5.93%	4
City of Greenville	985,480	8.57%	2	706,255	6.73%	2
Subtotal (5 largest)	7,670,334	66.73%		6,518,920	62.16%	
Balance from other customers	3,825,060	33.27%		3,969,216	37.84%	
Grand Totals	\$ 11,495,394	100.00%		\$ 10,488,136	100.00%	

Note: n/a indicates customer is not in the top five largest customers

**SABINE RIVER AUTHORITY OF TEXAS**

**TABLE 9**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Texas Water Development Board Loan</u>	<u>Total Amount</u>	<u>Personal Income<sup>b</sup></u>	<u>Percentage of Outstanding Debt to Personal Income</u>	<u>Population<sup>a</sup></u>	<u>Total Debt Per Capita</u>
2006	\$ 4,163,000	\$ 25,426,245	\$ 29,589,245	\$ 17,448,637,000	0%	546,767	54
2007	2,668,000	25,667,045	28,335,045	18,534,116,000	0%	548,395	52
2008	1,162,000	25,907,845	27,069,845	19,739,546,000	0%	553,668	49
2009	416,000	26,148,645	26,564,645	20,449,149,000	0%	560,018	47
2010	164,000	25,260,105	25,424,105	24,244,457,000	0%	564,591	45
2011	-	24,397,085	24,397,085	26,041,053,000	0%	571,948	43
2012	-	23,493,545	23,493,545	27,674,087,000	0%	574,750	41
2013	-	22,580,005	22,580,005	24,500,368,000	0%	577,383	39
2014	-	21,661,465	21,661,465	N/A	N/A	583,619	37
2015	-	20,732,925	20,732,925	N/A	N/A	N/A	N/A

Sources:

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>



## SABINE RIVER AUTHORITY OF TEXAS

## PLEDGED REVENUE COVERAGE

## LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Less: Operating Expenses (Excluding Depreciation)	Net Available Funds	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2006	\$ 14,217,919	\$ 12,835,203	\$ 1,382,716	\$ 1,280,000	\$ 466,450	\$ 1,746,450	0.79
2007	17,343,853	14,344,378	2,999,475	1,495,000	410,256	1,905,256	1.57
2008	18,645,877	14,738,525	3,907,352	1,506,000	382,875	1,888,875	2.07
2009	18,931,509	17,356,286	1,575,223	746,000	263,132	1,009,132	1.56
2010	21,874,597	17,626,268	4,248,329	372,000	1,245,040	1,617,040	2.63
2011	18,271,927	18,084,046	187,881	1,027,021	458,152	1,485,173	0.13
2012	17,493,956	17,363,254	130,702	903,540	441,777	1,345,317	0.10
2013	19,371,952	17,284,765	2,087,187	913,540	432,948	1,346,488	1.55
2014	20,500,460	17,036,591	3,463,869	918,540	423,465	1,342,005	2.58
2015	24,127,984	17,527,226	6,600,758	928,540	413,655	1,342,195	4.92

**SABINE RIVER AUTHORITY OF TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
(UNAUDITED)

Calendar Year	Population <sup>a</sup>	Personal Income <sup>b</sup> (thousands of dollars)	Per Capita Personal Income	Unemployment Rate		Labor Force <sup>c</sup>	Total Housing Units <sup>e</sup>
				Basin <sup>c</sup>	State <sup>d</sup>		
2006	546,767	\$ 17,448,637	\$ 31,912	4.7%	4.6%	270,394	232,501
2007	548,395	18,534,116	33,797	4.4%	4.5%	270,724	234,912
2008	553,668	19,739,546	35,652	5.0%	4.9%	274,958	237,078
2009	560,018	20,449,149	36,515	8.1%	8.2%	277,708	239,581
2010	564,591	24,244,457	42,942	8.5%	8.2%	281,524	244,163
2011	571,948	26,041,053	45,530	8.2%	7.9%	286,940	246,284
2012	574,750	27,674,087	48,150	7.1%	6.8%	289,735	246,749
2013	577,383	24,500,368	42,433	6.8%	6.3%	289,712	247,444
2014	583,619	N/A	N/A	5.6%	5.1%	276,381	250,497
2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = not available

Note: Statistics for counties partially in the Sabine Basin have been adjusted to better reflect the geographic portion of the county within the basin.

Sources: <sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

<sup>c</sup> Local Area Unemployment Statistics through the LMCI website: <http://www.tracer2.com>

<sup>d</sup> State unemployment rate obtained from the U. S. Department of Labor Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>e</sup> U. S. Census Bureau website: <http://www.census.gov/housing>

TABLE 12

**SABINE RIVER AUTHORITY OF TEXAS  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago**

Employer	City	2015		2014		2013		2012		2011	
		Percentage		Percentage		Percentage		Percentage		Percentage	
		Employees	of Total	Employees	of Total	Employees	of Total	Employees	of Total	Employees	of Total
L-3 Communications Integrated Systems	Greenville	N/A	N/A	5,700	2.06%	5,700	1.97%	5,700	1.97%	5,700	1.99%
Good Shepard Medical Center	Longview	N/A	N/A	3,260	1.18%	2,607	0.90%	3,500	1.21%	3,000	1.05%
Eastman Chemicals	Longview	N/A	N/A	1,500	0.54%	1,530	0.53%	1,549	0.53%	1,477	0.51%
Trinity Rail	Longview	N/A	N/A	1,856	0.67%	1,875	0.65%	1,160	0.40%	1,143	0.40%
Tyson Foods	Center	N/A	N/A	1,400	0.51%	1,400	0.48%	1,000	0.35%	1,000	0.35%
Longview ISD	Longview	N/A	N/A	1,170	0.42%	1,352	0.47%	1,312	0.45%	1,239	0.43%
Texas Utilities/Luminant	Henderson	N/A	N/A	896	0.32%	896	0.31%	896	0.31%	896	0.31%
DuPont Sabine River Works	Orange	N/A	N/A	900	0.33%	920	0.32%	866	0.30%	866	0.30%
Greenville ISD	Greenville	N/A	N/A	741	0.27%	810	0.28%	810	0.28%	810	0.28%
Newell Rubbermaid	Greenville	N/A	N/A	-	0.00%	-	0.00%	-	0.00%	490	0.17%
Mundy Industrial Contractors	Orange	N/A	N/A	124	0.04%	275	0.09%	275	0.09%	275	0.10%
Invista Petrochemical	Orange	N/A	N/A	500	0.18%	732	0.25%	400	0.14%	400	0.14%
Inland Paperboard/International Paper	Orange	N/A	N/A	425	0.15%	412	0.14%	500	0.17%	500	0.17%
<b>TOTAL</b>		N/A	N/A	<b>18,472</b>	<b>6.68%</b>	<b>18,509</b>	<b>6.39%</b>	<b>17,968</b>	<b>6.20%</b>	<b>17,796</b>	<b>6.20%</b>
		<b>2010</b>		<b>2009</b>		<b>2008</b>		<b>2007</b>		<b>2006</b>	
		Percentage		Percentage		Percentage		Percentage		Percentage	
		Employees	of Total	Employees	of Total	Employees	of Total	Employees	of Total	Employees	of Total
	Greenville	5,750	2.04%	5,700	2.05%	5,000	1.82%	4,750	1.75%	4,700	1.74%
	Longview	2,743	0.97%	2,717	0.98%	2,585	0.94%	2,200	0.81%	2,288	0.85%
	Eastman Chemicals	1,410	0.50%	1,400	0.50%	1,456	0.53%	1,554	0.57%	1,650	0.61%
	Trinity Rail	600	0.21%	600	0.22%	601	0.22%	1,490	0.55%	1,303	0.48%
	Tyson Foods	1,000	0.36%	1,000	0.36%	1,400	0.51%	1,250	0.46%	1,250	0.46%
	Longview ISD	1,263	0.45%	1,300	0.47%	1,267	0.46%	1,200	0.44%	1,266	0.47%
	Texas Utilities/Luminant	896	0.32%	896	0.32%	1,082	0.39%	1,082	0.40%	1,082	0.40%
	DuPont Sabine River Works	866	0.31%	866	0.31%	866	0.31%	866	0.32%	866	0.32%
	Greenville ISD	810	0.29%	810	0.29%	810	0.29%	810	0.30%	810	0.30%
	Newell Rubbermaid	650	0.23%	650	0.23%	650	0.24%	650	0.24%	650	0.24%
	Mundy Industrial Contractors	275	0.10%	275	0.10%	275	0.10%	600	0.22%	600	0.22%
	Invista Petrochemical	200	0.07%	200	0.07%	200	0.07%	510	0.19%	510	0.19%
	Inland Paperboard/International Paper	500	0.18%	500	0.18%	500	0.18%	500	0.18%	500	0.18%
	<b>TOTAL</b>	<b>16,963</b>	<b>6.03%</b>	<b>16,914</b>	<b>6.09%</b>	<b>16,692</b>	<b>6.07%</b>	<b>17,462</b>	<b>6.45%</b>	<b>17,475</b>	<b>6.46%</b>

N/A = not available.

Source: Community Profiles and Websites from Counties and Communities within the Sabine River Basin

**SABINE RIVER AUTHORITY OF TEXAS**  
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Administration:</b>										
Management	19	18	20	20	20	19	21	20	20	20
Administrative assistant/secretary	13	13	15	15	15	16	16	14	14	14
Accounting	3	3	3	3	3	3	3	3	3	3
GIS	1	1	1	1	1	1	1	1	1	1
Engineer	1	1	1	1	1	2	1	1	1	1
MIS	1	1	1	1	1	1	1	1	1	-
Special projects	1	2	3	3	3	3	2	2	1	1
<b>Water:</b>										
Environmental agent/tech	5	4	3	3	3	3	4	4	-	-
Pumper	4	4	3	3	3	3	3	3	3	3
Equipment oiler/operator	19	21	20	20	20	17	19	19	17	16
Mechanic	1	1	1	1	1	1	1	1	1	1
M&O/field supervisor	8	6	6	6	6	7	7	7	7	8
Canal foreman/crewman	3	3	2	2	2	1	1	1	1	1
Electrician	1	1	1	1	1	1	1	1	1	1
Project inspector	1	1	1	1	1	1	1	1	6	5
Surveyor/survey tech	2	2	2	2	2	2	2	2	2	2
	7	4	7	7	7	6	6	6	5	5
Water and sewer tech	1	1	1	1	1	3	1	1	1	-
<b>Laboratory:</b>										
Section leader	2	1	1	1	1	1	1	1	1	1
Laboratory analyst/tech	5	5	5	5	5	6	7	7	7	7
Biomonitoring coordinator	1	1	1	1	1	1	1	1	1	-
Field coordinator	2	2	2	2	2	2	2	2	2	2
Chemist	1	1	1	1	1	1	-	-	-	-
Quality assurance officer	1	1	1	1	1	1	1	1	-	1
Biologist	3	3	2	2	2	2	2	2	2	2
LIMS administrator	1	1	1	1	1	1	-	-	1	1
Sample Custodian	1	1	1	1	1	1	1	1	1	1
Total employees	<u>108</u>	<u>103</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>103</u>	<u>100</u>	<u>97</u>

## SABINE RIVER AUTHORITY OF TEXAS

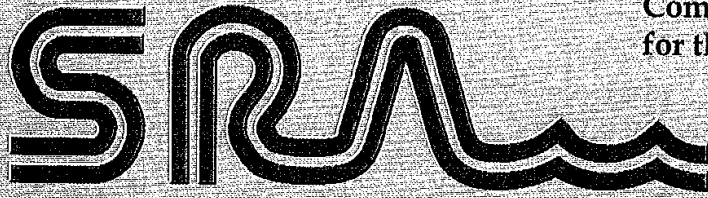
## OPERATING AND CAPITAL INDICATORS

(UNAUDITED)

Gulf Coast Division Canal System:	195 million gallons per day
Pumping capacity	75 miles
Canal system length	147,100 acre-feet per year
Permitted water rights	
Lake Tawakoni (Iron Bridge Dam):	
Capacity	927,440 acre-feet
Surface area	36,700 acres
Elevation	437.5 feet mean sea level
Yield	238,100 acre-feet per year
Toledo Bend Reservoir:	
Capacity	4,477,000 acre-feet
Surface area	181,600 acres
Elevation	172.0 feet mean sea level
Yield	2,086,600 acre-feet per year *
Hydroelectric capacity	85 megawatt hours
* Half of the yield is allocated to Texas and half is allocated to Louisiana.	
Lake Fork Reservoir:	
Capacity	675,819 acre-feet
Surface area	27,690 acres
Elevation	403.0 feet mean sea level
Yield	188,660 acre-feet per year

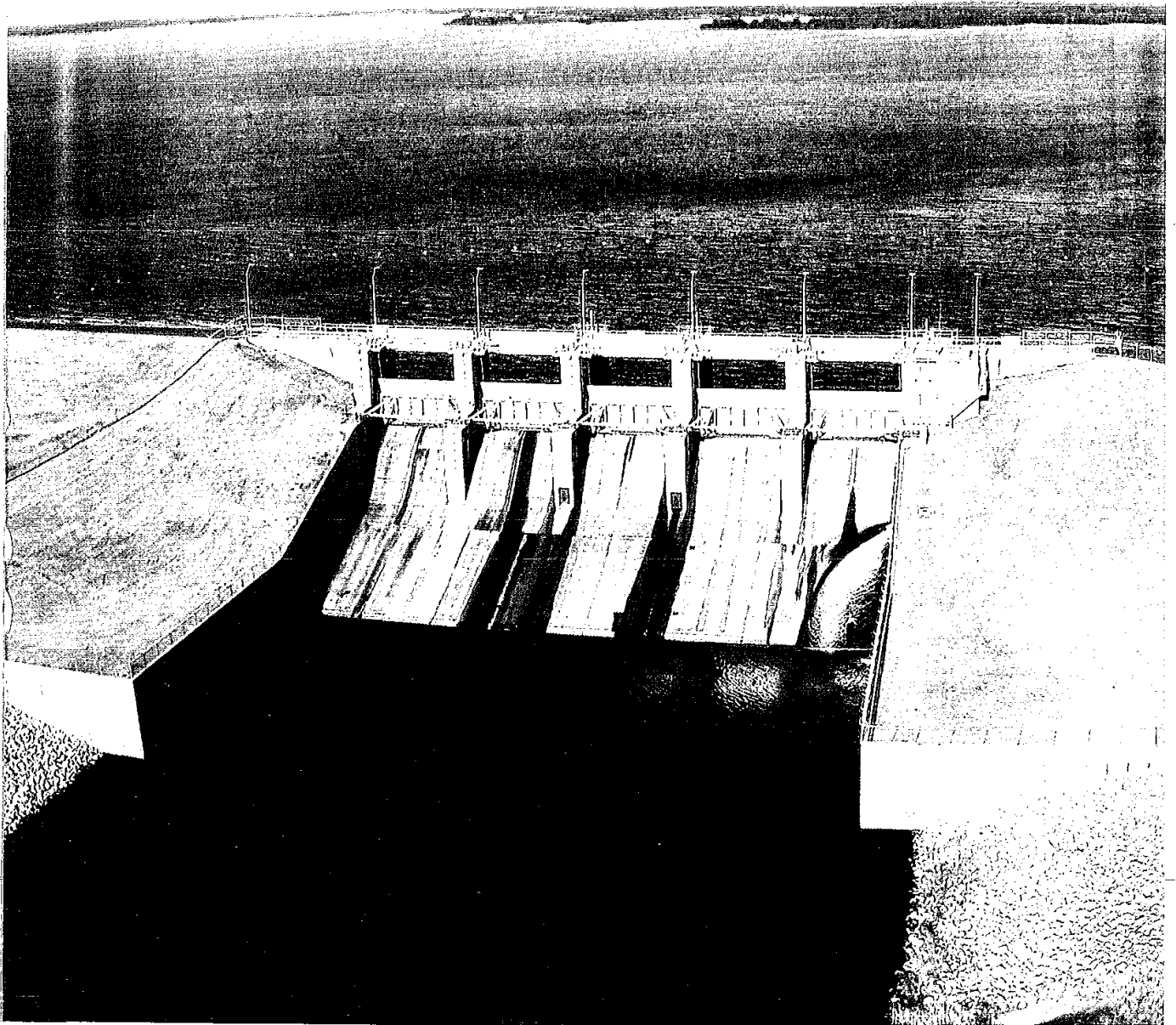
Note: Canal system and reservoir information applicable to all years from 2006 through 2015.

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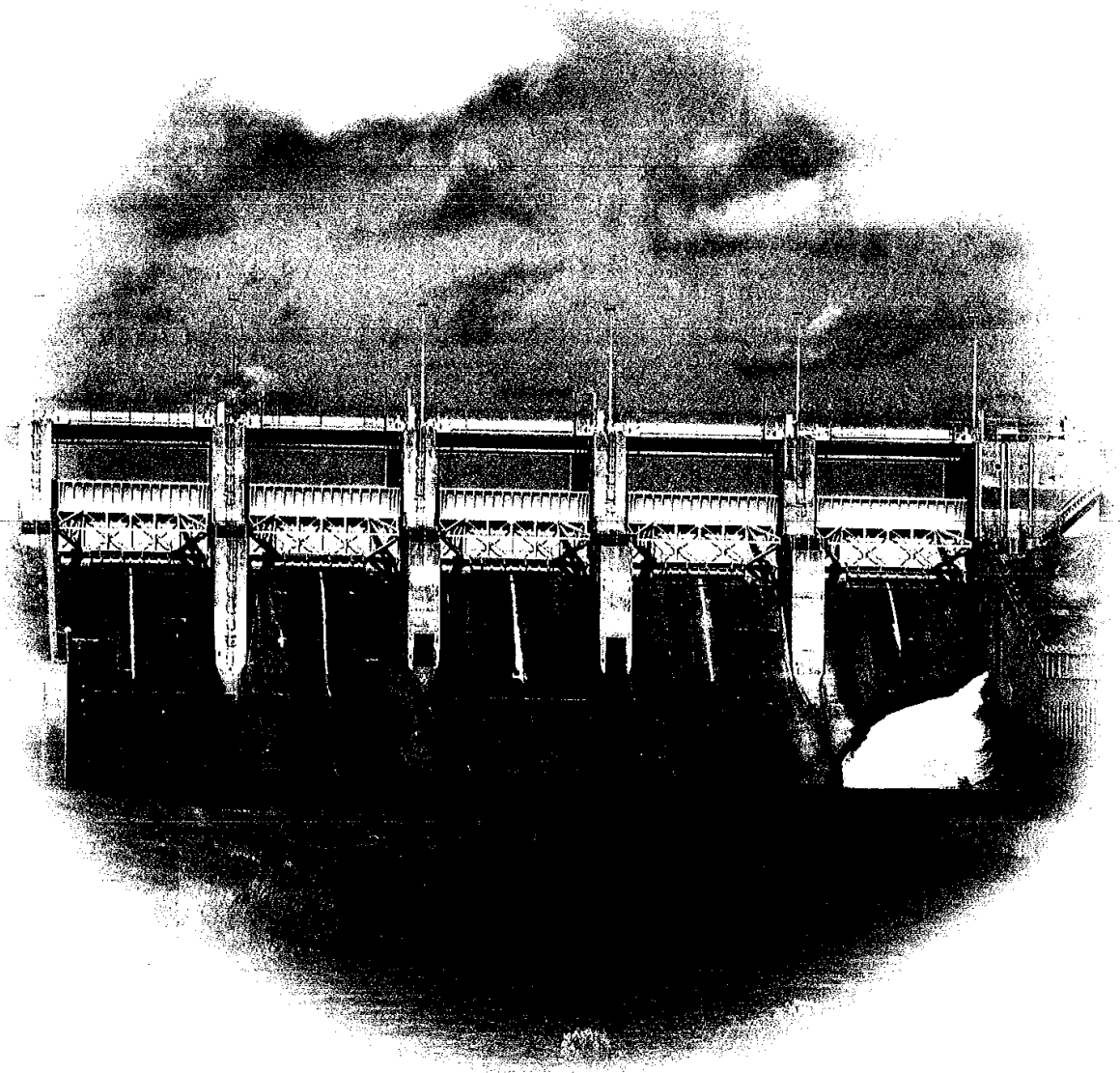
Comprehensive Annual Financial Report  
for the Fiscal Year Ended August 31, 2014

SABINE RIVER AUTHORITY OF TEXAS









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# SABINE RIVER AUTHORITY OF TEXAS

Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2014

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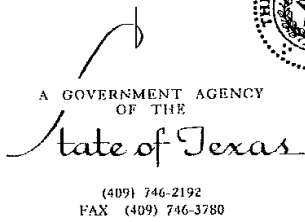
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## THIS REPORT PREPARED BY THE AUTHORITY GENERAL OFFICE

*The cover features Lake Fork Dam and Reservoir, a valuable Upper Basin water supply, premier largemouth bass fishery, and popular recreation site.*

*(For more information about Lake Fork Reservoir, see page 15)*



# SABINE RIVER AUTHORITY *of Texas*

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 2, 2015

Mr. Cliff Todd  
and Members of the Board of Directors  
Sabine River Authority of Texas

Board Members:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2014. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

## **LONG-TERM FINANCIAL PLANNING**

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority continues to negotiate with potential customers on the long-term sale of Toledo Bend water including a potential sale to the Lower Neches Valley Authority. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract. On August 29, 2014 the Federal Energy Regulatory Commission (FERC) issued the Authority and Sabine River Authority, State of Louisiana a 50 year license renewal of the hydroelectric operations at the Toledo Bend Project (Project).



**FINANCIAL INFORMATION**

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$20,797,519 compared to \$19,506,072 for FY13.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2014 totaled \$21,661,465. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

**OTHER INFORMATION**

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Pattillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2013. This was the fourteenth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

**SABINE RIVER AUTHORITY OF TEXAS**

David Montagne  
Executive Vice President  
and General Manager

Ann Galassi  
Assistant General Manager,  
Administration

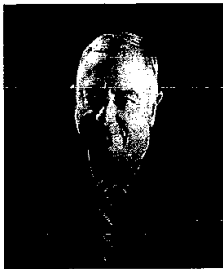
Debra Stagner  
Authority General Office Manager  
and Controller

# BOARD OF DIRECTORS



**Cliff Todd - President**  
*Carthage, Texas*

Mr. Todd currently works for C and J Energy Services. Previously he was the executive director of the Marshall Economic Development Corporation. He is a past member of the Austin and Carthage Rotary clubs and a past president of the Carthage Rotary Club. He retired after nearly 30 years with the Texas Department of Agriculture, serving in Austin and later with the TDA Rural Economic Division for the entire East Texas region. He is involved in overseeing the management of his family-owned farm and ranch in Panola and Rusk Counties. He has served as a longtime adult and college Sunday school teacher for over 25 years. He currently serves as a deacon for Central Baptist Church. He enjoys being a pilot and spending time outdoors on weekends on their farm. His wife, Denise, is a retired kindergarten teacher. They have one daughter, Sara Roth of Dallas. Mr. Todd received a bachelor's degree from Stephen F. Austin State University.



**Cary "Mac" Abney**  
**Vice President**  
*Marshall, Texas*

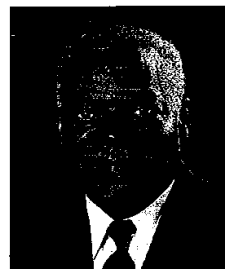
Mr. Abney is a certified public accountant and president of Abney and Company, PLLC. He is a member of the American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants, and Texas Forestry Association, and a board member of the Marshall Harrison County Joint Airport Zoning Board, and the Harrison County Soil and Water Conservation District, USDA. Mr. Abney is also past president of the Harrison County Housing Finance Corporation and Harrison County Airport Advisory Committee, secretary and treasurer of the Harrison County

EMS (Dist #2), and secretary of the Fern Lake Club. He received a bachelor's degree from Southern Methodist University and is a graduate of the College of Financial Planning. Mr. Abney and his wife Claudia have two children and five grandchildren and reside in Marshall.



**Connie Ware**  
**Secretary/Treasurer**  
*Marshall, Texas*

Ms. Ware is very active in her community and served as the President and CEO of the Greater Marshall Chamber of Commerce for sixteen years. In 1995, Ms. Ware was appointed to serve as Chairman of the Texas Commission on the Arts by Governor Bush. She served as chairman until 2000. In 2011, Ms. Ware was appointed to the Stephen F. Austin State University Board of Regents by Governor Rick Perry. Ms. Ware was a founding board member on the Texans for the Arts advocacy group and the Marshall Regional Arts Council. She also served on various statewide and national arts boards. She received the "1988 Outstanding Citizen" award from the Marshall Chamber of Commerce. Ms. Ware has chaired numerous political committees and has served as a delegate to the Texas Republican Convention since 1990 and as an alternate to the National Republican Convention in 1992 and 2000. She was Harrison County Republican Chairman from 1990-1996. Ms. Ware resides in Marshall.



**J.D. Jacobs, Jr.**  
**Secretary Pro-Tem**  
*Rockwall, Texas*

Mr. Jacobs is the former President and CEO of Jacobs Transportation, Inc. He resides in Rockwall County where he farms 4,000 acres of cotton, corn, milo and wheat and runs a 100-225 head cow/calf operation. Mr. Jacobs is a current member of the Farm Service Agency County Committee, the Rockwall County Extension Service Advisory Board and serves as VP for the Rockwall County Farm Bureau Insurance Board. He formerly served on the Rockwall Housing Development Corporation Board. He received the "2001 Agricultural Excellence Award" from the Texas Department of Agriculture. Mr. Jacobs and his wife, Ollie Marian, have three children and four grandchildren and are members of the Lake Pointe Baptist Church of Rockwall.

# BOARD OF DIRECTORS



**David Koonce**  
Past President  
Center, Texas

Mr. Koonce is president/CEO of General Shelters of Texas Ltd., president/CEO of Campbell Portable Buildings, Ltd. and also has partnership interests in three small businesses. He is past president of the Shelby County Chamber of Commerce, past president and treasurer of the Shelby County Bass Anglers, Director for the Houston Livestock Show and Rodeo, member of Shelby County Area Go Texan Committee, member of Shelby County Cookers, past vice chairperson for the Shelby County Historical Commission, committeeman of Shelby County Ducks Unlimited and past board member for Center Crime Stoppers. Mr. Koonce received a bachelor's degree from Stephen F. Austin State University. In his spare time he enjoys hunting, fishing, travel and spending time with his grandson. He and wife, Angela, are members of the First Baptist Church and reside in Center.



**Earl Williams**  
Orange, Texas

Mr. Williams is CEO of Tool Tech Machining in Beaumont, Texas, partner of Cypress Bayou Industrial Painting and President of Cypress Bayou, Inc. in Orange, Texas. He received a Bachelor of Science degree from Howard Payne University, a Masters degree from Stephen F. Austin State University and completed post graduate work at Texas A&M University. Mr. Williams was appointed to SRA's Board of Directors by Governor Rick Perry in 2001. He previously served on SRA's Board from 1994 to 1999. Mr. Williams and his wife, Suzanne, have two children and live in the Orange area.



**Connie Wade**  
Longview, Texas

Ms. Wade moved from the Texas panhandle to the piney woods of East Texas in the summer of 1978 and fell in love with its natural beauty, history and its people. Since moving to East Texas, Ms. Wade has volunteered on behalf of local, state-wide and national candidates and served the Gregg County GOP Party as its secretary, vice-chairman and as an election judge. At the 1992 State GOP Convention, she chaired the sub-committee on education for the platform committee and in 1996, was elected as an alternate to the GOP National Convention in San Diego. She served on the Governor's Commission for Women from

1995-1996. She served as the scheduler for the state-wide campaign for Rick Perry for Lt. Governor; immediately afterward moving over to the Texas Department of Agriculture as a scheduler for Commissioner Susan Combs. Her work history includes jobs in both the physical therapy and dental field. She has served as the elected Gregg County Clerk since January 1, 2005 and is a member of the County and District Clerks Association of Texas. She resides in Longview with her husband, Jerry Gipson. Their son, Shannon, resides in Spring, Texas along with his wife and children.



**Stanley N. "Stan" Mathews**  
Pinehurst, Texas

Mr. Mathews owns and operates Mathews Jewelers, Inc., established in Orange, Texas in 1984 and expanded to Beaumont in 2002. Born and raised in Orange as the son of J. L. and Laverne Mathews, he is very active in his community. He has served as Board Member, VP of Economic Development and Life Ambassador for the Greater Orange Area Chamber of Commerce. Mr. Mathews was named 1997 "Small Business Person of the Year." He previously served as a school board member of Little Cypress Mauriceville ISD and as an advisory board member for Memorial Hermann Baptist Orange Hospital. He is a member of the Texas Jewelers Association, a member of the Beaumont Chamber of Commerce, a member of the Lamar University Cardinal Club Board of Directors and a 22 year member of the Orange Rotary Club. In his leisure time, he enjoys golf, fishing and travel. Stan and his wife, Linda, have two children and five grandchildren and reside in Pinehurst, Texas.



**Sharon Newcomer**  
Mauriceville, Texas

Sharon Newcomer is a past education certification instructor at Lamar State College-Orange and a former educator in the state of Alaska. Ms. Newcomer is also past president of the Alaska School Counseling Association, and a past member of the National Middle School Association, National Education Association, Matanuska Susitna Agency Partnership, Alaska Extended Learning Advisory Board, and LifeQuest Mental Health Executive Board. Ms. Newcomer received a bachelor's degree from Sam Houston State University, a master's degree in elementary education from Stephen F. Austin State University, and a master's degree in education counseling from Oregon State University. Ms. Newcomer has a daughter and son-in-law and four grandchildren. She resides with her husband, Ed Newcomer, in Mauriceville and is a member of the choir at First Baptist Church of Orange.

# BOARD OFFICERS



*Standing left to right: J.D. Jacobs, Connie Ware, and Mac Abney  
Seated: Cliff Todd*

## Sabine River Authority

### Board Officers 2014

*President*  
**Cliff Todd**

*Vice President*  
**Mac Abney**

*Secretary/Treasurer*  
**Connie Ware**

*Secretary Pro-Tem*  
**J.D. Jacobs, Jr.**



## 2014 Board of Directors Board Meeting Marshall, Texas

*Standing left to right:*  
Earl Williams, Stan Mathews,  
J. D. Jacobs, Mac Abney, and  
David Koonce

*Seated left to right:*  
Sharon Newcomer, Cliff Todd,  
Connie Ware, and Connie  
Wade



# BOARD HIGHLIGHTS



*SRA Board meeting at the Authority General Office, July, 2014*



*Texas Toyota Bass Classic at Lake Fork Reservoir, May 2014*

**The Sabine River Authority of Texas**  
*is governed by a nine-member Board of Directors.  
Each board member serves a six-year term.  
The Governor of Texas appoints three board  
members every two years.*

*Directors are required to reside within a county situated  
wholly or partially within the watershed of the Sabine River.  
The members of the Board of Directors are leaders in their communities.  
They are dedicated citizens who are active participants in the water  
issues being addressed by the Sabine River Authority of Texas.*



*Giant Salvinia Research Field Day, August 2014*



*SRA Board meeting in Marshall, December 2014*

# EXECUTIVE STAFF



**Troy Henry**  
*Upper Basin  
Regional Manager*

**Travis Williams, P. E.**  
*Water Resources  
Manager*

**Bill Hughes, P. E.**  
*Director of  
Engineering*

**Debra Stagner**  
*Authority General Office  
Manager and Controller*

**Ann Galassi**  
*Asst. General Manager,  
Administration*

**David Montagne**  
*Executive Vice President and  
General Manager*

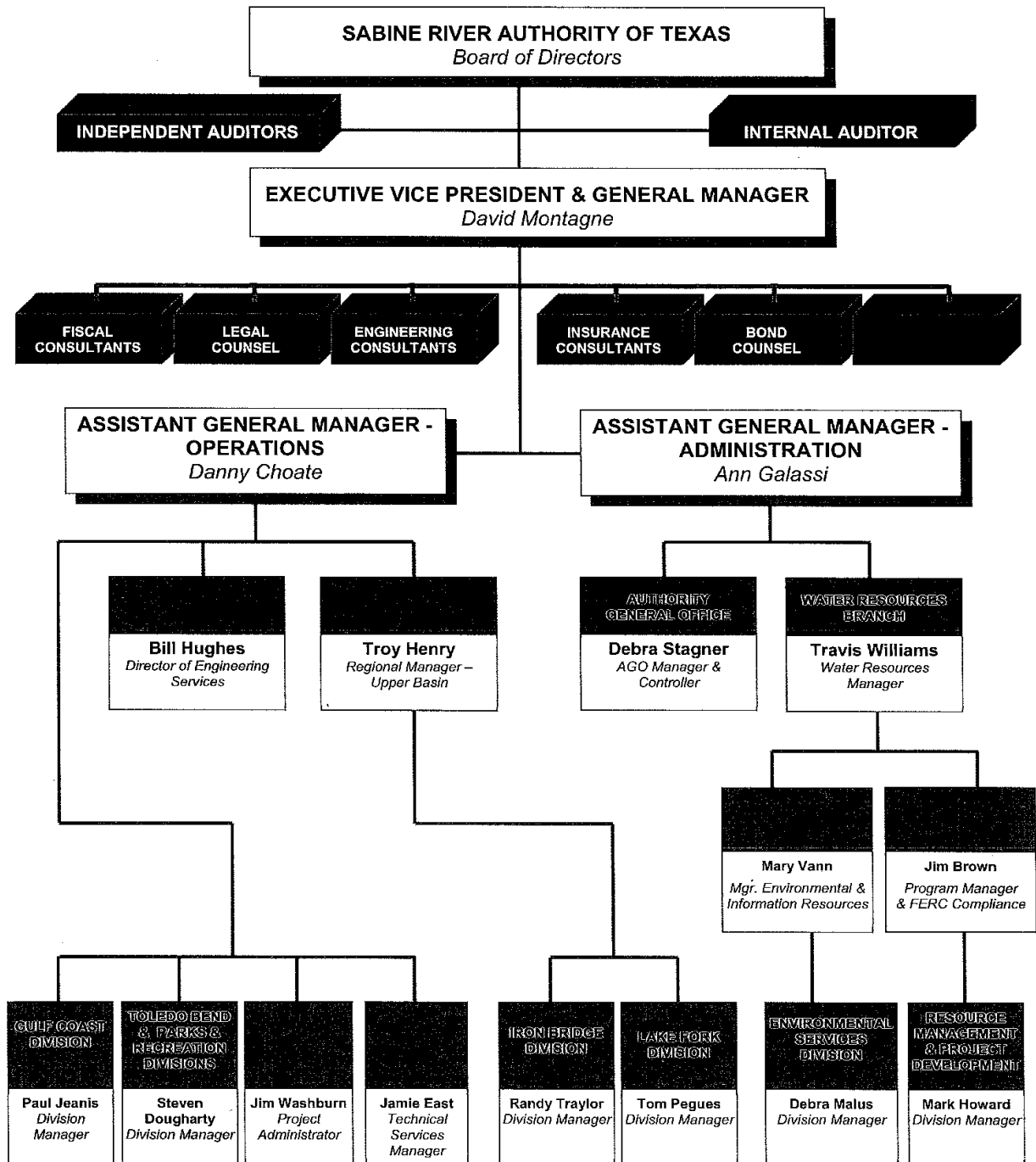
**Danny "Butch" Choate**  
*Asst. General Manager,  
Operations*



*For more than 65 years, the Board of Directors and Staff of the Sabine River Authority have taken the lead in managing the resources of the Sabine River Basin to meet the long-term water supply needs of the Basin and protect the value of the resources. As the demand for water grows due to increasing population in the State of Texas, SRA will continue to balance and prioritize the use of the water resources in accordance with State Laws.*

# MANAGEMENT STAFF

Effective September 1, 2014



# MANAGING EAST TEXAS WATER

## AS A POLITICAL SUBDIVISION

created by the State Legislature, the Sabine River Authority of Texas (SRA) has the responsibility to manage the long-term water supply needs of the Basin. SRA plays a major part in state and regional water planning issues. Taking the lead in managing the Basin's water resources is part of SRA's overall plan to ensure that water rights are maintained in the Basin and the value of the resource is protected.

After 15 years with the Sabine River Authority of Texas, General Manager Jerry Clark retired in 2014. The SRA Board of Directors and staff appreciate Mr. Clark and thank him for his many years of dedicated service to SRA.

Effective September 1, 2014, the SRA Board of Directors promoted David Montagne to Executive Vice President and General Manager. In this position, Mr. Montagne is responsible for the overall operations of the Authority. He executes the policy and program directives of the Board of Directors, oversees the budget, and serves as the liaison between the agency and the Legislature as well as other governmental agencies.

He represents the interests of Texas as Project Supervisor for Toledo Bend Project Joint Operation, serving as a member of the Technical Board and is an ex-officio member of the Operating Board. Mr. Montagne has been with the Authority for more than 27 years previously holding the positions of Assistant General Manager and Controller. From 2004 until 2009, Mr. Montagne served as a Texas Ethics Commissioner. In 2009, he was appointed for a six year term to the Texas State University System Board

of Regents by Governor Rick Perry.

Active in water resource planning efforts, David Montagne is a member of the Texas Water Conservation Association (TWCA), a statewide organization of water, wastewater and related entities. TWCA works to educate and inform members, the public, and governmental agencies and leaders at all levels regarding water industry issues. He is also a member of the National Water Resources Association (NWRA), a



*David Montagne, Executive Vice President and General Manager*

federation of state organizations working to balance the needs of people and the environment.

Mr. Montagne was elected as a board member of the TWCA Risk Management Fund Board of Trustees. He is also a board member for Region I, one of the Regional Water Planning Groups (RWPG) developed from Texas Senate Bill 1 as a "bottom up" water planning process designed to ensure that the water needs of all Texans are met as Texas enters the 21st

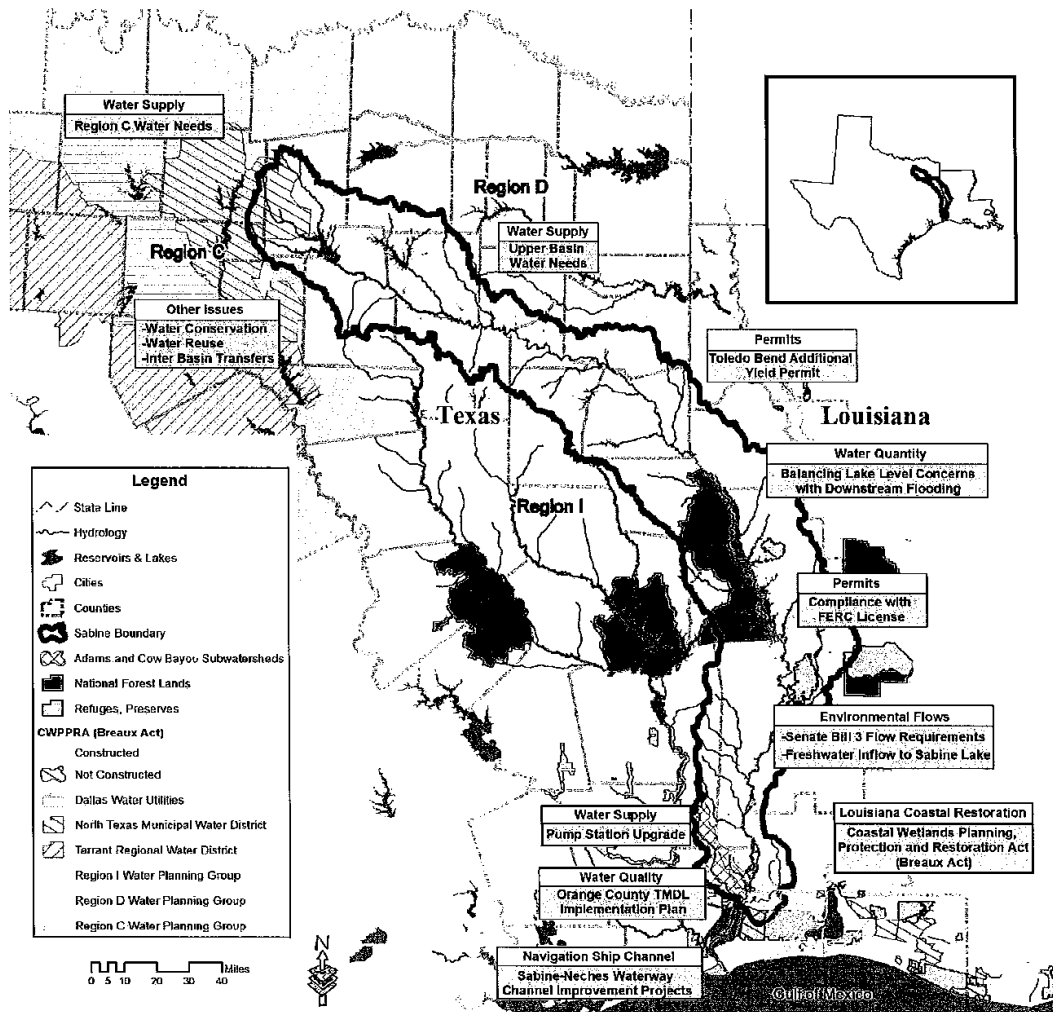
century. Each RWPG throughout the state prepares regional water plans for their respective areas. These plans will map out how to conserve water supplies, meet future water supply needs and respond to future droughts in the planning areas.

Danny "Butch" Choate, Assistant General Manager, Operations and Ann Galassi, Assistant General Manager, Administration assist Mr. Montagne in executing the policy and program directives of the Board of Directors.

Danny "Butch" Choate has been with the Authority for 22 years holding the positions of Iron Bridge Division Manager, Upper Basin Regional Manager, and Operations Manager. Mr. Choate has extensive operational experience that provides an excellent resource for operational activities at SRA. As Assistant General Manager, Operations, he is responsible for the operation, maintenance and safety of all operational facilities. He currently serves on the Engineering Committee of the Sabine River Compact and is a Technical Board Member of the Toledo Bend Project Joint Operation.

Ann Galassi has been with the Authority since 2001 and has held positions of Water Resources Manager and Manager of Economic Development/Public Relations. As Assistant General Manager, Administration she oversees financial and human resources, water resource planning and water quality, economic development and governmental relations. Prior to coming to the Authority, Ms. Galassi worked in economic development and is a Certified Economic Developer with the International Economic Development Council. 🗝

# SABINE RIVER BASIN PLANNING ISSUES



## SPECIAL CONSULTANTS

The following are retained by the Authority to assist in their special capacities:

### ATTORNEYS

Jim Graves (Mehaffy & Weber)  
 Charlie Goehringer (Germer, PLLC)  
 Mike Booth (Booth, Ahrens & Werkenthin)  
 Bob Szabo (VanNess Feldman)  
 Charles Sensiba (VanNess Feldman)  
 Martin Rochelle (Lloyd Gosselink)

### INDEPENDENT AUDITORS

Pattillo, Brown & Hill, LLP

### INTERNAL AUDITOR

James P. Jansen (Jansen & Gregorczyk)

### INSURANCE CONSULTANTS

TWCA Risk Management Fund

### BOND CONSULTANTS

Financial Advisor – First Southwest Co., Inc.  
 Bond Counsel - McCall, Parkhurst & Horton

### ENGINEERING

Carroll & Blackman, Inc.  
 Freese & Nichols, Inc.  
 HDR  
 Alan Plummer Associates, Inc.  
 Schaumburg & Polk, Inc.

# ADMINISTRATIVE OFFICE AND ACCOUNTING

**THE AUTHORITY GENERAL OFFICE (AGO)** is located in the southeast corner of the state in Orange County near the city of Orange, Texas, approximately eight miles north of Interstate 10 on State Highway 87. All official activities of the SRA are arranged and coordinated through this office by the General Manager and his Executive Staff. Scheduling of meetings for the Board of Directors and management as well as posting public notices and agendas, disseminating public information and preparation of press releases are handled through the AGO. The General Manager and Executive Staff also consult with attorneys representing SRA concerning contracts and other legal issues and work with the financial advisors and bond counsel concerning bond issues.

The Accounting Department is located in the Authority General Office and is responsible for all vital accounting functions for the entire Authority. Debra Stagner, AGO Manager and Controller, has been

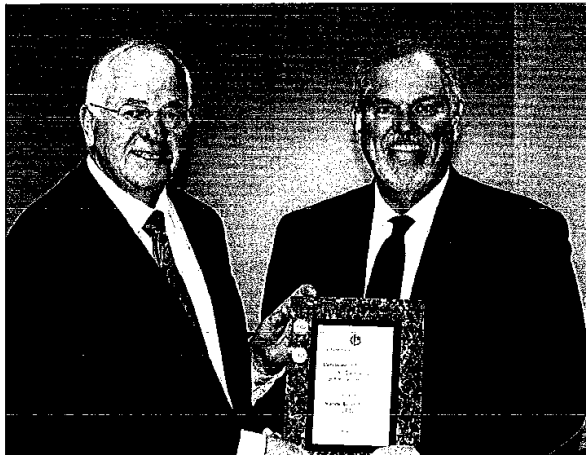


*Sabine River Authority of Texas General Office, Orange, Texas*

with SRA since 2000 and is responsible for management and oversight of the financial and human resource aspects of SRA. She is a member of the national and state Government Finance Officers Association and the Southeast Texas Human Resources

Association as well as TWCA and NWRA. The Accounting Department staff processes accounts receivable, accounts payable and generates financial statements on a monthly basis. In addition, the Accounting Department staff is responsible for all payroll functions, including

preparation of State and Federal reports, and maintaining personnel files for all employees. Working closely with the Division Managers, a budget of revenues and expenses is prepared for each fiscal year and is presented to the Board of Directors for approval. Revenues and expenses are then monitored on a monthly basis to ensure SRA is operating within the budget and to ensure that approvals for budget amendments are obtained from the Board as needed. Investment of SRA's funds is a very important function of the Accounting Department. The Controller ensures all investments are made in accordance with the Public Funds Investments Act, Chapter 2256 of the Government Code, and the Board adopted Flow of Funds Resolution and Investment Policy. Investment reports detailing the investment transactions are prepared quarterly and submitted to the Board of Directors as required in the Public Funds Investment Act. In addition, accounts are monitored



*SRA Board President, Cliff Todd, receives the GFOA Certificate of Achievement for Excellence in Financial Reporting from SRA Executive Vice President and General Manager, David Montagne*

daily to ensure all funds are properly collateralized by the financial institutions. In accordance with Texas Commission on Environmental Quality (TCEQ) rules, SRA contracts with a Certified Public Accounting firm to employ an internal auditor who reports directly to the Board of Directors. The role of the internal auditor is to verify that the internal controls SRA has in place are more than adequate to protect the assets of SRA. Additionally, SRA contracts with a separate Certified Public Accounting firm as an independent

auditor for the purpose of forming an opinion on whether the financial statements present fairly the results of the operations of SRA. The Accounting Department staff is instrumental in working with the internal and independent auditors to assist in their objectives.

All purchases of vehicles and heavy equipment are coordinated through the AGO. Bid proposals are obtained for major purchases to ensure SRA is receiving the most competitive price on these purchases. The Accounting Department maintains records for all SRA assets and conducts an annual inventory to verify the existence and the condition of the assets.

SRA is concerned with safety issues and provides training to all of the divisions. The safety program includes training in areas such as safety in the workplace, a defensive driving course, a boating safety course, and the Red Cross first aid



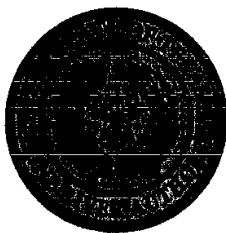
*SRA Board Meeting at AGO, July 2014*

and cardiopulmonary resuscitation (CPR) training.

Procurement of health, life, property, and liability insurance coverage for SRA is also managed through the AGO. SRA manages a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of SRA's employees and their covered dependents, and to minimize the total cost of the medical insurance. SRA obtains property and liability insurance coverage from Texas Water Conservation Association (TWCA) Risk Management Fund and other carriers.



*Debra Stagner, SRA Controller, receives the GFAO's Award of Financial Reporting Achievement from Ann Galassi*



**The Sabine River Authority of Texas** was created by the Legislature in 1949 as an official agency of the State of Texas. The Authority was created as a conservation and reclamation district with responsibilities to control, store, preserve, and distribute the waters of the Sabine River and its tributary system for useful purposes. The boundaries established by the Act of the Legislature comprise all of the area lying within the watershed of the Sabine River and its tributary streams within the State of Texas. The watershed area in Texas includes all or parts of twenty-one counties.



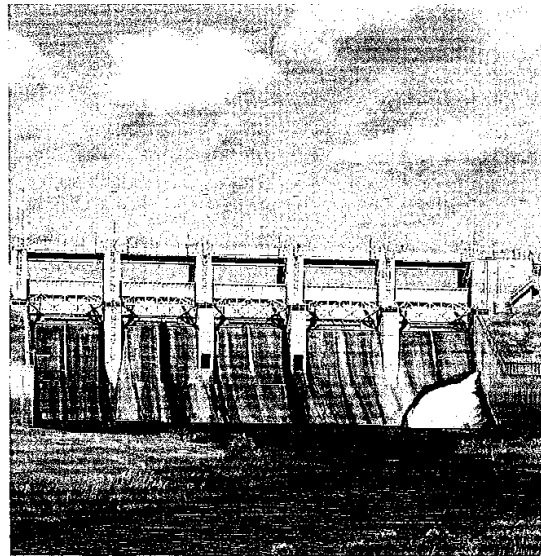
# COVER FEATURE: LAKE FORK RESERVOIR

**LAKE FORK RESERVOIR** was built primarily as a source of water for a power generating facility to be built in the Lake Fork area. The Lake Fork Reservoir, owned and operated by the Sabine River Authority of Texas (SRA), inundates land in Wood, Rains and Hopkins Counties, Texas.

Preliminary engineering studies for the Lake Fork Project were initiated in 1972. In 1974, SRA entered into a Water Supply Facilities Agreement with Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (Electric Companies) to construct Lake Fork Reservoir to provide water for an electric generating facility to be built in the area. The Lake Fork Project would also

electric generating facility, the Electric Companies did not choose a project location near Lake Fork Reservoir and no longer needed their full portion of Lake Fork water.

In October of 1981, SRA and the Electric Companies entered into an agreement with the City of Dallas whereby Dallas assumed the Electric Companies' contractual right to use water from the Lake Fork Reservoir for municipal water



*Gated Spillway at Lake Fork Reservoir*



*Lake Fork Division Office*

provide a water supply source for many communities in the upper Sabine River Basin.

SRA and the Electric Companies took the initial risk in building the reservoir and SRA issued the revenue bonds which were 100% guaranteed by the Electric Companies. Construction of the reservoir began in 1975 and final closure of the dam occurred in 1980. After further evaluating the

supply. With this agreement, Dallas assumed responsibility for payment of the bonds.

In addition to providing water supply for the City of Dallas, the reservoir provides water for municipal and industrial users inside the Sabine River Basin including the Cities of Longview, Kilgore, Henderson, Quitman, and Texas Eastman.

Over the years, Lake Fork Reservoir has become a premier bass fishing lake enjoyed by thousands of water sports enthusiasts. It has produced 33 of the top 50 largemouth bass caught in the State of Texas. It has previously hosted the Texas Toyota Bass Classic Tournament three times and will host the tournament again in May of 2015. Lake Fork Dam and Reservoir is one of four water supply facilities owned and operated by SRA. In addition to providing water supply, Lake Fork continues to enhance recreational opportunities in the region and benefits the local economy. ♣

# ENGINEERING SERVICES

**ENGINEERING SERVICES** provides in-house engineering technical support for all SRA Divisions and participates in water planning strategies and environmental issues affecting the Sabine River Basin.

In 2003, Bill Hughes, P.E. joined SRA as the Director of Engineering Services. Mr. Hughes is a licensed professional engineer and has over 30 years of experience in civil design, concrete structures, steel structures, geo-technical design, project management and construction methods. He is a long-time member of the American Society of Civil Engineers (ASCE).

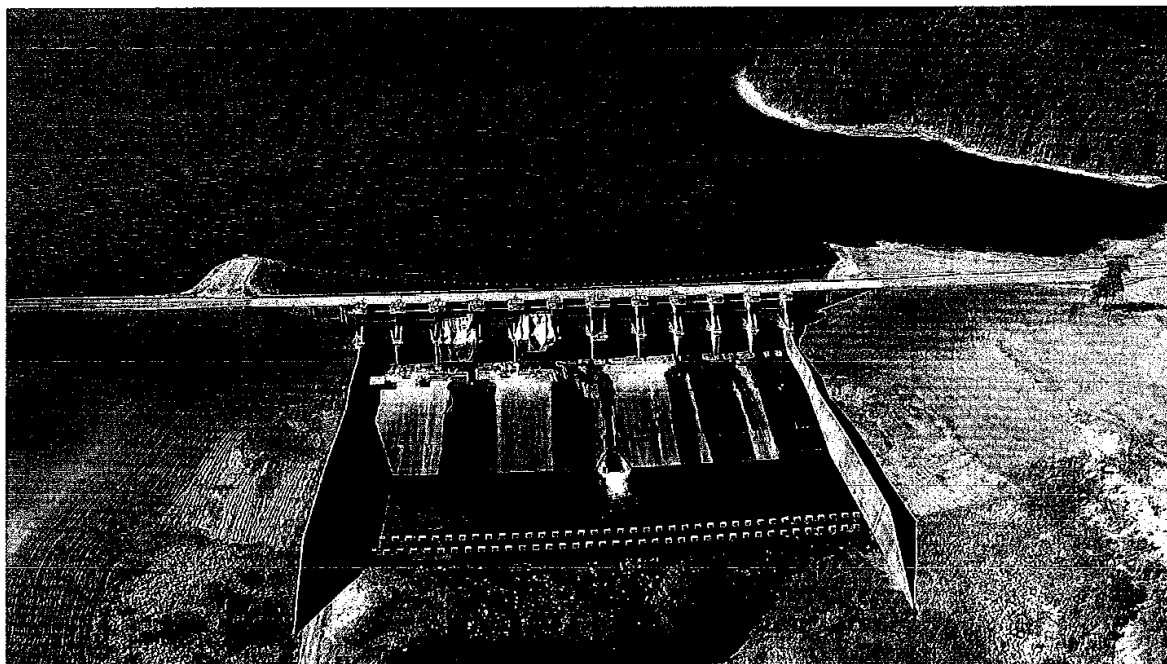
In FY-14, Engineering Services had a year full of engineering projects. With the completion of the new spillway gate project at Lake Fork in 2014, Engineering Services continued to oversee the refurbishment of the tainter gates at the Toledo Bend spillway. The Toledo Bend Project

Joint Operation (TBPJO) is continuing a multi-year project to rehabilitate all eleven gates over a period of five years and has completed seven gates, with the final four gates scheduled to be completed in FY-15. Additionally, SRA-TX Engineering Services continued to provide support for the TBPJO with the replacement of the powerhouse relief wells, index testing on the generators in the powerhouse, Federal Energy Regulatory Commission (FERC) compliance activities, NERC reliability compliance, dam safety and security, Part 12 inspection, and support for recreation facilities.

Continued assistance was provided working with Newton County on the Hazard Mitigation Grant Program to purchase flood-prone properties below Toledo Bend along the Sabine River. The first three phases of this buyout project have been completed and the remaining

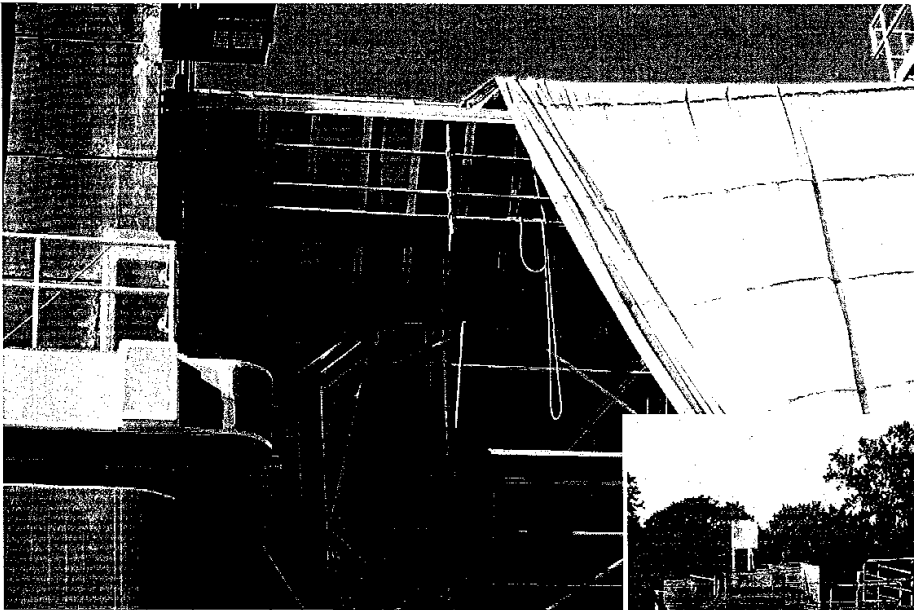
three phases were combined into the final phase which is currently underway with the potential to remove numerous properties from flood plain in Newton County.

Additional projects worked during FY-14 include preliminary design for the replacement of the transformer at the Toledo Bend Powerhouse; continued permitting and upgrades to the water and wastewater systems for Frontier Park; using standardized right-of-entry form for crossings of SRA owned property at all divisions; repairing a LFD wastewater treatment facility; designing a replacement road crossing for the GCD canal system; and assisting TBPJO, IBD and LFD with annual dam and spillway inspections. ➤

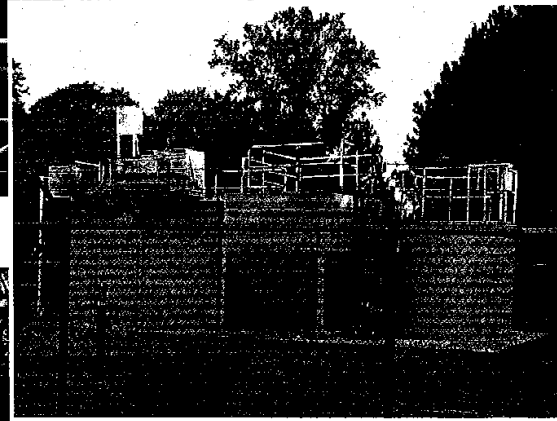


*Gate Refurbishment at Toledo Bend Spillway*

# ENGINEERING SERVICES



*Gate Refurbishment at Toledo Bend Spillway*



*New Frontier Park Wastewater Plant at Toledo Bend*



*Replacing Road Crossing in GCD Canal*

# WATER RESOURCES BRANCH

**THE WATER RESOURCES BRANCH (WRB)** of the Sabine River Authority directs water resource planning and development, water resource protection, environmental service support, and information resources management efforts that enable SRA to fulfill its mission to control, store, preserve and distribute the waters of the Sabine River and its tributary system for useful purposes. The WRB works closely with AGO and the Operations Branch to coordinate future planning efforts to assure dependable supplies of good quality surface water are available to meet the increasing demands for municipal, industrial, agricultural and recreational uses, which support a growing economy in the Sabine River Basin.

Effective September 1, 2014, Travis Williams, P.E. was named Water Resources Manager. Mr. Williams joined the SRA team in 2010 and is a licensed professional engineer with extensive experience in civil design, water treatment facilities, wastewater treatment facilities, project management and construction methods. He is a member of the Texas Society of Professional Engineers (TSPE).

In FY-14, the WRB remained heavily involved in the Toledo Bend Project Joint Operation Federal Energy Regulatory Commission (FERC) Relicensing in a variety of areas including Geographic Information Systems, information technology, document review, and resource group participation and guidance. FERC issued the Final Environmental Impact Statement for Hydropower License for the Project in December 2013. In July 2014, Jim Brown, Water Resources Program Manager, assumed the



*Mary Vann,  
Manager, Environmental and  
Information Resources*

additional role of TBPJO FERC License Compliance Officer in anticipation of the new license being granted by FERC in late FY-14 or early FY-15. Shortly after taking on his new responsibilities, Mr. Brown began coordinating short term compliance activities since FERC rules dictate that compliance requirements under a license are retroactive to the first day of the month that the license is issued. The new FERC license was issued on Friday, August 29, 2014, effective August 1st with a 50-year term; therefore the compliance activities initiated in July and August ensured compliance from the outset of the license. A FERC Compliance Team comprised of SRA personnel and Sabine River Authority, State of Louisiana, personnel will continue license compliance activities moving into FY-15.

In FY-14, the WRB continued its participation in a statewide zebra mussel public information program



*Jim Brown,  
Program Manager and FERC  
Compliance Officer*

spearheaded by Texas Parks and Wildlife Department (TPWD), and maintenance of nuisance aquatic plant treatment agreements with TPWD for Toledo Bend and Lake Fork reservoirs.

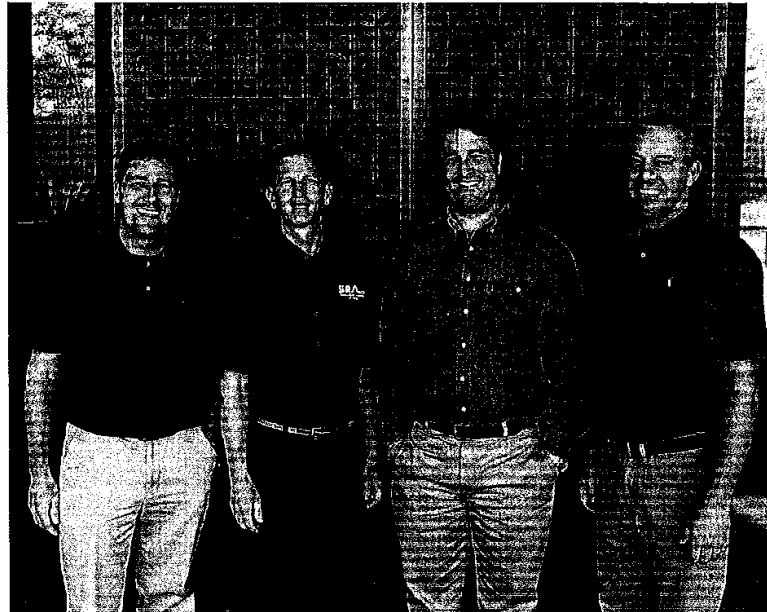
SRA's Community Assistance Program (CAP) assisted eight Sabine Basin applicants in FY-14 with repairs and improvements in the areas of wastewater management, water supply, and water or wastewater planning. SRA's CAP, part of an Economic Development Initiative SRA initiated in 2002, provides competitive grants intended to complement or leverage local project funds for entities within the Basin. Projects funded by the grant program must fall within four categories, which include water supply; wastewater management; water conservation; and water quality and are limited to \$10,000 per project. ♦

# RESOURCE MANAGEMENT AND PROJECT DEVELOPMENT DIVISION



**Mark Howard**  
RMPD  
Division  
Manager

**THE RESOURCE MANAGEMENT AND PROJECT DEVELOPMENT DIVISION (RMPD)** provides technical services including geographic information systems (GIS) mapping and analysis, data analysis and reporting, field biology expertise, project management, technical writing, graphic arts, data management, information technology support, and content maintenance of the SRA website ([www.sratx.org](http://www.sratx.org)).



*Resource Management and Project Development Staff*



*Real-Time Monitoring Sensors*

In FY-14, RMPD provided support to the TBPJO that included field data collection, reporting, and review of FERC compliance deliverables. Input, review, and GIS services were provided for the

Hazard Mitigation Action Plan. The RMPD assisted Engineering Services and Operations Divisions with GIS products, research, and data input for wastewater permitting, USACE permitting, auditing, and compliance needs. The RMPD continued to assist with Texas Clean Rivers Program activities, providing maps, data management, and report review. Other areas of assistance included drought monitoring and water accountability.

RMPD continues to coordinate with state agencies on a number of issues including invasive aquatic

vegetation (giant salvinia and water hyacinth), the zebra mussel public awareness program, rare, threatened and endangered species, the fish sub advisory work group, and coastal issues. ♣

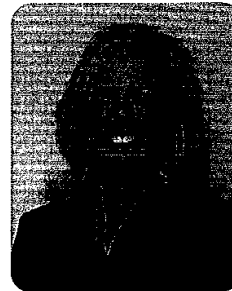
**Website:**  
[www.sratx.org](http://www.sratx.org)

# ENVIRONMENTAL SERVICES DIVISION

**THE ENVIRONMENTAL SERVICES DIVISION (ESD)** of the Water Resources Branch provides technical support to the SRA in the areas of field and laboratory water quality monitoring and analysis. The ESD's mission is to assist the SRA with protecting the water resources within the Sabine Basin of Texas. The ESD has a total of nineteen

Laboratory, located in Orange, Texas, performs metals, inorganic, and bacteriological analyses of potable and non-potable water for public, private, and governmental entities. The laboratory is accredited by the TCEQ

**Debra Malus**  
*Environmental Services  
Division Manager*



*Staff at the Environmental Services Division*

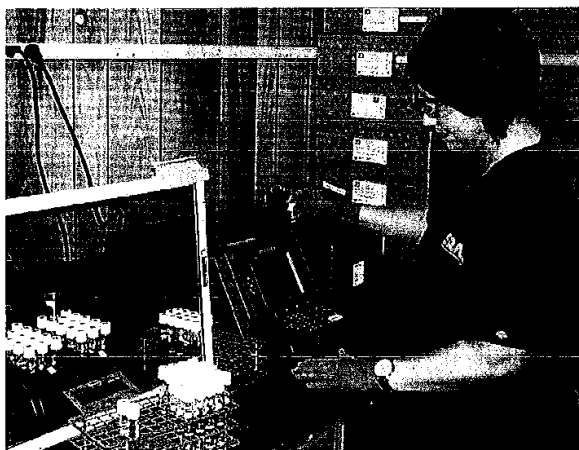
requires accreditation for all contract laboratories reporting data for permits, assessments, compliance issues, enforcement actions and corrective actions.

In FY-14, the ESD performed a total of 65,322 water quality tests consisting of the following: 24,433 tests for the Sabine River watershed monitoring programs, 8,253 tests for 43 industrial clients, 6,681 tests for 75 municipal clients and 179 tests for 125 private customers. A total of 25,955 tests were performed for quality assurance/quality control purposes to support the data generated by the laboratory and field offices. Quality assurance is critical for the validation, precision, and accuracy of laboratory results and collected field data.

The SRA purchased a NexION 300/350D ICP-MS to upgrade instrumentation and reinforce SRA's commitment to providing crucial metals data to basin stakeholders,

employees and is comprised of a water quality laboratory along with Upper and Lower Basin Field Offices. The ESD Water Quality

for the United States Environmental Protection Agency's (EPA) National Environmental Laboratory Accreditation Program. The TCEQ



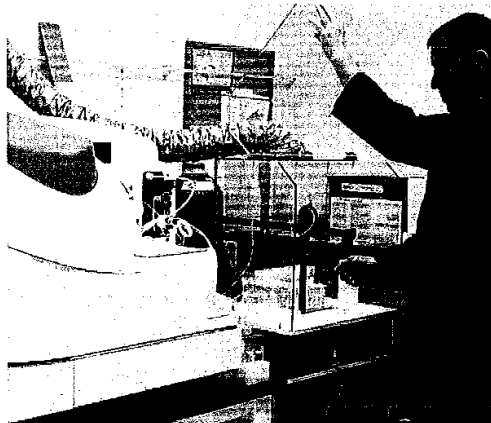
*Chemical Oxygen Demand Analysis*



*Total Organic Carbon Analysis*

# ENVIRONMENTAL SERVICES DIVISION

industries, municipalities, and drinking water customers. The NexION measures both high-level



*NexION 300/350D ICP-MS*

and low-level metals simultaneously and delivers fast analysis. The laboratory is approved by TCEQ to analyze potable water samples for the Lead and Copper Rule, an EPA regulation to improve public health protection and control lead and

copper in drinking water. The rule requires municipalities to monitor drinking water at a certain number of customer taps within their systems.

The Upper Basin Field Office in Quitman, Texas and the Lower Basin Field Office in Orange, Texas, monitor water quality in the Sabine Basin through the Texas Clean Rivers Program (TCRP) and investigate water quality complaints. The SRA water quality monitoring program under TCRP consists of fixed stations that are monitored over multiple years at strategic locations in the Sabine Basin. These stations

represent water bodies utilized for drinking or process water supply sources, recreation areas, and areas that receive treated wastewater. In FY-14, thirty-seven fixed sites were sampled and analyzed monthly and the results from these analyses were submitted



*Surface Water Quality Monitoring*

to TCEQ's Surface Water Quality Monitoring database under SRA's Quality Assurance Project Plan.

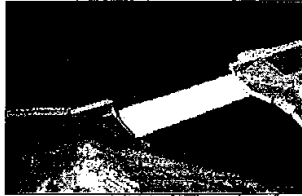
In FY-14, the ESD generated the Sabine River Basin 2013 Summary Report which provides a comprehensive review of water quality data collected in the Sabine Basin and includes a detailed discussion of the findings of data analyses. This report, generated every five years, was sent to the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, Texas Parks and Wildlife Department, the Texas State Soil and Water Conservation Board, and is available to all Sabine Basin stakeholders on the SRA website: <http://www.sratx.org/>

Responsibilities of water quality protection require ESD staff to work with local, municipal, state, or federal agencies to investigate incidents that may threaten Sabine Basin surface waters. From September 1, 2013 through August 31, 2014, staff investigated twenty-eight spills, kills, or complaints which included sixteen spills, three fish kills, seven citizen complaints and two miscellaneous investigations. Other ESD responsibilities include routine water quality monitoring of the SRA canal system and monitoring the flow of the Sabine River main channel split at Cut-off Bayou.

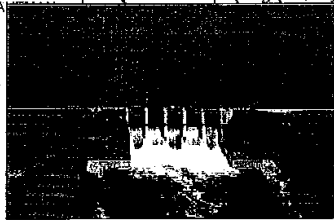
The ESD continues to be active in the Orange County Total Maximum Daily Load (OCTMDL) project, a project that will help guide the efforts to bring water quality in Adams Bayou and Cow Bayou to meet Texas Surface Water Quality Stream Standards. The project continues to be facilitated through a panel of area stakeholders that have helped finalize the OCTMDL project's Implementation Plan (I-Plan). The I-Plan was submitted to the TCEQ Office of Water on November 8, 2013 for review and was available for public comment in February 2015.



# OPERATIONS BRANCH OPERATING DIVISIONS



*Iron Bridge Dam & Reservoir -1960  
(Lake Tawakoni)*



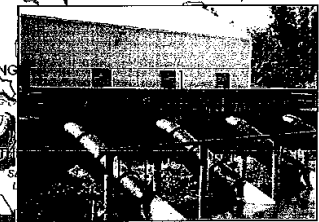
*Lake Fork Dam & Reservoir (1980)*



*Willow Oak Recreation Area*

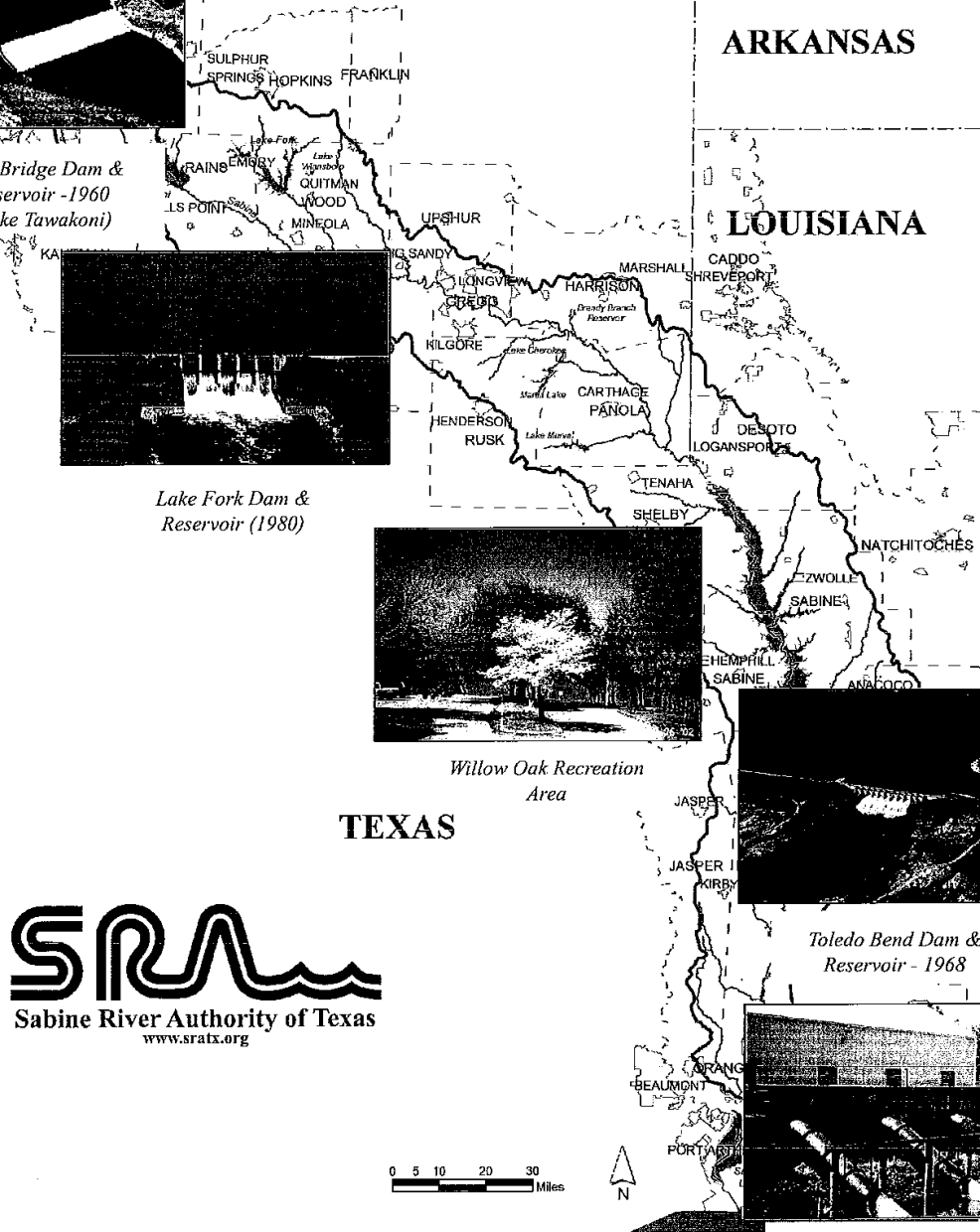


*Toledo Bend Dam & Reservoir - 1968*



*John Simmons Gulf Coast Canal System - 1954*

## Sabine River Basin





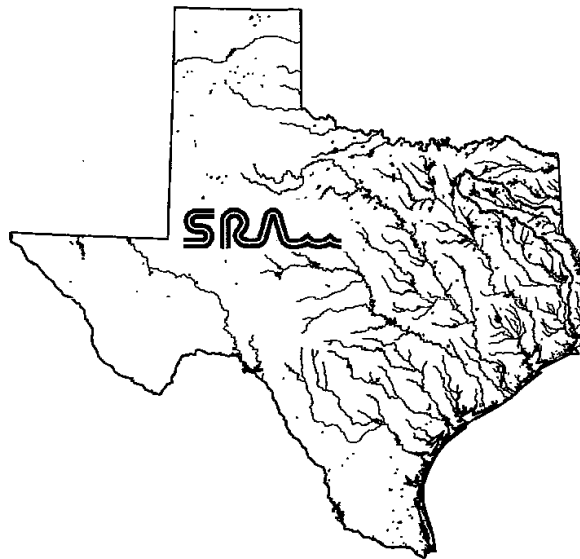
# OPERATIONS OVERVIEW

**OPERATIONS OF THE SABINE RIVER AUTHORITY** began in the lower Sabine River Basin with the purchase of the pump station and canal system owned by the Orange County Water Company in 1954. SRA's canal system, operating first as the Orange County Canal Division and later as the Gulf Coast Division, consisted of a pumping plant on the lower Sabine River and more than 70 miles of gravity-flow canals throughout Orange County. The canal system originally provided raw water to industries, a municipality, rice farmers and crawfish producers in Orange County. Although water use for rice farming and crawfish producers have greatly been reduced, the canal system continues today to provide a reliable and economical source of water to its industrial and municipal customers.

The next SRA operation facility was a water supply reservoir in the upper Sabine River Basin. The Iron Bridge Dam and Lake Tawakoni Reservoir, which lies partially in Hunt, Van Zandt and Rains Counties, began construction in 1958 and was completed in 1960. Construction of the dam and reservoir was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes.

Toledo Bend Reservoir was the next project undertaken by SRA. Plans to build Toledo Bend Dam and Reservoir proved feasible with an engineering study completed in 1958. The Toledo Bend Project was built for the primary purposes of

water supply and hydroelectric power generation, with a secondary benefit of providing opportunities for all types of recreational activities. The Toledo Bend Project is located in Louisiana and Texas on the Sabine River, which forms a portion of the boundary between the two



states. Partnering with the Sabine River Authority, State of Louisiana, SRA began construction of the dam, spillway and power plant in April of 1964. Construction was completed in 1968.

The fourth operation facility and third water supply reservoir built by SRA was the Lake Fork Dam and Reservoir located in the upper Sabine River Basin (Basin) in Wood, Rains, and Hopkins Counties. Construction of the dam and reservoir began in 1975 and was completed in 1980. Although the reservoir was initially built to provide

water for an electric generating facility, it also provided water for many communities in the Basin. In 1981, it became a water supply source for the City of Dallas when they assumed the electric companies' contractual right to use Lake Fork water. Over the years,

Lake Fork Reservoir has also become a premier largemouth bass fishery and a popular recreation site.

Management of the four operational facilities is headed by Danny "Butch" Choate, SRA Assistant General Manager, Operations.

To assist in Operations, Troy Henry serves as the Upper Sabine Basin Regional Manager. He is responsible for the operation, maintenance and safety of the facilities at the Iron Bridge and Lake Fork Divisions. Mr. Henry has been with the Authority for over 23 years and has worked in Environmental Services and Operations. He is a registered Professional Sanitarian and active in the Texas

Environmental Health Association. Mr. Henry served on the Northeast Texas Regional Water Planning Group (Region D) where he represented the River Authority interest group. ➤

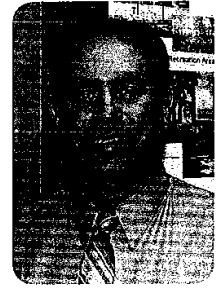
# GULF COAST DIVISION

**THE SABINE RIVER AUTHORITY'S GULF COAST DIVISION (GCD)** is located eight miles north of Orange near the Sabine River, and is responsible for the Authority's fresh water supply and related operations in Orange and surrounding counties. The Division was purchased from the Orange Canal Water Company in 1954. It was the Authority's first major purchase and the beginning

was delivered to customers from the GCD canal system. The GCD water customers include petro-chemical plants, electrical generation plants, a pulp and paper mill, a steel plant, the City of Rose City and some small water users.

In FY-14, the GCD personnel accomplished multiple projects, improvements and repairs including

**Paul Jeanis**  
*Gulf Coast  
Division Manager*



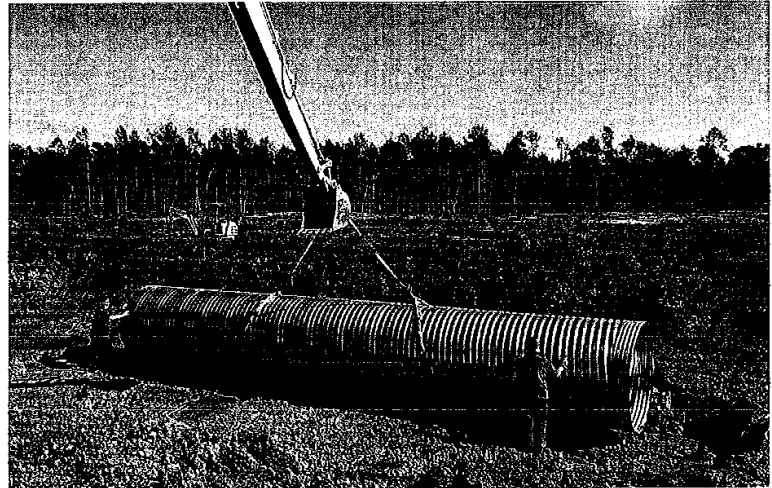
the Newton County Flood Hazard Mitigation Project located in the south portion of Newton County and surrounding areas. The GCD continues to furnish demolition services for homes and structures that qualify under a FEMA grant to flood-prone areas along the Sabine River. A total of eleven properties were demolished in FY-14. Another major project includes installing and replacing road crossings throughout the canal system. Pipe sizes for the road crossings were engineered for the flow of the canal where they were installed. Pipe sizes ranged from 72" pipes in the main canal to 60" pipes in Lateral 5. GCD personnel replaced a 48" steel drainage pipe located under the main canal in the Bridge City area with assistance from the Orange County Drainage District.



*Staff at the Gulf Coast Division*

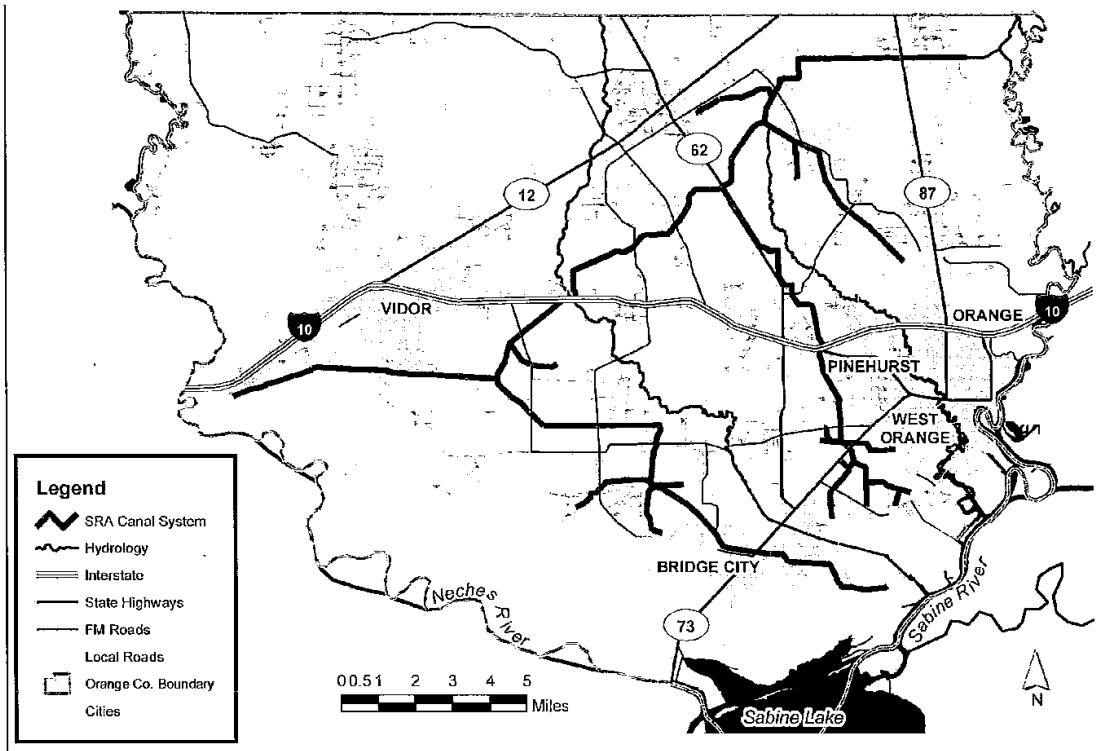
of its endeavor to provide a long-term dependable supply of fresh water to municipal and industrial users in the lower Sabine Basin. The GCD personnel operate and maintain a wastewater treatment plant, a pumping plant and a 75-mile canal system which extends throughout Orange County as far west as the Neches River. The GCD pumping plant lifts water approximately twenty-two feet from the intake canal that is fed by the Sabine River. The water moves by gravity flow from the main canal throughout the canal system.

A total of 47,187 acre feet or 15.37 billion gallons of fresh water



*Installation of New Road Crossing Culvert*

# GULF COAST DIVISION



*John W. Simmons Gulf Coast Canal System - Orange County*

In May 2014, GCD personnel attended a pesticide applicator class at the Orange County Convention & Expo Center to learn new rules and regulations for the application of pesticides on Authority properties. GCD participants were issued non-commercial political pesticide applicator licenses.

Routine maintenance and repair to the GCD pumping plant included electrical repairs to the pump variable speed drive circuit boards and alignments to all the pumps. GCD personnel also maintained the canal levees, removed accumulated silt and water grass, and mowed canal rights-of-way. These repair and maintenance measures ensure that water flowing through the canal system is not restricted and provides a dependable supply of fresh water to all SRA-GCD customers throughout Orange County



*Canal Levee Maintenance*

and surrounding counties.

Cumulative flows in the Sabine River at the Ruliff USGS gauge near Deweyville, Texas amounted to 2,494,250 acre feet this fiscal year compared to 2,519,347 acre feet last year. Total rainfall was 51.70 inches

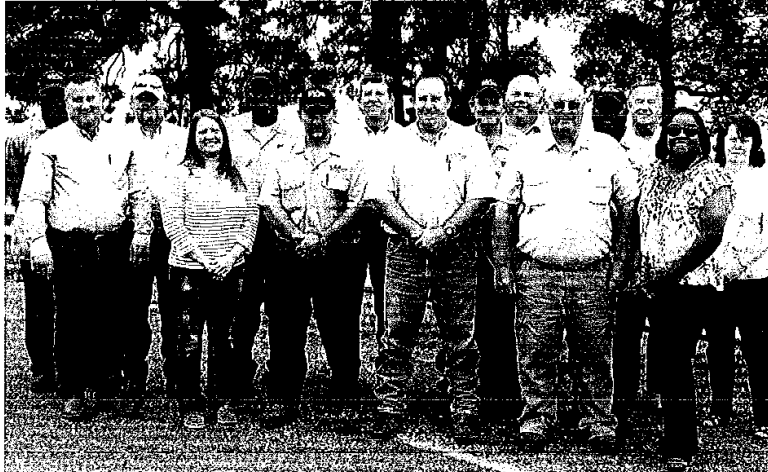
this fiscal year compared to 70.68 inches last fiscal year. ✦

# TOLEDO BEND DIVISION

**TOLEDO BEND RESERVOIR** is the largest man-made reservoir in the South with 185,000 surface acres and 1,200 miles of shoreline. The reservoir sprawls into parts of

Frontier Park water and wastewater system maintenance and operation was undertaken in FY-14. Under private

**Steven Dougharty**  
*Toledo Bend  
Division Manager*



*Staff at the Toledo Bend Division*

ownership, the systems had fallen below required standards. The water and wastewater systems have been improved and are currently operating to TCEQ standards with greater reliability. A replacement wastewater treatment plant was assembled during FY-14 by SRA employees and is expected to be operational in FY-15. Future water system plans include SRA discontinuing the operation of the old water system and transferring water customers to G-M Water Supply. G-M Water Supply has completed construction of its water intake facility in the Lowe's Creek area at the eastern end of Highway 83 near Hemphill. The new intake facility is complete and G-M water

Panola, Shelby, Sabine and Newton Counties in Texas and in De Soto and Sabine Parishes in Louisiana. The Toledo Bend Powerhouse first began generating electricity in 1969. Water supply, hydroelectric generation and recreation were the primary purposes for the reservoir's construction.

The Toledo Bend Division has been responsible for management and operation of the Texas side of the reservoir for over 45 years. This division cares for 762 miles of shoreline, 3,020 Private Limited Use Permits, 25 Commercial Permits, 4,190 Private Sewage Facility Licenses, 1,400 On-Site Sewage Facility Registrations, more than 500 buoys, 2 recreation areas, 10 boat ramps, and several maintenance facilities.



*Toledo Bend Reservoir*

# TOLEDO BEND DIVISION

supply expects the intake and new treatment facility to be operational in FY-15.

Giant Salvinia has been an ongoing issue for several years. The most significant problems have been in the backs of coves and especially in the upper reaches of the reservoir. Texas Parks and Wildlife Department has continued their control efforts by applying herbicide and by the distribution of weevils.

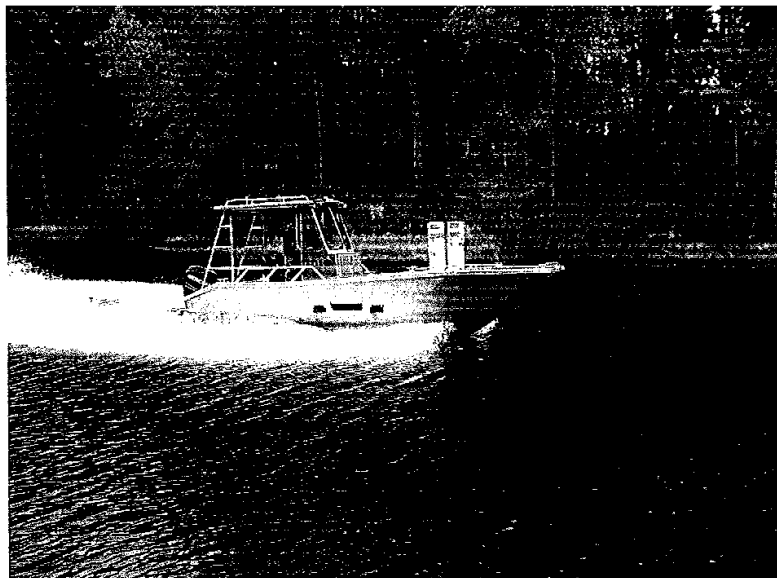
Shoreline facility inspections and permit inspections have been ongoing this year, primarily in the summer. Employees are thoroughly inspecting the shoreline to make sure facilities and uses of SRA land are properly permitted and all use fees are up-to-date.

The TCEQ performed routine audits of SRA's On-Site-Sewage-Facility program and field inspection work.

Buoy work continues to take a significant amount of time each year. There are over 500 buoys to maintain on the Texas side of the reservoir. It is estimated that over 200 were replaced with new buoys during 2014 and countless more were picked up from the shoreline and put back into their correct position. 🇺🇸



*Giant Salvinia Control Meeting with the SRA, Stephen F. Austin State University, and the Texas Parks and Wildlife Department*



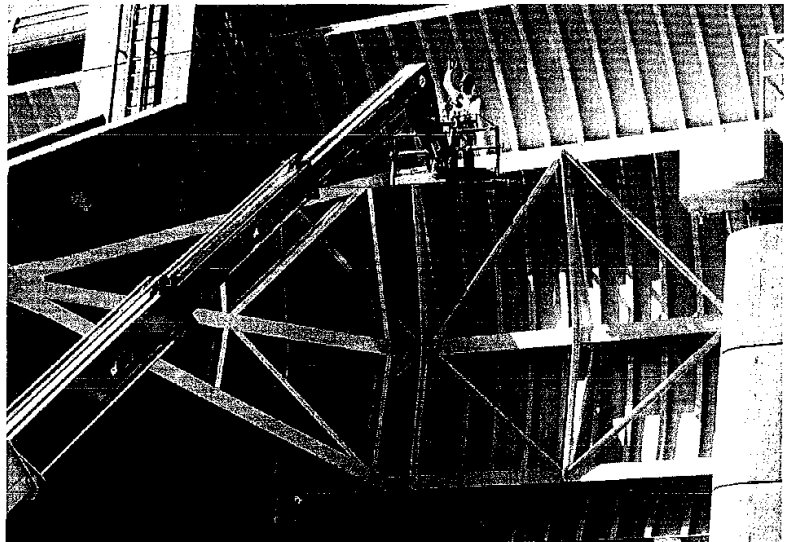
*Toledo Bend Reservoir Bouy Maintenance*

# TOLEDO BEND PROJECT JOINT OPERATION

**THE SABINE RIVER AUTHORITY OF TEXAS (SRA-TX)** and the Sabine River Authority, State of Louisiana (SRA-LA) jointly own and operate the Toledo Bend Project through the Toledo Bend Project Joint Operations (TBPJO). SRA-TX handles administration of the reservoir and the Texas shoreline. SRA-LA is responsible for engineering aspects and the Louisiana shoreline. Construction of the 185,000 surface area Toledo Bend Reservoir began in 1964 and was completed in 1968. The reservoir, located on the Texas/Louisiana border, has over 1,200 miles of shoreline and a storage capacity of 4,477,000 acre feet. It stretches more than 75 miles from the dam to the north end of the reservoir north of Logansport, Louisiana and inundates lands in four Texas counties (Panola, Shelby, Sabine and Newton) and three Louisiana parishes (DeSoto, Sabine and Vernon). The hydroelectric power plant located at the south end of the dam produces an average of over 200,000,000 kilowatt hours of electricity annually. The spillway located at the north end of the dam is 838 feet long with eleven 28' x 40' tainter gates with the designated discharge of 290,000 cubic feet per second (180 million gallons/minute).

Rules, regulations, financial management and operation of the Toledo Bend Project are directed by the Operating Board which is comprised of two members from SRA-LA Board of Commissioners and two members from SRA-TX Board of Directors. The General Manager of SRA-TX and the Executive Director of SRA-LA serve on the Operating Board as ex-officio members. The initial costs of construction of the Toledo Bend

Project were shared equally by the two Authorities, and they continue to share in the operating costs; therefore, each state is entitled to fifty percent of the income from the sale of power generated at the facility, plus the dependable water supply yield is equally divided. Management of matters relating to the reservoir, dam, spillway and power plant are handled jointly, with each state managing its own shoreline and recreation activities.



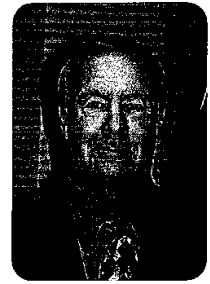
*Newly Refurbished Spillway Gate at the Toledo Bend Project*

On August 29, 2014, the Federal Energy Regulatory Commission (FERC) issued SRA-TX and SRA-LA a 50-year license renewal of the hydroelectric operations at the TBPJO. Preliminary work on the license renewal process began in 2007 with the collection and compiling of historical data. The Integrated Licensing Process was chosen which started the formal process request for a new license to

replace the original 1963 license.

Over the next five years, the relicensing process included conducting eight studies on issues that ranged from identifying project impacts on aquatic resources, to investigating the access and use of recreational areas around the reservoir. The process also involved collaborating with state and

**Jim Washburn**  
*Project Administrator*



# TOLEDO BEND PROJECT JOINT OPERATION

became part of the new license. In support of the new license, Jim Brown has been appointed to FERC Compliance Officer to ensure compliance with license obligations.

The TBPJO is participating with Newton County in a Flood Hazard Mitigation project below the dam. The TBPJO is furnishing in-kind services in the form of demolition of the homes and structures in the flood way which are being purchased through a grant program. The first phase was initiated in 2007. In FY-13 Phase III, IV and V were implemented. Included in these phases were properties on River

Road (directly below the dam), Sabine Sands (Bon Wier area) and the Deweyville area. During FY-14 twenty-six properties were demolished, bringing the total to one hundred thirteen which have been removed from the flood way.

During FY-12 the major project of refurbishing the eleven spillway tainter gates began. The first year of this project, bids were solicited for the refurbishing of only one gate to establish a basis of cost and a time frame for the work to be completed. In FY-13 two gates were refurbished and additional stop logs were built. Four gates were refurbished in FY-14 leaving only four gates for refurbishment in FY-15.

During the fall outage at the Powerhouse, maintenance was performed on unit #1. The #3 intake gate was inspected and maintained, the draft tube was cleaned and inspected, the generator was inspected and tested, and the turbine and oil head were also



*Snowy Morning in the Tailrace Below Toledo Bend Reservoir, January 2014*

inspected. In late August, Firetrol Protection Systems installed a fire alarm/detection system at the Powerhouse.

FERC made its annual safety inspection of the Project in May. This inspection of the dam, dikes, powerhouse, spillway and related facilities is to ascertain that all the facilities are functioning and being maintained in compliance with FERC standards and that the security and integrity of the Project is being enforced. Representatives from Freese and Nichols, Inc., the Project engineering consultants, participated in the inspection.

The conservation pool at the Toledo Bend Reservoir is 172' MSL and the fiscal year began with an elevation of 167.62' MSL and ended with an elevation of 170.66' MSL on August 31, 2014. The lowest elevation for the fiscal year was 167.15' MSL on September 20th. Peak elevation for the year was 171.75' MSL on July 24th. Total

rainfall for the year was 52.55 inches compared to 39.81 in FY-13. Total water released during FY-14 was 1,934,460 acre feet compared to 1,232,580 acre feet in FY-13. The power plant produced 122,716,000 kWh hours this fiscal year and only 72,878,000 kWh the previous year.



# PARKS AND RECREATION DIVISION



**Steven Dougharty**  
Parks & Recreation  
Division Manager

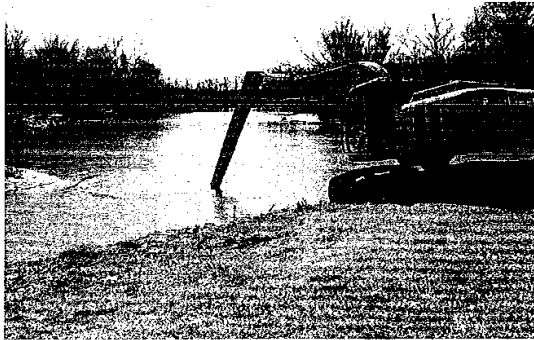
**THE PARKS & RECREATION DIVISION** (PRD) began operation in September of 1999 with the primary vision to preserve and expand recreation opportunities throughout the Sabine basin. For

systems and two dispersed camping areas.

Improvements to the six United State Forest Service (USFS) recreation areas over the past fifteen years include five renovated boat ramps and one newly constructed boat ramp in the camping area at Indian Mounds. A second camping loop was opened at Indian Mounds. All

Ragtown nature trail. Education stations are set up along the trail. Some stations are nestled along the water's edge, some perched on high bluffs overlooking the lake, some near deep ravines or large hills, but all stations are among the towering trees of the Sabine National Forest. Education stations are presented by the Texas Forest Service, the USFS, Texas Parks & Wildlife, and others.

The Texas Forest Service and SRA are co-sponsors of the event. All Shelby County schools are invited and most attend each year. Education topics include forest reptiles, forest wildlife, trees, insects, and archeology. Students enjoy a sack lunch in the camping area or near the lake's edge before returning



*Yellow Dog Park Boat Ramp Maintenance*

the past 15 years this division has specifically been operating and maintaining Haley's Ferry, Ragtown, East Hamilton, Indian Mounds, Lakeview and Willow Oak Recreation Areas which are located in Shelby and Sabine Counties. PRD employees maintain about 200 acres which includes five boat ramps, 90 campsites, six restroom buildings, many miles of roads, two hiking trails, two water



*Trimming Grass at Ragtown Recreation Area*

park have been opened year-round instead of closing during the winter. Water systems have received significant improvements and buildings, grounds, amenities and trails have been improved by routine maintenance.

The annual Walk in the Forest was a success again this year. The fifth grade students and teachers love to get out of the classroom for a walk down the



*Maintenance at Ragtown Recreation Area*

to school. About 140 people attended this year.

Indian Mounds and Lakeview water systems received extra maintenance this year. Exterior building doors were replaced with



*Mowing Park Road Right-of-Way*



# PARKS AND RECREATION DIVISION



*Annual Walk in the Forest Education Program at Ragtown*

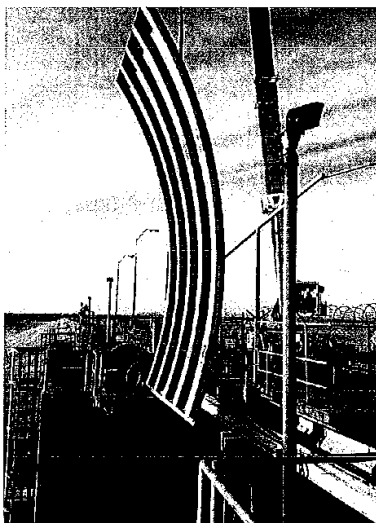
new commercial doors. Indian Mounds pumps received refurbishing work. The TCEQ inspected both water systems during this fiscal year.

Other routine but notable projects accomplished included meeting with the USFS about maintenance and reconditioning plans (especially at Willow Oak), decommissioning work in Indian Mounds as required by the USFS, replacing numerous lantern posts in camping areas, and repainting numerous campground signs. ♣

# LAKE FORK DIVISION

**THE LAKE FORK DIVISION** of the Sabine River Authority of Texas has been responsible for the operation and maintenance of Lake Fork Dam and Reservoir for 34 years. Final closure of the dam was made in 1980 and the reservoir reached full conservation pool, 403' MSL, in 1985.

Lake Fork Reservoir provides raw water for numerous municipal and industrial customers. The full storage capacity of the reservoir is 675,819 acre feet of water, with an annual dependable yield of 188,660 acre feet. Bright Star-Salem Special Utility District, the City of Quitman, and the City of Dallas have pump stations on the reservoir. Downstream customers include the City of Longview, the City of Kilgore, the City of Henderson, and Texas Eastman. These customers receive their water from the Authority by way of releases made through the spillway, and pump their released water from



*Tainter Gate Face Plate Section Installation*

the river at TCEQ-licensed diversion points.

Lake Fork Dam has a controlled spillway with five new tainter gates.

The gates were fabricated and installed at the recommendation of engineers to replace the original Cor-Ten™ steel gates which had reached the end of their life due to metal loss and corrosion. Installation of the new gates was completed by contractors in July 2014. The new gates were constructed with cathodic protection and were protected with an epoxy

**Tom Pegues**

*Lake Fork  
Division Manager*



improved aeration, sludge digestion, and sludge disposal, and increased the plant's overall efficiency. The maintenance crew also continued to work to improve the buoy program on the reservoir this year. As reservoir levels fluctuated, continuous efforts were required to keep the boat lanes free from obstructions by adjusting buoys and



*Staff at the Lake Fork Division*

coating to resist corrosion.

The Lake Fork Division has a total of twelve employees. Lake Fork Division personnel are tasked with managing approximately 315 miles of shoreline in addition to maintaining the dam and spillway. Maintenance and operations personnel handle a wide variety of tasks every year on the dam, reservoir, and surrounding lands. The maintenance crew completed a major renovation to the Lake Fork Waste Water Treatment Plant this year. Welding and plumbing repairs

removing obstacles as they were found.

The Toyota Texas Bass Classic fishing tournament, benefiting the Texas Parks and Wildlife Department, returned to Lake Fork Reservoir in May of 2014. The tournament featured 50 of the fishing world's top anglers competing for cash and prizes. It was a world-class event, with record setting catches. The previous record for a three-day tour level event was set in 2000 with 83 pounds, 5 ounces (15 fish). That

# LAKE FORK DIVISION

record was broken on Lake Fork this year by eight of the contestants, with tournament winner Keith Combs three-day weight of 110 pounds shattering the old record by over 26 pounds. While the fishing was fantastic, the event also featured premier country music acts including Pat Green, Little Big Town, and Justin Moore. Approximately thirty thousand people attended the three-day event which was held on the grounds at the Lake Fork Division Office. The Toyota Texas Bass Classic has donated over \$2 million to the Texas Parks and Wildlife Department since its beginning on Lake Fork Reservoir in 2007.

The Sabine River Authority has been delegated administrative oversight of all septic systems adjacent to each of the Authority's reservoirs.

The Lake Fork Division reviews all plans for new septic systems, and investigates complaints on malfunctioning systems around the reservoir. The Lake Fork Division staff works with homeowners to ensure that all septic systems function properly to protect human health and water quality. In FY-14 the Lake Fork Division issued 51



*Crowd Enjoys the Concert During the Texas Toyota Bass Classic*

licenses for on-site sewage disposal and resolved eight complaints. Another aspect of managing the floodplain around Lake Fork Reservoir includes oversight and administration of 1,717 Private Limited Use Permits, 45 Commercial Limited Use Permits, and 106 Grazing Permits. These permits allow adjoining land owners access to the reservoir and surrounding Authority lands for those uses.

The Lake Fork spillway was silent for the fourth year in a row in FY-14. Despite nearly average rainfall totals, the drought continued and the reservoir failed to reach full pool again. The average rainfall for the Lake Fork area is approximately 48 inches per year. In the twelve months of FY-14, 44.18 inches of rainfall was recorded at the Lake Fork Dam, compared to 33.12 inches in FY-13 and 50.17 inches in FY-12. The highest and lowest reservoir elevations in FY-14 were 400.01' MSL on May 14th, 2014, and 396.77' MSL on September 19th, 2013. 🇺🇸



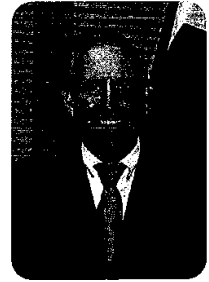
*Sunset Over the Texas Toyota Texas Bass Classic at the Lake Fork Division Grounds*

# IRON BRIDGE DIVISION

**THE IRON BRIDGE DIVISION (IBD)** of the SRA is responsible for the operation and maintenance of Lake Tawakoni. Lake Tawakoni inundates approximately 37,000 acres with about 200 miles of shoreline in Hunt, Rains and Van

through a water supply agreement with the City of Dallas. As part of the agreement, the City of Dallas has contracted rights to eighty percent of the available yield. The Sabine

**Randy Traylor**  
*Iron Bridge  
Division Manager*



*Staff at the Iron Bridge Division*

Zandt Counties. A permit to construct the reservoir was issued in 1955 and it was completed in 1960. The reservoir reached conservation pool elevation of 437.5' MSL in October of 1965. The 480 foot concrete ogee spillway is located in Van Zandt County and the 5.5 mile long earthen dam is located in Van Zandt and Rains Counties.

Constructed as a water supply reservoir, Lake Tawakoni can store approximately 927,440 acre-feet (289 billion gallons) of water at conservation pool elevation. The watershed for the reservoir is 752 square miles and the dependable annual yield of the project is approximately 238,100 acre-feet per year (212 million gallons per day).

Funding for the construction of Lake Tawakoni was made possible

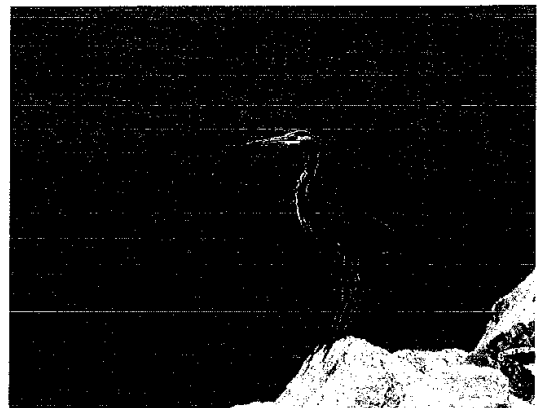
River Authority has the remaining twenty percent of available yield, approximately 47,620 acre feet per year (42.5 million gallons a day), and provides water to a dozen other cities and water supply entities.

The IBD has a total of thirteen employees. IBD administrative personnel are responsible for the oversight and administration of over 1,700 Private Limited Use Permits, 34 Commercial Limited Use Permits and 47 Grazing Permits.

IBD Field Department personnel monitor

instrumentation, such as piezometers and relief wells to ensure the continued safety and reliability of the dam and spillway. They oversee construction applications and other permits related to improvements on Authority property as permitted by the Authority. The Authority also serves as the Authorized Agent for the TCEQ for all On-Site Sewage Facilities within 2,000 feet of the project boundary. In this capacity, IBD Field personnel reviews design information submitted for new systems, make inspections, investigate complaints and works with property owners and local courts as necessary to resolve violations. The IBD issued 28 permits for new OSSF's and worked 25 complaints during FY-14.

IBD M&O personnel are responsible for routine maintenance of Authority facilities, vehicles and equipment. They assist in maintaining buoys and monitoring



*Great Blue Heron Fishing from the Iron Bridge Dam*

# IRON BRIDGE DIVISION

instrumentation. They undertake special construction projects related to the operation of the reservoir, and assist other divisions when their expertise is needed. Continued low lake levels allowed M&O Personnel to perform maintenance and repairs to several boat ramps. These activities allowed the public to access the reservoir at lower lake elevations. As part of an on-going improvement project, a new store and office facility was completed at Wind Point Park along with remodeling of other structures within the park.

The Authority owns and operates wastewater facilities at Tawakoni State Park and Wind Point Park. The wastewater treatment plant at the Tawakoni State Park also serves an adjacent mobile home subdivision (White Deer Landing). IBD personnel submitted a renewal application for the operation of the Wind Point Park wastewater plant to the TCEQ in FY-14. This is the fifth time the permit has been renewed since the permit was originally issued in 1992.

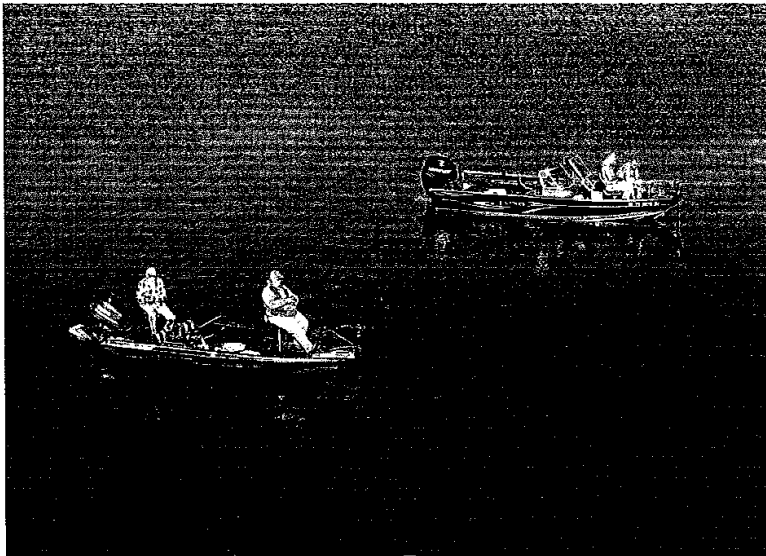


*Jody Jenkins and guide, Michael Littlejohn, With New Record Blue Catfish*

Although Lake Tawakoni is primarily a water supply reservoir, the lake offers great recreational opportunities. It is an excellent fishing lake with largemouth bass, striped bass, hybrid stripers, white bass and crappie, but it is best known for its catfish. Fishing with local guide Michael Littlejohn, Jody

Jenkins caught a new lake record blue catfish weighing 87.5 pounds on 2/15/14. The City of West Tawakoni is known as the Catfish Capitol of Texas. Each year, Lake Tawakoni is the location for multiple catfish tournaments including the Tawakoni Catfish Festival, Tawakoni Noodling Tournament, and the Cabela's King Kat Tournament Trail.

As with the rest of the state, the Lake Tawakoni watershed continued to suffer under a multiyear drought. The reservoir began the fiscal year 8.07 feet low and ended the fiscal year at 10.24 feet below conservation pool elevation. The highest and lowest elevations for Lake Tawakoni in FY-14 were 429.63 MSL on May 15, 2014 and 427.26 MSL on August 31, 2014, respectively. Rainfall for the fiscal year totaled 37.35 inches compared to 32.45 in FY-13 and 38.84 in FY-12. 🇺🇸



*Fishermen, October 2014*



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For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2013**

Executive Director/CEO

# SABINE RIVER AUTHORITY OF TEXAS

For the Years Ended  
August 31, 2014 and 2013

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**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

**Report on the Financial Statements**

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2014 and 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend -- Joint Operation, which represents approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2014, and approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2013. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2014 and 2013 for Toledo Bend -- Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the Authority adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Post-Employment Benefits on pages 4-10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
December 4, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2014 and August 31, 2013, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

### **Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows**

The financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### **Net Position**

The net position of the Authority decreased during 2014 by \$0.4 million or 0.2% while the net position during 2013 decreased by \$1.9 million or 1.1%. Total assets increased during 2014 by \$0.4 million resulting from an increase in cash and cash equivalents and investments which were partially offset by an increase in accumulated depreciation while total assets decreased during 2013 by \$1.5 million. Total liabilities increased during 2014 by \$0.8 million and increased during 2013 by \$0.4 million, or 2.6% and 1.3%, respectively. The increase in total liabilities for 2014 as well as 2013 is the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets decreased by \$1.0 million or 0.5% during 2014 after a decrease of 0.3% for 2013. The decrease in 2014 is the result of the recognition of depreciation expense which is partially offset by the increase in investments. The decrease in 2013 is the result of recognition of depreciation expense which was partially offset by an increase in work in progress.

Current assets increased by \$1.40 million following a decrease of \$.09 million for 2013. The increase in 2014 is mainly attributable to an increase in cash and cash equivalents and investments.

## Financial Highlights

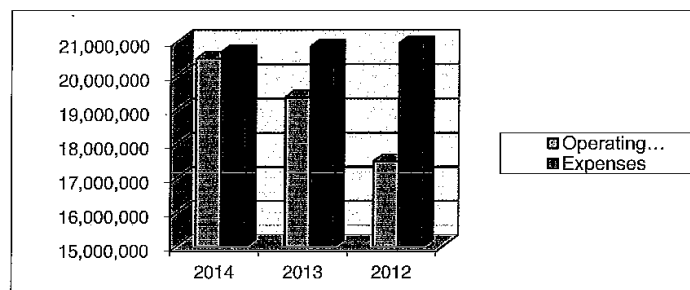
	2014	2013	2012
Current and other assets	\$ 8,012,309	\$ 6,592,130	\$ 7,455,667
Noncurrent assets	31,135,035	30,579,285	30,499,684
Capital assets, net	<u>164,713,703</u>	<u>166,282,311</u>	<u>166,996,673</u>
Total assets	<u>203,861,047</u>	<u>203,453,726</u>	<u>204,952,024</u>
Current liabilities	2,139,730	1,790,922	1,694,333
Noncurrent liabilities	<u>30,374,510</u>	<u>29,907,051</u>	<u>29,602,582</u>
Total liabilities	<u>32,514,240</u>	<u>31,697,973</u>	<u>31,296,915</u>
Net assets:			
Invested in capital assets, net of related debt	143,052,238	143,540,306	143,503,128
Restricted for debt service	800,017	825,016	825,016
Unrestricted	<u>27,494,552</u>	<u>27,390,431</u>	<u>29,326,965</u>
Total net assets	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>	<u>\$ 173,655,109</u>
	Governmental Activities		
	2014	2013	2012
Operating revenues:			
Water sales	\$ 14,493,602	\$ 14,593,165	\$ 12,923,569
Power sales	2,599,284	1,514,146	1,215,429
Wastewater treatment	70,650	46,265	39,934
Permits	986,570	851,074	867,681
Water quality activity	834,104	816,696	756,362
Miscellaneous	864,548	898,904	1,039,279
Reservation fee	<u>651,702</u>	<u>651,702</u>	<u>651,702</u>
Total revenues	<u>20,500,460</u>	<u>19,371,952</u>	<u>17,493,956</u>
Operating expenses:			
Operation and maintenance	17,036,591	17,284,765	17,363,254
Depreciation	<u>3,667,751</u>	<u>3,580,089</u>	<u>3,595,104</u>
Total expenses	<u>20,704,342</u>	<u>20,864,854</u>	<u>20,958,358</u>
Operating income (loss)	<u>( 203,882)</u>	<u>( 1,492,902)</u>	<u>( 3,464,402)</u>
Nonoperating revenues (expenses):			
Grant program	( 77,995)	( 100,000)	( 120,000)
Gain (loss) on disposition of capital assets	( 663)	76	( 6,832)
Bad debt expense	-	( 7,702)	-
Investment income	297,059	134,120	380,266
Interest expense	<u>( 423,465)</u>	<u>( 432,948)</u>	<u>( 441,761)</u>
Total nonoperating revenues (expenses)	<u>( 205,064)</u>	<u>( 406,454)</u>	<u>( 188,327)</u>
Change in net assets	( 408,946)	( 1,899,356)	( 3,652,729)
Net assets - beginning	<u>171,755,753</u>	<u>173,655,109</u>	<u>177,307,838</u>
Net assets - ending	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>	<u>\$ 173,655,109</u>

## Operating Income

Operations for 2014 resulted in a loss of \$0.2 million, while operations in 2013 resulted in a loss of \$1.5 million and 2012 resulted in a loss of \$3.5 million. The loss in 2014 resulted from lower than average power sales due to drought conditions in the Sabine River Basin which affected the lake level at Toledo Bend and the ability to generate hydropower although the drought had less effect in 2014 than in 2013 and 2012. Operating expenses decreased \$0.2 million while operating revenues increased \$1.1 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The increase in operating revenues during 2014 follows an increase of 10.7% during 2013. Water sales decreased slightly and power sales increased for 2014 when compared to 2013. Although power sales increased, drought conditions continued to affect the lake level at Toledo Bend and the ability to generate electricity. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2014, 2013, and 2012. Additionally, miscellaneous income of \$0.9 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are increasing in the basin.

Operating expenses decreased \$0.2 million, a 0.8% decrease following a \$0.08 million, or 0.5% decrease in 2013. While the operating expenses decreased in 2014 and in 2013, no single category of expenses accounted for the differences although the expense recognition of the net obligation for post-employment benefits accounts for the majority of the increase.



## Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

## Significant Capital Assets

Net capital assets decreased from \$166,282,311 to \$164,713,703, a decrease of \$1,568,608. The decrease is primarily the result of the recognition of depreciation expense which is partially offset by an increase in dams and electric plant and a decrease in work in progress. The Authority's projects and a description of each are as follows:

### Gulf Coast Division

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of two horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22-feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.

The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 42.11 million gallons daily (mgd) for 2014 as compared to the 2013 water sales which were 45.80 mgd.

### **Lake Tawakoni**

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2014, 141.32 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 131.03 mgd delivered in 2013.

### **Toledo Bend Reservoir**

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authority for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authority's revenue bonds and constitutes the principal source of income for operation of the project.

The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin. In 2014, water sales from Toledo Bend totaled 4.18 mgd compared to 4.23 mgd in 2013. Water is delivered to two municipalities and three industrial customers.

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## **Lake Fork**

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2014, 28.41 mgd of water was delivered to these customers as compared to 21.79 mgd delivered in 2013.

## **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with State regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2014, Environmental Services Division performed 65,322 tests which is a decrease from the 66,721 tests performed in 2013.

For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the Notes to Financial Statements.

## **Long-term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2014 and 2013 were \$922,091 and \$913,540, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the long-term liabilities section in Note 3 of the notes to financial statements as well as the supplementary information which follows the notes to financial statements.

## **Restricted Assets**

The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, restricted funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.

## **Change in Financial Position**

The net position for the Authority has decreased from 2013 to 2014 and from 2012 to 2013. Total operating revenues increased from 2013 to 2014 and increased from 2012 to 2013.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

## **Requests for Information**

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409-746-2192.

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF NET POSITION**

**AUGUST 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,878,010	\$ 3,451,672
Investments	1,463,726	986,073
Accounts receivable	1,302,946	1,797,600
Accrued interest receivable	113,935	106,869
Other current assets	<u>253,692</u>	<u>249,916</u>
Total current assets	<u>8,012,309</u>	<u>6,592,130</u>
Noncurrent assets:		
Restricted cash and cash equivalents	800,017	825,016
Investments	30,335,018	29,754,269
Capital assets:		
Land	54,976,538	54,976,538
Dams and electric plant	132,429,266	128,801,141
Water and pumping plant	30,280,360	30,280,360
Buildings	8,789,501	8,798,596
Equipment	8,068,291	8,173,604
Work in progress	7,750,047	9,318,169
Less: accumulated depreciation	<u>( 77,580,300)</u>	<u>( 74,066,097)</u>
Net capital assets	164,713,703	166,282,311
Total noncurrent assets	<u>195,848,738</u>	<u>196,861,596</u>
Total assets	<u>203,861,047</u>	<u>203,453,726</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,656,798	1,311,530
Current portion of long-term liabilities	318,449	312,000
Accrued liabilities	125,000	125,000
Other payables	<u>39,483</u>	<u>42,392</u>
Total current liabilities	<u>2,139,730</u>	<u>1,790,922</u>
Noncurrent liabilities:		
Texas Water Development Board loan	21,501,465	22,430,005
Net obligation for post-employment benefits	8,397,696	6,986,762
Compensated absences	475,349	484,409
Unearned revenue	<u>-</u>	<u>5,875</u>
Total noncurrent liabilities	<u>30,374,510</u>	<u>29,907,051</u>
Total liabilities	<u>32,514,240</u>	<u>31,697,973</u>
<b>NET POSITION</b>		
Net investment in capital assets	143,052,238	143,540,306
Restricted for debt service	800,017	825,016
Unrestricted	<u>27,494,552</u>	<u>27,390,431</u>
Total net position	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>

**The accompanying notes are an integral part of these financial statements.**



**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 14,493,602	\$ 14,593,165
Power sales	2,599,284	1,514,146
Wastewater treatment	70,650	46,265
Permits	986,570	851,074
Water quality activity	834,104	816,696
Miscellaneous	864,548	898,904
Reservation fee	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>20,500,460</u>	<u>19,371,952</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	17,036,591	17,284,765
Depreciation	<u>3,667,751</u>	<u>3,580,089</u>
Total operating expenses	<u>20,704,342</u>	<u>20,864,854</u>
<b>OPERATING INCOME (LOSS)</b>	( 203,882)	( 1,492,902)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant program	( 77,995)	( 100,000)
Gain/(loss) from disposition of capital assets	( 663)	76
Bad debt expense	-	( 7,702)
Investment income	297,059	134,120
Interest expense	<u>( 423,465)</u>	<u>( 432,948)</u>
Total nonoperating revenues (expenses)	<u>( 205,064)</u>	<u>( 406,454)</u>
<b>CHANGE IN NET POSITION</b>	( 408,946)	( 1,899,356)
<b>TOTAL NET POSITION, BEGINNING</b>	<u>171,755,753</u>	<u>173,655,109</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>

**The accompanying notes are an integral part of these financial statements.**

**SABINE RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 20,120,915	\$ 17,803,061
Payments to suppliers	( 8,835,483)	( 9,342,312)
Payments to employees	( 6,456,875)	( 6,613,277)
Other receipts	864,548	898,904
Net cash provided by operating activities	5,693,105	2,746,376
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	( 5,166,787)	( 2,870,631)
Disposal of capital assets	3,066,981	4,980
Principal paid on capital debt	( 922,091)	( 913,540)
Interest paid on capital debt	( 423,465)	( 432,948)
Grants	( 77,995)	( 100,000)
Net cash used by capital and related financing activities	( 3,523,357)	( 4,312,139)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (sell of) investments, net	( 1,058,402)	365,139
Interest received	289,993	193,100
Payments received on notes receivable	-	( 7,702)
Net cash provided (used) by investing activities	( 768,409)	550,537
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	1,401,339	( 1,015,226)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>		
	4,276,688	5,291,914
<b>CASH AND CASH EQUIVALENTS, ENDING</b>		
	\$ 5,678,027	\$ 4,276,688
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$( 203,882)	\$( 1,492,902)
Noncash items included in operating income:		
Depreciation	3,667,751	3,580,089
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	494,654	( 644,543)
(Increase) decrease in other assets	( 3,776)	( 10,866)
Increase (decrease) in unearned revenue	( 5,875)	( 14,578)
Increase (decrease) in accounts payable	345,268	( 66,812)
Increase (decrease) in accrued and other liabilities	( 2,909)	( 3,599)
Increase (decrease) in compensated absences	( 9,060)	7,062
Increase in net obligation for post-employment benefits	1,410,934	1,392,525
Net cash provided by operating activities	\$ 5,693,105	\$ 2,746,376
<b>NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES</b>		
(Loss) gain from disposition of assets	\$( 663)	\$ 76

**The accompanying notes are an integral part of these financial statements.**

# SABINE RIVER AUTHORITY OF TEXAS

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sabine River Authority of Texas ("Authority") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

#### Reporting Entity

The Sabine River Authority of Texas was created in 1949, pursuant to Vernon's Annotated Civil Statutes Article 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59 of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. Responsibilities of the Authority include municipal, industrial and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; and recreation facilities.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of 21 counties in the Sabine Basin and is administered by a 9-member Board of Directors appointed by the Governor to 6-year staggered terms. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

#### Fund Financial Statements

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

#### Basis of Accounting

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows associated with the operation of this fund are included on the Statement of Net Position. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, power sales, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

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**Assets, Deferred Outflows (Inflows) of Resources, Liabilities and Net Position**

**Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

**Investments**

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. Investments in TexPool are stated at cost which approximates fair value. The change in the difference between fair value and cost of investments is reported as a component of investment income. All investments are in accordance with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

**Accounts Receivable**

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

**Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50 - 5.00%
Buildings	2.00 - 5.00%
Equipment	4.00 - 20.00%

The Authority capitalizes interest on major construction projects.

**Restricted Assets**

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

**Sick Leave and Vacation**

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority does not have any items that qualify for reporting in either of the above categories in the current fiscal year.

#### Subsequent Events

Management has evaluated subsequent events through December 4, 2014, the date the financial statements were available to be used.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgets and Budgetary Accounting

The Authority prepares a budget in accordance with the Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. Appropriate sections of the budget are reviewed by the City of Dallas and the Toledo Bend Project Joint Operations Board.

#### Rates and Regulations

Water rates are established by the Authority's Board of Directors. These contracted rates can be appealed to the Texas Commission on Environmental Quality. On May 16, 2008, the Public Utility Commission of Texas (PUC) approved the Authority's request for registration as a power generation company pursuant to P.U.C. SUBST.R.25.109. As of August 31, 2014 and 2013, the rate was \$0.04384 and \$0.04319, respectively, per KWH.

#### Other Post-employment Benefits

The Authority provides certain health care and insurance benefits to its employees after retirement, and prior to fiscal year 2009, accounted for the benefits in accordance with Government Accounting Standards Board Statement No. 12, *Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Government Employees*. Beginning with the fiscal year ended August 31, 2009, the Authority was required to prospectively adopt Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (see Note 3).

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## 3. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

*Interest Rate Risk.* In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years. Maximum allowable maturity shall be 10 years with the exception of investments made specifically to retire debt.

*Credit Risk.* The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. An Advisory Board reviews the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of the Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of August 31, 2014 and 2013, the Authority had \$13,161 and \$13,156, respectively, invested in TexPool. The weighted average maturity of TexPool as of August 31, 2014 and 2013, was 53 days and 56 days, respectively.

The Board of Directors has authorized the Authority to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds, certificates of deposit, or interest-bearing demand deposits and is stated at fair value.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of August 31, 2014, all of the Authority's \$30,251,320 deposit balances exceeding depository insurance limits were collateralized with securities pledged by the financial institutions in the Authority's name and held in safekeeping by a third party. Fair values of pledged securities are monitored on a monthly basis to assure that they are in excess of 100% of the carrying values.

As of August 31, 2014 and 2013, \$800,016 and \$825,016 of the Authority's deposits was placed in money market funds secured by obligations of the United States therefore the principal and interest are unconditionally guaranteed or insured by the United States and no additional collateralization was required.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority invests primarily in bank issued certificates of deposits. Concentration of investments as of August 31, 2014, is as follows:

Issuer	Description	Amount	Percentage of Total Investments
Texas Bank & Trust	Certificate of deposit	\$ 2,866,000	8.81%
First Financial Bank	Certificate of deposit	16,381,702	50.33%
Mobil Oil Federal Credit Union	Certificate of deposit	3,529,487	10.84%
Community Bank	Certificate of deposit	3,072,032	9.44%
Wyandotte County KS	Bond holding	2,023,353	6.22%
All other under 5%	Various	<u>4,676,379</u>	<u>14.37%</u>
Total		<u>\$ 32,548,953</u>	<u>100.00%</u>

## Capital Assets

Capital assets activity for the year ended August 31, 2014, was as follows:

	Balance 08/31/13	Increases	Decreases	Balance 08/31/14
<b>Capital assets, not being depreciated:</b>				
Land	\$ 54,976,538	\$ -	\$ -	\$ 54,976,538
Work in progress	9,318,169	1,494,281	(3,062,403)	7,750,047
Total capital assets not being depreciated	64,294,707	1,494,281	(3,062,403)	62,726,585
<b>Capital assets, being depreciated:</b>				
Dams and electric plant	128,801,141	3,628,125	-	132,429,266
Water and pumping plant	30,280,360	-	-	30,280,360
Buildings	8,798,596	-	(9,095)	8,789,501
Equipment	8,173,604	44,381	(149,694)	8,068,291
Total capital assets being depreciated	176,053,701	3,672,506	(158,789)	179,567,418
<b>Less: accumulated depreciated for:</b>				
Dams and electric plant	57,082,622	2,090,713	-	59,173,335
Water and pumping plant	4,704,804	904,908	-	5,609,712
Buildings	5,508,725	240,921	(4,002)	5,745,644
Equipment	6,769,946	431,210	(149,547)	7,051,609
Total capital assets being depreciated	74,066,097	3,667,752	(153,549)	77,580,300
Total capital assets being depreciated, net	101,987,604	4,754	(5,240)	101,987,118
Total capital assets	\$ 166,282,311	\$ 1,499,035	\$(3,067,643)	\$ 164,713,703

## Self-insurance

The Authority has established a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of the Authority's employees and their covered dependents, and to minimize the total cost of medical insurance. Cost incurred to provide this plan was \$1,569,140 and \$1,508,128 for the years ended August 31, 2014 and 2013, respectively. Medical claims exceeding \$1,856,082, and \$1,807,697 for 2014 and 2013, respectively, for the group, or \$60,000 per covered individual, were covered through a commercial insurance carrier. The maximum amount of coverage offered through the commercial insurance carrier is \$2,000,000 for a specific incident or \$2,000,000 in the aggregate. The Authority has not exceeded its insurance coverage in the last three years.

Governmental Accounting Standards Board, Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Management has estimated this liability to be \$125,000. As required by this statement, a reconciliation of claims liabilities is shown below:

Reconciliations of Claims Liabilities		
	2014	2013
Claims on liabilities at September 1	\$ 125,000	\$ 125,000
Incurred claims	1,569,140	1,508,128
Payments on claims	(1,569,140)	(1,508,128)
Claims on liabilities at August 31	\$ 125,000	\$ 125,000

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## Employee Benefits

### **Pension Plan**

The Authority has created the Sabine River Authority of Texas Employee Retirement Plan (Plan) by conforming to the requirements of Section 401(a) of the Internal Revenue Code for the exclusive use and benefit of the permanent employees of the Authority and their beneficiaries. The Plan is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984; and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification. The Plan is authorized by Article 8280-133 of Vernon's Texas Civil Statutes as amended. It is a defined contribution pension plan, whereby the Authority contributes an amount equal to 15% of the employees' compensation which is within the limitations as set out in Section 415(c) of the Internal Revenue Code. Fulltime employees, after one year of service, are enrolled in the retirement plan, and the employees are fully vested after seven years. Benefits are based on the amounts accumulated from such contributions. At August 31, 2014, there were 125 plan members consisting of 100 active employees, 15 retirees and 10 inactive. At August 31, 2013, there were 128 plan members consisting of 103 active employees, 15 retirees and 10 inactive. Retirement contribution costs for the current year and two preceding years are as follows:

	<u>Employer Contributions Required</u>	<u>Employer Contributions Made</u>	<u>Percentage of Contributions Made</u>
2014	\$ 1,056,671	\$ 1,056,671	100%
2013	1,054,439	1,054,439	100%
2012	1,025,465	1,025,465	100%

Voluntary employee contributions totaled \$78,910 and \$86,712 for the years ended August 31, 2014 and 2013, respectively.

Retirement contributions are deposited into each employee's individual account at ICMA-RC (International City/County Management Association-Retirement Corporation). ICMA-RC is a not-for-profit corporation that assists in the establishment and maintenance of retirement plans exclusively for State and Local government employees. Through ICMA-RC, each employee manages and invests the funds in their individual accounts.



The total assets in the plan as of August 31, 2014, are \$35,503,986. The asset allocation breakdown is as follows:

FUND	Percentage Invested	Fund Balance
VT Calvert Equity Portfolio	<1%	\$ 179,047
VT Invesco Diversified Div	<1%	231,102
VT AMG Times Square Mid Cap	<1%	274,935
VT Fidelity Puritan	1.14%	405,628
VT Cash Management	<1%	137,017
VT PIMCO High Yield	<1%	322,168
Vantage Broker	<1%	154,167
VT Vantagepoint Milestone 2015	<1%	123,553
VT Vantagepoint Milestone 2040	<1%	200,877
Vantagepoint Milestone Ret Inc	<1%	186,287
VT Vantagepoint Infltn Focused	<1%	210,882
VT AllianzGI NFJ Div Value	<1%	281,286
VT Vantagepoint MP Trad Growth	<1%	233,722
VT Fidelity Diversified Intl	1.39%	494,751
VT T Rowe Price Growth Stock	1.53%	542,032
VT Vantagepoint Milestone 2010	<1%	250,291
VT Vantagepoint Milestone 2020	1.04%	370,701
VT Nuveen Real Estate Secs	1.37%	488,025
VT Vantagepoint Milestone 2025	1.12%	397,061
Vantagepoint Select Value	<1%	225,285
VT Vantagepoint International	<1%	252,040
VT Vantagepoint Overseas Eq Idx	1.54%	548,323
VT Vantagepoint Cor Bnd Idx	1.55%	550,156
Vantagepoint Growth & Income	1.66%	588,418
VT Vantagepoint Milestone 2030	1.90%	674,372
VT Vantagepoint Md/Sm Co Idx	2.66%	945,124
VT Retirement Income Advantage	6.28%	2,228,666
VT Vantagepoint 500 Stk Idx	1.56%	552,167
Vantagepoint MP All-Eqty Grwth	2.07%	734,888
VT PIMCO Total Return	2.25%	798,887
VT Fidelity Contrafund	2.37%	842,740
VT Vantagepoint MP Lng-Trm Gr	2.97%	1,054,700
VT Vantagepoint Brd Mkt Idx	3.34%	1,186,243
Vantagepoint Equity Income	4.85%	1,720,307
Vantagepoint Aggressive Ops	5.99%	2,125,203
VT Vantagepoint Growth	7.13%	2,532,136
Vantage Trust PLUS Fund	32.95%	11,698,338
Other Funds w/ less than \$100,000 ( 45 funds)	2.15%	762,461
<b>TOTAL ALL FUNDS</b>		<b>\$ 35,503,986</b>

## Other Post-employment Benefits

### **Plan Description and Funding Policy**

In addition to providing pension benefits, the Authority provides post-employment health care benefits, in accordance with federal and state statutes and Board resolution, to employees who attain retirement status. Fulltime employees hired before January 1, 2003 are eligible to receive retiree health care benefits upon reaching retirement status. Employees hired after January 1, 2003, are not eligible for post-employment health benefits. Employees are eligible for retirement status at age 65 or they may also attain early retirement status prior to age 65 provided that for each year of age prior to age 65, the employee shall have completed one year of service such that the employee's age plus years of service must equal 80. The Plan is a defined benefit plan and the cost for each employee is paid on a "pay-as-you-go" basis. The Authority pays the health care costs under its medical self-insurance plan described in Note 3. At August 31, 2014 and 2013, respectively, there were 32 and 29 active employees meeting these eligibility requirements who could elect to retire. During the fiscal years ended August 31, 2014 and 2013, respectively, 40 and 41 qualified retirees received these benefits. The Plan's provisions and funding requirements are established and can be amended by the management of the Authority. The plan is a single employer plan.

### **Annual OPEB Cost and Net OPEB Obligation**

During the fiscal year ended August 31, 2010, the Authority implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. The implementation was prospective, meaning there was a zero net OPEB obligation at transition. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 1,980,761
Interest on net OPEB obligation	314,404
Adjustment to annual required contribution	( 419,557)
Annual OPEB cost (expense)	1,875,608
Contributions made	( 464,674)
Increase in net OPEB obligation	1,410,934
Net OPEB obligation, beginning of year	<u>6,986,762</u>
Net OPEB obligation, end of year	<u>\$ 8,397,696</u>

The Authority's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended August 31, 2014 and 2013, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
August 31, 2014	\$ 1,875,608	24.8%	\$ 8,397,696
August 31, 2013	1,777,457	21.7%	6,986,762
August 31, 2012	1,798,280	23.1%	5,594,237

The Authority is only required to obtain a complete actuarial evaluation every three years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last evaluation. The actuarial accrued liability for benefits was \$23,077,640, and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$23,077,640. The covered payroll (annual payroll of active employees covered by the plan) was \$5,013,830 and the ratio of the UAAL to the covered payroll was 460.28%. Refer to Required Supplementary Information.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. Additional information as of the latest actuarial valuation follows:

Valuation date	August 31, 2014	August 31, 2013
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar amortization	Level dollar amortization
Remaining amortization period	30 years - open amortization	30 years - open amortization
Asset valuation	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.50%	4.50%
Salary scale	3.0%	3.0%
Health care cost trend rate	7% initial 4.25% ultimate	9% initial 4.50% ultimate

#### Long-term Liabilities

Outstanding long-term liabilities consist of the following (in thousands):

	Date of Issue	Date of Maturity	Interest Rates	Original Amount	Outstanding Balance 08/31/13	Added	Retired	Outstanding Balance 08/31/14	Current Portion
Facilities:									
TWDB Loans:									
Series 1964	1964	2034	6.54%	15,000	\$ 22,580	\$ -	\$ 919	\$ 21,661	\$ 160
Compensated									
Absences:									
Vacation pay	-	-	-	-	646	420	432	634	158
Subtotal long-term									
liabilities					23,226	\$ 420	\$ 1,351	22,295	\$ 318
Less:									
Current portion					312			318	
Net long-term									
liabilities					\$ 22,914			\$ 21,977	

The Texas Water Development Board Series 1964 total amount outstanding at August 31, 2014, of \$21,661,465 includes \$6,325,000 of principal and \$15,336,465 of deferred interest.

Future debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 160,000	\$ 1,182,195	\$ 1,342,195
2016	175,000	1,171,731	1,346,731
2017	185,000	1,160,286	1,345,286
2018	195,000	1,148,187	1,343,187
2019	210,000	1,135,434	1,345,434
2020-2024	1,270,000	5,452,521	6,722,521
2025-2029	1,740,000	4,980,333	6,720,333
2030-2034	<u>2,390,000</u>	<u>4,297,557</u>	<u>6,687,557</u>
Total	<u>\$ 6,325,000</u>	<u>\$ 20,528,244</u>	<u>\$ 26,853,244</u>

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service. The required accounts have been established on the books of the Authority and are reported as restricted assets in the financial statements.

#### **Texas Water Development Board Loan**

On December 2, 1994, the Authority entered into a revised agreement with the Texas Water Development Board (TWDB) regarding the state's ownership rights at the Toledo Bend Reservoir. The Authority made a principal payment of \$6,430,186 on December 28, 1994, and received a revised interest rate of 3.6% from April 16, 1964 through December 28, 1994. This reduction in the interest rate resulted in a reduction of \$11,683,809 of interest payable to TWDB. The reduction of accrued interest was a noncash transaction. The interest rate is 6.54% on the remaining \$6,620,000 in principal.

The Authority owes \$6,325,000 of principal and \$15,336,465 of interest at August 31, 2014, related to the state's 21.6075% ownership of the water storage rights at the Toledo Bend Reservoir. The following recaps the payments made on the debt:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
November 8, 1974	\$ 475,000	\$ -
November 21, 1975	94,815	-
August 20, 1987	500,000	-
March 17, 1988	500,000	-
December 28, 1994	6,430,186	-
July 11, 1996	-	217,000
July 11, 1997	-	217,000
July 1, 1998	-	217,000
June 7, 1999	-	217,000
June 29, 2000	-	217,000
June 18, 2001	-	217,000
June 26, 2002	-	217,000
June 25, 2003	-	217,000
June 24, 2004	-	217,000
June 27, 2005	-	217,000
June 27, 2006	-	217,000
June 25, 2007	-	217,000
June 25, 2008	-	217,000
June 25, 2009	-	217,000
June 25, 2010	120,000	1,226,340
June 25, 2011	125,000	1,218,492
June 25, 2012	135,000	1,210,317
June 25, 2013	150,000	1,201,488
June 25, 2014	150,000	1,192,005

#### **Commitments and Contingencies**

Public law 98-581 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the term of the license to operate the Toledo Bend Joint Project (Project). The waiver is contingent upon FERC determining that the power from the Project is sold to the public without profit. All exemptions applied for through December 31, 2013, have been approved. On August 29, 2014, FERC issued a new 50 year license for the Project.

The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority.

**Pollution Control Bonds**

In conformity with the State of Texas Auditors' Report dated October 6, 1986, Pollution Control Bonds have been removed from the statement of net position and are disclosed instead in the notes to financial statements. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2014
Texas Utilities Electric Company:						
Series 2000A - Construction of solid waste disposal facility at the Martin Lake Station in Rusk County	2000	2021	6.45%	\$ 51,000,000	\$ -	\$ 51,000,000
Series 2001A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2022	15.0%	91,460,000	-	91,460,000
Series 2001B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2030	15.0%	106,900,000	-	106,900,000
Series 2001C - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2028	5.20%	70,000,000	-	70,000,000
Series 2003A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	5.80%	12,390,000	-	12,390,000
Series 2003B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	6.15% (variable)	44,615,000	-	44,615,000
American Electric Power:						
Series 2006 - Construction and improvements of air and water pollution control including solid waste disposal facilities at the generating plant in Harrison County, Texas	2006	2018	4.95%	81,700,000	-	81,700,000
Totals				<u>\$ 458,065,000</u>	<u>\$ -</u>	<u>\$ 458,065,000</u>

### Industrial Revenue Bonds

The Sabine River Industrial Development Authority is a separate entity created and governed by the Sabine River Authority of Texas. A separate audit is performed and is available upon request. The Sabine River Authority of Texas is not liable for any of this debt.

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2014
Northeast Texas Electric Cooperative, Inc.						
Series 1984 Q - Improvement of the						
pollution control facilities at the plant						
in Harrison County, Texas						
	1984	2014	5.75 (variable)	\$ <u>6,650,000</u>	\$ <u>6,650,000</u>	\$ <u>-</u>
Totals				\$ <u>6,650,000</u>	\$ <u>6,650,000</u>	\$ <u>-</u>

### Concentrations

During the years ended August 31, 2014 and 2013, respectively, approximately 45% and 47% of water sales were to Dallas Water Utilities. The agreement for water sales for Lake Tawakoni is in perpetuity while the Lake Fork agreement remains in effect until 2014.

### Joint Operations

The Authority has a 50% interest in the Toledo Bend Project Joint Operation (TBPJO). The TBPJO is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority in 1955. TBPJO was formed for the purpose of constructing the dam, reservoir, structures, and hydroelectric generating station at Toledo Bend Reservoir. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority. Sabine River Authority of Texas is responsible for administration of the reservoir and the Texas shoreline. Sabine River Authority of Louisiana is responsible for engineering aspects and the Louisiana shoreline.

The Authority's investment in the net position of the TBPJO is reflected on the Authority's financial statements as capital assets and investments. Capital contributions are made by the Authority to TBPJO to cover operating costs; the contributions are reflected on the Authority's financial statements as operating expenses.

The audited financial statements of TBPJO are on file at the administrative offices of Sabine River Authority of Texas.

**SABINE RIVER AUTHORITY OF TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS**

**AUGUST 31, 2014**

<u>Fiscal Year Ended</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liabilities (AAL)</u> (b)	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/c
August 31, 2009	\$ -	\$ 21,743,485	\$ 21,743,485	- %	\$ 5,604,136	387.99%
August 31, 2010	-	21,743,485	21,743,485	- %	5,585,890	389.26%
August 31, 2011	-	20,289,694	20,289,694	- %	5,679,542	357.24%
August 31, 2012	-	20,289,694	20,289,694	- %	5,202,016	390.04%
August 31, 2013	-	20,289,694	20,289,694	- %	5,141,494	394.63%
August 31, 2014	-	23,077,640	23,077,640	- %	5,013,830	460.28%

GASB 45 was implemented prospectively in fiscal year August 31, 2009. Actuarial information and annual OPEB costs are not available prior to that time. See Note 3 for frequency of actuarial valuations and other conditions.



**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF AMORTIZATION OF  
TEXAS WATER DEVELOPMENT BOARD LOAN**

**AUGUST 31, 2014**

Principal Balance Financed \$7,000,000

Fiscal Year	Interest Receivable	Principal Payment	Interest Payment	Total Payment	Total Debt Service	Deferred	Adjusted Payment
2015	\$ 631,690	\$ 160,000	\$ 413,655	\$ 573,655	\$ 1,205,345	\$ 136,850	\$ 1,342,195
2016	631,690	175,000	403,191	578,191	1,209,881	136,850	1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 12,633,800</u>	<u>\$ 6,325,000</u>	<u>\$ 5,191,779</u>	<u>\$ 11,516,779</u>	<u>\$ 24,150,579</u>	<u>\$ 2,702,665</u>	<u>\$ 26,853,244</u>

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF INSURANCE IN FORCE**

**AUGUST 31, 2014  
(UNAUDITED)**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Texas Water Conservation Association Risk Management Fund	022	07/01/14 - 07/01/15	General liability	\$ 1,000,000	\$ 20,828
Texas Water Conservation Association Risk Management Fund	022	07/01/14 - 07/01/15	Automobile liability	1,000,000	27,327
Texas Water Conservation Association Risk Management Fund	022	07/01/14 - 07/01/15	Auto physical damage	Scheduled	13,843
Texas Water Conservation Association Risk Management Fund	022	07/01/14 - 07/01/15	Property	10,729,187	23,937
Texas Water Conservation Association Risk Management Fund	022	07/01/14 - 07/01/15	Errors and omissions	1,000,000	18,593
Texas Water Conservation Association Risk Management Fund	022	07/01/14 - 07/01/15	Excess liability	9,000,000	15,980
Zurich American Insurance Company	GTU6548008-00	07/01/12 - 07/01/15	Travel accident	500,000	950 (YR)
Travelers Casualty Insurance Company	105815971	07/01/12 - 07/01/15	Crime/employee dishonesty	1,000,000	1,650 (YR)
Travelers Casualty & Surety Co.	105648039	07/01/14 - 07/01/15	Blanket public official bond	1,000	100
Liberty Mutual National 50% Ace American 25% National Union Fire Insurance (Chartis) 25%	3LA106680013 EUTN09162458 64588780	07/01/14 - 07/01/15	Commercial property All property policies Includes terrorism 6/30/14 - 6/30/15	Scheduled	10,572
Travelers Lloyd's Insurance Company	QT660272D7866	07/01/14 - 07/01/15	Lake Fork dam, watercraft, radio tower, and base station, and Kilgore/Henderson Weir	Scheduled	170,650
Deep East Texas Worker's Compensation Insurance Fund	76-134	07/01/97 - (Until Canceled)	Worker's compensation	500,000	32,766
					\$ <u>337,196</u>

**SABINE RIVER AUTHORITY OF TEXAS**

TABLE 1

**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Primary government:</b>										
Net investment in capital assets	\$ 123,837,332	\$ 123,150,281	\$ 122,749,783	\$ 122,623,992	\$ 121,806,366	\$ 121,968,213	\$ 144,580,865	\$ 143,503,128	\$ 143,540,306	\$ 143,052,238
Restricted	1,569,997	1,539,861	1,772,417	1,567,308	847,680	847,586	846,350	825,016	825,016	800,017
Unrestricted	29,922,837	29,385,590	30,496,191	33,779,454	33,823,504	34,879,808	31,880,623	29,326,965	27,390,431	27,494,552
<b>Total primary government net assets</b>	<b>\$ 155,330,166</b>	<b>\$ 154,075,732</b>	<b>\$ 155,018,391</b>	<b>\$ 157,970,754</b>	<b>\$ 156,477,550</b>	<b>\$ 157,695,607</b>	<b>\$ 177,307,838</b>	<b>\$ 173,655,109</b>	<b>\$ 171,755,753</b>	<b>\$ 171,346,807</b>

TABLE 2

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) Before Capital Contributions	Extraordinary Items/ Capital Contributions	Change in Net Assets
2005	\$ 22,313,289	\$ 15,836,411	\$ 6,476,878	\$ 2,758	\$ 6,479,636	\$ 1,530,825	\$ 8,010,461
2006	14,217,919	15,706,297	( 1,488,378)	233,302	( 1,255,076)	642	( 1,254,434)
2007	17,343,853	17,224,675	119,178	814,105	933,283	9,376	942,659
2008	18,645,877	17,643,179	1,002,698	1,669,945	2,672,643	79,720	2,752,363
2009	18,931,509	20,264,696	( 1,333,187)	39,983	( 1,293,204)	-	( 1,293,204)
2010	21,874,597	20,575,593	1,299,004	( 80,947)	1,218,057	-	1,218,057
2011	18,271,927	21,802,675	( 3,530,748)	( 1,328,653)	( 4,859,401)	24,471,632	19,612,231
2012	17,493,956	20,958,358	( 3,464,402)	( 188,327)	( 3,652,729)	-	( 3,652,729)
2013	19,371,952	20,864,854	( 1,492,902)	( 406,454)	( 1,899,356)	-	( 1,899,356)
2014	20,500,460	20,704,342	( 203,882)	( 205,064)	( 408,946)	-	( 408,946)

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 3

**OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Water Sales	Power Sales	Wastewater Treatment	Permits	Water Quality Activity	Miscellaneous	Bond Issue Fees	Reservation Fee	Total
2005	\$ 17,611,681	\$ 2,890,944	\$ 72,301	\$ 614,855	\$ 779,081	\$ 344,427	\$ -	\$ -	\$ 22,313,289
2006	10,488,136	721,340	81,273	760,795	741,983	364,190	408,500	651,702	14,217,919
2007	11,495,394	2,528,598	52,994	750,935	725,362	625,468	513,400	651,702	17,343,853
2008	11,884,812	3,772,516	58,189	794,681	747,972	736,005	-	651,702	18,645,877
2009	13,350,041	2,620,794	52,763	816,363	759,787	680,059	-	651,702	18,931,509
2010	12,924,928	6,018,152	50,411	810,474	823,269	595,661	-	651,702	21,874,597
2011	13,968,823	557,506	47,353	840,931	844,315	1,361,197	-	651,702	18,271,827
2012	12,923,569	1,215,429	39,934	867,681	756,362	1,039,279	-	651,702	17,493,956
2013	14,593,165	1,514,146	46,265	851,074	816,696	898,904	-	651,702	19,371,952
2014	14,493,602	2,599,284	70,650	986,570	834,104	864,548	-	651,702	20,500,460

TABLE 4

**OPERATING EXPENSES  
LAST TEN FISCAL YEARS**

Fiscal Year	Operation and Maintenance	Depreciation	Total Operating Expenses
2005	\$ 12,977,524	\$ 2,858,887	\$ 15,836,411
2006	12,835,203	2,871,094	15,706,297
2007	14,344,378	2,880,297	17,224,675
2008	14,738,525	2,904,654	17,643,179
2009	17,356,286	2,908,410	20,264,696
2010	17,626,268	2,949,325	20,575,593
2011	18,084,046	3,718,629	21,802,675
2012	17,363,254	3,595,104	20,958,358
2013	17,284,765	3,580,089	20,864,854
2014	17,036,591	3,667,751	20,704,342

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 5

**NONOPERATING REVENUES AND EXPENSES**  
LAST TEN FISCAL YEARS

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Grant Program	Capital Asset Impairment Loss	Investment Income	Interest Expense	Bad Debt Expense	Total Nonoperating Revenues (Expenses)
2005	\$ 18,364	\$( 291,144)	\$ -	\$ 751,812	\$( 476,274)	\$ -	\$ 2,758
2006	38,622	( 223,626)	( 40,397)	1,141,571	( 682,868)	-	233,302
2007	( 11,424)	( 130,000)	( 20,146)	1,596,600	( 620,925)	-	814,105
2008	899,264	( 153,000)	-	1,468,162	( 544,481)	-	1,669,945
2009	( 29,924)	( 391,000)	-	946,269	( 485,362)	-	39,983
2010	( 12,257)	( 149,100)	-	555,499	( 475,089)	-	( 80,947)
2011	( 967,005)	( 169,533)	-	482,909	( 458,152)	( 216,872)	( 1,328,653)
2012	( 6,832)	( 120,000)	-	380,266	( 441,761)	-	( 188,327)
2013	76	( 100,000)	-	134,120	( 432,948)	( 7,702)	( 406,454)
2014	( 663)	( 77,995)	-	297,059	( 423,465)	-	( 205,064)

TABLE 6

**WATER SUPPLIED, POWER GENERATED AND LABORATORY TESTS PERFORMED**  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Gulf Coast Division	Lake Tawakoni	Toledo Bend Division	Lake Fork	Total Water Supplied	MWH Hours of Power Generated	Environmental Services Division Tests Performed
2005	41.72	131.65	3.95	18.35	195.67	276,274	72,202
2006	39.75	165.92	4.62	11.52	221.81	70,370	83,066
2007	39.64	127.89	3.77	12.59	183.89	172,956	68,499
2008	42.06	80.44	3.88	5.67	132.05	196,665	65,306
2009	37.99	140.70	2.71	6.98	188.38	136,544	57,211
2010	42.74	37.20	3.32	24.70	107.96	305,027	63,225
2011	43.05	86.68	3.42	38.10	171.25	38,359	68,040
2012	43.75	70.41	4.56	22.62	141.34	60,609	60,755
2013	45.80	131.03	4.23	21.79	202.85	72,499	66,721
2014	42.11	141.32	4.18	28.41	216.02	122,716	65,322

Note: Water supplied is presented in million gallons daily (MGD).

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 7

**NUMBER OF WATER CUSTOMERS AND LABORATORY TESTS PERFORMED BY TYPE**  
**LAST TEN FISCAL YEARS**  
(UNAUDITED)

Fiscal Year	Laboratory Tests Performed					Total	Watershed			Total Tests Performed
	Municipal	Industrial	Irrigation	Other	Other		Industrial	Municipal	Monitoring Program	
2005	22	11	1	3	37	8,984	7,039	32,463	23,716	72,202
2006	22	11	1	3	37	8,665	7,488	40,120	26,793	83,066
2007	22	12	1	3	38	8,412	7,490	29,341	23,256	68,499
2008	22	11	0	4	37	8,621	8,244	24,244	24,197	65,306
2009	22	12	1	3	38	6,419	8,186	23,143	19,463	57,211
2010	22	12	1	3	38	5,662	9,509	23,909	24,145	63,225
2011	22	14	1	3	40	8,081	8,851	24,486	26,622	68,040
2012	22	14	1	3	40	7,124	7,154	23,726	22,751	60,755
2013	23	12	1	4	40	8,327	6,428	26,600	25,366	66,721
2014	24	12	1	4	41	8,253	6,681	24,433	25,955	65,322

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 8**

**FIVE LARGEST CUSTOMERS**

**Current Year and Nine Years Ago**

Customer	FISCAL YEAR 2014			FISCAL YEAR 2013		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 6,580,627	45.40%	1	\$ 6,825,000	46.77%	1
North Texas Municipal Water Dist.	1,213,049	8.37%	2	1,491,168	10.22%	2
International Paper	1,028,505	7.10%	3	915,493	6.27%	3
City of Greenville	905,931	6.25%	4	863,995	5.92%	4
E. I. Dupont DeNemours	892,911	6.16%	5	848,957	5.82%	5
Subtotal (5 largest)	10,621,023	73.28%		10,944,613	75.00%	
Balance from other customers	3,872,579	26.72%		3,648,552	25.00%	
Grand Totals	\$ 14,493,602	100.00%		\$ 14,593,165	100.00%	

Customer	FISCAL YEAR 2012			FISCAL YEAR 2011		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,587,070	43.23%	1	\$ 5,552,885	39.75%	1
North Texas Municipal Water Dist.	1,056,393	8.17%	2	1,186,871	8.50%	2
Inland Orange, Inc.	836,081	6.47%	5	904,842	6.48%	3
City of Greenville	839,509	6.50%	4	839,509	6.01%	4
E. I. Dupont DeNemours	868,305	6.72%	3	734,422	5.26%	5
Subtotal (5 largest)	9,187,358	71.09%		9,218,529	65.99%	
Balance from other customers	3,736,211	28.91%		4,750,394	34.01%	
Grand Totals	\$ 12,923,569	100.00%		\$ 13,968,923	100.00%	

Customer	FISCAL YEAR 2010			FISCAL YEAR 2009		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,480,438	42.40%	1	\$ 5,719,332	42.84%	1
City of Longview	n/a			651,703	4.88%	5
Inland Orange, Inc.	871,879	6.75%	3	767,055	5.75%	4
City of Greenville	863,843	6.68%	4	985,509	7.38%	3
North Texas Municipal Water Dist.	886,961	6.86%	2			2
City of Hemphill	750,006	5.80%	5	n/a		
Subtotal (5 largest)	8,853,127	68.50%		8,123,599	60.85%	
Balance from other customers	4,071,801	31.50%		5,226,442	39.15%	
Grand Totals	\$ 12,924,928	100.00%		\$ 13,350,041	100.00%	

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 8**

**FIVE LARGEST CUSTOMERS  
(Continued)  
Current Year and Nine Years Ago**

Customer	FISCAL YEAR 2008			FISCAL YEAR 2007		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,009,554	42.15%	1	\$ 4,696,527	40.86%	1
E. I. Dupont DeNemours	656,598	5.52%	4	632,954	5.51%	5
City of Longview	651,703	5.48%	5	651,703	5.67%	4
Inland Orange, Inc.	827,568	6.96%	3	703,670	6.12%	3
City of Greenville	985,509	8.29%	2	985,480	8.57%	2
Subtotal (5 largest)	8,130,932	68.41%		7,670,334	66.73%	
Balance from other customers	3,753,880	31.59%		3,825,060	33.27%	
Grand Totals	\$ 11,884,812	100.00%		\$ 11,495,394	100.00%	

Customer	FISCAL YEAR 2006			FISCAL YEAR 2005		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 3,904,131	37.22%	1	\$ 10,489,633	59.56%	1
E. I. Dupont DeNemours	620,717	5.92%	5	765,933	4.35%	2
City of Longview	665,887	6.35%	3	684,375	3.89%	3
Inland Orange, Inc.	621,930	5.93%	4	537,446	3.05%	5
City of Greenville	706,255	6.73%	2	612,574	3.48%	4
Subtotal (5 largest)	6,518,920	62.16%		13,089,961	74.33%	
Balance from other customers	3,969,216	37.84%		4,521,720	25.67%	
Grand Totals	\$ 10,488,136	100.00%		\$ 17,611,681	100.00%	

Note: n/a indicates customer is not in the top five largest customers



**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

TABLE 9

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds		Texas Water Development Board Loan		Total Amount		Personal Income <sup>b</sup>		Percentage of Outstanding Debt to Personal Income		Population <sup>a</sup>	Total Debt Per Capita
	\$		\$		\$							
2005	5,443,000		25,185,445		30,628,445		16,115,889,000		0%		538,603	57
2006	4,163,000		25,426,245		29,589,245		17,448,637,000		0%		546,767	54
2007	2,668,000		25,667,045		28,335,045		18,534,116,000		0%		548,395	52
2008	1,162,000		25,907,845		27,069,845		19,739,546,000		0%		553,668	49
2009	416,000		26,148,645		26,564,645		20,449,149,000		0%		560,018	47
2010	164,000		25,260,105		25,424,105		24,244,457,000		0%		564,591	45
2011	-		24,397,085		24,397,085		26,041,053,000		0%		571,948	43
2012	-		23,493,545		23,493,545		27,674,087,000		0%		574,750	41
2013	-		22,580,005		22,580,005		N/A		N/A		577,383	39
2014	-		21,661,465		21,661,465		N/A		N/A		N/A	N/A

Sources:

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

TABLE 10

**PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Less: Operating Expenses (Excluding Depreciation)	Net Available Funds	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2005	\$ 22,313,289	\$ 12,977,524	\$ 9,335,765	\$ 10,476,000	\$ 588,665	\$ 11,064,665	0.84
2006	14,217,919	12,835,203	1,382,716	1,280,000	466,450	1,746,450	0.79
2007	17,343,853	14,344,378	2,999,475	1,495,000	410,256	1,905,256	1.57
2008	18,645,877	14,738,525	3,907,352	1,506,000	382,875	1,888,875	2.07
2009	18,931,509	17,356,286	1,575,223	746,000	263,132	1,009,132	1.56
2010	21,874,597	17,626,268	4,248,329	372,000	1,245,040	1,617,040	2.63
2011	18,271,927	18,084,046	187,881	1,027,021	458,152	1,485,173	0.13
2012	17,493,956	17,363,254	130,702	903,540	441,777	1,345,317	0.10
2013	19,371,952	17,284,765	2,087,187	913,540	432,948	1,346,488	1.55
2014	20,500,460	17,036,591	3,463,869	918,540	423,465	1,342,005	2.58

Notes: <sup>a</sup> Interest is on cash basis method of accounting.

TABLE 11

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS (UNAUDITED)**

Calendar Year	Population <sup>a</sup>	Personal Income <sup>b</sup> (thousands of dollars)	Per Capita Personal Income	Unemployment Rate		Total Housing Units <sup>e</sup>
				Basin <sup>c</sup>	State <sup>d</sup>	
2005	538,603	\$ 16,115,889	\$ 29,922	5.2%	5.3%	230,234
2006	546,767	17,448,637	31,912	4.7%	4.6%	232,501
2007	548,395	18,534,116	33,797	4.4%	4.5%	234,912
2008	553,668	19,739,546	35,652	5.0%	4.9%	237,078
2009	560,018	20,449,149	36,515	8.1%	8.2%	239,581
2010	564,591	24,244,457	42,942	8.5%	8.2%	244,163
2011	571,948	26,041,053	45,530	8.2%	7.9%	246,284
2012	574,750	27,674,087	48,150	7.1%	6.8%	246,749
2013	577,383	N/A	N/A	6.8%	6.3%	247,444
2014	N/A	N/A	N/A	N/A	N/A	N/A

N/A = not available

Note:

Sources:

<sup>a</sup> Statistics for counties partially in the Sabine Basin have been adjusted to better reflect the geographic portion of the county within the basin.

<sup>b</sup> U.S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.trace2.com>

<sup>c</sup> Bureau of Economic Analysis through the LMCI website: <http://www.trace2.com>

<sup>d</sup> Local Area Unemployment Statistics through the LMCI website: <http://www.trace2.com>

<sup>e</sup> State unemployment rates obtained from the U.S. Department of Labor Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>f</sup> U.S. Census Bureau website: <http://www.census.gov/housing>

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 12

**PRINCIPAL EMPLOYERS**  
Current Year and Nine Years Ago

Employer	City	2014		2013		2012		2011		2010	
		Employees	Percentage of Total	Employees	Percentage of Total	Employees	Percentage of Total	Employees	Percentage of Total	Employees	Percentage of Total
L-3 Communications Integrated Systems	Greenville	N/A	N/A	5,700	1.97%	5,700	1.97%	5,700	1.99%	5,750	2.04%
Good Shepard Medical Center	Longview	N/A	N/A	2,607	0.90%	3,500	1.21%	3,000	1.05%	2,743	0.97%
Eastman Chemicals	Longview	N/A	N/A	1,530	0.53%	1,549	0.53%	1,477	0.51%	1,410	0.50%
Trinity Rail	Longview	N/A	N/A	1,875	0.65%	1,160	0.40%	1,143	0.40%	600	0.21%
Tyson Foods	Center	N/A	N/A	1,400	0.48%	1,000	0.35%	1,000	0.35%	1,000	0.36%
Longview ISD	Longview	N/A	N/A	1,352	0.47%	1,312	0.45%	1,239	0.43%	1,263	0.45%
Texas Utilities/Luminant	Henderson	N/A	N/A	896	0.31%	896	0.31%	896	0.31%	896	0.32%
DuPont Sabine River Works	Orange	N/A	N/A	920	0.32%	866	0.30%	866	0.30%	866	0.31%
Greenville ISD	Greenville	N/A	N/A	810	0.28%	810	0.28%	810	0.28%	810	0.29%
Newell Rubbermaid	Greenville	N/A	N/A	-	0.00%	-	0.00%	490	0.17%	650	0.23%
Mundy Industrial Contractors	Orange	N/A	N/A	275	0.09%	275	0.09%	275	0.10%	275	0.10%
Invista Petrochemical	Orange	N/A	N/A	732	0.25%	400	0.14%	400	0.14%	200	0.07%
Inland Paperboard/International Paper	Orange	N/A	N/A	412	0.14%	500	0.17%	500	0.17%	500	0.18%
<b>TOTAL</b>		N/A	N/A	<b>18,509</b>	<b>6.45%</b>	<b>17,968</b>	<b>6.20%</b>	<b>17,796</b>	<b>6.20%</b>	<b>16,963</b>	<b>6.03%</b>
Employer	City	2009		2008		2007		2006		2005	
		Employees	Percentage of Total	Employees	Percentage of Total	Employees	Percentage of Total	Employees	Percentage of Total	Employees	Percentage of Total
L-3 Communications Integrated Systems	Greenville	5,700	2.05%	5,000	1.82%	4,750	1.75%	4,700	1.74%	4,000	1.51%
Good Shepard Medical Center	Longview	2,717	0.98%	2,585	0.94%	2,200	0.81%	2,288	0.85%	2,288	0.86%
Eastman Chemicals	Longview	1,400	0.50%	1,456	0.53%	1,554	0.57%	1,650	0.61%	1,650	0.62%
Trinity Rail	Longview	600	0.22%	601	0.22%	1,490	0.55%	1,303	0.48%	1,303	0.49%
Tyson Foods	Center	1,000	0.36%	1,400	0.51%	1,250	0.46%	1,250	0.46%	1,250	0.47%
Longview ISD	Longview	1,300	0.47%	1,267	0.46%	1,200	0.44%	1,266	0.47%	1,250	0.47%
Texas Utilities/Luminant	Henderson	896	0.32%	1,082	0.39%	1,082	0.40%	1,082	0.40%	1,082	0.41%
DuPont Sabine River Works	Orange	866	0.31%	866	0.31%	866	0.32%	866	0.32%	866	0.33%
Greenville ISD	Greenville	810	0.29%	810	0.29%	810	0.30%	810	0.30%	810	0.31%
Newell Rubbermaid	Greenville	650	0.23%	650	0.24%	650	0.24%	650	0.24%	660	0.25%
Mundy Industrial Contractors	Orange	275	0.10%	275	0.10%	600	0.22%	600	0.22%	600	0.23%
Invista Petrochemical	Orange	200	0.07%	200	0.07%	510	0.19%	510	0.19%	500	0.19%
Inland Paperboard/International Paper	Orange	500	0.18%	500	0.18%	500	0.18%	500	0.18%	500	0.19%
<b>TOTAL</b>		<b>16,914</b>	<b>6.09%</b>	<b>16,692</b>	<b>6.07%</b>	<b>17,462</b>	<b>6.45%</b>	<b>17,475</b>	<b>6.46%</b>	<b>16,759</b>	<b>6.33%</b>

N/A = not available.

Source: Community Profiles and Websites from Counties and Communities within the Sabine River Basin

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 13

**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Administration:</b>										
Management	19	19	18	20	20	20	19	21	20	20
Administrative assistant/secretary	15	13	13	15	15	15	16	16	14	14
Accounting	3	3	3	3	3	3	3	3	3	3
GIS	1	1	1	1	1	1	1	1	1	1
Engineer	1	1	1	1	1	1	2	1	1	1
MIS	1	1	1	1	1	1	1	1	1	1
Special projects	1	1	2	3	3	3	3	2	2	1
<b>Water:</b>										
Environmental agent/tech	4	5	4	3	3	3	3	4	4	-
Pumper	4	4	4	3	3	3	3	3	3	3
Equipment oiler/operator	19	19	21	20	20	20	17	19	19	17
Mechanic	1	1	1	1	1	1	1	1	1	1
M&O/field supervisor	9	8	6	6	6	6	7	7	7	7
Canal foreman/crewman	3	3	3	2	2	2	1	1	1	1
Electrician	1	1	1	1	1	1	1	1	1	1
Project inspector	1	1	1	1	1	1	1	1	1	1
Surveyor/survey tech	1	2	2	2	2	2	2	2	2	2
Maintenance tech	6	7	4	7	7	7	6	6	6	5
Water and sewer tech	1	1	1	1	1	1	1	1	1	1
<b>Laboratory:</b>										
Section leader	3	2	1	1	1	1	1	1	1	1
Laboratory analyst/tech	5	5	5	5	5	5	6	7	7	7
Biomonitoring coordinator	-	1	1	1	1	1	1	1	1	1
Field coordinator	2	2	2	2	2	2	2	2	2	2
Chemist	1	1	1	1	1	1	1	-	-	-
Quality assurance officer	1	1	1	1	1	1	1	1	1	-
Biologist	2	3	3	2	2	2	2	2	2	2
LIMS administrator	1	1	1	1	1	1	1	-	-	1
Sample Custodian	1	1	1	1	1	1	1	1	1	1
<b>Total employees</b>	<b>107</b>	<b>108</b>	<b>103</b>	<b>106</b>	<b>106</b>	<b>106</b>	<b>106</b>	<b>106</b>	<b>103</b>	<b>100</b>

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

TABLE 14

**OPERATING AND CAPITAL INDICATORS  
(UNAUDITED)**

Gulf Coast Division Canal System:	
Pumping capacity	195 million gallons per day
Canal system length	75 miles
Permitted water rights	147,100 acre-feet per year
Lake Tawakoni (Iron Bridge Dam):	
Capacity	927,440 acre-feet
Surface area	36,700 acres
Elevation	437.5 feet mean sea level
Yield	238,100 acre-feet per year
Toledo Bend Reservoir:	
Capacity	4,477,000 acre-feet
Surface area	185,000 acres
Elevation	172.0 feet mean sea level
Yield	2,086,600 acre-feet per year *
Hydroelectric capacity	85 megawatt hours
* Half of the yield is allocated to Texas and half is allocated to Louisiana.	
Lake Fork Reservoir:	
Capacity	675,819 acre-feet
Surface area	27,690 acres
Elevation	403.0 feet mean sea level
Yield	188,660 acre-feet per year

Note: Canal system and reservoir information applicable to all years from 2005 through 2014.

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# SABINE RIVER AUTHORITY OF TEXAS

Historical Data through  
August 31, 2014

## SRA QUICK REFERENCE

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# WATER SUPPLY SCHEDULE • GULF COAST DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	E.I. DU PONT DE NEMOURS & COMPANY	HONEY- WELL	EN- TERGY	FIRE- STONE	INT'L PAPER	CHEVRON PHILLIPS	A. SCHUL- MAN INC.	LANXESS	GERDAU- AMERIS- TEEL	CITY OF ROSE CITY	NRG INTER- GEN	CRAWFISH & RICE FARMING (IRRIGATION)	MISC. USAGE
1949	43.10	8.60											34.50	
1950	54.47	9.69											44.78	
1951	66.14	10.53											55.61	
1952	48.25	12.61											35.64	
1953	41.06	10.60											30.46	
1954	41.57	0.50	.15										40.92	
1955	40.08	10.30	.30					.05					29.43	
1956	36.30	9.88	1.44		.54			.05					24.39	
1957	35.10	10.20	1.44		1.36			.05					22.10	
1958	35.09	9.48	1.44		1.03								23.14	
1959	43.86	9.28	1.44		1.11			.04					31.99	
1960	35.37	9.94	1.44		1.11			.21					22.67	
1961	43.89	10.34	1.44	.14	1.34			.21					30.42	
1962	38.95	10.39	.72	.27	1.34			.21					26.02	
1963	36.18	11.11	.37	.25	1.24			.21					23.00	
1964	36.23	11.38	.47	.25	1.45			.21					22.47	
1965	34.51	12.37	.52	.25	1.65			.21					19.51	
1966	42.95	13.00	.49	.25	1.77			.21					27.23	
1967	49.68	14.00	.38	.24	1.94	6.07		.21					26.84	
1968	49.03	12.32	.40	.25	2.00	8.85		.21					25.00	
1969	47.94	12.30	.38	.25	2.08	7.60		.21					25.12	
1970	46.62	15.17	.40	.25	1.78	9.33		.21					19.48	
1971	46.61	15.17	.40	.25	1.77	9.33		.21					19.48	
1972	49.27	16.37	.45	.25	1.58	9.80		.21					20.61	
1973	45.91	12.91	.40		2.09	11.78	.90						17.83	
1974	50.63	11.26	.25		1.77	10.64	1.36						25.35	
1975	50.15	11.95	.38		1.70	11.24	1.25						23.63	
1976	49.69	14.14	.34		1.93	8.77	1.15			.04			23.32	
1977	53.42	15.84	.39		1.68	7.44	1.17			.04			26.86	
1978	37.16	15.23	.32	.25	1.53	11.88	1.17	.09		.80			5.89	
1979	36.85	14.98	.37	.25	1.82	11.07	1.35	.10		.97			5.94	
1980	41.37	14.61	.40	3.27	1.60	12.65	1.29	.10		1.01	.01		6.14	
1981	47.76	16.65	.27	6.38	1.68	12.27	1.58	.10		1.58	.06		6.63	
1982	41.57	13.84	.42	4.49	1.33	11.09	1.58	.08		1.51	.08		7.13	
1983	36.86	12.96	.48	4.76	.16	10.31	1.74	.01		1.63	.08		4.68	
1984	40.38	15.17	.53	5.40	.26	11.76	1.63	.01		1.48	.09		4.00	
1985	40.63	16.65	.58	4.29	.27	13.37	1.78	.01		1.24	.08		2.27	
1986	39.19	15.94	.62	3.84	.27	13.12	1.83	.002		1.14	.08		2.31	
1987	45.02	18.62	.79	3.77	.32	14.45	1.80	.002		1.55	.08		3.58	
1988	50.53	19.93	.98	4.33	.30	17.09	1.99	.002		1.54	.08		4.28	
1989	52.23	19.29	.91	4.72	.34	16.34	2.04	.20		1.46	.09		6.81	
1990	50.08	20.85	.68	4.97	.35	15.18	1.78	.23		1.21	.09		4.72	
1991	47.49	19.03	.57	4.49	.33	14.81	1.49	.007	1.30	1.40	.08		4.81	
1992	48.10	19.62	.61	4.12	.32	15.35	1.90	.001	1.41	1.20	.08		2.73	
1993	46.73	19.29	.69	4.02	.33	14.91	1.97	.001	1.78	1.15	.08		2.51	
1994	47.57	18.91	.71	4.47	.44	14.14	2.04	.001	1.79	1.52	.08		3.47	
1995	49.23	19.10	.78	5.44	.69	15.41	2.27	.001	1.93	1.64	.12		1.92	
1996	50.43	20.48	.76	4.56	.62	15.71	2.28	.001	2.07	1.65	.11		2.27	
1997	52.27	22.33	.73	4.77	.70	15.82	2.53	.001	2.11	1.20	.07		2.01	
1998	53.26	23.03	.73	4.26	.72	17.44	2.40	.001	2.15	1.23	.07		2.23	
1999	50.97	22.32	.55	4.34	.73	15.57	2.00	.005	2.64	.93	.07		5.82	
2000	50.79	20.29	.64	5.22	.63	16.40	2.00	.005	3.03	.95	.08		1.54	
2001	36.73	9.06	.70	4.31	.60	16.18	1.46	.004	2.89	.86	.08		1.08	.37
2002	40.21	14.61	.61	3.43	.65	13.98	1.88	.007	2.91	.71	.08		1.09	.27
2003	48.26	16.44	.71	3.25	.95	19.39	.97	.010	3.89	.76	.09	1.30	.02	.48
2004	48.03	16.38	1.03	3.65	.84	16.98	.98		3.97	.83	.15	1.98	.09	1.15
2005	41.72	16.03	1.31	2.18	1.04	14.27	.85		3.20	.72	.08	1.90	.009	.13
2006	39.75	13.51	1.25	3.31	1.17	14.39	.78		2.87	.38	.09	1.75	.21	.04
2007	39.64	13.85	.68	2.67	1.15	14.69	.94		2.70	.41	.09	2.33		.13
2008	42.06	13.54	.57	2.64	1.66	15.70	.96		2.94	.58	.07	2.99	.40	.01
2009	37.99	12.10	.70	2.50	1.00	14.90	.70		2.50	.70	.09	2.50	.20	.10
2010	42.74	11.20	.71	2.80	1.16	17.10	.82		3.60	1.00	.07	2.58	1.10	.60
2011	42.96	14.17	.55	2.67	.84	14.89	.86		3.54	.73	.07	2.84	1.12	.68
2012	43.75	15.25	.56	1.15	.56	15.38	.68		3.44	.66	.07	5.06	.94	.00
2013	45.80	14.11	.63	2.46	.64	16.63	.82		3.53	1.10	.07	4.13	1.51	.17
2014	42.11	14.09	.88	2.01	.56	15.55	.84		3.10	.49	.07	3.84	.68	.00

**WATER SUPPLY SCHEDULE • TOLEDO BEND DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF HUXLEY	CITY OF HEMPHILL	TENASKA OPERATIONS, INC.	MINING CLASSIC, XTO	MISCELLANEOUS WATER USAGE
1972	.02					.02
1973	.03					.03
1974	.04					.04
1975	.06	.02				.04
1976	.11	.05				.06
1977	.35	.06	.19			.10
1978	.37	.09	.20			.08
1979	.34	.08	.19			.07
1980	.48	.09	.27			.12
1981	.54	.11	.34			.09
1982	.62	.12	.42			.08
1983	.59	.13	.38			.08
1984	.72	.15	.56			.11
1985	.84	.16	.57			.11
1986	.95	.15	.70			.10
1987	.99	.15	.72			.12
1988	.96	.16	.70			.10
1989	.92	.17	.66			.09
1990	.97	.18	.69			.10
1991	.98	.20	.70			.09
1992	.98	.23	.67			.08
1993	1.14	.31	.70			.12
1994	1.04	.18	.72			.14
1995	1.04	.17	.72			.15
1996	1.38	.16	1.02			.20
1997	1.25	.17	.96			.13
1998	1.34	.22	.96			.16
1999	1.25	.22	.88			.15
2000	1.36	.24	.96			.16
2001	2.40	.24	.85	1.16		.15
2002	4.21	.25	1.02	2.82		.13
2003	4.41	.24	.83	3.28		.06
2004	4.07	.22	.75	3.04		.06
2005	3.95	.22	.84	2.84		.05
2006	4.62	.22	.79	3.55		.06
2007	3.77	.22	.65	2.84		.06
2008	3.88	.19	.60	3.03		.07
2009	2.70	.18	.59	1.88		.05
2010	3.32	.17	.64	2.46		.05
2011	3.42	.17	.70	2.36	.13	.06
2012	4.56	.16	.59	3.29	.47	.05
2013	4.22	.17	.59	3.14	.28	.04
2014	4.18	.20	.61	2.81	.52	.04



TOLEDO BEND RESERVOIR DATA • For the fiscal years ending August 31

YEAR	MEGAWATT HOURS POWER GENERATED			WATER RELEASES AT DAM (1,000 AC-FT) FOR THRU SPILLWAY			LAKE ELEVATION LAST DAY OF YEAR FT. M.S.L.	ANNUAL RAINFALL INCHES
	PRIME	SECONDARY	TOTAL	FOR POWER	THRU SPILLWAY	TOTAL		
1970	51,554	65,614	117,168	1,741.69	242.68	1,984.37	169.87	43.29
1971	14,804	39,158	53,962	780.35	72.64	852.99	168.94	43.22
1972	34,048	128,087	162,135	2,381.49	68.46	2,449.95	168.34	57.63
1973	156,052	183,192	339,244	5,130.22	820.21	5,950.43	170.20	72.13
1974	72,058	280,924	352,982	5,371.21	993.71	6,364.92	168.09	52.66
1975	72,781	366,032	438,813	6,559.87	726.80	7,286.67	169.56	79.44
1976	131,543	47,487	179,030	2,547.69	61.56	2,609.25	168.88	53.87
1977	75,494	118,336	193,830	2,788.76	44.03	2,832.79	168.19	44.74
1978	48,558	37,571	86,129	1,280.88	58.98	1,339.86	168.08	40.72
1979	72,249	286,500	358,749	5,339.78	779.75	6,119.53	169.86	63.79
1980	59,348	183,336	242,684	3,661.29	640.26	4,301.55	168.58	55.37
1981	63,307	10,036	73,343	1,099.35	136.72	1,236.07	168.61	40.90
1982	67,958	-0-	67,958	1,032.06	899.69	1,931.75	168.87	51.34
1983	53,149	228,286	281,435	4,312.85	1,001.45	5,314.30	168.98	75.63
1984	29,873	131,653	161,526	2,463.50	131.84	2,595.34	168.20	53.62
1985	54,561	145,226	199,787	2,904.88	129.84	3,034.72	168.30	46.64
1986	108,129	123,824	231,953	3,365.58	302.14	3,667.72	169.41	52.10
1987	48,548	235,861	284,409	4,229.98	122.64	4,352.62	166.02	61.79
1988	25,045	180,262	205,307	3,045.76	130.73	3,176.49	167.46	48.96
1989	53,044	251,347	304,391	4,637.04	1,778.49	6,415.53	170.32	60.23
1990	69,344	280,797	350,141	5,190.33	798.41	5,988.74	167.85	47.89
1991	44,110	293,719	337,829	5,115.02	1,535.43	6,650.45	169.79	64.80
1992	62,728	313,553	376,281	5,580.32	667.36	6,247.68	169.09	55.40
1993	57,949	296,233	354,182	5,333.34	351.44	5,684.78	167.87	52.72
1994	54,236	161,145	215,381	3,382.03	133.37	3,515.40	170.27	52.60
1995	80,189	405,194	485,383	5,720.85	665.16	6,386.01	167.84	54.38
1996	26,053	7,290	33,343	442.54	145.10	587.64	165.22	42.02
1997	52,491	186,648	239,139	3,438.93	1,795.45	5,234.38	170.33	58.90
1998	55,330	241,396	296,727	4,278.58	705.40	4,983.98	164.54	54.44
1999	70,156	249,573	319,729	4,719.81	882.64	5,602.45	167.98	76.83
2000	62,892	17,789	80,681	1,121.24	127.19	1,248.43	168.76	42.25
2001	66,639	248,714	315,353	4,713.73	1,862.62	6,576.35	168.20	59.91
2002	64,021	169,904	233,925	3,372.89	1,613.49	4,986.38	167.50	49.96
2003	61,690	127,106	188,796	2,653.30	1,125.52	3,778.82	167.75	61.93
2004	71,428	114,101	185,529	2,623.94	1,110.80	3,734.74	169.20	61.70
2005	65,674	210,600	276,274	4,126.21	128.78	4,254.99	164.29	52.12
2006	62,016	8,354	70,370	1,043.84	138.19	1,182.03	164.19	41.10
2007	56,762	116,194	172,956	2,629.63	306.76	2,936.39	170.98	69.82
2008	64,003	132,662	196,665	2,863.27	577.21	3,440.48	168.13	41.24
2009	52,913	83,631	136,544	1,934.87	137.63	2,072.50	168.51	51.06
2010	38,270	266,757	305,027	4,343.56	1,139.70	5,483.26	167.30	51.67
2011	8,579	29,780	38,359	589.73	153.51	743.24	161.27	28.05
2012	19,618	40,991	60,609	907.01	232.49	1,139.50	168.55	65.82
2013	19,216	53,662	72,878	1,091.95	139.63	1,231.58	167.64	39.81
2014	38,539	84,177	122,716	1,797.93	136.53	1,934.46	170.66	52.55

**WATER SUPPLY SCHEDULE • LAKE FORK DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF DALLAS	CITY OF LONGVIEW	CITY OF KILGORE	CITY OF HENDERSON	CITY OF QUITMAN	TEXAS EASTMAN	MISC. USAGE
1986	6.65		6.65			- 0 -		
1987	6.02		6.02			- 0 -		
1988	6.66		6.66			- 0 -		
1989	6.13		6.13			- 0 -		
1990	11.46		8.13			0.21	3.12	
1991	3.25		2.96			0.29	- 0 -	
1992	4.29		4.00			0.29	- 0 -	
1993	4.08		3.77			0.31	- 0 -	
1994	4.44		4.12			0.32	- 0 -	
1995	6.57		5.45	0.79		0.33	- 0 -	
1996	11.95		9.66	2.00		0.29	- 0 -	
1997	9.72		7.41	2.00		0.31	- 0 -	
1998	7.24		4.93	2.00		0.31	- 0 -	
1999	8.39		6.03	2.00		0.36	- 0 -	
2000	13.40		10.84	2.00	0.19	0.37	- 0 -	
2001	15.52		12.14	2.00	1.04	0.34	- 0 -	
2002	16.83		13.00	2.00	1.50	0.33	- 0 -	
2003	18.01		14.68	2.00	1.00	0.33	- 0 -	
2004	18.07		14.74	2.00	1.00	0.33	- 0 -	
2005	18.35		15.00	2.00	1.00	0.35	- 0 -	
2006	11.52		7.69	2.00	1.10	0.40	0.33	
2007	12.59		6.50	2.00	1.01	0.31	2.77	
2008	5.67		2.51	2.00	0.86	0.30	- 0 -	
2009	6.98	0.22	3.51	2.00	0.96	0.29	- 0 -	
2010	24.70	18.80	2.50	2.00	1.00	0.30	- 0 -	
2011	33.50	26.50	3.80	2.00	0.90	0.30	- 0 -	
2012	30.39	20.03	7.09	2.00	0.99	0.28	- 0 -	
2013	21.79	12.53	5.68	2.00	1.15	0.26	- 0 -	0.17
2014	28.41	19.06	4.65	2.00	1.21	0.24	- 0 -	0.02

# WATER SUPPLY SCHEDULE • IRON BRIDGE DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	DALLAS	GREEN-VILLE	POINT	WILLS POINT	EMORY	CASH	NTMWD/TERRELL	WEST TAWAKONI	COM-MERCE	MAC BEE W.S.C.	EDGE-WOOD	COMBINED CONSUMER SUD	SOUTH TAWAKONI W.S.C.	ABLE SPRINGS W.S.C.	LONE OAK DEV.	MISC. USAGE
1964	42.33	42.20		0.03													0.10
1965	32.38	30.86	1.29	0.03	0.06												0.14
1966	30.11	26.71	3.01	0.03	0.20												0.16
1967	33.44	30.54	2.38	0.03	0.24												0.25
1968	35.77	35.17	0.17	0.03	0.30												0.10
1969	43.63	42.96	0.21	0.03	0.27												0.16
1970	43.81	41.99	1.29	0.05	0.30												0.18
1971	57.10	53.00	3.39	0.06	0.33		0.10										0.22
1972	48.87	45.39	2.24	0.07	0.41	0.06	0.42										0.28
1973	47.01	43.79	1.73	0.07	0.41	0.24	0.46		0.03								0.28
1974	39.08	37.55	- 0 -	0.07	0.48	0.27	0.47		0.07								0.17
1975	18.84	17.13	- 0 -	0.06	0.52	0.30	0.61		0.07								0.15
1976	26.72	21.36	3.69	0.07	0.50	0.31	0.52		0.14								0.13
1977	29.25	25.59	1.75	0.07	0.60	0.38	0.57		0.17								0.12
1978	50.97	45.55	2.73	0.09	0.63	0.37	0.71		0.23	0.59							0.07
1979	64.13	59.35	1.88	0.09	0.55	0.37	0.68		0.36	0.73							0.12
1980	45.55	38.88	3.43	0.08	0.58	0.47	0.79		0.35	0.84							0.13
1981	52.15	45.23	3.85	0.08	0.65	0.51	0.74		0.31	0.65							0.13
1982	23.41	19.02	1.34	0.09	0.61	0.45	0.71		0.19	0.82							0.18
1983	39.18	35.01	1.44	0.09	0.68	0.49	0.71		0.23	0.30							0.23
1984	67.93	59.33	2.80	0.12	0.77	0.49	1.12	0.002	0.27	0.89							0.41
1985	53.32	48.31	1.06	0.13	0.83	0.55	0.73	- 0 -	0.24	1.16							0.31
1986	98.41	94.00	1.30	0.20	0.78	0.48	0.59	- 0 -	0.22	0.57							0.27
1987	82.80	78.81	0.53	0.17	0.83	0.44	0.61	- 0 -	0.47	0.69							0.25
1988	118.35	109.93	2.90	0.15	0.96	0.61	0.67	- 0 -	0.22	0.80							0.34
1989	103.52	98.52	1.45	0.16	0.94	0.65	0.57	- 0 -	0.19	0.77							0.27
1990	102.11	96.02	2.22	0.17	0.99	0.59	0.67	0.003	0.18	0.97							0.30
1991	99.56	93.38	2.02	0.14	0.95	0.54	0.70	0.005	0.25	1.25							0.28
1992	82.38	77.18	1.34	0.15	0.91	0.47	0.66	- 0 -	0.23	1.18							0.26
1993	108.49	102.40	1.98	0.17	0.95	0.52	0.66	0.009	0.23	1.22							0.35
1994	83.41	77.00	2.18	0.14	0.86	0.51	0.63	- 0 -	0.30	1.15	0.18				0.004		0.46
1995	47.06	40.65	1.05	0.14	0.82	0.59	0.73	0.003	0.30	1.34	0.36	0.12			0.19		0.46
1996	132.56	118.77	7.47	0.11	0.85	0.63	0.82	0.55	0.26	1.10	0.36	0.27	0.41		0.18		0.19
1997	86.75	77.86	2.68	0.12	0.77	0.64	0.74	0.59	0.31	1.05	0.45	0.003	0.56		0.15		0.12
1998	129.63	119.35	3.99	0.16	0.65	0.82	0.92	0.007	0.33	1.39	0.52	0.003	0.85	0.30	0.19		0.15
1999	127.18	119.09	2.10	0.14	0.61	0.77	0.92	0.003	0.31	1.42	0.51	<0.001	0.72	0.28	0.20		0.11
2000	121.88	111.05	4.40	0.15	0.66	0.75	1.11	0.005	0.31	1.47	0.53	0.008	0.63	0.28	0.30		0.11
2001	161.31	152.95	1.84	0.18	0.69	0.92	1.02	0.003	0.34	1.50	0.46	- 0 -	0.69	0.32	0.28		0.11
2002	126.17	118.91	1.05	0.18	0.56	0.72	0.92	0.002	0.57	1.58	0.40	- 0 -	0.60	0.32	0.26		0.09
2003	76.26	67.15	3.02	0.21	0.57	0.87	0.97	- 0 -	0.41	1.35	0.44	- 0 -	0.66	0.30	0.26		0.05
2004	38.44	28.51	3.71	0.20	0.56	0.79	1.01	0.002	0.40	1.55	0.44	- 0 -	0.61	0.32	0.25		0.08
2005	131.65	119.74	2.82	0.24	0.52	0.94	1.10	2.55	0.38	1.41	0.52	0.03	0.64	0.35	0.27	0.02	0.12
2006	165.92	146.49	7.31	0.19	0.59	0.94	1.37	5.21	0.39	1.20	0.57	0.17	0.69	0.37	0.26	0.04	0.13
2007	127.89	117.05	3.73	0.17	0.48	0.79	1.06	1.34	0.72	0.88	0.47	0.04	0.54	0.28	0.21	0.06	0.07
2008	80.44	68.12	4.59	0.15	0.23	0.76	1.13	2.04	0.23	1.21	0.52	0.003	0.64	0.32	0.23	0.13	0.14
2009	140.70	81.15	5.88	0.15	0.46	0.83	1.12	47.70	0.21	1.28	0.50	0.003	0.63	0.31	0.23	0.12	0.12
2010	37.20	4.65	1.85	0.19	0.64	0.80	1.27	24.17	0.22	1.37	0.58	<0.001	0.65	0.39	0.26	0.06	0.11
2011	86.68	42.13	6.00	0.16	0.75	0.91	1.32	30.96	0.22	1.83	0.66	0.30	0.68	0.41	0.20	0.02	0.13
2012	70.41	31.59	5.41	0.18	0.62	0.81	1.28	26.94	0.22	1.22	0.84	0.20	0.60	0.36	- 0 -	0.005	0.13
2013	131.03	84.19	5.42	0.16	0.59	0.82	1.07	36.00	0.23	0.84	0.62	0.03	0.64	0.30	- 0 -	- 0 -	0.12
2014	141.32	104.90	3.77	0.16	0.60	0.90	1.12	27.12	0.22	0.75	0.56	0.19	0.66	0.29	- 0 -	- 0 -	0.08

**LABORATORY SAMPLES ANALYZED • For the fiscal years ending August 31**

YEAR	INDUSTRIAL	MUNICIPAL	GULF COAST DIVISION	IRON BRIDGE DIVISION	LAKE FORK DIVISION	TOLEDO BEND DIVISION	OTHER	TOTAL	NUMBER OF TESTS
1973	457	204	194	45		17	28	945	
1974	790	233	201	53		28	76	1,381	
1975	856	303	182	61	48	21	411	1,882	11,525
1976	1,063	344	236	58	84	31	774	2,590	16,603
1977	1,455	392	456	28	84	40	931	3,386	20,700
1978	1,582	303	475	29	131	79	982	3,581	21,977
1979	3,211	248	472	66	154	106	670	3,345	22,324
1980	1,590	328	473	60	151	91	762	3,455	24,381
1981	1,909	266	483	55	126	53	938	3,830	24,685
1982	1,414	336	451	57	94	89	851	3,292	19,936
1983	1,622	271	477	104	98	100	644	3,300	19,775
1984	1,230	285	436	81	122	85	752	2,991	18,483
1985	992	331	249	58	87	125	737	2,579	16,914
1986	774	465	239	87	118	140	93	1,916	14,391
1987	1,126	245	263	90	100	205	96	3,125	14,645
1988	1,519	2,412	205	115	114	120	93	4,578	17,835
1989	1,325	2,665	220	113	84	119	652	5,178	17,451
1990	2,426	2,463	211	97	113	120	820	6,278	19,934

**NUMBER OF TESTS PERFORMED**

YEAR	INDUSTRIAL	MUNICIPAL	WATERSHED MONITORING PROGRAM	QUALITY ASSURANCE	TOTAL
1991	3,173	4,630	12,338	2,298	22,439
1992	6,360	4,276	13,919	2,512	27,067
1993	8,908	4,716	14,317	3,640	31,581
1994	9,516	4,774	21,969	8,555	44,923
1995	9,183	4,228	19,172	14,948	47,532
1996	8,225	4,819	16,023	15,333	44,400
1997	9,525	5,308	21,771	15,431	52,035
1998	7,205	5,699	24,293	11,526	48,723
1999	9,999	7,265	43,509	16,033	76,806
2000	8,159	6,019	24,094	15,504	53,776
2001	9,595	6,494	25,882	14,995	56,966
2002	9,134	6,285	22,231	16,101	53,751
2003	9,796	5,996	21,195	15,845	52,832
2004	9,052	6,977	39,269	20,396	75,714
2005	8,984	7,039	32,463	23,716	72,202
2006	8,665	7,488	40,120	26,793	83,066
2007	8,412	7,490	29,341	23,256	68,499
2008	8,621	8,244	24,244	24,197	65,306
2009	6,419	8,186	23,143	19,463	57,211
2010	5,662	9,509	23,909	24,145	63,225
2011	8,081	8,851	24,486	26,622	68,040
2012	7,124	7,154	23,726	22,751	60,755
2013	8,327	6,428	26,600	25,366	66,721
2014	8,253	6,681	24,433	25,955	65,322

In 1991 the Water Quality Monitoring programs were combined into a single Watershed Monitoring Program. The charts now indicate the number of tests performed rather than the number of samples analyzed.

## MISCELLANEOUS STATISTICAL DATA

Authority Created Under.....Vernon's Civil Statutes, Article 8280-133  
Year Created ..... 1949  
Domicile .....Orange, Texas  
Last Revision of Enabling Act..... 1991  
Population of District (2010 Est.)..... 560,000  
Area of District .....7,426 sq.mi.  
Average Annual Rainfall of District .....50" for Sabine Basin  
Number of Employees ..... 98

### OFFICES:

General Office.....Orange, Texas  
Gulf Coast Division (John W. Simmons Gulf Coast Canal System) .....Orange, Texas  
Toledo Bend Division & Parks and Recreation Division (Toledo Bend Reservoir) .....Burkeville, Texas  
Lake Fork Division (Lake Fork Reservoir) .....Quitman, Texas  
Iron Bridge Division (Lake Tawakoni Reservoir) .....Point, Texas  
Environmental Services Division (Basinwide Water Quality Protection) .....Orange, Texas

### RIVERS:

Sabine  
Total River Miles .....580  
Average Annual Flow (40 years at Ruliff) .....5,694,413 acre-feet/year

### DAMS AND RESERVOIRS:

Toledo Bend Reservoir  
Conservation Pool  
Capacity .....4,477,000 acre-feet  
Surface Area.....185,000 acres  
Elevation.....172.0 ft. (M.S.L.)  
Yield .....2,086,600 acre-feet/year  
Hydroelectric Information  
Capacity .....85 megawatts  
Average Annual Production (45 years) .....217,770 megawatt hours  
Lake Fork Reservoir  
Conservation-Pool  
Capacity .....675,819 acre-feet  
Surface Area.....27,690 acres  
Elevation.....403.0 ft. (M.S.L.)  
Yield .....188,660 acre-feet/year  
Iron Bridge Dam (Lake Tawakoni)  
Conservation-Pool  
Capacity .....927,440 acre-feet  
Surface Area.....36,700 acres  
Elevation.....437.5 (M.S.L.)  
Yield .....238,100 acre-feet/year  
Gulf Coast Division Canal System  
Pumping Capacity.....195 million gallons/day  
Canal System Length .....75 miles  
Permitted Water Rights .....147,100 acre-feet/year

Authority General Office

Administrative

P.O. Box 579

Orange, TX 77631

(409) 746-2192

(409) 746-3780 fax

Water Treatment Division

Water Treatment Plant

450 Spur 135

Burkeville, TX 75932

(409) 565-2273

(409) 565-2338 fax

Water Treatment Division

Water Treatment Plant

353 PVT Rd 5183

Quitman, TX 75783

(903) 878-2262

(903) 878-2416 fax

Water Treatment Division

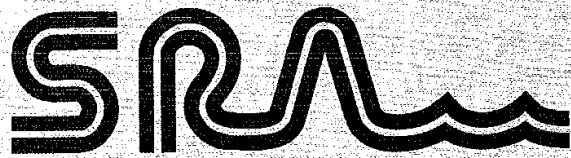
Water Treatment Plant

P.O. Box 310

Point, TX 75472

(903) 598-2216

(903) 598-2992 fax



SABINE RIVER AUTHORITY OF TEXAS

Water Treatment Division

Water Treatment Plant

1922 Owens Illinois Road

Orange, TX 77632

(409) 746-2111

(409) 746-9151 fax

Water Treatment Division

Water Treatment Plant

1895 Owens Illinois Road

Orange, TX 77632

(409) 746-3284

(409) 746-2249 fax

Water Treatment Division

Water Treatment Plant

353 PVT Rd 5138

Quitman, TX 75783

(903) 878-2420

(903) 878-2410 fax

[www.sratx.org](http://www.sratx.org)

# SABINE RIVER AUTHORITY OF TEXAS

Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2013

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## THIS REPORT PREPARED BY THE AUTHORITY GENERAL OFFICE

*The cover features the Toledo Bend Project Joint Operation (TBPJO) hydroelectric facility licensed by the Federal Energy Regulatory Commission (FERC).  
TBPJO recently completed an extensive process to relicense the facility.*

*(For more information about the TBPJO relicensing process - see page 15).*



# SABINE RIVER AUTHORITY *of Texas*

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 1, 2014

Mr. David Koonce  
and Members of the Board of Directors  
Sabine River Authority of Texas

**Board Members:**

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2013. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment, water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

**LONG-TERM FINANCIAL PLANNING**

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority continues to negotiate with potential customers on the long-term sale of Toledo Bend water including a potential sale to the Lower Neches Valley Authority. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract. The Authority, along with Sabine River Authority, State of Louisiana, anticipates the Federal Energy Regulatory Commission (FERC) to issue a license renewal of the hydroelectric operations at the Toledo Bend Project (Project) in the first quarter of 2014. The Authority is confident that it can continue to meet the financial obligations of the Project and remain in compliance with the new permit.



## FINANCIAL INFORMATION

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$19,506,072 compared to \$17,874,222 for FY12.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2013 totaled \$22,580,005. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

## OTHER INFORMATION

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Patillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2012. This was the thirteenth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In July of 2013, Governor Rick Perry appointed Sharon Newcomer of Mauriceville, Texas to the SRA Board of Directors. The Governor also reappointed J. D. Jacobs of Rockwall, David Koonce of Center and Earl Williams of Orange to the Board in October of 2013.

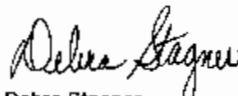
On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

## SABINE RIVER AUTHORITY OF TEXAS

  
Jerry Clark  
Executive Vice President  
and General Manager

  
David Montagne  
Assistant General Manager

  
Debra Stagner  
Authority General Office Manager  
and Controller

# BOARD OF DIRECTORS



**David Koonce - President**  
*Center, Texas*

David Koonce of Center is president of General Shelters of Texas Ltd. and Campbell Portable Buildings. He is current treasurer and past president of the Shelby County Bass Anglers, co-chairman for the Houston Livestock Show and Rodeo's Area Go Texan committee, a member of the Shelby County Ducks Unlimited and Shelby County Cookers. He is also past president of the Shelby County Chamber of Commerce and past vice chair of the Shelby County Historical Commission. Mr. Koonce received a bachelor's degree from Stephen F. Austin University. In his spare time he enjoys hunting, fishing, skiing, travel and spending time with his grandson. He and his wife, Angela, are members of the First Baptist Church.



**Cliff Todd - Vice President**  
*Carthage, Texas*

Mr. Todd currently works for C and J Energy Services. Previously he was the executive director of the Marshall Economic Development Corporation. He is a past member of the Austin and Carthage Rotary clubs and a past president of the Carthage Rotary Club. He retired after nearly 30 years

with the Texas Department of Agriculture, serving in Austin and later with the TDA Rural Economic Division for the entire East Texas region. He is involved in overseeing the management of his family owned farm and ranch in Panola and Rusk Counties. He has served as a longtime adult and college Sunday school teacher for over 25 years. He currently serves as a deacon for Central Baptist Church. He enjoys being a pilot and spending time outdoors on weekends on their farm. His wife, Denise, is a retired kinder-

garten teacher. They have a daughter, son-in-law and granddaughter who live in Dallas. Mr. Todd received a bachelor's degree from Stephen F. Austin State University.



**Cary "Mac" Abney - Secretary/Treasurer**  
*Marshall, Texas*

Mr. Abney is a certified public accountant and president of Abney, Fyffe and Company PLLC. He is a member of the American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants, and Texas Forestry Association, and a board member of the Harrison County Soil and Water Conservation District and the Marshall Harrison County Joint Airport Zoning Board. Mr. Abney is also past president of the Harrison County Housing Finance Corporation and Harrison County Airport Advisory Committee, secretary and treasurer of the Harrison County EMS (Dist #2), and secretary of the Fern Lake Club. He received a bachelor's degree from Southern Methodist University and is a graduate of the College of Financial Planning. Mr. Abney and his wife Claudia have two children and five grandchildren and reside in Marshall.



**Connie Ware - Secretary Pro-Tem**  
*Marshall, Texas*

Ms. Ware currently serves as the President and CEO of the Greater Marshall Chamber of Commerce. Ms. Ware was appointed to serve as Chairman of the Texas Commission on the Arts by Governor Bush in 1995. She served as chairman until 2000. In 2011, Ms. Ware was appointed to the

Stephen F. Austin State University Board of Regents by Governor Rick Perry. Ms. Ware was a founding board member on the Texans for the Arts advocacy group and the Marshall Regional Arts Council. She also served on various statewide and national arts boards. She received the "1988 Outstanding Citizen" award from the Marshall Chamber of Commerce. Ms. Ware has chaired numerous political committees and has served as a delegate to the Texas Republican Convention since 1990 and as an alternate to the National Republican Convention in 1992 and 2000. She was Harrison County Republican Chairman from 1990-1996. Ms. Ware resides in Marshall.

# BOARD OF DIRECTORS



**Earl Williams, Past President**

*Orange, Texas*

Mr. Williams is CEO of Tool Tech Machining in Beaumont, Texas, partner of Cypress Bayou Industrial Painting and President of Cypress Bayou, Inc. in Orange, Texas. He received a Bachelor of Science degree from Howard Payne University, a master's degree from Stephen

F. Austin State University and completed post graduate work at Texas A&M University. Mr. Williams was appointed to SRA's Board of Directors by Governor Rick Perry in 2001. He previously served on SRA's Board from 1994 to 1999. Mr. Williams and his wife, Suzanne, have two children and live in the Orange area.



**J. D. Jacobs, Jr.**

*Rockwall, Texas*

Mr. Jacobs is the former President and CEO of Jacobs Transportation, Inc. He resides in Rockwall County where he farms 4,000 acres of cotton, corn, milo and wheat and runs a 100-225 head cow/calf operation. Mr. Jacobs is a current member of the Farm Service Agency County

Committee, the Rockwall County Extension Service Advisory Board and serves as VP for the Rockwall County Farm Bureau Insurance Board. He formerly served on the Rockwall Housing Development Corporation Board. He received the "2001 Agricultural Excellence Award" from the Texas Department of Agriculture. Mr. Jacobs and his wife, Ollie Marian, have three children and four grandchildren and are members of the Lake Pointe Baptist Church of Rockwall.



**Connie Wade**

*Longview, Texas*

Ms. Wade moved from the Texas panhandle to the piney woods of East Texas in the summer of 1978 and fell in love with its natural beauty, history and its people. Since moving to East Texas, Ms. Wade has volunteered on behalf of local, state-wide and national candidates and served the

Gregg County GOP Party as its secretary, vice-chairman and as an election judge. At the 1992 State GOP Convention, she chaired the sub-committee on education for the platform committee and in 1996, was elected as an alternate to the GOP National Convention in San Diego. She served on the Governor's Commission for Women from 1995-1996. She has also worked at the Texas Department of Agriculture

as a scheduler for then Commissioner Susan Combs. Having won a contested primary race in March 2004 for Gregg County Clerk, Ms. Wade was sworn into that elected post in January 2005. Ms. Wade holds credentials as a Certified Investment Officer under the Texas Public Funds Investment Act and is a member of the County and District Clerks Association of Texas. She resides in Longview with her husband, Jerry Gipson. Their son, Shannon, resides in Spring, Texas with his wife and children.



**Stanley N. "Stan" Mathews**

*Pinehurst, Texas*

Mr. Mathews owns and operates Mathews Jewelers, Inc., established in Orange, Texas in 1984 and expanded to Beaumont in 2002. Born and raised in Orange as the son of J. L. and Laverne Mathews, he is very active in his community. He has served as Board Member, VP of

Economic Development and Life Ambassador for the Greater Orange Area Chamber of Commerce. Mr. Mathews was named 1997 "Small Business Person of the Year." He previously served as a school board member of Little Cypress Mauriceville ISD and as an advisory board member for Memorial Hermann Baptist Orange Hospital. He is a member of the Texas Jewelers Association, a member of the Beaumont Chamber of Commerce, a member of the Lamar University Cardinal Club Board of Directors and a 22 year member of the Orange Rotary Club. In his leisure time, he enjoys golf, fishing and travel. Stan and his wife, Linda, have two children and five grandchildren and reside in Pinehurst, Texas.



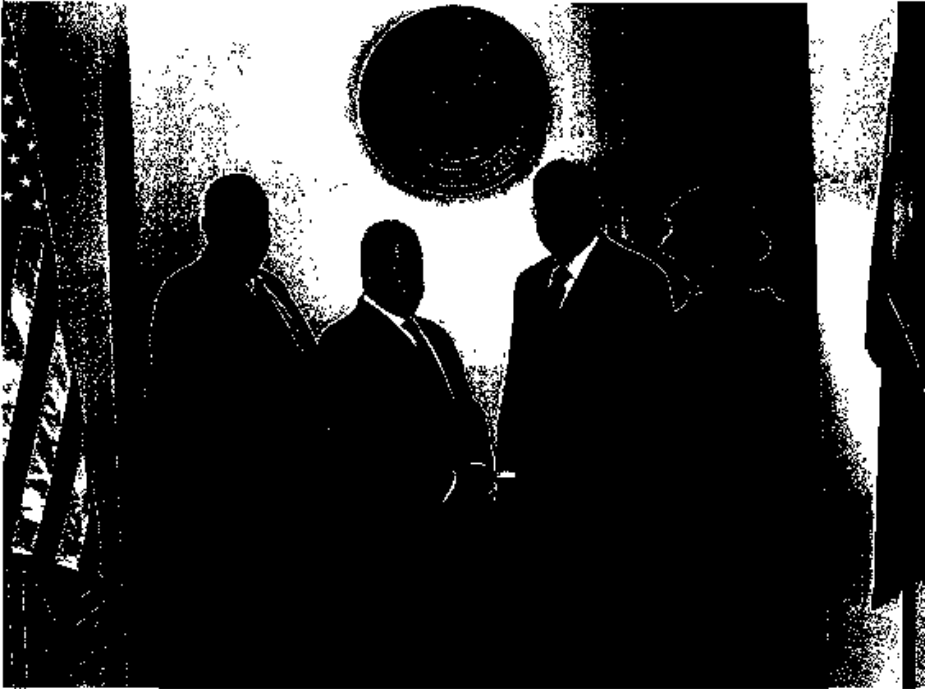
**Sharon Newcomer**

*Mauriceville, Texas*

Sharon Newcomer is a past education certification instructor at Lamar State College-Orange and a former educator in the state of Alaska. Ms. Newcomer is also past president of the Alaska School Counseling Association, and a past member of the National Middle School Association, National Education Association,

Matanuska Susitna Agency Partnership, Alaska Extended Learning Advisory Board, and LifeQuest Mental Health Executive Board. Ms. Newcomer received a bachelor's degree from Sam Houston State University, a master's degree in elementary education from Stephen F. Austin State University, and a master's degree in education counseling from Oregon State University. Ms. Newcomer has a daughter and son-in-law and four grandchildren. She resides with her husband, Ed, in Mauriceville and is active in her church.

# BOARD OFFICERS



*Standing left to right: Mac Abney, David Koonce, Cliff Todd, and Connie Ware*

## Sabine River Authority

### Board Officers 2013

*President*  
**David Koonce**

*Vice President*  
**Cliff Todd**

*Secretary/Treasurer*  
**Mac Abney**

*Secretary Pro-Tem*  
**Connie Ware**



### *2013 Board of Directors Board Meeting Marshall, Texas*

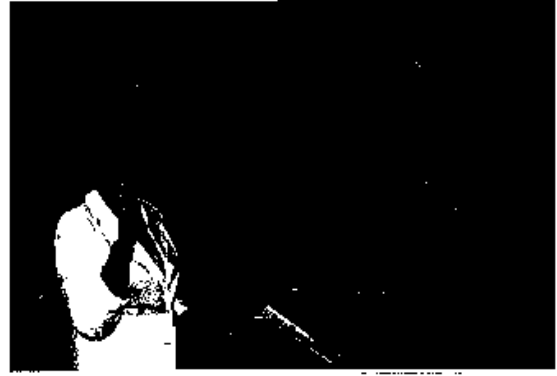
*Standing left to right:*  
Stan Mathews, J. D. Jacobs,  
Cliff Todd, Earl Williams, and  
Mac Abney

*Seated left to right:*  
Connie Wade, David Koonce,  
Connie Ware, and  
Sharon Newcomer

# BOARD HIGHLIGHTS



*SRA Board meeting at Lake Fork Division Offices, October, 2013*



*SRA Board member, Sharon Newcomer is sworn in by Orange County Judge, Courtney Arkeen*

**The Sabine River Authority of Texas**  
*is governed by a nine-member Board of Directors.  
Each board member serves a six-year term.  
The Governor of Texas appoints three board  
members every two years.*

*Directors are required to reside within a county situated  
wholly or partially within the watershed of the Sabine River.  
The members of the Board of Directors are leaders in their  
communities. They are dedicated citizens who are active participants in the water  
issues being addressed by the Sabine River Authority of Texas.*



*SRA Board meeting in Marshall, December, 2013*



**Grant Presentation - City of Pinehurst**  
*From left: City Administrator Joe Parkhurst, Mayor Pete Runnels, SRA Board Members Earl Williams, Sharon Newcomer and Stan Mathews, and SRA Assistant General Manager David Montagne*

# EXECUTIVE STAFF



**Danny "Butch"  
Choate**  
*Operations Manager*

**Bill Hughes, P. E.**  
*Director of  
Engineering*

**Travis Williams, P. E.**  
*Engineer*

**Troy Henry**  
*Upper Basin  
Regional Manager*

**Ann Galassi**  
*Water Resources  
Manager*

**Jerry Clark**  
*Executive Vice President  
and General Manager*

**David Montagne**  
*Assistant General  
Manager*

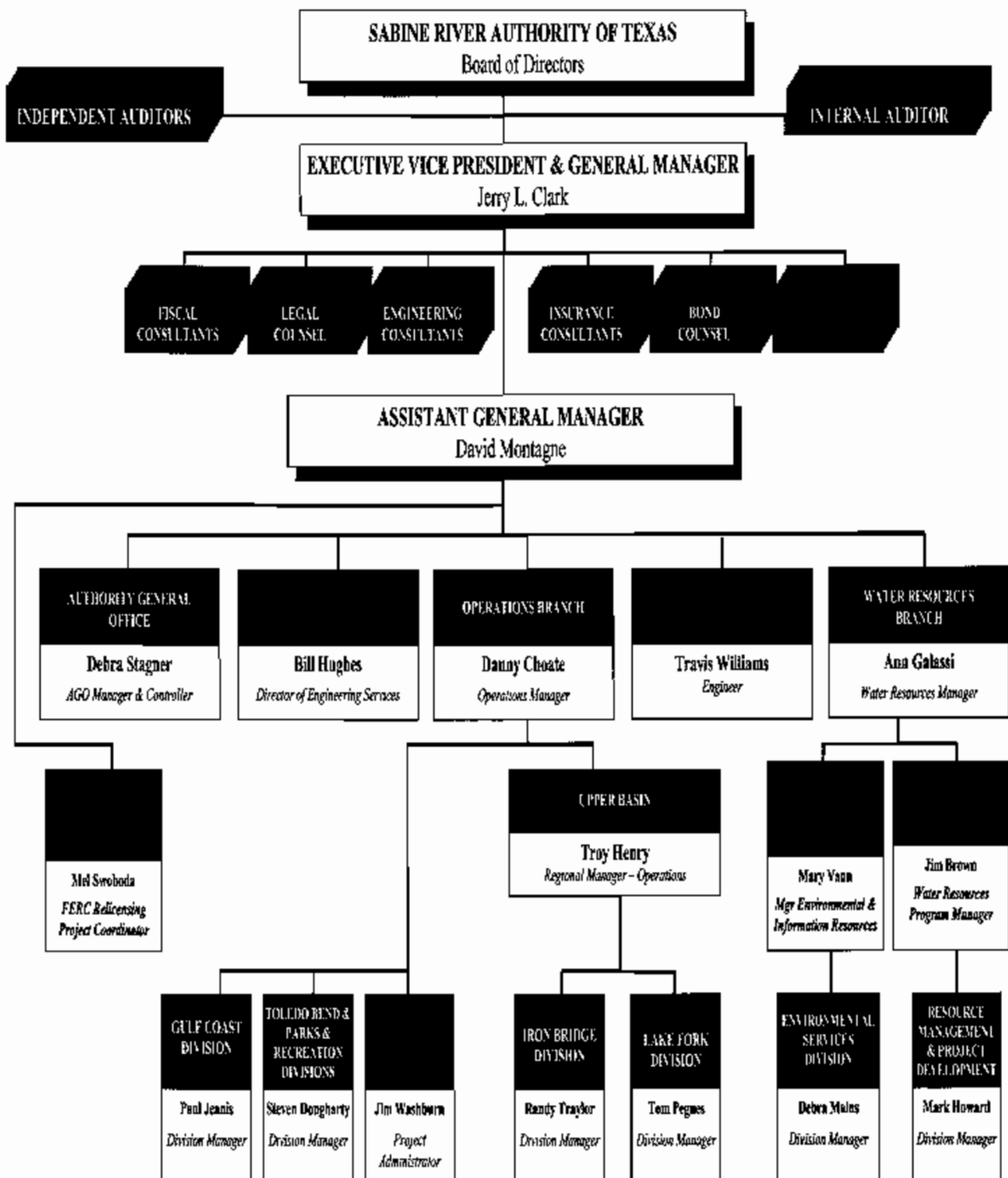
**Debra Stagner**  
*Authority General Office  
Manager and Controller*



*For more than 60 years, the Board of Directors and Staff of the Sabine River Authority have taken the lead in managing the resources of the Sabine River Basin to meet the long-term water supply needs of the Basin and protect the value of the resources. As the demand for water grows due to increasing population in the State of Texas, SRA will have to balance and prioritize the use of the water resources in accordance with State Laws.*

# MANAGEMENT STAFF

Effective September 1, 2013



# MANAGING EAST TEXAS WATER

## AS A POLITICAL SUBDIVISION

created by the State Legislature, the Sabine River Authority of Texas (SRA) has the responsibility to manage the long-term water supply needs of the Basin. SRA plays a major part in state and regional water planning issues. Taking the lead in managing the Basin's water resources is part of SRA's overall plan to ensure that water rights are maintained in the Basin and the value of the resource is protected.

Jerry Clark became Executive Vice President and General Manager of SRA in June of 1999 and is responsible for the overall operations of the Authority. He executes the policy and program directives of the Board of Directors, oversees the budget, and serves as the liaison between the agency and the legislature as well as other governmental agencies. He represents the interests of Texas as Project Supervisor for Toledo Bend Project Joint Operation, serving as a member of the Technical and Operating Boards. Prior to his work with SRA, he was a Governmental Affairs liaison for Dairy, Farm Credit Bank and Texas Ag Cooperative Council; was an agri-business operator and served eleven years in the Texas House of Representatives.

Mr. Clark currently serves as a board member of the Texas Water Conservation Association (TWCA), a state-wide organization of water, wastewater and related entities. TWCA works to educate and inform members, the public and

governmental agencies and leaders at all levels regarding water industry issues. He also serves as a board member of the National Water Resources Association (NWRA), a nonprofit federation of state organizations who work to balance the needs of people and the environment.

Mr. Clark serves as an executive committee member for Region I, one of the Regional Water Planning Groups (RWPG) developed from Texas Senate Bill 1 as a "bottom up" water planning process designed to ensure that the water needs of all Texans are met as Texas enters the



SRA Board of Directors Meeting - Marshall, Texas

21st century. Each RWPG throughout the state prepares regional water plans for their respective areas. These plans will map out how to conserve water supplies, meet future water supply needs and respond to future droughts in the planning areas.

SRA has continued to actively participate in efforts to establish freshwater inflow and instream flow targets for the Sabine-Neches Estuary and the Sabine River while balancing man's need for these resources. Mr. Clark served on the 2006 Environmental Flows Advisory

Committee for the State of Texas as an appointee of Governor Rick Perry. The committee examined issues relating to protection of instream flows and freshwater inflows for the state's rivers, lakes, bays and estuaries. In 2009, he was elected chair of the Sabine and Neches Rivers and Sabine Lake Bay, Basin and Bay Stakeholder Committee (BBASC) established by Texas Senate Bill 3

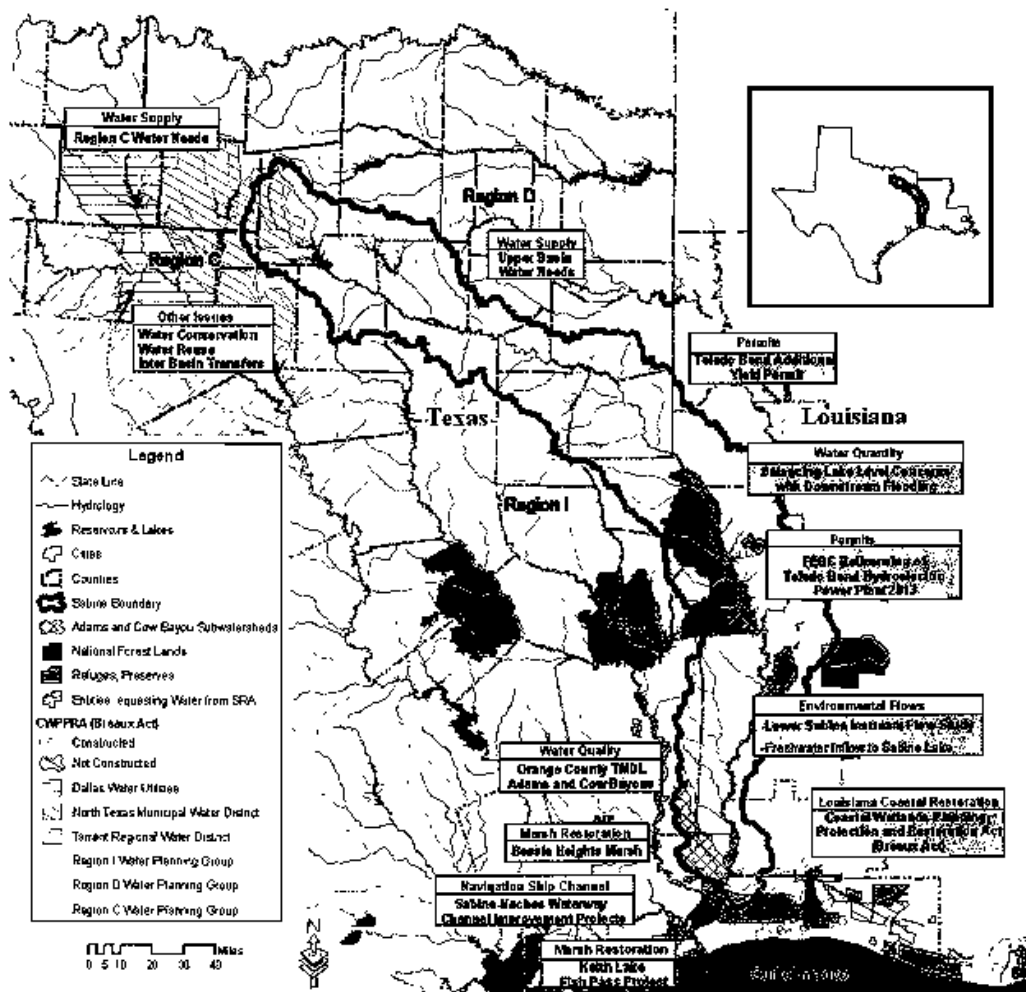
David Montagne, Assistant General Manager of SRA, has worked for the Authority since 1986. He supervises over 100 employees and is responsible for operations,

finance, engineering, planning and environmental services. He reports directly to the General Manager to assist in executing the policy and program directives of the Board of Directors. Prior to his position as Assistant Manager, he held the position of SRA Controller.

Active in statewide water resource planning efforts, David Montagne was appointed to the Texas Water Conservation Association's (TWCA) Reuse Water Committee. He is also a board member of the TWCA Risk Management Fund Board of Trustees. From 2004 until 2009, Mr. Montagne served as a Texas Ethics Commissioner. In 2009, he was appointed for a six year term to the Texas State University System Board of Regents by Governor Rick Perry. ♣



# SABINE RIVER BASIN PLANNING ISSUES



## SPECIAL CONSULTANTS

The following are retained by the Authority to assist in their special capacities:

### ATTORNEYS

Jim Graves (Mehaffy & Weber)  
 Charlie Goehringer (Germer-Gertz)  
 Mike Booth (Booth, Ahrens & Werkenthin)  
 Bob Szabo (VanNess Feldman)  
 Charles Sensiba (VanNess Feldman)

### INDEPENDENT AUDITORS

Pattillo, Brown & Hill, LLP

### INTERNAL AUDITOR

James P. Jansen (Jansen & Gregorczyk)

### INSURANCE CONSULTANTS

TWCA Risk Management Fund

### BOND CONSULTANTS

Financial Advisor – First Southwest Co., Inc.  
 Bond Counsel - McCall, Parkhurst & Horton

### ENGINEERING

Carroll & Blackman, Inc.  
 Freese & Nichols, Inc.  
 HDR  
 Alan Plummer Associates, inc.  
 Schaumburg & Polk, Inc.

# AUTHORITY GENERAL OFFICE

**THE AUTHORITY GENERAL OFFICE (AGO)** is located in the southeast corner of the state in Orange County near the city of Orange, Texas, approximately eight miles north of Interstate 10 on State Highway 87.

All official activities of the Sabine River Authority (SRA) are arranged and coordinated through this office by the General Manager and his Executive Staff. Scheduling of meetings for the Board of Directors and management as well as posting public notices and agendas, disseminating public information and preparation of press releases are handled through the AGO. The General Manager and Executive Staff also consult with attorneys representing SRA concerning contracts and other legal issues and work with the financial advisors and bond counsel concerning bond issues.

#### **Accounting / Records**

The Accounting Department is located in the Authority General Office and is responsible for all vital accounting functions for the entire Authority. Debra Stagner, AGO Manager and Controller, has been

with SRA since 2000 and is responsible for management and oversight of the financial and human resource aspects of SRA. She is a member of the national and state Government Finance Officers Association and the Southeast Texas Human Resources Association as well as TWCA and NWRA. The Accounting Department staff processes accounts receivable, accounts payable and generates financial statements on a monthly basis. In addition, the Accounting Department staff is responsible for all payroll functions, including preparation of State and Federal reports, and maintaining personnel files for all employees. Working closely with the Division Managers, a budget of revenues and expenses is prepared for each fiscal year and is presented to the Board of Directors for approval. Revenues and expenses are then monitored on a monthly basis to ensure SRA is operating within the budget and to ensure that approvals for budget amendments are obtained from the Board as needed. Investment of SRA's funds is a very important function of the Accounting Department. The Controller ensures all investments are made in accordance with the Public Funds Investments Act, Chapter 2256 of the Government Code, and the Board adopted Flow of Funds Resolution and Investment Policy. Investment reports detailing the investment transactions are prepared quarterly and submitted to the Board of Directors as required in the Public Funds Investment Act. In addition, accounts are monitored daily to ensure all funds are properly collateralized by the financial institutions. In accordance with Texas Commission on Environmental Quality (TCEQ) rules, SRA contracts with a Certified Public Accounting firm to employ an

internal auditor who reports directly to the Board of Directors. The role of the internal auditor is to verify that the internal controls SRA has in place are more than adequate to protect the assets of SRA.

Additionally, SRA contracts with a separate Certified Public Accounting firm as an independent auditor for the purpose of forming an opinion on whether the financial statements present fairly the results of the operations of SRA. The Accounting Department staff is instrumental in working with the internal and independent auditors to assist in their objectives.

All purchases of vehicles and heavy equipment are coordinated through the AGO. Bid proposals are obtained for major purchases to ensure SRA is receiving the most competitive price on these purchases. The Accounting Department maintains records for all SRA assets and conducts an annual inventory to verify the existence and the condition of the assets.

SRA is concerned with safety issues and provides training to all of the divisions. The safety program includes training in areas such as safety in the workplace, a defensive driving course, a boating safety course, and the Red Cross first aid and cardiopulmonary resuscitation (CPR) training.

Procurement of health, life, property, and liability insurance coverage for SRA is also managed through the AGO. SRA manages a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of SRA's employees and their covered dependents, and to minimize the total cost of the medical insurance. SRA obtains property and liability insurance coverage from Texas Water Conservation Association (TWCA) Risk Management Fund and other carriers. ♣



*SRA Board President David Koonce receives the GFOA Award for Excellence in Financial Reporting from SRA Controller Debra Stagner*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Sabine River Authority  
of Texas**

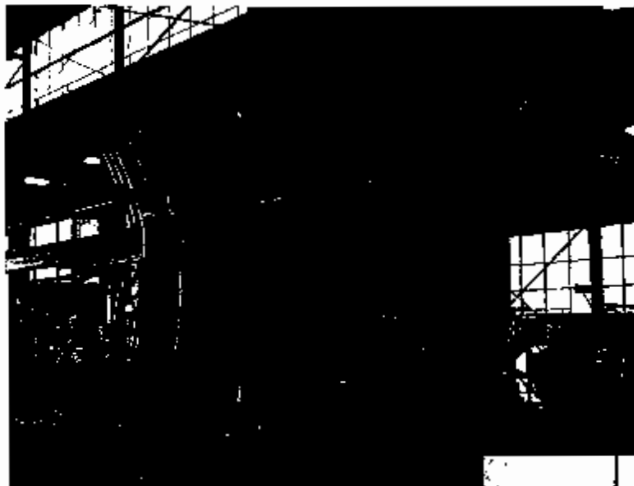
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2012**

Executive Director/CEO

# ENGINEERING SERVICES

**THE ENGINEERING SERVICES TEAM** of Bill Hughes, P.E. and Travis Williams, P.E. provides in-house engineering technical support for the different SRA Divisions and participates in water planning strategies and environmental issues affecting the Sabine River Basin. In 2003, Bill Hughes, P.E. joined SRA as the Director of Engineering Services. Mr. Hughes, a licensed professional engineer, has over 30 years of experience in civil design, concrete structures, steel structures, geo-technical design, project management



*Lake Fork Tainter Gate Fabrication*

and construction methods. He is a long-time standing member of the American Society of Civil Engineers (ASCE). Travis Williams, P.E. joined the SRA Engineering Services team in 2010. Mr. Williams, a licensed professional engineer, has extensive experience in civil design, water treatment facilities, wastewater treatment facilities, project management and construction methods. He is a standing member of the Texas Society of Professional Engineers (TSPE).

In FY-2013, Engineering Services had a busy year with two major capital projects ongoing at the same time on two of the Authority's gated spillway structures. The Toledo Bend Project Joint Operation (TBPJO) is continuing a multi-year tainter gate project to rehabilitate all eleven gates over a period of five years. Rehabilitation is now complete on three gates with future plans calling for four gates each to be completed in each of the next two years. Additionally, gate fabrication was finished and construction has commenced for the

complete replacement of all five of the Lake Fork tainter gates. This project is progressing on schedule for a completion scheduled for the summer of 2014.

Continued assistance was provided

working with Newton County on the Hazard Mitigation Grant Program to purchase flood prone properties below Toledo Bend along the Sabine River. The first two phases of this project have been completed. The remaining three phases are currently underway with the potential of the total project to remove in excess of 150 properties from potential flooding. Engineering Services has continued to assist with the FERC hydropower relicensing effort for the Toledo Bend Project Joint Operation and provided support for FERC relicensing efforts with state and federal agencies.

Additional projects during FY-2013 include preliminary design for the replacement of the transformer at the Toledo Bend Powerhouse; Index Testing for hydropower generators at Toledo Bend Powerhouse, upgrades to the water and wastewater system for Frontier Park; utilizing the standardized right-of-entry form for crossings of SRA owned property at all divisions; assisting with annual inspections, and construction of a new office / store facilities at Wind Point Park and other park improvements. ♣



*Lake Fork Tainter Gate #5 Removed*

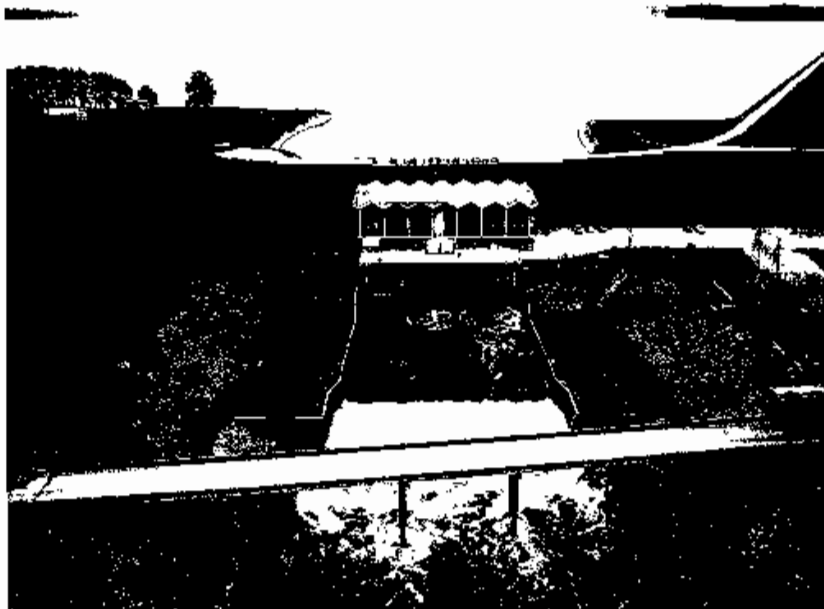
# THE PATH TO RELICENSING

IN EARLY 2007, SABINE RIVER AUTHORITY OF TEXAS AND ITS PARTNER SABINE RIVER AUTHORITY, STATE OF LOUISIANA began preparatory work on the relicensing of the hydroelectric facilities located on Toledo Bend Reservoir. The Federal Power Administration, a forerunner of today's Federal Energy Regulatory Commission (FERC), issued the original 50-year license in 1963.

The relicensing process for Toledo Bend Project Joint Operation (Project) began with the collection and compiling of all available data into a library that was used throughout the process. In the Spring of 2007 the SRAs acquired the services of Devine Tarbell and Associates (later to become HDR, Inc.) to be the process consultant for relicensing the project as well as Van Ness Feldman as the legal counsel. In August of 2007, a kick-off meeting was held to identify the goals for a successful relicensing effort. The key highlights of those goals were:

- Protect the Water Rights
- Minimize impact on water supply
- Maintain Hydro Power peaking capability

The Integrated Licensing Process was chosen and in September 2008, the formal process was initiated with the filing of the Notice of Intent to seek a new license and the Preliminary Application Document. These actions start the 5-year process for a new license. The SRAs conducted eight studies during a two-year period that ranged from a lower Sabine River Aquatic study to investigating the access and use of recreational areas around the reservoir.



Following the completion of the studies a Draft License Application was developed and submitted to FERC in May 2011 followed by the Final License Application in September. With the filing of the Final License Application, negotiations were initiated with two groups, the state and federal agencies concerning the aquatic resources on the lower Sabine River and the U.S. Forest Service concerning their lands around the reservoir. The negotiations culminated in Settlement Agreements with both groups in August 2012 just prior to FERC issuing its notice that the application was ready for environmental review. FERC then began the process of developing the Environmental Impact Statement. In June 2013, FERC issued the Draft Environmental Impact Statement that also provided license articles proposed by their staff. The proposed license articles are in alignment with our goals for the new

license for the Project. They have maintained the water rights of the states, minimized the impact on the water supply capability of the Project with a small increase in required downstream water releases. The Project will also maintain the electric peaking capacity of the units with a very meager reduction in the power production.

Currently the Final Environmental Impact Statement is expected in late 2013 and the new license in the first quarter of 2014. The length of the license will be known when the license is issued. ♣



# WATER RESOURCES BRANCH

The Water Resources Branch (WRB) of Sabine River Authority directs water resource planning and development, water resource protection, environmental service support, and information resources management efforts that enable SRA to fulfill its mission to control, store, preserve and distribute the waters of the Sabine River and its tributary system for useful purposes. The WRB works closely with management and operations to assist in the coordination of future planning efforts to assure dependable supplies of good quality surface water are available to meet the increasing demands for municipal, industrial, agricultural and recreational uses, which support a growing economy in the Sabine River Basin.

Jack W. Tatum, Water Resources Manager since 2001, retired from the Authority after more than 40 years of service. Upon Mr. Tatum's retirement, Ann Galassi, CEcD, was named Water Resources Manager, responsible for managing water planning and development, water quality monitoring, and the economic development and public relations programs for the Authority. Ms. Galassi has been with the Authority since 2001, previously as the Manager of Economic Development and Public Relations, working with management on strategic planning and development.

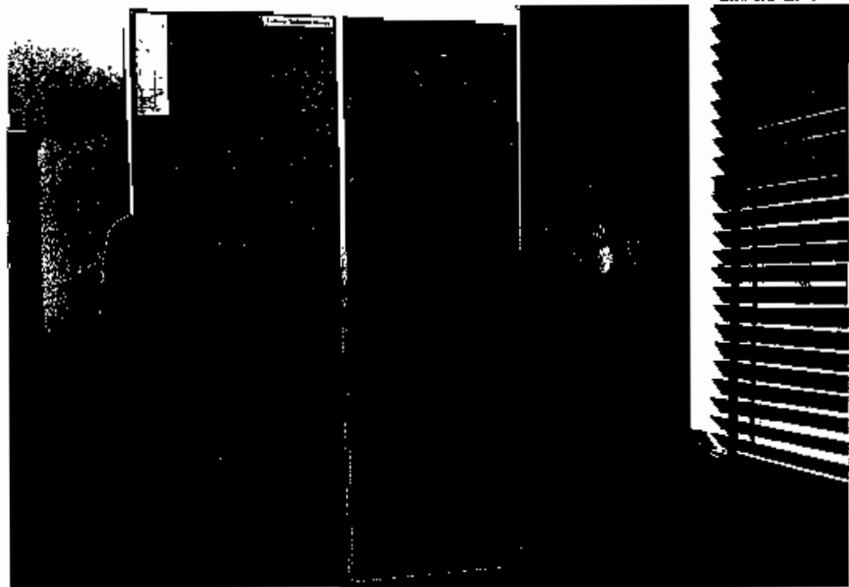
In FY 2013, the WRB remained heavily involved in the Toledo Bend Project Joint Operation Federal Energy Regulatory Commission (FERC) Relicensing project in a variety of areas including Geographic Information

Systems, information technology, document review, and resource group participation and guidance. Highlights of this effort in FY-2013 include review of the Draft Environmental Impact Statement (DEIS, received June 2013). The WRB expects to continue its Relicensing involvement through the issuance of the new license in 2014 and to heavily participate as a resource support for the implementation of the new license conditions.

Other WRB activities in FY-2013 included continued participation in a statewide zebra mussel public information endeavor spearheaded by Texas Parks and Wildlife Department (TPWD), maintenance of nuisance aquatic plant treatment agreements with TPWD for Toledo Bend and Lake Fork reservoirs, and application to TCEQ for water right amendments to Lake Fork, Lake Tawakoni, Toledo Bend, and the

Gulf Coast Canal system.

SRA's Community Assistance Program (CAP), now under the WRB umbrella, assisted eight (8) Sabine Basin applicants in FY-2013 with repairs and improvements in the areas of wastewater management, water supply, and water or wastewater planning. SRA's CAP, part of an Economic Development Initiative SRA started in 2002, provides competitive grants intended to complement or leverage water project funds for entities within the Basin. Funds provided for the grant program must fall within four project categories which include water supply, wastewater management, water conservation, and water quality and are limited to \$10,000 per project. ♣



*Jim Brown, Water Resources Program Manager and Mary Vann, Manager, Environmental and Information Resources*

# WATER RESOURCES BRANCH



**Mark  
Howard**  
*RMPD  
Division  
Manager*

## The Resource Management and Project Development Division

(RMPD) provides technical services including geographic information systems (GIS) mapping and analysis, data analysis and reporting, field biology expertise, project management, technical writing, information technology support, and content maintenance of the SRA website ([www.sratx.org](http://www.sratx.org)).

In FY-2013 RMPD supported SRA's divisions with field data collection, GIS services, review and comment on the Draft EIS for the FERC relicensing effort, data analysis and support for SRA's DEIS comments. RMPD assisted with GIS services for the Toledo Bend Division shoreline permitting databases. RMPD also employed GIS and GPS technologies to assist Engineering Services with several projects and the Operating Divisions with recreation mapping. The RMPD continued to provide assistance with drought monitoring and water accountability and other information resources.

Additionally RMPD provided support by interfacing with state agencies on a number of issues including: invasive aquatic vegetation (giant salvinia and water hyacinth); zebra mussels, rare,

threatened and endangered species; the fish sub advisory work group; and coastal issues. ➔

**Website:**  
**[www.sratx.org](http://www.sratx.org)**



Recent RMPD Support Documents

# WATER RESOURCES BRANCH: ENVIRONMENTAL SERVICES DIVISION

The Environmental Services Division (ESD) of the Water Resources Branch provides technical support to the Sabine River Authority (SRA) in the areas of field and laboratory water quality monitoring and analyses. Upper and Lower Basin Field Offices conduct water quality monitoring and investigate water quality complaints. The Laboratory provides metals, inorganic and bacteriological analyses for the SRA as well as for public, private and governmental entities.

The ESD Water Quality Laboratory is accredited under the National Environmental Laboratory Accreditation Conference Institute (The NELAC Institute or TNI). This is a national program established by the United States Environmental Protection Agency to develop mutually acceptable national standards for accrediting environmental testing laboratories. The Texas Commission on Environmental Quality (TCEQ) requires TNI accreditation for all contract laboratories reporting data

for permits, assessments, compliance issues, enforcement actions and corrective actions.

In FY-2013, the ESD



*Total Suspended Solids Analysis*

performed a total of 66,721 water quality tests. These tests consisted of the following: 26,600 tests for Sabine River watershed monitoring programs, 8,327 tests for 63 industrial clients, 6,428 tests for 89 municipal clients and 203 tests for 148 private individuals. A total of 25,366 tests were performed for quality control purposes to support



*Internal Audit of Oil and Grease Analysis*

**Debra Malus**  
*Environmental Services  
Division Manager*

the data generated by the laboratory and field offices. Quality assurance is critical for the validation of laboratory and field data precision and accuracy.

The ESD continues to monitor water quality in the Sabine Basin through the Texas Clean Rivers Program (TCRP). The TCRP is a state fee-funded, non-regulatory program created to provide a cooperative partnership between the



*Surface Water Sampling*

TCEQ and regional water authorities. This program promotes involvement of state and local entities along with the general public. The TCRP allows Sabine Basin stakeholders to provide valuable input to regulatory authorities on water quality monitoring and planning efforts through a series of yearly Steering Committee meetings held in the Basin. During FY-2013, the City of Longview submitted 854 parameter results, analyzed at the ESD laboratory, to TCEQ's Surface Water





*Collecting Water Samples at Toledo Bend Reservoir*

Quality Monitoring database under SRA's Quality Assurance Project Plan (QAPP).

The SRA monitoring program under the TCRP consists of fixed stations that are monitored over a long period at strategic locations in the Sabine Basin, primarily water bodies that serve as drinking water or process water supply sources, recreation areas, and areas that receive treated wastewater. In FY-2013, forty fixed sites were sampled and analyzed monthly to ensure quality water for all Sabine Basin stakeholders. Flow monitoring studies in support of permit actions were continued from FY-2012 at Indian Creek, Hawkins Creek and Grace Creek in the Upper Basin. The most recent basin highlights report, Sabine River Basin Highlights 2012, provides a review of water quality conditions in the Sabine Basin. The report is available on the SRA website:

[http://www.sratx.org/srwmp/ocrp/state\\_of\\_the\\_basin/basin\\_highlights/default.asp](http://www.sratx.org/srwmp/ocrp/state_of_the_basin/basin_highlights/default.asp).

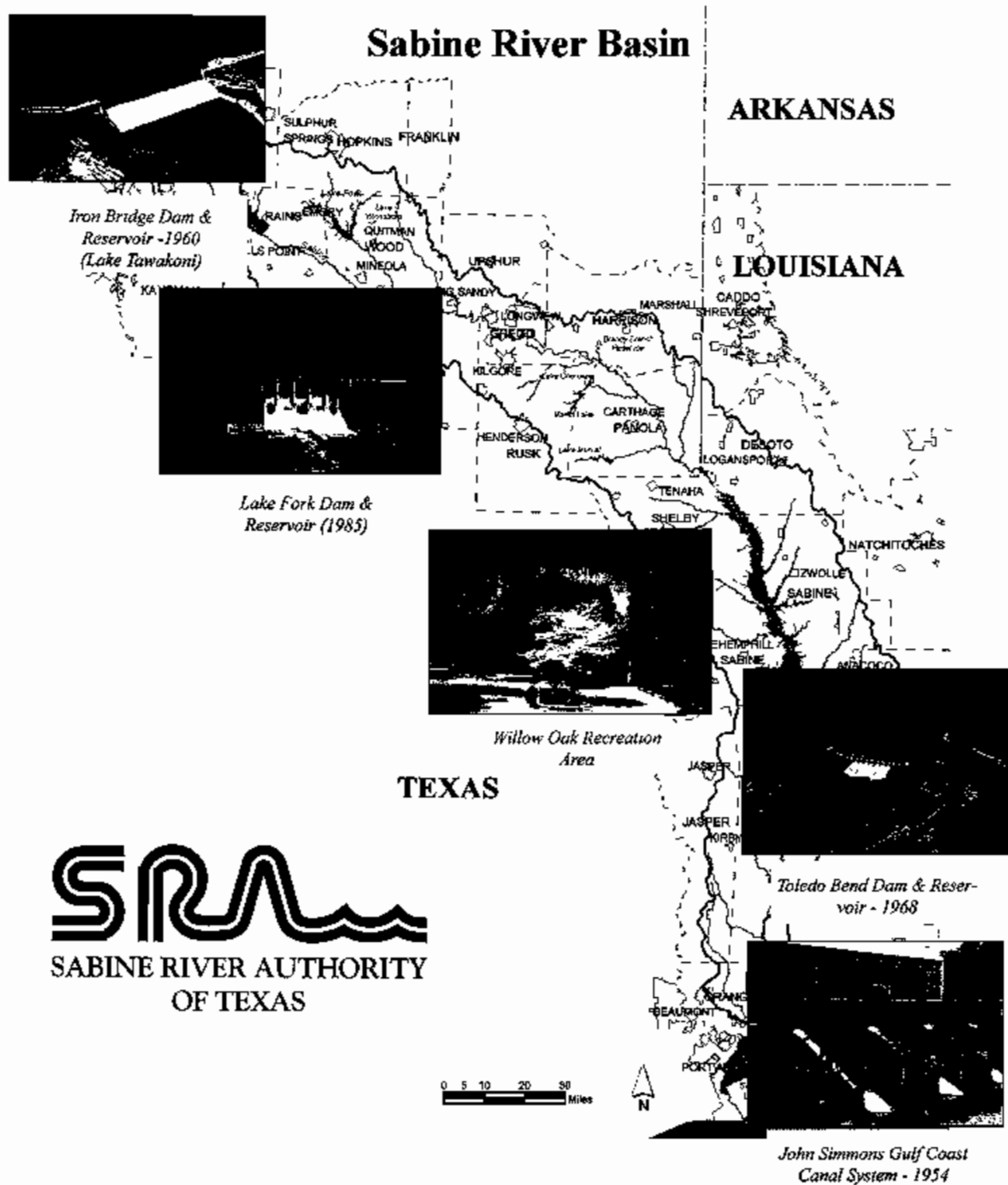
The ESD continues to support the Orange County Total Maximum Daily Load (OCTMDL) project by facilitating the Stakeholder Advisory Group. Area stakeholders finalized the project's Implementation Plan (I-Plan) that will help guide the efforts to restore water quality in Adams Bayou and Cow Bayou. After initial comments from TCEQ were received and addressed, the I-Plan was submitted to the TCEQ Office of Water on November 8, 2013 for review and approval. More information can be found at [www.sratx.org/srwmp/octmdl/](http://www.sratx.org/srwmp/octmdl/).



*Measuring Flow at Grace Creek*

Water quality protection responsibilities require ESD staff to be on call 24-hrs a day to investigate incidents that may threaten surface waters in the Basin. From September 1, 2012 through August 31, 2013, ESD staff investigated ten spills, kills, or complaints including seven oil spills, one fish kill, one citizen complaint and one miscellaneous investigation. Most of these were performed cooperatively with local, municipal, state, or federal agencies including the Texas Parks and Wildlife Department, the Texas Commission on Environmental Quality, the Railroad Commission, and the U.S. Environmental Protection Agency. Other ESD responsibilities include routine water quality monitoring of the SRA canal system in support of SRA's water supply contracts and monitoring the flow of the Sabine River main channel split at Cut-off Bayou. ♣

# OPERATIONS BRANCH OPERATING DIVISIONS



# OPERATIONS

**OPERATIONS OF THE SABINE RIVER AUTHORITY** began in the lower Sabine River Basin with the purchase of the pump station and canal system owned by the Orange County Water Company in 1954. SRA's canal system, operating first as the Orange County Canal Division and later as the Gulf Coast Division, consisted of a pumping plant on the lower Sabine River and more than 70 miles of gravity-flow canals throughout Orange County. The canal system originally provided raw water to industries, a municipality, rice farmers and crawfish producers in Orange County. Although current water use for rice farming and crawfish producers have greatly been reduced, the canal system continues today to provide a reliable and economical source of water to its industrial and municipal customers.

The next SRA operation facility was a water supply reservoir in the upper Sabine River Basin. The Iron Bridge Dam and Lake Tawakoni Reservoir, which lies partially in Hunt, Van Zandt and Rains Counties, began construction in 1958 and was completed in 1960. Construction of the dam and reservoir was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes.

Toledo Bend Reservoir was the next project undertaken by SRA. Plans to build Toledo Bend Dam and Reservoir proved feasible with an engineering study completed in 1958. The Toledo Bend Project was built for the primary purposes of water supply and hydroelectric power generation, with a secondary benefit of providing opportunities for all types of recreational activities. The Toledo Bend Project is located in Louisiana and Texas on the

Sabine River, which forms a portion of the boundary between the two states. Partnering with the Sabine River Authority, State of Louisiana, SRA began construction of the dam, spillway and power plant in April of 1964. Construction was completed in 1968.

The fourth operation facility and third water supply reservoir built by SRA was the Lake Fork Dam and Reservoir located in the upper Sabine River Basin in Wood, Rains and Hopkins Counties. The reservoir, funded through water supply agreements, was built for industrial and municipal uses with the City of Dallas currently as the project's largest customer. Construction of the dam and reservoir began in 1975 and was completed in 1980.

Management of the four operational facilities is headed by Danny "Butch" Choate, SRA Operations Manager. Mr. Choate, with the Authority for 21 years, has extensive operational experience that provides an excellent resource for operational activities at SRA. As Operations Manager, he is responsible for the operation, maintenance and safety of all operational facilities of SRA. Before coming to SRA, he previously served as Sabine River Compact Commissioner. During his tenure with SRA, Mr. Choate has been affiliated with the Texas Water Conservation Association, the Association of Dam Safety Officials and the National Water Resources Association. He has also been active in many community associations in Orange, Rains and Wood County. He currently serves on the Engineering Committee of the Sabine River Compact and is a Technical Board Member of the

Toledo Bend Project Joint Operation.

To assist in Operations, Troy Henry serves as the Upper Sabine Basin Regional Manager. He is responsible for the operation, maintenance and safety of the facilities at the Iron Bridge and Lake Fork Divisions. Mr. Henry has been with the Authority for over 22 years and has worked in Environmental Services and Operations. He is a registered Professional Sanitarian and active in the Texas Environmental Health Association. Mr. Henry served on the Northeast Texas Regional Water Planning Group (Region D) where he represented the River Authority interest group. ♣



# GULF COAST DIVISION

The John W. Simmons Gulf Coast Canal Division Office, maintenance facility and pumping plant are located eight miles north of Orange near the Sabine River and are responsible for the raw water supply and related operations in the Orange County area. The main duties and responsibilities of a staff of 15 includes maintaining and operating the pumping plant and canal system. Additionally, other duties of the division staff include operation and maintenance of SRA's 5,000 gallons

auxiliary pump that is separate from the main pumping plant and capable of pumping 10,400 GPM.

The canal system consists of 75 miles of canals and laterals that provide surface water to nine industries including several petrochemical plants, a pulp and paper mill, a steel mill and two electric generating plants. Surface water is also furnished to one municipality, the City of Rose City,

**Paul Jeanis**  
Gulf Coast  
Division Manager



the south portion of Newton County and surrounding areas. The Gulf Coast Division continues to furnish demolition services for homes and structures that qualify under the government funded buy-out program to flood prone areas along the Sabine River. A total of 14 residences were demolished in FY-2013. Other GCD projects included replacement of the rotor pump couplings and gearbox on pump #3, and minor electrical repairs and alignment to the pumps to ensure maximum operating capacity. Professional divers were brought in to conduct an inspection and survey of the intake canal adjacent to the four 48-inch steel intake pipes to determine if there was excessive silt build-up or any type of debris lodged in front of the intake pipes that might cause efficiency issues in the operation of the pumps. The final report of the inspection and survey indicated no excessive silt build-up or debris.

Routine maintenance and repairs completed on the GCD canal system in FY-2013 included the fabrication and installation of new galvanized screens for Honeywell and Lanxess raw water intakes located on Lateral 5G off FM 1006 in Orange. Repairs to existing canal levees, removal of accumulated silt and water grass, and continual mowing of the canal rights-of-way are other measures that ensure that water flowing in the canal system is not restricted and provides a dependable supply of surface water to all SRA Gulf Coast Division customers. The continual



*Gulf Coast Division Office and Main Canal*

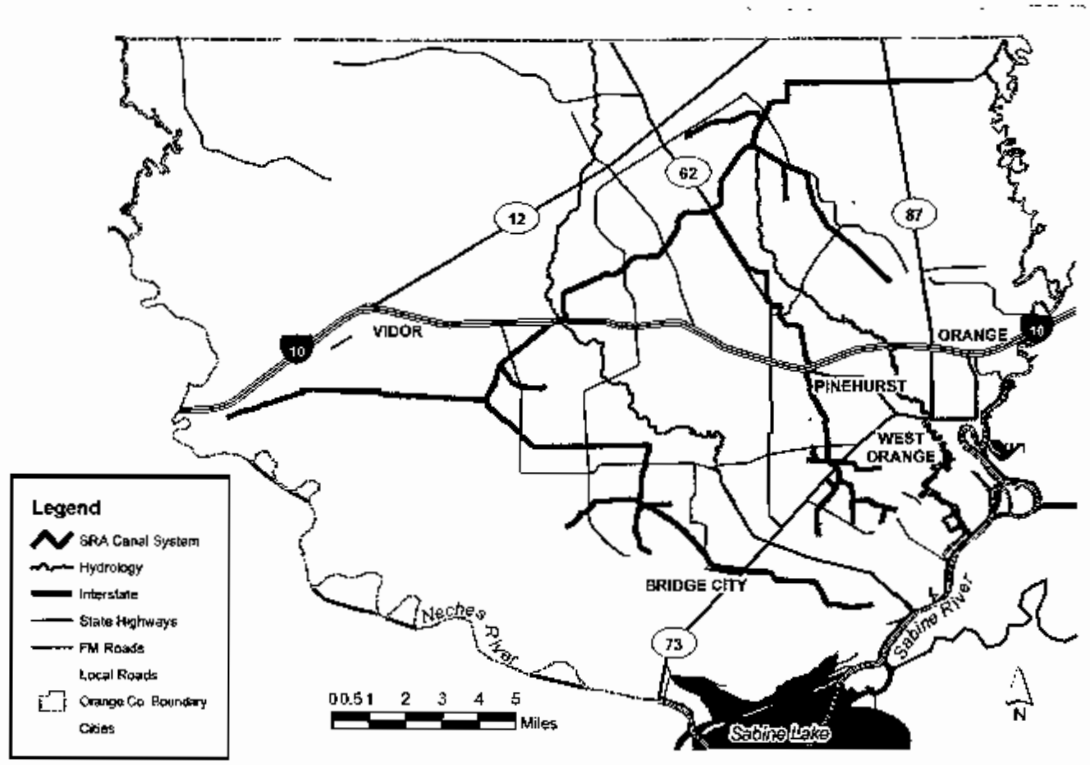
per day wastewater treatment plant which treats wastewater generated by the Dupont Warehouse located on Highway 62 in Orange, and maintenance of the Highway 12 boat ramp in Deweyville and the Cow Bayou boat ramp in Bridge City.

The Gulf Coast Division pumping plant consists of a metal building, 90' long by 35' wide, that houses four 60,000 GPM horizontal centrifugal pumps and one vertical turbine

and is used for agricultural irrigation which includes crawfish and some unharvested rice. In FY-2013 a total of 50,838 acre feet or 16,565,476,642 gallons of fresh water was delivered to customers through the Gulf Coast Division canal system.

Highlights of the GCD projects during FY-2013 include participation in the Newton County Phase III flood hazard mitigation project located in

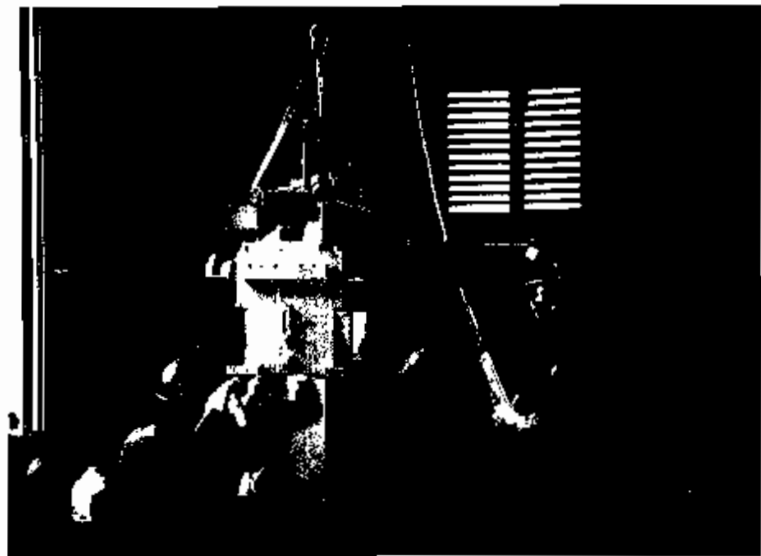
# GULF COAST DIVISION



*John W. Simmons Gulf Coast Canal System - Orange County*

upgrading of the canal system by employees and working with the GCD water customers and surrounding county agencies with water related issues promote water conservation and ensures a long-term supply of fresh water to meet the current and future water needs for the area.

Cumulative daily average flow measured at the USGS Ruliff Gauge on the Sabine River located at Highway 12 in Deweyville, Texas totaled 2,519,347 acre feet in FY-2013, compared to 1,041,378 acre feet in FY-2012. Rainfall measured at the GCD office indicated a total of 44.02 inches in FY 2013, compared to 70.68 inches in FY-2012. ➔



*Installing the New Gear Box for Pump #3*

# TOLEDO BEND DIVISION

**TOLEDO BEND RESERVOIR** is the largest man made reservoir in the south with 185,000 surface acres and 1,200 miles of shoreline. The reservoir sprawls into parts of Panola, Shelby, Sabine and Newton Counties in Texas as well as De Soto and Sabine Parishes in Louisiana. The Toledo Bend Powerhouse first began generating electricity in 1969. Water supply and hydroelectric generation are the primary purposes for the reservoir's construction. The reservoir has also provided recreation as a significant benefit for area outdoor enthusiasts.

The Toledo Bend Division has been responsible for management and operation of the Texas side of the reservoir for over 44 years. This division cares for 762 miles of shoreline, 3,000 Private Limited Use Permits, 25 Commercial Permits, 4,156 Private Sewage Facility Licenses, 1,400 On-Site Sewage Facility Registrations, more than 500 buoys, 2 recreation areas, 10 boat ramps and several maintenance facilities.

Giant Salvinia was a problem in 2013 in spite of the drought of the

**Steven Dougharty**

*Toledo Bend  
Division Manager*



recent past and continued control efforts. In the fall of 2011, during the all-time lowest lake elevation where the water was 12.58 feet below full pool, Giant Salvinia was almost undetectable by aerial survey. However, Giant Salvinia became a problem again during the 2012 growing season. In the fall of 2012, Texas Parks and Wildlife (TPWD) and Louisiana Department of Wildlife and Fisheries worked



*Administrative Office of Toledo Bend Division and Toledo Bend Project Joint Operation*

# TOLEDO BEND DIVISION

cooperatively to use a helicopter to spray the upper reaches of Toledo Bend Reservoir in hopes of a preemptive strike on Giant Salvinia which had grown significantly in the back-waters. Nevertheless, the problem grew in 2013. There were significant problems in most coves on the Texas side of the reservoir after the 2013 growing season. TPWD has continued their control efforts by spraying herbicide and by the distribution of weevils. TPWD reports over 22 reservoirs now have Giant Salvinia in Texas.

Shoreline auditing work was continued this year in Sabine County. The purpose of the work is to make sure each person with facilities along the shoreline has the correct permit and facility payment charge

In conjunction with shoreline auditing, GPS coordinates of each permit are being obtained and the data is being transferred to a mapping program. The end result will be a one source computer map that can give the Authority the ability to look at a satellite image with property lines, permit lines, private ownership information, and relevant SRA permit information. Once complete the new computer system will offer increased efficiency and greater understanding of each permit situation

Several stabilization projects were completed on the Texas side of the reservoir. An estimated 3,000 tons of rip-rap were placed in various locations.

Buoy work continues to be a significant part of the maintenance activities each year. Texas has over 500 buoys to maintain. It is estimated that over 200 were replaced with new buoys during 2013 and countless more were picked up from the shoreline and put back into their correct position. ➤



*Shoreline Auditing at Toledo Bend*



*Buoy Placement in Housen Bay*

# TOLEDO BEND PROJECT JOINT OPERATION

**Jim Washburn**  
*Project Administrator*

*J* **Melvin Swoboda**  
*FERC Relicensing  
Project Coordinator*



The Toledo Bend Project (Project) is jointly owned by the Sabine River Authority of Texas (SRA-TX) and the Sabine River Authority, State of Louisiana (SRA-LA). The Toledo Bend Reservoir, at 185,000 acres, is the largest man-made reservoir in the South. Toledo Bend has over 1,200 miles of shoreline; 503 miles in Louisiana and 762 miles in Texas. The storage capacity of the reservoir is over 4,477,000 acre feet and it stretches more than 75 miles from the dam to north of Logansport, Louisiana.

Rules, regulations, financial management and operation of the Project are directed by the Operating Board which is comprised of two members from SRA-LA Board of Commissioners and two members from SRA-TX Board of Directors. The General Manager of SRA-TX and the Executive Director of SRA-LA serve on the Operating Board as ex-officio members. The initial costs for the construction of the Project were shared equally by the two Authorities, and they continue to share in the operating costs; therefore, each state is entitled to fifty percent of the income from the sale of power generated at the facility, plus the dependable water supply yield is equally divided. Management of matters relating to the reservoir, dam, spillway and power plant are handled jointly with each state managing its own shoreline and recreation activities.

The Toledo Bend Project Joint Operation is participating with Newton County in a Flood Hazard Mitigation project below the dam.

The Project is furnishing in-kind services in the form of demolition of the homes and structures in the flood way which are being purchased through a grant program. The first phase was initiated in 2007. In FY-2013 Phase III, IV and V were implemented. Included in these phases were properties on River Road (directly below the dam), Sabine Sands (Bon Wier area) and the Deweyville area. During the year thirteen properties were demolished, bringing the total to eighty-seven residences which have been removed from the flood way.

During the fall of 2012 the refurbishment of Spillway gate #7 was completed. Bids were solicited for the refurbishing of Tainter Gates #1 and #9 and work on these gates

and fabrication of additional stop logs was completed in FY-2013. Bids will be solicited for refurbishment of four more tainter gates to be performed in FY-2014. The addition of a second set of stop logs will allow two gates to be refurbished simultaneously, making it possible to complete work on four gates in a single year.

During the Fall outage at the Powerhouse, unit #2 servo motors were rebuilt, two stator cooling pipes (10" diameter) and two thrust bearing pipes (3" diameter) were relined. Also, the #4 head gate was removed, blasted, inspected, repaired and recoated.

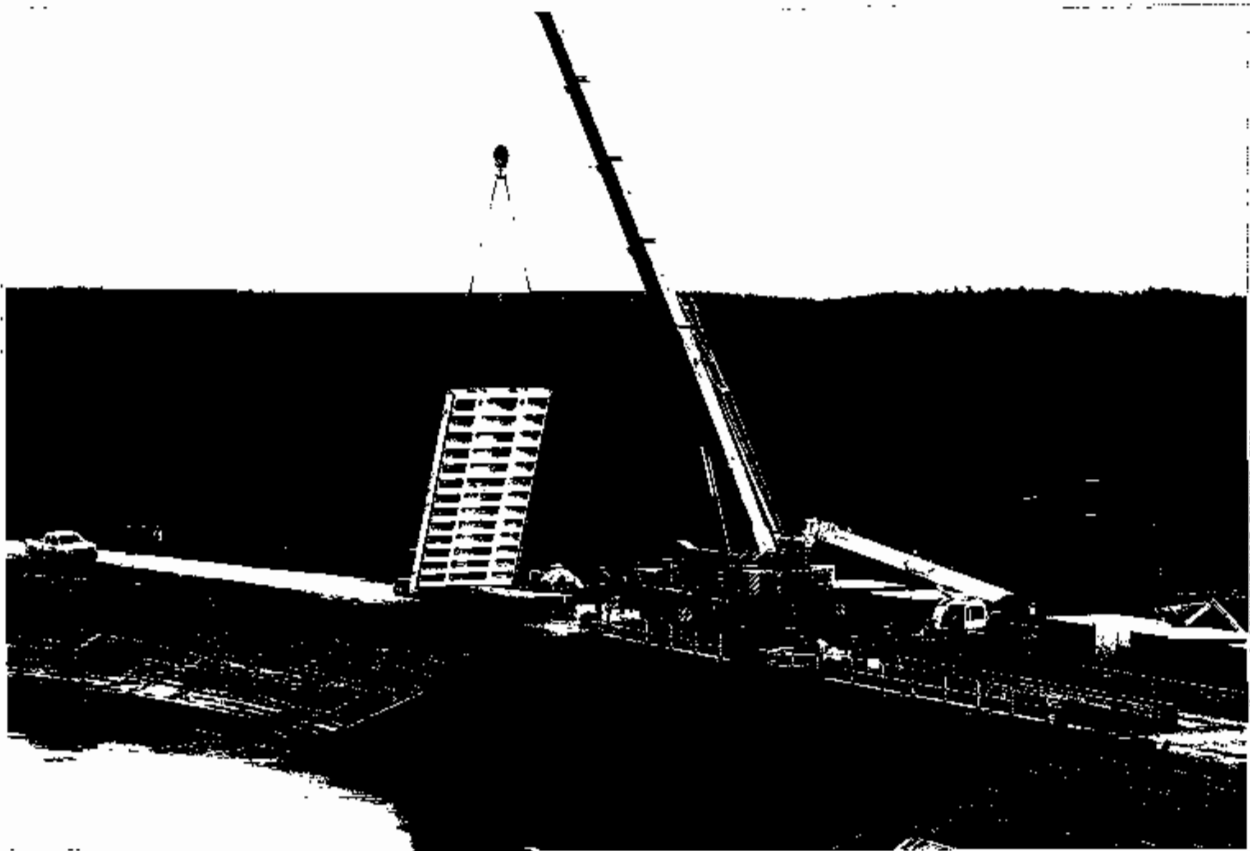
The Federal Energy Regulatory Commission (FERC) made their annual safety inspection on the Project in March. This inspection of



*Refurbishing Spillway Gate #1 at the Toledo Bend Project*



# TOLEDO BEND PROJECT JOINT OPERATION



*Installing the Refurbished #4 Head Gate at the Project Powerhouse*

the dam, dikes, powerhouse, spillway and related facilities is to ascertain that all the facilities are functioning and being maintained in compliance with FERC standards and that the security and integrity of the Project is being enforced. Representatives from Freese and Nichols, Inc., the Project engineering consultants participated in the inspection.

Conservation pool at the Toledo Bend Reservoir is 172' m.s.l. and the fiscal year began with an elevation of 168.55' m.s.l. and ended with an elevation of 167.64' m.s.l. on August 31, 2013. The lowest elevation for the fiscal year was 167.45' m.s.l. on both December 3

and 9, 2012. Peak elevation for the year was 170.70' m.s.l. reached on June 7, 2013. Total rainfall for the year was 39.81 inches compared to 65.82 in FY-2012. Total water released during FY-2013 was 1,232,580 acre feet compared to 1,139,500 acre feet in FY-2012. The power plant produced 72,878,000 kWh hours this fiscal year and only 60,609,000 kWh the previous year. ★



*Annual FERC Safety Inspection*

# PARKS AND RECREATION DIVISION

**THE PARKS & RECREATION DIVISION (PRD)** began operation in September of 1999 with the primary vision to preserve and expand recreation opportunities throughout the Sabine basin. For the past 14 years this division has been operating and maintaining Haley's Ferry, Ragtown, East Hamilton, Indian Mounds, Lakeview and Willow Oak Recreation Areas which are located in Shelby and Sabine Counties. Employees maintain about 200 acres which includes five boat ramps, 90 campsites, six restroom buildings, many miles of roads, two hiking trails, two water systems and two dispersed

camping areas.

During this year SRA and the USFS signed a new 10-Year Special Use Agreement for the six USFS recreation areas that the Parks & Recreation Division operates. A series of meetings in the field and in the office was required to work out the many relevant details of the agreement. The new agreement is coordinated with relevant provisions to the FERC re-licensing settlement agreements.

Maintenance work was performed in the recreation areas to replace doors and replace aged, rotten picnic table boards in the six USFS parks. Repairs were

**Steven Dougharty**

*Parks & Recreation  
Division Manager*



completed in the fall. Doors in need of replacement on three restroom buildings at Ragtown Recreation Area and Haley's Ferry Recreation Area were replaced and repaired.

Water systems at Indian Mounds received extra maintenance this year. The compression pump was replaced and the 33,000 gallon underground storage tank was drained, inspected, and cleaned.

Haley's Ferry road was



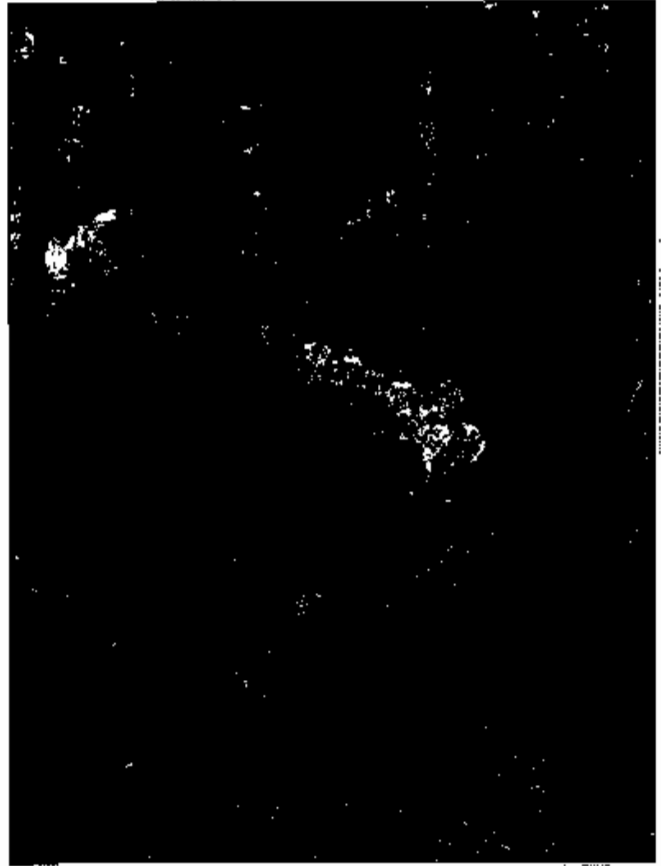
*Picnic Table Repairs at Indian Mounds Recreation Area*

# PARKS AND RECREATION DIVISION

improved with road base being added to numerous rough sections. The road received maintenance several times during the year and gravel was added in the summer.

The annual "Walk in the Forest" was a success again this year. The fifth grade students, and teachers love to get out of the classroom for a walk down the Ragtown nature trail. Education stations are set up along the trail. Some stations are nestled along the waters edge, some perched on high bluffs overlooking the lake, some near deep ravines or large hills, but all stations are among the towering trees of the Sabine National Forest. Education stations are presented by the Texas Forest Service, the United States Forest Service, Texas Parks & Wildlife and others. The Texas Forest Service and SRA are co-sponsors of the event. All Shelby County Schools are invited and most attend each year. Education topics include forest reptiles, forest wildlife, trees, insects, and archeology. Students enjoy a sack lunch in the camping area or near the lakes edge before returning to school. About 150 people attended this year.

Improvements to the six USFS recreation areas over the past fourteen years include five renovated boat ramps and one newly constructed boat ramp at Indian Mounds in the camping area. A second camping loop was initially opened at Indian Mounds. All parks have been opened year around instead of closing during the winter. Water systems have received significant improvements. Buildings, grounds, amenities and trails have been improved by routine maintenance such as painting, mowing, trimming, cleaning and repairing. ➔



*Annual Walk in the Forest Education Program at Ragtown*



*Annual Walk in the Forest Educational Program at Ragtown*

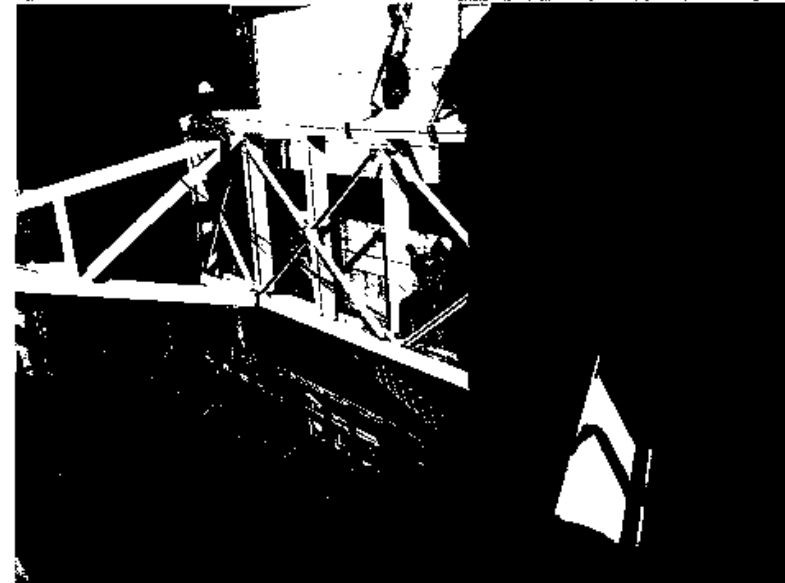
# LAKE FORK DIVISION

**THE LAKE FORK DIVISION** of the Sabine River Authority of Texas has been responsible for the operation and maintenance of Lake Fork Dam and Reservoir for 33 years. Final closure of the dam was made in 1980 and the reservoir reached full conservation pool (403 feet mean sea level) in 1985.

Lake Fork Reservoir provides raw water for numerous municipal and industrial customers. The full storage capacity of the reservoir is 675,819 acre feet of water, with an annual dependable yield of 188,660 acre feet. Bright Star-Salem Special Utility District, the City of Quitman, and the City of Dallas have pump stations on the reservoir. Downstream customers include the City of Longview, the City of Kilgore, the City of Henderson, and Texas Eastman. These customers receive their water from the Authority by way of releases made through the spillway. Customers pump released water from the river at TCEQ licensed diversion points.

The Lake Fork Division has a total of twelve employees. Lake Fork Division personnel are tasked with managing approximately 315 miles of shoreline in addition to maintaining the dam and spillway. Maintenance and Operations personnel handle a wide variety of tasks every year on the dam, reservoir, and surrounding lands. Part of these responsibilities includes oversight and administration of 1,693 Private Limited Use Permits, 44 Commercial Limited Use Permits, and 103 Grazing Permits.

Lake Fork Dam has a controlled spillway with five tainter gates that are constructed of Cor-Ten™ steel. Cor-Ten™ steel was used in the original design as a minimal



*Gate 5 Frame Installation*

maintenance material. As time passed, it became clear that Cor-Ten™ was not a good application for wet environments. During yearly inspections, the metal on the gates was closely monitored for thickness by Authority personnel and engineers. In 2012, it was determined that enough metal had been lost on the gates to require replacement.

On October 4, 2012, bids were opened at the Lake Fork Division office and a contract to replace all five tainter gates was subsequently awarded. Removal and replacement is currently underway, with gate 5 completed



*Gate 5 Skin Plate Installation*

and gate 4 under construction at the end of FY-2013. The new gates will be constructed of mild steel and will be painted to prevent corrosion. Even with the reservoir at low elevation due to the ongoing

**Tom Pegues**  
*Lake Fork  
Division Manager*



# LAKE FORK DIVISION

drought, care must be taken to ensure that a flood can be passed through the gates should the occasion arise.

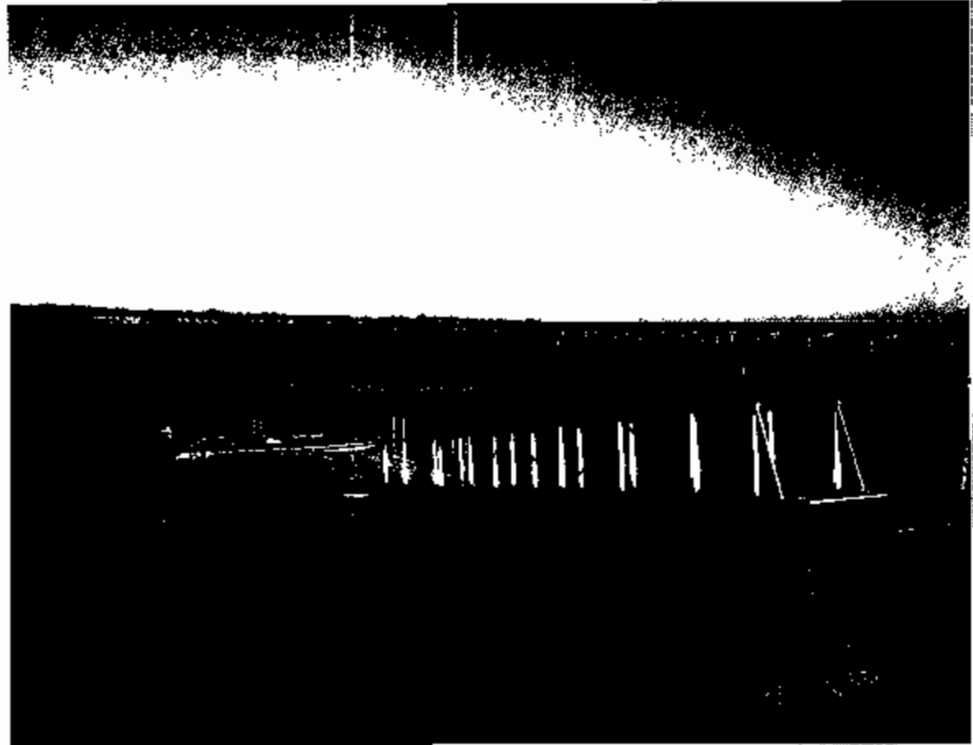
As the gate replacement project progressed, the Lake Fork Division worked with contractors to inspect and repair the large gearboxes used to raise and lower the gates. This project completed a larger two year project to inspect and repair all gate controls and hoist mechanisms on the Lake Fork Spillway.

The Lake Fork Division installed a floating pier at the Highway 154 Boat Ramp this year. The pier is located

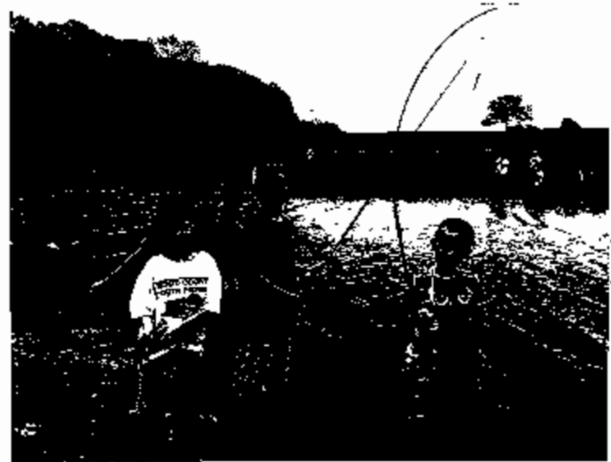
adjacent to the boat ramp and improves access to the reservoir for people of all ages and abilities. Numerous boaters and anglers voiced their approval and appreciation as reservoir levels fell and they were still able to gain access to the reservoir.

The Sabine River Authority has been delegated administrative oversight of all septic systems adjacent to each of the Authority's reservoirs. The Lake Fork Division reviews all plans for new septic systems, and investigates complaints on malfunctioning systems around the reservoir. The Lake Fork Division staff works with homeowners to ensure that all septic systems function properly to protect human health and water quality. In FY-2013 the Lake Fork Division issued 58 licenses for on-site sewage disposal and resolved 13 complaints.

The weather in FY-2013 was once again dominated by drought. The average rainfall for the Lake Fork area is approximately 48 inches per year. In the twelve months of FY-2013, only 33.12 inches of rainfall had been recorded at the Lake Fork Dam, compared to 50.17 inches and 26.1 inches in FY-2012 and FY-2011, respectively. The highest and lowest reservoir elevations in FY-2013 were 399.68 ft msl on September 1, 2012, and 397.19 ft msl on August 31, 2013. ➔



*New Highway 154 Floating Pier*



*Kid Fish 2013*

# IRON BRIDGE DIVISION

The permit to construct Lake Tawakoni was issued by the State Board of Water Engineers in 1955. Land acquisition for Lake Tawakoni began in 1956 and the reservoir was completed in 1960. The reservoir reached conservation pool elevation of 437.5 feet above mean

approximately 47,620 acre feet per year (42.5 million gallons a day) and provides water to numerous small cities and water supply entities in the area.

**Randy Traylor**  
*Iron Bridge  
Division Manager*



*Iron Bridge Dam at Lake Tawakoni*

sea level in October of 1965. The dam consists of a 5.5 mile long earthen dam and un-gated concrete ogee spillway. At conservation pool elevation, the reservoir inundates almost 37,000 acres of land in Hunt, Rains and Van Zandt Counties and the reservoir can store approximately 927,440 acre-feet (289 billion gallons) of water.

Built as a water supply reservoir, construction was made possible with financing through a water supply agreement with the City of Dallas. The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (212 million gallons a day). Sabine River Authority has twenty percent of the available yield,

IBD has a total of thirteen employees. IBD personnel are responsible for routine maintenance of Authority facilities, vehicles, equipment, buoys and monitoring instrumentation to ensure the continued safety and reliability of the dam and spillway. In addition to responsibilities related to reservoir maintenance, IBD staff is also responsible for the oversight and administration of over 1,700 Private Limited Use Permits, 34 Commercial Limited Use Permits and 45 Grazing Permits.

The Authority also serves as the Authorized Agent for the Texas Commission on Environmental Quality for all On Site Sewage Facilities within 2,000 feet of the

project boundary. In this capacity IBD personnel review design information submitted for new systems, make inspections, investigate complaints and work with property owners and local courts as necessary to resolve violations. IBD issued twenty-three permits for new OSSF's and worked eighteen complaints during FY-2013.

In addition to ongoing routine maintenance, several special projects were completed at IBD during this fiscal year. Low lake levels allowed IBD personnel to improve boating access to the reservoir. Boat ramps were extended with concrete and rock which will allow boat launching at reservoir levels lower than previously possible.

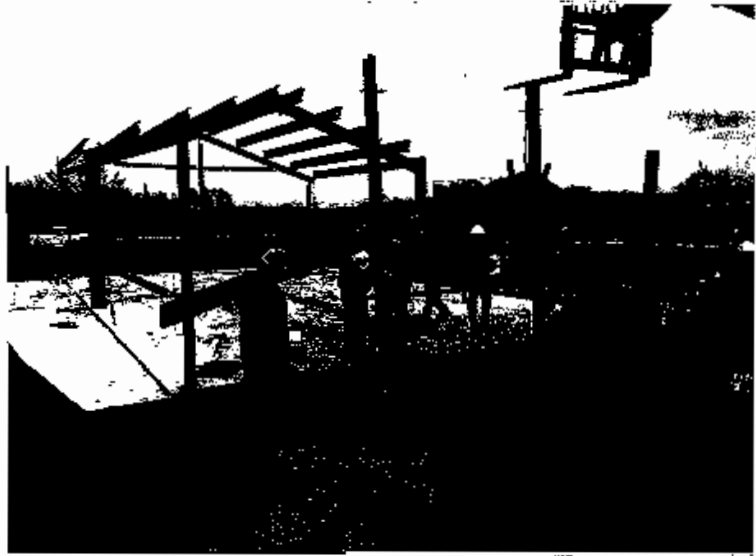
As part of ongoing SRA Board-authorized improvements to Wind Point Park, IBD personnel began construction of a new store and office to replace the original structure which was erected in the 1960's. Replacement of the store was deemed necessary due to structural issues and to provide better access to individuals with disabilities. The 1,500 sq. ft. building includes retail store space, restrooms, laundry room, manager's office and storage space.

Late in 2012, contractors working for the Texas Department of Transportation (TXDOT) began construction of a new four lane bridge across Lake Tawakoni. The new bridge which spans almost two miles, will replace the original two lane bridge that was constructed in

# IRON BRIDGE DIVISION

the late 1950's. This bridge links the Cities of East Tawakoni in Rains County and West Tawakoni in Hunt County and is a major east-west corridor through the area. Completion of the bridge is expected to be in the fall of 2015.

As with other areas in the state, Lake Tawakoni suffered under the continued drought. The reservoir began the fiscal year 2.62 feet low and ended the fiscal year at 8.02 feet below conservation pool elevation. The highest and lowest elevations for Lake Tawakoni in FY-2013 were 434.88 feet msl on September 1, 2012 and 429.48 feet msl on August 31, 2013 respectively. Rainfall for the fiscal year totaled 32.45 inches compared to 38.84 in FY-2012 and 27.57 in FY-2011. ♣



*New Office Facility Under Construction at Wind Point Park*



*Maintenance at the Van Zandt County Boat Ramp*

# SABINE RIVER AUTHORITY OF TEXAS

For the Years Ended  
August 31, 2013 and 2012

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2013 and 2012, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend — Joint Operation, which represents approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2013, and approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2012. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2013 and 2012 for Toledo Bend — Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress — Other Post-Employment Benefits on pages 3-9 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

November 15, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2013 and August 31, 2012, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

### **Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows**

The financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### **Net Position**

The net position of the Authority decreased during 2013 by \$1.9 million or 1.1% while the net position during 2012 decreased by \$3.65 million or 2.1%. Total assets decreased during 2013 by \$1.5 million resulting from a decrease in cash and cash equivalents while total assets decreased during 2012 \$2.4 million. Total liabilities increased during 2013 by \$0.4 million and increased during 2012 by \$1.2 million, or 1.3% and 3.9%, respectively. The increase in total liabilities for 2013 as well as 2012 is the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets decreased by \$0.06 million or 0.3% during 2013 after a decrease of 1.9% for 2012. The decrease in 2013 is the result of the recognition of depreciation expense which was partially offset by the increase in Work in Progress. The decrease in 2012 is the result of a decrease in investments and the recognition of depreciation expense.

Current assets decreased by \$0.09 million following an increase of \$1.4 million for 2012. The decrease in 2013 is mainly attributable to a decrease in cash and investments.

## Financial Highlights

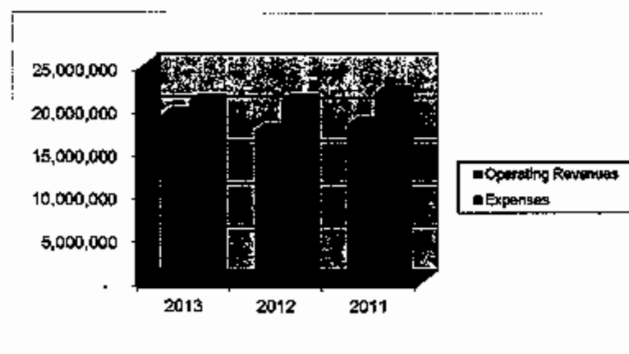
	2013	2012	2011
Current and other assets	\$ 6,392,130	\$ 7,455,667	\$ 6,039,063
Noncurrent assets	30,579,285	30,499,684	32,353,174
Capital assets, net	166,282,311	166,996,673	168,977,949
Total assets	<u>203,453,726</u>	<u>204,952,024</u>	<u>207,370,186</u>
Current liabilities	1,790,922	1,694,333	922,950
Noncurrent liabilities	29,907,051	29,602,582	29,139,398
Total liabilities	<u>31,697,973</u>	<u>31,296,915</u>	<u>30,062,348</u>
Net assets:			
Invested in capital assets, net of related debt	143,540,306	143,503,128	144,580,865
Restricted for debt service	825,016	825,016	846,350
Unrestricted	27,390,431	29,326,965	31,880,623
Total net assets	<u>\$ 171,755,753</u>	<u>\$ 173,655,109</u>	<u>\$ 177,307,838</u>
Operating revenues:			
Water sales	\$ 14,593,165	\$ 12,923,569	\$ 13,968,923
Power sales	1,514,146	1,215,429	557,506
Wastewater treatment	46,265	39,934	47,353
Permits	851,074	867,681	840,931
Water quality activity	816,696	756,362	844,315
Miscellaneous	898,904	1,039,279	1,361,197
Reservation fee	651,702	651,702	651,702
Total revenues	<u>19,371,952</u>	<u>17,493,956</u>	<u>18,271,927</u>
Operating expenses:			
Operation and maintenance	17,284,765	17,363,254	18,084,046
Depreciation	3,580,089	3,595,104	3,718,629
Total expenses	<u>20,864,854</u>	<u>20,958,358</u>	<u>21,802,675</u>
Operating income (loss)	( 1,492,902)	( 3,464,402)	( 3,530,748)
Nonoperating revenues (expenses):			
Grant program	( 100,000)	( 120,000)	( 169,533)
Gain (loss) on disposition of capital assets	76	( 6,832)	( 967,005)
Bad debt expense	( 7,702)	-	( 216,872)
Investment income	134,120	380,266	482,909
Interest expense	( 432,948)	( 441,761)	( 458,152)
Total nonoperating revenues (expenses)	<u>( 406,454)</u>	<u>( 188,327)</u>	<u>( 1,328,653)</u>
Income (loss) before contribution	( 1,899,356)	( 3,652,729)	( 4,859,401)
Capital contribution	-	-	24,471,632
Change in net assets	( 1,899,356)	( 3,652,729)	19,612,231
Net assets - beginning	173,655,109	177,307,838	157,695,607
Net assets - ending	<u>\$ 171,755,753</u>	<u>\$ 173,655,109</u>	<u>\$ 177,307,838</u>

## Operating Income

Operations for 2013 resulted in a loss of \$1.5 million, while operating income for 2012 and 2011 resulted in a loss of \$3.5 million each year. The loss in 2013 results from lower than average power sales due to drought conditions in the Sabine River Basin which affected the lake level at Toledo Bend and the ability to generate hydropower. Operating expenses decreased \$0.08 million while operating revenues increased \$1.9 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The increase in operating revenues during 2013 follows a decrease of 4.4% during 2012. Water sales and power sales for 2013 increased when compared to 2012 but remained below average as a result of drought conditions which affected the lake level at Toledo Bend and the ability to generate electricity. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2013, 2012 and 2011. Additionally, miscellaneous income of \$0.9 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are increasing in the basin.

Operating expenses decreased \$0.08 million, a 0.5% decrease following a \$0.07 million, or 4.2% decrease in 2012. While the operating expenses decreased in 2013 and in 2012, no single category of expenses accounted for the differences although the expense recognition of the net obligation for post-employment benefits accounts for the majority of the increase.



## Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

## Significant Capital Assets

Net capital assets decreased from \$166,996,673 to \$166,282,311, a decrease of \$714,362. The decrease is primarily the result of the recognition of depreciation expense which is partially offset by an increase in work in progress of \$2,173,037. The Authority's projects and a description of each are as follows:

### Gulf Coast Division

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of four horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22 feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.

The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 45.80 million gallons daily (mgd) for 2013 as compared to the 2012 water sales which were 43.75 mgd.

### **Lake Tawakoni**

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2013, 131.03 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 70.41 mgd delivered in 2012.

### **Toledo Bend Reservoir**

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authority for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authority's revenue bonds and constitutes the principal source of income for operation of the project.

The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin as well as other customers in the north Texas region. In 2003, SRA entered into an interlocal agreement with Dallas Water Utilities, Tarrant Regional Water District and North Texas Municipal Water District to examine the prospect of piping water from Toledo Bend Reservoir to help supply the water needs of these customers. If this project is found to be viable, it will be the first substantial water sale from Toledo Bend Reservoir.

In 2013, water sales from Toledo Bend totaled 4.23 mgd compared to 4.56 mgd in 2012. Water is delivered to two municipalities and three industrial customers.

#### **Lake Fork**

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The Cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2013, 21.79 mgd of water was delivered to these customers as compared to 30.39 mgd delivered in 2012.

#### **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with State regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2013, Environmental Services Division performed 68,040 tests which is an increase from the 60,755 tests performed in 2012.

For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the Notes to Financial Statements.

#### **Long-term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2013 and 2012 were \$913,540 and \$903,539, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the long-term liabilities section in Note 3 of the notes to financial statements as well as the supplementary information which follows the notes to financial statements.

### **Restricted Assets**

The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, restricted funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.

### **Change in Financial Position**

The net position for the Authority has decreased from 2012 to 2013 and from 2011 to 2012. Total operating revenues increased from 2012 to 2013 but decreased from 2011 to 2012.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

### **Requests for Information**

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409-746-2192.

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF NET POSITION**

**AUGUST 31, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,451,672	\$ 4,466,898
Investments	986,073	1,430,813
Accounts receivable	1,797,600	1,153,057
Accrued interest receivable	106,849	165,849
Other current assets	249,916	239,050
Total current assets	<u>6,592,130</u>	<u>7,455,667</u>
Noncurrent assets:		
Restricted cash and cash equivalents	825,016	825,016
Investments	29,734,269	29,674,668
Capital assets:		
Land	54,976,538	54,976,538
Dams and electric plant	128,801,141	128,258,305
Water and pumping plant	30,280,360	30,280,360
Buildings	8,798,596	8,798,596
Equipment	8,173,604	8,160,728
Work in progress	9,318,169	7,145,132
Less: accumulated depreciation	<u>( 74,066,097)</u>	<u>( 70,622,986)</u>
Net capital assets	166,282,311	166,996,673
Total noncurrent assets	<u>196,861,596</u>	<u>197,496,357</u>
Total assets	<u>203,453,726</u>	<u>204,952,024</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,311,530	1,378,342
Current portion of long-term liabilities	312,000	145,000
Accrued liabilities	125,000	125,000
Other payables	42,392	45,991
Total current liabilities	<u>1,790,922</u>	<u>1,694,333</u>
Noncurrent liabilities:		
Texas Water Development Board loan	22,430,005	23,348,545
Net obligation for post-employment benefits	6,986,762	5,594,237
Compensated absences	484,409	639,347
Deferred income	5,875	20,453
Total noncurrent liabilities	<u>29,907,051</u>	<u>29,602,582</u>
Total liabilities	<u>31,697,973</u>	<u>31,296,915</u>
<b>NET POSITION</b>		
Net investment in capital assets	143,540,306	143,503,128
Restricted for debt service	825,016	825,016
Unrestricted	27,390,431	29,326,965
Total net position	<u>\$ 171,755,753</u>	<u>\$ 173,655,109</u>

**The accompanying notes are an integral part of these financial statements.**



**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 14,593,165	\$ 12,923,569
Power sales	1,514,146	1,215,429
Wastewater treatment	46,265	39,934
Permits	851,074	867,681
Water quality activity	816,696	756,362
Miscellaneous	898,904	1,039,279
Reservation fee	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>19,371,952</u>	<u>17,493,956</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	17,284,765	17,363,254
Depreciation	<u>3,580,089</u>	<u>3,595,104</u>
Total operating expenses	<u>20,864,854</u>	<u>20,958,358</u>
<b>OPERATING INCOME (LOSS)</b>	<b>( 1,492,902)</b>	<b>( 3,464,402)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant program	<b>( 100,000)</b>	<b>( 120,000)</b>
Loss from disposition of capital assets	76	<b>( 6,832)</b>
Bad debt expense	<b>( 7,702)</b>	-
Investment income	134,120	380,266
Interest expense	<b>( 432,948)</b>	<b>( 441,761)</b>
Total nonoperating revenues (expenses)	<b>( 406,454)</b>	<b>( 188,327)</b>
<b>CHANGE IN NET POSITION</b>	<b>( 1,899,356)</b>	<b>( 3,652,729)</b>
<b>TOTAL NET POSITION, BEGINNING</b>	<u>173,655,109</u>	<u>177,307,838</u>
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ <u>171,755,753</u></b>	<b>\$ <u>173,655,109</u></b>

The accompanying notes are an integral part of these financial statements.

**SABINE RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 17,803,061	\$ 16,451,355
Payments to suppliers	( 9,342,312)	( 8,696,863)
Payments to employees	( 6,613,277)	( 6,544,571)
Other receipts	898,904	1,039,279
Net cash provided by operating activities	2,746,376	2,249,200
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	( 2,870,631)	( 1,627,062)
Disposal of capital assets	4,980	6,402
Principal paid on capital debt	( 913,540)	( 903,539)
Interest paid on capital debt	( 432,948)	( 441,761)
Grants	( 100,000)	( 120,000)
Net cash used by capital and related financing activities	( 4,312,139)	( 3,085,960)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (sell of) investments, net	365,139	1,390,008
Interest received	193,100	389,676
Payments received on notes receivable	( 7,702)	-
Net cash provided (used) by investing activities	550,537	1,779,684
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 1,015,226)	942,924
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	5,291,914	4,348,990
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 4,276,688	\$ 5,291,914
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$( 1,492,902)	\$( 3,464,402)
Noncash items included in operating income:		
Depreciation	3,580,089	3,595,104
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 644,543)	( 29,142)
(Increase) decrease in other assets	( 10,866)	9,534
Increase (decrease) in deferred revenue	( 14,578)	16,286
Increase (decrease) in accounts payable	( 66,812)	759,963
Increase (decrease) in accrued and other liabilities	( 3,599)	1,420
Increase (decrease) in compensated absences	7,062	( 23,118)
Increase in net obligation for post-employment benefits	1,392,525	1,383,555
Net cash provided by operating activities	\$ 2,746,376	\$ 2,249,200
<b>NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES</b>		
(Loss) gain from disposition of assets	\$ 76	\$( 6,832)

The accompanying notes are an integral part of these financial statements.

SABINE RIVER AUTHORITY OF TEXAS

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sabine River Authority of Texas ("Authority") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Sabine River Authority of Texas was created in 1949, pursuant to Vernon's Annotated Civil Statutes Article 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59 of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. Responsibilities of the Authority include municipal, industrial and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; and recreation facilities.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of 21 counties in the Sabine Basin and is administered by a 9-member Board of Directors appointed by the Governor to 6-year staggered terms. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

Fund Financial Statements

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Basis of Accounting

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, power sales, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

## Assets, Liabilities and Net Position

### **Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

### **Investments**

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. Investments in TexPool are stated at cost which approximates fair value. The change in the difference between fair value and cost of investments is reported as a component of investment income. All investments are in accordance with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

### **Accounts Receivable**

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

### **Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50 - 5.00%
Buildings	2.00 - 5.00%
Equipment	4.00 - 20.00%

The Authority capitalizes interest on major construction projects.

### **Restricted Assets**

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

### **Sick Leave and Vacation**

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

### Subsequent Events

Management has evaluated subsequent events through November 14, 2013, the date the financial statements were available to be used.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgets and Budgetary Accounting

The Authority prepares a budget in accordance with the Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. Appropriate sections of the budget are reviewed by the City of Dallas and the Toledo Bend Project Joint Operations Board.

### Rates and Regulations

Water rates are established by the Authority's Board of Directors. These contracted rates can be appealed to the Texas Commission on Environmental Quality. On May 16, 2008, the Public Utility Commission of Texas (PUC) approved the Authority's request for registration as a power generation company pursuant to P.U.C. SUBST.R.25.109. As of August 31, 2013 and 2012, the rate was \$0.04319 and \$0.04256, respectively, per KWH.

### Other Post-employment Benefits

The Authority provides certain health care and insurance benefits to its employees after retirement, and prior to fiscal year 2009, accounted for the benefits in accordance with Government Accounting Standards Board Statement No. 12, *Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Government Employees*. Beginning with the fiscal year ended August 31, 2009, the Authority was required to prospectively adopt Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (see Note 3).

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## 3. DETAILED NOTES ON ALL FUNDS

### Deposits and Investments

*Interest Rate Risk.* In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years. Maximum allowable maturity shall be 10 years with the exception of investments made specifically to retire debt.

*Credit Risk.* The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. An Advisory Board reviews the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of the Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of August 31, 2013 and 2012, the Authority had \$13,156 and \$13,143, respectively, invested in TexPool. The weighted average maturity of TexPool as of August 31, 2013 and 2012, was 56 days and 38 days, respectively.

The Board of Directors has authorized the Authority to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds, certificates of deposit, or interest-bearing demand deposits and is stated at fair value.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of August 31, 2013, all of the Authority's \$23,202,530 deposit balances exceeding depository insurance limits were collateralized with securities pledged by the financial institutions in the Authority's name and held in safekeeping by a third party. Fair values of pledged securities are monitored on a monthly basis to assure that they are in excess of 100% of the carrying values.

As of August 31, 2013 and 2012, \$800,016 of the Authority's deposits was placed in money market funds secured by obligations of the United States therefore the principal and interest are unconditionally guaranteed or insured by the United States and no additional collateralization was required.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority invests primarily in bank issued certificates of deposits. Concentration of investments as of August 31, 2013, is as follows:

Issuer	Description	Amount	Percentage of Total Investments
Texas Bank & Trust	Certificate of deposit	\$ 1,866,000	5.93%
First Financial Bank	Certificate of deposit	16,381,631	52.06%
Mobil Oil Federal Credit Union	Certificate of deposit	3,515,791	11.17%
Community Bank	Certificate of deposit	3,061,972	9.73%
Wyandotte County KS	Bond holding	1,945,826	6.18%
All other under 5%	Various	4,698,608	14.93%
<b>Total</b>		<b>\$ 31,469,828</b>	<b>100.00%</b>

### Capital Assets

Capital assets activity for the year ended August 31, 2013, was as follows:

	Balance 08/31/12	Increases	Decreases	Balance 08/31/13
Capital assets, not being depreciated:				
Land	\$ 54,976,538	\$ -	\$ -	\$ 54,976,538
Work in progress	7,145,132	2,173,037	-	9,318,169
Total capital assets not being depreciated	62,121,670	2,173,037	-	64,294,707
Capital assets, being depreciated:				
Dams and electric plant	128,258,305	542,836	-	128,801,141
Water and pumping plant	30,280,360	-	-	30,280,360
Buildings	8,798,596	-	-	8,798,596
Equipment	8,160,728	154,758	( 141,882)	8,173,604
Total capital assets being depreciated	175,497,989	697,594	( 141,882)	176,053,701
Less: accumulated depreciated for:				
Dams and electric plant	55,137,033	1,945,589	-	57,082,622
Water and pumping plant	3,799,534	905,250	-	4,704,804
Buildings	5,266,431	242,294	-	5,508,725
Equipment	6,419,968	486,953	( 136,975)	6,769,946
Total capital assets being depreciated	70,622,986	3,580,086	( 136,975)	74,066,097
Total capital assets being depreciated, net	104,875,003	( 2,882,492)	( 4,907)	101,987,604
Total capital assets	\$ 166,996,673	\$ ( 709,455)	\$ ( 4,907)	\$ 166,282,311

### Self-insurance

The Authority has established a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of the Authority's employees and their covered dependents, and to minimize the total cost of medical insurance. Cost incurred to provide this plan was \$1,508,128 and \$1,679,762 for the years ended August 31, 2013 and 2012, respectively. Medical claims exceeding \$1,807,697, and \$1,647,988 for 2013 and 2012, respectively, for the group, or \$60,000 per covered individual, were covered through a commercial insurance carrier. The maximum amount of coverage offered through the commercial insurance carrier is \$2,000,000 for a specific incident or \$2,000,000 in the aggregate. The Authority has not exceeded its insurance coverage in the last three years.

Governmental Accounting Standards Board, Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Management has estimated this liability to be \$125,000. As required by this statement, a reconciliation of claims liabilities is shown below:

Reconciliations of Claims Liabilities		
	2013	2012
Claims on liabilities at September 1	\$ 125,000	\$ 125,000
Incurred claims	1,508,128	1,679,762
Payments on claims	( 1,508,128)	( 1,679,762)
Claims on liabilities at August 31	\$ 125,000	\$ 125,000

## Employee Benefits

### **Pension Plan**

The Authority has created the Sabine River Authority of Texas Employee Retirement Plan (Plan) by conforming to the requirements of Section 401(a) of the Internal Revenue Code for the exclusive use and benefit of the permanent employees of the Authority and their beneficiaries. The Plan is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984, and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification. The Plan is authorized by Article 8280-133 of Vernon's Texas Civil Statutes as amended. It is a defined contribution pension plan, whereby the Authority contributes an amount equal to 15% of the employees' compensation which is within the limitations as set out in Section 415(c) of the Internal Revenue Code. Fulltime employees, after one year of service, are enrolled in the retirement plan, and the employees are fully vested after seven years. Benefits are based on the amounts accumulated from such contributions. At August 31, 2013, there were 128 plan members consisting of 103 active employees, 15 retirees and 10 inactive. At August 31, 2012, there were 134 plan members consisting of 101 active employees, 21 retirees and 12 inactive. Retirement contribution costs for the current year and two preceding years are as follows:

	Employer Contributions Required	Employer Contributions Made	Percentage of Contributions Made
2013	\$ 1,054,439	\$ 1,054,439	100%
2012	1,025,465	1,025,465	100%
2011	1,054,323	1,054,323	100%

Voluntary employee contributions totaled \$86,712 and \$88,983 for the years ended August 31, 2013 and 2012, respectively.

Retirement contributions are deposited into each employee's individual account at ICMA-RC (International City/County Management Association-Retirement Corporation). ICMA-RC is a not-for-profit corporation that assists in the establishment and maintenance of retirement plans exclusively for State and Local government employees. Through ICMA-RC, each employee manages and invests the funds in their individual accounts.



The total assets in the plan as of August 31, 2013, are \$32,066,997. The asset allocation breakdown is as follows:

FUND	Percentage Invested	Fund Balance
VT Columbia Mid Cap Value	<1%	\$ 248,954
VT Gold Sachs Mid Cap Value	<1%	189,407
VT PIMCO High Yield	<1%	108,629
VT Vantagepoint Milestone 2040	<1%	152,235
VT Allianz NFJ Div Value	<1%	239,717
VantageBroker	<1%	124,832
VT Vantagepoint Milestone 2015	<1%	140,390
VT Vantagepoint MS Ret Inc	<1%	197,507
VT Vantagepoint MP Trad Growth	<1%	264,951
VT Vantagepoint Infl Prot Sec	<1%	227,303
VT T Rowe Price Sm-Cap Value	<1%	122,164
VT Vantagepoint Milestone 2020	<1%	300,503
VT Vantagepoint Milestone 2010	<1%	283,604
VT Fidelity Diversified Int'l	<1%	268,422
VT T Rowe Price Growth Stock	<1%	279,375
VT Rainier Small/Mid Cap Eqty	<1%	141,527
VT Nuveen Real Estate Secs	<1%	301,617
VT Vantagepoint Cor Bnd Idx	1.47%	471,877
VT Vantagepoint Select Value	1.01%	324,284
VT PIMCO Total Return	2.42%	774,407
VT Retirement Income Advantage	1.91%	612,561
VT Vantagepoint Overseas Eq Idx	1.34%	431,180
VT Vantagepoint 500 Stk Idx	2.08%	666,957
VT Vantagepoint International	1.13%	361,696
VT Vantagepoint Milestone 2025	1.01%	322,488
VT Vantagepoint Milestone 2030	1.72%	550,779
VT Vantagepoint Growth & Income	1.56%	501,108
VT Vantagepoint Mid/Sm Co Idx	1.89%	605,882
VT Fidelity Contrafund	2.56%	821,312
VT Vantagepoint MP All-Eqty Grwth	2.30%	738,910
VT Vantagepoint MP Lng-Trm Cr	2.63%	843,567
VT Vantagepoint Bnd Mkt Idx	3.74%	1,199,250
VT Vantagepoint Equity Income	5.35%	1,714,709
VT Vantagepoint Aggressive Ops	6.03%	1,932,888
VT Vantagepoint Growth	8.75%	2,805,232
Vantage Trust PLUS Fund	37.94%	12,165,629
Other Funds w/ less than \$100,000 ( 43 funds)	1.97%	631,144
TOTAL, ALL FUNDS		\$ 32,066,997

#### Other Post-employment Benefits

##### **Plan Description and Funding Policy**

In addition to providing pension benefits, the Authority provides post-employment health care benefits, in accordance with federal and state statutes and Board resolution, to employees who attain retirement status. Fulltime employees hired before January 1, 2003 are eligible to receive retiree health care benefits upon reaching retirement status. Employees hired after January 1, 2003, are not eligible for post-employment health benefits. Employees are eligible for retirement status at age 65 or they may also attain early retirement status prior to age 65 provided that for each year of age prior to age 65, the employee shall have completed one year of service such that the employee's age plus years of service must equal 80. The Plan is a defined benefit plan and the cost for each employee is paid on a "pay-as-you-go" basis. The Authority pays the health care costs under its medical self-insurance plan described in Note 3. At August 31, 2013 and 2012, respectively, there were 29 and 27 active employees meeting these eligibility requirements who could elect to retire. During the fiscal years ended August 31, 2013 and 2012, respectively, 41 and 44 qualified retirees received these benefits. The Plan's provisions and funding requirements are established and can be amended by the Management of the Authority. The plan is a single employer plan.

### Annual OPEB Cost and Net OPEB Obligation

During the fiscal year ended August 31, 2010, the Authority implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. The implementation was prospective, meaning there was a zero net OPEB obligation at transition. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 1,861,652
Interest on net OPEB obligation	251,741
Adjustment to annual required contribution	( 335,936)
Annual OPEB cost (expense)	1,777,457
Contributions made	( 384,932)
Increase in net OPEB obligation	1,392,525
Net OPEB obligation, beginning of year	5,594,237
Net OPEB obligation, end of year	<u>\$ 6,986,762</u>

The Authority's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended August 31, 2013 and 2012, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
August 31, 2013	\$ 1,777,457	21.7%	\$ 6,986,762
August 31, 2012	1,798,280	23.1%	5,594,237
August 31, 2011	1,820,734	18%	4,210,682

The Authority is only required to obtain a complete actuarial evaluation every three years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last evaluation. The actuarial accrued liability for benefits was \$20,289,694, and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$20,289,694. The covered payroll (annual payroll of active employees covered by the plan) was \$5,141,494 and the ratio of the UAAL to the covered payroll was 394.63%. Refer to Required Supplementary Information.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. Additional information as of the latest actuarial valuation follows:

Valuation date	August 31, 2013	August 31, 2012
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar amortization	Level dollar amortization
Remaining amortization period	30 years - open amortization	30 years - open amortization
Asset valuation	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.50%	4.50%
Salary scale	3.0%	3.0%
Health care cost trend rate	9% initial 4.50% ultimate	9% initial 4.50% ultimate

### Long-term Liabilities

Outstanding long-term liabilities consist of the following (in thousands):

	Date of Issue	Date of Maturity	Interest Rates	Original Amount	Outstanding Balance 08/31/12	Added	Retired	Outstanding Balance 08/31/13	Current Portion
Facilities:									
TWDB Loans:									
Series 1964	1964	2034	6.54%	15,000	23,494		914	22,580	150
Compensated Absences:									
Vacation pay	-	-	-	-	639	460	453	646	162
Subtotal long-term liabilities					24,133	\$ 460	\$ 1,367	23,226	\$ 312
Less:									
Current portion					145			312	
Net long-term liabilities					\$ 23,988			\$ 22,914	

The Texas Water Development Board Series 1964 total amount outstanding at August 31, 2013, of \$22,580,005 includes \$6,475,000 of principal and \$16,105,005 of deferred interest.

Future debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2014	150,000	1,192,005	1,342,005
2015	160,000	1,182,195	1,342,195
2016	175,000	1,171,731	1,346,731
2017	185,000	1,160,286	1,345,286
2018	195,000	1,148,187	1,343,187
2019-2023	1,195,000	5,530,674	6,725,674
2024-2028	1,630,000	5,086,935	6,716,935
2029-2033	2,240,000	4,478,388	6,718,388
2034	545,000	769,848	1,314,848
Total	\$ 6,475,000	\$ 21,720,249	\$ 28,195,249

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service. The required accounts have been established on the books of the Authority and are reported as restricted assets in the financial statements.

**Texas Water Development Board Loan**

On December 2, 1994, the Authority entered into a revised agreement with the Texas Water Development Board (TWDB) regarding the state's ownership rights at the Toledo Bend Reservoir. The Authority made a principal payment of \$6,430,186 on December 28, 1994, and received a revised interest rate of 3.6% from April 16, 1964 through December 28, 1994. This reduction in the interest rate resulted in a reduction of \$11,683,809 of interest payable to TWDB. The reduction of accrued interest was a noncash transaction. The interest rate is 6.54% on the remaining \$6,620,000 in principal.

The Authority owes \$6,475,000 of principal and \$16,105,005 of interest at August 31, 2013, related to the state's 21.6075% ownership of the water storage rights at the Toledo Bend Reservoir. The following recaps the payments made on the debt:

Date	Principal	Interest
November 8, 1974	\$ 475,000	\$ -
November 21, 1975	94,815	-
August 20, 1987	500,000	-
March 17, 1988	500,000	-
December 28, 1994	6,430,186	-
July 11, 1996	-	217,000
July 11, 1997	-	217,000
July 1, 1998	-	217,000
June 7, 1999	-	217,000
June 29, 2000	-	217,000
June 18, 2001	-	217,000
June 26, 2002	-	217,000
June 25, 2003	-	217,000
June 24, 2004	-	217,000
June 27, 2005	-	217,000
June 27, 2006	-	217,000
June 25, 2007	-	217,000
June 25, 2008	-	217,000
June 25, 2009	-	217,000
June 25, 2010	120,000	1,226,340
June 25, 2011	125,000	1,218,492
June 25, 2012	135,000	1,210,317
June 25, 2013	150,000	1,201,488

**Commitments and Contingencies**

Public law 98-581 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the remaining terms of the license to operate the Toledo Bend Joint Project (Project). The license expires 50 years from October 1, 1963. The waiver is contingent upon FERC determining that the power from the Project is sold to the public without profit. All exemptions applied for through December 31, 2011, have been approved. The Authority is currently in the process of relicensing the Project and has submitted a license application with FERC. As of August 31, 2013, \$5,055,345 of relicensing costs have been accumulated and will be expensed over the licensing period.

The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority.

**Pollution Control Bonds**

In conformity with the State of Texas Auditors' Report dated October 6, 1986, Pollution Control Bonds have been removed from the statement of net position and are disclosed instead in the notes to financial statements. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2012
<b>Texas Utilities Electric Company:</b>						
Series 2000A - Construction of solid waste disposal facility at the Martin Lake Station in Rusk County	2000	2021	6.45%	\$ 51,000,000	\$ -	\$ 51,000,000
Series 2001A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2022	15.0%	91,460,000	-	91,460,000
Series 2001B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2030	15.0%	106,900,000	-	106,900,000
Series 2001C - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2028	5.20%	70,000,000	-	70,000,000
Series 2003A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	5.80%	12,390,000	-	12,390,000
Series 2003B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	6.15% (variable)	44,615,000	-	44,615,000
<b>American Electric Power:</b>						
Series 2006 - Construction and improvements of air and water pollution control including solid waste disposal facilities at the generating plant in Harrison County, Texas	2006	2018	4.95%	81,700,000	-	81,700,000
Totals				\$ 458,065,000	\$ -	\$ 458,065,000

### Industrial Revenue Bonds

The Sabine River Industrial Development Authority is a separate entity created and governed by the Sabine River Authority of Texas. A separate audit is performed and is available upon request. The Sabine River Authority of Texas is not liable for any of this debt.

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2013
Northeast Texas Electric Cooperative, Inc.						
Series 1984 Q - Improvement of the						
pollution control facilities at the plant 1984						
in Harrison County, Texas						
		2014	5.75 (variable)	\$ 6,650,000	\$ 5,970,000	\$ 680,000
Totals				\$ 6,650,000	\$ 5,970,000	\$ 680,000

### Concentrations

During the years ended August 31, 2013 and 2012, respectively, approximately 47% and 43% of water sales were to Dallas Water Utilities. The agreement for water sales for Lake Tawakoni is in perpetuity while the Lake Fork agreement remains in effect until 2014.

### Joint Operations

The Authority has a 50% interest in the Toledo Bend Project Joint Operation (TBPJO). The TBPJO is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority in 1955. TBPJO was formed for the purpose of constructing the dam, reservoir, structures, and hydroelectric generating station at Toledo Bend Reservoir. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority. Sabine River Authority of Texas is responsible for administration of the reservoir and the Texas shoreline. Sabine River Authority of Louisiana is responsible for engineering aspects and the Louisiana shoreline.

The Authority's investment in the net position of the TBPJO is reflected on the Authority's financial statements as capital assets and investments. Capital contributions are made by the Authority to TBPJO to cover operating costs; the contributions are reflected on the Authority's financial statements as operating expenses.

The audited financial statements of TBPJO are on file at the administrative offices of Sabine River Authority of Texas.

**SABINE RIVER AUTHORITY OF TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS**

**AUGUST 31, 2013**

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	(b-c)/c
August 31, 2009	\$ -	\$ 21,743,485	\$ 21,743,485	- %	\$ 5,604,136	387.99%
August 31, 2010	-	21,743,485	21,743,485	- %	5,584,890	389.26%
August 31, 2011	-	20,289,694	20,289,694	- %	5,679,542	357.24%
August 31, 2012	-	20,289,694	20,289,694	- %	5,202,016	390.04%
August 31, 2013	-	20,289,694	20,289,694	- %	5,141,494	394.63%

GASB 45 was implemented prospectively in fiscal year August 31, 2009. Actuarial information and annual OPEB costs are not available prior to that time. See Note 3 for frequency of actuarial valuations and other conditions.

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF AMORTIZATION OF  
TEXAS WATER DEVELOPMENT BOARD LOAN**

AUGUST 31, 2013

Principal Balance Financed \$7,000,000

Fiscal Year	Interest Receivable	Principal Payment	Interest Payment	Total Payment	Total Debt Service	Deferred	Adjusted Payment
2014	\$ 631,690	\$ 150,000	\$ 423,465	\$ 573,465	\$ 1,205,155	\$ 136,850	\$ 1,342,005
2015	631,690	160,000	413,655	573,655	1,205,345	136,850	1,342,195
2016	631,690	175,000	403,191	578,191	1,209,881	136,850	1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 13,265,490</u>	<u>\$ 6,475,000</u>	<u>\$ 5,615,244</u>	<u>\$ 12,090,244</u>	<u>\$ 25,355,734</u>	<u>\$ 2,839,515</u>	<u>\$ 28,195,249</u>



**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF INSURANCE IN FORCE**

**AUGUST 31, 2013  
(UNAUDITED)**

Name of Company	Policy Number	Policy Period	Details of Coverage	Liability Limits	Annual Premium
Texas Water Conservation Association Risk Management Fund	022	07/01/13 - 07/01/14	General liability	\$ 1,000,000	\$ 22,752
Texas Water Conservation Association Risk Management Fund	022	07/01/13 - 07/01/14	Automobile liability	1,000,000	27,644
Texas Water Conservation Association Risk Management Fund	022	07/01/13 - 07/01/14	Auto physical damage	Scheduled	15,017
Texas Water Conservation Association Risk Management Fund	022	07/01/13 - 07/01/14	Property	10,729,187	25,989
Texas Water Conservation Association Risk Management Fund	022	07/01/13 - 07/01/14	Errors and omissions	1,000,000	19,660
Texas Water Conservation Association Risk Management Fund	022	07/01/13 - 07/01/14	Excess liability	9,000,000	16,108
Zurich American Insurance Company	GTU6548008-00	07/01/13 - 07/01/15	Travel accident	500,000	950 (YR)
Travelers Casualty Insurance Company	105815971	07/01/13 - 07/01/15	Crime/employee dishonesty	1,000,000	1,650 (YR)
Travelers Casualty & Surety Co.	105648039	07/01/13 - 07/01/14	Blanket public official bond	1,000	100
Liberty Mutual National 50% Ace American 25% National Union Fire Insurance (Chartis) 25%	3LA106680012 EUTN09152775 638179535	07/01/13 - 07/01/14	Commercial property All property policies Includes terrorism 6/30/13 - 6/30/14	Scheduled	11,562
Travelers Lloyd's Insurance Company	QT660272D7B66TLC12	07/01/13 - 07/01/14	Lake Fork dam, watercraft, radio tower, and base station, and Kilgore/Henderson Weir	Scheduled	155,198
Deep East Texas Worker's Compensation Insurance Fund	76-134	07/01/97 - (Until Canceled)	Worker's compensation	500,000	<u>33,235</u>
					<u>\$ 329,865</u>

## SABINE RIVER AUTHORITY OF TEXAS

TABLE 1

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary government:										
invested in capital assets,										
net of related debt	\$ 107,230,100	\$ 123,837,332	\$ 123,150,281	\$ 122,749,783	\$ 122,623,992	\$ 121,806,366	\$ 121,968,213	\$ 144,580,865	\$ 143,503,128	\$ 143,540,306
Restricted	1,323,594	1,569,997	1,539,861	1,772,417	1,367,308	847,680	847,586	846,350	825,016	825,016
Unrestricted	30,452,757	29,922,837	29,385,590	30,456,191	33,779,454	33,823,504	34,879,808	31,880,623	29,326,965	27,390,431
Total primary government net assets	\$ 139,006,451	\$ 155,330,166	\$ 154,075,732	\$ 155,018,391	\$ 157,770,754	\$ 156,477,550	\$ 157,695,607	\$ 177,307,838	\$ 173,655,109	\$ 171,755,753

Note: Presented data includes the ten fiscal years since implementation of GASB Statement 34.

TABLE 2

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) Before Capital Contributions	Extraordinary Items/ Capital Contributions	Change in Net Assets
2004	\$ 25,751,128	\$ 16,246,397	\$ 9,504,731	\$ (510,605)	\$ 8,994,126	\$ -	\$ 8,994,126
2005	22,313,289	15,836,411	6,476,878	2,758	6,479,636	1,530,825	8,010,461
2006	14,217,919	15,706,297	(1,488,378)	233,302	(1,255,076)	642	(1,254,434)
2007	17,943,853	17,224,675	119,178	814,105	933,283	9,376	942,659
2008	18,645,877	17,643,179	1,002,698	1,669,945	2,672,643	79,720	2,752,363
2009	18,931,509	20,264,696	(1,333,187)	39,983	(1,293,204)	-	(1,293,204)
2010	21,874,597	20,575,593	1,299,004	(80,947)	1,218,057	-	1,218,057
2011	18,271,927	21,802,675	(3,530,748)	(1,328,653)	(4,859,401)	24,471,632	19,612,231
2012	17,493,956	20,958,358	(3,464,402)	(188,327)	(3,652,729)	-	(3,652,729)
2013	19,371,952	20,864,854	(1,492,902)	(406,454)	(1,899,356)	-	(1,899,356)

Note: Presented data includes the ten fiscal years since implementation of GASB Statement 34.

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

**TABLE 3**

**OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Water Sales	Power Sales	Wastewater Treatment	Permits	Water Quality Activity	Miscellaneous	Bond Issue Fees	Reservation Fee	Total
2004	\$ 21,847,993	\$ 1,935,696	\$ 50,703	\$ 593,786	\$ 883,492	\$ 439,458	\$ -	\$ -	\$ 25,751,328
2005	17,611,681	2,890,944	72,201	614,855	779,081	344,427	-	-	22,313,289
2006	10,488,136	721,340	81,272	760,795	741,983	364,190	408,500	651,702	14,217,919
2007	11,495,394	2,528,598	52,994	780,935	725,362	625,468	513,400	651,702	17,343,853
2008	11,884,812	3,772,516	58,189	794,681	747,972	736,005	-	651,702	18,645,877
2009	13,350,041	2,620,794	52,763	816,363	739,787	690,059	-	651,702	18,931,509
2010	12,924,928	6,018,152	50,411	810,474	823,269	595,661	-	651,702	21,874,597
2011	13,968,823	557,506	47,353	840,931	844,315	1,361,197	-	651,702	18,271,827
2012	12,923,569	1,215,429	39,834	867,681	756,362	1,039,279	-	651,702	17,493,956
2013	14,593,165	1,514,146	46,265	851,074	816,696	898,904	-	651,702	19,371,952

**TABLE 4**

**OPERATING EXPENSES  
LAST TEN FISCAL YEARS**

Fiscal Year	Operation and Maintenance	Depreciation	Total Operating Expenses
2004	\$ 13,099,336	\$ 3,147,861	\$ 16,246,397
2005	12,977,524	2,858,387	15,836,411
2006	12,835,203	2,871,994	15,706,297
2007	14,344,378	2,880,297	17,224,675
2008	14,738,525	2,904,654	17,643,179
2009	17,356,286	2,908,410	20,264,696
2010	17,626,268	2,949,325	20,575,593
2011	18,084,646	3,718,629	21,802,675
2012	17,363,254	3,595,104	20,958,385
2013	17,284,765	3,480,089	20,864,854

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 5

**NONOPERATING REVENUES AND EXPENSES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Grant Programs	Capital Asset Impairment Loss	Investment Income	Interest Expense	Bad Debt Expense	Total Nonoperating Revenues (Expenses)
2004	\$ (81,266)	\$ (111,800)	\$ -	\$ 704,317	\$ (1,021,856)	-	\$ (510,605)
2005	18,364	(291,144)	-	751,812	(476,274)	-	2,758
2006	38,622	(223,656)	(40,397)	1,141,571	(682,868)	-	213,302
2007	(11,424)	(130,000)	(20,146)	1,596,600	(620,935)	-	814,105
2008	899,264	(153,000)	-	1,468,162	(544,481)	-	1,609,945
2009	(29,924)	(391,000)	-	946,269	(485,362)	-	39,983
2010	(12,257)	(149,100)	-	555,499	(475,069)	-	(80,947)
2011	(967,005)	(169,533)	-	482,909	(438,152)	(216,872)	(1,328,653)
2012	(6,832)	(120,000)	-	380,266	(441,761)	-	(188,327)
2013	76	(100,000)	-	134,120	(432,948)	(7,702)	(406,454)

TABLE 6

**WATER SUPPLIED, POWER GENERATED AND LABORATORY TESTS PERFORMED**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Gulf Coast Division	Lake Tawakoni	Toledo Bend Division	Lake Fork	Total Water Supplied	MWH Hours of Power Generated	Environmental Services Division Tests Performed
2004	48.03	38.44	4.07	18.07	108.61	1,858,529	75,714
2005	41.72	131.65	3.95	18.35	195.67	276,274	72,202
2006	39.75	165.92	4.62	11.52	221.81	70,370	83,066
2007	39.64	127.89	3.77	12.59	183.89	172,956	68,499
2008	42.06	80.44	3.88	5.67	132.05	196,665	65,306
2009	37.99	140.70	2.71	6.98	188.38	136,544	57,211
2010	42.74	37.20	3.32	24.70	107.96	305,027	63,225
2011	43.05	86.68	3.42	38.10	171.25	38,359	68,040
2012	43.75	70.41	4.56	22.62	141.34	60,609	60,755
2013	45.80	131.03	4.23	21.79	202.85	72,499	66,721

Note: Water supplied is presented in million gallons daily (MGD).

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 7**

**NUMBER OF WATER CUSTOMERS AND LABORATORY TESTS PERFORMED BY TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Laboratory Tests Performed							Total Tests Performed		
	Municipal	Industrial	Irrigation	Other	Total	Industrial	Municipal		Watershed Monitoring Program	Quality Assurance
2004	22	11	1	3	37	9,052	6,997	39,269	20,396	75,714
2005	22	11	1	3	37	8,984	7,039	32,463	23,716	72,202
2006	22	11	1	3	37	8,665	7,488	40,120	26,793	83,066
2007	22	12	1	3	38	8,412	7,490	29,341	23,256	88,499
2008	21	11	0	4	37	8,621	8,244	24,244	24,197	65,306
2009	22	12	1	3	38	6,419	8,186	23,143	19,463	57,211
2010	22	12	1	3	38	5,662	9,509	23,909	24,145	63,225
2011	22	14	1	3	40	5,081	8,851	24,486	26,622	68,040
2012	22	14	1	3	40	7,124	7,154	23,726	22,751	60,755
2013	23	12	1	4	40	8,327	6,428	26,600	25,366	66,721

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 8**

**FIVE LARGEST CUSTOMERS  
Current Year and Nine Years Ago**

Customer	FISCAL YEAR 2013			FISCAL YEAR 2012		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 6,825,000	46.77%	1	\$ 5,587,070	43.23%	1
North Texas Municipal Water Dist.	1,491,168	10.22%	2	1,056,393	8.17%	2
International Paper	915,493	6.27%	3	836,081	6.47%	5
City of Greenville	863,995	5.92%	4	839,509	6.50%	4
E. I. Dupont DeNemours	848,957	5.82%	5	868,305	6.72%	3
Subtotal (5 largest)	10,944,613	75.00%		9,187,358	71.09%	
Balance from other customers	3,648,552	25.00%		3,736,211	28.91%	
Grand Totals	\$ 14,593,165	100.00%		\$ 12,923,569	100.00%	

Customer	FISCAL YEAR 2011			FISCAL YEAR 2010		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,552,885	39.75%	1	\$ 5,480,438	42.40%	1
North Texas Municipal Water Dist.	1,186,871	8.50%	2	886,961	6.86%	2
Inland Orange, Inc.	904,842	6.48%	3	871,879	6.75%	3
City of Greenville	839,509	6.01%	4	863,843	6.68%	4
E. I. Dupont DeNemours	734,422	5.26%	5	n/a		
City of Hemphill	n/a			750,006	5.80%	5
Subtotal (5 largest)	9,218,529	65.99%		8,853,127	68.50%	
Balance from other customers	4,750,394	34.01%		4,071,801	31.50%	
Grand Totals	\$ 13,968,923	100.00%		\$ 12,924,928	100.00%	

Customer	FISCAL YEAR 2009			FISCAL YEAR 2008		
	WATER REVENUE			WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,719,332	42.84%	1	\$ 5,009,554	42.15%	1
E. I. Dupont DeNemours	n/a			656,598	5.52%	4
City of Longview	651,703	4.88%	5	651,703	5.48%	5
Inland Orange, Inc.	767,055	5.75%	4	827,568	6.96%	3
City of Greenville	985,509	7.38%	3	985,509	8.29%	2
North Texas Municipal Water Dist.			2	n/a		
Subtotal (5 largest)	8,123,599	60.85%		8,130,932	68.41%	
Balance from other customers	5,226,442	39.15%		3,753,880	31.59%	
Grand Totals	\$ 13,350,041	100.00%		\$ 11,884,812	100.00%	

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 8**

**FIVE LARGEST CUSTOMERS  
(Continued)  
CURRENT YEAR AND LAST NINE YEARS**

Customer	FISCAL YEAR 2007 WATER REVENUE			FISCAL YEAR 2006 WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 4,696,527	40.86%	1	\$ 3,904,131	37.22%	1
E. I. Dupont DeNemours	632,954	5.51%	5	620,717	5.92%	5
City of Longview	651,703	5.67%	4	665,887	6.35%	3
Inland Orange, Inc.	703,670	6.12%	3	621,930	5.93%	4
City of Greenville	985,480	8.57%	2	706,255	6.73%	2
Subtotal (5 largest)	7,670,334	66.73%		6,518,920	62.16%	
Balance from other customers	3,825,060	33.27%		3,969,216	37.84%	
Grand Totals	\$ 11,495,394	100.00%		\$ 10,488,136	100.00%	

Customer	FISCAL YEAR 2005 WATER REVENUE			FISCAL YEAR 2004 WATER REVENUE		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 10,489,633	59.56%	1	\$ 15,175,840	69.46%	1
E. I. Dupont DeNemours	765,933	4.35%	2	553,600	2.53%	4
City of Longview	684,375	3.89%	3	665,363	3.05%	2
Inland Orange, Inc.	537,446	3.05%	5	640,365	2.93%	3
City of Greenville	612,574	3.48%	4	n/a		
Texas Utilities	n/a			500,190	2.29%	5
Subtotal (5 largest)	13,089,961	74.33%		17,535,358	80.26%	
Balance from other customers	4,521,720	25.67%		4,312,635	19.74%	
Grand Totals	\$ 17,611,681	100.00%		\$ 21,847,993	100.00%	

Note: n/a indicates customer is not in the top five largest customers

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 9

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds		Texas Water Development Board Loan		Total Amount		Personal Income <sup>b</sup>		Percentage of Outstanding Debt to Personal Income		Population <sup>a</sup>		Total Debt Per Capita
	\$		\$		\$		\$		0%				
2004	15,702,000		24,944,645		40,646,645		15,236,197,000		0%		530,620		77
2005	5,443,000		25,185,445		30,628,445		16,115,889,000		0%		538,603		57
2006	4,163,000		25,426,245		29,589,245		17,448,637,000		0%		546,767		54
2007	2,668,000		25,667,045		28,335,045		18,534,116,000		0%		548,395		52
2008	1,162,000		25,907,845		27,069,845		19,739,546,000		0%		553,668		49
2009	416,000		26,148,645		26,564,645		20,449,149,000		0%		560,018		47
2010	164,000		25,260,105		25,424,105		24,244,456,000		0%		564,591		45
2011	-		24,397,085		24,397,085		26,041,053,000		0%		571,948		43
2012	-		23,493,545		23,493,545		N/A		N/A		N/A		N/A
2013	-		22,580,005		22,580,005		N/A		N/A		N/A		N/A

Sources

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>



**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 10**

**PLEGGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Less: Operating Expenses (Excluding Depreciation)	Net Available Funds	Debt Service		Total	Coverage Ratio
				Principal	Interest		
2003	\$ 25,940,078	\$ 12,627,449	\$ 13,302,629	\$ 12,219,543	\$ 1,627,689	\$ 13,847,233	0.96
2004	25,751,128	13,099,336	12,651,792	12,521,343	10,218,836	22,740,199	0.93
2005	22,313,289	12,977,524	9,335,765	10,476,000	588,665	11,064,665	0.84
2006	14,217,919	12,835,203	1,382,716	1,280,000	466,450	1,746,450	0.79
2007	17,343,853	14,344,378	2,999,475	1,495,000	410,256	1,905,256	1.57
2008	18,645,877	14,758,525	3,987,352	1,906,000	382,875	1,888,875	2.07
2009	18,931,509	17,356,286	1,575,223	746,000	263,132	1,009,132	1.56
2010	21,874,597	17,626,268	4,248,329	372,000	1,245,040	1,617,040	2.63
2011	18,271,927	18,084,046	187,881	1,027,021	438,152	1,485,173	0.13
2012	17,493,956	17,363,254	130,702	903,540	441,777	1,345,317	0.10
2013	19,371,952	17,284,765	2,087,187	913,540	432,948	1,346,488	0.10

\* Interest is on cash basis method of accounting.

**TABLE 11**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS (UNAUDITED)**

Calendar Year	Population*	Personal Income <sup>a</sup> (thousands of dollars)	Per Capita Personal Income	Unemployment Rate		Total Housing Units <sup>e</sup>
				Basin <sup>b</sup>	State <sup>c</sup>	
2004	530,620	\$ 15,256,197	\$ 28,752	5.8%	6.0%	227,585
2005	538,603	16,115,889	29,922	5.2%	5.3%	230,234
2006	546,767	17,448,637	31,912	4.7%	4.6%	232,501
2007	548,395	18,594,116	33,797	4.4%	4.5%	234,912
2008	553,668	19,739,546	35,652	5.0%	4.9%	237,078
2009	560,018	20,449,149	36,515	8.1%	8.2%	239,581
2010	564,591	24,244,457	42,942	8.5%	8.2%	244,163
2011	571,948	26,041,053	45,530	8.2%	7.9%	246,284
2012	574,750	N/A	N/A	7.1%	6.8%	249,735
2013	N/A	N/A	N/A	N/A	N/A	N/A

N/A = not available

Notes: Statistics for counties partially in the Sabine Basin have been adjusted to better reflect the geographic portion of the county within the basin

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.bea.gov>

<sup>c</sup> Local Area Unemployment Statistics through the LMCI website: <http://www.lmci.com>

<sup>d</sup> State unemployment rate obtained from the U. S. Department of Labor Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>e</sup> U. S. Census Bureau website: <http://www.census.gov/popest/housing>

SABINE RIVER AUTHORITY OF TEXAS  
(Continued)

TABLE 12

PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago

Employer	City	2013		2012		2011		2010		2009	
		Employees of Total	Percentage of Total	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total
L-3 Communications/Integrated Systems	Greenville	N/A	N/A	5,700	1.97%	5,700	1.99%	5,750	2.04%	5,700	2.05%
Good Shepard Medical Center	Longview	N/A	N/A	3,500	1.21%	3,000	1.05%	2,743	0.97%	2,717	0.98%
Eastman Chemicals	Longview	N/A	N/A	1,549	0.53%	1,477	0.51%	1,410	0.50%	1,400	0.50%
Trinity Rail	Longview	N/A	N/A	1,160	0.40%	1,143	0.40%	690	0.21%	600	0.22%
Tyson Foods	Center	N/A	N/A	1,000	0.35%	1,000	0.35%	1,000	0.36%	1,000	0.36%
Longview ISD	Longview	N/A	N/A	1,312	0.45%	1,239	0.43%	1,263	0.45%	1,300	0.47%
Texas Utilities/Luminant	Henderson	N/A	N/A	896	0.31%	896	0.31%	896	0.32%	896	0.32%
DuPont Sabine River Works	Orange	N/A	N/A	866	0.30%	866	0.30%	866	0.31%	866	0.31%
Greenville ISD	Greenville	N/A	N/A	810	0.28%	810	0.28%	810	0.29%	810	0.29%
Newell Rubbermaid	Greenville	N/A	N/A	-	0.00%	490	0.17%	650	0.23%	650	0.23%
Mundy Industrial Contractors	Orange	N/A	N/A	275	0.09%	275	0.10%	275	0.10%	275	0.10%
Invisia Petrochemical	Orange	N/A	N/A	400	0.14%	400	0.14%	200	0.07%	200	0.07%
Inland Paperboard/International Paper	Orange	N/A	N/A	500	0.17%	500	0.17%	500	0.18%	500	0.18%
<b>TOTAL</b>		N/A	N/A	17,968	6.20%	17,796	6.20%	16,963	6.03%	16,914	6.09%
		<b>2008</b>		<b>2007</b>		<b>2006</b>		<b>2005</b>		<b>2004</b>	
Employer	City	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total	Employees of Total	Percentage of Total
L-3 Communications/Integrated Systems	Greenville	5,000	1.82%	4,750	1.75%	4,700	1.74%	4,000	1.51%	3,800	1.45%
Good Shepard Medical Center	Longview	2,585	0.94%	2,200	0.81%	2,288	0.85%	2,288	0.86%	2,250	0.86%
Eastman Chemicals	Longview	1,456	0.53%	1,554	0.57%	1,650	0.61%	1,650	0.62%	1,650	0.63%
Trinity Rail	Longview	601	0.22%	1,490	0.55%	1,303	0.48%	1,303	0.49%	1,303	0.50%
Tyson Foods	Center	1,400	0.51%	1,250	0.46%	1,250	0.46%	1,250	0.47%	1,250	0.48%
Longview ISD	Longview	1,267	0.46%	1,200	0.44%	1,266	0.47%	1,250	0.47%	1,250	0.48%
Texas Utilities/Luminant	Henderson	1,082	0.39%	1,082	0.40%	1,082	0.40%	1,082	0.41%	1,080	0.41%
DuPont Sabine River Works	Orange	866	0.31%	866	0.32%	866	0.32%	866	0.33%	875	0.33%
Greenville ISD	Greenville	810	0.29%	810	0.30%	810	0.30%	810	0.31%	810	0.31%
Newell Rubbermaid	Greenville	650	0.24%	650	0.24%	650	0.24%	660	0.25%	660	0.25%
Mundy Industrial Contractors	Orange	275	0.10%	600	0.22%	600	0.22%	600	0.23%	600	0.23%
Invisia Petrochemical	Orange	200	0.07%	510	0.19%	510	0.19%	900	0.19%	400	0.15%
Inland Paperboard/International Paper	Orange	500	0.18%	500	0.18%	500	0.18%	500	0.19%	500	0.19%
<b>TOTAL</b>		16,692	6.07%	17,462	6.45%	17,475	6.46%	16,759	6.33%	16,428	6.27%

N/A = not available.

Source: Community Profiles and Websites from Counties and Communities within the Sabine River Basin

SABINE RIVER AUTHORITY OF TEXAS  
(Continued)

TABLE 13

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration:										
Management	19	19	19	18	20	20	20	19	21	20
Administrative assistant/secretary	14	15	13	13	15	15	15	16	16	14
Accounting	3	3	3	3	3	3	3	3	3	3
GIS	1	1	1	1	1	1	1	1	1	1
Engineer	1	1	1	1	1	1	1	2	1	1
MIS	1	1	1	1	1	1	1	1	1	1
Special projects	1	1	1	2	3	3	3	3	2	2
Water:										
Environmental agent/tech	6	4	5	4	3	3	3	3	4	4
Pumper	6	4	4	4	4	3	3	3	3	3
Equipment operator	20	19	19	21	20	20	20	17	19	19
Mechanic	1	1	1	1	1	1	1	1	1	1
M&O/field supervisor	10	9	8	6	6	6	6	7	7	7
Canal foreman/crewman	3	3	3	3	2	2	2	1	1	1
Electrician	1	1	1	1	1	1	1	1	1	1
Project inspector	1	1	1	1	1	1	1	1	1	1
Surveyor/survey tech	1	1	2	2	2	2	2	2	2	2
Maintenance tech	4	6	7	4	7	7	7	6	6	6
Water and sewer tech	2	1	1	1	1	1	1	3	1	1
Laboratory:										
Section leader	2	3	2	1	1	1	1	1	1	1
Laboratory analyst/tech	5	5	5	5	5	5	5	6	7	7
Biomonitoring coordinator			1	1	1	1	1	1	1	1
Field coordinator	2	2	2	2	2	2	2	2	2	2
Chemist	2	1	1	1	1	1	1	1	-	-
Quality assurance officer	1	1	1	1	1	1	1	1	1	1
Biologist	2	2	3	3	2	2	2	2	2	2
LIMS administrator	1	1	1	1	1	1	1	1	-	-
Sample Custodian	1	1	1	1	1	1	1	1	1	1
Total employees	111	107	108	103	106	106	106	106	106	103

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 14

**OPERATING AND CAPITAL INDICATORS**  
(UNAUDITED)

Gulf Coast Division Canal System:	360 million gallons per day
Pumping capacity	75 miles
Canal system length	147,100 acre-feet per year
Permitted water rights	
Lake Tawakoni (Iron Bridge Dam):	
Capacity	927,440 acre-feet
Surface area	36,700 acres
Elevation	437.5 feet mean sea level
Yield	238,100 acre-feet per year
Toledo Bend Reservoir:	
Capacity	4,477,000 acre-feet
Surface area	181,600 acres
Elevation	172.0 feet mean sea level
Yield	2,086,600 acre-feet per year
Hydroelectric capacity	85 megawatt hours
Lake Fork Reservoir:	
Capacity	675,819 acre-feet
Surface area	27,690 acres
Elevation	403.0 feet mean sea level
Yield	188,660 acre-feet per year

Note: Canal system and reservoir information applicable to all years from 2003 through 2012.

# SABINE RIVER AUTHORITY OF TEXAS

Historical Data through  
August 31, 2013

## SRA QUICK REFERENCE

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**WATER SUPPLY SCHEDULE • TOLEDO BEND DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF HUXLEY	CITY OF HEMPHILL	TENASKA OPERATIONS, INC.	MINEING CLASSIC. XTO	MISCELLANEOUS WATER USAGE
1972	0.02					0.02
1973	0.03					0.03
1974	0.04					0.04
1975	0.06	0.02				0.04
1976	0.11	0.05				0.06
1977	0.35	0.06	0.19			0.10
1978	0.37	0.09	0.20			0.08
1979	0.34	0.08	0.19			0.07
1980	0.48	0.09	0.27			0.12
1981	0.54	0.11	0.34			0.09
1982	0.62	0.12	0.42			0.08
1983	0.59	0.13	0.38			0.08
1984	0.72	0.15	0.56			0.11
1985	0.84	0.16	0.57			0.11
1986	0.95	0.15	0.70			0.10
1987	0.99	0.15	0.72			0.12
1988	0.96	0.16	0.70			0.10
1989	0.92	0.17	0.66			0.09
1990	0.97	0.18	0.69			0.10
1991	0.98	0.20	0.70			0.09
1992	0.98	0.23	0.67			0.08
1993	1.14	0.31	0.70			0.12
1994	1.04	0.18	0.72			0.14
1995	1.04	0.17	0.72			0.15
1996	1.38	0.16	1.02			0.20
1997	1.25	0.17	0.96			0.13
1998	1.34	0.22	0.96			0.16
1999	1.25	0.22	0.88			0.15
2000	1.36	0.24	0.96			0.16
2001	2.40	0.24	0.85	1.16		0.15
2002	4.21	0.25	1.02	2.82		0.13
2003	4.41	0.24	0.83	3.28		0.06
2004	4.07	0.22	0.75	3.04		0.06
2005	3.95	0.22	0.84	2.84		0.05
2006	4.62	0.22	0.79	3.55		0.06
2007	3.77	0.22	0.65	2.84		0.06
2008	3.88	0.19	0.60	3.03		0.07
2009	2.70	0.18	0.59	1.88		0.05
2010	3.32	0.17	0.64	2.46		0.05
2011	3.42	0.17	0.70	2.36	0.13	0.06
2012	4.56	0.16	0.59	3.29	0.47	0.05
2013	4.22	0.17	0.59	3.14	0.28	0.04

**TOLEDO BEND RESERVOIR DATA • For the fiscal years ending August 31**

YEAR	MEGAWATT HOURS POWER GENERATED			WATER RELEASES AT D.A.W. (M AC-FT) <sup>*</sup>			LAKE ELEVATION LAST DAY OF YEAR FT. M.S.L.	ANNUAL RAINFALL INCHES
	PRIME	SECONDARY	TOTAL	FOR POWER	THRU SPILLWAY	TOTAL		
1970	51,554	65,614	117,168	1,741.69	242.68	1,984.37	169.87	43.29
1971	14,804	39,158	53,962	780.35	72.64	852.99	168.94	43.22
1972	34,048	128,087	162,135	2,381.49	68.46	2,449.95	168.34	57.63
1973	156,052	183,192	339,244	5,130.22	820.21	5,950.43	170.20	72.13
1974	72,058	280,924	352,982	5,371.21	993.71	6,364.92	168.09	52.66
1975	72,781	366,032	438,813	6,559.87	726.80	7,286.67	169.56	79.44
1976	131,543	47,487	179,030	2,547.69	81.56	2,609.25	168.88	53.87
1977	75,494	118,336	193,830	2,788.76	44.03	2,832.79	168.19	44.74
1978	48,558	37,571	86,129	1,280.88	58.98	1,339.86	168.08	40.72
1979	72,249	266,500	358,749	5,339.78	779.75	6,119.53	169.86	63.79
1980	59,348	183,336	242,684	3,661.29	640.26	4,301.55	168.58	55.37
1981	63,307	10,036	73,343	1,099.35	136.72	1,236.07	168.61	40.90
1982	67,958	-0-	67,958	1,032.06	899.69	1,931.75	168.87	51.34
1983	53,149	228,286	281,435	4,312.85	1,001.45	5,314.30	168.98	75.63
1984	29,873	131,653	161,526	2,463.50	131.84	2,595.34	168.20	53.82
1985	54,561	145,226	199,787	2,904.88	129.84	3,034.72	168.30	46.64
1986	108,129	123,824	231,953	3,365.58	302.14	3,667.72	169.41	52.10
1987	46,548	235,861	284,409	4,229.96	122.84	4,352.62	166.02	61.79
1988	25,045	180,262	205,307	3,045.76	130.73	3,176.49	167.46	48.96
1989	53,044	251,347	304,391	4,837.04	1,778.49	6,415.53	170.32	60.23
1990	69,344	280,797	350,141	5,190.33	798.41	5,988.74	167.85	47.89
1991	44,110	293,719	337,829	5,115.02	1,535.43	6,650.45	169.79	64.80
1992	62,728	313,553	376,281	5,580.32	667.36	6,247.68	169.09	55.40
1993	57,949	296,233	354,182	5,333.34	351.44	5,684.78	167.87	52.72
1994	54,236	161,145	215,381	3,382.03	133.37	3,515.40	170.27	52.60
1995	80,189	405,194	485,383	5,720.85	665.16	6,386.01	167.84	54.38
1996	28,053	7,290	33,343	442.54	145.10	587.64	165.22	42.02
1997	52,491	186,648	239,139	3,438.93	1,795.45	5,234.38	170.33	58.90
1998	55,330	241,396	296,727	4,278.58	705.40	4,983.98	164.54	54.44
1999	70,156	249,573	319,729	4,719.81	882.64	5,602.45	167.98	76.83
2000	62,892	17,789	80,681	1,121.24	127.19	1,248.43	168.76	42.25
2001	68,839	248,714	315,353	4,713.73	1,862.62	6,576.35	168.20	59.91
2002	64,021	169,904	233,925	3,372.89	1,613.48	4,986.38	167.50	49.96
2003	61,890	127,106	188,996	2,653.30	1,125.52	3,778.82	167.75	61.93
2004	71,428	114,101	185,529	2,823.94	1,110.80	3,734.74	169.20	61.70
2005	65,674	210,600	276,274	4,126.21	128.78	4,254.99	164.29	52.12
2006	82,016	8,354	70,370	1,043.84	138.19	1,182.03	164.19	41.10
2007	56,762	116,194	172,956	2,629.63	306.76	2,936.39	170.96	69.82
2008	64,003	132,662	196,665	2,863.27	577.21	3,440.48	168.13	41.24
2009	52,913	83,631	136,544	1,934.87	137.63	2,072.50	168.51	51.06
2010	38,270	266,757	305,027	4,343.56	1,139.70	5,483.26	167.30	51.67
2011	8,579	29,780	38,359	589.73	153.51	743.24	161.27	28.05
2012	19,818	40,891	60,609	907.01	232.49	1,139.50	168.55	65.82
2013	19,216	53,662	72,878	1,091.95	139.63	1,231.58	167.64	39.81

\* M Equals 1,000



## WATER SUPPLY SCHEDULE • LAKE FORK DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF DALLAS	CITY OF LONGVIEW	CITY OF KILGORE	CITY OF HENDERSON	CITY OF QUITMAN	TEXAS EASTMAN	MISC. USAGE
1986	6.65		6.65			-0-	—	
1987	6.02		6.02			-0-	—	
1988	6.66		6.66			-0-	—	
1989	6.13		6.13			-0-	—	
1990	11.46		8.13			0.21	3.12	
1991	3.25		2.96			0.29	-0-	
1992	4.29		4.00			0.29	-0-	
1993	4.08		3.77			0.31	-0-	
1994	4.44		4.12			0.32	-0-	
1995	6.57		5.45	0.79		0.33	-0-	
1996	11.95		9.66	2.00		0.29	-0-	
1997	9.72		7.41	2.00		0.31	-0-	
1998	7.24		4.93	2.00		0.31	-0-	
1999	8.39		6.03	2.00		0.36	-0-	
2000	13.40		10.84	2.00	0.19	0.37	-0-	
2001	15.52		12.14	2.00	1.04	0.34	-0-	
2002	16.83		13.00	2.00	1.50	0.33	-0-	
2003	18.01		14.68	2.00	1.00	0.33	-0-	
2004	18.07		14.74	2.00	1.00	0.33	-0-	
2005	18.35		15.00	2.00	1.00	0.35	-0-	
2006	11.52		7.69	2.00	1.10	0.40	0.33	
2007	12.59		6.50	2.00	1.01	0.31	2.77	
2008	5.67		2.51	2.00	0.86	0.30	-0-	
2009	6.98	0.22	3.51	2.00	0.96	0.29	-0-	
2010	24.70	18.80	2.50	2.00	1.00	0.30	-0-	
2011	33.50	26.50	3.80	2.00	0.90	0.30	-0-	
2012	30.39	20.03	7.09	2.00	0.99	0.28	-0-	
2013	21.79	12.53	5.68	2.00	1.15	0.26	-0-	0.17

# WATER SUPPLY SCHEDULE • IRON BRIDGE DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	DALLAS	GREENVILLE	POINT	WILLS POINT	EMORY	CASH	NTYWD. TERRELL	WEST TAWAKONI	CO. GENCE	YAC BEE W.S.C.	EDGEWOOD	COMBINED CONSUMER SUB	SOUTH TAWAKONI W.S.C.	ABLE SPRINGS W.S.C.	LONE OAK DEV.	MISC. USAGE
1964	42.33	42.20		.03													10
1965	32.38	30.86	1.29	.03	.06												.14
1966	30.11	26.71	3.01	.03	.20												.16
1967	33.44	30.54	2.38	.03	.24												.25
1968	35.77	35.17	.17	.03	.30												10
1969	43.63	42.96	.21	.03	.27												.16
1970	43.81	41.99	1.29	.05	.30												.18
1971	57.10	53.00	3.39	.06	.33		.10										.22
1972	48.87	45.39	2.24	.07	.41	.06	.42										.28
1973	47.01	43.79	1.73	.07	.41	.24	.46		.03								.28
1974	39.08	37.55	- 0 -	.07	.48	.27	.47		.07								.17
1975	18.84	17.13	- 0 -	.06	.52	.30	.61		.07								.15
1976	26.72	21.36	3.69	.07	.50	.31	.52		.14								.13
1977	29.25	25.59	1.75	.07	.60	.38	.57		.17								.12
1978	50.97	45.55	2.73	.09	.63	.37	.71		.23	.59							.07
1979	64.13	59.35	1.88	.09	.55	.37	.68		.36	.73							.12
1980	45.55	38.88	3.43	.08	.58	.47	.79		.35	.84							.13
1981	52.15	45.23	3.85	.08	.65	.51	.74		.31	.65							.13
1982	23.41	19.02	1.34	.09	.61	.45	.71		.19	.82							.18
1983	39.18	35.01	1.44	.09	.68	.49	.71		.23	.30							.23
1984	67.93	59.33	2.80	.12	.77	.49	1.12	.002	.27	.89							.41
1985	53.32	48.31	1.06	.13	.83	.55	.73	- 0 -	.24	1.16							.31
1986	98.41	94.00	1.30	.20	.78	.48	.59	- 0 -	.22	.57							.27
1987	82.80	78.81	.53	.17	.83	.44	.61	- 0 -	.47	.69							.25
1988	118.35	109.93	2.90	.15	.96	.61	.67	- 0 -	.22	.80							.34
1989	103.52	98.52	1.45	.16	.94	.65	.57	- 0 -	.19	.77							.27
1990	102.11	96.02	2.22	.17	.99	.59	.67	.003	.18	.97							.30
1991	99.56	93.38	2.02	.14	.85	.54	.70	.005	.25	1.25							.28
1992	82.38	77.18	1.34	.15	.91	.47	.66	- 0 -	.23	1.18							.26
1993	108.49	102.40	1.98	.17	.95	.52	.66	.009	.23	1.22							.35
1994	83.41	77.00	2.18	.14	.86	.51	.63	- 0 -	.30	1.15	.18				.004		.46
1995	47.06	40.65	1.05	.14	.82	.59	.73	.003	.30	1.34	.36	.12			.19		.46
1996	132.56	118.77	7.47	.11	.85	.63	.82	.55	.26	1.10	.36	.27	.41		.18		.19
1997	86.75	77.86	2.68	.12	.77	.64	.74	.59	.31	1.05	.45	.003	.56		.15		.12
1998	129.63	119.35	3.99	.16	.85	.82	.92	.007	.33	1.39	.52	.003	.85	.30	.19		.15
1999	127.18	119.09	2.10	.14	.61	.77	.92	.003	.31	1.42	.51	<.001	.72	.28	.20		.11
2000	121.88	111.05	4.40	.15	.66	.75	1.11	.005	.31	1.47	.53	.008	.63	.28	.30		.11
2001	161.31	152.95	1.84	.18	.69	.92	1.02	.003	.34	1.50	.46	.00	.69	.32	.28		.11
2002	126.17	118.91	1.05	.18	.56	.72	.92	.002	.57	1.58	.40	.00	.60	.32	.26		.09
2003	76.26	67.15	3.02	.21	.57	.87	.97	.000	.41	1.35	.44	.00	.66	.30	.26		.05
2004	38.44	28.51	3.71	.20	.56	.79	1.01	.002	.40	1.55	.44	.00	.61	.32	.25		.08
2005	131.65	119.74	2.82	.24	.52	.94	1.10	2.55	.38	1.41	.52	.03	.64	.35	.27	.02	.12
2006	165.92	146.49	7.31	.19	.59	.94	1.37	5.21	.39	1.20	.57	.17	.69	.37	.26	.04	.13
2007	127.89	117.05	3.73	.17	.48	.79	1.06	1.34	.72	.88	.47	.04	.54	.26	.21	.06	.07
2008	80.44	68.12	4.59	.15	.23	.76	1.13	2.04	.23	1.21	.52	.003	.64	.32	.23	.13	.14
2009	140.70	81.15	5.88	.15	.46	.83	1.12	47.70	.21	1.28	.50	.003	.63	.31	.23	.12	.12
2010	37.20	4.65	1.85	.19	.64	.80	1.27	24.17	.22	1.37	.58	<.001	.65	.39	.26	.06	.11
2011	86.68	42.13	6.00	.16	.75	.91	1.32	30.96	.22	1.83	.66	.30	.68	.41	.20	.02	.13
2012	70.41	31.59	5.41	.18	.62	.81	1.28	26.94	.22	1.22	.84	.20	.60	.36	.00	.005	.13
2013	131.03	84.19	5.42	.16	.59	.82	1.07	36.00	.23	.84	.62	.03	.64	.30	.00	.00	.12

**LABORATORY SAMPLES ANALYZED • For the fiscal years ending August 31**

YEAR	INDUSTRIAL	MUNICIPAL	GULF COAST DIVISION	IRON BRIDGE DIVISION	LAKE FORK DIVISION	TOLEDO BEND DIVISION	OTHER	TOTAL	NUMBER OF TESTS
1973	457	204	194	45		17	28	945	
1974	790	233	201	53		28	76	1,381	
1975	856	303	182	61	46	21	411	1,882	11,525
1976	1,063	344	236	58	84	31	774	2,590	16,603
1977	1,455	392	456	28	84	40	931	3,386	20,700
1978	1,582	303	475	29	131	79	982	3,561	21,977
1979	3,211	248	472	66	154	106	670	3,345	22,324
1980	1,590	328	473	60	151	91	762	3,455	24,381
1981	1,909	266	483	55	126	53	938	3,330	24,685
1982	1,414	336	451	57	94	89	851	3,292	19,936
1983	1,622	271	477	104	98	100	644	3,300	19,775
1984	1,230	285	436	81	122	85	752	2,991	18,483
1985	992	331	249	59	87	125	737	2,579	16,914
1986	774	465	239	97	118	140	93	1,916	14,391
1987	1,126	245	263	90	100	205	96	3,125	14,645
1988	1,519	2,412	205	115	114	120	93	4,578	17,835
1989	1,325	2,665	220	113	84	119	852	5,178	17,451
1990	2,426	2,463	211	97	113	120	820	6,278	19,934

**NUMBER OF TESTS PERFORMED**

YEAR	INDUSTRIAL	MUNICIPAL	WATERSHED MONITORING PROGRAM	QUALITY ASSURANCE	TOTAL
1991	3,173	4,630	12,338	2,298	22,439
1992	6,360	4,276	13,919	2,512	27,067
1993	8,908	4,716	14,317	3,640	31,581
1994	9,516	4,774	21,969	8,555	44,923
1995	9,183	4,228	19,172	14,948	47,532
1996	8,225	4,819	16,023	15,333	44,400
1997	9,525	5,308	21,771	15,431	52,035
1998	7,205	5,699	24,293	11,526	48,723
1999	9,999	7,265	43,509	16,033	76,806
2000	8,159	6,019	24,094	15,504	53,776
2001	9,595	6,494	25,882	14,995	56,966
2002	9,134	6,285	22,231	16,101	53,751
2003	9,796	5,996	21,195	15,845	52,832
2004	9,052	6,977	39,289	20,396	75,714
2005	8,984	7,039	32,463	23,716	72,202
2006	8,665	7,488	40,120	26,793	83,066
2007	8,412	7,490	29,341	23,256	68,499
2008	8,621	8,244	24,244	24,197	65,306
2009	6,419	8,186	23,143	19,463	57,211
2010	5,662	9,509	23,909	24,145	63,225
2011	8,081	8,851	24,486	26,622	68,040
2012	7,124	7,154	23,726	22,751	60,755
2013	8,327	6,428	26,600	25,366	66,721

In 1991 the Water Quality Monitoring programs were combined into a single Watershed Monitoring Program. The charts now indicate the number of tests performed rather than the number of samples analyzed.

**MISCELLANEOUS STATISTICAL DATA**

Authority Created Under.....Vernon's Civil Statutes, Article 8280-133  
Year Created ..... 1949  
Domicile .....Orange, Texas  
Last Revision of Enabling Act..... 1991  
Population of District (2010 Est.).....560,000  
Area of District .....7,426 sq.mi.  
Average Annual Rainfall of District .....50" for Sabine Basin  
Number of Employees .....103

**OFFICES:**

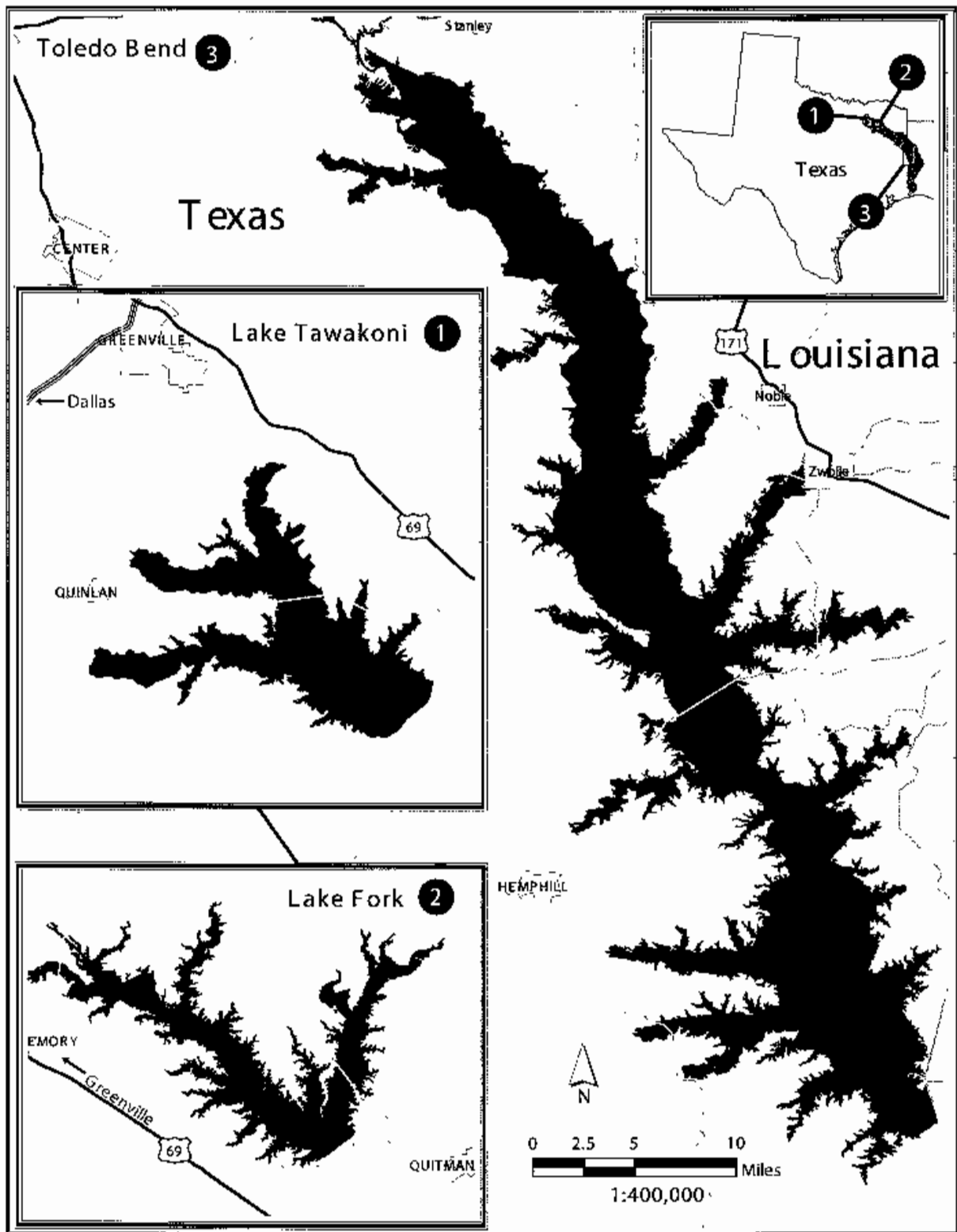
General Office.....Orange, Texas  
Gulf Coast Division (John W. Simmons Gulf Coast Canal System) .....Orange, Texas  
Toledo Bend Division & Parks and Recreation Division (Toledo Bend Reservoir) .....Burkeville, Texas  
Lake Fork Division (Lake Fork Reservoir).....Quitman, Texas  
Iron Bridge Division (Lake Tawakoni Reservoir) .....Point, Texas  
Environmental Services Division (Basinwide Water Quality Protection).....Orange, Texas

**RIVERS:**

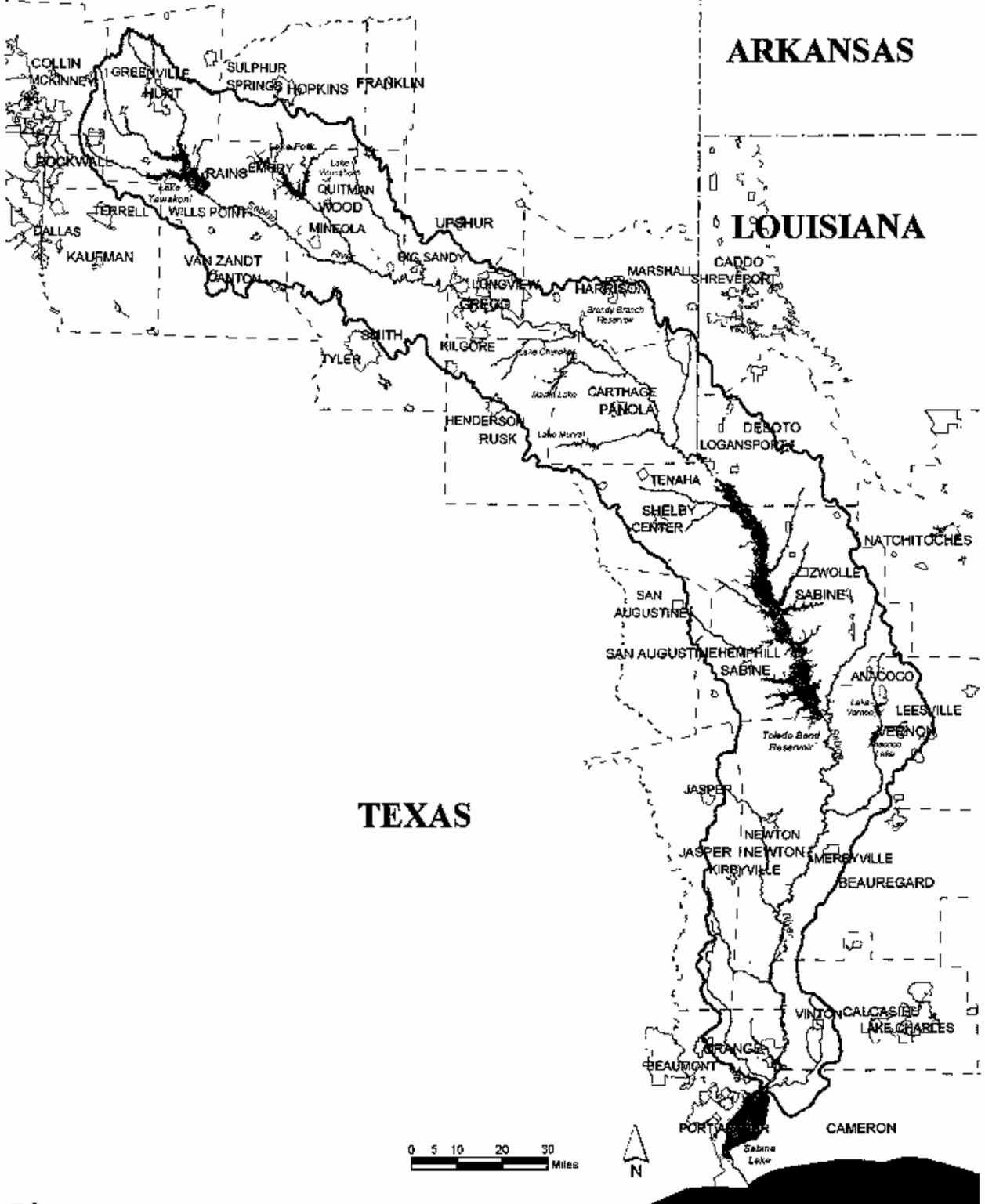
Sabine  
Total River Miles .....580  
Average Annual Flow (40 years at Ruliff) .....5,819,202 acre-feet/year

**DAMS AND RESERVOIRS:**

Toledo Bend Reservoir  
Conservation Pool  
Capacity .....4,477,000 acre-feet  
Surface Area.....181,600 acres  
Elevation.....172.0 ft. (M.S.L.)  
Yield .....2,086,600 acre-feet/year  
Hydroelectric Information  
Capacity .....85 megawatts  
Average Annual Production (44 years) .....219,930 megawatt hours  
Lake Fork Reservoir  
Conservation-Pool  
Capacity .....675,819 acre-feet  
Surface Area.....27,690 acres  
Elevation.....403.0 ft. (M.S.L.)  
Yield .....188,660 acre-feet/year  
Iron Bridge Dam (Lake Tawakoni)  
Conservation-Pool  
Capacity .....927,440 acre-feet  
Surface Area.....36,700 acres  
Elevation.....437.5 (M.S.L.)  
Yield .....238,100 acre-feet/year  
Gulf Coast Division Canal System  
Pumping Capacity.....360 million gallons/day  
Canal System Length .....75 miles  
Permitted Water Rights .....147,100 acre-feet/year



# Sabine River Basin





SABINE RIVER AUTHORITY OF TEXAS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED AUGUST 31, 2012

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# SABINE RIVER AUTHORITY OF TEXAS

Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2012

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## THIS REPORT PREPARED BY THE AUTHORITY GENERAL OFFICE

*The cover features a picture of cypress tree knees in the lower Sabine River.  
Early explorers named the river "Las Sabinas," the Spanish word for cypress trees.*

*(For more information about the history of the Sabine River and the Gift of Las Sabinas - see page 15).*



# SABINE RIVER AUTHORITY of Texas

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 1, 2013

Mr. Earl Williams  
and Members of the Board of Directors  
Sabine River Authority of Texas

#### Board Members:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2012. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

#### LONG-TERM FINANCIAL PLANNING

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority, along with Sabine River Authority, State of Louisiana, submitted the Final License Application to the Federal Energy Regulatory Commission (FERC) for license renewal of the hydroelectric operations at the Toledo Bend Project (Project) in September of 2011. The current FERC license expires in September of 2013. The Authority continues to work with state and federal agencies and public stakeholders to develop plans for long term operations of the Project. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract.



## FINANCIAL INFORMATION

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$17,874,222 compared to \$18,754,836 for FY11.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2012 totaled \$23,493,545. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

## OTHER INFORMATION

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Patillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2011. This was the twelfth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

## SABINE RIVER AUTHORITY OF TEXAS

Jerry Clark  
Executive Vice President  
and General Manager

David Montagne  
Assistant General Manager

Debra Stagner  
Authority General Office Manager  
and Controller

# BOARD OF DIRECTORS



**Earl Williams, President**  
Orange, Texas

Mr. Williams is CEO of Tool Tech Machining in Beaumont, Texas, partner of Cypress Bayou Industrial Painting and President of Cypress Bayou, Inc. in Orange, Texas. He received a Bachelor of Science degree from Howard Payne University, a Masters degree from Stephen F. Austin State University and completed post graduate work at Texas A&M University. Mr. Williams was appointed to SRA's Board of Directors by Governor Rick Perry in 2001. He previously served on SRA's Board from 1994 to 1999. Mr. Williams and his wife, Suzanne, have two children and live in the Orange area.



**David Koonce - Vice President**  
Center, Texas

Mr. Koonce is president of General Shelters of Texas Ltd. and also has partnership interests in five small businesses. He is past president of the Shelby County Chamber of Commerce, past president and treasurer of the Shelby County Bass Anglers, co-chairman for the Houston Livestock Show and Rodeo's Area Go Texan committee, past vice chairperson for the Shelby County Historical Commission, committeeman of Shelby County Ducks Unlimited and board member for Center Crime Stoppers. Mr. Koonce received a bachelor's degree from Stephen F. Austin University. In his spare time he enjoys hunting, fishing, skiing, travel and spending time with his grandson. He and his wife, Angela, are members of the First Baptist Church and reside in Center.



**Cliff Todd - Secretary / Treasurer**  
Carthage, Texas

Mr. Todd currently works for C and J Energy Services. Previously he was the executive director of the Marshall Economic Development Corporation. He is a past member of the Austin and Carthage Rotary clubs and a past president of the Carthage Rotary Club. He retired after nearly 30 years with the Texas Department of Agriculture, serving in Austin and later with the TDA Rural Economic Division for the entire East Texas region. He is involved in overseeing the management of his family owned farm and ranch in Panola and Rusk Counties. He has served as a longtime adult and college Sunday school teacher for over 25 years. He currently serves as a deacon for Central Baptist Church. He enjoys being a pilot and spending time outdoors on weekends on their farm. His wife, Denise, is a retired kindergarten teacher. They have one daughter, Sara Roth of Dallas. Mr. Todd received a bachelor's degree from Stephen F. Austin State University.



**Cary "Mac" Abney - Secretary Pro-Tem**  
Marshall, Texas

Mr. Abney is a certified public accountant and president of Abney, Fyffe and Company PLLC. He is a member of the American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants, and Texas Forestry Association, and a board member of the Marshall Harrison County Joint Airport Zoning Board. Mr. Abney is also past president of the Harrison County Housing Finance Corporation and Harrison County Airport Advisory Committee, secretary and treasurer of the Harrison County EMS (Dist #2), and secretary of the Fern Lake Club. He received a bachelor's degree from Southern Methodist University and is a graduate of the College of Financial Planning. Mr. Abney and his wife Claudia have two children and five grandchildren and reside in Marshall.



**Don Covington**  
Orange, Texas

Mr. Covington, a native Southeast Texan with deep roots in the Golden Triangle, is the former president of Friede Goldman Offshore Texas, L.P. He retired in June of 2000 and is currently involved in private investments. In his career, he founded Texas Drydock, Inc., which later became TD-Halter, L.P. He spent 30 years with Livingston Shipbuilding Co. Mr. Covington was honored as 1994 "Small Business Person of the Year" and 1997 "Maritime Person of the Year." He is a member of the Propeller Club-Port

# BOARD OF DIRECTORS

of Sabine, the Society of Naval Architects and Marine Engineers, a past board member of the Governing Board of Park Place Hospital and the Greater Port Arthur Chamber of Commerce. He and his wife, Claire, are members of the First Christian Church of Orange and have three sons.



**Stanley N. "Stan" Mathews**  
Pinehurst, Texas

Mr. Mathews owns and operates Mathews Jewelers, Inc., established in Orange, Texas in 1984 and expanded to Beaumont in 2002. Born and raised in Orange as the son of J. L. and Laverne Mathews, he is very active in his community. He has served as Board Member, VP of Economic Development and Life Ambassador for the Greater Orange Area Chamber of Commerce. Mr. Mathews was named 1997 "Small Business Person of the Year". He previously served as a school board member of Little Cypress Mauriceville ISD and as an advisory board member for Memorial Hermann Baptist Orange Hospital. He is a member of the Texas Jewelers Association, a member of the Beaumont Chamber of Commerce, a member of the Lamar University Cardinal Club Board of Directors and a 22 year member of the Orange Rotary Club. In his leisure time, he enjoys golf, fishing and travel. Stan and his wife, Linda, have two children and five grandchildren and reside in Pinehurst, Texas.



**Connie Wade**  
Longview, Texas

Ms. Wade moved from the Texas panhandle to the piney woods of East Texas in the summer of 1978 and fell in love with its natural beauty, history and its people. Since moving to East Texas, Ms. Wade has volunteered on behalf of local, state-wide and national candidates and served the Gregg County GOP Party as its secretary, vice-chairman and as an election judge. At the 1992 State GOP Convention, she chaired the sub-committee on education for the platform committee and in 1996, was elected as an alternate to the GOP National Convention in San Diego. She served on the Governor's Commission for Women from 1995-1996. She has also worked at the Texas Department of Agriculture as a scheduler for Commissioner Susan Combs. Having won a contested primary race in March 2004 for Gregg County Clerk, Ms. Wade was sworn into that elected post in January 2005. Ms. Wade holds credentials as a Certified Investment Officer under the Texas Public Funds Investment Act and is a member of the County and District Clerks Association of Texas. She resides in Longview with her husband, Jerry Gipson. Their son, Shannon, resides in Spring, Texas along with his wife and children.



**Connie Ware**  
Marshall, Texas

Ms. Ware currently serves as the President and CEO of the Greater Marshall Chamber of Commerce. Ms. Ware was appointed to serve as Chairman of the Texas Commission on the Arts by Governor Bush in 1995. She served as chairman until 2000. In 2011, Ms. Ware was appointed to the Stephen F. Austin State University Board of Regents by Governor Rick Perry. Ms. Ware was a founding board member on the Texans for the Arts advocacy group and the Marshall Regional Arts Council. She also served on various statewide and national arts boards. She received the "1988 Outstanding Citizen" award from the Marshall Chamber of Commerce. Ms. Ware has chaired numerous political committees and has served as a delegate to the Texas Republican Convention since 1990 and as an alternate to the National Republican Convention in 1992 and 2000. She was Harrison County Republican Chairman from 1990-1996. Ms. Ware resides in Marshall.



**J. D. Jacobs, Jr.**  
Rockwall, Texas

Mr. Jacobs is the former President and CEO of Jacobs Transportation, Inc. He resides in Rockwall County where he farms 4000 acres of cotton, corn, milo and wheat and runs a 100-225 head cow/calf operation. Mr. Jacobs is a current member of the Farm Service Agency County Committee, the Rockwall County Extension Service Advisory Board and serves as VP for the Rockwall County Farm Bureau Insurance Board. He formerly served on the Rockwall Housing Development Corporation Board. He received the "2001 Agricultural Excellence Award" from the Texas Department of Agriculture. Mr. Jacobs and his wife, Ollie Marian, have three children and four grandchildren and are members of the Lake Pointe Baptist Church of Rockwall.

*The Sabine River Authority of Texas is governed by a nine-member Board of Directors.*

*Each board member serves a six-year term.*

*The Governor of Texas appoints three board members every two years.*

*Directors are required to reside within a county situated wholly or partially within the watershed of the Sabine River.*

*The members of the Board of Directors are leaders in their communities. They are dedicated citizens who are active participants in the water issues being addressed by the Sabine River Authority of Texas.*

# BOARD OFFICERS



*From left: Cliff Todd, Earl Williams, David Koonce and Mac Abney*

## Sabine River Authority

### Board Officers 2012

*President*  
**Earl Williams**

*Vice President*  
**David Koonce**

*Secretary/Treasurer*  
**Cliff Todd**

*Secretary Pro-Tem*  
**Mac Abney**

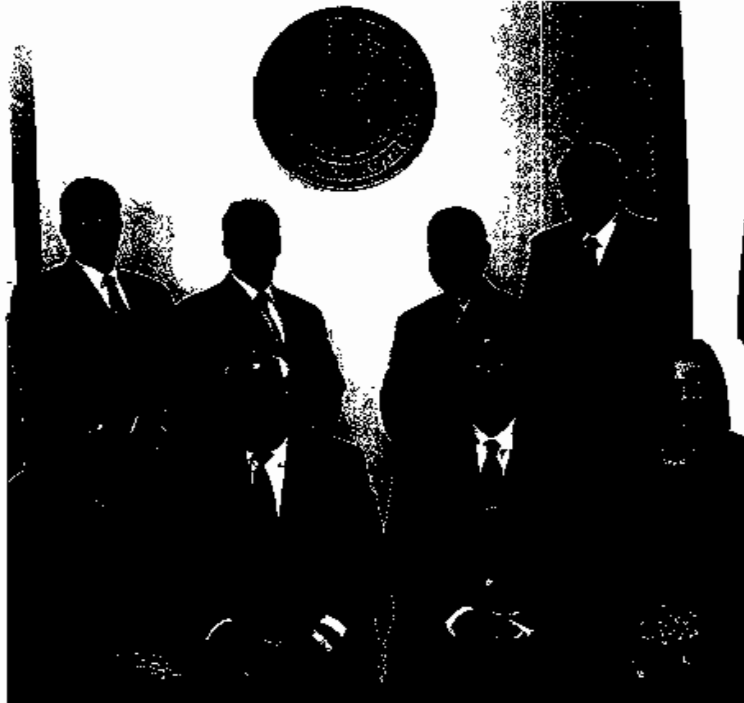


### *2012 Board of Directors Board Meeting Orange, Texas*

*Standing left to right:*  
J. D. Jacobs, Cliff Todd, Mac  
Abney and Don Covington

*Seated left to right:*  
Stan Mathews, Connie Ware,  
Earl Williams, Connie Wade  
and David Koonce

# EXECUTIVE STAFF



**Bill Hughes, P. E.**  
*Director of  
Engineering*

**Troy Henry**  
*Upper Basin  
Regional Manager*

**Danny "Butch"  
Choate**  
*Operations Manager*

**Jack Tatum**  
*Water Resources  
Manager*

**Ann Galassi**  
*Economic Development &  
Public Relations Manager*

**Jerry Clark**  
*Executive Vice President  
and General Manager*

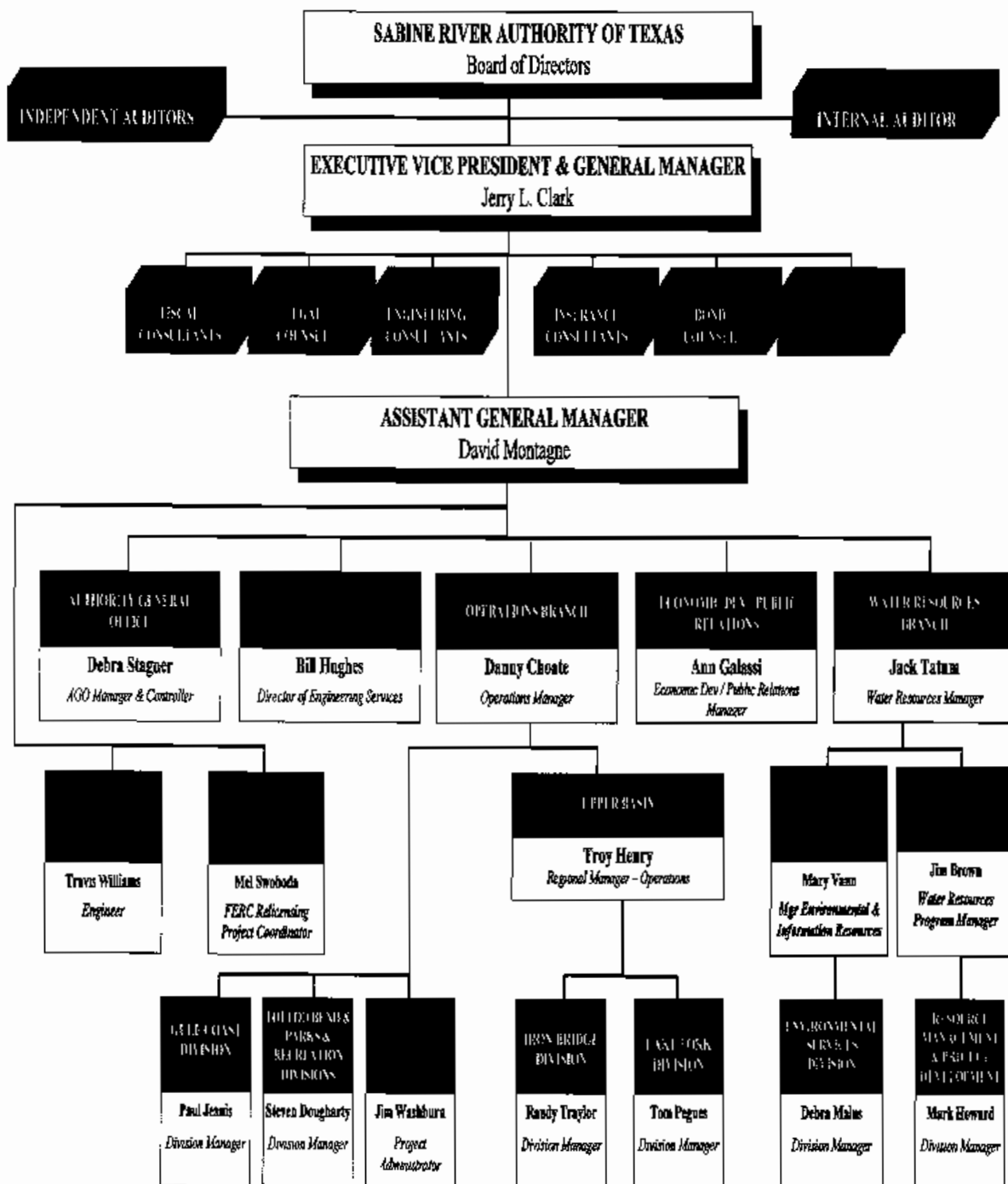
**David Montagne**  
*Assistant General  
Manager*

**Debra Stagner**  
*Authority General Office  
Manager and Controller*



*For more than 60 years, the Board of Directors and Staff of the Sabine River Authority have taken the lead in managing the resources of the Sabine River Basin to meet the long-term water supply needs of the Basin and protect the value of the resources. As the demand for water grows due to increasing population in the State of Texas, SRA will have to balance and prioritize the use of the water resources in accordance with State Laws.*

# MANAGEMENT STAFF





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sabine River Authority  
of Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Morill*

President

*Jeffrey R. Emer*

Executive Director

# SABINE RIVER AUTHORITY MANAGING EAST TEXAS WATER

**AS A POLITICAL SUBDIVISION** created by the State Legislature, the Sabine River Authority of Texas (SRA) has the responsibility to manage the long-term water supply needs of the Basin. SRA plays a major part in state and regional water planning issues. Taking the lead in managing the Basin's water resources is part of SRA's overall plan to ensure that water rights are maintained in the Basin and the value of the resource is protected.

Jerry Clark became Executive Vice President and General Manager of SRA in June of 1999 and is responsible for the overall operations of the Authority. He executes the policy and program directives of the Board of Directors, oversees the budget, and serves as the liaison between the agency and the legislature as well as other governmental agencies. He represents the interest of Texas as Project Supervisor for Toledo Bend Project Joint Operation, serving as a member of the Technical and Operating Boards. Prior to his work with SRA, he was a Governmental Affairs liaison for Dairy, Farm Credit Bank and Texas Ag Cooperative Council; was an agri-business

operator and served eleven years in the Texas House of Representatives.

Mr. Clark currently serves as a board member of the Texas Water Conservation Association (TWCA), a state-wide organization of water, wastewater and related entities. TWCA works to educate and inform members, the public and governmental agencies and leaders at all levels regarding water industry issues. He also serves as a board member of the National Water Resources Association (NWRA), a nonprofit federation of state organizations who work to balance the needs of people and the environment.

Mr. Clark serves as an executive committee member for Region I, one of the Regional Water Planning Groups (RWPG) developed from Texas Senate Bill 1 as a "bottom up" water planning process designed to ensure that the water needs of all Texans are met as Texas enters the 21st century. Each RWPG throughout the state prepares regional water plans for their respective areas. These plans will map out how to conserve water supplies, meet future water supply needs and respond to future

droughts in the planning areas.

SRA has continued to actively participate in efforts to establish freshwater inflow and instream flow targets for the Sabine-Neches Estuary and the Sabine River while balancing man's need for these resources. Mr. Clark served on the 2006 Environmental Flows Advisory Committee for the State of Texas as an appointee of Governor Rick Perry. The committee examined issues relating to protection of instream flows and freshwater inflows for the state's rivers, lakes, bays and estuaries. In 2009, he was elected chair of the Sabine and Neches Rivers and Sabine Lake Bay, Basin and Bay Stakeholder Committee (BBASC) established by Texas Senate Bill 3.

David Montagne, Assistant General Manager of SRA, has worked for the Authority since 1986. He supervises over 100 employees and is responsible for operations, finance, engineering, planning and environmental services. He reports directly to the General Manager to assist in executing the policy and program directives of the Board of Directors. Prior to his position as Assistant Manager, he held the position of SRA Controller.

Active in statewide water resource planning efforts, David Montagne was appointed to the Texas Water Conservation Association's (TWCA) Reuse Water Committee. He is also a board member of the TWCA Risk Management Fund Board of Trustees. From 2004 until 2009, Mr. Montagne served as a Texas Ethics Commissioner. In 2009, he was appointed for a six year term to the Texas State University System Board of Regents by Governor Rick Perry. ♣



*SRA Board of Directors Meeting - Orange, Texas*

# SABINE RIVER AUTHORITY

## SPECIAL CONSULTANTS

The following are retained by the Authority to assist in their special capacities:

### ATTORNEYS

Jim Graves (Mehaffy & Weber)  
 Charlie Goehringer (Germer-Gertz)  
 Mike Booth (Booth, Ahrens & Werkenthin)

### INDEPENDENT AUDITORS

Pattillo, Brown & Hill, LLP

### INTERNAL AUDITOR

James P. Jansen (Jansen & Gregorczyk)

### INSURANCE CONSULTANTS

TWCA Risk Management Fund

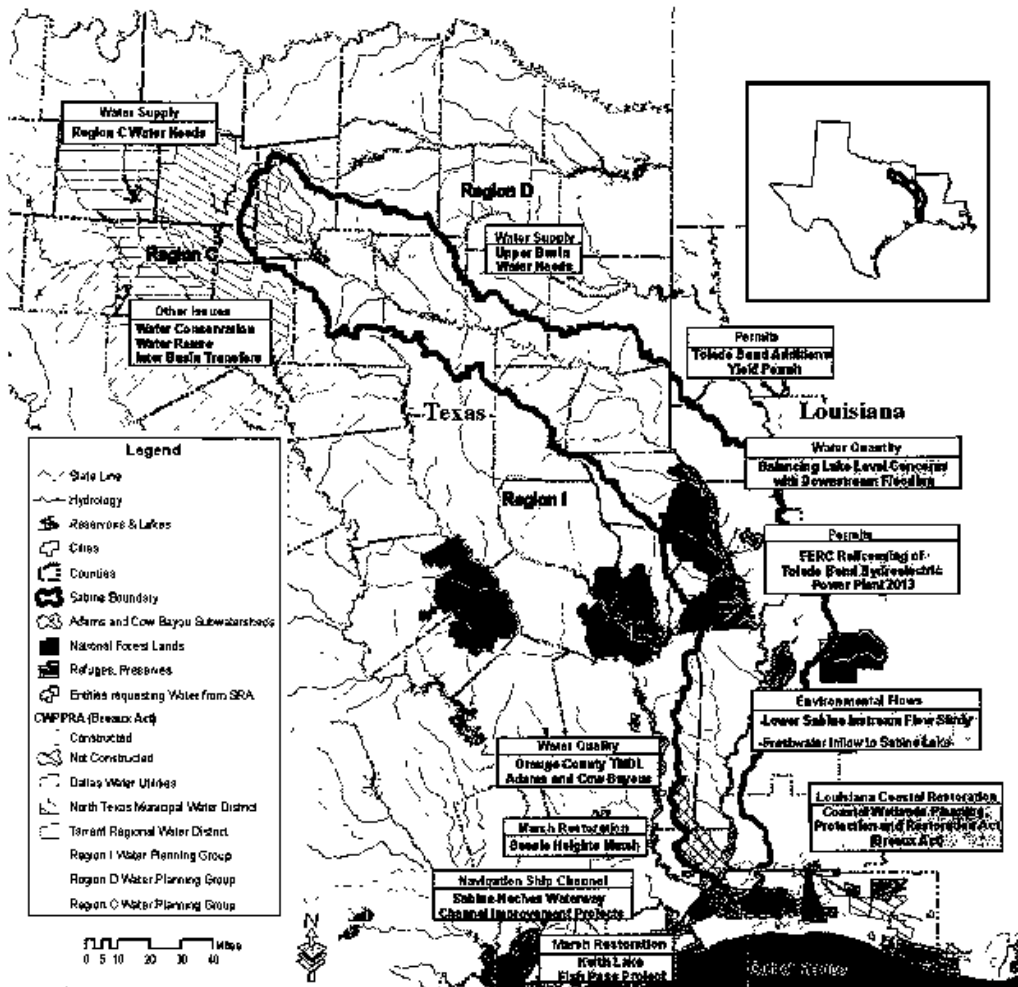
### BOND CONSULTANTS

Financial Advisor – First Southwest Co., Inc.  
 Bond Counsel - McCall, Parkhurst & Horton

### ENGINEERING

AECOM  
 Carroll & Blackman, Inc.  
 Freese & Nichols, Inc.  
 HDR  
 Klotz Associates  
 Alan Plummer Associates, Inc.  
 Schaumburg & Polk, Inc.  
 URS

## SABINE RIVER BASIN PLANNING ISSUES



# SABINE RIVER AUTHORITY AUTHORITY GENERAL OFFICE

**THE AUTHORITY GENERAL OFFICE (AGO)** is located in the southeast corner of the state in Orange County near the city of Orange, Texas, approximately eight miles north of Interstate 10 on State Highway 87.

All official activities of the Sabine River Authority (SRA) are arranged and coordinated through this office by the General Manager and his Executive Staff. Scheduling of meetings for the Board of Directors and management as well as posting public notices and agendas, disseminating public information and preparation of press releases are handled through the AGO. The General Manager and Executive Staff also consult with attorneys representing SRA concerning contracts and other legal issues and work with the financial advisors and bond counsel concerning bond issues.

## **Accounting / Records**

The Accounting Department is located in the Authority General Office and is responsible for all vital accounting functions for the entire Authority. Debra Stagner, AGO Manager and Controller, has been with SRA since 2000 and is responsible for management and oversight of the financial and human resource aspects of SRA. She is a member of the national and state Government Finance Officers Association and the Southeast Texas Human Resources Association as well as TWCA and NWRA. The Accounting Department staff processes accounts receivable, accounts payable and generates financial statements on a monthly basis. In addition, the Accounting Department staff is responsible for all payroll functions, including preparation of State and Federal reports, and maintaining personnel files for all employees. Working closely with

the Division Managers, a budget of revenues and expenses is prepared for each fiscal year and is presented to the Board of Directors for approval. Revenues and expenses are then monitored on a monthly basis to ensure SRA is operating within the budget and to ensure that approvals for budget amendments are obtained from the Board as needed. Investment of SRA's funds is a very important function of the Accounting Department. The Controller ensures all investments are made in accordance with the Public Funds Investments Act, Chapter 2256 of the Government Code, and the Board adopted Flow of Funds Resolution and Investment Policy. Investment reports detailing the investment transactions are prepared quarterly and submitted to the Board of Directors as required in the Public Funds Investment Act. In addition, accounts are monitored daily to ensure all funds are properly collateralized by the financial institutions. In accordance with Texas Commission on Environmental Quality (TCEQ) rules, SRA contracts with a Certified Public Accounting firm to employ an internal auditor who reports directly to the Board of Directors. The role of the internal auditor is to verify that the internal controls SRA has in place are more than adequate to protect the assets of SRA. Additionally, SRA contracts with a separate Certified Public Accounting firm as an independent auditor for the purpose of forming an opinion on whether the financial statements present fairly the results of the operations of SRA. The Accounting Department staff is instrumental in working with the internal and independent auditors to assist in their objectives.

All purchases of vehicles and heavy equipment are coordinated through the AGO. Bid proposals are

obtained for major purchases to ensure SRA is receiving the most competitive price on these purchases. The Accounting Department maintains records for all SRA assets and conducts an annual inventory to verify the existence and the condition of the assets.

SRA is concerned with safety issues and provides training to all of the divisions. The safety program includes training in areas such as safety in the workplace, a defensive driving course, a boating safety course, and the Red Cross first aid and cardiopulmonary resuscitation (CPR) training.

Procurement of health, life, property, and liability insurance coverage for SRA is also managed through the AGO. SRA manages a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of SRA's employees and their covered dependents, and to minimize the total cost of the medical insurance. SRA obtains property and liability insurance coverage from Texas Water Conservation Association (TWCA) Risk Management Fund and other carriers. ♣



*SRA Board President Earl Williams receives the GFOA Award for Excellence in Financial Reporting from SRA Controller Debra Stagner*

# AUTHORITY GENERAL OFFICE

## ***Economic Development & Public Relations***

The Economic Development & Public Relations (ED/PR) program was established in FY 2001 as part of an initiative to enhance the economic vitality of the Sabine River Basin (Basin) and to increase the awareness of the resource. Ann Galassi, CEcD, Manager of Economic Development and Public Relations, has been with the Authority since 2001 and administers the ED/PR program. Ms. Galassi earned the professional economic development certification in 2003. She is a member of the national and state economic development councils as well as several local boards

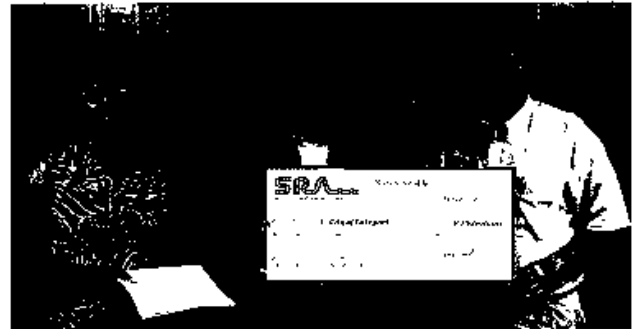
The Basin, made up of all or part of 21 counties, covers a large portion of east Texas and has a population of approximately 550,000 (U.S. 2010 Census). A large portion of the Basin is rural in nature. Economic development programs vary throughout the Basin based on community needs and attributes. SRA is committed to work in tandem with organizations, counties and communities throughout the Basin to complement their existing economic development efforts. ED/PR focuses on four areas to accomplish this task:

- 1) Public Outreach and Communication**  
Increase awareness and appreciation of SRA waterways
- 2) Community Assistance Program**  
Promote the improvement of the quality and quantity of services essential for the development of a viable community
- 3) Technical Services Assistance**  
Build resources and provide a catalyst for regional strategic planning
- 4) Economic Growth**  
Market the Basin to targeted business sectors and prospective tourists

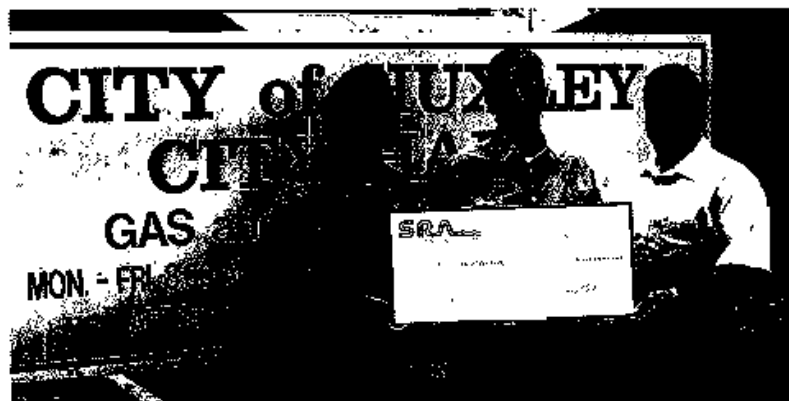
The Community Assistance Program, established in FY 2002, continued to be a major emphasis of activity for ED/PR. The program provides funds through a competitive grant process for water resource projects which are consistent with the statutory mission of SRA. These projects must fall within one of four categories: 1) water supply, 2) wastewater management, 3) water conservation and 4) water quality. Grant packages are reviewed quarterly and are limited to \$10,000 per project. The program assisted twelve (12) applicants within the Basin for FY 2012. To date, one hundred thirty-eight grants have been awarded to community, water districts and water supply corporations throughout the Basin as part of this program.

Other ED/PR activities included preparing information for the public (brochures, fact sheets, newsletters, press releases); researching information on water and economic

development issues throughout the State; coordinating public involvement activities for SRA; facilitating strategic planning meetings; working with local, regional and state organizations to formulate economic development strategies; disseminating ED prospect leads and promoting nature tourism in the Basin. ♣



**Grant Presentation - City of Lakeport**  
*From left: City Secretary Darlene Shelton, City Alderman Charles Newhouse and SRA Board Member Cliff Todd*



**Grant Presentation - City of Huxley**  
*From left: SRA Grant Administrator Ann Galassi, Director of City Operations Gerard Huddleston and SRA Board Member David Koonce*

# ENGINEERING SERVICES

**THE ENGINEERING SERVICES TEAM OF** Bill Hughes, P. E. and Travis Williams, P.E. provides in-house technical support for all of the SRA Divisions and participates in water planning strategies and environmental issues affecting the Sabine River Basin. In FY-2012, Engineering Services was very involved with the Toledo Bend Project Joint Operations with commencement of a multi-year tainter gate project to rehabilitate all eleven gates over a period of five years. Development of construction plans and specifications for rehabilitation of gate #7 was completed with construction commencing in FY-2013. Additionally, design for the complete replacement of all five of the Lake Fork tainter gates was completed with construction scheduled to start in FY-2013.

Engineering Services assisted the GCD with specifying and ordering a new auxiliary relief pump to replace the existing 44-year old pump that



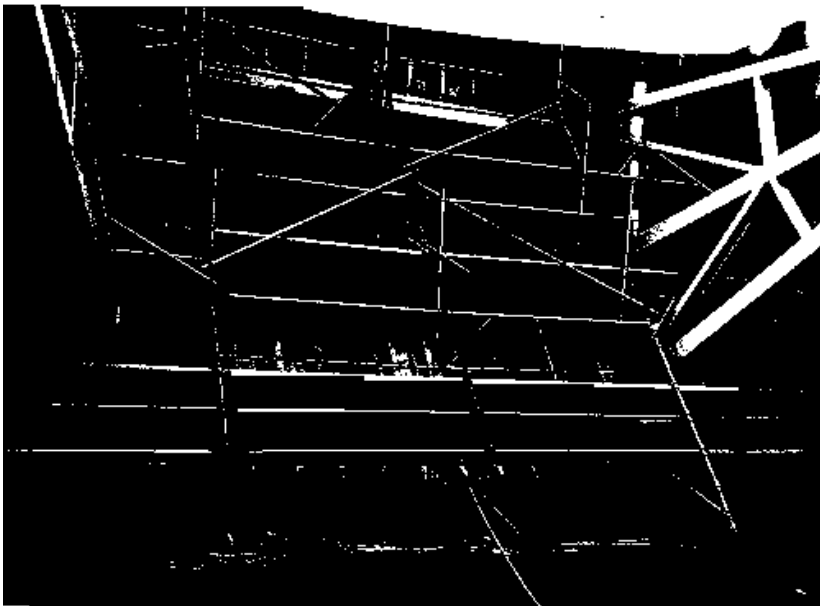
*Travis Williams, P.E.*

was experiencing a pumping capacity decrease of up to 50 percent. Additionally, a preliminary analysis was conducted to evaluate the potential of constructing a new GCD raw water pump station with a capacity range from 60 to 285 MGD to replace the existing main pump station constructed in the 1930s. The analysis considered multiple intake design options and pipeline routes with varying diameters from 54 to 108 inches to convey the raw water from

the new pump station to the GCD canal system. Also evaluated was the capacity of a portion of the main canal to determine improvements necessary to convey the increase in flows.

Continued assistance was provided working with Newton County on the Hazard Mitigation Grant Program to purchase flood prone properties below Toledo Bend along the Sabine River. The first two phases of this project have been completed and the remaining three phases are currently underway with the potential of the total project to remove in excess of 150 properties from potential flooding. Engineering Services continued to assist with the FERC hydropower relicensing effort for the Toledo Bend Project Joint Operation and provided support for relicensing settlement agreements with state and federal agencies.

Additional projects completed during FY-2012 include negotiation with TxDOT for an additional 50-foot wide easement crossing Lake Tawakoni for replacement of the two-mile bridge; execution of a "Bill of Sale" indicating SRA ownership of all pipeline materials and right-of-way associated with the 41-mile long 24-inch diameter raw water transmission line from Toledo Bend to Tenaska Gateway power plant; finalization of an amendment to the Tenaska Facilities Agreement establishing pricing for SRA to sell water out of the unused capacity of the Tenaska 24-inch diameter transmission line; development and implementation of a standardized right-of-entry form for crossings of SRA owned property; assisting the IBD with specifying, procurement and start-up of a new 20-inch mag meter to better measure flows released from Lake Tawakoni; and installation of new restroom and shower facilities at Wind Point Park and other park improvements. ♦



*Toledo Bend Tainter Gate #7 Rehabilitation*

# THE GIFT OF LAS SABINAS

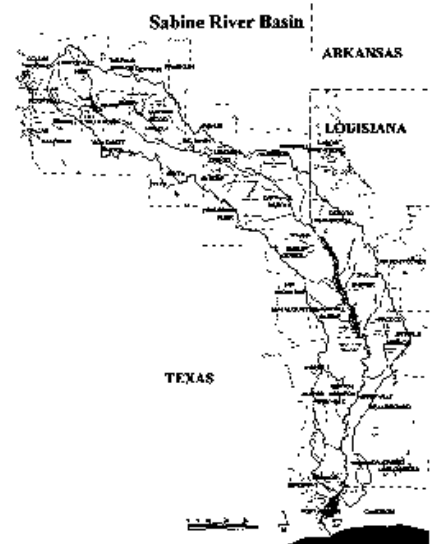
**TAKING ITS NAME FROM SABINAS, THE SPANISH WORD FOR CYPRESS TREE**, the Sabine River discharges the largest volume of water of any Texas River into the Gulf of Mexico and sprawls over a watershed larger than some states.

Journals found from early Spanish explorers indicate the river was named *Rio de Sabinas* (the river of cypresses) in reference to the extensive growth of giant cypress trees along the river. Until the mid-1900's, the Sabine was a largely untamed, wild river whose spring and winter floods flattened communities and disrupted commerce and agriculture. While communities were struggling for stable water supplies, the river's resources were largely untapped.

In 1949, the Texas Legislature created the Sabine River Authority of Texas, giving it authority to conserve, store, control, preserve, utilize and protect the river and its tributaries in a watershed touching

twenty-one East Texas counties from Greenville to Orange.

The upper reaches of the river flow through the prairie country of northeast Texas. As it flows southeast, it forms part of the boundary between Texas and Louisiana and empties into Sabine Lake, an estuary of the Gulf of Mexico. Along much of its lower reaches, it flows through pine forests along the Texas-Louisiana border, and the bayou country near the Gulf Coast. The river drains an area of 9,756 square miles of which 7,426 square miles is in Texas and 2,330 square miles in Louisiana. The river flows through an important petroleum-producing region, and the lower river near the Gulf is among the most industrialized areas of the southeastern United States. ♣



*Map of the Sabine River Basin*



# SABINE RIVER AUTHORITY WATER RESOURCES BRANCH

The Water Resources Branch (WRB) of Sabine River Authority directs water resource planning and development, water resource protection, environmental service support, and information resources management efforts that enable SRA to fulfill its mission to control, store, preserve and distribute the waters of the Sabine River and its tributary system for useful purposes. The WRB works closely with AGO and the Operations Branch to coordinate future planning efforts to assure dependable supplies of good quality surface water are available to meet the increasing demands for municipal, industrial, agricultural and recreational uses, which support a growing economy in the Sabine River Basin.

Jack Tatum, Water Resources Manager since 2001, has been with the Authority since 1971 working previously as Aquatic Biologist, Technical Services Manager, and

Development Coordinator. Mr. Tatum chaired the Sabine and Neches Rivers and Sabine Lake Bay, Basin and Bay Expert Science Team (BBEST) established by Texas Senate Bill 3 (SB 3) and was instrumental in the preparation of a Work Plan submitted to the Texas Environmental Flows Advisory Group and the Texas Commission on Environmental Quality (TCEQ) to be used for facilitating the adaptive management of SB 3 environmental flow analyses, environmental flow recommendations, and environmental flow standards and strategies to achieve these standards.

SRA's Water Conservation and Drought Contingency Plan (WCDCP), developed in 2009, was implemented for the first time in October of 2011 and continued to guide SRA's drought management strategies through April of 2012, when drought conditions (as defined by the WCDCP) terminated in the

Sabine River Basin. Toledo Bend Reservoir reached its initial drought trigger in April 2011, reached its historic low in November 2011, and exited the drought in March 2012. The upper basin reservoirs, Lakes Fork and Tawakoni, reached the initial drought stage (mild water shortage conditions) in October 2011 and did not exit this stage until April 2012. In conjunction with the WCDCP, the WRB utilizes a Water Supply Accounting Model to closely monitor the available water storage in the upper basin reservoirs.

In FY 2012, the WRB was heavily involved in the Toledo Bend Project Joint Operation Federal Energy Regulatory Commission (FERC) Relicensing effort in a variety of areas including field support, geographic information systems, information technology, quality assurance, document review, and resource group participation and guidance. Highlights of this effort in FY-2012 include assistance

with the development of the Final License Application (FLA), settlement negotiations and settlement agreements signed by all active settlement parties. The WRB will continue its relicensing involvement through the issuance of the new license in 2013 and will participate with the implementation of the new license conditions.



*Water Resources Branch Team Meeting*



# WATER RESOURCES BRANCH



*Jim Brown, Water Resources Program Manager and Mary Vann, Manager, Environmental and Information Resources*

Gerard Sala, long-time SRA employee and Water Resources Coordinator under the WRB, retired in June 2012 after more than thirty-seven years of service. Mr. Sala's responsibilities were redistributed among WRB staff with Mary S. Vann, Manager, Environmental and Information Resources, providing oversight in the areas of water rights, water supply contracts, water conservation, information technology, and the Environmental Services Division and Jim Brown, Water Resources Program Manager, providing direction to the Resource Management and Project Development Division, water supply accounting, FERC support, as well as SRA's Senate Bill 2 and Senate Bill 3 efforts.

Other WRB activities included continued participation in a statewide zebra mussel public awareness campaign spearheaded by Texas Parks and Wildlife Department (TPWD), maintenance of nuisance aquatic plant treatment agreements with TPWD for Toledo Bend and Lake Fork reservoirs, and application or pre-application to TCEQ for water right amendments to Lake Fork, Lake

Tawakoni, Toledo Bend, and the Gulf Coast Canal System.



*Texas Drought Index Showing Exceptional Drought Conditions (in dark red) as of August 30, 2011*

SRA Website:  
[www.sratx.org](http://www.sratx.org)

**Mark  
Howard**  
*RMPD  
Division  
Manager*



## ***Resource Management and Project Development Division***

The Resource Management and Project Development Division (RMPD) provides technical services including geographic information systems (GIS) mapping, data analysis and reporting, field biology expertise, project management, technical writing, Information Technology, and content maintenance of the SRA website ([www.sratx.org](http://www.sratx.org)).

In FY-2012 RMPD supported the Federal Energy Regulatory Commission (FERC) Relicensing effort with field data collection, GIS services, review and comment on the Final License Application, data analysis and support for settlement agreements. RMPD also assisted with GIS services for the Toledo Bend Project Boundary delineation and the evaluation and calculation of striplands along the Toledo Bend shoreline. RMPD employed GIS and GPS technologies to assist Engineering Services with several projects and the Toledo Bend Division with its shoreline permitting databases. The RMPD also provided assistance with drought monitoring and water accountability and other information resources.

Additionally, RMPD provided support by interfacing with state agencies on a number of issues including, invasive species, rare threatened and endangered species, the fish sub advisory work group, and coastal issues. ♣

# WATER RESOURCES BRANCH: ENVIRONMENTAL SERVICES DIVISION

**THE ENVIRONMENTAL SERVICES DIVISION (ESD)** of the Water Resources Branch (WRB) provides technical support to the Sabine River Authority (SRA) in the areas of field and laboratory water quality monitoring and analyses. Upper and Lower Basin Field Offices conduct

municipal, state, or federal agencies including the Texas Parks and Wildlife Department, the Texas Commission on Environmental Quality (TCEQ), the Railroad Commission, and the U.S. Environmental

**Debra Malus**  
*Environmental Services  
Division Manager*



*Measuring Clarity at the Toledo Bend Tailrace*

water quality monitoring and investigate water quality complaints. The Laboratory provides metals, inorganic and bacteriological water quality analyses for SRA as well as for public, private and governmental entities.

Water quality protection responsibilities require ESD staff to be on call 24-hrs a day to investigate activities that may threaten surface waters in the Basin. ESD staff investigated fourteen spills, kills, or complaints including three oil spills, two fish kills, three citizen complaints and six miscellaneous investigations for FY-2012. Most of these were performed cooperatively with local,

Protection Agency (USEPA). Other ESD responsibilities include routine monitoring of the SRA canal system in support of SRA's water supply contracts.

The ESD Water Quality Laboratory is accredited under the National Environmental Laboratory Accreditation Conference Institute (The NELAC Institute or TNI) adopted September 8, 2009. This is a national program established by the USEPA to develop mutually acceptable national standards for accrediting environmental testing laboratories. TCEQ requires TNI accreditation for all contract laboratories reporting data for

permits, compliance issues, enforcement actions and corrective actions.

In FY-2012, the ESD performed a total of 60,755 water quality tests consisting of the following: 23,726 tests performed for Sabine River watershed monitoring programs, 7,124 tests were performed for 40 industrial clients, 7,154 tests for 65 municipal clients and 219 tests for 154 private individuals. A total of 22,751 tests were performed for quality control purposes to support the data generated by the laboratory and field offices. Quality assurance is critical for the validation of laboratory and field data precision and accuracy.



*Water Quality Monitoring on Sabine River*



*Measuring Depth on Little Cow Creek*

The ESD continues to monitor the water quality in the Sabine Basin through the Texas Clean Rivers Program (TCRP). The TCRP is a cooperative partnership between the TCEQ and regional water authorities that promotes involvement by state and local entities along with the general public. The TCRP allows Sabine Basin stakeholders to provide

valuable input to the regulatory authorities on water quality issues.

In FY-2012, forty fixed sites were sampled and analyzed monthly to ensure quality water for all Sabine Basin stakeholders. A two year special study was initiated in FY-2011 on the Cowleech Arm of Lake Tawakoni to verify that the location was not impaired for pH. In May 2011, monthly targeted monitoring



*Oxygen Demand Analyses*

was initiated on three streams in the Upper Basin to characterize flow conditions for the TCEQ permitting process. The Sabine River Basin Highlights 2011 and Big Cow Creek Watershed Characterization Report provides a review of water quality conditions in the Basin. The report is available on the SRA website: [http://www.sratx.org/srwmp/ocrp/state\\_of\\_the\\_basin/basin\\_highlights/default.asp](http://www.sratx.org/srwmp/ocrp/state_of_the_basin/basin_highlights/default.asp).

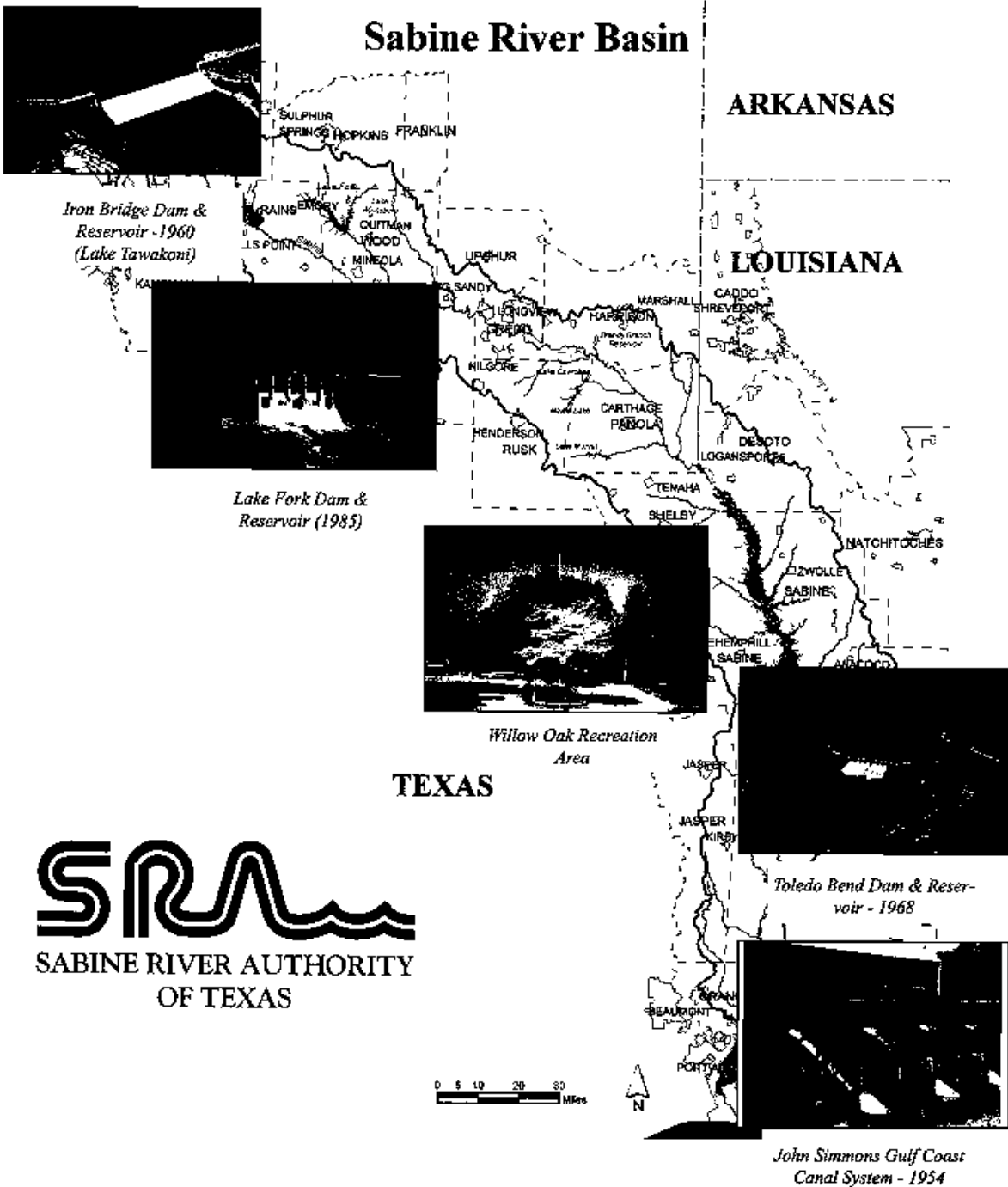
The ESD continues to support the Orange County Total Maximum Daily Load project (OCTMDL) by facilitating the Stakeholder Advisory Group. The OCTMDL project was initiated to study low dissolved oxygen, elevated bacteria, and low pH values in Adams and Cow Bayous and determine the measures necessary to improve water quality. An Implementation Plan intended to guide these efforts is now being finalized. More information can be found at

[www.sratx.org/srwmp/octmdl/](http://www.sratx.org/srwmp/octmdl/). ➤



*Nutrient Analyses*

# OPERATIONS BRANCH OPERATING DIVISIONS



# SABINE RIVER AUTHORITY OPERATIONS

**OPERATIONS OF THE SABINE RIVER AUTHORITY** began in the lower Sabine River Basin with the purchase of the pump station and canal system owned by the Orange County Water Company in 1954. SRA's canal system, operating first as the Orange County Canal Division and later as the Gulf Coast Division, consisted of a pumping plant on the lower Sabine River and more than 70 miles of gravity-flow canals throughout Orange County. The canal system originally provided raw water to industries, a municipality, rice farmers and crawfish producers in Orange County. Although current water use for rice farming and crawfish producers have greatly been reduced, the canal system continues today to provide a reliable and economical source of water to its industrial and municipal customers. In 2002, the canal system was renamed the John W. Simmons Gulf Coast Canal System in recognition of the first general manager of SRA.

The next SRA operation facility was a water supply reservoir in its upper Sabine River Basin. The Iron Bridge Dam and Lake Tawakoni Reservoir, which lies partially in Hunt, Van Zandt and Rains Counties, was constructed in 1958 and completed in 1960. Construction of the dam and reservoir was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes.

Toledo Bend Reservoir was the next project undertaken by SRA. Plans to build Toledo Bend Dam and Reservoir proved feasible with an engineering study completed in 1958. The Toledo Bend Project was built for the purpose of water supply, hydroelectric power generation and recreation. The Toledo Bend Project

is located in Louisiana and Texas on the Sabine River, which forms a portion of the boundary between the two states. Partnering with the Sabine River Authority, State of Louisiana, SRA began construction of the dam, spillway and power plant in April of 1964. Construction was completed in 1968.

The fourth operation facility and third water supply reservoir built by SRA was the Lake Fork Dam and Reservoir located in the upper Sabine River Basin in Wood, Rains and Hopkins Counties. The reservoir, funded through water supply agreements, was built for industrial and municipal uses with the City of Dallas currently as the project's largest customer. Construction of the dam and reservoir began in 1975 and was completed in 1980.

Management of the four operational facilities is headed by Danny "Butch" Choate, SRA Operations Manager. Mr. Choate, with the Authority for 20 years, has extensive field and construction experience that provides an excellent resource for operational activities at SRA. As Operations Manager, he is responsible for the operation, maintenance and safety of all operational facilities of SRA. Before coming to SRA, he served as Sabine River Compact Commissioner. During his tenure with SRA, Mr. Choate has been affiliated with the Texas Water Conservation Association, the Association of Dam Safety Officials and the National Water Resources Association. He has also been active in many community associations in

Orange, Rains and Wood County. He currently serves on the Engineering Committee of the Sabine River Compact and is a Technical Board Member of the Toledo Bend Project Joint Operation.

To assist in Operations management, Troy Henry serves as the Upper Sabine Basin Regional Manager. Mr. Henry is responsible for the operation, maintenance and safety of the facilities at the Iron Bridge and Lake Fork Divisions. He also oversees the permitting of Authority owned lands around each of SRA's reservoirs for commercial activities, such as marinas, golf courses and RV parks.

Mr. Henry has been with the Authority for over 21 years and has worked in Environmental Services and Operations. He is a registered Professional Sanitarian and active in the Texas Environmental Health Association. Mr. Henry serves on the Northeast Texas Regional Water Planning Group (Region D) where he represents the River Authority interest group. ♣



# GULF COAST DIVISION

## THE GULF COAST DIVISION

(GCD) operates and maintains the Authority's John W. Simmons Gulf Coast Canal System in Orange County, Texas. There is only one pumping plant in the system and it is located just west of the Sabine River about eight miles north of the City of Orange. The pumping plant has four 60,000 GPM centrifugal pumps with 400 HP electric motors and one auxiliary pump with a 125 HP electric motor. These pumps lift the water approximately 22 feet, and the water



*Gulf Coast Canal View from the Pump Station*

flows by gravity through 75 miles of canal and laterals throughout Orange County, providing water to nine industries, including several petrochemical plants, a pulp and paper mill, a steel mill, and two electrical generation plants. Water is also furnished to a municipality, the City of Rose City, and used for agricultural irrigation throughout Orange County. Employees of GCD also operate and maintain a sewage treatment plant and two public boat ramps located in Orange and Newton Counties. In FY-2012 a total of 49,000 acre feet or 15,967,896,461 gallons of raw water was delivered to customers through the GCD canal system.

The canal system was formerly the Orange County Water Company which was built in the early 1930s to provide water for rice irrigation. Since the Authority purchased the canal system in the early 1950s, the system has been progressively improved and upgraded to promote water conservation to ensure a long term supply of water to meet the needs of the area.

In FY-2012 the GCD accomplished several infrastructure improvements and repairs to the pumping plant facility. A 100-ton crane was used to install the new auxiliary pump and its 125 HP refurbished electric motor on its existing foundation. Also completed was the installation of the 24" steel discharge pipe for the new auxiliary pump which was

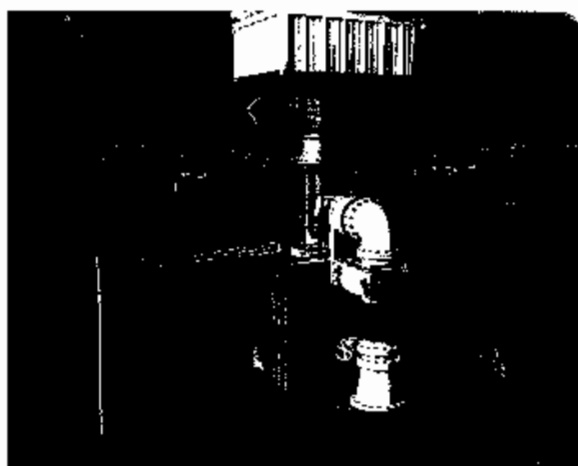
## Paul Jeanis

*Gulf Coast  
Division Manager*



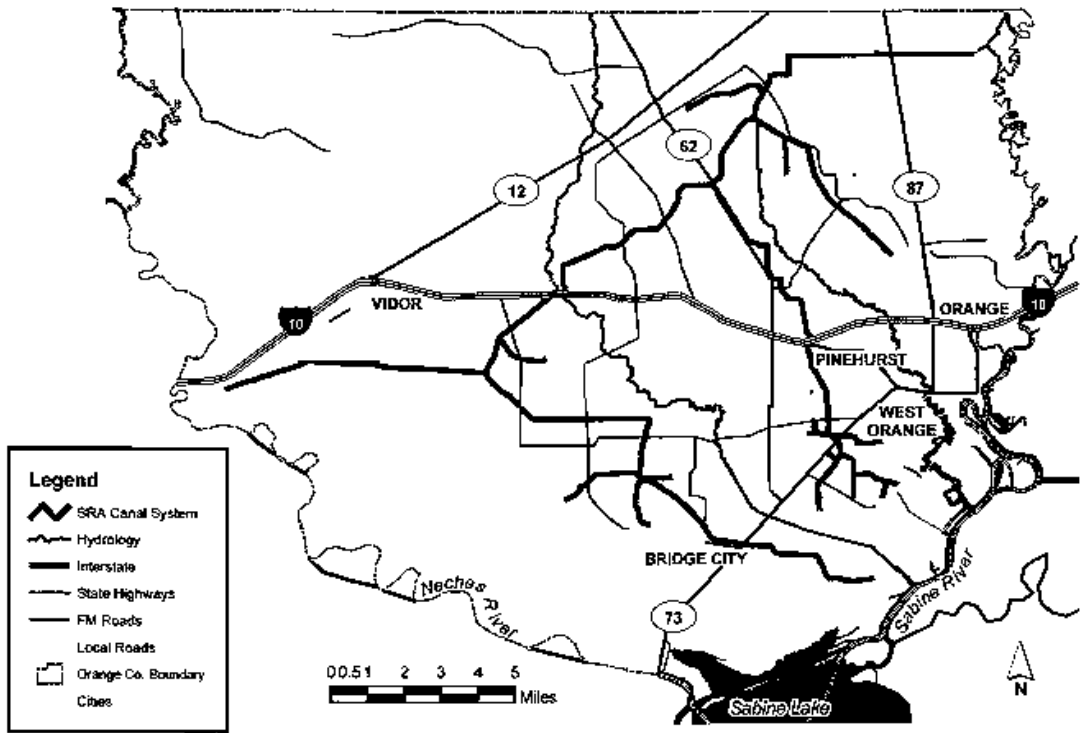
purchased and partially installed in FY-2011. The new auxiliary pump is capable of pumping 10,400 gallons per minute. The rotor pump was replaced on the No. 2 pump in the pumping plant. The rotor pump supplies oil to the reduction gearbox that operates the pump shaft. Minor electrical repairs and alignments to the motors, clutches and reduction gearboxes and a packing replacement on the pump shaft were made to ensure that the pumps are operating to their maximum potential.

In order to ensure a long term supply of fresh water to SRA water customers in Orange County, GCD employees continued routine maintenance and repairs to the canal system in FY-2012 by repairing existing canal levees, pipe repairs and removal of accumulated silt build-up and water grasses through the canal system that could hamper



*New Auxilliary Pump and Discharge Pipe*

# GULF COAST DIVISION



*John W. Simmons Gulf Coast Canal System - Orange County*

water flow to the customers. A water leak was repaired on a 42" corrugated steel pipe located on Lateral 14A on the west side of Rose City. This lateral provides fresh water to the City of Rose City for surface water treatment and process water to Gerdau Ameristeel of Beaumont used in its steel manufacturing facility. The GCD employees also replaced the division office building roof.

Cumulative daily average flow measured at the USGS Ruliff Gauge on the Sabine River (located at Highway 12 in Deweyville, Texas) totaled 3,063,086 acre feet in FY-2012, compared to 1,041,378 acre feet in FY-2011. Rainfall measured a total of 70.68 inches in FY-2012, compared to 34.24 inches in FY-2011. 🌧️



*Repairing Canal Levee and Removing Water Grasses from Canal*

# TOLEDO BEND DIVISION

**TOLEDO BEND RESERVOIR** is the largest man-made reservoir in the south with 185,000 surface acres and 1200 miles of shoreline. The reservoir sprawls into parts of Panola, Shelby, Sabine and Newton Counties in Texas as well as De Soto and Sabine Parishes in Louisiana. The Toledo Bend Powerhouse first began generating electricity in 1969. Water supply, hydroelectric generation and recreation are the primary purposes for the reservoir's construction.

The Toledo Bend Division has been responsible for management and operation for the Texas side of the reservoir for over 43 years. This division cares for 762 miles of shoreline, 2973 Private Limited Use Permits, 25 Commercial Permits, 4030 Private Sewage Facility Licenses, 1400 On-Site Sewage Facility Registrations, more than

500 buoys, 2 recreation areas, 10 boat ramps and several maintenance facilities.

Much of the activity on Toledo Bend in FY-2012 was driven by an unprecedented low lake elevation. The reservoir hit a new all-time low of 159.22 feet msl on November 22, 2011, which is 12.78 feet below the full pool elevation of 172 feet msl. This beat the previous record low of 161.25 feet msl set on October 11, 2006.

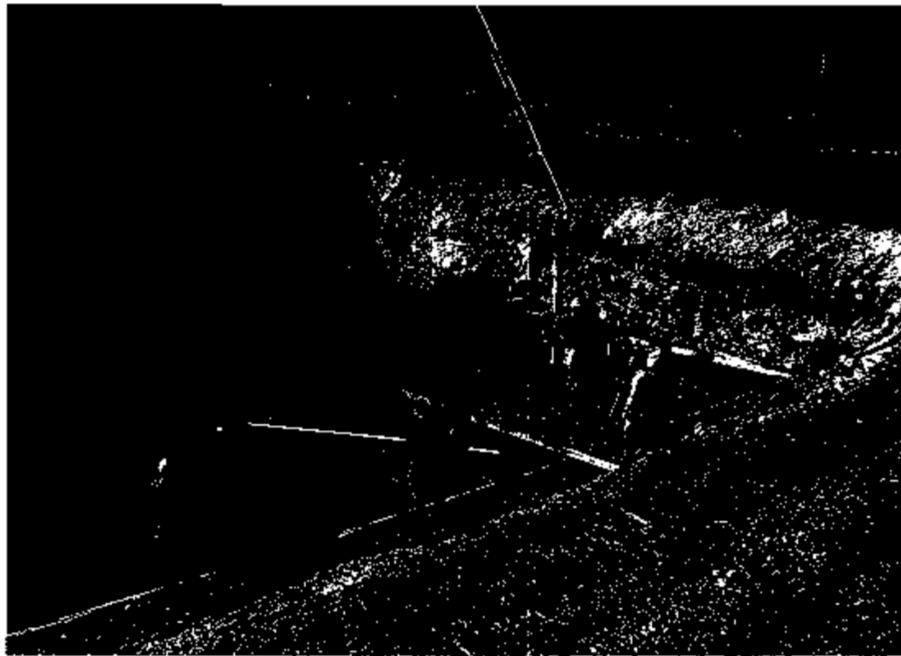
The low lake elevation required many boat ramps and facilities to be improved where possible to allow them to continue to operate. Although the lake was low for recreation activities due to drought conditions, it provided a prime opportunity for repair, maintenance and even new construction of private, commercial and Authority

**Steven Dougharty**  
*Toledo Bend*  
*Division Manager*



facilities around the lake. Permitting for repairs and construction moved at a frantic pace for most of the year. Also, the low lake elevation significantly killed Giant Salvinia when much of the plant was left high and dry in the backs of coves and around the shoreline.

Toledo Bend Division has worked on numerous public boat ramps and related projects to increase access to the reservoir. Numerous ramps have been cleared of silt or extended with concrete or rock. Due to the low lake elevation, employees extended the Indian Mounds ramp 65 feet into the lakebed and extended the Six Mile North Shore Ramp 20 feet into



*65 foot Extension to Indian Mounds Boat Ramp*



# TOLEDO BEND DIVISION



*Administrative Office of Toledo Bend Division and Toledo Bend Project Joint Operation*

the lakebed. Further, employees dredged silt from and improved a total of 20 additional public ramps. During the drought SRA monitored boat ramp conditions and kept an updated list of usable ramps on our website.

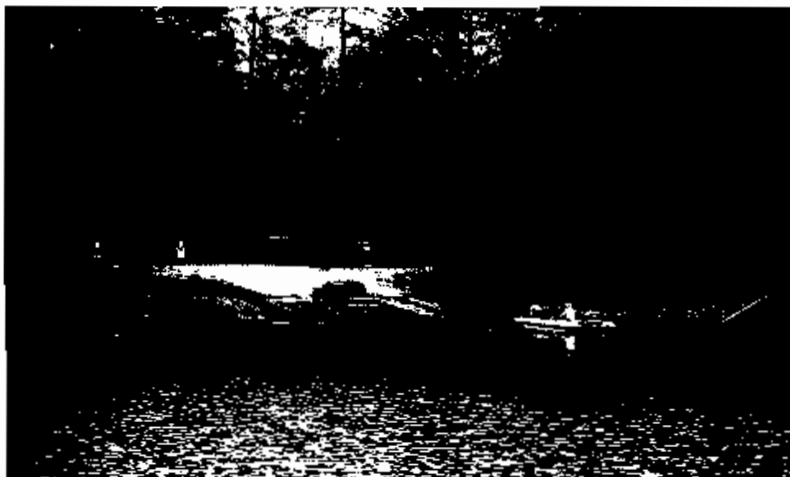
Although Giant Salvinia was reduced by the drought, it replenishes

itself quickly. Early in the fall of 2011, during the worst of the drought, Giant Salvinia was almost undetectable from aerial survey. By May of 2012 there was an estimated 600 acres of Giant Salvinia on the Texas side.

Approximately 110,000 weevils were released in the fall of 2012 and almost

400 acres were treated with herbicide by Texas Parks & Wildlife. In the fall, aerial surveys revealed heavy infestations in the back of Six Mile and the back of Housen, as well as the upper reaches of Toledo Bend.

Other notable projects accomplished in FY-2012 included assistance with FERC re-licensing as employees participated in meetings, provided resource information, worked on field assessments, and assisted contractors working around the reservoir. Other routine but significant projects that were accomplished included management of the buoy program with greater than 500 buoys on the water and erosion control projects along the shorelines. ♣



*Boater Accessing Toledo Bend at the Extended Indian Mounds Boat Ramp*

# TOLEDO BEND PROJECT JOINT OPERATION

**Jim Washburn**  
*Project Administrator*



**Melvin Swoboda**  
*FERC Relicensing  
Project Coordinator*



**THE SABINE RIVER AUTHORITY OF TEXAS (SRA-TX)** and the Sabine River Authority, State of Louisiana (SRA-LA) jointly own and operate the Toledo Bend Project Joint Operation (TBPJO). SRA-TX handles administration of the dam and reservoir and the Texas shoreline management. SRA-LA is responsible for engineering aspects and the Louisiana shoreline.

Construction of the 185,000 surface acre Toledo Bend Reservoir began in 1964 and was completed in 1968. The reservoir, located on the Texas/Louisiana border, has over 1,200 miles of shoreline and a storage capacity of 4,477,000 acre feet. It stretches more than 75 air miles from the dam to the north end of the reservoir just north of Logansport, Louisiana and inundates lands in four Texas

counties (Panola, Shelby, Sabine and Newton) and three Louisiana parishes (DeSoto, Sabine and Vernon). The Hydroelectric power plant, located at the south end of the dam, produces an average of over 200,000,000 kilowatt hours of electricity annually. The spillway, located at the north end of the dam, is 838 feet long, with eleven 28' x 40' tainter gates, with a designed maximum discharge of 290,000 cubic feet per second (2,175,000 gallons/second).

Rules, regulations, financial management and operation of the Project are directed by the Operating Board which is comprised of two members from SRA-TX Board of Directors and two members from SRA-LA Board of Commissioners. The General Manager of SRA-TX and the

Executive Director of SRA-LA serve on the Operating Board as ex-officio members. The initial costs for the construction of the Project were shared equally by the two Authorities. They continue to share in the operating costs and each state is entitled to fifty percent of the income from the sale of power generated at the facility. The dependable water supply yield is equally divided by the states. Management of matters relating to the reservoir, dam, spillway and power plant are handled jointly with each state managing its own shoreline and recreation activities.

Since 2007, the Toledo Bend Project Joint Operation has been participating with Newton County in a Flood Hazard Mitigation project below the dam. The Project is furnishing in-kind services in the form of demolition of the homes and structures in the floodway which are being purchased through a grant program. In Phase I forty (40) homes were purchased and removed in the River Road area directly below the dam. In Phase II an additional eleven (11) homes were purchased in the same area and demolished. Phase II also includes an area near the Highway 63 bridge east of Burkeville and the Sabine Sands area south of Highway 190 near Bon Wier. There are three additional phases in the works. Additional properties on River Road, Highway 63, Sabine Sands and numerous properties in the Deweyville area are included. Forty (40) to sixty (60) properties are expected to be purchased and demolished.



*Hydropower Turbines at the Toledo Bend Project*

# TOLEDO BEND PROJECT JOINT OPERATION



*Toledo Bend Project Hydroelectric Generating Plant*

The Federal Energy Regulatory Commission (FERC) made their annual safety inspection of the Project in May of 2012. This inspection of the dam, powerhouse, spillway and related facilities is to ascertain that all the facilities are functioning and being maintained in compliance with FERC standards and that the security and integrity of the Project is being enforced. Representatives from

Freese and Nichols, Inc., Project engineering consultants, participated in this inspection.

During the Fall outage at the Powerhouse the two hydraulic servo motors which open and close the wicket gates on Unit 1 were found to be in need of repair. These motors were removed and sent to be refurbished. During the FY-2013 outage the servo motors for Unit 2 will be inspected and evaluated for refurbishment.

During the Fall of 2011, while the reservoir was at an elevation below 160 feet m.s.l. the soil cement on the face of the dam was inspected. Eroded areas that were discovered were repaired.

During the 2012 fiscal year bids were solicited to refurbish Tainter Gate #7. The work on this project began in August of 2012. Refurbishment of the other ten gates will follow.



*Soil Cement Repairs*

Renewal of the FERC license for the Project is completing the fourth year of the five year process. In September 2011, the Final License Application

was submitted. The submission of this application was the culmination of the all of the studies and work that was performed prior to its submission. This was however, the beginning of a major effort to reach agreement with all of the interested parties that had been participating in the relicensing process on what should be included in the new license as possible protection, mitigation and enhancement measures. Through the next seven months, a series of negotiations were conducted with two potential settling groups that result in two settlement agreements being reached in July 2012. One agreement was with the U. S. Forest Service on the Project's effects on the Sabine National Forest and the second was with Federal and State agencies on aquatic resources below the dam.

Following the submission of the Settlement Agreements to FERC in early August, FERC began the next major step in the process by issuing a Notice that the Permit Application was ready for environmental review later in the month. FERC staff has indicated that they are on schedule to issue the new license before October 2013.

---

Top of Power Pool for Toledo Bend Reservoir is 172' m.s.l. FY-2012 started on September 1, 2011 with a reservoir elevation of 161.25' m.s.l. and dropped to a record low of 159.22' m.s.l. on November 22, 2011. Peak elevation for the fiscal year was 171.32' m.s.l. on March 25, 2012. Total rainfall for the year was 65.82" compared to 28.05" in FY-2011. Total water released during FY-2012 was 1,139,490 acre feet compared to 743,240 acre feet in FY-2011. There were 60,609,000 kilowatt hours (kWh) produced by the powerhouse this year compared to 38,359,000 kWh during the previous fiscal year ➔

# PARKS AND RECREATION DIVISION

THE PARKS & RECREATION DIVISION (PRD) began operation in September of 1999 with the primary vision to preserve and expand recreation opportunities throughout the Sabine River Basin. For the past 13 years this division has been operating and maintaining Haley's Ferry, Ragtown, East Hamilton, Indian Mounds, Lakeview and Willow Oak Recreation Areas which are located on Toledo Bend Reservoir. Employees maintain about 200 acres which includes five boat ramps, 90 campsites, six restroom buildings, many miles of roads, two hiking trails, two water systems and two dispersed camping areas.

During the record low drought conditions that set a lake elevation of 159.22 feet msl on November 22, 2011, 20 ramps were improved on Toledo Bend Reservoir. Specifically in the USFS Recreation Areas, Indian Mounds main 3-lane ramp was extended 65



*Boat Ramp Extensions - Indian Mounds Recreation Area*

feet into the lakebed. Haley's Ferry ramp was dredged and concrete added to the end. East Hamilton, Indian Mounds Camping

Ramp, and Willow Oak each were improved as silt was removed from the lower ends of the ramps.

Other parks and recreation improvements included construction of a new restroom facility at Wind Point Park on Lake Tawakoni. Older building facilities at the park were demolished due to structural and safety issues with the buildings which were constructed in the 1960's.

The annual "Walk in the Forest 2012" was a success again this year. The fifth grade students, teachers and parents love to get out of the classroom for a walk down the Ragtown nature trail. Education stations are set up along the trail. Some stations are nestled along the waters edge, some perched on high bluffs overlooking the lake and some near deep ravines or large hills. All stations are among the towering trees of the Sabine



*Picnic Table overlooking Toledo Bend Reservoir in the Lakeview Recreation Area*

**Steven Dougharty**  
*Parks & Recreation  
Division Manager*



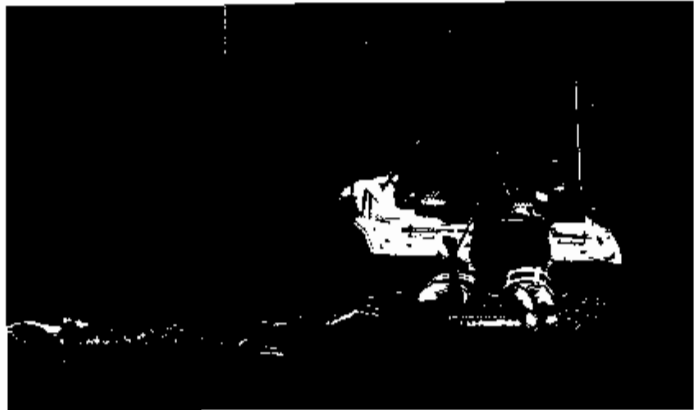
# PARKS AND RECREATION DIVISION

National Forest. Education stations are presented by the Texas Forest Service, the United States Forest Service, Texas Parks & Wildlife and others. The Texas Forest Service and SRA are co-sponsors of the event. All Shelby County schools are invited to attend each year. Education topics include forest reptiles, forest wildlife, trees, insects, and archeology. Students enjoy a sack lunch in the camping area or near the lakes edge before returning to school. About 135 people attended this year.

Improvements in recreation opportunities over the past thirteen years include five renovated boat ramps and one newly constructed boat ramp at Indian Mounds in the camping area. Second and third camping loops have been opened at Indian Mounds. All parks have been opened year around. Water systems have received significant improvements. Buildings, grounds, amenities and trails have been improved by routine maintenance such as painting, mowing, trimming, cleaning and repairing to enhance the recreational experience at the parks. ✦



*"Walk in the Forest 2012" Presentation in Ragtown*



*Summer Fun  
at  
Toledo Bend Reservoir*



# LAKE FORK DIVISION

**THE LAKE FORK DIVISION** of the Sabine River Authority of Texas has been responsible for the operation and maintenance of Lake Fork Dam and Reservoir for 32 years. Final closure of the dam was made in 1980 and the reservoir reached full conservation pool (403 feet mean sea level) in 1985.

Lake Fork Reservoir provides raw water for numerous municipal and industrial customers. The full storage capacity of the reservoir is 675,819 acre feet of water, with an annual dependable yield of 188,660 acre feet. Bright Star-Salem Municipal Water Utility completed construction of their raw water intake in 2012, with plans to begin pumping water to a newly constructed drinking water treatment plant in FY 2013. This is the third raw water intake on Lake Fork Reservoir. Other

downstream customers receive their water from the Authority by way of releases made through the spillway. Customers pump released water from the river at downstream, TCEQ licensed, diversion points.



*FM 17 Boat Ramp Pier Extension*

**Tom Pegues**  
*Lake Fork  
Division Manager*



*Tailrace Repairs*

Lake Fork Dam has a controlled spillway with five tainter gates. Each gate measures 20 feet tall by 40 feet wide and is controlled by a hoist system on the pier above. In FY 2012 the Lake Fork Division received the engineer's gate inspection report concerning corrosion issues on the tainter gates. Engineers determined that enough metal thickness had been lost due to corrosion to warrant replacement. In response to these findings, SRA engineers and Lake Fork Division staff began the process of budgeting for and receiving bids for the replacement of all five tainter gates. The Lake Fork Gate Replacement Project will take nearly two years to complete.

The Sabine River Authority has been delegated administrative oversight for the operation and licensing of all septic systems adjacent to each of the Authority's reservoirs. The Lake Fork Division

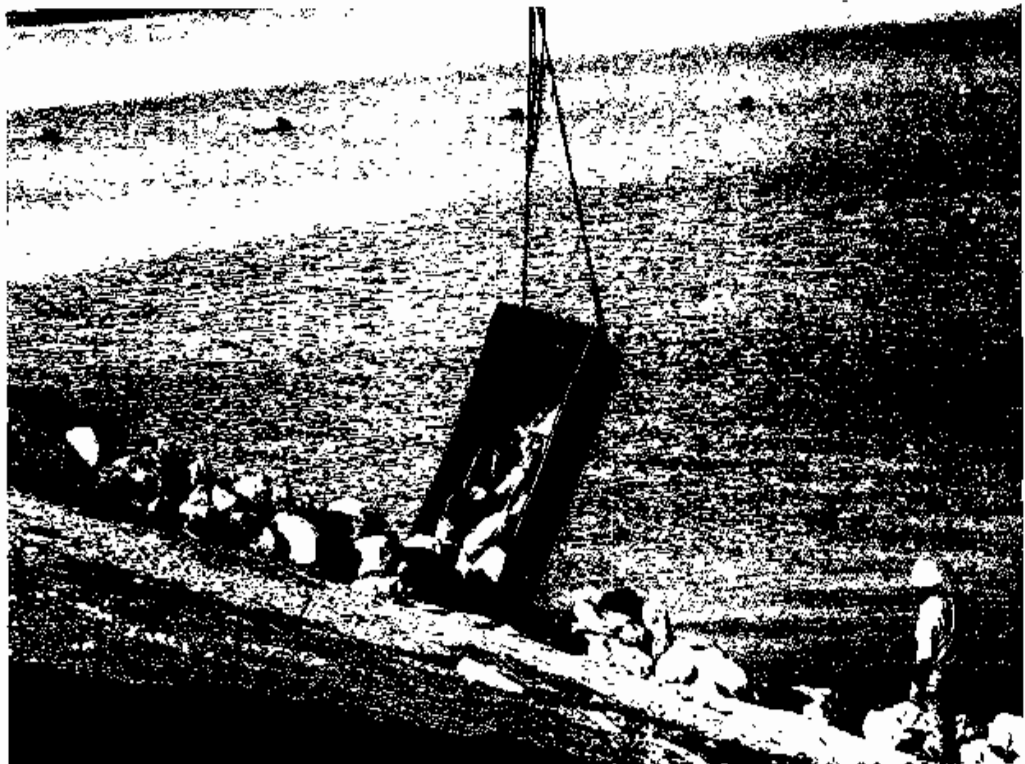
reviews all plans for new septic systems, and investigates complaints on malfunctioning systems around the reservoir. Lake Fork Division staff work with homeowners to ensure that all septic systems function properly to protect human health and water quality. In FY 2012 the Lake Fork Division issued 43 licenses for on-site sewage disposal and resolved 13 complaints.

The Lake Fork Division is tasked with managing approximately 315 miles of shoreline in addition to maintaining the dam and spillway. Maintenance and Operations personnel handle a wide variety of tasks every year on the dam, reservoir, and surrounding lands. Additional rip-rap was placed at the abutment of the dam and spillway this year. A project to improve surface drainage below the dam was also completed along with repairs to the soil cement on the

# LAKE FORK DIVISION

face of the dam. Staff worked with contractors to upgrade the spillway controls, re-furbish the gate hoist system, and replace aging electrical panels in the maintenance shop. Personnel also worked to keep boat ramps open and accessible by dredging and extending boat ramp piers as the reservoir experienced record breaking low levels going into December of 2011.

The weather in FY 2012 was once again dominated by drought. Following one of the driest summers on record, Lake Fork Reservoir reached its record low water level of 395.26 feet mean sea level (msl), nearly seven and three-quarters feet below conservation



*Additional Rip-Rap placed at the Abutment to the Spillway*



pool, in December 2011. Thankfully, a moderately wet winter brought reservoir levels up considerably to a high of 401.28 ft msl in May 2012. Deceptively spotty rainfall for the fiscal year totaled 50.17 inches measured at the Lake Fork Division office, compared to 26.1 inches and 52.45 inches in FY 2011 and FY 2010 respectively. Nearly 7 feet of evaporation was recorded in FY 2012, compared to over 7.5 feet in FY 2011.

*Maintenance Shop Panel Upgrade*

# IRON BRIDGE DIVISION

**LAKE TAWAKONI** was constructed as a water supply reservoir and was built with financing through a water supply agreement with the City of Dallas. The State Board of Water Engineers issued a permit for the project in 1955. Land acquisition for Lake Tawakoni began in 1956 and the reservoir was completed in 1960. The dam consists of a 5.5 mile long earthen dam and un-gated concrete ogee spillway. The reservoir reached conservation pool elevation of 437.5 feet mean sea level (msl) in October of 1965. At conservation pool elevation, the reservoir inundates almost 37,000 acres of land in Hunt, Rains and Van Zandt Counties and the reservoir can store approximately 927,440 acre-feet (302 billion gallons) of water. The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (212 million gallons a day). As part of the financing agreement, the City of Dallas has rights to eighty percent of the available yield. In addition to the water provided to

the City of Dallas, Lake Tawakoni also provides water to thirteen other cities and water supply entities.

IBD has a total of thirteen employees. In addition to responsibilities related to being a raw water provider, IBD staff is responsible for the oversight and administration of over 1700 Private Limited Use Permits, 34 Commercial Limited Use Permits and 42 Grazing Permits. The Authority also serves as the Authorized Agent for the Texas Commission on Environmental Quality for all On Site Sewage Facilities within 2000 feet of the project boundary. As a result the IBD personnel review design information submitted for new systems, make inspections, investigate complaints and work with property owners and local courts as necessary to resolve violations. IBD personnel are also responsible for routine maintenance of Authority facilities, vehicles,

equipment, buoys and monitoring instrumentation to ensure the continued safety and reliability of the dam and spillway.

In addition to on-going routine maintenance, several special projects were completed at IBD during this fiscal year. As part of on-going SRA Board authorized improvements to Wind Point Park, IBD personnel demolished a lodge building and restroom on the south point of the park. Demolition was deemed necessary due to structural and safety issues with the buildings which were constructed in the 1960's. After demolition of the old buildings, a new pre-cast concrete restroom facility was installed on the site of the old restroom. IBD personnel also performed renovations to the restroom on the west point including new siding and

**Randy Traylor**  
*Iron Bridge  
Division Manager*



*New Restroom Facility Installed at Wind Point Park*



# IRON BRIDGE DIVISION

a metal roof on the exterior and new partitions, fixtures and paint on the interior.

IBD personnel replaced three data loggers that are located in the spillway structure and upgraded the software used in converting the data that is recorded. The data loggers record readings from three extensometers that were installed in 2002. The purpose of the extensometers is to provide a database for evaluating any movement of the concrete spillway. The extensometers are capable of measuring movement in the thousandths of an inch. The data is downloaded monthly and manual micrometer readings are taken as well. The software allows the data to be loaded in a spreadsheet and graphed for review by Authority staff and consulting engineers.

Contractors also installed a new flow meter in one of the twenty-inch low flow pipes located below the operations room of the spillway. This pipe is used for downstream discharges to aid in compliance with flow requirements of the Sabine River Compact. Contractors also installed a



*Original Two Mile Bndge over Lake Tawakoni*

new totalizing flow meter at the Wind Point Park Wastewater Treatment Plant to comply with TCEQ wastewater permit requirements.

Federal regulations required two-way radios to be converted to narrow band prior to December 31, 2012. IBD's base radio purchased by the Authority in 1990 was obsolete and unable to be converted. In order to comply with these regulations, a new narrow band base radio was purchased and installed at IBD and all mobile radios were converted to narrow band.

In FY-2012 the Authority granted additional right-of-way to Texas Department of Transportation (TX-Dot) across Lake Tawakoni to be utilized for the construction of a new four lane two-mile bridge. The new bridge will replace the original two lane bridge that was constructed on State Highway 276 (formerly FM Highway 35) in the late 1950's during construction of the reservoir. This bridge links the Cities of East Tawakoni in Rains County and West Tawakoni in Hunt County and is a major east west corridor through the area. Construction of the bridge is expected to last approximately two and a half years.

The highest and lowest elevations for Lake Tawakoni in FY-2012 were 437.26 feet msl on April 5, 2012 and 429.97 feet msl on December 3, 2011 respectively. Rainfall for the fiscal year totaled 38.84 inches compared to 27.57 inches (FY-2011) and 53.49 inches (FY-2010). ♣



*Eagles on the Lake*

# SABINE RIVER AUTHORITY OF TEXAS

For the Years Ended  
August 31, 2012 and 2011

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

We have audited the accompanying comparative basic financial statements of Sabine River Authority of Texas (the "Authority") as of and for the year ended August 31, 2012 and 2011. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend – Joint Operation, which represents approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2012, and approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2011. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2012 and 2011 for Toledo Bend – Joint Operation, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of August 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and Schedule of Funding Progress - Other Postemployment Benefits on pages 3 through 9 and 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and is not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

November 21, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2012 and August 31, 2011, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section

### **Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows**

The financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Assets, the Statements of Revenue, Expenses and Changes in Net Assets, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Assets report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Assets report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### **Net Assets**

The net assets of the Authority decreased during 2012 by \$3.65 million or 2.1% while the net assets during 2011 increased by \$19.6 million or 12.4%. Total assets decreased during 2012 by \$2.4 million largely due to a decrease in investments while total assets increased during 2011 \$20.1 million which was the net effect of the addition of the Tenaska pipeline and the removal of the Hemphill Water Treatment Plant. Total liabilities increased during 2012 by \$1.2 million and increased during 2011 by \$0.5 million, or 4.1% and 1.7%, respectively. The increase in total liabilities for 2012 as well as 2011 is the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets decreased by \$3.8 million or 1.9% during 2012 after an increase of 10.8% for 2011. The decrease in 2012 is the result of a decrease in investments and the recognition of depreciation expense. The net effect of the addition of the Tenaska pipeline and the removal of the Hemphill Water Treatment Plant accounts for the majority of the increase in noncurrent assets for 2011.

Current assets increased by \$1.4 million following an increase of \$0.5 million for 2011. The increase in 2012 is mainly attributable to an increase in cash and investments.

## Financial Highlights

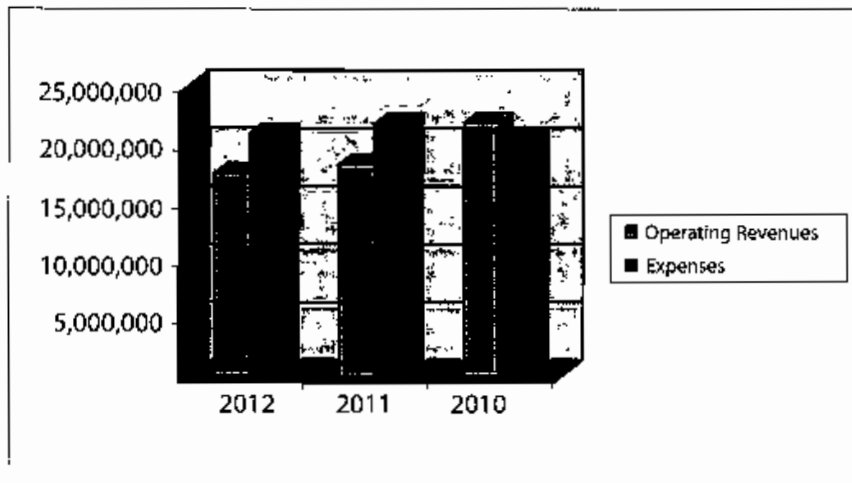
	2012	2011	2010
Current and other assets	\$ 7,455,667	\$ 6,039,063	\$ 5,587,417
Noncurrent assets	30,499,684	32,353,174	34,276,165
Capital assets, net	166,996,673	168,977,949	147,392,318
Total assets	<u>204,952,024</u>	<u>207,370,186</u>	<u>187,255,900</u>
Current liabilities	1,694,333	922,950	909,503
Noncurrent liabilities	29,602,582	29,139,398	28,650,790
Total liabilities	<u>31,296,915</u>	<u>30,062,348</u>	<u>29,560,293</u>
Net assets:			
Invested in capital assets, net of related debt	143,503,128	144,580,865	121,968,213
Restricted for debt service	825,016	846,350	847,586
Unrestricted	29,326,965	31,880,623	34,879,808
Total net assets	<u>\$ 173,655,109</u>	<u>\$ 177,307,838</u>	<u>\$ 157,695,607</u>
Operating revenues:			
Water sales	\$ 12,923,569	\$ 13,968,923	\$ 12,924,928
Power sales	1,215,429	557,506	6,018,152
Wastewater treatment	39,934	47,353	50,411
Permits	867,681	840,931	810,474
Water quality activity	756,362	844,315	823,269
Miscellaneous	1,039,279	1,361,197	595,661
Reservation fee	651,702	651,702	651,702
Total revenues	<u>17,493,956</u>	<u>18,271,927</u>	<u>21,874,597</u>
Operating expenses:			
Operation and maintenance	17,363,254	18,084,046	17,626,268
Depreciation	3,595,104	3,718,629	2,949,325
Total expenses	<u>20,958,358</u>	<u>21,802,675</u>	<u>20,575,593</u>
Operating income (loss)	( 3,464,402)	( 3,530,748)	1,299,004
Nonoperating revenues (expenses):			
Grant program	( 120,000)	( 169,533)	( 149,100)
Gain (loss) on disposition of capital assets	( 6,832)	( 967,005)	( 12,257)
Bad debt expense	-	( 216,872)	-
Investment income	380,266	482,909	555,499
Interest expense	( 441,761)	( 458,152)	( 475,089)
Total nonoperating revenues (expenses)	<u>( 188,327)</u>	<u>( 1,328,653)</u>	<u>( 80,947)</u>
Income (loss) before contribution	( 3,652,729)	( 4,859,401)	1,218,057
Capital contribution	-	24,471,632	-
Change in net assets	( 3,652,729)	19,612,231	1,218,057
Net assets - beginning	177,307,838	157,695,607	156,477,550
Net assets - ending	<u>\$ 173,655,109</u>	<u>\$ 177,307,838</u>	<u>\$ 157,695,607</u>

### Operating Income

Operations for 2012 resulted in a loss of \$3.5 million, while operating income for 2011 and 2010 resulted in a loss of \$3.5 million and an income of \$1.3 million, respectively. The loss in 2012 is the result of decreased water sales for frac operations and lower than average power sales due to drought conditions in the Sabine River Basin which affected the lake level at Toledo Bend and the ability to generate hydropower. Operating expenses decreased \$0.8 million while operating revenues decreased \$0.8 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The decrease in operating revenues during 2012 follows a decrease of 16.5% during 2011. Water sales for 2012 decreased when compared to 2011 while power sales for 2012 increased but remained below average as a result of drought conditions which affected the lake level at Toledo Bend and the ability to generate electricity. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2012, 2011 and 2010. Additionally, miscellaneous income of \$1.0 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are increasing in the basin.

Operating expenses decreased \$0.8 million, a 3.9% decrease following a \$1.2 million, or 6% increase in 2011. While the operating expenses decreased in 2012 and increased in 2011, no single category of expenses accounted for the differences although the expense recognition of the net obligation for post-employment benefits accounts for the majority of the increase.



### Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

### Significant Capital Assets

Net capital assets decreased from \$168,977,949 to \$166,996,673, a decrease of \$1,981,276. The decrease is primarily the result of the recognition of depreciation expense which is partially offset by an increase in work in progress of \$1,347,066. The Authority's projects and a description of each are as follows:

## **Gulf Coast Division**

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of four horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22 feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.

The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 43.75 million gallons daily (mgd) for 2012 as compared to the 2011 water sales which were 43.05 mgd.

## **Lake Tawakoni**

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2012, 70.41 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 86.68 mgd delivered in 2011.

## **Toledo Bend Reservoir**

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authority for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authority's revenue bonds and constitutes the principal source of income for operation of the project.

The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin as well as other customers in the north Texas region. In 2003, SRA entered into an interlocal agreement with Dallas Water Utilities, Tarrant Regional Water District and North Texas Municipal Water District to examine the prospect of piping water from Toledo Bend Reservoir to help supply the water needs of these customers. If this project is found to be viable, it will be the first substantial water sale from Toledo Bend Reservoir.

In 2012, water sales from Toledo Bend totaled 4.56 mgd compared to 3.42 mgd in 2011. Water is delivered to two municipalities and three industrial customers.

### **Lake Fork**

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The Cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2012, 22.62 mgd of water was delivered to these customers as compared to 38.10 mgd delivered in 2011.

### **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with State regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2012, Environmental Services Division performed 60,755 tests which is a decrease from the 68,040 tests performed in 2011.

For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the Notes to Financial Statements.



### **Long-term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2012 and 2011 were \$903,539 and \$1,027,021, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the long-term liabilities section in Note 3 of the notes to financial statements as well as the supplementary information which follows the notes to financial statements.

### **Restricted Assets**

The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, restricted funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.

### **Change in Financial Position**

The net assets for the Authority have decreased from 2011 to 2012 and increased from 2010 to 2011. Total operating revenues decreased from 2011 to 2012 and also decreased from 2010 to 2011.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

### **Requests for Information**

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409-746-2192.

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF NET ASSETS**

**AUGUST 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,466,898	\$ 3,502,640
Investments	1,430,813	988,665
Accounts receivable	1,153,057	1,123,915
Accrued interest receivable	165,849	175,259
Other current assets	<u>239,050</u>	<u>248,584</u>
Total current assets	<u>7,435,667</u>	<u>6,039,063</u>
Noncurrent assets:		
Restricted cash and cash equivalents	825,016	846,350
Investments	29,674,668	31,506,824
Capital assets:		
Land	54,976,538	54,976,538
Dams and electric plant	128,258,305	128,258,305
Water and pumping plant	30,280,360	30,234,362
Buildings	8,798,596	8,651,223
Equipment	8,160,728	8,137,966
Work in progress	7,145,132	5,798,066
Less: accumulated depreciation	<u>( 70,622,986)</u>	<u>( 67,078,511)</u>
Net capital assets	166,996,673	168,977,949
Total noncurrent assets	<u>197,496,357</u>	<u>201,331,123</u>
Total assets	<u>204,952,024</u>	<u>207,370,186</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,378,342	618,379
Current portion of long-term liabilities	145,000	135,000
Accrued liabilities	125,000	125,000
Other payables	<u>45,991</u>	<u>44,571</u>
Total current liabilities	<u>1,694,333</u>	<u>922,950</u>
Noncurrent liabilities:		
Texas Water Development Board loan	23,348,545	24,262,084
Net obligation for post-employment benefits	5,594,237	4,210,682
Compensated absences	639,347	662,465
Deferred income	<u>20,453</u>	<u>4,167</u>
Total noncurrent liabilities	<u>29,602,582</u>	<u>29,139,398</u>
Total liabilities	<u>31,296,915</u>	<u>30,062,348</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	143,503,128	144,580,865
Restricted for debt service	825,016	846,350
Unrestricted	<u>29,326,965</u>	<u>31,880,623</u>
Total net assets	<u>\$ 173,655,109</u>	<u>\$ 177,307,838</u>

**The accompanying notes are an integral part of these financial statements.**

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 12,923,569	\$ 13,968,923
Power sales	1,215,429	557,506
Wastewater treatment	39,934	47,353
Permits	867,681	840,931
Water quality activity	756,362	844,315
Miscellaneous	1,039,279	1,361,197
Reservation fee	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>17,493,956</u>	<u>18,271,927</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	17,363,254	18,084,046
Depreciation	<u>3,595,104</u>	<u>3,718,629</u>
Total operating expenses	<u>20,958,358</u>	<u>21,802,675</u>
<b>OPERATING INCOME (LOSS)</b>	( 3,464,402)	( 3,530,748)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant program	( 120,000)	( 169,533)
Loss from disposition of capital assets	( 6,832)	( 967,005)
Bad debt expense	-	( 216,872)
Investment income	380,266	482,909
Interest expense	<u>( 441,761)</u>	<u>( 458,152)</u>
Total nonoperating revenues (expenses)	<u>( 188,327)</u>	<u>( 1,328,653)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	( 3,652,729)	( 4,859,401)
<b>CAPITAL CONTRIBUTIONS</b>	<u>-</u>	<u>24,471,632</u>
<b>CHANGE IN NET ASSETS</b>	( 3,652,729)	19,612,231
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>177,307,838</u>	<u>157,695,607</u>
<b>TOTAL NET ASSETS, ENDING</b>	\$ <u>173,655,109</u>	\$ <u>177,307,838</u>

The accompanying notes are an integral part of these financial statements.

**SABINE RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 16,451,355	\$ 16,591,649
Payments to suppliers	( 8,696,863)	( 9,986,113)
Payments to employees	( 6,544,571)	( 6,569,680)
Other receipts	1,039,279	1,361,197
Net cash provided by operating activities	2,249,200	1,397,053
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	( 1,627,062)	( 1,800,550)
Disposal of capital assets	6,402	917
Principal paid on capital debt	( 903,539)	( 1,027,021)
Interest paid on capital debt	( 441,761)	( 458,152)
Grants	( 120,000)	( 169,533)
Net cash used by capital and related financing activities	( 3,085,960)	( 3,454,339)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (sell of) investments, net	1,390,008	2,414,905
Interest received	389,676	517,393
Payments received on notes receivable	-	7,910
Net cash provided (used) by investing activities	1,779,684	2,940,208
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	942,924	882,922
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	4,348,990	3,466,068
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 5,291,914	\$ 4,348,990
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$( 3,464,402)	\$( 3,530,748)
Noncash items included in operating income:		
Depreciation	3,595,104	3,718,629
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 29,142)	( 315,463)
(Increase) decrease in other assets	9,534	( 4,441)
Increase (decrease) in deferred revenue	16,286	823
Increase (decrease) in accounts payable	759,963	13,950
Increase (decrease) in accrued and other liabilities	1,420	2,497
Increase (decrease) in compensated absences	( 23,118)	19,914
Increase in net obligation for post-employment benefits	1,383,555	1,491,892
Net cash provided by operating activities	\$ 2,249,200	\$ 1,397,053
<b>NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES</b>		
Contribution from capital assets	\$ -	\$ 24,471,632
(Loss) gain from disposition of assets	( 6,832)	( 967,005)
Forgiveness of non-revenue note receivable	-	( 216,872)

The accompanying notes are an integral part of these financial statements.

# SABINE RIVER AUTHORITY OF TEXAS

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sabine River Authority of Texas ("Authority") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

#### Reporting Entity

The Sabine River Authority of Texas was created in 1949, pursuant to Vernon's Annotated Civil Statutes Article 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59 of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. Responsibilities of the Authority include municipal, industrial and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; and recreation facilities.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of 21 counties in the Sabine Basin and is administered by a 9-member Board of Directors appointed by the Governor to 6-year staggered terms. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

#### Fund Financial Statements

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

#### Basis of Accounting

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, power sales, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

**Investments**

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. Investments in TexPool are stated at cost which approximates fair value. The change in the difference between fair value and cost of investments is reported as a component of investment income. All investments are in accordance with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

**Accounts Receivable**

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

**Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50 - 5.00%
Buildings	2.00 - 5.00%
Equipment	4.00 - 20.00%

The Authority capitalizes interest on major construction projects.

**Restricted Assets**

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

**Sick Leave and Vacation**

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Reclassifications**

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

### **Subsequent Events**

Management has evaluated subsequent events through November 21, 2012, the date the financial statements were available to be used.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgets and Budgetary Accounting**

The Authority prepares a budget in accordance with the Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. Appropriate sections of the budget are reviewed by the City of Dallas and the Toledo Bend Project Joint Operations Board.

### **Rates and Regulations**

Water rates are established by the Authority's Board of Directors. These contracted rates can be appealed to the Texas Commission on Environmental Quality. On May 16, 2008, the Public Utility Commission of Texas (PUC) approved the Authority's request for registration as a power generation company pursuant to P.U.C. SUBST.R.25.109. As of August 31, 2012 and 2011, the rate was \$0.04256 and \$0.04146, respectively, per KWH.

### **Other Post-employment Benefits**

The Authority provides certain health care and insurance benefits to its employees after retirement, and prior to fiscal year 2009, accounted for the benefits in accordance with Government Accounting Standards Board Statement No. 12, *Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Government Employees*. Beginning with the fiscal year ended August 31, 2009, the Authority was required to prospectively adopt Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (see Note 3).

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## **3. DETAILED NOTES ON ALL FUNDS**

### **Deposits and Investments**

*Interest Rate Risk.* In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years. Maximum allowable maturity shall be 10 years with the exception of investments made specifically to retire debt.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Deposits and Investments (Continued)

*Credit Risk.* The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. An Advisory Board reviews the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of the Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of August 31, 2012 and 2011, the Authority had \$13,143 and \$13,128, respectively, invested in TexPool. The weighted average maturity of TexPool as of August 31, 2012 and 2011, was 38 and 46 days, respectively.

The Board of Directors has authorized the Authority to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds, certificates of deposit, or interest-bearing demand deposits and is stated at fair value.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of August 31, 2012, all of the Authority's \$36,290,724 deposit balances exceeding depository insurance limits were collateralized with securities pledged by the financial institutions in the Authority's name and held in safekeeping by a third party. Fair values of pledged securities are monitored on a monthly basis to assure that they are in excess of 100% of the carrying values.

As of August 31, 2012 and 2011, \$800,000 of the Authority's deposits was placed in money market funds secured by obligations of the United States therefore the principal and interest are unconditionally guaranteed or insured by the United States and no additional collateralization was required.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority invests primarily in bank issued certificates of deposits. Concentration of investments as of August 31, 2012, is as follows:

<u>Issuer</u>	<u>Description</u>	<u>Amount</u>	<u>Percentage of Total Investments</u>
Texas Bank & Trust	Certificate of deposit	\$ 1,866,000	5.91%
Orange Savings Bank	Certificate of deposit	16,414,567	51.96%
Mobil Oil Federal Credit Union	Certificate of deposit	3,508,115	11.10%
Community Bank	Certificate of deposit	3,050,000	9.65%
Wyandotte County KS	Bond holding	2,045,573	6.48%
All other under 5%	Various	4,707,181	14.90%
Total		\$ 31,591,436	100.00%



### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Capital Assets

Capital assets activity for the year ended August 31, 2012, was as follows:

	Balance 08/31/11	Increases	Decreases	Balance 08/31/12
Capital assets, not being depreciated:				
Land	\$ 54,976,538	\$ -	\$ -	\$ 54,976,538
Work in progress	5,798,066	1,347,066	-	7,145,132
Total capital assets not being depreciated	60,774,604	1,347,066	-	62,121,670
Capital assets, being depreciated:				
Dams and electric plant	128,258,305	-	-	128,258,305
Water and pumping plant	30,234,362	45,998	-	30,280,360
Buildings	8,651,223	147,373	-	8,798,596
Equipment	8,137,966	86,624	( 63,862)	8,160,728
Total capital assets being depreciated	175,281,856	279,995	( 63,862)	175,497,989
Less: accumulated depreciated for:				
Dams and electric plant	53,213,159	1,923,874	-	55,137,033
Water and pumping plant	2,894,303	905,251	-	3,799,554
Buildings	5,006,657	259,774	-	5,266,431
Equipment	5,964,392	506,205	( 50,629)	6,419,968
Total capital assets being depreciated	67,078,511	3,595,104	( 50,629)	70,622,986
Total capital assets being depreciated, net	108,203,345	( 3,315,109)	( 13,233)	104,875,003
Total capital assets	\$ 168,977,949	\$( 1,968,043)	\$( 13,233)	\$ 166,996,673

#### Self-insurance

The Authority has established a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of the Authority's employees and their covered dependents, and to minimize the total cost of medical insurance. Cost incurred to provide this plan was \$1,679,762 and \$1,316,854 for the years ended August 31, 2012 and 2011, respectively. Medical claims exceeding \$1,647,988, and \$1,633,184 for 2012 and 2011, respectively, for the group, or \$60,000 per covered individual, were covered through a commercial insurance carrier. The maximum amount of coverage offered through the commercial insurance carrier is \$2,000,000 for a specific incident or \$2,000,000 in the aggregate. The Authority has not exceeded its insurance coverage in the last three years.

Governmental Accounting Standards Board, Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Management has estimated this liability to be \$125,000. As required by this statement, a reconciliation of claims liabilities is shown below:

Reconciliations of Claims Liabilities		
	2012	2011
Claims on liabilities at September 1	\$ 125,000	\$ 125,000
Incurred claims	1,679,762	1,316,854
Payments on claims	( 1,679,762)	( 1,316,854)
Claims on liabilities at August 31	\$ 125,000	\$ 125,000

3. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Benefits

Pension Plan

The Authority has created the Sabine River Authority of Texas Employee Retirement Plan (Plan) by conforming to the requirements of Section 401(a) of the Internal Revenue Code for the exclusive use and benefit of the permanent employees of the Authority and their beneficiaries. The Plan is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984; and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification. The Plan is authorized by Article 8280-133 of Vernon's Texas Civil Statutes as amended. It is a defined contribution pension plan, whereby the Authority contributes an amount equal to 15% of the employees' compensation which is within the limitations as set out in Section 415(c) of the Internal Revenue Code. Fulltime employees, after one year of service, are enrolled in the retirement plan, and the employees are fully vested after seven years. Benefits are based on the amounts accumulated from such contributions. At August 31, 2012, there were 134 plan members consisting of 101 active employees, 21 retirees and 12 inactive. At August 31, 2011, there were 132 plan members consisting of 103 active employees, 17 retirees and 12 inactive. Retirement contribution costs for the current year and two preceding years are as follows:

	<u>Employer Contributions Required</u>	<u>Employer Contributions Made</u>	<u>Percentage of Contributions Made</u>
2012	\$ 1,025,465	\$ 1,025,465	100%
2011	1,054,323	1,054,323	100%
2010	1,028,268	1,028,268	100%

Voluntary employee contributions totaled \$88,983 and \$78,806 for the years ended August 31, 2012 and 2011, respectively.

Retirement contributions are deposited into each employee's individual account at ICMA-RC (International City/County Management Association-Retirement Corporation). ICMA-RC is a not-for-profit corporation that assists in the establishment and maintenance of retirement plans exclusively for State and Local government employees. Through ICMA-RC, each employee manages and invests the funds in their individual accounts.

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Employee Benefits (Continued)

##### **Pension Plan** (Continued)

The total assets in the plan as of August 31, 2012, are \$30,873,118. The asset allocation breakdown is as follows:

Fund	Percentage Invested	Fund Balance
VT Vantagepoint Milestone 2015	<1%	\$ 142,253
VT Vantagepoint Milestone Ret Inc	<1%	187,159
VT Vantagepoint Milestone 2010	<1%	284,206
VT Vantagepoint Milestone 2020	<1%	247,845
VT Vantagepoint Milestone 2025	<1%	282,197
VT Vantagepoint Milestone 2040	<1%	111,701
Vantagepoint MP Trad Growth	<1%	223,725
VT Vantagepoint 500 Stk Idx	<1%	128,863
VantageBroker	<1%	115,578
VT T Rowe Price Sm-Cap Value	<1%	229,239
VT Vantagepoint Ovrseas Eq Idx	<1%	121,274
VT Royce Premier	<1%	197,985
VT Rainier Small/Mid Cap Eqty	<1%	334,949
VT Nuveen Real Estate Secs	<1%	341,502
VT T Rowe Price Growth Stock	<1%	331,962
VT Vantagepoint International	<1%	186,658
VT Retirement Income Advantage	<1%	114,514
Vantagepoint Inflation Protection Sec	<1%	227,805
VT PIMCO Total Return	<1%	100,797
VT Allianz NFJ Div Value	<1%	112,864
VT Vantagepoint Milestone 2030	1.52%	469,972
VT Fidelity Diversified Intl	1.03%	319,361
VT Fidelity Contrafund	2.64%	814,049
VT Vantagepoint MP All-Eq Gr	3.36%	1,037,925
VT Vantagepoint Grwth & Income	2.18%	673,421
VT Vantagepoint Md/Sm Co Idx	2.40%	741,353
VT Vantagepoint MP Lng-Trm Gr	3.81%	1,175,831
VT Vantagepoint Brd Mkt Idx	4.50%	1,389,676
VT Vantagepoint Equity Income	5.70%	1,759,121
VT Vantagepoint Aggressive Ops	6.05%	1,867,437
VT Vantagepoint Growth	10.11%	3,121,605
Vantage Trust PLUS Fund	41.92%	12,941,199
Other Funds w/less than \$100,000 (32 funds)	1.75%	539,091
Total all funds		\$ 30,873,118

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Other Post-employment Benefits

##### **Plan Description and Funding Policy**

In addition to providing pension benefits, the Authority provides post-employment health care benefits, in accordance with federal and state statutes and Board resolution, to employees who attain retirement status. Fulltime employees hired before January 1, 2003 are eligible to receive retiree health care benefits upon reaching retirement status. Employees hired after January 1, 2003, are not eligible for post-employment health benefits. Employees are eligible for retirement status at age 65 or they may also attain early retirement status prior to age 65 provided that for each year of age prior to age 65, the employee shall have completed one year of service such that the employee's age plus years of service must equal 80. The Plan is a defined benefit plan and the cost for each employee is paid on a "pay-as-you-go" basis. The Authority pays the health care costs under its medical self-insurance plan described in Note 3. At August 31, 2012 and 2011, respectively, there were 27 and 24 active employees meeting these eligibility requirements who could elect to retire. During the fiscal years ended August 31, 2012 and 2011, respectively, 44 and 40 qualified retirees received these benefits. The Plan's provisions and funding requirements are established and can be amended by the Management of the Authority. The plan is a single employer plan.

##### **Annual OPEB Cost and Net OPEB Obligation**

During the fiscal year ended August 31, 2010, the Authority implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. The implementation was prospective, meaning there was a zero net OPEB obligation at transition. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 1,861,652
Interest on net OPEB obligation	189,481
Adjustment to annual required contribution	( 252,853)
Annual OPEB cost (expense)	1,798,280
Contributions made	( 414,725)
Increase in net OPEB obligation	1,383,555
Net OPEB obligation, beginning of year	<u>4,210,682</u>
Net OPEB obligation, end of year	<u>\$ 5,594,237</u>

The Authority's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended August 31, 2012 and 2011, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
August 31, 2012	\$ 1,798,280	23.1%	\$ 5,594,237
August 31, 2011	1,820,734	18%	4,210,682
August 31, 2010	1,632,321	16%	2,718,790

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Other Post-employment Benefits (Continued)

##### Annual OPEB Cost and Net OPEB Obligation (Continued)

The Authority is only required to obtain a complete actuarial evaluation every three years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last evaluation. The actuarial accrued liability for benefits was \$20,289,694, and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$20,289,694. The covered payroll (annual payroll of active employees covered by the plan) was \$5,202,016 and the ratio of the UAAL to the covered payroll was 390.04%. Refer to Required Supplementary Information.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### Actuarial Methods and Assumptions

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	August 31, 2012	August 31, 2011
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar amortization	Level percent of payroll
Remaining amortization period	30 years - open amortization	30 years - open
Asset valuation	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.50%	4.50%
Salary scale	3.0%	3.0%
Health care cost trend rate	9% initial 4.50% ultimate	9% initial 4.50% ultimate

##### Long-term Liabilities

Outstanding long-term liabilities consist of the following (in thousands):

	Date of Issue	Date of Maturity	Interest Rates	Original Amount	Outstanding Balance 08/31/11	Added	Retired	Outstanding Balance 08/31/12	Current Portion
Facilities									
TWDB Loans:									
Series 1964	1964	2034	6.54%	\$ 15,000	\$ 24,397	\$ -	\$ 903	\$ 23,494	\$ 145
Compensated Absences:									
Vacation pay	-	-	-	-	663	363	387	639	-
Subtotal long-term liabilities					25,060	\$ 363	\$ 1,290	24,133	\$ 145
Less:									
Current portion					145			145	
Net long-term liabilities					\$ 24,915			\$ 23,988	

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Long-term Liabilities (Continued)

The Texas Water Development Board Series 1964 total amount outstanding at August 31, 2012, of \$23,493,545 includes \$6,620,000 of principal and \$16,873,545 of deferred interest.

Future debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 145,000	\$ 1,201,488	\$ 1,346,488
2014	150,000	1,192,005	1,342,005
2015	160,000	1,182,195	1,342,195
2016	175,000	1,171,731	1,346,731
2017	185,000	1,160,286	1,345,286
2018-2022	1,120,000	5,603,922	6,723,922
2023-2027	1,530,000	5,186,997	6,716,997
2028-2032	2,105,000	4,616,055	6,721,055
2032-2034	1,050,000	1,607,058	2,657,058
Total	\$ 6,620,000	\$ 22,921,737	\$ 29,541,737

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service. The required accounts have been established on the books of the Authority and are reported as restricted assets in the financial statements.

#### **Texas Water Development Board Loan**

On December 2, 1994, the Authority entered into a revised agreement with the Texas Water Development Board (TWDB) regarding the state's ownership rights at the Toledo Bend Reservoir. The Authority made a principal payment of \$6,430,186 on December 28, 1994, and received a revised interest rate of 3.6% from April 16, 1964 through December 28, 1994. This reduction in the interest rate resulted in a reduction of \$11,683,809 of interest payable to TWDB. The reduction of accrued interest was a noncash transaction. The interest rate is 6.54% on the remaining \$6,620,000 in principal.

The Authority owes \$6,620,000 of principal and \$16,873,545 of interest at August 31, 2012, related to the state's 21.6075% ownership of the water storage rights at the Toledo Bend Reservoir. The following recaps the payments made on the debt:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
November 8, 1974	\$ 475,000	\$ -
November 21, 1975	94,815	-
August 20, 1987	500,000	-
March 17, 1988	500,000	-
December 28, 1994	6,430,186	-
July 11, 1996	-	217,000
July 11, 1997	-	217,000
July 1, 1998	-	217,000
June 7, 1999	-	217,000
June 29, 2000	-	217,000
June 18, 2001	-	217,000
June 26, 2002	-	217,000
June 25, 2003	-	217,000
June 24, 2004	-	217,000
June 27, 2005	-	217,000
June 27, 2006	-	217,000
June 25, 2007	-	217,000
June 25, 2008	-	217,000
June 25, 2009	-	217,000
June 25, 2010	120,000	1,226,340
June 25, 2011	125,000	1,278,492
June 25, 2012	135,000	1,210,317

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Commitments and Contingencies

Public law 98-581 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the remaining terms of the license to operate the Toledo Bend Joint Project (Project). The license expires 50 years from October 1, 1963. The waiver is contingent upon FERC determining that the power from the Project is sold to the public without profit. All exemptions applied for through December 31, 2011, have been approved. The Authority has begun the relicensing process with FERC and as of August 31, 2012, \$4,834,836 of these costs has been capitalized and will be expensed over the licensing period.

The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority.

#### Pollution Control Bonds

In conformity with the State of Texas Auditors' Report dated October 6, 1986, Pollution Control Bonds have been removed from the statement of net assets and are disclosed instead in the notes to financial statements. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2012
<b>Texas Utilities Electric Company:</b>						
Series 2000A - Construction of solid waste disposal facility at the Martin Lake Station in Rusk County	2000	2021	6.45%	\$ 51,000,000	\$ -	\$ 51,000,000
Series 2001A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2022	5.50%	91,460,000	-	91,460,000
Series 2001B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2030	5.75%	106,900,000	-	106,900,000
Series 2001C - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2028	5.20%	70,000,000	-	70,000,000
Series 2003A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	5.80%	12,390,000	-	12,390,000
Series 2003B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	6.15% (variable)	44,615,000	-	44,615,000
<b>American Electric Power:</b>						
Series 2006 - Construction and improvements of air and water pollution control including solid waste disposal facilities at the generating plant in Harrison County, Texas	2006	2018	4.95%	81,700,000	-	81,700,000
<b>Totals</b>				<b>\$ 458,065,000</b>	<b>\$ -</b>	<b>\$ 458,065,000</b>

3. DETAILED NOTES ON ALL FUNDS (Continued)

**Industrial Revenue Bonds**

The Sabine River Industrial Development Authority is a separate entity created and governed by the Sabine River Authority of Texas. A separate audit is performed and is available upon request. The Sabine River Authority of Texas is not liable for any of this debt.

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31 2012
Northeast Texas Electric Cooperative, Inc. Series 1984 Q - Improvement of the pollution control facilities at the plant in Harrison County, Texas	1984	2014	5.75 (variable)	\$ 6,650,000	\$ 5,355,000	\$ 1,295,000
Totals				\$ 6,650,000	\$ 5,355,000	\$ 1,295,000

**Concentrations**

During the years ended August 31, 2012 and 2011, respectively, approximately 43% and 40% of water sales were to Dallas Water Utilities. The agreement for water sales for Lake Tawakoni is in perpetuity while the Lake Fork agreement remains in effect until 2014.

**Joint Operations**

The Authority has a 50% interest in the Toledo Bend Project Joint Operation (TBPJO). The TBPJO is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority in 1955. TBPJO was formed for the purpose of constructing the dam, reservoir, structures, and hydroelectric generating station at Toledo Bend Reservoir. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority. Sabine River Authority of Texas is responsible for administration of the reservoir and the Texas shoreline. Sabine River Authority of Louisiana is responsible for engineering aspects and the Louisiana shoreline.

The Authority's investment in the net assets of the TBPJO is reflected on the Authority's financial statements as capital assets and investments. Capital contributions are made by the Authority to TBPJO to cover operating costs; the contributions are reflected on the Authority's financial statements as operating expenses.

The audited financial statements of TBPJO are on file at the administrative offices of Sabine River Authority of Texas.



**SABINE RIVER AUTHORITY OF TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS**

**AUGUST 31, 2012**

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-c)
August 31, 2009	\$ -	\$ 21,743,485	\$ 21,743,485	- %	\$ 5,604,136	387.99%
August 31, 2010	-	21,743,485	21,743,485	-	5,585,890	389.26%
August 31, 2011	-	20,289,694	20,289,694	-	5,679,542	357.24%
August 31, 2012	-	20,289,694	20,289,694	-	5,202,016	390.04%

GASB 45 was implemented prospectively in fiscal year August 31, 2009. Actuarial information and annual OPEB costs are not available prior to that time. See Note 3 for frequency of actuarial valuations and other conditions.

TABLE 1

**SABINE RIVER AUTHORITY OF TEXAS**  
**NET ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary government:										
Invested in capital assets,										
net of related debt	\$ 96,617,240	\$ 107,230,100	\$ 123,837,332	\$ 123,150,281	\$ 122,749,783	\$ 122,623,992	\$ 121,806,366	\$ 121,968,213	\$ 144,580,865	\$ 143,503,128
Restricted	1,709,648	1,233,984	1,509,997	1,539,861	1,772,417	1,367,208	847,680	847,586	846,350	825,016
Unrestricted	31,685,437	30,452,757	29,922,837	29,385,590	30,496,191	33,779,454	33,825,504	34,879,808	31,880,623	29,326,965
Total primary government net assets	\$ 130,012,325	\$ 139,006,451	\$ 155,330,166	\$ 154,075,732	\$ 155,018,391	\$ 157,770,754	\$ 156,477,550	\$ 157,695,607	\$ 177,307,838	\$ 173,655,109

TABLE 2

**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) Before Capital Contributions	Extraordinary Items' Capital Contributions	Change in Net Assets
2003	\$ 25,930,078	\$ 15,763,610	\$ 10,166,468	\$ ( 678,651)	\$ 23,091,027	\$ 25,120	\$ 9,512,937
2004	25,751,128	16,246,397	9,504,731	( 510,695)	23,601,632	-	8,994,126
2005	22,313,289	15,836,411	6,476,878	2,758	22,068,049	1,530,825	8,010,461
2006	14,217,919	15,706,297	( 1,488,378)	233,302	21,834,105	642	( 1,254,454)
2007	17,343,853	17,224,675	119,178	814,105	21,010,624	9,376	942,659
2008	18,645,877	17,643,179	1,002,698	1,689,945	19,260,959	79,720	2,752,363
2009	18,931,509	20,264,696	( 1,333,187)	39,983	19,220,976	-	( 1,293,204)
2010	21,874,597	20,575,593	1,299,004	( 80,947)	19,301,923	-	1,218,057
2011	18,271,927	21,802,675	( 3,530,748)	( 1,328,653)	( 3,841,096)	24,471,632	19,672,231
2012	17,493,956	20,958,358	( 3,464,402)	( 188,377)	( 3,652,729)	-	( 3,652,729)

Note: Presented data includes the ten fiscal years since implementation of GASB Statement 34.

TABLE 3

## SABINE RIVER AUTHORITY OF TEXAS

OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

Fiscal Year	Water Sales	Power Sales	Wastewater Treatment	Permits	Water Quality Activity	Miscellaneous	Bond Issue Fees	Reservation Fee	Total
2003	\$ 21,909,558	\$ 1,972,814	\$ 71,188	\$ 582,374	\$ 761,679	\$ 632,465	\$ -	\$ -	\$ 25,930,078
2004	21,847,993	1,935,696	50,703	593,786	883,492	439,458	-	-	25,751,128
2005	17,611,681	2,890,944	72,301	614,855	779,081	344,427	-	-	22,313,289
2006	10,488,136	721,340	81,273	760,795	741,983	364,190	408,500	651,702	14,217,919
2007	11,495,394	2,528,598	52,994	750,935	725,362	625,468	513,400	651,702	17,343,853
2008	11,884,812	3,772,516	58,189	794,681	747,972	736,005	-	651,702	18,645,877
2009	13,350,041	2,620,794	52,763	816,363	759,787	680,059	-	651,702	18,931,509
2010	12,924,928	6,018,152	50,411	810,474	823,269	595,661	-	651,702	21,874,597
2011	13,968,823	557,506	47,353	840,931	844,315	1,361,197	-	651,702	18,271,827
2012	12,923,569	1,215,429	39,934	867,681	756,362	1,039,279	-	651,702	17,493,956

TABLE 4

OPERATING EXPENSES  
LAST TEN FISCAL YEARS

Fiscal Year	Operation and Maintenance	Depreciation	Total Operating Expenses
2003	\$ 12,627,449	\$ 3,136,161	\$ 15,763,610
2004	13,099,336	3,147,061	16,246,397
2005	12,977,524	2,858,887	15,836,411
2006	12,835,203	2,871,094	15,706,297
2007	14,344,378	2,880,297	17,224,675
2008	14,738,525	2,904,654	17,643,179
2009	17,356,286	2,908,410	20,264,696
2010	17,626,268	2,949,325	20,575,593
2011	18,084,046	3,718,629	21,802,675
2012	17,363,254	3,595,104	20,958,358

**SABINE RIVER AUTHORITY OF TEXAS**  
**NONOPERATING REVENUES AND EXPENSES**  
**LAST TEN FISCAL YEARS**

TABLE 5

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Grant Program	Capital Asset Impairment Loss	Investment Income	Interest Expense	Bad Debt Expense	Total Nonoperating Revenues (Expenses)
2003	\$ 88,625	\$( 113,500)	\$ -	\$ 973,904	\$( 1,627,680)	\$ -	\$( 678,651)
2004	( 81,266)	( 111,800)	-	704,317	( 1,021,856)	-	( 510,605)
2005	18,364	( 291,144)	-	751,812	( 476,274)	-	2,758
2006	38,622	( 223,626)	( 40,397)	1,141,571	( 682,868)	-	233,302
2007	( 11,424)	( 130,000)	( 20,146)	1,596,600	( 620,925)	-	814,105
2008	899,264	( 153,000)	-	1,468,162	( 544,481)	-	1,669,945
2009	( 29,924)	( 391,000)	-	946,269	( 485,362)	-	39,983
2010	( 12,257)	( 149,100)	-	555,499	( 475,089)	-	( 80,947)
2011	( 967,005)	( 169,533)	-	482,909	( 458,152)	( 216,872)	( 1,328,653)
2012	( 6,832)	( 120,000)	-	380,266	( 441,761)	-	( 188,327)

TABLE 6

**WATER SUPPLIED, POWER GENERATED AND LABORATORY TESTS PERFORMED**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Gulf Coast Division	Lake Tawakoni	Toledo Bend Division	Lake Fork	Total Water Supplied	MWH Hours of Power Generated	Environmental Services Division Tests Performed
2003	48.26	76.26	4.41	18.01	146.94	188,796	52,832
2004	48.03	38.44	4.07	18.07	108.61	1,858,529	75,714
2005	41.72	131.65	3.95	18.35	195.67	276,274	72,202
2006	39.75	165.92	4.62	11.52	221.81	70,370	83,066
2007	39.64	127.89	3.77	12.59	183.89	172,956	68,499
2008	42.06	80.44	3.88	5.67	132.05	196,665	65,306
2009	37.99	140.70	2.71	6.98	188.38	136,544	57,211
2010	42.74	37.20	3.32	24.70	107.96	305,027	63,225
2011	43.05	86.68	3.42	38.10	171.25	38,359	68,040
2012	43.75	70.41	4.56	22.62	141.34	60,609	60,755

Note: Water supplied is presented in million gallons daily (MGD).

TABLE 7

**SABINE RIVER AUTHORITY OF TEXAS**  
**NUMBER OF WATER CUSTOMERS AND LABORATORY TESTS PERFORMED BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Laboratory Tests Performed						Total Tests Performed
	Municipal	Industrial	Irrigation	Other	Total	Watershed Monitoring Program	
2003	19	11	1	3	34	21,195	52,832
2004	22	11	1	3	37	39,269	75,714
2005	22	11	1	3	37	32,463	72,202
2006	22	11	1	3	37	40,120	83,066
2007	22	12	1	3	38	29,341	68,499
2008	22	11	0	4	37	24,244	65,306
2009	22	12	1	3	38	23,143	57,211
2010	22	12	1	3	38	23,909	63,225
2011	22	14	1	3	40	24,486	68,040
2012	22	14	1	3	40	23,726	60,755

TABLE 8

## SABINE RIVER AUTHORITY OF TEXAS

**FIVE LARGEST CUSTOMERS**  
**CURRENT YEAR AND LAST NINE YEARS**

Customer	Fiscal Year 2012 Water Revenue			Fiscal Year 2011 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,587,070	43.23%	1	\$ 5,552,885	39.75%	1
North Texas Municipal Water District	1,056,393	8.17%	2	1,186,871	8.50%	2
Inland Orange, Inc.	836,081	6.47%	5	904,842	6.48%	3
City of Greenville	839,509	6.50%	4	839,509	6.01%	4
E. I. Dupont DeNemours	868,305	6.72%	3	734,422	5.26%	5
Subtotal	9,187,358	71.09%		9,218,529	65.99%	
Balance from other customers	3,736,211	28.91%		4,750,394	34.01%	
Grand totals	\$ 12,923,569	100.00%		\$ 13,968,923	100.00%	

Customer	Fiscal Year 2010 Water Revenue			Fiscal Year 2009 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,480,438	42.40%	1	\$ 5,719,332	42.84%	1
City of Longview	N/A	-	-	651,703	4.88%	5
Inland Orange, Inc.	871,879	6.75%	3	767,055	5.75%	4
City of Greenville	863,843	6.68%	4	985,509	7.38%	3
North Texas Municipal Water District	886,961	6.86%	2	1,225,524	9.18%	2
City of Hemphill	750,006	5.80%	5	N/A	-	-
Subtotal	8,853,127	68.50%		9,349,123	70.03%	
Balance from other customers	4,071,801	31.50%		4,000,918	29.97%	
Grand totals	\$ 12,924,928	100.00%		\$ 13,350,041	100.00%	

Customer	Fiscal Year 2008 Water Revenue			Fiscal Year 2007 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,009,554	42.15%	1	\$ 4,696,527	40.86%	1
E.I. Dupont DeNemours	656,598	5.52%	4	632,954	5.51%	5
City of Longview	651,703	5.48%	5	651,703	5.67%	4
Inland Orange, Inc.	827,568	6.96%	3	703,670	6.12%	3
City of Greenville	985,509	8.29%	2	985,480	8.57%	2
Subtotal	8,130,932	68.41%		7,670,334	66.73%	
Balance from other customers	3,753,880	31.59%		3,825,060	33.27%	
Grand totals	\$ 11,884,812	100.00%		\$ 11,495,394	100.00%	

(continued)

TABLE 8

## SABINE RIVER AUTHORITY OF TEXAS

**FIVE LARGEST CUSTOMERS**  
(Continued)  
**CURRENT YEAR AND LAST NINE YEARS**

Customer	Fiscal Year 2006 Water Revenue			Fiscal Year 2005 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 3,904,131	37.22%	1	\$ 10,489,633	59.56%	1
E.I. Dupont DeNemours	620,717	5.92%	5	765,933	4.35%	2
City of Longview	665,887	6.35%	3	684,375	3.89%	3
Inland Orange, Inc.	621,930	5.93%	4	537,446	3.05%	5
City of Greenville	706,255	6.73%	2	612,574	3.48%	4
Subtotal	6,518,920	62.16%		13,089,961	74.33%	
Balance from other customers	3,969,216	37.84%		4,521,720	25.67%	
Grand totals	\$ 10,488,136	100.00%		\$ 17,611,681	100.00%	

Customer	Fiscal Year 2004 Water Revenue			Fiscal Year 2003 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 15,175,840	69.46%	1	\$ 14,744,502	67.30%	1
E.I. Dupont DeNemours	553,600	2.53%	4	555,273	2.53%	4
City of Longview	665,363	3.05%	2	638,745	2.92%	2
Inland Orange, Inc.	640,365	2.93%	3	582,070	2.66%	3
Texas Utilities	500,190	2.29%	5	483,347	2.21%	5
Subtotal	17,535,358	80.26%		17,003,937	77.61%	
Balance from other customers	4,312,635	19.74%		4,905,621	22.39%	
Grand totals	\$ 21,847,993	100.00%		\$ 21,909,558	100.00%	

Note: N/A indicates customer is not in the top five largest customers.

TABLE 9

**SABINE RIVER AUTHORITY OF TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds		Texas Water Development Board Loan		Total Amount		Personal Income <sup>b</sup>		Percentage of Outstanding Debt to Personal Income		Population <sup>a</sup>	Total Debt Per Capita
2003	\$ 28,131,000		\$ 24,703,845		\$ 52,834,845	\$ 14,263,381,000		0%		523,517	101	
2004	15,702,000		24,944,645		40,646,645	15,256,197,000		0%		530,620	77	
2005	5,443,000		25,185,445		30,628,445	16,115,889,000		0%		538,603	57	
2006	4,163,000		25,426,245		29,589,245	17,448,637,000		0%		546,767	54	
2007	2,668,000		25,667,045		28,335,045	18,534,116,000		0%		548,395	52	
2008	1,162,000		25,907,845		27,069,845	19,739,546,000		0%		553,668	49	
2009	416,000		26,148,645		26,564,645	20,449,149,000		0%		560,018	47	
2010	164,000		25,260,105		25,424,105	24,244,456,700		0%		564,591	45	
2011	-		24,397,085		24,397,085	N/A		N/A		571,948	43	
2012	-		23,493,545		23,493,545	N/A		N/A		N/A	N/A	

## Sources:

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>



**SABINE RIVER AUTHORITY OF TEXAS**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

TABLE 10

Fiscal Year	Operating Revenues	Less: Operating Expenses (Excluding Depreciation)	Net Available Funds	Debt Service Interest		Coverage Ratio
				Principal	Total	
2003	\$ 25,930,078	\$ 12,627,449	\$ 13,302,629	\$ 12,219,543	\$ 1,627,680	0.96
2004	25,751,128	13,099,336	12,651,792	12,521,343	10,218,856	0.93
2005	22,313,289	12,977,524	9,335,765	10,476,000	588,665	0.84
2006	14,217,919	12,835,203	1,382,716	1,280,000	466,450	0.79
2007	17,343,853	14,344,378	2,999,475	1,495,000	410,256	1.57
2008	18,645,877	14,738,525	3,907,352	1,506,000	382,875	2.07
2009	18,931,509	17,356,286	1,575,223	746,000	263,132	1.56
2010	21,874,597	17,626,268	4,248,329	372,000	1,245,040	2.63
2011	18,271,927	18,084,046	187,881	1,027,021	458,152	0.13
2012	17,493,956	17,363,254	130,702	903,540	441,777	0.10

Notes: \* Interest is on cash basis method of accounting.

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 11

Calendar Year	Population <sup>a</sup>	Personal Income <sup>b</sup> (thousands of dollars)	Per Capita Personal Income	Unemployment Rate		Total Housing Units <sup>c</sup>
				Hispanic	State <sup>d</sup>	
2003	523,517	\$ 14,263,381	\$ 27,245	6.9%	6.7%	257,644
2004	530,620	15,256,197	28,752	5.8%	6.0%	261,670
2005	538,603	16,115,889	29,922	5.2%	5.3%	264,521
2006	546,767	17,448,637	31,912	4.7%	4.6%	270,394
2007	548,395	18,534,116	33,797	4.4%	4.5%	270,724
2008	553,668	19,739,546	35,652	5.0%	4.9%	274,958
2009	560,018	20,449,149	36,515	8.1%	8.2%	277,708
2010	564,591	24,244,457	42,942	8.5%	8.2%	281,524
2011	571,948	N/A	N/A	8.2%	7.9%	286,940
2012	N/A	N/A	N/A	N/A	N/A	N/A

N/A = not available

Note: Statistics for counties partially in the Sabine Basin have been adjusted to better reflect the geographic portion of the county within the basin.

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

<sup>c</sup> Local Area Unemployment Statistics through the LMCI website: <http://www.tracer2.com>

<sup>d</sup> State unemployment rate obtained from the U. S. Department of Labor Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>e</sup> U. S. Census Bureau website: <http://www.census.gov/popest/housing>

TABLE 12

SABINE RIVER AUTHORITY OF TEXAS  
PRINCIPAL EMPLOYERS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Employer	City	2012		2011		2010		2009	
		Employees	Percentage	Employees	Percentage	Employees	Percentage	Employees	Percentage
L-3 Communications Integrated Systems	Greenville	N/A	N/A	5,790	1.99%	5,750	2.04%	5,700	2.04%
Good Shepard Medical Center	Longview	N/A	N/A	3,000	1.05%	2,761	0.97%	2,717	0.94%
Eastman Chemical	Longview	N/A	N/A	1,477	0.51%	1,410	0.50%	1,420	0.50%
Timby Rail	Longview	N/A	N/A	1,143	0.40%	600	0.21%	600	0.22%
Tyson Foods	Center	N/A	N/A	1,000	0.35%	1,000	0.36%	1,000	0.36%
Longview ISD	Longview	N/A	N/A	1,339	0.47%	1,263	0.45%	1,200	0.43%
Texas Utilities	Orange	N/A	N/A	896	0.31%	866	0.31%	856	0.31%
Duffin Sabine River Works	Orange	N/A	N/A	866	0.30%	846	0.30%	866	0.31%
Greenville ISD	Greenville	N/A	N/A	810	0.28%	810	0.29%	810	0.29%
News-3 Robbennaud	Greenville	N/A	N/A	690	0.25%	650	0.23%	650	0.23%
Mundy Industrial Containers	Orange	N/A	N/A	275	0.10%	275	0.10%	275	0.10%
Invista Petrochemical	Orange	N/A	N/A	400	0.14%	200	0.07%	200	0.07%
Island Paperboard	Orange	N/A	N/A	500	0.17%	500	0.18%	500	0.18%
<b>Totals</b>		<b>N/A</b>	<b>N/A</b>	<b>17,796</b>	<b>6.20%</b>	<b>16,963</b>	<b>6.03%</b>	<b>16,914</b>	<b>6.06%</b>
L-3 Communications Integrated Systems	Greenville	5,000	1.82%	4,750	1.75%	4,700	1.74%	4,000	1.51%
Good Shepard Medical Center	Longview	2,553	0.94%	2,500	0.93%	2,238	0.85%	2,208	0.84%
Eastman Chemical	Longview	1,456	0.53%	1,554	0.57%	1,450	0.54%	1,430	0.53%
Timby Rail	Longview	601	0.22%	1,400	0.52%	1,205	0.45%	1,200	0.45%
Jayco Foods	Center	1,400	0.51%	1,250	0.46%	1,200	0.45%	1,200	0.45%
Longview ISD	Longview	1,260	0.46%	1,200	0.45%	1,200	0.45%	1,200	0.45%
Texas Utilities	Orange	1,082	0.39%	1,082	0.40%	1,072	0.39%	1,072	0.40%
Duffin Sabine River Works	Orange	866	0.31%	866	0.32%	866	0.32%	866	0.32%
Greenville ISD	Greenville	810	0.29%	810	0.30%	810	0.30%	810	0.31%
News-3 Robbennaud	Greenville	650	0.24%	650	0.24%	650	0.24%	660	0.25%
Mundy Industrial Containers	Orange	275	0.10%	600	0.22%	600	0.22%	660	0.25%
Invista Petrochemical	Orange	200	0.07%	510	0.19%	510	0.19%	500	0.19%
Island Paperboard	Orange	500	0.18%	500	0.18%	500	0.18%	500	0.19%
<b>Totals</b>		<b>16,692</b>	<b>6.07%</b>	<b>17,462</b>	<b>6.42%</b>	<b>17,475</b>	<b>6.48%</b>	<b>16,759</b>	<b>6.33%</b>
L-3 Communications Integrated Systems	Greenville	3,900	1.45%	3,600	1.40%	3,600	1.40%	3,600	1.40%
Good Shepard Medical Center	Longview	2,250	0.86%	2,225	0.86%	2,225	0.86%	2,225	0.86%
Eastman Chemical	Longview	1,650	0.63%	1,550	0.60%	1,500	0.58%	1,450	0.56%
Timby Rail	Longview	1,200	0.46%	1,100	0.42%	1,100	0.42%	1,100	0.42%
Jayco Foods	Center	1,250	0.48%	1,225	0.47%	1,225	0.47%	1,225	0.47%
Longview ISD	Longview	1,200	0.46%	1,075	0.42%	1,075	0.42%	1,075	0.42%
Texas Utilities	Orange	815	0.31%	825	0.31%	825	0.31%	825	0.31%
Duffin Sabine River Works	Orange	810	0.31%	810	0.31%	810	0.31%	810	0.31%
Greenville ISD	Greenville	660	0.25%	660	0.25%	660	0.25%	660	0.25%
News-3 Robbennaud	Greenville	600	0.23%	600	0.23%	600	0.23%	600	0.23%
Mundy Industrial Containers	Orange	400	0.15%	400	0.15%	400	0.15%	400	0.15%
Invista Petrochemical	Orange	500	0.19%	500	0.19%	500	0.19%	500	0.19%
Island Paperboard	Orange	500	0.19%	500	0.19%	500	0.19%	500	0.19%
<b>Totals</b>		<b>16,528</b>	<b>6.27%</b>	<b>16,195</b>	<b>6.20%</b>	<b>16,195</b>	<b>6.20%</b>	<b>16,195</b>	<b>6.20%</b>

N/A = not available

Source: Community profiles and websites from counties and communities within the Sabine River Basin

TABLE 13

**SABINE RIVER AUTHORITY OF TEXAS**  
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Administration:</b>										
Management	19	19	19	19	18	20	20	20	19	21
Administrative assistant/secretary	15	14	15	13	13	15	15	15	16	16
Accounting	3	3	3	3	3	3	3	3	3	3
GIS	1	1	1	1	1	1	1	1	1	1
Engineer	1	1	1	1	1	1	1	1	2	1
MIS	1	1	1	1	1	1	1	1	1	1
Special projects	1	1	1	1	2	3	3	3	3	2
<b>Water:</b>										
Environmental agent/tech	6	6	4	5	4	3	3	3	3	4
Pumper	6	6	4	4	4	3	3	3	3	3
Equipment operator	22	20	19	19	21	20	20	20	17	19
Mechanic	1	1	1	1	1	1	1	1	1	1
M&O/field supervisor	9	10	9	8	6	6	6	6	7	7
Canal foreman/crewman	3	3	3	3	3	2	2	2	1	1
Electrician	1	1	1	1	1	1	1	1	1	1
Project inspector	-	1	1	1	1	1	1	1	1	1
Surveyor/survey tech	1	1	1	2	2	2	2	2	2	2
Maintenance tech	4	4	6	7	4	7	7	7	6	6
Water and sewer tech	1	2	1	1	1	1	1	1	3	1
<b>Laboratory</b>										
Section leader	3	2	3	2	1	1	1	1	1	1
Laboratory analyst/tech	8	5	5	5	5	5	5	5	6	7
Promonitoring coordinator	-	-	-	1	1	1	1	1	1	1
Field coordinator	2	2	2	2	2	2	2	2	2	2
Chemist	1	2	1	1	1	1	1	1	1	1
Quality assurance officer	1	1	1	1	1	1	1	1	1	1
Biologist	1	2	2	3	3	2	2	2	2	2
LIMS administrator	1	1	1	1	1	1	1	1	1	1
Sample Custodian	1	1	1	1	1	1	1	1	1	1
<b>Total employees</b>	<b>113</b>	<b>111</b>	<b>107</b>	<b>108</b>	<b>103</b>	<b>106</b>	<b>106</b>	<b>106</b>	<b>106</b>	<b>106</b>

## SABINE RIVER AUTHORITY OF TEXAS

## OPERATING AND CAPITAL INDICATORS

(UNAUDITED)

Gulf Coast Division Canal System:	360 million gallons per day
Pumping capacity	75 miles
Canal system length	147,100 acre-feet per year
Permitted water rights	
Lake Tawakoni (Iron Bridge Dam):	
Capacity	927,440 acre-feet
Surface area	36,700 acres
Elevation	437.5 feet mean sea level
Yield	238,100 acre-feet per year
Toledo Bend Reservoir:	
Capacity	4,477,000 acre-feet
Surface area	181,600 acres
Elevation	172.0 feet mean sea level
Yield	2,086,600 acre-feet per year
Hydroelectric capacity	85 megawatt hours
Lake Fork Reservoir:	
Capacity	675,819 acre-feet
Surface area	27,690 acres
Elevation	403.0 feet mean sea level
Yield	188,660 acre-feet per year

Note: Canal system and reservoir information applicable to all years from 2003 through 2012.

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF AMORTIZATION OF  
TEXAS WATER DEVELOPMENT BOARD LOAN**

**AUGUST 31, 2012**

Principal Balance Financed \$7,000,000

Fiscal Year	Interest Receivable	Principal Payment	Interest Payment	Total Payment	Total Debt Service	Deferred	Adjusted Payment
2013	\$ 631,690	\$ 145,000	\$ 432,948	\$ 577,948	\$ 1,209,638	\$ 136,850	\$ 1,346,488
2014	631,690	150,000	423,465	573,465	1,205,155	136,850	1,342,005
2015	631,690	160,000	413,655	573,655	1,205,345	136,850	1,342,195
2016	631,690	175,000	403,191	578,191	1,209,881	136,850	1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 13,897,180</u>	<u>\$ 6,620,000</u>	<u>\$ 6,048,192</u>	<u>\$ 12,668,192</u>	<u>\$ 26,565,372</u>	<u>\$ 2,976,365</u>	<u>\$ 29,541,737</u>

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF INSURANCE IN FORCE**

**AUGUST 31, 2012  
(UNAUDITED)**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Texas Water Conservation Association Risk Management Fund	022	07/01/12 - 07/01/13	General liability	\$ 1,000,000	\$ 21,708
Texas Water Conservation Association Risk Management Fund	022	07/01/12 - 07/01/13	Automobile liability	1,000,000	23,719
Texas Water Conservation Association Risk Management Fund	022	07/01/12 - 07/01/13	Auto physical damage	Scheduled	13,480
Texas Water Conservation Association Risk Management Fund	022	07/01/12 - 07/01/13	Property	10,368,465	28,534
Texas Water Conservation Association Risk Management Fund	022	07/01/12 - 07/01/13	Errors and omissions	1,000,000	19,713
Texas Water Conservation Association Risk Management Fund	022	07/01/12 - 07/01/13	Excess liability	9,000,000	26,846
Zurich American Insurance Company	GTU6548008-00	07/01/12 - 07/01/15	Travel accident	500,000	960 (YR)
Travelers Casualty Insurance Company	105281129	07/01/12 - 07/01/15	Crime/employee dishonesty	1,000,000	1,660 (YR)
Travelers Casualty & Surety Co.	105648039	07/01/12 - 07/01/13	Blanket public official bond	1,000	100
Liberty Mutual National Ace American \$2,328 National Union Fire Insurance (Chartis) \$2,328	3LA106680011 EUTN05114524 63817854	07/01/12 - 07/01/13	Commercial property All property policies 7/1/12- 7/1/13	Scheduled	9,314
Travelers Lloyd's Insurance Company	QT660272D7866TLC12	07/01/12 - 07/01/13	Lake Fork dam, watercraft, radio tower, and base station, and Kilgore/Henderson Weir	Scheduled	140,826
Deep East Texas Worker's Compensation Insurance Fund	76-134	07/01/97 - (Until Canceled)	Worker's compensation	500,000	33,415
					<u>\$ 320,275</u>

# SABINE RIVER AUTHORITY OF TEXAS

Historical Data through  
August 31, 2012

## SRA QUICK REFERENCE

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# WATER SUPPLY SCHEDULE • GULF COAST DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	E.I. DU PONT DE NEMOURS & COMPANY	HONEY- WELL	EN- TERGY	FIRE- STONE	INT'L PAPER (TEMPLE)	CHEVRON PHILLIPS	A. SCHUL- MAN INC.	LANXESS	GERDAU- AMERIS- TEEL	CITY OF ROSE CITY	NRG INTER- GEN	CRAWFISH & RICE FARMING (IRRIGATION)	MISC. USAGE
1949	43.10	8.60											34.50	
1950	54.47	9.69											44.78	
1951	66.14	10.53											55.61	
1952	48.25	12.61											35.64	
1953	41.06	10.60											30.46	
1954	41.57	.50	.15										40.92	
1955	40.08	10.30	.30					.05					29.43	
1956	36.30	9.88	1.44		.54			.05					24.39	
1957	35.10	10.20	1.44		1.36			.05					22.10	
1958	35.09	9.48	1.44		1.03								23.14	
1959	43.86	9.28	1.44		1.11			.04					31.99	
1960	35.37	9.94	1.44		1.11			.21					22.67	
1961	43.89	10.34	1.44	.14	1.34			.21					30.42	
1962	38.95	10.39	.72	.27	1.34			.21					28.02	
1963	36.18	11.11	.37	.25	1.24			.21					23.00	
1964	36.23	11.38	.47	.25	1.45			.21					22.47	
1965	34.51	12.37	.52	.25	1.65			.21					19.51	
1966	42.95	13.00	.49	.25	1.77			.21					27.23	
1967	49.88	14.00	.38	.24	1.94	6.07		.21					26.84	
1968	49.03	12.32	.40	.25	2.00	8.85		.21					25.00	
1969	47.94	12.30	.38	.25	2.08	7.60		.21					25.12	
1970	46.62	15.17	.40	.25	1.78	9.33		.21					19.48	
1971	46.61	15.17	.40	.25	1.77	9.33		.21					19.48	
1972	49.27	16.37	.45	.25	1.59	9.80		.21					20.61	
1973	45.91	12.91	.40		2.09	11.78	.90						17.83	
1974	50.63	11.26	.25		1.77	10.64	1.36						25.35	
1975	50.15	11.95	.38		1.70	11.24	1.25						23.63	
1976	49.69	14.14	.34		1.93	8.77	1.15			.04			23.32	
1977	53.42	15.84	.39		1.68	7.44	1.17			.04			26.86	
1978	37.16	15.23	.32	.25	1.53	11.88	1.17	.09		.80			5.89	
1979	36.85	14.98	.37	.25	1.82	11.07	1.35	.10		.97			5.94	
1980	41.37	14.61	.40	3.27	1.60	12.65	1.29	.10		1.01			6.14	
1981	47.78	16.65	.27	6.38	1.68	12.27	1.58	.10		1.58	.06		6.63	
1982	41.57	13.84	.42	4.49	1.33	11.09	1.58	.08		1.51	.06		7.13	
1983	36.88	12.96	.48	4.76	.16	10.31	1.74	.01		1.63	.08		4.68	
1984	40.38	15.17	.53	5.40	.26	11.76	1.63	.01		1.48	.09		4.00	
1985	40.63	16.65	.58	4.29	.27	13.37	1.79	.01		1.24	.08		2.27	
1986	39.19	15.94	.62	3.84	.27	13.12	1.83	.002		1.14	.08		2.31	
1987	45.02	18.62	.79	3.77	.32	14.45	1.80	.002		1.55	.09		3.58	
1988	50.53	19.83	.98	4.33	.30	17.09	1.99	.002		1.54	.08		4.28	
1989	52.23	19.29	.91	4.72	.34	16.34	2.04	.20		1.46	.09		6.81	
1990	50.08	20.85	.88	4.97	.35	15.18	1.78	.23		1.21	.09		4.72	
1991	47.49	19.03	.57	4.49	.33	14.81	1.49	.007	1.30	1.40	.06		4.81	
1992	48.10	19.62	.61	4.12	.32	15.35	1.90	.001	1.41	1.20	.08		2.73	
1993	46.73	19.29	.69	4.02	.33	14.91	1.97	.001	1.78	1.15	.08		2.51	
1994	47.57	18.91	.71	4.47	.44	14.14	2.04	.001	1.79	1.52	.08		3.47	
1995	49.23	19.10	.78	5.44	.69	15.41	2.27	.001	1.93	1.64	.12		1.92	
1996	50.43	20.48	.76	4.56	.62	15.71	2.28	.001	2.07	1.65	.11		2.27	
1997	52.27	22.33	.73	4.77	.70	15.82	2.53	.001	2.11	1.20	.07		2.01	
1998	53.26	23.03	.73	4.26	.72	17.44	2.40	.001	2.15	1.23	.07		2.23	
1999	50.97	22.32	.55	4.34	.73	15.57	2.00	.005	2.64	.93	.07		5.82	
2000	50.79	20.29	.64	5.22	.63	16.40	2.00	.005	3.03	.95	.08		1.54	
2001	36.73	9.06	.70	4.31	.60	16.18	1.46	.004	2.89	.86	.08		1.08	.37
2002	40.21	14.61	.61	3.43	.65	13.98	1.88	.007	2.91	.71	.08		1.09	.27
2003	48.26	16.44	.71	3.25	.95	19.39	0.97	.010	3.89	.76	.09	1.30	0.02	.48
2004	48.03	16.38	1.03	3.65	.84	16.96	0.98	-0-	3.97	.83	.15	1.98	.09	1.15
2005	41.72	16.03	1.31	2.18	1.04	14.27	0.65	-0-	3.20	.72	.08	1.90	.009	.13
2006	39.75	13.51	1.25	3.31	1.17	14.39	0.78	-0-	2.87	.38	.09	1.75	.21	.04
2007	39.64	13.85	.68	2.67	1.15	14.69	0.94	-0-	2.70	.41	.09	2.33	-0-	.13
2008	42.06	13.54	.57	2.64	1.66	15.70	0.96	-0-	2.94	.56	.07	2.99	.40	.01
2009	37.99	12.10	.70	2.50	1.00	14.90	0.70	-0-	2.50	.70	.09	2.50	.20	.10
2010	42.74	11.20	.71	2.80	1.16	17.10	0.82	-0-	3.60	1.00	.07	2.58	1.10	.60
2011	42.96	14.17	.55	2.67	.84	14.89	0.86	-0-	3.54	.73	.07	2.84	1.12	.68
2012	43.75	15.25	.56	1.15	.56	15.38	0.68	-0-	3.44	.66	.07	5.06	0.94	.00



**WATER SUPPLY SCHEDULE • TOLEDO BEND DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF HUXLEY	CITY OF HEMPHILL	TENASKA OPERATIONS, INC.	MINING CLASSIC, XTO	MISCELLANEOUS WATER USAGE
1972	.02					.02
1973	.03					.03
1974	.04					.04
1975	.06	.02				.04
1976	.11	.05				.06
1977	.35	.06	.19			.10
1978	.37	.09	.20			.08
1979	.34	.08	.19			.07
1980	.48	.09	.27			.12
1981	.54	.11	.34			.09
1982	.62	.12	.42			.08
1983	.59	.13	.38			.08
1984	.72	.15	.56			.11
1985	.84	.16	.57			.11
1986	.95	.15	.70			.10
1987	.99	.15	.72			.12
1988	.96	.16	.70			.10
1989	.92	.17	.66			.09
1990	.97	.18	.69			.10
1991	.96	.20	.70			.09
1992	.98	.23	.67			.08
1993	1.14	.31	.70			.12
1994	1.04	.18	.72			.14
1995	1.04	.17	.72			.15
1996	1.38	.16	1.02			.20
1997	1.25	.17	.96			.13
1998	1.34	.22	.96			.16
1999	1.25	.22	.88			.15
2000	1.36	.24	.98			.16
2001	2.40	.24	.85	1.16		.15
2002	4.21	.25	1.02	2.82		.13
2003	4.41	.24	.83	3.28		.06
2004	4.07	.22	.75	3.04		.06
2005	3.95	.22	.84	2.84		.05
2006	4.62	.22	.79	3.55		.06
2007	3.77	.22	.65	2.84		.06
2008	3.88	.19	.60	3.03		.07
2009	2.70	.18	.59	1.88		.05
2010	3.32	.17	.64	2.46		.05
2011	3.42	.17	.70	2.36	.13	.06
2012	4.56	.16	.59	3.29	.47	.05

**TOLEDO BEND RESERVOIR DATA • For the fiscal years ending August 31**

YEAR	MEGAWATT HOURS POWER GENERATED			WATER RELEASES AT DAM (M AC-FT)*			LAKE ELEVATION LAST DAY OF YEAR FT. M.S.L.	ANNUAL RAINFALL INCHES
	PRIME	SECONDARY	TOTAL	FOR POWER	THRU SPILLWAY	TOTAL		
1970	51,554	65,614	117,168	1,741.69	242.68	1,984.37	169.87	43.29
1971	14,804	39,158	53,962	780.35	72.64	852.99	168.94	43.22
1972	34,048	128,087	162,135	2,381.49	68.46	2,449.95	168.34	57.63
1973	156,052	183,192	339,244	5,130.22	820.21	5,950.43	170.20	72.13
1974	72,058	280,924	352,982	5,371.21	993.71	6,364.92	168.09	52.66
1975	72,781	366,032	438,813	6,559.87	726.80	7,286.67	169.56	79.44
1976	131,543	47,487	179,030	2,547.69	61.56	2,609.25	168.88	53.87
1977	75,494	118,336	193,830	2,788.76	44.03	2,832.79	168.19	44.74
1978	48,558	37,571	86,129	1,280.88	58.98	1,339.86	168.08	40.72
1979	72,249	286,500	358,749	5,339.78	779.75	6,119.53	169.86	63.79
1980	59,348	183,336	242,684	3,661.29	640.26	4,301.55	168.58	55.37
1981	63,307	10,036	73,343	1,099.35	136.72	1,236.07	168.61	40.90
1982	67,858	- 0 -	67,858	1,032.06	899.69	1,931.75	168.87	51.34
1983	53,149	228,286	281,435	4,312.85	1,001.45	5,314.30	168.98	75.63
1984	29,873	131,653	161,526	2,463.50	131.84	2,595.34	168.20	53.62
1985	54,561	145,226	199,787	2,904.88	129.84	3,034.72	168.30	48.64
1986	108,129	123,824	231,953	3,385.58	302.14	3,687.72	169.41	52.10
1987	48,548	235,861	284,409	4,229.98	122.64	4,352.62	166.02	61.79
1988	25,045	180,262	205,307	3,045.76	130.73	3,176.49	167.46	48.96
1989	53,044	251,347	304,391	4,837.04	1,778.49	6,415.53	170.32	60.23
1990	69,344	280,797	350,141	5,190.33	798.41	5,988.74	167.85	47.89
1991	44,110	293,719	337,829	5,115.02	1,535.43	6,650.45	169.79	64.80
1992	62,728	313,553	376,281	5,580.32	667.36	6,247.68	169.09	55.40
1993	57,949	296,233	354,182	5,333.34	351.44	5,684.78	167.87	52.72
1994	54,236	161,145	215,381	3,382.03	133.37	3,515.40	170.27	52.60
1995	80,189	405,194	485,383	5,720.85	665.16	6,386.01	167.84	54.38
1996	26,053	7,290	33,343	442.54	145.10	587.64	165.22	42.02
1997	52,491	186,648	239,139	3,438.93	1,795.45	5,234.38	170.33	58.90
1998	55,330	241,398	296,727	4,278.58	705.40	4,983.98	164.54	54.44
1999	70,156	249,573	319,729	4,719.81	882.64	5,602.45	167.98	76.83
2000	62,892	17,789	80,681	1,121.24	127.19	1,248.43	168.76	42.25
2001	66,639	248,714	315,353	4,713.73	1,862.62	6,576.35	168.20	59.91
2002	64,021	169,904	233,925	3,372.89	1,613.49	4,986.38	167.50	49.96
2003	61,690	127,106	188,796	2,653.30	1,125.52	3,778.82	167.75	61.93
2004	71,428	114,101	185,529	2,623.94	1,110.80	3,734.74	169.20	61.70
2005	65,674	210,600	276,274	4,126.21	128.78	4,254.99	164.29	52.12
2006	62,016	8,354	70,370	1,043.84	138.19	1,182.03	164.19	41.10
2007	56,762	116,194	172,956	2,629.83	306.76	2,936.59	170.98	69.82
2008	64,003	132,662	196,665	2,863.27	577.21	3,440.48	168.13	41.24
2009	52,913	83,631	136,544	1,934.87	137.63	2,072.50	168.51	51.06
2010	38,270	266,757	305,027	4,343.56	1,139.70	5,483.26	167.30	51.67
2011	8,579	29,780	38,359	589.73	153.51	743.24	161.27	28.05
2012	19,618	40,991	60,609	907.01	232.49	1,139.50	168.55	65.82

\* M Equals 1,000

## WATER SUPPLY SCHEDULE • LAKE FORK DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF DALLAS	CITY OF LONGVIEW	CITY OF KILGORE	CITY OF HENDERSON	CITY OF QUITMAN	TEXAS EASTMAN
1986	6.65		6.65			- 0 -	—
1987	6.02		6.02			- 0 -	—
1988	6.66		6.66			- 0 -	—
1989	6.13		6.13			- 0 -	—
1990	11.46		8.13			.21	3.12
1991	3.25		2.96			.29	- 0 -
1992	4.29		4.00			.29	- 0 -
1993	4.08		3.77			.31	- 0 -
1994	4.44		4.12			.32	- 0 -
1995	6.57		5.45	0.79		.33	- 0 -
1996	11.95		9.66	2.00		.29	- 0 -
1997	9.72		7.41	2.00		.31	- 0 -
1998	7.24		4.93	2.00		.31	- 0 -
1999	8.39		6.03	2.00		.36	- 0 -
2000	13.40		10.84	2.00	.19	.37	- 0 -
2001	15.52		12.14	2.00	1.04	.34	- 0 -
2002	16.83		13.00	2.00	1.50	.33	- 0 -
2003	18.01		14.68	2.00	1.00	.33	- 0 -
2004	18.07		14.74	2.00	1.00	.33	- 0 -
2005	18.35		15.00	2.00	1.00	.35	- 0 -
2006	11.52		7.69	2.00	1.10	.40	0.33
2007	12.59		6.50	2.00	1.01	.31	2.77
2008	5.67		2.51	2.00	0.86	.30	- 0 -
2009	6.98	.22	3.51	2.00	0.96	.29	- 0 -
2010	24.70	18.80	2.50	2.00	1.00	.30	- 0 -
2011	33.50	26.50	3.80	2.00	0.90	.30	- 0 -
2012	30.39	20.03	7.09	2.00	0.99	.28	- 0 -

**WATER SUPPLY SCHEDULE • IRON BRIDGE DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	DALLAS	GREEN-VILLE	POINT	WILLS POINT	EMORY	CASH	NT/WO/TERRELL	WEST TAWAKONI	COM-MERCE	MAC BEE W.S.C.	EDGE-WOOD	COMBINED CONSUMER SUD	SOUTH TAWAKONI W.S.C.	ABLE SPRINGS W.S.C.	LOAN OAK DEV.	MISC. USAGE
1964	42.33	42.20		.03													.10
1965	32.38	30.86	1.29	.03	.06												.14
1966	30.11	26.71	3.01	.03	.20												.16
1967	33.44	30.54	2.38	.03	.24												.25
1968	35.77	35.17	.17	.03	.30												.10
1969	43.63	42.96	.21	.03	.27												.16
1970	43.81	41.99	1.29	.05	.30												.18
1971	57.10	53.00	3.39	.06	.33		.10										.22
1972	48.87	45.39	2.24	.07	.41	.06	.42										.28
1973	47.01	43.79	1.73	.07	.41	.24	.46		.03								.28
1974	39.08	37.55	- 0 -	.07	.48	.27	.47		.07								.17
1975	18.84	17.13	- 0 -	.06	.52	.30	.61		.07								.15
1976	26.72	21.36	3.89	.07	.50	.31	.52		.14								.13
1977	29.25	25.59	1.75	.07	.60	.38	.57		.17								.12
1978	50.97	45.55	2.73	.09	.63	.37	.71		.23	.59							.07
1979	64.13	59.35	1.88	.09	.55	.37	.68		.36	.73							.12
1980	45.55	38.88	3.43	.08	.58	.47	.79		.35	.84							.13
1981	52.15	45.23	3.85	.08	.65	.51	.74		.31	.65							.13
1982	23.41	19.02	1.34	.09	.61	.45	.71		.19	.82							.18
1983	39.18	35.01	1.44	.09	.68	.49	.71		.23	.30							.23
1984	67.93	59.33	2.80	.12	.77	.49	1.12	.002	.27	.89							.41
1985	53.32	48.31	1.06	.13	.83	.55	.73	- 0 -	.24	1.16							.31
1986	98.41	94.00	1.30	.20	.78	.48	.59	- 0 -	.22	.57							.27
1987	82.80	78.81	.53	.17	.83	.44	.61	- 0 -	.47	.69							.25
1988	118.35	109.93	2.90	.15	.96	.61	.67	- 0 -	.22	.80							.34
1989	103.52	98.52	1.45	.16	.94	.65	.57	- 0 -	.19	.77							.27
1990	102.11	96.02	2.22	.17	.99	.59	.67	.003	.18	.97							.30
1991	99.56	93.38	2.02	.14	.95	.54	.70	.005	.25	1.25							.28
1992	82.38	77.18	1.34	.15	.91	.47	.86	- 0 -	.23	1.18							.26
1993	108.49	102.40	1.98	.17	.95	.52	.66	.009	.23	1.22							.35
1994	83.41	77.00	2.18	.14	.86	.51	.63	- 0 -	.30	1.15	.18				.004		.46
1995	47.06	40.65	1.05	.14	.82	.59	.73	.003	.30	1.34	.36		.12		.19		.46
1996	132.56	118.77	7.47	.11	.85	.63	.82	.55	.26	1.10	.36	.27	.41		.18		.19
1997	86.75	77.86	2.68	.12	.77	.64	.74	.59	.31	1.05	.45	.003	.56		.15		.12
1998	129.63	119.35	3.99	.16	.65	.82	.92	.007	.33	1.39	.52	.003	.85	.30	.19		.15
1999	127.18	119.09	2.10	.14	.61	.77	.92	.003	.31	1.42	.51	<.001	.72	.28	.20		.11
2000	121.88	111.05	4.40	.15	.66	.75	1.11	.005	.31	1.47	.53	.008	.63	.28	.30		.11
2001	161.31	152.95	1.84	.18	.69	.92	1.02	.003	.34	1.50	.46	.00	.69	.32	.28		.11
2002	126.17	118.91	1.05	.16	.56	.72	.92	.002	.57	1.58	.40	.00	.60	.32	.26		.09
2003	76.26	67.15	3.02	.21	.57	.87	.97	.000	.41	1.35	.44	.00	.66	.30	.26		.05
2004	38.44	28.51	3.71	.20	.56	.79	1.01	.002	.40	1.55	.44	.00	.61	.32	.25		.08
2005	131.65	119.74	2.92	.24	.52	.94	1.10	2.55	.38	1.41	.52	.03	.64	.35	.27	.02	.12
2006	165.92	146.49	7.31	.19	.59	.94	1.37	5.21	.39	1.20	.57	.17	.69	.37	.26	.04	.13
2007	127.89	117.05	3.73	.17	.48	.79	1.06	1.34	.72	.88	.47	.04	.54	.28	.21	.06	.07
2008	80.44	68.12	4.59	.15	.23	.76	1.13	2.04	.23	1.21	.52	.003	.64	.32	.23	.13	.14
2009	140.70	81.15	5.88	.15	.46	.83	1.12	47.70	.21	1.28	.50	.003	.63	.31	.23	.12	.12
2010	37.20	4.65	1.85	.19	.84	.80	1.27	24.17	.22	1.37	.58	<.001	.65	.39	.26	.06	.11
2011	86.68	42.13	6.00	.16	.75	.91	1.32	30.96	.22	1.83	.66	.30	.68	.41	.20	.02	.13
2012	70.41	31.59	5.41	.18	.62	.81	1.28	26.94	.22	1.22	.84	.20	.60	.36	.00	.005	.13

**LABORATORY SAMPLES ANALYZED • For the fiscal years ending August 31**

YEAR	INDUSTRIAL	MUNICIPAL	GULF COAST DIVISION	IRON BRIDGE DIVISION	LAKE FORK DIVISION	TOLEDO BEND DIVISION	OTHER	TOTAL	NUMBER OF TESTS
1973	457	204	194	45		17	28	945	
1974	790	233	201	53		28	76	1,381	
1975	856	303	182	61	48	21	411	1,882	11,525
1976	1,083	344	236	58	84	31	774	2,590	16,603
1977	1,455	392	456	28	84	40	931	3,386	20,700
1978	1,582	303	475	29	131	79	982	3,581	21,977
1979	3,211	248	472	88	154	106	670	3,345	22,324
1980	1,590	328	473	60	151	91	762	3,455	24,381
1981	1,909	268	483	55	126	53	938	3,830	24,685
1982	1,414	338	451	57	94	89	851	3,292	19,936
1983	1,622	271	477	104	98	100	844	3,300	19,775
1984	1,230	285	436	81	122	85	752	2,991	18,483
1985	992	331	249	58	87	125	737	2,579	16,914
1986	774	465	239	87	118	140	93	1,916	14,391
1987	1,126	245	283	90	100	205	96	3,125	14,845
1988	1,519	2,412	205	115	114	120	93	4,578	17,835
1989	1,325	2,665	220	113	84	119	652	5,178	17,451
1990	2,426	2,463	211	97	113	120	820	6,278	19,934

**NUMBER OF TESTS PERFORMED**

YEAR	INDUSTRIAL	MUNICIPAL	WATERSHED MONITORING PROGRAM	QUALITY ASSURANCE	TOTAL
1991	3,173	4,630	12,338	2,298	22,439
1992	6,360	4,278	13,919	2,512	27,067
1993	8,908	4,716	14,317	3,640	31,581
1994	9,516	4,774	21,969	8,555	44,923
1995	9,183	4,228	19,172	14,948	47,532
1996	8,225	4,819	16,023	15,333	44,400
1997	9,525	5,308	21,771	15,431	52,035
1998	7,205	5,699	24,293	11,528	48,723
1999	9,999	7,265	43,509	16,033	76,806
2000	8,159	6,019	24,094	15,504	53,776
2001	9,595	6,494	25,882	14,995	56,966
2002	9,134	6,285	22,231	16,101	53,751
2003	9,796	5,996	21,195	15,845	52,832
2004	9,052	6,977	39,269	20,396	75,714
2005	8,984	7,039	32,463	23,716	72,202
2006	8,665	7,488	40,120	26,793	83,066
2007	8,412	7,490	29,341	23,258	68,499
2008	8,621	8,244	24,244	24,197	65,306
2009	6,419	8,186	23,143	19,463	57,211
2010	5,662	9,509	23,909	24,145	63,225
2011	8,081	8,851	24,486	26,622	68,040
2012	7,124	7,154	23,726	22,751	60,755

In 1991 the Water Quality Monitoring programs were combined into a single Watershed Monitoring Program. The charts now indicate the number of tests performed rather than the number of samples analyzed.

**MISCELLANEOUS STATISTICAL DATA**

Authority Created Under .....Vernon's Civil Statutes, Article 8280-133  
Year Created ..... 1949  
Domicile ..... Orange, Texas  
Last Revision of Enabling Act ..... 1991  
Population of District (2010 Est.) ..... 560,000  
Area of District ..... 7,426 sq.mi.  
Average Annual Rainfall of District ..... 50" for Sabine Basin  
Number of Employees ..... 106

**OFFICES:**

General Office .....Orange, Texas  
Gulf Coast Division (John W. Simmons Gulf Coast Canal System) .....Orange, Texas  
Toledo Bend Division & Parks and Recreation Division (Toledo Bend Reservoir) .....Burkeville, Texas  
Lake Fork Division (Lake Fork Reservoir) .....Quitman, Texas  
Iron Bridge Division (Lake Tawakoni Reservoir) .....Point, Texas  
Environmental Services Division (Basinwide Water Quality Protection) .....Orange, Texas

**RIVERS:**

Sabine  
Total River Miles ..... 580  
Average Annual Flow (40 years at Ruliff) .....6,000,329 acre-feet/year

**DAMS AND RESERVOIRS:**

Toledo Bend Reservoir  
Conservation Pool  
Capacity ..... 4,477,000 acre-feet  
Surface Area ..... 181,600 acres  
Elevation ..... 172.0 ft. (M.S.L.)  
Yield ..... 2,086,600 acre-feet/year  
Hydroelectric Information  
Capacity ..... 85 megawatts  
Average Annual Production (43 years) ..... 223,350 megawatt hours  
Lake Fork Reservoir  
Conservation-Pool  
Capacity ..... 675,819 acre-feet  
Surface Area ..... 27,690 acres  
Elevation ..... 403.0 ft. (M.S.L.)  
Yield ..... 188,660 acre-feet/year  
Iron Bridge Dam (Lake Tawakoni)  
Conservation-Pool  
Capacity ..... 927,440 acre-feet  
Surface Area ..... 36,700 acres  
Elevation ..... 437.5 (M.S.L.)  
Yield ..... 238,100 acre-feet/year  
Gulf Coast Division Canal System  
Pumping Capacity ..... 360 million gallons/day  
Canal System Length ..... 75 miles  
Permitted Water Rights ..... 147,100 acre-feet/year



**SABINE RIVER AUTHORITY OF TEXAS**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011**

# SABINE RIVER AUTHORITY OF TEXAS

Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2011

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**THIS REPORT PREPARED BY THE AUTHORITY GENERAL OFFICE**

*The cover features Lake Tawakoni with inset photos of three beneficial uses of water on the Sabine River:  
Water Supply (center), Hydroelectric Generation (left) and Recreation (right)*

*(For more about beneficial uses of water on the Sabine - see page 15).*





# SABINE RIVER AUTHORITY of /exas

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 1, 2012

Mr. Don Covington  
and Members of the Board of Directors  
Sabine River Authority of Texas

## Board Members:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2011. The material aspect of the data is accurate in our opinion and the report discloses results of operations and financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

## LONG-TERM FINANCIAL PLANNING

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority worked to facilitate the SB 3 Environmental Flow process for the Sabine / Neches Basins which resulted in the adoption of environmental flow standards by the Texas Commission on Environmental Quality (TCEQ) in April of 2011. The Authority, along with Sabine River Authority, State of Louisiana, submitted the Final License Application to the Federal Energy Regulatory Commission (FERC) for license renewal of the hydroelectric operations at the Toledo Bend Project (Project) in September of 2011. The current FERC license expires in September of 2013. The Authority continues to work with state and federal agencies and public stakeholders to develop plans for long term operations of the Project. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract.





**FINANCIAL INFORMATION**

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$18,754,836 compared to \$22,430,096 for FY10.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2011 totaled \$24,397,084. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

**OTHER INFORMATION**

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Pattillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.


**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2010. This was the eleventh consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

**SABINE RIVER AUTHORITY OF TEXAS**

  
Jerry Clark  
Executive Vice President  
and General Manager

  
David Montagne  
Assistant General Manager

  
Debra Stagner  
Authority General Office Manager  
and Controller



# BOARD OF DIRECTORS



**Don Covington, President**  
Orange, Texas

Mr. Covington, a native Southeast Texan with deep roots in the Golden Triangle, is the former president of Friede Goldman Offshore Texas, L.P. He retired in June of 2000 and is currently involved in private investments. In his career, he founded Texas Drydock, Inc., which later became TD-Halter, L.P. He spent 30 years with Livingston Shipbuilding Co. Mr. Covington was honored as 1994 "Small Business Person of the Year" and 1997 "Maritime Person of the Year." He is a member of the Propeller Club-Port of Sabine, the Society of Naval Architects and Marine Engineers, a past board member of the Governing Board of Park Place Hospital and the Greater Port Arthur Chamber of Commerce. He and his wife, Claire, are members of the First Christian Church of Orange and have three sons.



**Earl Williams - Vice President**  
Orange, Texas

Mr. Williams is CEO of Tool Tech Machining in Beaumont, Texas, partner of Cypress Bayou Industrial Painting and President of Cypress Bayou, Inc. in Orange, Texas. He received a Bachelor of Science degree from Howard Payne University, a Masters degree from Stephen F. Austin State University and completed post graduate work at Texas A&M University. Mr. Williams was appointed to SRA's Board of Directors by Governor Rick Perry in 2001. He previously served on SRA's Board from 1994 to 1999. Mr. Williams and his wife, Suzanne, have two children and live in the Orange area.



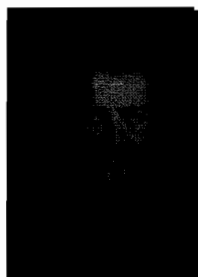
**David Koonce - Secretary / Treasurer**  
Center, Texas

Mr. Koonce is president of General Shelters of Texas Ltd. and also has partnership interests in five small businesses. He is past president of the Shelby County Chamber of Commerce, past president and treasurer of the Shelby County Bass Anglers, co-chairman for the Houston Livestock Show and Rodeo's Area Go Texan committee, vice chairperson for the Shelby County Historical Commission, committeeman of Shelby County Ducks Unlimited and board member for Center Crime Stoppers. Mr. Koonce received a bachelor's degree from Stephen F. Austin University. In his spare time he enjoys hunting, fishing, skiing, travel and spending time with his grandson. He and his wife, Angela, are members of the First Baptist Church and reside in Center.



**Cliff Todd - Secretary Pro-Tem**  
Carthage, Texas

Mr. Todd currently works for C and J Energy Services in corporate sales. Previously he was the executive director of the Marshall Economic Development Corporation. He is a past member of the Austin and Carthage Rotary clubs and a past president of the Carthage Rotary Club. He retired after nearly 30 years with the Texas Department of Agriculture, serving in Austin and later with the TDA Rural Economic Division for the entire East Texas region. He is involved in overseeing the management of his family owned farm and ranch in Panola and Rusk Counties. He has served as a longtime adult and college Sunday school teacher for over 25 years. He currently serves as a deacon for Central Baptist Church. He enjoys being a pilot and spending time outdoors on weekends on their farm. His wife, Denise, is a retired kindergarten teacher. They have one daughter, Sara of Dallas. Mr. Todd received a bachelor's degree from Stephen F. Austin State University.



**Stanley N. "Stan" Mathews**  
Pinehurst, Texas

Mr. Mathews owns and operates Mathews Jewelers, Inc., established in Orange, Texas in 1984 and expanded to Beaumont in 2002. Born and raised in Orange as the son of J. L. and Laverne Mathews, he is very active in his community. He has served as Board Member, VP of Economic Development and Life Ambassador for the Greater Orange Area Chamber of Commerce. Mr. Mathews was named 1997 "Small Business Person of the Year." He previously served as a school board member of Little Cypress Mauriceville ISD and as an advisory board member for Memorial Hermann

# BOARD OF DIRECTORS

Baptist Orange Hospital. He is a member of the Texas Jewelers Association, a member of the Beaumont Chamber of Commerce, a member of the Lamar University Cardinal Club Board of Directors and a 22 year member of the Orange Rotary Club. In his leisure time, he enjoys golf, fishing and travel. Stan and his wife, Linda, have two children and four grandchildren and reside in Pinehurst, Texas.



**Connie Wade**  
Longview, Texas

Ms. Wade moved from the Texas panhandle to the piney woods of East Texas in the summer of 1978 and fell in love with its natural beauty, history and its people. Since moving to East Texas, Ms. Wade has volunteered on behalf of local, state-wide and national candidates and served the Gregg County GOP Party as

its secretary, vice-chairman and as an election judge. At the 1992 State GOP Convention, she chaired the sub-committee on education for the platform committee and in 1996, was elected as an alternate to the GOP National Convention in San Diego. She served on the Governor's Commission for Women from 1995-1996. She has also worked at the Texas Department of Agriculture as a scheduler for Commissioner Susan Combs. Having won a contested primary race in March 2004 for Gregg County Clerk, Ms. Wade was sworn into that elected post in January 2005. Ms. Wade holds credentials as a Certified Investment Officer under the Texas Public Funds Investment Act and is a member of the County and District Clerks Association of Texas. She resides in Longview with her husband, Jerry Gipson. Their son, Shannon, resides in Spring, Texas along with his wife and children.



**Connie Ware**  
Marshall, Texas

Ms. Ware currently serves as the President and CEO of the Greater Marshall Chamber of Commerce. Ms. Ware was appointed to serve as Chairman of the Texas Commission on the Arts by Governor Bush in 1995. She served as chairman until 2000. In 2011, Ms. Ware was appointed to the Stephen F. Austin State University Board of

Regents by Governor Rick Perry. Ms. Ware was a founding board member on the Texans for the Arts advocacy group and the Marshall Regional Arts Council. She also served on various statewide and national arts boards. She received the "1988 Outstanding Citizen" award from the Marshall Chamber of Commerce. Ms. Ware has chaired numerous political committees and has served as a delegate to the Texas Republican Convention since 1990 and as an alternate to the National Republican Convention in 1992 and 2000. She was Harrison County Republican Chairman from 1999-1996. Ms. Ware resides in Marshall.



**J. D. Jacobs, Jr.**  
Rockwall, Texas

Mr. Jacobs is the former President and CEO of Jacobs Transportation, Inc. He resides in Rockwall County where he farms 4000 acres of cotton, corn, milo and wheat and runs a 100-225 head cow/calf operation. Mr. Jacobs is a current member of the Farm Service Agency County Committee, the Rockwall County Extension Service Advisory Board and serves as VP for the Rockwall County Farm Bureau Insurance Board. He formerly served on the Rockwall Housing Development Corporation Board. He received the "2001 Agricultural Excellence Award" from the Texas Department of Agriculture. Mr. Jacobs and his wife, Ollie Marian, have three children and three grandchildren and are members of the Lake Pointe Baptist Church of Rockwall.



**Cary "Mac" Abney**  
Marshall, Texas

Mr. Abney is a certified public accountant and president of Abney, Simmons and Co. PLLC. He is a member of the American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants, and Texas Forestry Association, and a board member of the Marshall Harrison County Joint Airport Zoning Board. Mr. Abney is also past president of the Harrison County Housing Finance Corporation and Harrison County Airport Advisory Committee, secretary and treasurer of the Harrison County EMS (Dist #2), and secretary of the Fern Lake Club. He received a bachelor's degree from Southern Methodist University and is a graduate of the College of Financial Planning. Mr. Abney and his wife Claudia have two children and five grandchildren and reside in Marshall.

*The Sabine River Authority of Texas is governed by a nine-member Board of Directors.*

*Each board member serves a six-year term. The Governor of Texas appoints three board members every two years.*

*Directors are required to reside within a county situated wholly or partially within the watershed of the Sabine River.*

*The members of the Sabine River Authority Board of Directors are leaders in their communities. They are dedicated citizens who are active participants in the water issues being addressed by the Sabine River Authority of Texas.*

# OFFICERS



*Standing from left: David Koonce, Cliff Todd,  
Earl Williams, Seated: Don Covington*

## Sabine River Authority

### Board Officers 2011

*President*  
**Don Covington**

*Vice President*  
**Earl Williams**

*Secretary/Treasurer*  
**David Koonce**

*Secretary Pro-Tem*  
**Cliff Todd**



### 2011 Board of Directors Board Meeting Orange, Texas

*Standing left to right:*  
Mac Abney, David Koonce,  
J. D. Jacobs, Cliff Todd and  
Stan Mathews

*Seated left to right:*  
Don Covington, Connie Ware,  
Connie Wade and Earl Williams

# EXECUTIVE STAFF



**Danny "Butch" Choate**  
*Operations Manager*

**Bill Hughes, P. E.**  
*Director of Engineering*

**Jack Tatum**  
*Water Resources Manager*

**David Montagne**  
*Assistant General Manager*

**Gerard Sala**  
*Water Resources Coordinator*

**Debra Stagner**  
*Authority General Office Manager and Controller*

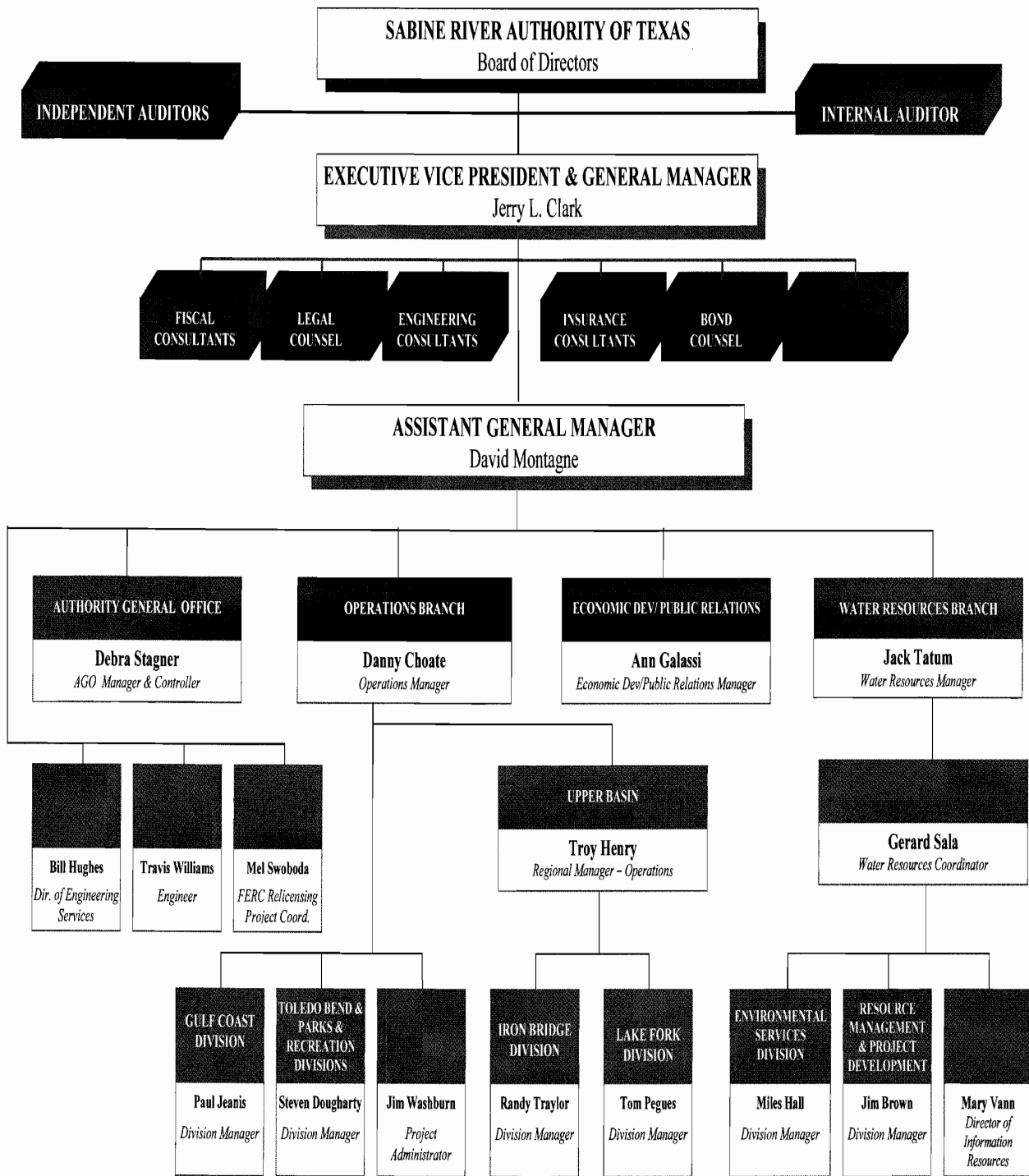
**Jerry Clark**  
*Executive Vice President and General Manager*

**Ann Galassi**  
*Economic Development & Public Relations Manager*



*For more than 60 years, the Board of Directors and Staff of the Sabine River Authority have taken the lead in managing the resources of the Sabine River Basin to meet the long-term water supply needs of the Basin and protect the value of the resource. As the demand for water grows due to increasing population in the State of Texas, SRA will have to balance and prioritize the use of the water resources in accordance with State Laws.*

# Management Staff



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sabine River Authority  
of Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Egan*

Executive Director



# SABINE RIVER AUTHORITY MANAGING EAST TEXAS WATER

AS A POLITICAL SUBDIVISION created by the State Legislature, the Sabine River Authority of Texas (SRA) has the responsibility to manage the long-term water supply needs of the Basin. SRA plays a major part in state and regional water planning issues. Taking the lead in managing the Basin's water resources is part of SRA's overall plan to ensure that water rights are maintained in the Basin and the value of the resource is protected.

Jerry Clark became Executive Vice President and General Manager of SRA in June of 1999 and is responsible for the overall operations of the Authority. He executes the policy and program directives of the Board of Directors, oversees the budget, and serves as the liaison between the agency and the legislature as well as other governmental agencies. He represents the interest of Texas as Project Supervisor for Toledo Bend Project Joint Operation, serving as a member of the Technical and Operating Boards. Prior to his work with SRA, he was a Governmental Affairs liaison for Dairy, Farm Credit Bank and Texas Ag Cooperative Council; was an agri-business operator and served eleven years in the Texas House of Representatives.

Mr. Clark currently serves as a board member of the Texas Water Conservation Association (TWCA), a state-wide organization of water, wastewater and related entities. TWCA works to educate and inform members, the public and governmental agencies and leaders at all levels regarding water industry issues. He also serves as a board member of the National Water Resources Association (NWRA), a nonprofit federation of state organizations who work to balance the needs of people and the environment.

Mr. Clark serves as an executive committee member for Region I, one of the Regional Water Planning Groups (RWPG) developed from Texas Senate Bill 1 as a "bottom up" water planning process designed to ensure that the water needs of all Texans are met as Texas enters the 21st century. Each RWPG throughout the state prepares regional water plans for their respective areas. These plans will map out how to conserve water supplies, meet future water supply needs and respond to future droughts in the planning areas.

SRA has continued to actively participate in efforts to establish freshwater inflow and instream flow

targets for the Sabine-Neches Estuary and the Sabine River while balancing man's need for these resources. Mr. Clark served on the 2006 Environmental Flows Advisory Committee for the State of Texas as an appointee of Governor Rick Perry. The committee examined issues relating to protection of instream flows and freshwater inflows for the state's rivers, lakes, bays and estuaries. In 2009, he was elected chair of the Sabine and Neches Rivers and Sabine Lake Bay, Basin and Bay Stakeholder Committee (BBASC) established by Texas Senate Bill 3.

David Montagne, Assistant General Manager of SRA, has worked for the Authority since 1986. He supervises over 100 employees and is responsible for operations, finance, engineering, planning and environmental services. He reports directly to the General Manager to assist in executing the policy and program directives of the Board of Directors. Prior to his position as Assistant Manager, he held the position of SRA Controller.

Active in statewide water resource planning efforts, David Montagne was appointed to the Texas Water Conservation Association's (TWCA) Reuse Water Committee. He is also a board member of the TWCA Risk Management Fund Board of Trustees. From 2004 until 2009, Mr. Montagne served as a Texas Ethics Commissioner. In 2009, he was appointed for a six year term to the Texas State University System Board of Regents by Governor Rick Perry. 



SRA Board of Directors Meeting - Orange, Texas

# SABINE RIVER AUTHORITY

## SPECIAL CONSULTANTS

The following are retained by the Authority to assist in their special capacities:

### ATTORNEYS

Jim Graves (Mehaffy & Weber)  
 Charlie Goehringer (Germer-Gertz)  
 Mike Booth (Booth, Ahrens & Werkenthin)

### INDEPENDENT AUDITORS

Pattillo, Brown & Hill, LLP

### INTERNAL AUDITOR

James P. Jansen (Jansen & Gregorczyk)

### INSURANCE CONSULTANTS

TWCA Risk Management Fund

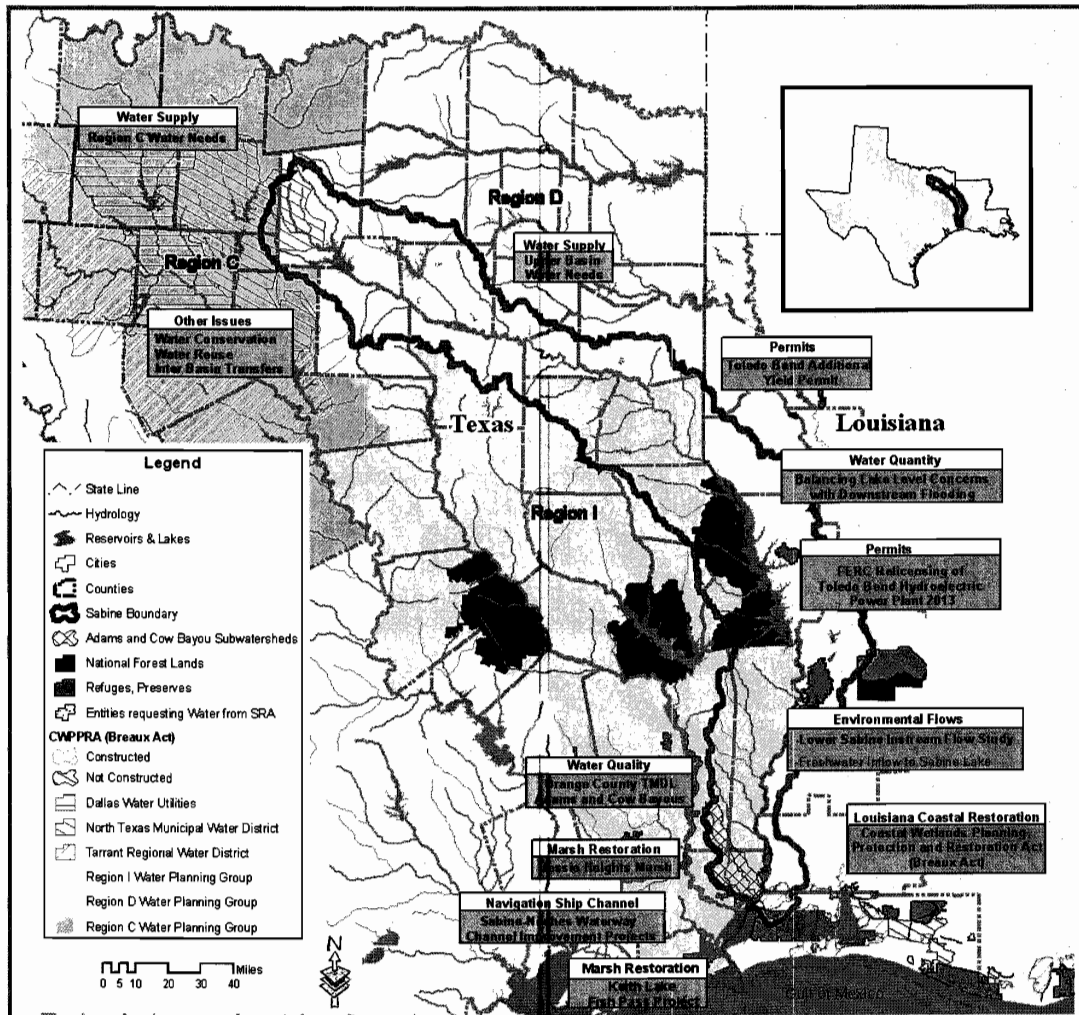
### BOND CONSULTANTS

Financial Advisor – First Southwest Co., Inc.  
 Bond Counsel - McCall, Parkhurst & Horton

### ENGINEERING

Freese & Nichols, Inc.  
 AECOM  
 HDR  
 Schaumburg & Polk, Inc.  
 Alan Plummer Associates, Inc.  
 Klotz Associates  
 Carroll & Blackman, Inc.

## SABINE RIVER BASIN PLANNING ISSUES



# SABINE RIVER AUTHORITY AUTHORITY GENERAL OFFICE

THE AUTHORITY GENERAL OFFICE (AGO) is located in the southeast corner of the state in Orange County near the city of Orange, Texas, approximately eight miles north of Interstate 10 on State Highway 87.

All official activities of the Sabine River Authority (SRA) are arranged and coordinated through this office by the General Manager and his Executive Staff. Scheduling of meetings for the Board of Directors and management as well as posting public notices and agendas, disseminating public information and preparation of press releases are handled through the AGO. The General Manager and Executive Staff also consult with attorneys representing SRA concerning contracts and other legal issues and work with the financial advisors and bond counsel concerning bond issues.

## **Accounting / Records**

The Accounting Department is located in the Authority General Office and is responsible for all vital accounting functions for the entire Authority. Debra Stagner, AGO Manager and Controller, has been with SRA since 2000 and is responsible for management and oversight of the financial and human resource aspects of SRA. She is a member of the national and state Government Finance Officers Association and the Southeast Texas Human Resources Association as well as TWCA and NWRA. The Accounting Department staff processes accounts receivable, accounts payable and generates financial statements on a monthly basis. In addition, the Accounting Department staff is responsible for all payroll functions, including preparation of State and Federal reports, and maintaining personnel files for all employees. Working closely with

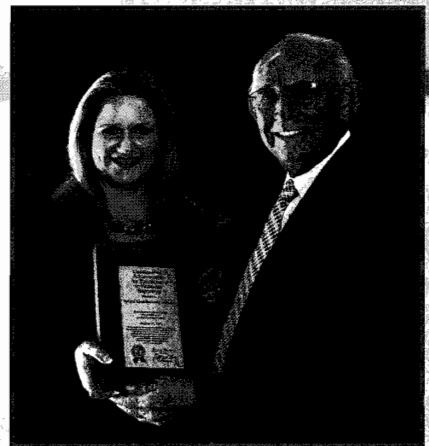
the Division Managers, a budget of revenues and expenses is prepared for each fiscal year and is presented to the Board of Directors for approval. Revenues and expenses are then monitored on a monthly basis to ensure SRA is operating within the budget and to ensure that approvals for budget amendments are obtained from the Board as needed. Investment of SRA's funds is a very important function of the Accounting Department. The Controller ensures all investments are made in accordance with the Public Funds Investments Act, Chapter 2256 of the Government Code, and the Board adopted Flow of Funds Resolution and Investment Policy. Investment reports detailing the investment transactions are prepared quarterly and submitted to the Board of Directors as required in the Public Funds Investment Act. In addition, accounts are monitored daily to ensure all funds are properly collateralized by the financial institutions. In accordance with Texas Commission on Environmental Quality (TCEQ) rules, SRA contracts with a Certified Public Accounting firm to employ an internal auditor who reports directly to the Board of Directors. The role of the internal auditor is to verify that the internal controls SRA has in place are more than adequate to protect the assets of SRA. Additionally, SRA contracts with a separate Certified Public Accounting firm as an independent auditor for the purpose of forming an opinion on whether the financial statements present fairly the results of the operations of SRA. The Accounting Department staff is instrumental in working with the internal and independent auditors to assist in their objectives.

All purchases of vehicles and heavy equipment are coordinated through the AGO. Bid proposals are

obtained for major purchases to ensure SRA is receiving the most competitive price on these purchases. The Accounting Department maintains records for all SRA assets and conducts an annual inventory to verify the existence and the condition of the assets.

SRA is concerned with safety issues and provides training to all of the divisions. The safety program includes training in areas such as safety in the workplace, a defensive driving course, a boating safety course, and the Red Cross first aid and cardiopulmonary resuscitation (CPR) training.

Procurement of health, life, property, and liability insurance coverage for SRA is also managed through the AGO. SRA manages a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of SRA's employees and their covered dependents, and to minimize the total cost of the medical insurance. SRA obtains property and liability insurance coverage from Texas Water Conservation Association (TWCA) Risk Management Fund and other carriers. □



**SRA Board President Don Covington receives the GFOA Award for Excellence in Financial Reporting from SRA Controller Debra Stagner**

# AUTHORITY GENERAL OFFICE

## **Economic Development & Public Relations**

The Economic Development & Public Relations (ED/PR) program was established in FY 2001 as part of an initiative to enhance the economic vitality of the Sabine River Basin (Basin) and to increase the awareness of the resource. Ann Galassi, CEcD, Manager of Economic Development and Public Relations, has been with the Authority since 2001 and administers the ED/PR program. Ms. Galassi earned the professional economic development certification in 2003. She is a member of the national and state economic development councils as well as several local boards.

The Basin, made up of all or part of 21 counties, covers a large portion of east Texas and has a population of approximately 550,000 (U.S. 2010 Census). A large portion of the Basin is rural in nature. Economic development programs vary throughout the Basin based on community needs and attributes. SRA is committed to work in tandem with organizations, counties and communities throughout the Basin to complement their existing economic development efforts. ED/PR focuses on four areas to accomplish this task:

**1) Public Outreach and Communication**

Increase awareness and appreciation of SRA waterways

**2) Community Assistance Program**

Promote the improvement of the quality and quantity of services essential for the development of a viable community

**3) Technical Services Assistance**

Build resources and provide a catalyst for regional strategic planning

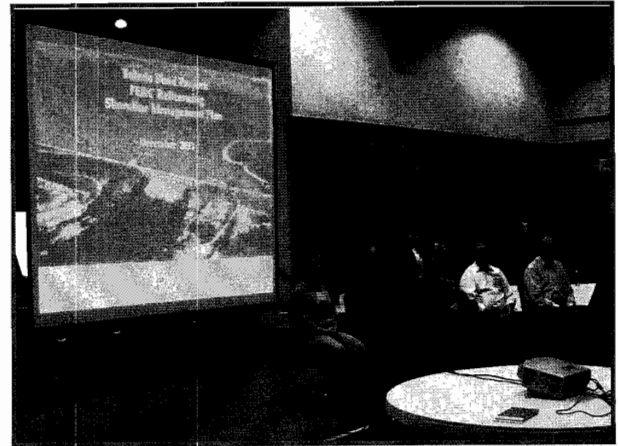
**4) Economic Growth**

Market the Basin to targeted business sectors and prospects

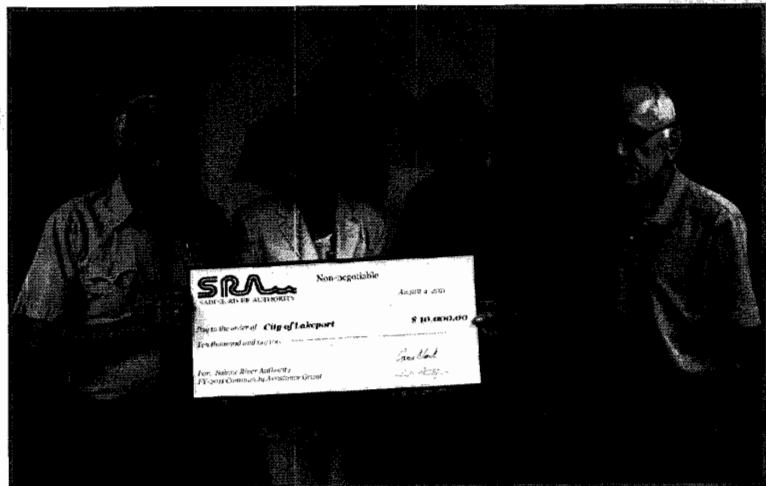
The Community Assistance Program, established in FY 2002, continued to be a major emphasis of activity for ED/PR. The program provides funds through a competitive grant process for water resource projects which are consistent with the statutory mission of SRA. These projects must fall within one of four categories: 1) water supply, 2) wastewater management, 3) water conservation and 4) water quality. Grant packages are reviewed quarterly and are limited to \$10,000 per project. The program assisted fifteen (15) applicants within the Basin for FY 2011. To date, one hundred twenty-eight grants have been awarded to community, water districts and water supply corporations throughout the Basin as part of this program.

Other ED/PR activities included preparing information for the public

(brochures, fact sheets, newsletters, press releases); researching information on water and economic development issues throughout the State; coordinating public involvement activities for SRA; facilitating strategic planning meetings; working with local, regional and state organizations to formulate economic development strategies; disseminating ED prospect leads and promoting nature tourism in the Basin.



**Public Meeting for Toledo Bend Project Shoreline Management Plan as part of the FERC Relicensing Process**



**Grant Presentation - City of Lakeport**

**From left: City Alderman Tom Carter, SRA Board Member Connie Wade, SRA Economic Development Manager Ann Galassi and City Alderman Del Knox**

# ENGINEERING SERVICES

SINCE 2003, Bill Hughes, P.E., Director of Engineering Services has provided engineering technical support services for operations, water planning and environmental issues affecting the Sabine River Basin. Mr. Hughes also serves as the authority's Emergency Management Coordinator through representation on the Orange County Local Emergency Planning Committee. In the fall of 2010, SRA hired Travis Williams, P.E. to provide additional technical support for the Operations Branch and Water Resources Branch as well as for municipal and industrial water and wastewater interests.


During the past year the engineering services technical team worked diligently to complete the transfer and sale of the C.C. Rice Water Treatment facility to the City of Hemphill. This effort resulted in the City of Hemphill achieving their desired goal of ownership of the facility and the SRA assisting them

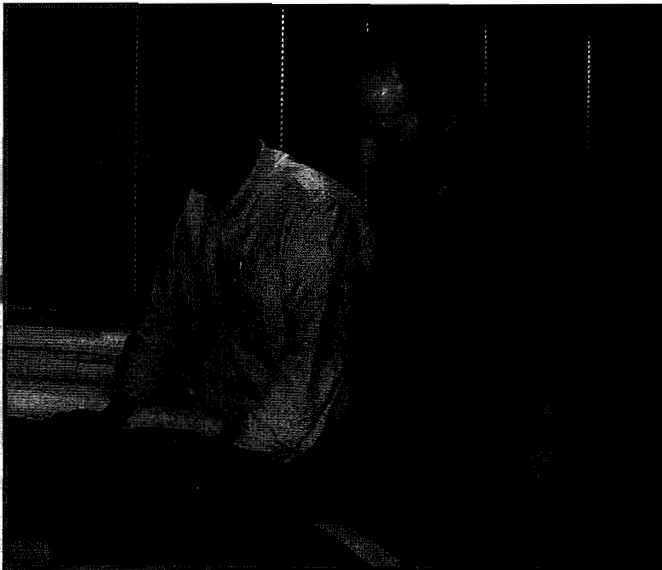
with planning for future water needs in the region. Another engineering services project involved the major repair of the soil cement on the Toledo Bend dam. This project involved temporarily drawing down the lake in September 2010 to implement these repairs to avoid potentially serious infrastructure failure problems. Additional projects included the replacement of the GCD Auxiliary Pump; IBD Wet Well Rehabilitation Project; LFD Tainter Gate Controls; Removal of the Elevated Water Storage Tank at Windpoint Park; new metal siding for the TBPJO maintenance shop building; and installed permanent underground piping for the GCD PTO pumps.

Continued assistance was provided to the Toledo Bend Project Joint Operations (TBPJO) in the work with Newton County on the Hazard Mitigation Grant Program for purchasing flood prone properties below Toledo Bend on the Sabine

River. This successful project has now completed Phase 2 and has purchased approximately 68 properties in flood prone regions of Newton County. TBPJO will have the opportunity to continue to assist Newton County with future phases to purchase as many as 160 properties if they are approved by FEMA. Engineering Services continues to assist with the effort to obtain the new FERC license for Toledo Bend Project. The process involves numerous meetings and activities designed to submit a plan to FERC for operations and maintenance of the dam and hydro facilities. Technical assistance was also provided on continued inspections of the soil cement on the Toledo Bend dam.

Throughout the fiscal year, Engineering Services assists all divisions with their commercial On-Site Sewer Facilities programs, municipal water and wastewater planning in the Sabine basin and proposed commercial development projects on SRA reservoirs. The GCD canal system and pumping facilities are being evaluated by our technical engineering team for future improvements and modernizations that will enhance SRA's canal and pumping plant operations.

Additionally, Engineering Services is working on an Orange County Levee Study team for protection from storm surges during hurricanes, and participation on an Orange County committee to award OSSF grants to replace failing septic systems. Other activities included participation in the Instream Flow Study work, GCD modernization planning, annual facility inspections, overall risk assessment, liability management, dam safety and dam security. 



*Bill Hughes, P.E. and Travis Williams, P.E. review the Toledo Bend Shoreline Management Plan*

# BENEFICIAL USES OF WATER

**SURFACE WATER BELONGS TO THE STATE OF TEXAS.** Surface water is defined as the ordinary flow and tides of every flowing river, natural stream and lake. Use of the State's surface water is appropriated by water rights permits issued through the Texas Commission on Environmental Quality (TCEQ) based on beneficial usage. State legislators created special districts, such as the Sabine River Authority of Texas (SRA), to develop and manage surface water supplies for the best beneficial use for the State of Texas.

Reservoirs in Texas were primarily built for storage of surface water. Three major water supply reservoirs were constructed in the Sabine River Basin by SRA to provide water for municipal, industrial, mining and agricultural users. Water is also supplied for hydroelectric generation at Toledo Bend Reservoir. SRA also owns and operates a pump station and canal system that provides a reliable and economical source of water to industrial and municipal users in Orange County. SRA receives no State appropriations

and does not levy taxes for operating these facilities. Operating funds are primarily derived from the sale of raw water, hydroelectric power, water quality services and recreational and land use permit fees.

Another beneficial use of water identified in the Texas Water Code 11.023 is water used for recreation and pleasure, which is a secondary benefit of water supply reservoirs. In a normal rainfall year, there is more than enough water to handle water supply needs and generate hydropower while providing recreational opportunities on the reservoirs. Increasing water supply demands due to growing populations and drought conditions complicate matters and create a situation where there is a stronger competition for water to meet all the needs. As a political subdivision of the State, SRA is charged with managing the resources of the Sabine River Basin according to the priority of beneficial uses of water in the Texas Water Code 11.023. ☐

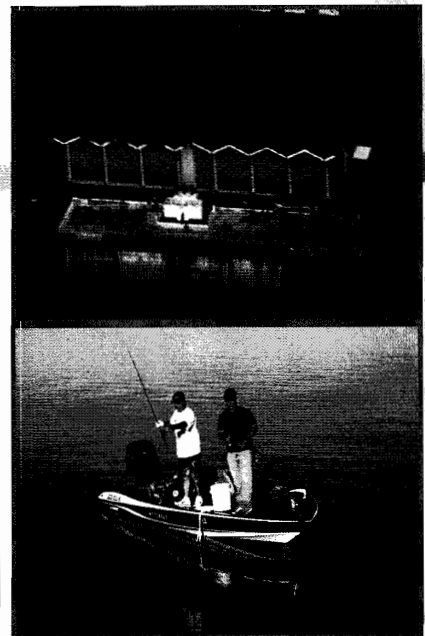
## BENEFICIAL USE OF STATE WATER

### TEXAS WATER CODE 11.023 (IN ORDER OF PRIORITY)

1. DOMESTIC / MUNICIPAL USE
2. INDUSTRIAL
3. IRRIGATION
4. MINING / RECOVERY OF MINERALS
5. HYDROELECTRIC POWER
6. NAVIGATION
7. RECREATION AND PLEASURE
8. STOCK RAISING
9. PUBLIC PARKS
10. GAME PRESERVES
11. ANY OTHER BENEFICIAL USE



*Beneficial Uses of Water in the Sabine River Basin*



# SABINE RIVER AUTHORITY

## WATER RESOURCES BRANCH

The Water Resources Branch (WRB) directs water resource planning and development, water resource protection, environmental service support, and information resources management efforts that enable SRA to fulfill its mission to control, store, preserve and distribute the waters of the Sabine River and its tributary system for useful purposes. WRB coordinates future planning efforts to assure dependable supplies of good quality surface water are available to meet the increasing demands for municipal, industrial, mining, agricultural and recreational uses, which support a growing economy in the Sabine River Basin.

Jack Tatum, Water Resources Manager since 2001, has been with the Authority since 1971 working previously as Aquatic Biologist, Technical Services Manager, and Development Coordinator. During FY 2009 through FY 2011, Mr. Tatum chaired the Sabine and Neches Rivers and Sabine Lake Bay, Basin and Bay Expert Science Team (BBEST) established by Texas Senate Bill 3 (SB 3). In FY 2011, the BBEST assisted the Sabine and Neches Rivers and Sabine Lake Bay Basin and Bay Stakeholder Committee (BBASC) with the preparation of a Work Plan that was submitted to the Texas Environmental Flows Advisory Group and the Texas Commission on Environmental Quality (TCEQ) on December 6, 2010. The Work Plan is a vehicle for facilitating the adaptive management of SB 3 environmental flow analyses, environmental flow recommendations, and environmental flow standards and strategies to achieve these standards. In large part due to the work of the BBEST and the

BBASC, the TCEQ Commissioners, on April 20, 2011, adopted environmental flow standards for the Sabine and Neches River Basins. On August 8, 2011, the BBASC submitted a Work Plan addendum that provides additional detail and specificity needed for the Work Plan to better serve as a useful framework for detailed planning and development of future monitoring studies and projects.

Gerard Sala, Water Resources Branch Coordinator, is an added valuable resource for managing water resource issues for SRA. Mr. Sala, who has been with SRA since 1975, is responsible for coordinating water resource management and project development, information resources and water quality assurance. He also facilitates water supply contract administration and coordinates regional wastewater studies in the Basin.

In FY 2011, TCEQ approved an amendment to SRA's Toledo Bend water right (Amendment D) which extended the boundary for 10,000 acre-feet of Toledo Bend's water right as far north as the Rusk-Panola county line. SRA submitted the application for the amendment to TCEQ in early 2010.

The 2011 historic drought in Texas introduced new challenges for all water suppliers. SRA's Water Conservation and Drought Contingency Plan (WCDCP), developed in 2009, was implemented for the first time in late FY 2011. The WRB closely



*Benthic Macro-Invertebrate Sampling for FERC Relicensing study*

monitored the water supply status in Lake Fork and Lake Tawakoni using a Water Supply Accounting Model developed in conjunction with the WCDCP. As of the close of FY 2011, the Upper Basin Reservoirs (Tawakoni and Fork) had not yet reached the initial drought stage, but were projected to reach Stage 1 in early FY 2012. Toledo Bend Reservoir reached drought Stage 1 in late FY 2011.

In FY 2011, the WRB was heavily involved in the Toledo Bend Project Joint Operation (TBPJO) Federal Energy Regulatory Commission (FERC) Relicensing project in a variety of areas including field support, Geographic Information Systems, information technology, quality assurance, and resource group participation and guidance. The WRB will continue its Relicensing involvement through the issuance of the new license in 2013.

Other WRB activities in FY 2011 included review of the draft 2009 Texas Water Development Board Volumetric and Sedimentation Surveys of Lake Fork and Lake Tawakoni, participation in a

# WATER RESOURCES BRANCH

statewide zebra mussel public information endeavor spearheaded by Texas Parks and Wildlife Department (TPWD), renewal of nuisance aquatic plant treatment agreements with TPWD, and development of a new short term water supply contract which allows SRA to be more flexible and respond more quickly to meet temporary or short term water needs in the Sabine River Basin.

**Jim Brown**  
RMPD  
Division  
Manager



## **Resource Management and Project Development Division**

The Resource Management and Project Development Division (RMPD) provides technical and other services including geographic information systems (GIS) mapping and analysis, data analysis and reporting as well as field biology expertise, project management, report writing, and content maintenance of the SRA Web site ([www.sratx.org](http://www.sratx.org)).

In 2011 RMPD provided support for numerous activities including the Senate Bill 3 environmental flows process and the Toledo Bend Project Federal Energy Regulatory Commission (FERC) Relicensing. For SB 3, RMPD and other SRA staff assisted Sabine-Neches BBEST chair Jack W. Tatum and Sabine-Neches BBASC Chairman Jerry L. Clark with support work for preparation of reports to TCEQ and the Environmental Flows Advisory Group. RMPD supported the Toledo Bend Project FERC Relicensing effort through its experience with field data collection, GIS services, aquatic meter deployment and retrieval, data analysis

and reporting for the Initial Studies Report (ISR), and GIS services for the Project Boundary delineation. RMPD also assisted with ground-truthing of bald eagle nests within the Project Boundary, an aerial shoreline erosion survey, field data collection of river bed slope/ transect measurements for calibration of a downstream hydraulic model, coffer dam and dissolved oxygen field survey, mapping and analysis, and review of the Draft License Application.

The RMPD also provides support to other SRA teams through GIS services, emergency preparedness, technical writing, data analysis, and expertise in nuisance aquatic plant control.

## **Mary Vann**

Director  
Information  
Resources



## **Information Resources**

The Information Resources (IR) provides information technology and information management services in the form of computer systems technology support, computer network and communications infrastructure support, electronic information management and tracking, and assistance with legal and licensed use of software.

In FY-2011, after a thorough investigation of bandwidth usage and available options for increasing bandwidth, the Authority General Office (AGO) upgraded its Internet access by adding two additional broadband circuits and switching to a new Internet Service Provider (ISP). This upgrade triples AGO's Internet bandwidth and is the first bandwidth increase since 1995 when AGO first obtained broadband Internet service. The new ISP offers fully managed Internet service, which provides "turn-key" troubleshooting of

Internet problems, maintenance, and repair with a phone call or email to a single point of contact, expediting repairs and saving staff time. Through a service agreement with Texas Department of Information Resources, SRA receives the best price available in Texas to an Agency of its size for the circuits and the ISP. Environmental Services (ESD), Gulf Coast (GCD), and Toledo Bend (TBD) Divisions receive Internet service through AGO's systems.

New major computer technology systems purchased in FY-2011 include a new server configured to provide Domain Name Service (DNS) at AGO, a new file server at ESD, and a new weather computer at GCD. The new DNS server will replace two older DNS servers with new hardware and a new operating system. DNS, a required component of Internet and local area network systems, provides translation between a human readable name for a computer or Internet location and the systems' machine identification. The new ESD file server replaces an older, failing server and will host ESD's Laboratory Information Management System. The new weather computer at GCD, which receives weather data over a satellite link, replaces an older, failed system.

General IR activities in FY-2011 included providing technical support for Toledo Bend FERC Relicensing activities and meetings, computer recommendations and purchases for SRA divisions, upgrades and renewals of a variety of software and operating systems, and routine "help-desk" support. ☐

**SRA Web Site**  
[www.sratx.org](http://www.sratx.org)



# WATER RESOURCES BRANCH: ENVIRONMENTAL SERVICES DIVISION

THE ENVIRONMENTAL SERVICES DIVISION (ESD) of the Water Resources Branch (WRB) supports the Sabine River Authority (SRA) in the areas of field and laboratory water quality monitoring and analysis. Field Services is composed of Upper and Lower Basin Field Offices that conduct water quality monitoring and investigate water quality complaints. Laboratory Services, consisting of metals, water chemistry, and bacteriological laboratories, provides water quality analyses for the SRA as well as for public, governmental, and private entities.

In addition to its routine services, ESD provides support for various other SRA endeavors involving Texas Senate Bill 2 (Texas Instream Flow Program) and Senate Bill 3 (Environmental Flows) activities and the Toledo Bend Project Joint Operation Federal Energy Regulatory Commission relicense effort.

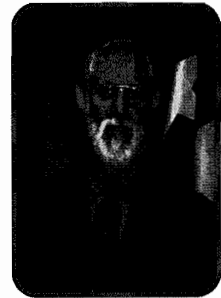
Water quality protection responsibilities require ESD staff to be on call 24-hrs a day to investigate any activities that may threaten surface waters in the Basin. ESD staff investigated 23 spills, kills, or complaints including 12 oil spills, 2 fish kills, 1 citizen complaint, and 8 miscellaneous investigations from September 1, 2010 through August 31, 2011. Most of these were performed cooperatively with municipal, state, federal, or local agencies including the Texas Parks and Wildlife Department, the Texas Commission on Environmental Quality (TCEQ), the Railroad Commission, and the U.S. Environmental Protection Agency (USEPA).

The ESD Water Quality Laboratory has been accredited under the National Environmental Laboratory Accreditation Conference

(NELAC) since May 5, 2008. This is a national program established in 1995 by the USEPA to establish mutually acceptable national standards for accrediting environmental testing laboratories. Texas law now requires NELAC accreditation for use in TCEQ

**Miles Hall**

*Environmental Services  
Division Manager*



tests are performed for quality control purposes to support the data generated by the laboratories and field offices. Quality assurance is



**River Flow Measurements**

decisions regarding any matter under TCEQ's jurisdiction relating to permits or other authorizations, compliance matters, enforcement actions, or corrective actions.

In FY-2011, the ESD performed a total of 68,040 water quality tests. These tests consisted of the following: 24,486 tests performed for Sabine River watershed monitoring programs, 8,081 tests were performed for 29 industrial clients and 8,851 tests for 41 municipal clients with 232 of the municipal tests being for 161 private individuals. A significant number of


critical for documenting that test results are producing sound scientific data. A total of 26,662 tests were performed for quality assurance requirements in FY-2011.

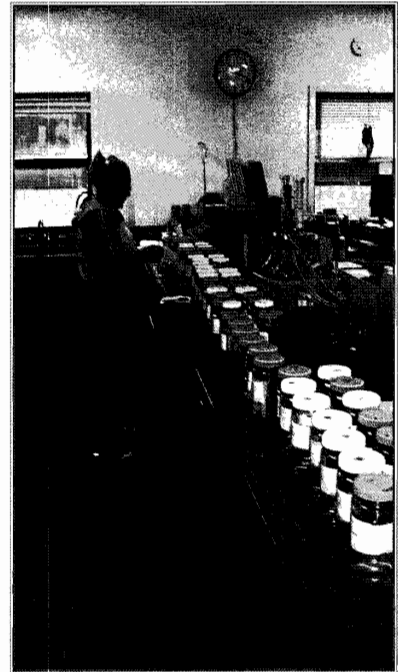
The ESD continues to address environmental issues in the Sabine Basin through the Texas Clean Rivers Program (TCRP) and routine canal system sampling in support of SRA's water supply contracts. The TCRP is a cooperative partnership between the TCEQ and other entities that promotes involvement by state and local entities along with the general public. This program began

in 1991 and has grown to become a major component in the state's water quality planning. Through the TCRP, the stakeholders of the Sabine Basin have the ability to provide valuable input to the regulatory authorities on water quality issues. The Sabine River Basin Highlights Report 2010, produced through the TCRP, provides a review of water quality conditions in the Basin. The report is available on the SRA website: [http://www.sratx.org/srwmp/tcrp/state\\_of\\_the\\_basin/summary\\_reports/default.asp](http://www.sratx.org/srwmp/tcrp/state_of_the_basin/summary_reports/default.asp).

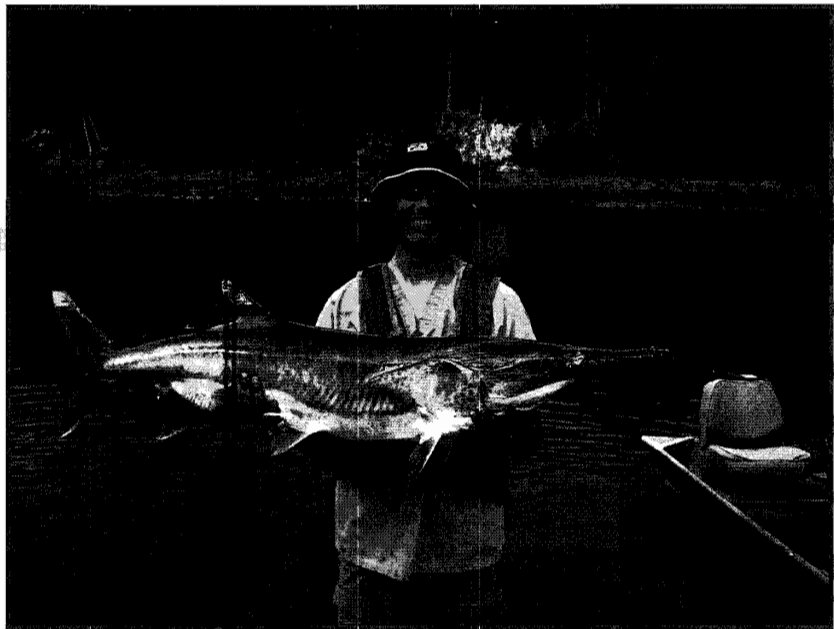
In FY-2011, 42 fixed sites were sampled using field and laboratory tests to ensure high quality water for all Sabine Basin stakeholders. A special study was initiated in FY-2011 to conduct additional sampling at three Sabine Basin sites to verify that ambient toxicity conditions do not exist at these sites. Although drought conditions prevented the full sampling schedule to be completed at two of the three sites, test results at all sites were negative for ambient toxicity.

The ESD continues to support the Orange County Total Maximum Daily Load project (OCTMDL) by facilitating the Stakeholder Advisory Group. The project was initiated by the TCEQ to determine the measures necessary to restore water quality in Adams and Cow Bayou. The goal of the OCTMDL is to determine the amount (load) of a pollutant that these water bodies can receive and still support their designated uses. This allowable load will then be allocated among all the potential sources of pollution within the watershed, and measures to reduce pollutant loads will be developed as necessary. The standards established by the TCEQ require that water quality in these bayous be suitable for contact recreation and support a healthy aquatic ecosystem as designated in

the Texas Surface Water Quality Standards. Presently the designated uses of these water bodies and the surrounding tributaries are not supported due to low dissolved oxygen levels and high concentrations of fecal coliform bacteria. Cow Bayou is also impaired due to low pH. The TMDL report has been approved by the USEPA. The implementation plan to reduce the loads and bring water quality into compliance with standards is now being developed by the Stakeholder Advisory Group. 

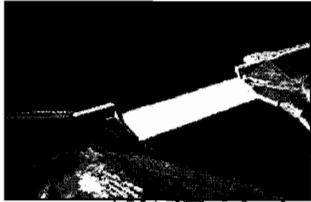


*Oil & Grease Analysis*

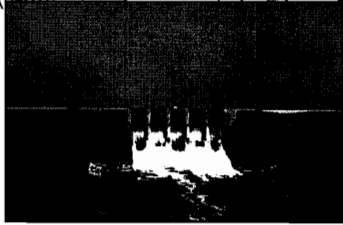


*Paddlefish from the Sabine River*

# OPERATIONS BRANCH OPERATING DIVISIONS



*Iron Bridge Dam & Reservoir - 1960 (Lake Tawakoni)*



*Lake Fork Dam & Reservoir (1985)*



*Willow Oak Recreation Area*

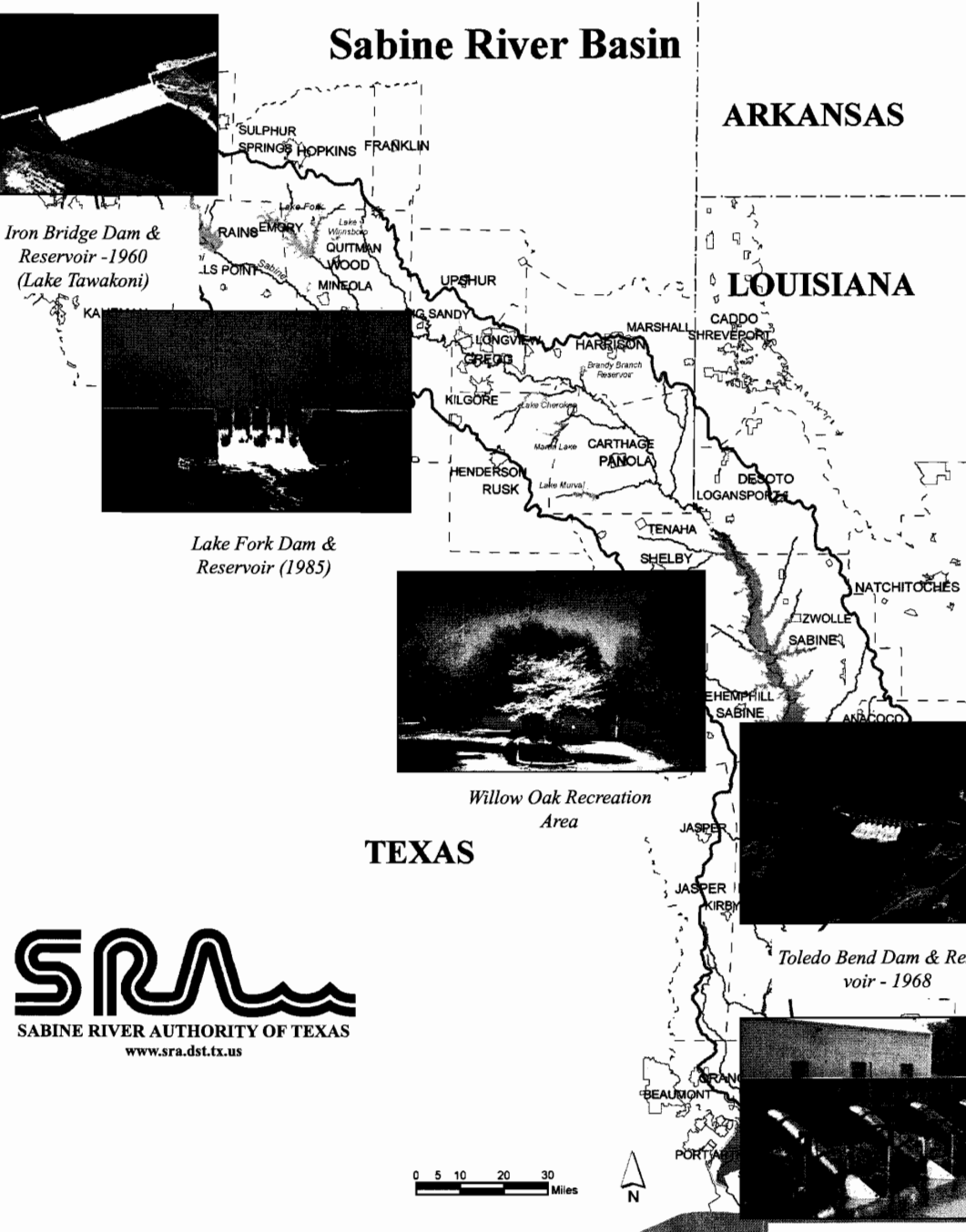


*Toledo Bend Dam & Reservoir - 1968*



*John Simmons Gulf Coast Canal System - 1954*

## Sabine River Basin



**SRA**  
SABINE RIVER AUTHORITY OF TEXAS  
[www.sra.dst.tx.us](http://www.sra.dst.tx.us)



# SABINE RIVER AUTHORITY OPERATIONS

**OPERATIONS OF THE SABINE RIVER AUTHORITY** began in the lower Sabine River Basin with the purchase of the pump station and canal system owned by the Orange County Water Company in 1954. SRA's canal system, operating first as the Orange County Canal Division and later as the Gulf Coast Division, consisted of a pumping plant on the lower Sabine River and more than 70 miles of gravity-flow canals throughout Orange County. The canal system originally provided raw water to industries, a municipality, rice farmers and crawfish producers in Orange County. Although current water use for rice farming and crawfish producers have greatly been reduced, the canal system continues today to provide a reliable and economical source of water to its industrial and municipal customers.

The next SRA operation facility was a water supply reservoir in the upper Sabine River Basin. The Iron Bridge Dam and Lake Tawakoni Reservoir, which lies partially in Hunt, Van Zandt and Rains Counties, was constructed in 1958 and completed in 1960. Construction of the dam and reservoir was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes.

Toledo Bend Reservoir was the next project undertaken by SRA. Plans to build Toledo Bend Dam and Reservoir proved feasible with an engineering study completed in 1958. The Toledo Bend Project was built for the purpose of water supply, hydroelectric power generation and recreation. The Toledo Bend Project is located in Louisiana and Texas on the Sabine River, which forms a portion of the boundary between the two states. Partnering with the

Sabine River Authority, State of Louisiana, SRA began construction of the dam, spillway and power plant in April of 1964. Construction was completed in 1968.


The fourth operation facility and third water supply reservoir built by SRA was the Lake Fork Dam and Reservoir located in the upper Sabine River Basin in Wood, Rains and Hopkins Counties. The reservoir, funded through water supply agreements, was built for industrial and municipal uses with the City of Dallas currently as the project's largest customer. Construction of the dam and reservoir began in 1975 and was completed in 1980.

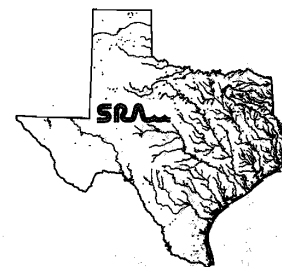
Management of the four operational facilities is headed by Danny "Butch" Choate, SRA Operations Manager. Mr. Choate, with the Authority for 19 years, has extensive operational experience that provides an excellent resource for operational activities at SRA. As Operations Manager, he is responsible for the operation, maintenance and safety of all operational facilities of SRA. Before coming to SRA, he previously served as Sabine River Compact Commissioner. During his tenure with SRA, Mr. Choate has been affiliated with the Texas Water Conservation Association, the Association of Dam Safety Officials and the National Water Resources Association. He has also been active in many community associations in Orange, Rains and Wood County. He currently serves on the Engineering Committee of the Sabine River Compact and is a Technical Board Member of the Toledo Bend Project Joint Operation.

**Troy Henry**  
*Upper Basin  
Regional  
Manager*



To assist in Operations, Troy Henry serves as the Upper Basin Regional Manager. Mr. Henry is responsible for the operation, maintenance and safety of the facilities at the Iron Bridge and Lake Fork Divisions. He also oversees the permitting of Authority owned lands around each of SRA's reservoirs for commercial activities, such as marinas, golf courses and RV Parks.

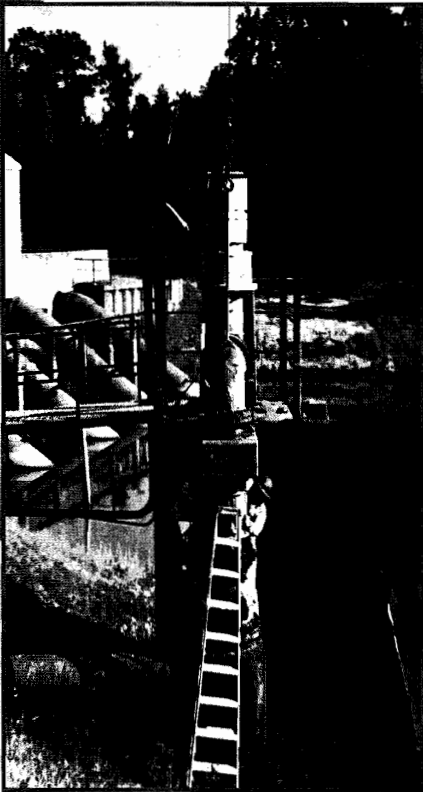
Mr. Henry has been with the Authority for over 20 years and has worked in Environmental Services and Operations. He is a registered Professional Sanitarian and active in the Texas Environmental Health Association. Mr. Henry serves on the Northeast Texas Regional Water Planning Group (Region D) where he represents the River Authority interest group. 



# GULF COAST DIVISION

## THE GULF COAST DIVISION

(GCD) canal system supplies fresh water from the Sabine River for industrial, municipal, and agricultural use throughout Orange County. In FY 2011 a total of 48,125 acre-feet of water was delivered to customers from the GCD canal system. The GCD office complex consists of an administration office, pumping plant, and maintenance facility and is located eight miles north of Orange near the Sabine River that forms the state line boundary between Texas and Louisiana.



**Crew Removing Auxiliary Pump Discharge**

The pumping facilities consist of four horizontal centrifugal pumps with 400-hp electric motors capable of pumping 60,000 gpm each and one auxiliary pump with a capacity of 12,000 gpm. The pumping facilities lift fresh water 22 feet from an intake canal into a gravity flow canal system. The canal system conveys flows through 75 miles of main canal and laterals from the east side of Orange County to the west.

In FY 2011, the GCD accomplished multiple infrastructure improvements and repairs. A portion of the auxiliary pump 24-inch discharge piping was removed and is waiting to be re-installed in FY 2012 when a new auxiliary pump is installed. While replacing the discharge piping the auxiliary pump was removed from service for maintenance and inspection work. After receiving a quote to repair the pump it was realized that it would be more economical to replace the pump. A new pump has been ordered and delivery and installation of the new auxiliary pump will occur in FY 2012. Additionally, the 100-hp electric motor that drives the auxiliary pump was sent out to be reconditioned while the pump is out of service. Also accomplished in FY 2011, the GCD installed a permanent 14-inch pipeline and header manifold with isolation and check

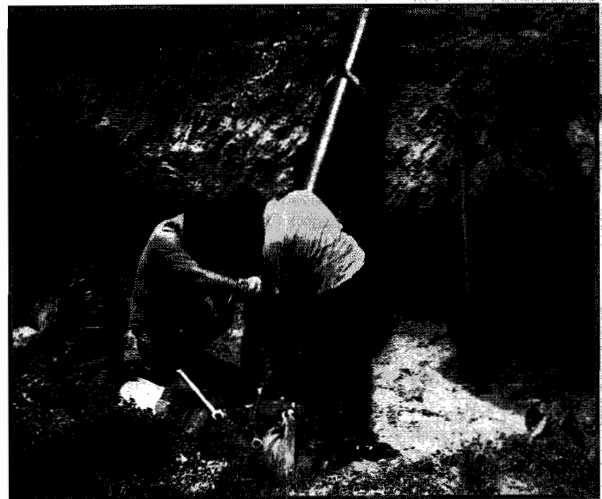
## Paul Jeanis

*Gulf Coast  
Division Manager*



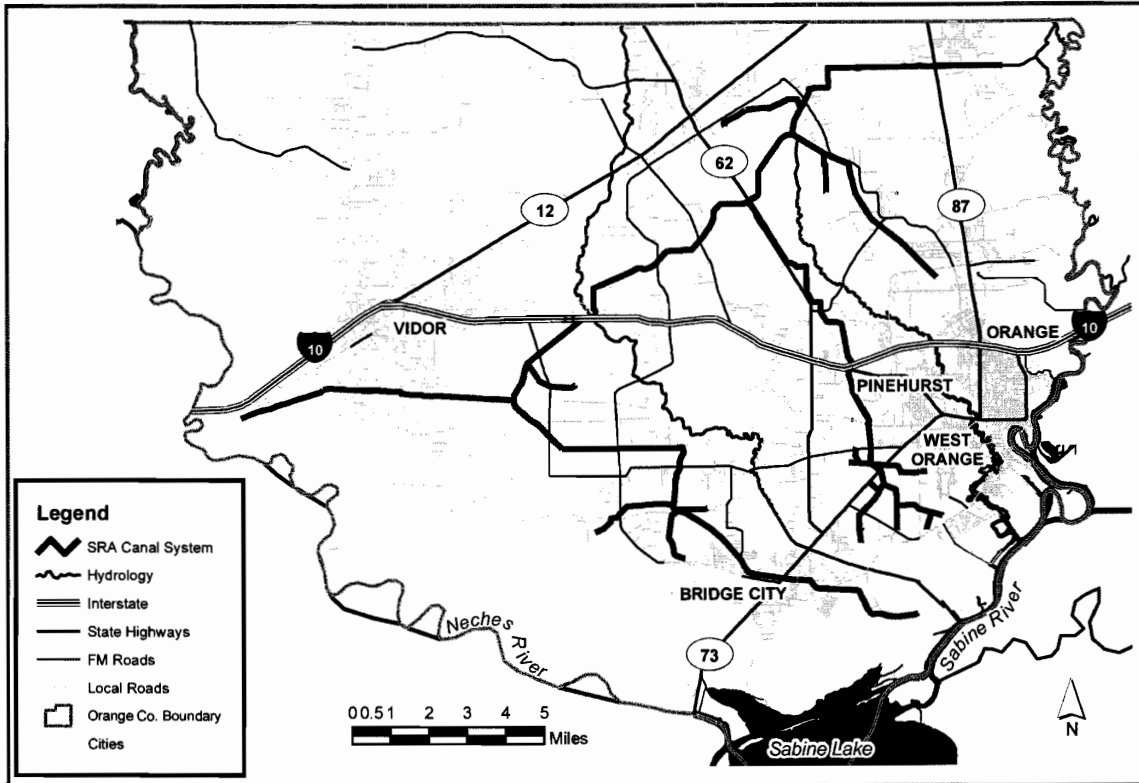
valves to pump water from the intake canal 500 feet to the main canal with two PTO driven Gator pumps. The Gator pumps are capable of pumping 10,000 gpm combined and are used in addition to the auxiliary pump when the main pumping facilities are out of service due to a power outage or when major repairs are being accomplished.

At the main pumping facility the inner bearings, coils, and support plates were replaced on both pumps 1 and 3's clutch assembly. The main electrical disconnect breaker that provides electrical power to the pumping plant was also replaced. An evaluation to determine possible future improvements to the main pumping facility is currently underway and the findings will be presented in FY 2012.



**Crew Installing 14-inch Pipeline for Gator Pumps**

# GULF COAST DIVISION

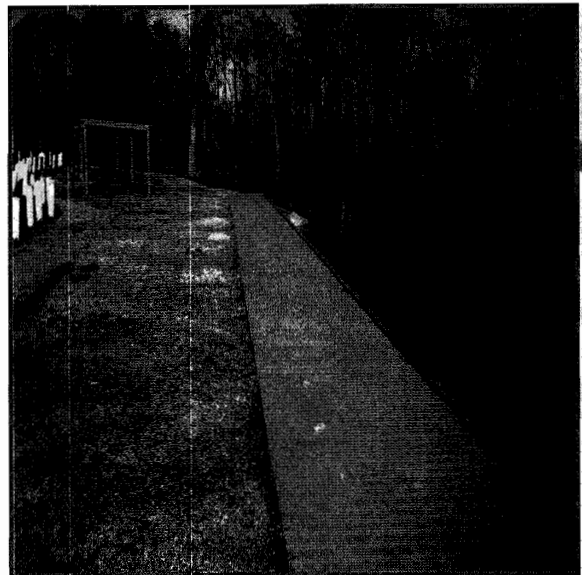


*John W. Simmons Gulf Coast Canal System - Orange County*

Routine maintenance and repairs completed on the GCD canal system in FY 2011 include repairing existing canal levees, removal of accumulated silt, removal of water grasses that can restrict flow, and mowing of canal right-of-ways. These routine measures ensure that water flowing in the canal is not restricted thereby providing a dependable supply of fresh water to all SRA GCD customers.

In addition to the day-to-day operations the GCD provided labor and materials to replace a fishing pier and boat dock at the Orange County Blue Bird boat launch. The existing fishing pier was removed and replaced totaling 130 linear feet. SRA was presented a plaque by the Orange County Commissioners Court in appreciation of the work done.

Cumulative daily average flows in the Sabine River passing the USGS Ruliff Gage located at Highway 12 in Deweyville, Texas totaled to 1,041,378 acre-feet in FY 2011 as compared to 6,552,274 acre-feet in FY 2010. Rainfall measured at the GCD office indicated a total of 34.24 inches for FY 2011 as compared to 53.87 inches in FY 2010. ☒



*New Fishing Pier at Blue Bird Fish Camp in Orange*

# TOLEDO BEND DIVISION

**TOLEDO BEND RESERVOIR** is the largest man made reservoir in the south with 185,000 surface acres and 1,200 miles of shoreline. The reservoir sprawls into parts of Panola, Shelby, Sabine and Newton Counties in Texas as well as De Soto and Sabine Parishes in Louisiana. The Toledo Bend Powerhouse first began generating electricity in 1969. Water supply, and hydroelectric generation are the primary purposes for the reservoir's construction with an added benefit of opportunities for recreational activities.

The Toledo Bend Division has been responsible for management and operation for the Texas side of the reservoir for over 42 years. This division cares for 762 miles of shoreline, 2,911 Private Limited Use Permits, 25 Commercial Permits, 4,030 Private Sewage Facility

Licenses, 1,400 On-Site Sewage Facility Registrations, more than 500 buoys, 2 recreation areas, 10 boat ramps and several maintenance facilities.

Much of the activity on Toledo Bend in FY 2011 was driven by low lake elevation conditions. The soil cement on the face of the levee was repaired early in the year. That repair was then followed by an extreme weather pattern of below normal rainfall, record high temps and above average evaporation. Average annual rainfall at the dam site is 60.47 inches, but a 14-inch deficit in FY 2010 and a 31-inch deficit in FY 2011 equaled 45 inches of below normal rainfall for the previous twenty-four months. The reservoir elevation ranged between 165 ft. msl and 163 ft. msl

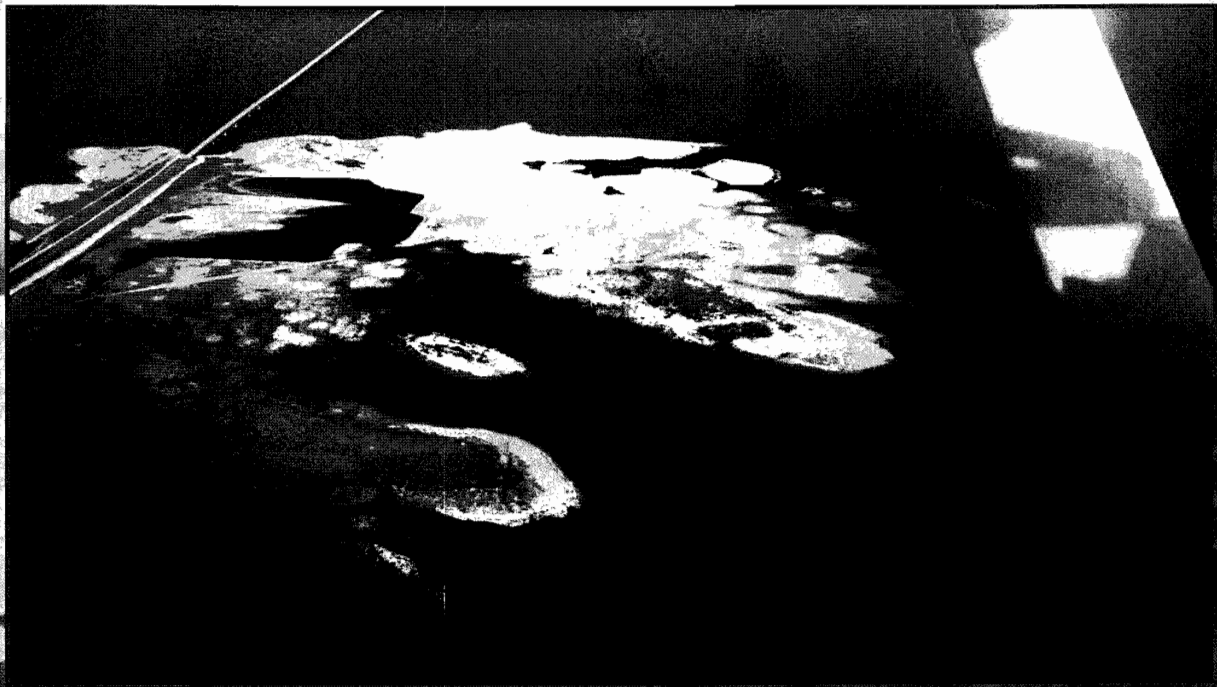
## Steven Dougharty

*Toledo Bend  
Division Manager*



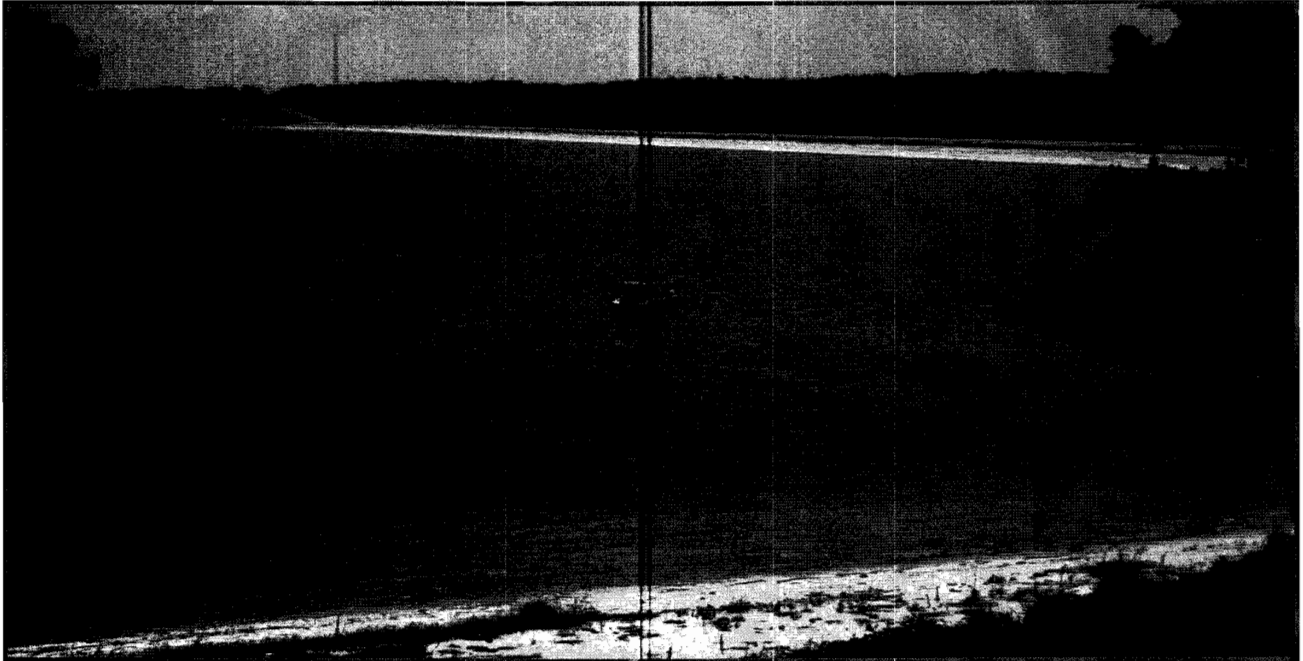
for 10 months of the fiscal year from mid-September 2010 through June 2011. The reservoir fell below 163 ft msl early in July and continued falling to 161.27 ft. msl on August 31st ending the fiscal year 10.73 feet below full pool.

Private owners, commercial operators and the Authority took advantage of the low lake levels to perform many maintenance and improvement projects around the reservoir. Shoreline work and construction permits increased dramatically with numerous property owners repairing and improving piers, boat ramps, boat houses, and retaining walls.



*Drought Conditions at Pendleton Harbor on Toledo Bend Reservoir*

# TOLEDO BEND DIVISION



*SRA Boat Floating Near the Coffer Dam*


Toledo Bend Division worked on numerous public boat ramps and related boating access projects. Numerous ramps were cleared of silt or extended with concrete or rock. Additionally, employees were able to clear a large logjam that had completely closed a popular boat channel (Float Road Pass) on the

north end of the reservoir.

Low reservoir levels have limited salvinia infestations on Toledo Bend Reservoir throughout the 2011 growing season. Professional contract applicators effectively treated 358 acres of the invasive aquatic fern. Approximately 100 acres of giant salvinia that is inaccessible with spray

equipment remains at Patroon Bayou, Housen Bayou, Bayou Siepe and Sander's Creek. These areas have been targeted by the salvinia weevil biological control program. Texas Parks & Wildlife personnel have released over 10,000 adult salvinia weevils in Bryce's Landing and an additional 2,000 were released at Patroon Bayou. Supplemental weevil releases are scheduled for October 2011.

Oil and Gas activity on the northern half of Toledo Bend Reservoir remains high. Seismic work, right-of-way easements and surface use agreements related to gas explorations have been very active especially in Panola County and Shelby County.

Many other routine but significant projects were accomplished during Fiscal Year 2011. The buoy program continues to require significant maintenance and attention with greater than 500 buoys on the reservoir. Employees continue to work on several erosion control projects along the shoreline. 



*Logjam on Float Road Pass on Toledo Bend Reservoir*

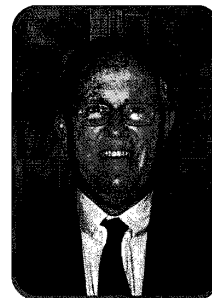


# TOLEDO BEND PROJECT JOINT OPERATION

**Jim Washburn**  
*Project Administrator*



**Melvin Swoboda**  
*FERC Relicensing  
Project Coordinator*



**THE TOLEDO BEND PROJECT** (Project) is jointly owned by the Sabine River Authority of Texas (SRA-TX) and the Sabine River Authority, State of Louisiana (SRA-LA). The Toledo Bend Reservoir, at 185,000 acres, is the largest man-made reservoir in the South. Toledo Bend has over 1,200 miles of shoreline; 503 miles in Louisiana and 762 miles in Texas. The storage capacity of the reservoir is over 4,477,000 acre feet and it stretches more than 65 miles from the dam to the north end of the reservoir near Logansport, Louisiana.

Rules, regulations, financial management and operation of the Project are directed by the Operating Board which is comprised of two members from SRA-LA Board of Commissioners and two members from SRA-TX Board of Directors. The General Manager of SRA-TX and the Executive Director of SRA-LA serve on the Operating Board as ex-officio members. The initial costs for the construction of the Project were shared equally by the two Authorities, and they continue to share in the operating costs; therefore, each state is entitled to fifty percent of the income from the sale of power generated at the facility, plus the dependable water supply yield is equally divided. Management of matters relating to the reservoir, dam, spillway and power plant are handled jointly with each state managing its own facilities and receiving its own revenues.

The Toledo Bend Project Joint Operation is participating with

Newton County in a Flood Hazard Mitigation project below the dam. The Project is furnishing in-kind services in the form of demolition of the homes and structures in the flood way which are being purchased through a grant program. In Phase I thirty-eight homes were purchased and removed in the River Road directly below the dam. In Phase II an additional 36 homes were purchased and demolished - ten more from River Road, twelve from the Highway 63 area near the Highway 63 bridge, and fourteen from Sabine Sands near Bon Wier. This is a total of 74 homes that have been removed from the flood way area. Phases III, IV, and V are in the works with Phase III and IV having already been approved by the State for funding. These Phases include properties on River

Road, Sabine Sands and the Deweyville area.

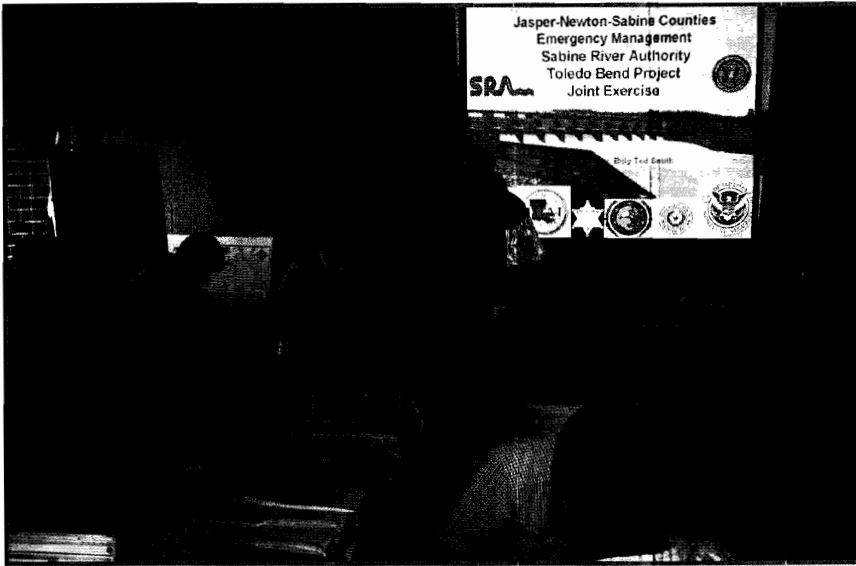
The Federal Energy Regulatory Commission (FERC) made their annual safety inspection of the Project in July. This inspection of the dam, powerhouse, spillway and related facilities is to ascertain that all the facilities are functioning and being maintained in compliance with FERC standards and that the security and integrity of the Project is being enforced. Representatives from Freese and Nichols, Inc., Project engineering consultants, participated in this inspection.

During the year the Project made repairs to the soil cement on the face of the dam several times as the lake elevation receded from 167.59' m.s.l. in September 2010 to 161.27' m.s.l. in August 2011. Periodic maintenance of the soil



*FERC Annual Safety Inspection at Toledo Bend Reservoir*

# TOLEDO BEND PROJECT JOINT OPERATION



*Emergency Action Plan Tabletop Exercise at Toledo Bend*

ment is needed because the soil cement wears and breaks from wave action, temperature changes and sometimes animals burrow into and under the soil cement causing damage.

In December, Freese and Nichols did a complete inspection of the eleven tainter gates and hoist system; and, then submitted an in-depth report to the FERC as required every ten years.

An Emergency Action Plan Tabletop exercise was conducted in October for the purpose of testing our Emergency Action Plan and making sure the staff and officials are familiar with the Plan and their duties within the Plan. State and Local officials from both Texas and Louisiana attended. The Project is required to perform this tabletop exercise every five years.

The Louisiana Observation Tower was completely refurbished during the fall of 2010.

Renewal of the FERC license for the Project is completing the third year

of the 5 year process. During FY 2011, all of the major studies were completed and final reports were submitted to FERC. While the studies were extensive, they affirmed that overall effects for the Project on the environment can be considered minimal.

Studies completed this year include: public recreation evaluation, cultural and historical properties surveys at various locations around the Project, downstream aquatic habitat, field surveys for threatened and endangered species of plants and animals, and Chinese tallow distribution.

Following the completion of the studies, all of the information was used in developing a Draft License Application in May of 2011 followed by the completion and submission of the Final License Application in September, 2011. Once the Final License Application was submitted the work did not end, several required plans had to be developed. These included the Shoreline Management Plan; the Recreation Management Plan for the Toledo Bend parks that are owned by SRA, and the Historical

Properties Management Plan.

The draft Recreation and Historical Properties Management Plans will be developed early in 2012. The Draft Shoreline Management Plan (SMP) was developed using the existing private limited use permits that have been used extensively by SRA-TX and SRA-LA. The draft SMP was made available for public comment as well as being presented in public meetings to review the plan and discuss its impact on the public.

Following the submission of the Final License Application work has continued with the state and federal agencies to develop plans for long term project operations.

FERC will conduct an environmental review of the Project in 2012 and is on schedule to issue the new license by September 2013 when the current license expires.

Top of power pool for Toledo Bend Reservoir is 172' m.s.l. The widespread drought of this year caused a record low reservoir elevation on August 31, 2011 of 161.27' m.s.l. This was the lowest elevation recorded for the reservoir since it filled in 1968. Peak elevation for the fiscal year was 167.58' m.s.l. on September 3, 2010. Total rainfall for the year was 28.05" compared to 51.67" in FY-10. Total water released during FY-11 was 743,240 acre feet compared to 5,483,260 acre feet in FY-10. Only 38,359,000 kilowatt hours (kWh) were produced by the powerhouse this year compared to 305,027,000 kWh during the previous fiscal year. ☐

# PARKS AND RECREATION DIVISION

THE PARKS & RECREATION DIVISION (PRD) began operation in September of 1999 with the primary vision to preserve and expand recreation opportunities throughout the Sabine River Basin (Basin). Although a secondary benefit for water supply reservoirs, accessible water enhances the quality of life in a community by providing an excellent opportunity for outdoor recreational activities. The multitude of activities provided by the reservoirs and streams in the Basin draws the attention of recreational enthusiasts from all over the world. Whether you like fishing, skiing, sailing, canoeing, kayaking, swimming, playing on the beach or boat riding, you will find the opportunity in the Basin.

Since FY-2000, the PRD has worked to take the lead on numerous recreation improvement projects throughout the Basin. Significant progress has been made.

## Steven Dougharty

*Parks & Recreation  
Division Manager*



*Road Repair at Haley's Ferry Recreation Area*

This division operates and maintains Haley's Ferry, Ragtown, East Hamilton, Indian Mounds, Lakeview and Willow Oak

Recreation Areas which are located in Shelby and Sabine Counties. Employees maintain about 200 acres which includes five boat ramps, 90 campsites, six restroom buildings, many miles of roads, two hiking trails, two water systems and two dispersed camping areas.

Improvements over the past ten years include five renovated boat ramps and one newly constructed boat ramp at Indian Mounds in the camping area. Second and third camping loops have been opened at Indian Mounds. All parks have been opened year around. Water systems have received significant improvements. Road conditions have been significantly improved by rebuilding the surfaces of some gravel roads, resurfacing some asphalt roads and trimming overhanging limbs. Buildings, grounds, amenities and trails have been improved by routine



*Enjoying the Sandy Shores of Toledo Bend Reservoir*


# PARKS AND RECREATION DIVISION

maintenance such as painting, mowing, trimming, cleaning and repairing. PRD also works with other divisions on recreation improvements throughout the Basin.

The annual Walk in the Forest 2011 was a success again this year. The fifth grade students, teachers and some parents love to get out of the classroom for walk down the Ragtown nature trail. Education stations are set up along the trail. Some stations are nestled along the waters edge, some perched on high bluffs overlooking the lake, some near deep ravines or large hills, but all stations are among the towering trees of the Sabine National Forest.

Education stations are presented by the Texas Forest Service, the United States Forest Service, Texas Parks & Wildlife and others. The Texas Forest Service and SRA are cosponsors of the event. All Shelby County Schools are invited and most attend each year. Education topics include forest reptiles, forest wildlife, trees, insects, and archeology. All stations are interesting, but archaeology and reptiles are the biggest hits. The USFS has four to five live snakes each year at the reptile station. Tom Morrison, in archeology, is known for his arrowhead making, pottery making, and arrow/spear demonstrations with plenty of artifacts to show also.

Students enjoy a sack lunch in the camping area or near the lake's edge before returning to school. About 135 people attended this year.

Recreation on the Sabine is something that can be enjoyed by everyone. Water supply reservoirs provide an added benefit of recreational opportunity. The quality of life is greatly enhanced by water resources in the Sabine River Basin. 



*Evening Sun at Sandy Creek*

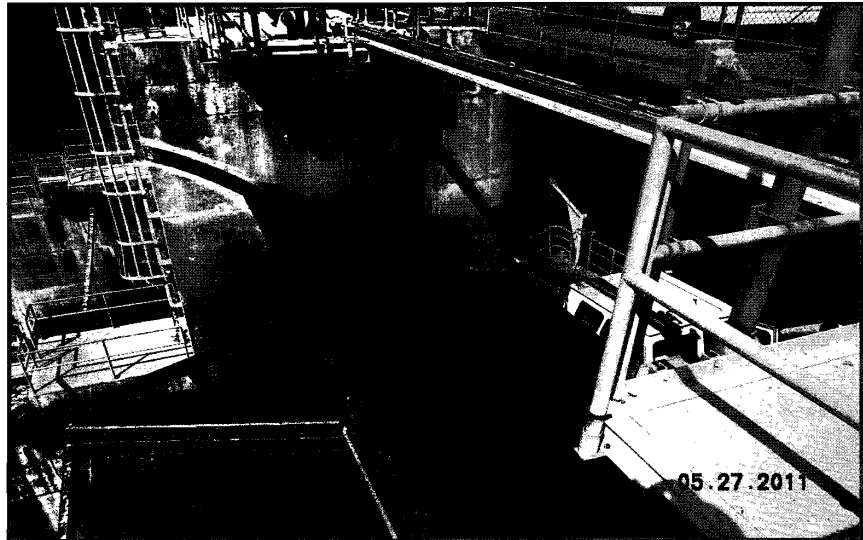


*"Walk in the Forest 2011" Presentations in Ragtown*

# LAKE FORK DIVISION

THE LAKE FORK DIVISION of the Lake Fork River Authority of Texas is responsible for the operation and maintenance of Lake Fork Dam and Reservoir. The dam has a controlled spillway with five tainter gates. Each gate measures 20 feet tall by 40 feet wide and is controlled by a hoist system on the pier above. Final closure of the dam was made in 1980 and the reservoir reached full conservation pool (403 feet mean sea level) in 1985. The full storage capacity of the reservoir is 675,819 acre feet of water, with an annual dependable yield of 188,660 acre feet. In addition to maintaining the dam and reservoir, the Lake Fork Division is tasked with managing an estimated 315 miles of shoreline.

Early in the fiscal year the maintenance crew began full gate inspections at the recommendation of engineers. This process involved placing bulkheads in front of each gate using a 50 ton crane, de-watering, cleaning, visually inspecting the steel, and



*Pressure Washing Tainter Gate for Inspection*

fully raising and lowering each gate. The investigation also involved thickness testing of the gate skin and metallurgical analysis. The engineer's final report of findings

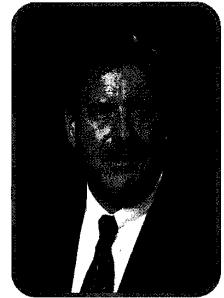
and recommendations will be available in FY 2012.

In addition to the gate inspections, the Lake Fork Division maintenance crew undertook and completed numerous projects on the dam and around the reservoir in FY 2011. Using low reservoir levels to our advantage, crews poured more than 100 cubic yards of concrete while making repairs to soil cement on the face of the dam. The Lake Fork Division also worked with contractors this year to replace aging and worn equipment on the structure. Several corroded pipes used to make downstream releases to customers were replaced along with the electronic controls to the gate hoist systems. Around the reservoir our crews worked hard to keep boat ramps useable and clear of silt as the water receded



*Soil Cement Repairs to the Dam*

**Tom Pegues**  
*Lake Fork  
Division Manager*



# LAKE FORK DIVISION

throughout the summer. They also used the low reservoir levels to stabilize the shorelines around public boat ramps by placing rip-rap and filter blanket along the conservation pool line. The crew refurbished the Hwy 154 boat ramp pier this year in an effort to help the public gain safe access to the reservoir. These are but a few of the many activities undertaken by the Lake Fork maintenance crew.

Part of the mandate of the Sabine River Authority is to protect and conserve the waters of the Sabine River Basin. In an effort to help fulfill this mandate, the Lake Fork Division (and others) have administrative jurisdiction over a 2000 foot buffer zone from the project boundary in regards to the installation of on-site sewage facilities. In FY 2011 the Lake Fork Division issued 48 licenses for on-site sewage disposal and investigated 7 complaints. LFD also completed a comprehensive review of over 100 subdivisions on Lake Fork Reservoir. This subdivision review required Lake Fork Division staff to walk each subdivision in order to ascertain that the floodplain around Lake Fork Reservoir was being utilized in



*Refurbishing of Hwy 154 Boat Ramp Pier*

accordance with the Authority's rules and regulations.

The drought of 2011 was one of the most intense droughts on record in Texas and has affected nearly every reservoir in the state. Lake Fork

Reservoir came through the previous summer well, beginning the fiscal year in September 2010 only 1.7 feet below conservation pool. However, the winter and spring rains failed to re-fill the reservoir. By May 2011 Lake Fork Reservoir was 3.3 feet low. The annual rainfall recorded at the Lake Fork Dam in FY 2011 measured only 26.1 inches, just over half of the average annual rainfall expected in the East Central Texas Plains Region. Soaring temperatures and strong winds caused evaporation rates to reach as high as 0.68 inches per day through the summer months. In the 12 months of FY 2011, the Lake Fork Division recorded over 7.5 feet of evaporation. As August came to a close in 2011, Lake Fork Reservoir had reached nearly six feet below conservation pool and was setting low water level records every day. ☐



*Kid Fish 2011*

# IRON BRIDGE DIVISION

THE IRON BRIDGE DIVISION is the Sabine River Authority's division office for Lake Tawakoni in northeast Texas. The reservoir derives its name from a branch of the Caddo Indians that once lived in the area. The Dam, Spillway and Division office were named after an old iron bridge that was situated on FM Hwy 47 across the Sabine River near where the dam is located. Lake Tawakoni was constructed as a water supply reservoir and was built with financing through a water supply agreement with the City of Dallas. Land acquisition for Lake Tawakoni began in 1957 and the reservoir was completed in 1960. The reservoir surface covers approximately 36,700 acres and lies within portions of Hunt, Van Zandt, and Rains Counties. The dam consists of a 5.5 mile long earthen dam and un-gated concrete ogee spillway. At conservation pool

elevation of 437.5 msl, the reservoir can store 927,440 acre-feet (289 billion gallons) of water. The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (212 million gallons a day). In addition to on-going routine maintenance, special projects were completed at the Iron Bridge Division during this fiscal year. In January 2011 IBD personnel installed a new 80 kW emergency generator at the IBD spillway. The new generator replaced an existing 25 kW generator that was too small to handle emergency needs at the spillway due to electrical upgrades and additional security lighting completed in FY-08. As part of an ongoing project to improve facilities at Wind Point Park, IBD M&O personnel completed upgrades to aging

**Randy Traylor**  
*Iron Bridge  
Division Manager*

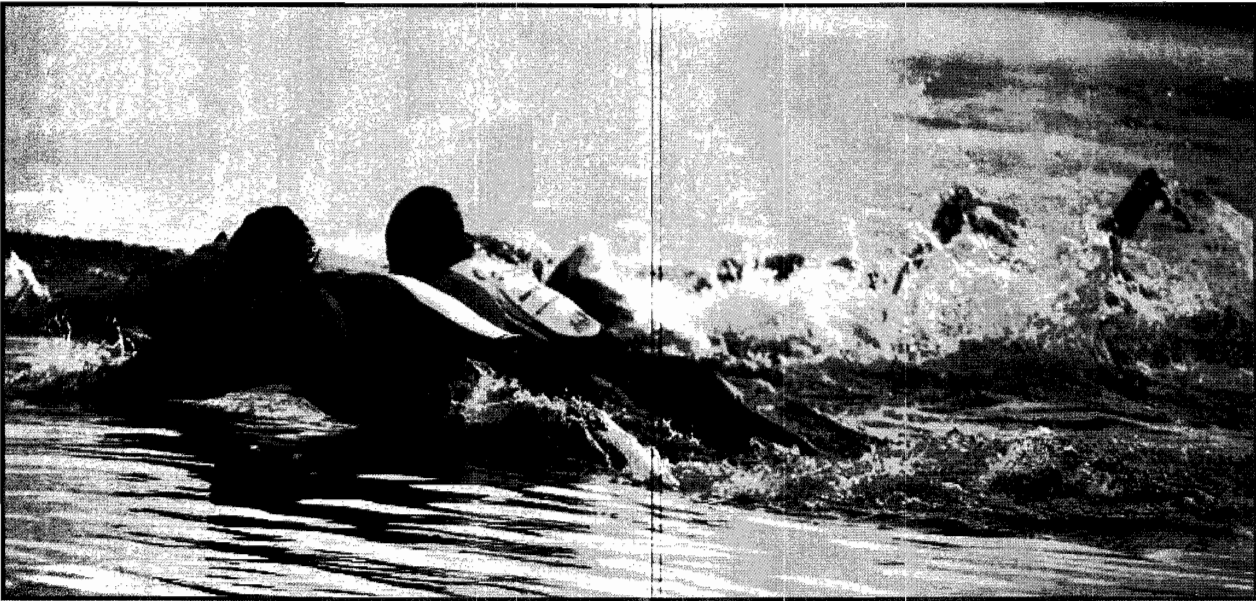


electrical infrastructure in two RV sections of the park and the cabin area. Crews also completely renovated the exterior of the eight cabins, installing new siding, porch railing and new metal roofs. The wooden decking on the 300 foot fishing pier was also replaced. In July, contractors removed the 30,000 gallon elevated water tower in Wind Point Park. The tower was erected when the park was built in the early sixties and was used in conjunction with a water treatment plant at the park. Due to increased water quality regulations and the age and limitations of the plant, the park ceased water treatment operations and the park was



*Installing the new 80 kW Emergency Generator at the Spillway*

# IRON BRIDGE DIVISION



*Sprint Triathlon Held at Lake Tawakoni State Park in April of 2010*

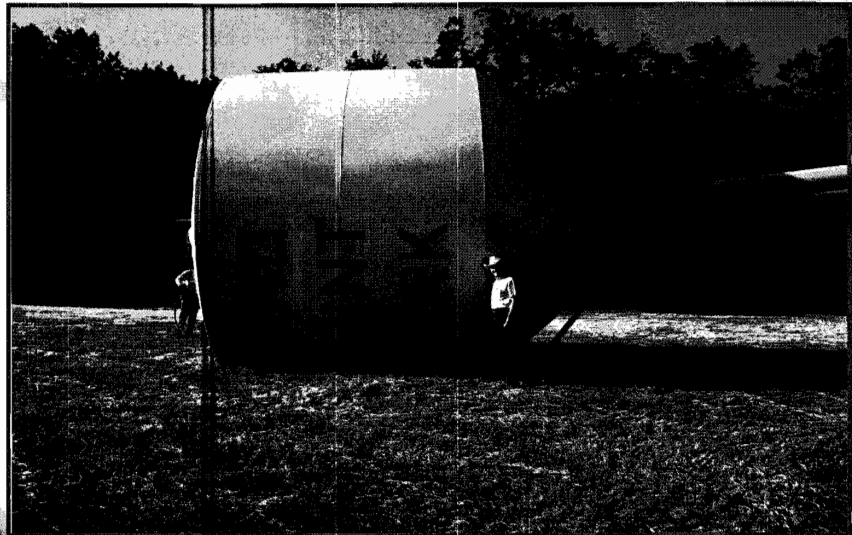
connected to the Cash SUD water supply in 1993. The water tower has not been in use since that time and was removed to eliminate maintenance and liability issues. Also in July 2011 contractors replaced a thirty-six inch wet well gate, gate operator and associated hardware on the inside of the wet well at the IBD Spillway. The new gate replaces an original gate which regulates water entering the bottom of the wet well. Water from the wet well is used for downstream releases and also supplies water to three water supply entities.

In April, Big Earth Racing held a Sprint Triathlon at the Lake Tawakoni State Park. Approximately 125 contestants, some from as far away as Virginia, competed in the race which consisted of a 1/2 mile swim, a 24 mile bike ride and a 3.1 mile run. The race was deemed a huge success and plans are being made to hold the competition at the Tawakoni State Park twice annually in the spring and summer.

During many months of 2011 the

majority of the state was in extreme drought, the highest drought rating under the Palmer Drought Severity Index. The Tawakoni watershed was no exception. The reservoir ended the fiscal year approximately 5.5 feet below the conservation pool of 437.5. The highest and lowest elevations for Lake Tawakoni in FY 11 were 435.42

on September 3, 2010 and 432.03 on August 31, 2011 respectively. Rainfall for the fiscal year totaled 27.57 inches compared to 53.49 in FY 10 and 43.40 in FY 09. 🗳️



*Removal of the Old Wind Point Park Water Tower*





# NE NE RIVER AUTHORITY OF TEXAS

For the Years Ended  
August 31, 2011 and 2010

## FINANCIAL SECTION

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**PB&H**  
**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

We have audited the accompanying basic financial statements of Sabine River Authority of Texas (the "Authority") as of and for the year ended August 31, 2011. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the basic financial statements of the Authority for the year ended August 31, 2010. In addition, we did not audit the Toledo Bend – Joint Operation, which represents approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2011, and approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2010. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2011, and for Toledo Bend – Joint Operation, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of August 31, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Postemployment Benefits on pages 3 through 9 and 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and is not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

November 11, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2011 and August 31, 2010, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

### **Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows**

The financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Assets report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### **Net Assets**

The net assets of the Authority increased during 2011 by \$19.6 million or 12.4% while the net assets during 2010 increased by \$1.2 million or 0.8%. Total assets increased during 2011 by \$20.1 million, which is the net effect of the addition of the Tenaska pipeline and the removal of the Hemphill Water Treatment Plant. Total assets increased during 2010 by \$1.4 million, resulting from increased power sales which provided additional cash for investments. Total liabilities increased during 2011 by \$0.5 million and increased during 2010 by \$0.2 million, or 1.7% and 0.7%, respectively. The increase in total liabilities for 2011, as well as 2010, is largely the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets increased by \$19.7 million or 10.8% during 2011 after an increase of 1.2% for 2010. The net effect of the addition of the Tenaska pipeline and the removal of the Hemphill Water Treatment Plant accounts for the majority of the increase in noncurrent assets for 2011. The increase in investments is the largest single reason for the increase in total noncurrent assets for 2010; however, the increase is partially offset by the recognition of depreciation expense.

Current assets increased by \$0.5 million following a decrease of \$0.8 million for 2010. The increase in 2011 is mainly attributable to an increase in accounts receivable of \$0.3 million.



## Financial Highlights

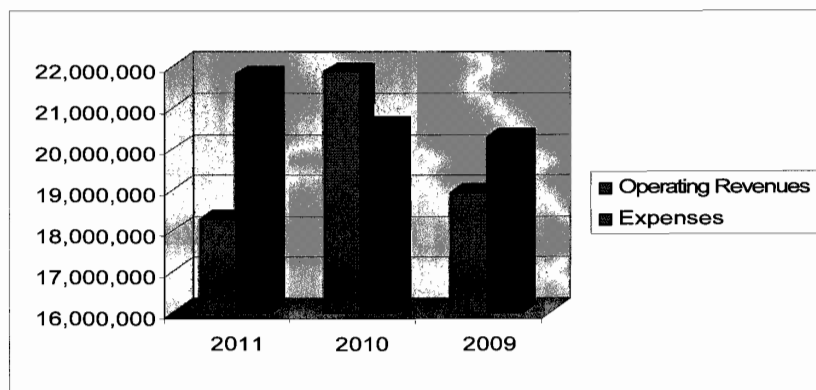
	2011	2010	2009
Current and other assets	\$ 6,039,063	\$ 5,587,417	\$ 6,419,849
Noncurrent assets	32,353,174	34,276,165	31,054,506
Capital assets, net	<u>168,977,949</u>	<u>147,392,318</u>	<u>148,371,011</u>
Total assets	<u>207,370,186</u>	<u>187,255,900</u>	<u>185,845,366</u>
Current liabilities	922,950	909,503	1,829,854
Noncurrent liabilities	<u>29,139,398</u>	<u>28,650,790</u>	<u>27,537,962</u>
Total liabilities	<u>30,062,348</u>	<u>29,560,293</u>	<u>29,367,816</u>
Net assets:			
Invested in capital assets, net of related debt	144,580,865	121,968,213	121,806,366
Restricted for debt service	846,350	847,586	847,680
Unrestricted	<u>31,880,623</u>	<u>34,879,808</u>	<u>33,823,504</u>
Total net assets	<u>\$ 177,307,838</u>	<u>\$ 157,695,607</u>	<u>\$ 156,477,550</u>
Operating revenues:			
Water sales	\$ 13,968,923	\$ 12,924,928	\$ 13,350,041
Power sales	557,506	6,018,152	2,620,794
Wastewater treatment	47,353	50,411	52,763
Permits	840,931	810,474	816,363
Water quality activity	844,315	823,269	759,787
Miscellaneous	1,361,197	595,661	680,059
Reservation fee	<u>651,702</u>	<u>651,702</u>	<u>651,702</u>
Total revenues	<u>18,271,927</u>	<u>21,874,597</u>	<u>18,931,509</u>
Operating expenses:			
Operation and maintenance	18,084,046	17,626,268	17,356,286
Depreciation	<u>3,718,629</u>	<u>2,949,325</u>	<u>2,908,410</u>
Total expenses	<u>21,802,675</u>	<u>20,575,593</u>	<u>20,264,696</u>
Operating income (loss)	( 3,530,748)	1,299,004	( 1,333,187)
Nonoperating revenues (expenses):			
Grant program	( 169,533)	( 149,100)	( 391,000)
Gain (loss) on disposition of capital assets	( 967,005)	( 12,257)	( 29,924)
Bad debt expense	( 216,872)	-	-
Investment income	482,909	555,499	946,269
Interest expense	<u>( 458,152)</u>	<u>( 475,089)</u>	<u>( 485,362)</u>
Total nonoperating revenues (expenses)	<u>( 1,328,653)</u>	<u>( 80,947)</u>	<u>39,983</u>
Income (loss) before contribution	( 4,859,401)	1,218,057	( 1,293,204)
Capital contribution	<u>24,471,632</u>	<u>-</u>	<u>-</u>
Change in net assets	19,612,231	1,218,057	( 1,293,204)
Net assets - beginning	<u>157,695,607</u>	<u>156,477,550</u>	<u>157,770,754</u>
Net assets - ending	<u>\$ 177,307,838</u>	<u>\$ 157,695,607</u>	<u>\$ 156,477,550</u>

## Operating Income

Operations for 2011 resulted in a loss of \$3.5 million, while operating income for 2010 and 2009 resulted in an income of \$1.2 million and a loss of \$1.3 million, respectively. The loss in 2011 is the result of decreased power sales due to drought conditions in the Sabine River Basin which affected the lake level at Toledo Bend and the ability to generate hydropower. Operating expenses increased \$1.2 million while operating revenues decreased \$3.6 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The decrease in operating revenues during 2011 follows an increase of 15.5% during 2010. Water sales for 2011 increased when compared to 2010 while power sales for 2011 decreased as a result of drought conditions which affected the lake level at Toledo Bend and the ability to generate electricity. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2011, 2010 and 2009. Additionally, miscellaneous income of \$1.4 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are increasing in the basin.

Operating expenses increased \$1.2 million, a 6% increase following a \$0.27 million, or 1.6%, increase in 2010. While the operating expenses increased in 2011 and 2010, no single category of expenses accounted for the differences. The expense recognition of the net obligation for post-employment benefits accounts for the majority of the increases.



## Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

## Significant Capital Assets

In 2011, net capital assets increased from \$147,392,318 to \$168,977,949, an increase of \$21,585,631. The increase is the net effect of the addition of the Tenaska pipeline through capital contribution and the removal of the Hemphill Water Treatment Plant. The Authority's projects and a description of each are as follows:

## Gulf Coast Division

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of four horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22 feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.



The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 43.05 million gallons daily (mgd) for 2011 as compared to the 2010 water sales which were 42.74 mgd.

### **Lake Tawakoni**

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2011, 86.68 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 37.2 mgd delivered in 2010.

### **Toledo Bend Reservoir**

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site, the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authorities for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authority's revenue bonds and constitutes the principal source of income for operation of the project.



The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin as well as other customers in the north Texas region. In 2003, SRA entered into an interlocal agreement with Dallas Water Utilities, Tarrant Regional Water District and North Texas Municipal Water District to examine the prospect of piping water from Toledo Bend Reservoir to help supply the water needs of these customers. If this project is found to be viable, it will be the first substantial water sale from Toledo Bend Reservoir.

In 2011, water sales from Toledo Bend totaled 3.42 mgd compared to 3.32 mgd in 2010. Water is delivered to two municipalities and one industrial customer.

## **Lake Fork**

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2011, 38.10 mgd of water was delivered to these customers as compared to 24.7 mgd delivered in 2010.

## **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with state regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2011, Environmental Services Division performed 68,040 tests which is an increase from the 63,225 tests performed in 2010.



For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the notes to financial statements.

### **Long-term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2011 and 2010 were \$1,027,021 and \$372,000, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the long-term liabilities section in Note 3 of the notes to financial statements as well as the supplementary information which follows the notes to financial statements.

### **Restricted Assets**

The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, designated funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.

### **Change in Financial Position**

The Authority had an increase in net assets for each year presented in this report, 2011, 2010, and 2009. Total operating revenues decreased from 2010 to 2011 and increased from 2009 to 2010.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

### **Requests for Information**

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409-746-2192.



**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF NET ASSETS**

**AUGUST 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,502,640	\$ 2,618,482
Investments	988,665	1,697,079
Accounts receivable	1,123,915	808,452
Current portion of notes receivable	-	9,518
Accrued interest receivable	175,259	209,743
Other current assets	<u>248,584</u>	<u>244,143</u>
Total current assets	<u>6,039,063</u>	<u>5,587,417</u>
Noncurrent assets:		
Restricted cash and cash equivalents	846,350	847,586
Investments	31,506,824	33,213,315
Capital assets:		
Land	54,976,538	33,286,222
Dams and electric plant	128,258,305	146,534,669
Water and pumping plant	30,234,362	7,856,200
Buildings	8,651,223	8,068,138
Equipment	8,137,966	8,285,850
Work in progress	5,798,066	8,202,830
Less: accumulated depreciation	<u>( 67,078,511 )</u>	<u>( 64,841,591 )</u>
Net capital assets	168,977,949	147,392,318
Notes receivable	<u>-</u>	<u>215,264</u>
Total noncurrent assets	<u>201,331,123</u>	<u>181,668,483</u>
Total assets	<u>207,370,186</u>	<u>187,255,900</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	618,379	604,429
Current portion of long-term liabilities	135,000	138,000
Accrued liabilities	125,000	125,000
Other payables	<u>44,571</u>	<u>42,074</u>
Total current liabilities	<u>922,950</u>	<u>909,503</u>
Noncurrent liabilities:		
Revenue bonds	-	151,000
Texas Water Development Board loan	24,262,084	25,135,105
Net obligation for post-employment benefits	4,210,682	2,718,790
Compensated absences	662,465	642,551
Deferred income	<u>4,167</u>	<u>3,344</u>
Total noncurrent liabilities	<u>29,139,398</u>	<u>28,650,790</u>
Total liabilities	<u>30,062,348</u>	<u>29,560,293</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	144,580,865	121,968,213
Restricted for debt service	846,350	847,586
Unrestricted	<u>31,880,623</u>	<u>34,879,808</u>
Total net assets	<u>\$ 177,307,838</u>	<u>\$ 157,695,607</u>

**The accompanying notes are an integral part of these financial statements.**

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS**

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 13,968,923	\$ 12,924,928
Power sales	557,506	6,018,152
Wastewater treatment	47,353	50,411
Permits	840,931	810,474
Water quality activity	844,315	823,269
Miscellaneous	1,361,197	595,661
Reservation fee	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>18,271,927</u>	<u>21,874,597</u>
<b>OPERATING EXPENSES</b>		
Operation and maintenance	18,084,046	17,626,268
Depreciation	<u>3,718,629</u>	<u>2,949,325</u>
Total operating expenses	<u>21,802,675</u>	<u>20,575,593</u>
<b>OPERATING INCOME (LOSS)</b>	( 3,530,748)	1,299,004
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant program	( 169,533)	( 149,100)
Loss from disposition of capital assets	( 967,005)	( 12,257)
Bad debt expense	( 216,872)	-
Investment income	482,909	555,499
Interest expense	<u>( 458,152)</u>	<u>( 475,089)</u>
Total nonoperating revenues (expenses)	<u>( 1,328,653)</u>	<u>( 80,947)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	( 4,859,401)	1,218,057
<b>CAPITAL CONTRIBUTIONS</b>	<u>24,471,632</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	19,612,231	1,218,057
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>157,695,607</u>	<u>156,477,550</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 177,307,838</u>	<u>\$ 157,695,607</u>

**The accompanying notes are an integral part of these financial statements.**



**SABINE RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 16,591,649	\$ 22,056,457
Payments to suppliers	( 9,986,113)	( 9,961,012)
Payments to employees	( 6,569,680)	( 6,342,603)
Other receipts	1,361,197	595,662
Net cash provided by operating activities	1,397,053	6,348,504
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	( 1,800,550)	( 1,982,888)
Disposal of capital assets	917	-
Principal paid on capital debt	( 1,027,021)	( 372,000)
Interest paid on capital debt	( 458,152)	( 1,245,040)
Grants	( 169,533)	( 149,100)
Net cash used by capital and related financing activities	( 3,454,339)	( 3,749,028)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (sell of) investments, net	2,414,905	( 3,379,273)
Interest received	517,393	630,419
Payments received on notes receivable	7,910	9,214
Net cash provided (used) by investing activities	2,940,208	( 2,739,640)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	882,922	( 140,164)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	3,466,068	3,606,232
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 4,348,990	\$ 3,466,068
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$( 3,530,748)	\$ 1,299,004
Noncash items included in operating income:		
Depreciation	3,718,629	2,949,325
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 315,463)	777,521
(Increase) decrease in other assets	( 4,441)	( 11,773)
Increase (decrease) in deferred revenue	823	800
Increase (decrease) in accounts payable	13,950	( 81,633)
Increase (decrease) in accrued and other liabilities	2,497	39,243
Increase (decrease) in compensated absences	19,914	-
Increase in net obligation for post-employment benefits	1,491,892	1,376,017
Net cash provided by operating activities	\$ 1,397,053	\$ 6,348,504
<b>NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES</b>		
Contribution from capital assets	\$ 24,471,632	\$ -
(Loss) gain from disposition of assets	( 967,005)	12,257
Forgiveness of non-revenue note receivable	( 216,872)	-

**The accompanying notes are an integral part of these financial statements.**



# SABINE RIVER AUTHORITY OF TEXAS

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sabine River Authority of Texas ("Authority") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

#### **Reporting Entity**

The Sabine River Authority of Texas was created in 1949, pursuant to Vernon's Annotated Civil Statutes Article 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59 of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. Responsibilities of the Authority include municipal, industrial and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; and recreation facilities.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of 21 counties in the Sabine Basin and is administered by a 9-member Board of Directors appointed by the Governor to 6-year staggered terms. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

#### **Fund Financial Statements**

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

#### **Basis of Accounting**

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, power sales, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets

**Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

**Investments**

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. Investments in TexPool are stated at cost which approximates fair value. The change in the difference between fair value and cost of investments is reported as a component of investment income. All investments are in accordance with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

**Accounts Receivable**

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

**Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50 - 5.00%
Buildings	2.00 - 5.00%
Equipment	4.00 - 20.00%

The Authority capitalizes interest on major construction projects.

**Restricted Assets**

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

**Sick Leave and Vacation**

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting and Financial Reporting**

In February 2009, the GASB issued Statement No. 54 ("GASB 54"), *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 had no impact on the financial statements as of August 31, 2011.

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of GASB 57 is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in multiple-employer and other postemployment benefit (OPEB) plans. The provisions of GASB 57 related to the use of reporting of the alternative measurement method were effective upon issuance. The provisions of the statement related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 25, 2011. This statement does not affect the accounting or reporting methods in use by the Authority; therefore, the Authority has not experienced and does not anticipate any significant impact to the financial statements at this time.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Authority was required to apply the provisions of GASB 59 in its fiscal year ended August 31, 2011. The Authority did not experience any significant impact on its financial position and results of operations.

**Reclassifications**

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

**Subsequent Events**

Management has evaluated subsequent events through November 11, 2011, the date the financial statements were available to be used.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

The Authority prepares a budget in accordance with the Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. Appropriate sections of the budget are reviewed by the City of Dallas and the Toledo Bend Project Joint Operations Board.

**Rates and Regulations**

Water rates are established by the Authority's Board of Directors. These contracted rates can be appealed to the Texas Commission on Environmental Quality. On May 16, 2008, the Public Utility Commission of Texas (PUC) approved the Authority's request for registration as a power generation company pursuant to P.U.C. SUBST.R.25.109. As of August 31, 2011 and 2010, the rate was \$4.146 and \$4.038, respectively, per KWH.



2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Other Post-employment Benefits**

The Authority provides certain health care and insurance benefits to its employees after retirement, and prior to fiscal year 2009, accounted for the benefits in accordance with Government Accounting Standards Board Statement No. 12, *Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Government Employees*. Beginning with the fiscal year ended August 31, 2009, the Authority was required to prospectively adopt Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (see Note 3).

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. **DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

*Interest Rate Risk.* In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years. Maximum allowable maturity shall be 10 years with the exception of investments made specifically to retire debt.

*Credit Risk.* The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. An Advisory Board reviews the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of the Public Accounts for review.

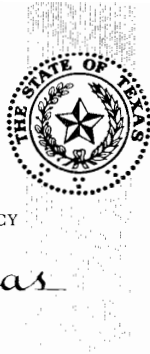
TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of August 31, 2011 and 2010, the Authority had \$13,128 and \$13,110, respectively, invested in TexPool. The weighted average maturity of TexPool as of August 31, 2011 and 2010, was 46 and 29 days, respectively.

The Board of Directors has authorized the Authority to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds, certificates of deposit, or interest-bearing demand deposits and is stated at fair value.



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# SABINE RIVER AUTHORITY of /exas

P.O. BOX 579  
ORANGE, TEXAS  
77631

March 5, 2012

Municipal Advisory Council of Texas  
Attn: Dan Black  
P.O. Box 2177  
Austin, Texas 78701

Re: SRA FY/11 Annual Report

Please find enclosed the Sabine River Authority of Texas' Annual Report for the year which ended August 31, 2011.

If I may be of further assistance with regard to this matter, please do not hesitate to contact me.

Sincerely,

SABINE RIVER AUTHORITY OF TEXAS

Debra Stagner  
Authority General Office Manager  
and Controller

DS/jp

Enclosure



### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### Deposits and Investments (Continued)

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of August 31, 2011, all of the Authority's \$34,409,202 deposit balances exceeding depository insurance limits were collateralized with securities pledged by the financial institutions in the Authority's name and held in safekeeping by a third party. Fair values of pledged securities are monitored on a monthly basis to assure that they are in excess of 100% of the carrying values.

As of August 31, 2011 and 2010, \$800,000 of the Authority's deposits was placed in money market funds secured by obligations of the United States therefore the principal and interest are unconditionally guaranteed or insured by the United States and no additional collateralization was required.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority invests primarily in bank issued certificates of deposits. Concentration of investments as of August 31, 2011, is as follows:

Issuer	Description	Amount	Percentage of Total Investments
Texas Bank & Trust	Certificate of deposit	\$ 1,866,000	5.72%
Orange Savings Bank	Certificate of deposit	15,401,228	47.25%
Mobil Oil Federal Credit Union	Certificate of deposit	3,003,790	9.21%
Community Bank	Certificate of deposit	2,050,000	6.29%
American National Bank of Texas	Certificate of deposit	6,200,000	19.02%
All other under 5%	Various	4,076,171	12.50%
Total		\$ 32,597,189	100.00%

#### Capital Assets

Capital assets activity for the year ended August 31, 2011, was as follows:

	Balance 08/31/10	Increases	Decreases	Adjustments	Balance 08/31/11
Capital assets, not being depreciated:					
Land	\$ 33,286,222	\$ 3,413,952	\$ -	\$ 18,276,364	\$ 54,976,538
Work in progress	8,202,830	1,605,513	( 4,010,277)	-	5,798,066
Total capital assets not being depreciated	41,489,052	5,019,465	( 4,010,277)	18,276,364	60,774,604
Capital assets, being depreciated:					
Dams and electric plant	146,534,669	-	-	( 18,276,364)	128,258,305
Water and pumping plant	7,856,200	24,471,632	( 2,093,470)	-	30,234,362
Buildings	8,068,138	587,325	( 4,240)	-	8,651,223
Equipment	8,285,850	204,038	( 351,922)	-	8,137,966
Total capital assets being depreciated	170,744,857	25,262,995	( 2,449,632)	( 18,276,364)	175,281,856
Less: accumulated depreciated for:					
Dams and electric plant	51,289,284	1,923,875	-	-	53,213,159
Water and pumping plant	3,082,332	946,333	( 1,134,362)	-	2,894,303
Buildings	4,717,352	292,697	( 3,392)	-	5,006,657
Equipment	5,752,623	555,724	( 343,955)	-	5,964,392
Total capital assets being depreciated	64,841,591	3,718,629	( 1,481,709)	-	67,078,511
Total capital assets being depreciated, net	105,903,266	21,544,366	( 967,923)	( 18,276,364)	108,203,345
Total capital assets	\$ 147,392,318	\$ 26,563,831	\$( 4,978,200)	\$ -	\$ 168,977,949

3. DETAILED NOTES ON ALL FUNDS (Continued)

**Self-insurance**

The Authority has established a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of the Authority's employees and their covered dependents, and to minimize the total cost of medical insurance. Cost incurred to provide this plan was \$1,316,854 and \$1,281,678 for the years ended August 31, 2011 and 2010, respectively. Medical claims exceeding \$1,633,184, and \$1,553,090 for 2011 and 2010, respectively, for the group, or \$60,000 per covered individual, were covered through a commercial insurance carrier. The maximum amount of coverage offered through the commercial insurance carrier is \$2,000,000 for a specific incident or \$2,000,000 in the aggregate. The Authority has not exceeded its insurance coverage in the last three years.

Governmental Accounting Standards Board, Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Management has estimated this liability to be \$125,000. As required by this statement, a reconciliation of claims liabilities is shown below:

Reconciliations of Claims Liabilities		
	2011	2010
Claims on liabilities at September 1	\$ 125,000	\$ 125,000
Incurred claims	1,316,854	1,281,678
Payments on claims	( 1,316,854)	( 1,281,678)
Claims on liabilities at August 31	<u>\$ 125,000</u>	<u>\$ 125,000</u>

**Employee Benefits**

**Pension Plan**

The Authority has created the Sabine River Authority of Texas Employee Retirement Plan (Plan) by conforming to the requirements of Section 401(a) of the Internal Revenue Code for the exclusive use and benefit of the permanent employees of the Authority and their beneficiaries. The Plan is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984; and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification. The Plan is authorized by Article 8280-133 of Vernon's Texas Civil Statutes as amended. It is a defined contribution pension plan, whereby the Authority contributes an amount equal to 15% of the employees' compensation which is within the limitations as set out in Section 415(c) of the Internal Revenue Code. Fulltime employees, after one year of service, are enrolled in the retirement plan, and the employees are fully vested after seven years. Benefits are based on the amounts accumulated from such contributions. At August 31, 2011, there were 132 plan members consisting of 103 active employees, 17 retirees and 12 inactive. At August 31, 2010, there were 128 plan members consisting of 102 active employees, 15 retirees and 11 inactive. Retirement contribution costs for the current year and two preceding years are as follows:

	Employer Contributions Required	Employer Contributions Made	Percentage of Contributions Made
2011	\$ 1,054,323	\$ 1,054,323	100%
2010	1,028,268	1,028,268	100%
2009	1,012,934	1,012,934	100%

Voluntary employee contributions totaled \$78,806 and \$66,388 for the years ended August 31, 2011 and 2010, respectively.



3. DETAILED NOTES ON ALL FUNDS (Continued)

Employee Benefits (Continued)

Pension Plan (Continued)

Retirement contributions are deposited into each employee's individual account at ICMA-RC (International City/County Management Association-Retirement Corporation). ICMA-RC is a not-for-profit corporation that assists in the establishment and maintenance of retirement plans exclusively for State and Local government employees. Through ICMA-RC, each employee manages and invests the funds in their individual accounts.

The total assets in the plan as of August 31, 2011, are \$28,562,190. The asset allocation breakdown is as follows:

Fund	Percentage Invested	Fund Balance
VT Vantagepoint Milestone 2015	<1%	\$ 133,769
VT Vantagepoint MS Ret., Inc.	<1%	172,390
VT Vantagepoint Milestone 2010	<1%	263,381
VT Vantagepoint Milestone 2020	<1%	238,395
VT Vantagepoint Milestone 2025	<1%	169,858
VT Vantagepoint Discovery	<1%	121,926
VT Vantagepoint MP Trad Growth	<1%	188,641
VT Vantagepoint 500 Stk Idx	<1%	122,926
VantageBroker	<1%	127,220
VT T Rowe Price Sm-Cap Value	<1%	196,745
VT 5-Year CD	<1%	165,826
VT Vantagepoint Overseas Eq. Idx	<1%	128,109
VT Royce Premeir	<1%	179,372
VT Rainer Small/Mid Cap Eqty	<1%	220,638
VT Nuveen Real Estate Secs	<1%	180,512
VT T Rowe Price Growth Stock	<1%	233,062
VT Vantagepoint International	<1%	152,238
VT Vantagepoint Milestone 2030	1.40%	399,679
VT Fidelity Diversified International	1.18%	335,676
VT Fidelity Contrafund	2.45%	698,744
VT Vantagepoint MP All-Eq Gr	2.84%	811,731
VT Vantagepoint Growth & Income	2.06%	589,529
VT Vantagepoint Md/Sm Co. Idx	2.55%	727,401
VT Vantagepoint MP Long-term Growth	3.44%	982,587
VT Vantagepoint Brd Mkt Idx	4.41%	1,258,911
VT Vantagepoint Equity Income	5.66%	1,616,601
VT Vantagepoint Aggressive Ops	5.98%	1,707,310
VT Vantagepoint Growth	10.78%	3,079,936
Vantage Trust PLUS Fund	43.91%	12,542,096
Other Funds w/less than \$100,000 (33 funds)	2.86%	816,981
Total all funds		\$ <u>28,562,190</u>

3. DETAILED NOTES ON ALL FUNDS (Continued)

Other Post-employment Benefits

**Plan Description and Funding Policy**

In addition to providing pension benefits, the Authority provides post-employment health care benefits, in accordance with federal and state statutes and Board resolution, to employees who attain retirement status. Fulltime employees hired before January 1, 2003 are eligible to receive retiree health care benefits upon reaching retirement status. Employees hired after January 1, 2003, are not eligible for post-employment health benefits. Employees are eligible for retirement status at age 65 or they may also attain early retirement status prior to age 65 provided that for each year of age prior to age 65, the employee shall have completed one year of service such that the employee's age plus years of service must equal 80. The Plan is a defined benefit plan and the cost for each employee is paid on a "pay-as-you-go" basis. The Authority pays the health care costs under its medical self-insurance plan described in Note 3. At August 31, 2011 and 2010, respectively, there were 27 and 24 active employees meeting these eligibility requirements who could elect to retire. During the fiscal years ended August 31, 2011 and 2010, respectively, 40 and 42 qualified retirees received these benefits. The Plan's provisions and funding requirements are established and can be amended by the Management of the Authority. The plan is a single employer plan.

**Annual OPEB Cost and Net OPEB Obligation**

During the fiscal year ended August 31, 2010, the Authority implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. The implementation was prospective, meaning there was a zero net OPEB obligation at transition. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$ 1,861,652
Interest on net OPEB obligation	122,346
Adjustment to annual required contribution	( 163,264)
Annual OPEB cost (expense)	1,820,734
Contributions made	( 328,842)
Increase in net OPEB obligation	1,491,892
Net OPEB obligation, beginning of year	2,718,790
Net OPEB obligation, end of year	<u>\$ 4,210,682</u>

The Authority's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended August 31, 2011 and 2010, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
August 31, 2011	\$ 1,820,734	18%	\$ 4,210,682
August 31, 2010	1,632,321	16%	2,718,790
August 31, 2009	1,580,465	15%	1,342,773

The Authority is only required to obtain a complete actuarial evaluation every three years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last evaluation. The actuarial accrued liability for benefits was \$20,289,694, and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$20,289,694. The covered payroll (annual payroll of active employees covered by the plan) was \$5,679,542 and the ratio of the UAAL to the covered payroll was 357.24%. Refer to Required Supplementary Information.

3. DETAILED NOTES ON ALL FUNDS (Continued)

**Other Post-employment Benefits** (Continued)

**Annual OPEB Cost and Net OPEB Obligation** (Continued)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	August 31, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	30 years - open
Asset valuation	Market value
Actuarial assumptions:	
Investment rate of return	4.50%
Salary scale	3.0%
Health care cost trend rate	9% initial 4.50% ultimate

**Long-term Liabilities**

Outstanding long-term liabilities consist of the following (in thousands):

	Date of Issue	Date of Maturity	Interest Rates	Original Amount	Outstanding Balance 08/31/10	Added	Retired	Adjustment	Outstanding Balance 08/31/11	Current Portion
Facilities:										
Construction										
Revenue Bonds:										
Series 1980	1980	2020	5.00%	\$ 350	\$ 164	\$ -	\$ 164	\$ -	\$ -	\$ -
TWDB Loans:										
Series 1964	1964	2034	6.54%	15,000	25,260	-	893	30	24,397	135
Compensated										
Absences:										
Vacation pay	-	-	-	-	643	450	430	-	663	-
Subtotal long-term liabilities					26,067	\$ 450	\$ 1,487	\$ 30	25,060	\$ 135
Less:										
Current portion					138				135	
Net long-term liabilities					\$ 25,929				\$ 24,925	

The Texas Water Development Board Series 1964 total amount outstanding at August 31, 2011, of \$24,397,084 includes \$6,755,000 of principal and \$17,642,084 of deferred interest.

3. **DETAILED NOTES ON ALL FUNDS** (Continued)

**Long-term Liabilities** (Continued)

Future debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 135,000	\$ 210,317	\$ 345,317
2013	145,000	1,201,488	1,346,488
2014	150,000	1,192,005	1,342,005
2015	160,000	1,182,195	1,342,195
2016	175,000	1,171,731	1,346,731
2017-2021	1,050,000	5,672,592	6,722,592
2022-2026	1,440,000	5,281,173	6,721,173
2027-2031	1,975,000	4,745,220	6,720,220
2032-2034	<u>1,525,000</u>	<u>2,475,333</u>	<u>4,000,333</u>
Total	<u>\$ 6,755,000</u>	<u>\$ 23,132,054</u>	<u>\$ 29,887,054</u>

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service. The required accounts have been established on the books of the Authority and are reported as restricted assets in the financial statements.

**Texas Water Development Board Loan**

On December 2, 1994, the Authority entered into a revised agreement with the Texas Water Development Board (TWDB) regarding the state's ownership rights at the Toledo Bend Reservoir. The Authority made a principal payment of \$6,430,186 on December 28, 1994, and received a revised interest rate of 3.6% from April 16, 1964 through December 28, 1994. This reduction in the interest rate resulted in a reduction of \$11,683,809 of interest payable to TWDB. The reduction of accrued interest was a noncash transaction. The interest rate is 6.54% on the remaining \$6,755,000 in principal.

The Authority owes \$6,755,000 of principal and \$17,642,084 of interest at August 31, 2011, related to the state's 21.6075% ownership of the water storage rights at the Toledo Bend Reservoir. The following recaps the payments made on the debt:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
November 8, 1974	\$ 475,000	\$ -
November 21, 1975	94,815	-
August 20, 1987	500,000	-
March 17, 1988	500,000	-
December 28, 1994	6,430,186	-
July 11, 1996	-	217,000
July 11, 1997	-	217,000
July 1, 1998	-	217,000
June 7, 1999	-	217,000
June 29, 2000	-	217,000
June 18, 2001	-	217,000
June 26, 2002	-	217,000
June 25, 2003	-	217,000
June 24, 2004	-	217,000
June 27, 2005	-	217,000
June 27, 2006	-	217,000
June 25, 2007	-	217,000
June 25, 2008	-	217,000
June 25, 2009	-	217,000
June 25, 2010	120,000	1,226,340
June 25, 2011	125,000	1,278,492

3. **DETAILED NOTES ON ALL FUNDS (Continued)**

**Commitments and Contingencies**

Public law 98-581 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the remaining terms of the license to operate the Toledo Bend Joint Project (Project). The license expires 50 years from October 1, 1963. The waiver is contingent upon FERC determining that the power from the Project is sold to the public without profit. All exemptions applied for through December 31, 2009, have been approved. The Authority has begun the relicensing process with FERC and as of August 31, 2011, \$3,515,270 of these costs has been capitalized and will be expensed over the licensing period.

The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority.

**Pollution Control Bonds**

In conformity with the State of Texas Auditors' Report dated October 6, 1986, Pollution Control Bonds have been removed from the statement of net assets and are disclosed instead in the notes to financial statements. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2011
Texas Utilities Electric Company:						
Series 2000A - Construction of solid waste disposal facility at the Martin Lake Station in Rusk County	2000	2021	6.45%	\$ 51,000,000	\$ -	\$ 51,000,000
Series 2001A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2022	5.50%	91,460,000	-	91,460,000
Series 2001B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2030	5.75%	106,900,000	-	106,900,000
Series 2001C - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2028	5.20%	70,000,000	-	70,000,000
Series 2003A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	5.80%	12,390,000	-	12,390,000
Series 2003B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	6.15% (variable)	44,615,000	-	44,615,000
American Electric Power:						
Series 2006 - Construction and improvements of air and water pollution control including solid waste disposal facilities at the generating plant in Harrison County, Texas	2006	2018	4.95%	81,700,000	-	81,700,000
Totals				\$ 458,065,000	\$ -	\$ 458,065,000

3. DETAILED NOTES ON ALL FUNDS (Continued)

**Industrial Revenue Bonds**

The Sabine River Industrial Development Authority is a separate entity created and governed by the Sabine River Authority of Texas. A separate audit is performed and is available upon request. The Sabine River Authority of Texas is not liable for any of this debt.

	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2011
Northeast Texas Electric Cooperative, Inc. Series 1984 Q - Improvement of the pollution control facilities at the plant in Harrison County, Texas	1984	2014	2.20% (variable)	\$ 6,650,000	\$ 4,800,000	\$ 1,850,000
Totals				\$ 6,650,000	\$ 4,800,000	\$ 1,850,000

**Concentrations**

During the years ended August 31, 2011 and 2010, respectively, approximately 40% and 42% of water sales were to Dallas Water Utilities. The agreement for water sales for Lake Tawakoni is in perpetuity while the Lake Fork agreement remains in effect until 2013.

**Joint Operations**

The Authority has a 50% interest in the Toledo Bend Project Joint Operation (TBPJO). The TBPJO is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority in 1955. TBPJO was formed for the purpose of constructing the dam, reservoir, structures, and hydroelectric generating station at Toledo Bend Reservoir. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority. Sabine River Authority of Texas is responsible for administration of the reservoir and the Texas shoreline. Sabine River Authority of Louisiana is responsible for engineering aspects and the Louisiana shoreline.

The Authority's investment in the net assets of the TBPJO is reflected on the Authority's financial statements as capital assets and investments. Capital contributions are made by the Authority to TBPJO to cover operating costs; the contributions are reflected on the Authority's financial statements as operating expenses.

The audited financial statements of TBPJO are on file at the administrative offices of Sabine River Authority of Texas.



**SABINE RIVER AUTHORITY OF TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST-EMPLOYMENT BENEFITS**

**AUGUST 31, 2011**

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
August 31, 2009	\$ -	\$ 21,743,485	\$ 21,743,485	- %	\$ 5,604,136	387.99%
August 31, 2010	-	21,743,485	21,743,485	- %	5,585,890	389.26%
August 31, 2011	-	20,289,694	20,289,694	- %	5,679,542	357.24%

GASB 45 was implemented prospectively in fiscal year August 31, 2009. Actuarial information and annual OPEB costs are not available prior to that time. See Note 3 for frequency of actuarial valuations and other conditions.

**SABINE RIVER AUTHORITY OF TEXAS**  
**SCHEDULE OF AMORTIZATION OF**  
**TEXAS WATER DEVELOPMENT BOARD LOAN**

AUGUST 31, 2011

Principal Balance Financed \$7,000,000

Fiscal Year	Interest Receivable	Principal Payment	Interest Payment	Total Payment	Total Debt Service	Deferred	Adjusted Payment
2012	\$ 631,690	\$ 135,000	\$ 441,777	\$ 576,777	\$ 1,208,467	\$ 136,850	\$ 1,345,317
2013	631,690	145,000	432,948	577,948	1,209,638	136,850	1,346,488
2014	631,690	150,000	423,465	573,465	1,205,155	136,850	1,342,005
2015	631,690	160,000	413,655	573,655	1,205,345	136,850	1,342,195
2016	631,690	175,000	403,191	578,191	1,209,881	136,850	1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 14,528,870</u>	<u>\$ 6,755,000</u>	<u>\$ 6,489,969</u>	<u>\$ 13,244,969</u>	<u>\$ 27,773,839</u>	<u>\$ 3,113,215</u>	<u>\$ 30,887,054</u>

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF INSURANCE IN FORCE**

**AUGUST 31, 2011  
(UNAUDITED)**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Texas Water Conservation Association Risk Management Fund	022	07/01/11 - 07/01/12	General liability	\$ 1,000,000	\$ 22,629
Texas Water Conservation Association Risk Management Fund	022	07/01/11 - 07/01/12	Automobile liability	1,000,000	24,103
Texas Water Conservation Association Risk Management Fund	022	07/01/11 - 07/01/12	Auto physical damage	Scheduled	13,996
Texas Water Conservation Association Risk Management Fund	022	07/01/11 - 07/01/12	Property	11,892,874	34,806
Texas Water Conservation Association Risk Management Fund	022	07/01/11 - 07/01/12	Errors and omissions	1,000,000	20,070
Texas Water Conservation Association Risk Management Fund	022	07/01/11 - 07/01/12	Excess liability	4,000,000	33,556
Zurich American Insurance Company	GTU6548008-00	07/01/11 - 07/01/12	Travel accident	500,000	950
Travelers Casualty Insurance Company	105281129	07/01/11 - 07/01/12	Crime/employee dishonesty	1,000,000	1,603
Travelers Casualty & Surety Co.	105648039	07/01/11 - 07/01/12	Blanket public official bond	1,000	100
Liberty Mutual National Union Fire Insurance Co.	61628237	07/01/11 - 07/01/12	Commercial property	Scheduled	8,345
Travelers Lloyd's Insurance Company	QT660272D7866TLC11	07/01/11 - 07/01/12	Lake Fork dam, watercraft, radio tower, and base station, and Kilgore/Henderson Weir	Scheduled	138,143
Deep East Texas Worker's Compensation Insurance Fund	76-134	07/01/97 - (Until Canceled)	Worker's compensation	500,000	<u>35,138</u>
					<u>\$ 333,439</u>

SABINE RIVER AUTHORITY OF TEXAS

TABLE 1

NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Primary government:									
Invested in capital assets,									
net of related debt	\$ 96,617,240	\$ 107,230,100	\$ 123,837,332	\$ 123,150,281	\$ 122,749,783	\$ 122,623,992	\$ 121,806,366	\$ 121,968,213	\$ 144,580,865
Restricted	1,709,648	1,323,594	1,569,997	1,539,861	1,772,417	1,367,308	847,680	847,586	846,350
Unrestricted	31,685,437	30,452,757	29,922,837	29,385,590	30,496,191	33,779,454	33,823,504	34,879,808	31,880,623
Total primary government net assets	\$ 130,012,325	\$ 139,006,451	\$ 155,330,166	\$ 154,075,732	\$ 155,018,391	\$ 157,770,754	\$ 156,477,550	\$ 157,695,607	\$ 177,307,838

Note: Presented data includes the nine fiscal years since implementation of GASB Statement 34.



TABLE 2

CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) Before Capital Contributions	Extraordinary Items/ Capital Contributions	Change in Net Assets
2003	\$ 25,930,078	\$ 15,763,610	\$ 10,166,468	\$( 678,651)	\$ 9,487,817	\$ 25,120	\$ 9,512,937
2004	25,751,128	16,246,397	9,504,731	( 510,605)	8,994,126	-	8,994,126
2005	22,313,289	15,836,411	6,476,878	2,758	6,479,636	1,530,825	8,010,461
2006	14,217,919	15,706,297	( 1,488,378)	233,302	( 1,255,076)	642	( 1,254,434)
2007	17,343,853	17,224,675	119,178	814,105	933,283	9,376	942,659
2008	18,645,877	17,643,179	1,002,698	1,669,945	2,672,643	79,720	2,752,363
2009	18,931,509	20,264,696	( 1,333,187)	39,983	( 1,293,204)	-	( 1,293,204)
2010	21,874,597	20,575,593	1,299,004	( 80,947)	1,218,057	-	1,218,057
2011	18,271,927	21,802,675	( 3,530,748)	( 1,328,653)	( 4,859,401)	24,471,632	19,612,231

Note: Presented data includes the nine fiscal years since implementation of GASB Statement 34.



**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

**TABLE 3**

**OPERATING REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Water Sales	Power Sales	Wastewater Treatment	Permits	Water Quality Activity	Miscellaneous	Bond Issue Fees	Reservation Fee	Total
2002	\$ 21,957,147	\$ 2,448,306	\$ 63,943	\$ 576,006	\$ 699,224	\$ 2,004,607	\$ -	\$ -	\$ 27,749,233
2003	21,909,558	1,972,814	71,188	582,374	761,679	632,465	-	-	25,930,078
2004	21,847,993	1,935,696	50,703	593,786	883,492	439,458	-	-	25,751,128
2005	17,611,681	2,890,944	72,301	614,855	779,081	344,427	-	-	22,313,289
2006	10,488,136	721,340	81,273	760,795	741,983	364,190	408,500	651,702	14,217,919
2007	11,495,394	2,528,598	52,994	750,935	725,362	625,468	513,400	651,702	17,343,853
2008	11,884,812	3,772,516	58,189	794,681	747,972	736,005	-	651,702	18,645,877
2009	13,350,041	2,620,794	52,763	816,363	759,787	680,059	-	651,702	18,931,509
2010	12,924,928	6,018,152	50,411	810,474	823,269	595,661	-	651,702	21,874,597
2011	13,968,923	557,506	47,353	840,931	844,315	1,361,197	-	651,702	18,271,927

**TABLE 4**

**OPERATING EXPENSES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Operation and Maintenance	Depreciation	Total Operating Expenses
2002	\$ 11,931,732	\$ 3,017,412	\$ 14,949,144
2003	12,627,449	3,136,161	15,763,610
2004	13,099,336	3,147,061	16,246,397
2005	12,977,524	2,858,887	15,836,411
2006	12,835,203	2,871,094	15,706,297
2007	14,344,378	2,880,297	17,224,675
2008	14,738,525	2,904,654	17,643,179
2009	17,356,286	2,908,410	20,264,696
2010	17,626,268	2,949,325	20,575,593
2011	18,084,046	3,718,629	21,802,675

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

**TABLE 5**

**NONOPERATING REVENUES AND EXPENSES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Grant Program	Capital Asset Impairment Loss	Investment Income	Interest Expense	Bad Debt Expense	Total Nonoperating Revenues (Expenses)
2002	\$ 52,662	\$( 77,500)	\$ -	\$ 1,452,113	\$( 2,190,890)	-	\$( 763,615)
2003	88,625	( 113,500)	-	973,904	( 1,627,680)	-	( 678,651)
2004	( 81,266)	( 111,800)	-	704,317	( 1,021,856)	-	( 510,605)
2005	18,364	( 291,144)	-	751,812	( 476,274)	-	2,758
2006	38,622	( 223,626)	( 40,397)	1,141,571	( 682,868)	-	233,302
2007	( 11,424)	( 130,000)	( 20,146)	1,596,600	( 620,925)	-	814,105
2008	899,264	( 153,000)	-	1,468,162	( 544,481)	-	1,669,945
2009	( 29,924)	( 391,000)	-	946,269	( 485,362)	-	39,983
2010	( 12,257)	( 149,100)	-	555,499	( 475,089)	-	( 80,947)
2011	( 967,005)	( 169,533)	-	482,909	( 458,152)	( 216,872)	( 1,328,653)

**TABLE 6**

**WATER SUPPLIED, POWER GENERATED AND LABORATORY TESTS PERFORMED**  
**LAST TEN FISCAL YEARS**  
(UNAUDITED)

Fiscal Year	Gulf Coast Division	Lake Tawakoni	Toledo Bend Division	Lake Fork	Total Water Supplied	MWH Hours of Power Generated	Environmental Services Division Tests Performed
2002	40,21	126.17	4.21	16.83	187.42	233,925	53,751
2003	48,26	76.26	4.41	18.01	146.94	188,796	52,832
2004	48,03	38.44	4.07	18.07	108.61	1,858,529	75,714
2005	41,72	131.65	3.95	18.35	195.67	276,274	72,202
2006	39,75	165.92	4.62	11.52	221.81	70,370	83,066
2007	39,64	127.89	3.77	12.59	183.89	172,956	68,499
2008	42,06	80.44	3.88	5.67	132.05	196,665	65,306
2009	37,99	140.70	2.71	6.98	188.38	136,544	57,211
2010	42,74	37.20	3.32	24.70	107.96	305,027	63,225
2011	43,05	86.68	3.42	38.10	171.25	38,359	68,040

Note: Water supplied is presented in million gallons daily (MGD).

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

**TABLE 7**

**NUMBER OF WATER CUSTOMERS AND LABORATORY TESTS PERFORMED BY TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Water Customers				Laboratory Tests Performed				Total Tests Performed	
	Municipal	Industrial	Irrigation	Other	Total	Industrial	Municipal	Watershed Monitoring Program		Quality Assurance
2002	20	10	1	3	34	9,134	6,285	22,231	16,101	53,751
2003	19	11	1	3	34	9,796	5,996	21,195	15,845	52,832
2004	22	11	1	3	37	9,052	6,997	39,269	20,396	75,714
2005	22	11	1	3	37	8,984	7,039	32,463	23,716	72,202
2006	22	11	1	3	37	8,665	7,488	40,120	26,793	83,066
2007	22	12	1	3	38	8,412	7,490	29,341	23,256	68,499
2008	22	11	0	4	37	8,621	8,244	24,244	24,197	65,306
2009	22	12	1	3	38	6,419	8,186	23,143	19,463	57,211
2010	22	12	1	3	38	5,662	9,509	23,909	24,145	63,225
2011	22	14	1	3	40	8,081	8,851	24,486	26,622	68,040

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

**TABLE 8**

**FIVE LARGEST CUSTOMERS**  
**CURRENT YEAR AND LAST NINE YEARS**

Customer	Fiscal Year 2011 Water Revenue			Fiscal Year 2010 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,552,885	39.75%	1	\$ 5,480,438	42.40%	1
North Texas Municipal Water District	1,186,871	8.50%	2	886,961	6.86%	2
Inland Orange, Inc.	904,842	6.48%	3	871,879	6.75%	3
City of Greenville	839,509	6.01%	4	863,843	6.68%	4
E. I. Dupont DeNemours	734,422	5.26%	5	N/A	-	
City of Hemphill	N/A	-		750,006	5.80%	5
Subtotal	9,218,529	65.99%		8,853,127	68.50%	
Balance from other customers	4,750,394	34.01%		4,071,801	31.50%	
Grand totals	\$ 13,968,923	100.00%		\$ 12,924,928	100.00%	

Customer	Fiscal Year 2009 Water Revenue			Fiscal Year 2008 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,719,332	42.84%	1	\$ 5,009,554	42.15%	1
City of Longview	651,703	4.88%	5	651,703	5.48%	5
Inland Orange, Inc.	767,055	5.75%	4	827,568	6.96%	3
E.I. Dupont DeNemours	N/A	-		656,598	5.52%	4
City of Greenville	985,509	7.38%	3	985,509	8.29%	2
North Texas Municipal Water District	1,225,524	9.18%	2	N/A	-	
Subtotal	9,349,123	70.03%		8,130,932	68.41%	
Balance from other customers	4,000,918	29.97%		3,753,880	31.59%	
Grand totals	\$ 13,350,041	100.00%		\$ 11,884,812	100.00%	

Customer	Fiscal Year 2007 Water Revenue			Fiscal Year 2006 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 4,696,527	40.86%	1	\$ 3,904,131	37.22%	1
E.I. Dupont DeNemours	632,954	5.51%	5	620,717	5.92%	5
City of Longview	651,703	5.67%	4	665,887	6.35%	3
Inland Orange, Inc.	703,670	6.12%	3	621,930	5.93%	4
City of Greenville	985,480	8.57%	2	706,255	6.73%	2
Subtotal	7,670,334	66.73%		6,518,920	62.16%	
Balance from other customers	3,825,060	33.27%		3,969,216	37.84%	
Grand totals	\$ 11,495,394	100.00%		\$ 10,488,136	100.00%	

Note: N/A indicates customer is not in the five largest customers for that year





**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**TABLE 8**

**FIVE LARGEST CUSTOMERS  
(Continued)  
CURRENT YEAR AND LAST NINE YEARS**

Customer	Fiscal Year 2005 Water Revenue			Fiscal Year 2004 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 10,489,633	59.56%	1	\$ 15,175,840	69.46%	1
E.I. Dupont DeNemours	765,933	4.35%	2	553,600	2.53%	4
City of Longview	684,375	3.89%	3	665,363	3.05%	2
Inland Orange, Inc.	537,446	3.05%	5	640,365	2.93%	3
City of Greenville	612,574	3.48%	4	N/A	-	
Texas Utilities	N/A	-		500,190	2.29%	5
Subtotal	<u>13,089,961</u>	<u>74.33%</u>		<u>17,535,358</u>	<u>80.26%</u>	
Balance from other customers	<u>4,521,720</u>	<u>25.67%</u>		<u>4,312,635</u>	<u>19.74%</u>	
Grand totals	<u>\$ 17,611,681</u>	<u>100.00%</u>		<u>\$ 21,847,993</u>	<u>100.00%</u>	

Customer	Fiscal Year 2003 Water Revenue			Fiscal Year 2002 Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 14,744,502	67.30%	1	\$ 14,525,278	66.15%	1
E.I. Dupont DeNemours	555,273	2.53%	4	628,826	2.86%	2
City of Longview	638,745	2.92%	2	619,739	2.82%	3
Inland Orange, Inc.	582,070	2.66%	3	614,339	2.80%	4
Texas Utilities	483,347	2.21%	5	467,451	2.13%	5
Subtotal	<u>17,003,937</u>	<u>77.61%</u>		<u>16,855,633</u>	<u>76.77%</u>	
Balance from other customers	<u>4,905,621</u>	<u>22.39%</u>		<u>5,101,514</u>	<u>23.23%</u>	
Grand totals	<u>\$ 21,909,558</u>	<u>100.00%</u>		<u>\$ 21,957,147</u>	<u>100.00%</u>	

Note: N/A indicates customer is not in the five largest customers for that year

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 9

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds		Texas Water Development Board Loan		Total Amount		Personal Income <sup>b</sup>		Percentage of Outstanding Debt to Personal Income		Population <sup>a</sup>		Total Debt Per Capita	
	\$		\$		\$									
2002	40,499,000		24,463,045		64,962,045		13,732,377,000		0%		515,543		126	
2003	28,131,000		24,703,845		52,834,845		14,263,381,000		0%		523,517		101	
2004	15,702,000		24,944,645		40,646,645		15,256,197,000		0%		530,620		77	
2005	5,443,000		25,185,445		30,628,445		16,115,889,000		0%		538,603		57	
2006	4,163,000		25,426,245		29,589,245		17,448,637,000		0%		546,767		54	
2007	2,668,000		25,667,045		28,335,045		18,534,116,000		0%		548,395		52	
2008	1,162,000		25,907,845		27,069,845		19,739,546,000		0%		553,668		49	
2009	416,000		26,148,645		26,564,645		20,449,149,000		0%		560,018		47	
2010	164,000		25,260,105		25,424,105		N/A		N/A		564,591		45	
2011	-		24,397,085		24,397,085		N/A		N/A		N/A		N/A	

Sources:

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 10

**PLEGGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenues	Less: Operating Expenses (Excluding Depreciation)	Net Available Funds	Debt Service		Coverage Ratio
				Principal	Interest	
2002	\$ 27,749,233	\$ 11,931,732	\$ 15,817,501	\$ 2,190,890	\$ 14,500,433	1.09
2003	25,930,078	12,627,449	13,302,629	1,627,680	13,847,223	0.96
2004	25,751,128	13,099,336	12,651,792	10,218,856	22,740,199	0.93
2005	22,313,289	12,977,524	9,335,765	588,665	11,064,665	0.84
2006	14,217,919	12,835,203	1,382,716	466,450	1,746,450	0.79
2007	17,343,853	14,344,378	2,999,475	410,256	1,905,256	1.57
2008	18,645,877	14,738,525	3,907,352	382,875	1,888,875	2.07
2009	18,931,509	17,356,286	1,575,223	263,132	1,009,132	1.56
2010	21,874,597	17,626,268	4,248,329	1,245,040	1,617,040	2.63
2011	18,271,927	18,084,046	187,881	458,152	1,485,173	0.13

Note: Interest is on cash basis method of accounting.

TABLE 11

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

Calendar Year	Population <sup>a</sup>	Personal Income <sup>b</sup> (thousands of dollars)	Per Capita Personal Income	Unemployment Rate		Labor Force <sup>c</sup>	Total Housing Units <sup>e</sup>
				Basin <sup>c</sup>	State <sup>d</sup>		
2002	\$ 515,543	\$ 13,732,377	\$ 26,637	6.8%	6.4%	\$ 252,502	223,043
2003	523,517	14,263,381	27,245	6.9%	6.7%	257,644	225,193
2004	530,620	15,256,197	28,752	5.8%	6.0%	261,670	227,585
2005	538,603	16,115,889	29,922	5.2%	5.3%	264,521	230,234
2006	546,767	17,448,637	31,912	4.7%	4.6%	270,394	232,501
2007	548,395	18,534,116	33,797	4.4%	4.5%	270,724	234,912
2008	553,668	19,739,546	35,652	5.0%	4.9%	274,958	237,078
2009	560,018	20,449,149	36,515	8.1%	8.2%	277,708	239,581
2010	564,591	N/A	N/A	8.5%	8.2%	281,524	244,163
2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = not available

Note: Statistics for counties partially in the Sabine Basin have been adjusted to better reflect the geographic portion of the county within the basin.

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

<sup>c</sup> Local Area Unemployment Statistics through the LMCI website: <http://www.tracer2.com>

<sup>d</sup> State unemployment rate obtained from the U. S. Department of Labor Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>e</sup> U. S. Census Bureau website: <http://www.census.gov/popest/housing>

**SABINE RIVER AUTHORITY OF TEXAS  
(Continued)**

**PRINCIPAL EMPLOYERS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**TABLE 12**

Employer	City	2011		2010		2009		2008		Rank
		Employers	Percentage	Employers	Percentage	Employers	Percentage	Employers	Percentage	
L-3 Communications Integrated Systems	Greenville	N/A	N/A	5,750	2.04%	5,700	2.05%	5,000	1.83%	1
Good Shepard Medical Center	Longview	N/A	N/A	2,743	0.97%	2,717	0.98%	2,585	0.94%	3
Eastman Chemicals	Longview	N/A	N/A	1,410	0.50%	1,400	0.50%	1,456	0.53%	3
Trinity Rail	Longview	N/A	N/A	600	0.21%	600	0.22%	601	0.22%	4
Tyson Foods	Center	N/A	N/A	1,000	0.36%	1,000	0.36%	1,400	0.51%	4
Longview ISD	Center	N/A	N/A	1,263	0.45%	1,300	0.47%	1,267	0.46%	5
Texas Utilities	Henderson	N/A	N/A	896	0.32%	896	0.32%	1,082	0.39%	5
DuPont Sabine River Works	Orange	N/A	N/A	866	0.31%	866	0.31%	866	0.31%	5
Greenville ISD	Greenville	N/A	N/A	810	0.29%	810	0.29%	810	0.29%	5
Newell Rubbermaid	Greenville	N/A	N/A	650	0.23%	650	0.23%	650	0.24%	5
Mundy Industrial Contractors	Orange	N/A	N/A	275	0.10%	275	0.10%	275	0.10%	5
Invista Petrochemical	Orange	N/A	N/A	200	0.07%	200	0.07%	200	0.07%	5
Inland Paperboard	Orange	N/A	N/A	500	0.18%	500	0.18%	500	0.18%	2
<b>Totals</b>		N/A	N/A	16,963	6.03%	16,914	6.08%	16,692	6.07%	
		2007		2006		2005		2004		
Employer	City	Employers	Percentage	Employers	Percentage	Employers	Percentage	Employers	Percentage	Rank
L-3 Communications Integrated Systems	Greenville	4,750	1.75%	4,700	1.74%	4,000	1.51%	3,800	1.45%	1
Good Shepard Medical Center	Longview	2,200	0.81%	2,288	0.85%	2,288	0.86%	2,250	0.86%	3
Eastman Chemicals	Longview	1,554	0	1,650	0.61%	1,650	0.62%	1,650	0.63%	3
Trinity Rail	Longview	1,490	0.55%	1,303	0.48%	1,303	0.49%	1,303	0.50%	4
Tyson Foods	Center	1,250	0.46%	1,250	0.46%	1,250	0.47%	1,250	0.48%	5
Longview ISD	Center	1,200	0.44%	1,266	0.47%	1,250	0.47%	1,250	0.48%	5
Texas Utilities	Henderson	1,082	0	1,082	0.40%	1,082	0.41%	1,080	0.41%	5
DuPont Sabine River Works	Orange	866	0.32%	866	0.32%	866	0.33%	875	0.33%	5
Greenville ISD	Greenville	810	0	810	0.30%	810	0.31%	810	0.31%	5
Newell Rubbermaid	Greenville	650	0.24%	650	0.24%	660	0.25%	660	0.25%	5
Mundy Industrial Contractors	Orange	600	0.22%	600	0.22%	600	0.23%	600	0.23%	5
Invista Petrochemical	Orange	510	0	510	0.19%	500	0.19%	400	0.15%	5
Inland Paperboard	Orange	500	0.18%	500	0.18%	500	0.19%	500	0.19%	2
<b>Totals</b>		17,462	6.43%	17,475	6.46%	16,759	6.33%	16,428	6.27%	
		2003		2002						
Employer	City	Employers	Percentage	Employers	Percentage	Employers	Percentage	Employers	Percentage	Rank
L-3 Communications Integrated Systems	Greenville	3,600	1.40%	3,600	1.43%	N/A	N/A	N/A	N/A	N/A = not available
Good Shepard Medical Center	Longview	2,225	0.86%	2,220	0.88%	2,220	0.88%	2,250	0.88%	Source: Community profiles and websites from counties and communities within the Sabine River Basin.
Eastman Chemicals	Longview	1,650	0	1,660	0.66%	1,660	0.66%	1,650	0.63%	
Trinity Rail	Longview	1,300	0.50%	1,290	0.51%	1,290	0.51%	1,303	0.50%	
Tyson Foods	Center	1,225	0.48%	1,220	0.48%	1,220	0.48%	1,250	0.48%	
Longview ISD	Center	1,225	0.48%	1,220	0.48%	1,220	0.48%	1,250	0.48%	
Texas Utilities	Henderson	1,075	0	1,050	0.42%	1,050	0.42%	1,080	0.41%	
DuPont Sabine River Works	Orange	925	0.36%	1,000	0.40%	1,000	0.40%	1,080	0.41%	
Greenville ISD	Greenville	810	0	800	0.32%	800	0.32%	875	0.33%	
Newell Rubbermaid	Greenville	660	0.26%	660	0.26%	660	0.26%	660	0.25%	
Mundy Industrial Contractors	Orange	600	0.23%	550	0.22%	550	0.22%	600	0.23%	
Invista Petrochemical	Orange	400	0	400	0.16%	400	0.16%	400	0.15%	
Inland Paperboard	Orange	500	0.19%	500	0.20%	500	0.20%	500	0.19%	
<b>Totals</b>		16,195	6.29%	16,170	6.42%					

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 13

**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Administration:</b>										
Management	19	19	19	19	19	19	20	20	20	19
Administrative assistant/secretary	15	15	14	15	13	13	15	15	15	16
Accounting	3	3	3	3	3	3	3	3	3	3
GIS	1	1	1	1	1	1	1	1	1	1
Engineer	-	1	1	1	1	1	1	1	1	2
MIS	2	1	1	1	1	1	1	1	1	1
Special projects	-	1	1	1	1	2	3	3	3	3
<b>Water:</b>										
Environmental agent/tech	6	6	6	4	5	4	3	3	3	3
Pumper	4	6	6	4	4	4	3	3	3	3
Equipment oiler/operator	25	22	20	19	19	21	20	20	20	17
Mechanic	1	1	1	1	1	1	1	1	1	1
M&O/field supervisor	10	9	10	9	8	6	6	6	6	7
Canal foreman/crewman	5	3	3	3	3	3	2	2	2	1
Electrician	1	1	1	1	1	1	1	1	1	1
Project inspector	-	-	1	1	1	1	1	1	1	1
Surveyor/survey tech	1	1	1	1	2	2	2	2	2	2
Maintenance tech	5	4	4	6	7	4	7	7	7	6
Water and sewer tech	1	1	2	1	1	1	1	1	1	3
<b>Laboratory:</b>										
Section leader	3	3	2	3	2	1	1	1	1	1
Laboratory analyst/tech	6	8	5	5	5	5	5	5	5	6
Biomonitoring coordinator	-	-	-	-	1	1	1	1	1	1
Field coordinator	2	2	2	2	2	2	2	2	2	2
Chemist	-	1	2	1	1	1	1	1	1	1
Quality assurance officer	1	1	1	1	1	1	1	1	1	1
Biologist	2	1	2	2	3	3	2	2	2	2
LIMS administrator	1	1	1	1	1	1	1	1	1	1
Sample Custodian	1	1	1	1	1	1	1	1	1	1
<b>Total employees</b>	<b>115</b>	<b>113</b>	<b>111</b>	<b>107</b>	<b>108</b>	<b>103</b>	<b>106</b>	<b>106</b>	<b>106</b>	<b>106</b>

**SABINE RIVER AUTHORITY OF TEXAS**  
(Continued)

TABLE 14

**OPERATING AND CAPITAL INDICATORS**  
(UNAUDITED)

Gulf Coast Division Canal System:	360 million gallons per day
Pumping capacity	75 miles
Canal system length	147,100 acre-feet per year
Permitted water rights	
Lake Tawakoni (Iron Bridge Dam):	
Capacity	927,440 acre-feet
Surface area	36,700 acres
Elevation	437.5 feet mean sea level
Yield	238,100 acre-feet per year
Toledo Bend Reservoir:	
Capacity	4,477,000 acre-feet
Surface area	181,600 acres
Elevation	172.0 feet mean sea level
Yield	2,086,600 acre-feet per year
Hydroelectric capacity	85 megawatt hours
Lake Fork Reservoir:	
Capacity	675,819 acre-feet
Surface area	27,690 acres
Elevation	403.0 feet mean sea level
Yield	188,660 acre-feet per year

Note: Canal system and reservoir information applicable to all years from 2002 through 2011.

# SABINE RIVER AUTHORITY OF TEXAS

Historical Data through  
August 31, 2011

## SRA QUICK REFERENCE

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# WATER SUPPLY SCHEDULE • GULF COAST DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

1949	43.10	8.60											34.50	
1950	54.47	9.69											44.78	
1951	66.14	10.53											55.61	
1952	48.25	12.61											35.64	
1953	41.06	10.60											30.46	
1954	41.57	.50	.15										40.92	
1955	40.08	10.30	.30							.05			29.43	
1956	36.30	9.88	1.44		.54					.05			24.39	
1957	35.10	10.20	1.44		1.36					.05			22.10	
1958	35.09	9.48	1.44		1.03								23.14	
1959	43.86	9.28	1.44		1.11					.04			31.99	
1960	35.37	9.94	1.44		1.11					.21			22.67	
1961	43.89	10.34	1.44	.14	1.34					.21			30.42	
1962	38.95	10.39	.72	.27	1.34					.21			26.02	
1963	36.18	11.11	.37	.25	1.24					.21			23.00	
1964	36.23	11.38	.47	.25	1.45					.21			22.47	
1965	34.51	12.37	.52	.25	1.65					.21			19.51	
1966	42.95	13.00	.49	.25	1.77					.21			27.23	
1967	49.68	14.00	.38	.24	1.94	6.07				.21			26.84	
1968	49.03	12.32	.40	.25	2.00	8.85				.21			25.00	
1969	47.94	12.30	.38	.25	2.08	7.60				.21			25.12	
1970	46.62	15.17	.40	.25	1.78	9.33				.21			19.48	
1971	46.61	15.17	.40	.25	1.77	9.33				.21			19.48	
1972	49.27	16.37	.45	.25	1.58	9.80				.21			20.61	
1973	45.91	12.91	.40		2.09	11.78	.90						17.83	
1974	50.63	11.26	.25		1.77	10.64	1.36						25.35	
1975	50.15	11.95	.38		1.70	11.24	1.25						23.63	
1976	49.69	14.14	.34		1.93	8.77	1.15			.04			23.32	
1977	53.42	15.84	.39		1.68	7.44	1.17			.04			26.86	
1978	37.16	15.23	.32	.25	1.53	11.88	1.17	.09		.80			5.89	
1979	36.85	14.98	.37	.25	1.82	11.07	1.35	.10		.97			5.94	
1980	41.37	14.61	.40	3.27	1.60	12.65	1.29	.10	1.01		.01		6.14	
1981	47.76	16.65	.27	6.38	1.68	12.27	1.58	.10	1.58		.06		6.63	
1982	41.57	13.84	.42	4.49	1.33	11.09	1.58	.08	1.51		.08		7.13	
1983	36.86	12.96	.48	4.76	.16	10.31	1.74	.01	1.63		.08		4.68	
1984	40.38	15.17	.53	5.40	.26	11.76	1.63	.01	1.48		.09		4.00	
1985	40.63	16.65	.58	4.29	.27	13.37	1.78	.01	1.24		.08		2.27	
1986	39.19	15.94	.62	3.84	.27	13.12	1.83	.002	1.14		.08		2.31	
1987	45.02	18.62	.79	3.77	.32	14.45	1.80	.002	1.55		.08		3.58	
1988	50.53	19.93	.98	4.33	.30	17.09	1.99	.002	1.54		.08		4.28	
1989	52.23	19.29	.91	4.72	.34	16.34	2.04	.20	1.46		.09		6.81	
1990	50.08	20.85	.68	4.97	.35	15.18	1.78	.23	1.21		.09		4.72	
1991	47.49	19.03	.57	4.49	.33	14.81	1.49	.007	1.30	1.40	.08		4.81	
1992	48.10	19.62	.61	4.12	.32	15.35	1.90	.001	1.41	1.20	.08		2.73	
1993	46.73	19.29	.69	4.02	.33	14.91	1.97	.001	1.78	1.15	.08		2.51	
1994	47.57	18.91	.71	4.47	.44	14.14	2.04	.001	1.79	1.52	.08		3.47	
1995	49.23	19.10	.78	5.44	.69	15.41	2.27	.001	1.93	1.64	.12		1.92	
1996	50.43	20.48	.76	4.56	.62	15.71	2.28	.001	2.07	1.65	.11		2.27	
1997	52.27	22.33	.73	4.77	.70	15.82	2.53	.001	2.11	1.20	.07		2.01	
1998	53.26	23.03	.73	4.26	.72	17.44	2.40	.001	2.15	1.23	.07		2.23	
1999	50.97	22.32	.55	4.34	.73	15.57	2.00	.005	2.64	.93	.07		5.82	
2000	50.79	20.29	.64	5.22	.63	16.40	2.00	.005	3.03	.95	.08		1.54	
2001	36.73	9.06	.70	4.31	.60	16.18	1.46	.004	2.89	.86	.08		1.08	.37
2002	40.21	14.61	.61	3.43	.65	13.98	1.88	.007	2.91	.71	.08		1.09	.27
2003	48.26	16.44	.71	3.25	.95	19.39	0.97	.010	3.89	.76	.09	1.30	0.02	.48
2004	48.03	16.38	1.03	3.65	.84	16.98	0.98	-0-	3.97	.83	.15	1.98	.09	1.15
2005	41.72	16.03	1.31	2.18	1.04	14.27	0.85	-0-	3.20	.72	.08	1.90	.009	.13
2006	39.75	13.51	1.25	3.31	1.17	14.39	0.78	-0-	2.87	.38	.09	1.75	.21	.04
2007	39.64	13.85	.68	2.67	1.15	14.69	0.94	-0-	2.70	.41	.09	2.33	-0-	.13
2008	42.06	13.54	.57	2.64	1.66	15.70	0.96	-0-	2.94	.58	.07	2.99	.40	.01
2009	37.99	12.10	.70	2.50	1.00	14.90	0.70	-0-	2.50	.70	.09	2.50	.20	.10
2010	42.74	11.20	.71	2.80	1.16	17.10	0.82	-0-	3.60	1.00	.07	2.58	1.10	.60
2011	42.96	14.17	.55	2.67	.84	14.89	0.86	-0-	3.54	.73	.07	2.84	1.12	.68



**WATER SUPPLY SCHEDULE • TOLEDO BEND DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

1972	.02					.02
1973	.03					.03
1974	.04					.04
1975	.06	.02				.04
1976	.11	.05				.06
1977	.35	.06	.19			.10
1978	.37	.09	.20			.08
1979	.34	.08	.19			.07
1980	.48	.09	.27			.12
1981	.54	.11	.34			.09
1982	.62	.12	.42			.08
1983	.59	.13	.38			.08
1984	.72	.15	.56			.11
1985	.84	.16	.57			.11
1986	.95	.15	.70			.10
1987	.99	.15	.72			.12
1988	.96	.16	.70			.10
1989	.92	.17	.66			.09
1990	.97	.18	.69			.10
1991	.98	.20	.70			.09
1992	.98	.23	.67			.08
1993	1.14	.31	.70			.12
1994	1.04	.18	.72			.14
1995	1.04	.17	.72			.15
1996	1.38	.16	1.02			.20
1997	1.25	.17	.96			.13
1998	1.34	.22	.96			.16
1999	1.25	.22	.88			.15
2000	1.36	.24	.96			.16
2001	2.40	.24	.85	1.16		.15
2002	4.21	.25	1.02	2.82		.13
2003	4.41	.24	.83	3.28		.06
2004	4.07	.22	.75	3.04		.06
2005	3.95	.22	.84	2.84		.05
2006	4.62	.22	.79	3.55		.06
2007	3.77	.22	.65	2.84		.06
2008	3.88	.19	.60	3.03		.07
2009	2.70	.18	.59	1.88		.05
2010	3.32	.17	.64	2.46		.05
2011	3.42	.17	.70	2.36	.13	.06

**TOLEDO BEND RESERVOIR DATA • For the fiscal years ending August 31**

1970	51,554	65,614	117,168	1,741.69	242.68	1,984.37	169.87	43.29
1971	14,804	39,158	53,962	780.35	72.64	852.99	168.94	43.22
1972	34,048	128,087	162,135	2,381.49	68.46	2,449.95	168.34	57.63
1973	156,052	183,192	339,244	5,130.22	820.21	5,950.43	170.20	72.13
1974	72,058	280,924	352,982	5,371.21	993.71	6,364.92	168.09	52.66
1975	72,781	366,032	438,813	6,559.87	726.80	7,286.67	169.56	79.44
1976	131,543	47,487	179,030	2,547.69	61.56	2,609.25	168.88	53.87
1977	75,494	118,336	193,830	2,788.76	44.03	2,832.79	168.19	44.74
1978	48,558	37,571	86,129	1,280.88	58.98	1,339.86	168.08	40.72
1979	72,249	286,500	358,749	5,339.78	779.75	6,119.53	169.86	63.79
1980	59,348	183,336	242,684	3,661.29	640.26	4,301.55	168.58	55.37
1981	63,307	10,036	73,343	1,099.35	136.72	1,236.07	168.61	40.90
1982	67,958	- 0 -	67,958	1,032.06	899.69	1,931.75	168.87	51.34
1983	53,149	228,286	281,435	4,312.85	1,001.45	5,314.30	168.98	75.63
1984	29,873	131,653	161,526	2,463.50	131.84	2,595.34	168.20	53.62
1985	54,561	145,226	199,787	2,904.88	129.84	3,034.72	168.30	46.64
1986	108,129	123,824	231,953	3,365.58	302.14	3,667.72	169.41	52.10
1987	48,548	235,861	284,409	4,229.98	122.64	4,352.62	166.02	61.79
1988	25,045	180,262	205,307	3,045.76	130.73	3,176.49	167.46	48.96
1989	53,044	251,347	304,391	4,637.04	1,778.49	6,415.53	170.32	60.23
1990	69,344	280,797	350,141	5,190.33	798.41	5,988.74	167.85	47.89
1991	44,110	293,719	337,829	5,115.02	1,535.43	6,650.45	169.79	64.80
1992	62,728	313,553	376,281	5,580.32	667.36	6,247.68	169.09	55.40
1993	57,949	296,233	354,182	5,333.34	351.44	5,684.78	167.87	52.72
1994	54,236	161,145	215,381	3,382.03	133.37	3,515.40	170.27	52.60
1995	80,189	405,194	485,383	5,720.85	665.16	6,386.01	167.84	54.38
1996	26,053	7,290	33,343	442.54	145.10	587.64	165.22	42.02
1997	52,491	186,648	239,139	3,438.93	1,795.45	5,234.38	170.33	58.90
1998	55,330	241,396	296,727	4,278.58	705.40	4,983.98	164.54	54.44
1999	70,156	249,573	319,729	4,719.81	882.64	5,602.45	167.98	76.83
2000	62,892	17,789	80,681	1,121.24	127.19	1,248.43	168.76	42.25
2001	66,639	248,714	315,353	4,713.73	1,862.62	6,576.35	168.20	59.91
2002	64,021	169,904	233,925	3,372.89	1,613.49	4,986.38	167.50	49.96
2003	61,690	127,106	188,796	2,653.30	1,125.52	3,778.82	167.75	61.93
2004	71,428	114,101	185,529	2,623.94	1,110.80	3,734.74	169.20	61.70
2005	65,674	210,600	276,274	4,126.21	128.78	4,254.99	164.29	52.12
2006	62,016	8,354	70,370	1,043.84	138.19	1,182.03	164.19	41.10
2007	56,762	116,194	172,956	2,629.63	306.76	2,936.39	170.98	69.82
2008	64,003	132,662	196,665	2,863.27	577.21	3,440.48	168.13	41.24
2009	52,913	83,631	136,544	1,934.87	137.63	2,072.50	168.51	51.06
2010	38,270	266,757	305,027	4,343.56	1,139.70	5,483.26	167.30	51.67
2011	8,579	29,780	38,359	589.73	153.51	743.24	161.27	28.05

\* M Equals 1,000

# WATER SUPPLY SCHEDULE • LAKE FORK DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

1986	6.65		6.65			- 0 -	—
1987	6.02		6.02			- 0 -	—
1988	6.66		6.66			- 0 -	—
1989	6.13		6.13			- 0 -	—
1990	11.46		8.13			.21	3.12
1991	3.25		2.96			.29	- 0 -
1992	4.29		4.00			.29	- 0 -
1993	4.08		3.77			.31	- 0 -
1994	4.44		4.12			.32	- 0 -
1995	6.57		5.45	0.79		.33	- 0 -
1996	11.95		9.66	2.00		.29	- 0 -
1997	9.72		7.41	2.00		.31	- 0 -
1998	7.24		4.93	2.00		.31	- 0 -
1999	8.39		6.03	2.00		.36	- 0 -
2000	13.40		10.84	2.00	.19	.37	- 0 -
2001	15.52		12.14	2.00	1.04	.34	- 0 -
2002	16.83		13.00	2.00	1.50	.33	- 0 -
2003	18.01		14.68	2.00	1.00	.33	- 0 -
2004	18.07		14.74	2.00	1.00	.33	- 0 -
2005	18.35		15.00	2.00	1.00	.35	- 0 -
2006	11.52		7.69	2.00	1.10	.40	0.33
2007	12.59		6.50	2.00	1.01	.31	2.77
2008	5.67		2.51	2.00	0.86	.30	- 0 -
2009	6.98	.22	3.51	2.00	0.96	.29	- 0 -
2010	24.70	18.80	2.50	2.00	1.00	.30	- 0 -
2011	33.50	26.50	3.80	2.00	0.90	.30	- 0 -



**LABORATORY SAMPLES ANALYZED • For the fiscal years ending August 31**

1973	457	204	194	45		17	28	945	
1974	790	233	201	53		28	76	1,381	
1975	856	303	182	61	48	21	411	1,882	11,525
1976	1,063	344	236	58	84	31	774	2,590	16,603
1977	1,455	392	456	28	84	40	931	3,386	20,700
1978	1,582	303	475	29	131	79	982	3,581	21,977
1979	3,211	248	472	66	154	106	670	3,345	22,324
1980	1,590	328	473	60	151	91	762	3,455	24,381
1981	1,909	266	483	55	126	53	938	3,830	24,685
1982	1,414	336	451	57	94	89	851	3,292	19,936
1983	1,622	271	477	104	98	100	644	3,300	19,775
1984	1,230	285	436	81	122	85	752	2,991	18,483
1985	992	331	249	58	87	125	737	2,579	16,914
1986	774	465	239	87	118	140	93	1,916	14,391
1987	1,126	245	263	90	100	205	96	3,125	14,645
1988	1,519	2,412	205	115	114	120	93	4,578	17,835
1989	1,325	2,665	220	113	84	119	652	5,178	17,451
1990	2,426	2,463	211	97	113	120	820	6,278	19,934

1991	3,173	4,630	12,338	2,298	22,439
1992	6,360	4,276	13,919	2,512	27,067
1993	8,908	4,716	14,317	3,640	31,581
1994	9,516	4,774	21,969	8,555	44,923
1995	9,183	4,228	19,172	14,948	47,532
1996	8,225	4,819	16,023	15,333	44,400
1997	9,525	5,308	21,771	15,431	52,035
1998	7,205	5,699	24,293	11,526	48,723
1999	9,999	7,265	43,509	16,033	76,806
2000	8,159	6,019	24,094	15,504	53,776
2001	9,595	6,494	25,882	14,995	56,966
2002	9,134	6,285	22,231	16,101	53,751
2003	9,796	5,996	21,195	15,845	52,832
2004	9,052	6,977	39,269	20,396	75,714
2005	8,984	7,039	32,463	23,716	72,202
2006	8,665	7,488	40,120	26,793	83,066
2007	8,412	7,490	29,341	23,256	68,499
2008	8,621	8,244	24,244	24,197	65,306
2009	6,419	8,186	23,143	19,463	57,211
2010	5,662	9,509	23,909	24,145	63,225
2011	8,081	8,851	24,486	26,622	68,040

In 1991 the Water Quality Monitoring programs were combined into a single Watershed Monitoring Program. The charts now indicate the number of tests performed rather than the number of samples analyzed.

**MISCELLANEOUS STATISTICAL DATA**

Authority Created Under .....Vernon's Civil Statutes, Article 8280-133  
Year Created .....1949  
Domicile ..... Orange, Texas  
Last Revision of Enabling Act .....1991  
Population of District (2010 Est.) .....560,000  
Area of District .....7,426 sq.mi.  
Average Annual Rainfall of District .....50" for Sabine Basin  
Number of Employees .....106

**OFFICES:**

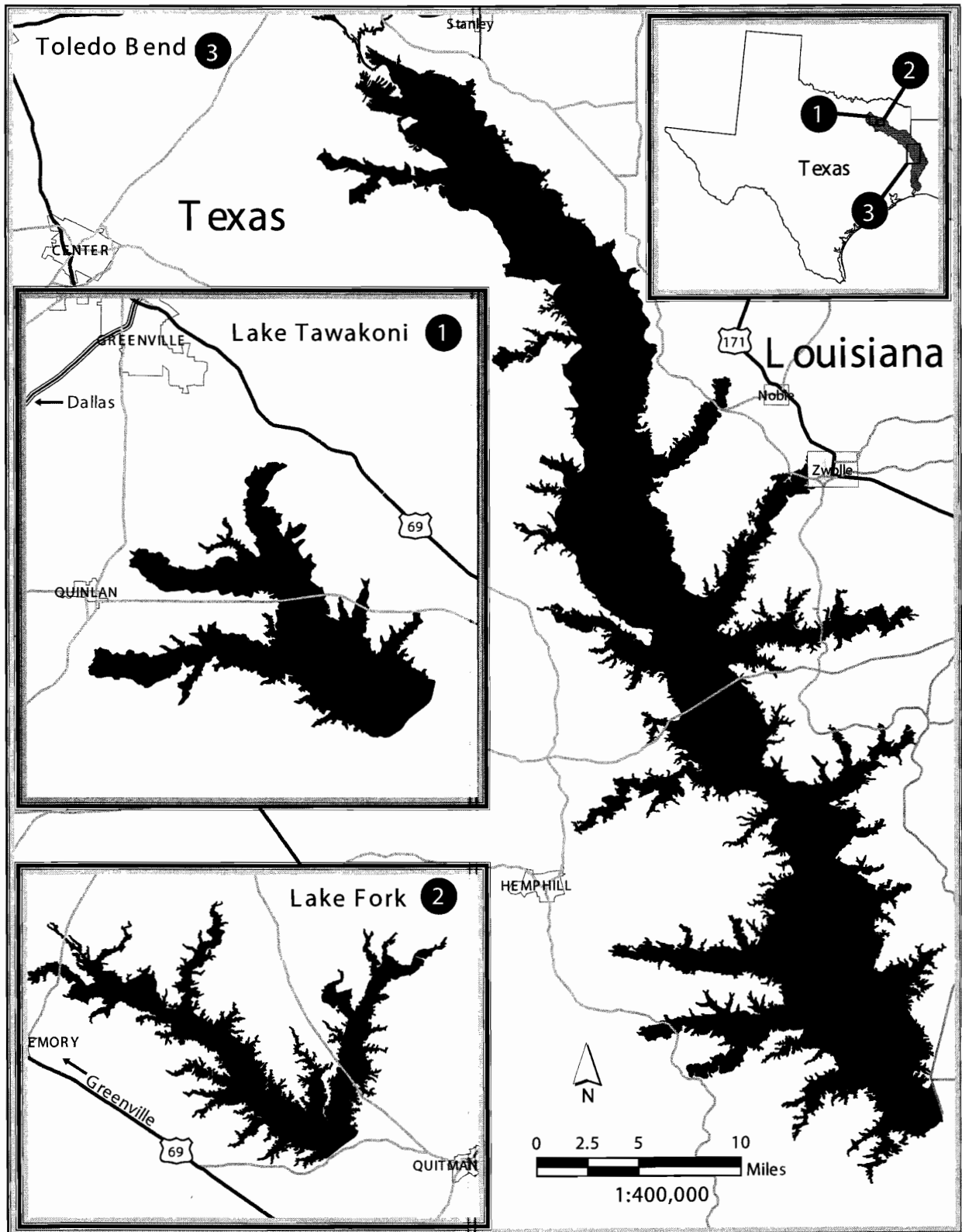
General Office .....Orange, Texas  
Gulf Coast Division (John W. Simmons Gulf Coast Canal System) .....Orange, Texas  
Toledo Bend Division & Parks and Recreation Division (Toledo Bend Reservoir) .....Burkeville, Texas  
Lake Fork Division (Lake Fork Reservoir) .....Quitman, Texas  
Iron Bridge Division (Lake Tawakoni Reservoir) .....Point, Texas  
Environmental Services Division (Basinwide Water Quality Protection) .....Orange, Texas

**RIVERS:**

Sabine  
Total River Miles .....580  
Average Annual Flow (40 years at Ruliff) .....6,082,700 acre-feet/year

**DAMS AND RESERVOIRS:**

Toledo Bend Reservoir  
Conservation Pool  
Capacity .....4,477,000 acre-feet  
Surface Area .....181,600 acres  
Elevation.....172.0 ft. (M.S.L.)  
Yield .....2,086,600 acre-feet/year  
Hydroelectric Information  
Capacity .....85 megawatts  
Average Annual Production (42 years) .....226,312 megawatt hours  
Lake Fork Reservoir  
Conservation-Pool  
Capacity .....675,819 acre-feet  
Surface Area .....27,690 acres  
Elevation.....403.0 ft. (M.S.L.)  
Yield .....188,660 acre-feet/year  
Iron Bridge Dam (Lake Tawakoni)  
Conservation-Pool  
Capacity .....927,440 acre-feet  
Surface Area .....36,700 acres  
Elevation.....437.5 (M.S.L.)  
Yield .....238,100 acre-feet/year  
Gulf Coast Division Canal System  
Pumping Capacity.....360 million gallons/day  
Canal System Length .....75 miles  
Permitted Water Rights .....147,100 acre-feet/year



# SABINE RIVER AUTHORITY OF TEXAS

## **AUTHORITY GENERAL OFFICE - MAIN OFFICE**

P.O. Box 579  
Orange, TX 77631  
(409) 746-2192  
(409) 746-3780 Fax

## **IRON BRIDGE DIVISION - LAKE TAWAKONI RESERVOIR**

P.O. Box 310  
Point, TX 75472  
(903) 598-2216  
(903) 598-2992 Fax

## **TOLEDO BEND DIVISION & PARKS AND RECREATION DIVISION**

Toledo Bend Reservoir  
450 Spur 135  
Burkeville, TX 75932  
(409) 565-2273  
(409) 565-2338 Fax

## **LAKE FORK DIVISION - LAKE FORK RESERVOIR**

353 PVT Rd 5183  
Quitman, TX 75783  
(903) 878-2262  
(903) 878-2416 Fax

## **ENVIRONMENTAL SERVICES DIVISION - LOWER BASIN LABORATORIES AND FIELD OFFICE**

1895 Owens Illinois Road  
Orange, TX 77632  
(409) 746-3284  
(409) 746-2249 Fax

## **ENVIRONMENTAL SERVICES DIVISION - WATER QUALITY UPPER BASIN FIELD OFFICE**

353 PVT Rd 5183  
Quitman, TX 75783  
(903) 878-2420  
(903) 878-2410 Fax

## **GULF COAST DIVISION - PUMPING PLANT**

1922 Owens Illinois Road  
Orange, TX 77632  
(409) 746-2111  
(409) 746-9151 Fax

**Website**

[www.sratx.org](http://www.sratx.org)



## **Management's Discussion and Analysis**

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2015 and August 31, 2014, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

### **Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows**

The financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### **Net Position**

The net position of the Authority increased during 2015 by \$2.6 million or 1.5% while the net position during 2014 decreased by \$0.4 million or 0.2%. Total Assets increased during 2015 by \$1.9 million resulting from an increase in accounts receivable and investments which were partially offset by an increase in accumulated depreciation and a decrease in work in progress while total assets increased in 2014 by \$0.4 million. Total liabilities decreased during 2015 by \$0.7 million and increased during 2014 by \$0.8 million, or 2.1% and 2.6% respectively. The decrease in total liabilities for 2015 is the result of a decrease in accounts payable while the increase in 2014 is the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets increased by \$1.5 million or 0.8% during 2015 after a decrease of 0.5% for 2014. The increase in 2015 is the result of an increase in investments and capital assets which was partially offset by a decrease in work in progress and an increase in accumulated depreciation. The decrease in 2014 is the result of recognition of depreciation expense which was partially offset by an increase in investments.

Current assets increased by \$0.4 million following an increase of \$1.4 million for 2014. The increase in 2015 is mainly attributable to an increase in accounts receivable.

#### FINANCIAL HIGHLIGHTS

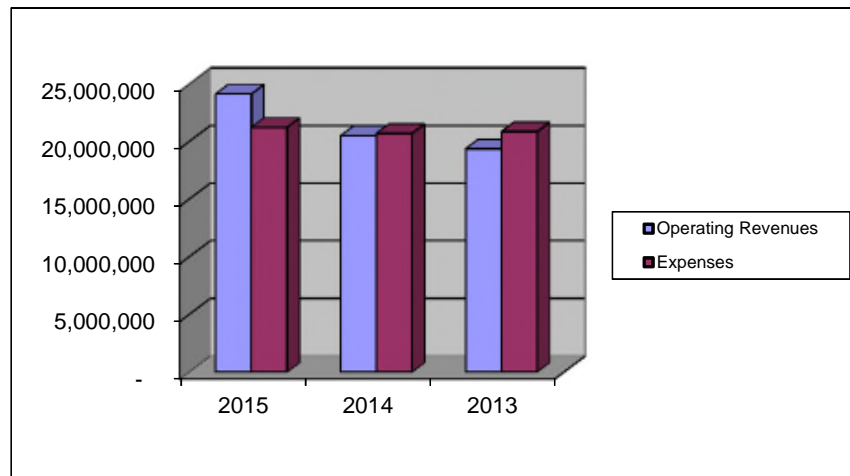
	2015	2014	2013
Assets:			
Current assets	\$ 8,411,917	\$ 8,012,309	\$ 6,592,130
Noncurrent assets	35,116,519	31,135,035	30,579,285
Capital assets, net	<u>162,274,365</u>	<u>164,713,703</u>	<u>166,282,311</u>
Total assets	<u>205,802,801</u>	<u>203,861,047</u>	<u>203,453,726</u>
Liabilities:			
Current liabilities	1,127,691	2,139,730	1,790,922
Noncurrent liabilities	<u>30,701,207</u>	<u>30,374,510</u>	<u>29,907,051</u>
Total liabilities	<u>31,828,898</u>	<u>32,514,240</u>	<u>31,697,973</u>
Net Assets:			
Net investment in capital assets	141,541,440	143,052,238	143,540,306
Restricted for debt service	800,079	800,017	825,016
Unrestricted	<u>31,632,384</u>	<u>27,494,552</u>	<u>27,390,431</u>
Total net assets	<u>173,973,903</u>	<u>171,346,807</u>	<u>171,755,753</u>
Change in net assets:			
Operating revenues:			
Water sales	14,484,783	14,493,602	14,593,165
Power sales	6,381,340	2,599,284	1,514,146
Waste water treatment	67,290	70,650	46,265
Permits	921,476	986,570	851,074
Water quality activity	773,787	834,104	816,696
Miscellaneous	847,606	864,548	898,904
Reservation fee	<u>651,702</u>	<u>651,702</u>	<u>651,702</u>
Total operating revenues	<u>24,127,984</u>	<u>20,500,460</u>	<u>19,371,952</u>
Operating expenses:			
Operation and maintenance	17,527,226	17,036,591	17,284,765
Depreciation	<u>3,714,691</u>	<u>3,667,751</u>	<u>3,580,089</u>
Total operating expenses	<u>21,241,917</u>	<u>20,704,342</u>	<u>20,864,854</u>
Operating income	2,886,067	( 203,882)	( 1,492,902)
Nonoperating revenues (expenses):			
Grant program	( 81,000)	( 77,995)	( 100,000)
Loss from disposition of capital assets	-	( 663)	76
Bad debt expense	-	-	( 7,702)
Investment income	235,684	297,059	134,120
Interest expense	<u>( 413,655)</u>	<u>( 423,465)</u>	<u>( 432,948)</u>
Total nonoperating revenues (expenses)	<u>( 258,971)</u>	<u>( 205,064)</u>	<u>( 406,454)</u>
Change in net assets	2,627,096	( 408,946)	( 1,899,356)
Total net assets, beginning	<u>171,346,807</u>	<u>171,755,753</u>	<u>173,655,109</u>
Total net assets, ending	<u>\$ 173,973,903</u>	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>

## Operating Income

Operations for 2015 resulted in an income of \$2.9 million, while operations in 2014 resulted in a loss of \$0.2 million and 2013 resulted in a loss of \$1.5 million. The income in 2015 resulted from higher than average power sales due to large rainfall events in the Sabine River basin which raised the lake level at Toledo Bend and allowed hydropower generation. In 2014 and 2013, drought conditions affected the lake level and deterred the ability to generate electricity. Operating expenses increased \$0.5 million in 2015 while operating revenues increased \$3.6 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The increase in operating revenues during 2015 follows an increase of 5.8% during 2014. Water sales remained substantially the same and power sales increased dramatically for 2015 when compared to 2014. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2015, 2014 and 2013. Additionally, miscellaneous income of \$0.9 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are ongoing in the basin.

Operating expenses increased \$0.5 million, a 2.6% increase following a \$0.2 million, or 0.8% decrease in 2014. While the operating expenses increased in 2015 and decreased in 2014, no single category of expenses accounted for the differences, however a portion of the increase in 2015 is attributable to the purchase of an accounting system and the associated hardware and an increase in legal fees.



## Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

## **Significant Capital Assets**

Net capital assets decreased from \$164,713,703 to \$162,274,365 a decrease of \$2,439,338. The decrease is primarily the result of the recognition of depreciation expense which is partially offset by an increase in dams and electric plant and a decrease in work in progress. The Authority's projects and a description of each are as follows:

### **Gulf Coast Division**

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of four horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22 feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.

The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 43.93 million gallons daily (mgd) for 2015 as compared to the 2014 water sales which were 42.11 mgd.

### **Lake Tawakoni**

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2015, 56.69 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 141.32 mgd delivered in 2014.

### **Toledo Bend Reservoir**

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authorities for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authorities revenue bonds and constitutes the principal source of income for operation of the project.

The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin as well as other customers in the north Texas region. In 2015, water sales from Toledo Bend totaled 4.46 mgd compared to 4.18 mgd in 2014. Water is delivered to two municipalities and three industrial customers.

### **Lake Fork**

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The Cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2015, 76.27 mgd of water was delivered to these customers as compared to 28.41 mgd delivered in 2014.

### **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with State regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2015, Environmental Services Division performed 85,366 tests which is an increase from the 65,322 tests performed in 2014.

For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the Notes to Financial Statements.

### **Long-Term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2015 and 2014 were \$924,238 and \$922,091, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the Long-Term Liabilities section in Note 3 of the Notes to Financial Statements as well as the Supplementary Information which follows the Notes to Financial Statements.

## **Restricted Assets**

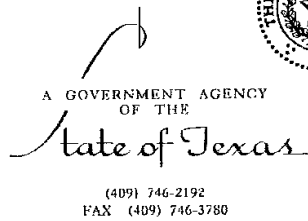
The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, restricted funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.

## **Change in Financial Position**

The net position for the Authority has increased from 2014 to 2015 and decreased from 2013 to 2014. Total operating revenues increased from 2014 to 2015 and increased from 2013 to 2014.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409.746.2192.



# SABINE RIVER AUTHORITY *of Texas*

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 2, 2015

Mr. Cliff Todd  
and Members of the Board of Directors  
Sabine River Authority of Texas

**Board Members:**

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2014. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

**LONG-TERM FINANCIAL PLANNING**

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority continues to negotiate with potential customers on the long-term sale of Toledo Bend water including a potential sale to the Lower Neches Valley Authority. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract. On August 29, 2014 the Federal Energy Regulatory Commission (FERC) issued the Authority and Sabine River Authority, State of Louisiana a 50 year license renewal of the hydroelectric operations at the Toledo Bend Project (Project).





**FINANCIAL INFORMATION**

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$20,797,519 compared to \$19,506,072 for FY13.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2014 totaled \$21,661,465. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

**OTHER INFORMATION**

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Pattillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2013. This was the fourteenth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

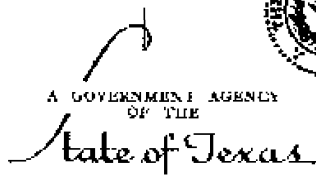
Sincerely yours,

**SABINE RIVER AUTHORITY OF TEXAS**

David Montagne  
Executive Vice President  
and General Manager

Ann Galassi  
Assistant General Manager,  
Administration

Debra Stagner  
Authority General Office Manager  
and Controller



(409) 746-2192  
FAX (409) 746-3760



# SABINE RIVER AUTHORITY of Texas

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 1, 2014

Mr. David Koonce  
and Members of the Board of Directors  
Sabine River Authority of Texas

**Board Members:**

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2013. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment, water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

**LONG-TERM FINANCIAL PLANNING**

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority continues to negotiate with potential customers on the long-term sale of Toledo Bend water including a potential sale to the Lower Neches Valley Authority. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract. The Authority, along with Sabine River Authority, State of Louisiana, anticipates the Federal Energy Regulatory Commission (FERC) to issue a license renewal of the hydroelectric operations at the Toledo Bend Project (Project) in the first quarter of 2014. The Authority is confident that it can continue to meet the financial obligations of the Project and remain in compliance with the new permit.



**FINANCIAL INFORMATION**

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate

**Enterprise Operations.** Total revenues for the fiscal year were \$19,506,072 compared to \$17,874,222 for FY12

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2013 totaled \$22,580,005. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service

**OTHER INFORMATION**

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Pattillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2012. This was the thirteenth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In July of 2013, Governor Rick Perry appointed Sharon Newcomer of Mauriceville, Texas to the SRA Board of Directors. The Governor also reappointed J. D. Jacobs of Rockwall, David Koonce of Center and Earl Williams of Orange to the Board in October of 2013.

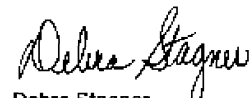
On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

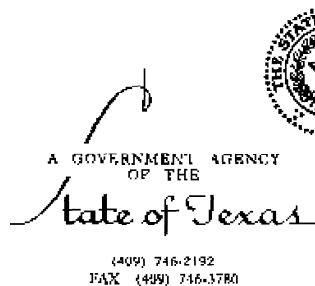
Sincerely yours,

**SABINE RIVER AUTHORITY OF TEXAS**

  
Jerry Clark  
Executive Vice President  
and General Manager

  
David Montagne  
Assistant General Manager

  
Debra Stagner  
Authority General Office Manager  
and Controller



# SABINE RIVER AUTHORITY of Texas

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 1, 2013

Mr. Earl Williams  
and Members of the Board of Directors  
Sabine River Authority of Texas

#### Board Members:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2012. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

#### LONG-TERM FINANCIAL PLANNING

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority, along with Sabine River Authority, State of Louisiana, submitted the Final License Application to the Federal Energy Regulatory Commission (FERC) for license renewal of the hydroelectric operations at the Toledo Bend Project (Project) in September of 2011. The current FERC license expires in September of 2013. The Authority continues to work with state and federal agencies and public stakeholders to develop plans for long term operations of the Project. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract.



## FINANCIAL INFORMATION

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$17,874,222 compared to \$18,754,836 for FY11.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.189 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2012 totaled \$23,493,545. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

## OTHER INFORMATION

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Patillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2011. This was the twelfth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

## SABINE RIVER AUTHORITY OF TEXAS

Jerry Clark  
Executive Vice President  
and General Manager

David Montagne  
Assistant General Manager

Debra Stagner  
Authority General Office Manager  
and Controller



(409) 746-2192  
FAX (409) 746-3780

# SABINE RIVER AUTHORITY of Texas

P.O. BOX 579  
ORANGE, TEXAS  
77631

February 1, 2012

Mr. Don Covington  
and Members of the Board of Directors  
Sabine River Authority of Texas

## Board Members:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2011. The material aspect of the data is accurate in our opinion and the report discloses results of operations and financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

## LONG-TERM FINANCIAL PLANNING

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. The Authority worked to facilitate the SB 3 Environmental Flow process for the Sabine / Neches Basins which resulted in the adoption of environmental flow standards by the Texas Commission on Environmental Quality (TCEQ) in April of 2011. The Authority, along with Sabine River Authority, State of Louisiana, submitted the Final License Application to the Federal Energy Regulatory Commission (FERC) for license renewal of the hydroelectric operations at the Toledo Bend Project (Project) in September of 2011. The current FERC license expires in September of 2013. The Authority continues to work with state and federal agencies and public stakeholders to develop plans for long term operations of the Project. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract.





**FINANCIAL INFORMATION**

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate.

**Enterprise Operations.** Total revenues for the fiscal year were \$18,754,836 compared to \$22,430,096 for FY10.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2011 totaled \$24,397,084. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

**OTHER INFORMATION**

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Pattillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.


**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2010. This was the eleventh consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

**SABINE RIVER AUTHORITY OF TEXAS**

  
Jerry Clark  
Executive Vice President  
and General Manager

  
David Montagne  
Assistant General Manager

  
Debra Stagner  
Authority General Office Manager  
and Controller





PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

### Report on the Financial Statements

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend — Joint Operation, which represents approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2015, and approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2014. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2015 and 2014 for Toledo Bend – Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Post-Employment Benefits on pages 4-10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 23, 2015



P A T T I L L O , B R O W N & H I L L , L L P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

### Report on the Financial Statements

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2014 and 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend -- Joint Operation, which represents approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2014, and approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2013. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2014 and 2013 for Toledo Bend - Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the Authority adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Post-Employment Benefits on pages 4-10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
December 4, 2014

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Governmental Audit  
Quality Center

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2013 and 2012, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend — Joint Operation, which represents approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2013, and approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2012. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2013 and 2012 for Toledo Bend — Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress — Other Post-Employment Benefits on pages 3-9 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

November 15, 2013

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

We have audited the accompanying comparative basic financial statements of Sabine River Authority of Texas (the "Authority") as of and for the year ended August 31, 2012 and 2011. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend – Joint Operation, which represents approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2012, and approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2011. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2012 and 2011 for Toledo Bend – Joint Operation, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of August 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and Schedule of Funding Progress - Other Postemployment Benefits on pages 3 through 9 and 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and is not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

November 21, 2012

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**PB&H**  
**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

We have audited the accompanying basic financial statements of Sabine River Authority of Texas (the "Authority") as of and for the year ended August 31, 2011. The financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the basic financial statements of the Authority for the year ended August 31, 2010. In addition, we did not audit the Toledo Bend – Joint Operation, which represents approximately 17% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2011, and approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2010. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2011, and for Toledo Bend – Joint Operation, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of August 31, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and Schedule of Funding Progress – Other Postemployment Benefits on pages 3 through 9 and 29, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and is not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

November 11, 2011

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InterimFinancialInformation N/A



# Outstanding Debt

Yes, General obligation debt: N

Yes, Revenue debt: Y

Yes, Authorized but unissued debt: N

No: N

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF AMORTIZATION OF  
TEXAS WATER DEVELOPMENT BOARD LOAN**

**AUGUST 31, 2014**

Principal Balance Financed \$7,000,000

Fiscal Year	Interest Receivable	Principal Payment	Interest Payment	Total Payment	Total Debt Service	Deferred	Adjusted Payment
2015	\$ 631,690	\$ 160,000	\$ 413,655	\$ 573,655	\$ 1,205,345	\$ 136,850	\$ 1,342,195
2016	631,690	175,000	403,191	578,191	1,209,881	136,850	1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 12,633,800</u>	<u>\$ 6,325,000</u>	<u>\$ 5,191,779</u>	<u>\$ 11,516,779</u>	<u>\$ 24,150,579</u>	<u>\$ 2,702,665</u>	<u>\$ 26,853,244</u>

# Applicant's Ten Largest Employers

Westport Orange Shipyard (Signal Interna: 1,600

Vidor Independent School District: 800

International Paper Co: 450

Bridge City Independent School District: 398

Walmart Supercenter: 370

Walmart: 300

INVISTA: 250

Southeast Texas Industries: 250

Worley Parsons LTD: 250

Orangefield Independent School District: 234

Ten Largest Employers Comments: Provided by Orange County Economic Development Corporation as of May 2, 2016

## Bond Ratings

Bond Ratings

Type	Standard & Poors	Date Received	Fitch	Date Received	Moody's	Date Received
G.O.						
Revenue						

Bond Rating N/A: Y

## Receive Water or Sewer

Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?: Y

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**SABINE RIVER AUTHORITY**  
**RAW WATER SUPPLY CONTRACT**  
**INDUSTRIAL**  
**CHEVRON PHILLIPS CHEMICAL**  
**COMPANY LP**  
**GULF COAST DIVISION**

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT - INDUSTRIAL

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<input type="checkbox"/> THE STATE OF TEXAS	§	INDUSTRIAL
	§	RAW WATER SUPPLY
<input type="checkbox"/> COUNTY OF ORANGE	§	CONTRACT

This Raw Water Supply Contract – Industrial ("Agreement") is made and entered into this 1<sup>st</sup> day of March, 2013, by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and CHEVRON PHILLIPS CHEMICAL COMPANY LP ("Buyer"), a Delaware limited partnership, each a "Party" and collectively the "Parties".

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities known as the John W. Simmons Gulf Coast Canal System and is authorized under the provisions of Certificate of Adjudication No. 05-4662 (as amended), to appropriate public waters of the State of Texas which are supplied through the John W. Simmons Gulf Coast Canal System which for purposes of this Agreement is defined as the "Project". In the future Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project" for purposes of the Agreement will be the Sabine River Authority Water Supply System.

3. Buyer proposes to purchase Water (as herein defined) from Seller for subsequent treatment and distribution for industrial and ancillary domestic use at Buyer's Orange County Texas manufacturing facility ("Plant").

4. Buyer wants to purchase and Seller wants to sell Water from the Project subject to the terms and conditions of this Agreement.

5. Buyer will divert Water from the Project subject to all applicable rules and regulations of the Seller, state and federal agencies, and the water rights associated with the Project.

### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, the Seller and Buyer agree as follows:

#### **SECTION 1. DEFINITIONS.**

1. "Agreement" shall mean this Raw Water Supply Contract - Industrial including exhibits and any amendments thereto.

2. "Rate" shall mean the rate that the Buyer shall pay for the Minimum Monthly Quantity of Water or Water diverted in excess of the Minimum Annual Quantity as set forth in the WATER RATE SCHEDULE, effective January 1, 2013, attached hereto as Exhibit 1, which shall be \$0.213 per 1,000 gallons (Schedule C). The Rate may be modified as provided by Section 7, below.

3. "Point(s) of Delivery" shall mean the location(s) where Water is either released or diverted from the Project.



4. "Effective Date" shall mean the Effective Date of this Agreement and shall be March 1, 2013.
5. "Minimum Annual Quantity" shall mean 300,000,000 gallons per calendar year (0.82 MGD or 921 acre-feet per year).
6. "Maximum Annual Quantity" shall mean 600,000,000 gallons per calendar year (1.64 MGD or 1,841 acre-feet per year).
7. "Minimum Monthly Quantity" shall mean one-twelfth of the Minimum Annual Quantity, rounded-up to the nearest gallon, and shall be the minimum quantity of Water which Buyer is obligated to take or pay for or to pay for if not taken during any calendar month. The Minimum Monthly Quantity shall be 25,000,000 gallons.
8. "Minimum Monthly Payment" shall mean the Minimum Monthly Quantity times the Rate.
9. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw Water as measured at the Point(s) of Delivery and shall be 1,428 gallons per minute.
10. "Water" shall mean untreated, raw water from the Project.
11. "Project" shall mean Seller's John W. Simmons Gulf Coast Canal System and other facilities used by Seller to make Water available at Buyer's Point(s) of Delivery. In the future, Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project" for purposes of this Agreement will be the Sabine River Authority Water Supply System.

12. "Commission" shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.

**SECTION 2. TERM.**

This Agreement shall remain in force and effect from the Effective Date until December 31, 2052 unless this Agreement is terminated sooner because Seller and Buyer both agree to terminate this Agreement or this Agreement is terminated pursuant to its terms. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive Water from Seller after the December 31, 2052 termination date of this Agreement.

**SECTION 3. EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

**SECTION 4. VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate of Adjudication No. 05-4662, and subsequent amendments, Seller agrees to sell Buyer Water at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity. Buyer may not divert more than the Maximum Annual Quantity without prior written permission from Seller.

**SECTION 5. RATES AND COMPENSATION.**

Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed in the following:

Beginning with the Effective Date and for each month of the Agreement,

- A. Buyer agrees to pay Seller the Minimum Monthly Payment whether or not Water is diverted by Buyer.
- B. After the quantity of Water diverted for December of each year is determined, the total amount diverted for the calendar year will be calculated and the amount due Seller for amounts of Water diverted in excess of the Minimum Annual Quantity will be applied to the next monthly statement.

Buyer acknowledges that the Rate may be changed pursuant to Section 7.

**SECTION 6. BILLING AND PAYMENT.**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report to Seller all such readings and the total quantity of Water diverted during such month.

- C. Seller shall render to Buyer at Buyer's offices at Attn: Accounts Payable, PO Box 7400, Orange, TX 77631-7400 (or such other place as designated by Buyer), on or before the 10th day of each calendar month, a statement showing charges for payment due as described in Section 5 of this Agreement. Payment of such statement shall be due and payable at Seller's office at the Gulf Coast Division Office, 1922 O-I Rd. Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. RATE ADJUSTMENT.**

It is hereby mutually agreed that beginning January 1, 2013, and once each calendar year thereafter, for the term of this Agreement, the Rate may be adjusted by action of Seller's Board of Directors. Seller shall notify Buyer at least ninety (90) days prior to the institution of a Rate adjustment. Seller hereby notifies Buyer that Seller is evaluating using a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to recover fixed cost and another rate to recover variable cost. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a two-part rate. The Rate may also be adjusted under the provisions of any other applicable State or Federal laws.

**SECTION 8. MEASURING EQUIPMENT.**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate, and maintain at the Point(s) of Delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water

diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.

- B. During any reasonable hours, and with prior written request, Seller shall have access to such measuring equipment so installed. Seller shall have access during any reasonable hours, and with prior written request, to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate, and maintain check meters, should Seller so choose. Buyer also agrees that the design and construction of any new diversion facility and/or metering equipment will facilitate Seller's installation and operation of check meters.
- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed

by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty (30) days or more, Seller may purchase, install, and maintain any required measuring equipment, as reasonably determined by Seller, and charge the expense therefore to Buyer, provided that Seller will give Buyer thirty (30) days' written notice before purchasing or installing such equipment.

#### **SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless make the disputed payment or payments within the payment period set forth herein; and send Notice to Seller of the disputed amount. After investigation, if it is subsequently determined by mutual agreement or court decision that the disputed amount paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering Water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement upon 180 days' Notice without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other customers will be prejudiced if Buyer avoids the obligation to pay the rates

for Water specified in this Agreement while accepting the benefits of obtaining Water from Seller.

Nothing in this Agreement shall be construed as constituting an undertaking by the Seller to furnish Water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its expenses, including reasonable attorneys' fees, in the proceeding within fifteen (15) days after Seller's written demand for payment. Buyer stipulates and agrees that as of the Effective Date the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery are attached as Exhibit 2 to this Agreement. The diversion shall be accomplished by facilities with a combined diversion rate not to exceed Maximum Diversion Rate. Buyer shall provide, at Buyer's expense, the facilities required to divert and transport Water to Buyer's place of treatment and/or use. If Buyer adds or changes the location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic description of the location of the additional or relocated Point of Delivery. Upon Seller's written approval, this Agreement will be modified by attaching the map of the additional or relocated Point of Delivery to Exhibit 2 of this Agreement. If Seller is required by Commission rules to

file a signed copy of the Agreement with the Commission (Section 15), the modification shall then become effective upon regulatory approval of the location of the additional or relocated Point of Delivery..

**SECTION 11. FACILITIES FOR DIVERTING WATER.**

The detailed plans and specifications for any new facilities for diverting Water under this Agreement which are on Seller's property shall be submitted to Seller and approved by Seller in writing before such facilities are installed, and any changes thereafter made in the nature, type, or location of such facilities shall be made only after Seller's prior written approval.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of Water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller can



prove likely to result in such pollution within thirty (30) days from the receipt by Buyer of Notice from Seller to do so.

**SECTION 12. TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all Water supplied hereunder to Buyer shall be in the Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a party, that party hereby agrees to save and hold the other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said Water.

**SECTION 13. PURPOSE AND PLACE OF USE.**

Except as provided herein, or by subsequent written agreement, Buyer shall use Water purchased from Seller under this Agreement only for industrial and municipal purposes and only for the supply of Water to the Plant and ancillary domestic use at the Plant, the location of which is shown by the vicinity map attached as Exhibit 3 to this Agreement. Buyer is hereby prohibited from reselling Water provided under this Agreement without the prior written consent of Seller.

**SECTION 14. LOSSES.**

If Buyer's diversion, now or in the future, requires a release of water from one of Seller's reservoirs or pipelines, Buyer agrees to bear the cost of transportation and evapotranspiration losses incident to the downstream sale of Water from the point of delivery to Buyer's point of diversion of Water.

**SECTION 15. COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101 and 297.101-.108 as of the effective date of this Agreement. If required by Commission rules, Seller will file a signed copy of this Agreement with the Executive Director of the Commission. Buyer may continue diverting Water from the Project unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of Water taken under this Agreement each month. Buyer also shall submit to Seller written reports each month indicating the total amount of Water diverted under this Agreement each month.

**SECTION 16. REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction, and Seller and Buyer each agree to make a good faith effort to support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water , reduce the loss or waste of water , improve the efficiency in use of water, or increase the recycling and reuse of water . Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation and drought contingency plan, as well as implementing any water conservation and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Within 180 days' of the Effective Date of this Agreement, Buyer shall submit its water conservation and drought contingency plan to Seller for its review.

If Seller authorizes Buyer to resell Seller's Water, Buyer shall require through a contract condition that any successive user of Seller's Water must implement conservation measures that comply with the State's, Seller's, and Buyer's water conservation and drought contingency plans, programs, and rules.

**SECTION 18. SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be Water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right

or entitlement to any portion of Seller's Water in the Project after the expiration of the term of this Agreement.

Seller will use its best efforts to remain in a position to furnish Water sufficient for the reasonable demands of Buyer. Seller's agreement to provide Water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of Water will be available, and the quantity of Water taken shall at all times be subject to the right of Seller to reduce said quantity of Water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

Seller has adopted a water conservation and drought contingency plan. If Buyer fails to implement Seller's and its own water conservation and drought contingency plans when trigger conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's Water made available to Buyer when Buyer is not in compliance with Seller's water conservation and drought contingency plan will be reduced to the amount of Water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was operating in compliance with both Seller's and Buyer's water conservation and drought contingency plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters

thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level. Further, if the permitted yield of the Project is reduced, Seller reserves the right to decrease the Maximum Annual Quantity by a like percentage.

**SECTION 19. RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

**SECTION 20. RETURN FLOWS.**

Buyer acknowledges that some of the Water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller has the right, subsequent to Buyer's use of Water purchased from Seller, to make whatever reuse of the Water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

**SECTION 21. OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the Water received by Buyer from the Project, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on Water received by Buyer, then Buyer shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

**SECTION 22. DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in TEX. FIN. CODE ANN. § 304.003 (Vernon Supp. 1998), or any successor statute, from the date when due until paid, provided that such rate

shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and reasonable attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water from the Project to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days and shall not resume delivery of Water while Buyer is so delinquent and may, at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

### **SECTION 23. TERMINATION.**

This Agreement may be terminated by mutual agreement of the Seller and the Buyer, or as may be provided by law in the event of a breach of the terms and agreements set forth herein by either of the Parties.

It is further provided that upon at least one (1) year advance Notice by Buyer to Seller, that Buyer may terminate this Agreement without further liability under the terms and conditions hereof other than for payment of charges theretofore accrued as of the date of termination. It is expressly provided that as of the date of Buyer's Notice of intention to terminate, Seller shall be free to negotiate, contract for, and sell the quantities of Water herein reserved and appropriated to Buyer to any other party or parties, which sale would become effective after termination of this Agreement.

**SECTION 24. WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of Seller to receive payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

**SECTION 25. REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any Party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any Party's obligations hereunder could not be adequately compensated in money damages alone, each Party agrees in the event of any default on its part that each Party shall have available to it the equitable remedy



of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to such Party.

**SECTION 26. INDEMNITY.**

By signing this Agreement, Buyer agrees, on behalf of itself and its successors and assigns, that it relinquishes and discharges, and will, to the fullest extent permitted by law, defend, protect, indemnify, and hold harmless Seller and Seller's officers, directors, employees, agents, and consultants from and against all claims, losses, expenses, costs, damages, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defense, such as fees and charges of attorneys, expert witnesses, and other professionals incurred by Seller and all court or arbitration or other dispute resolution costs) arising out of or incident to, directly or indirectly, this Agreement, including but not limited to any such claim for bodily injury, death, property damage, consequential damage, or economic loss and any claim that may arise in connection with the quality, quantity, use, misuse, impoundment, diversion, transportation, and measurement of Project Water and any claim that may arise as a result of installation, inspection, adjusting, or testing of measuring and recording equipment involving Buyer's diversion of Seller's Water, as well as any claim that may arise from any condition of Buyer's facilities, separate operations being conducted on Buyer's facilities, or the imperfection or defective condition, whether latent or patent, of any material or equipment sold, supplied, or furnished by Seller.

Provisions of this Section 26 shall survive termination or expiration of this Agreement.

**SECTION 27. FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the Party shall give Notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the Party giving the Notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver Water, or of Buyer to receive Water, on account of any other cause not reasonably within the control of the Party claiming the inability.

**SECTION 28. NON-ASSIGNABILITY.**

Buyer understands and agrees that any assignment of rights or delegation of duties under this Agreement, except as cited below, is void without the prior written consent of Seller. Buyer may assign its rights hereunder in whole or in part with Notice to Seller of any such assignment

but without Seller's prior written consent (a) to an affiliate of Buyer, (b) to a purchaser of essentially all of Buyer's assets, or c) if Buyer is involved in a merger of essentially all of its assets. .

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the Parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each Party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

**SECTION 31. SOLE AGREEMENT.**

This Agreement constitutes the sole agreement of Buyer and Seller regarding the subject matter set forth herein and supersedes any prior understanding or oral or written agreements

between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

**SECTION 32. SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

**SECTION 33. NOTICES.**

All notices and communications (collectively "Notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the Notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the Party to be notified. Notices deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days' after the Notice is deposited in the mail.

For purposes of Notice, the addresses of and the designated representative for receipt of Notice for each of the Parties are as shown below.

**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS  
P.O. Box 579

Orange, TX 77631-0579

Attn.: Executive Vice-President and General Manager

**BUYER:**

CHEVRON PHILLIPS CHEMICAL COMPANY LP

P.O. Box 7400

Orange, TX 77630-7400

Attn.: Plant Manager

Either Party may change its Notice address by giving Notice of the change to the other Party at least fifteen (15) days before the change becomes effective.

**SECTION 34. PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the Parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

**SECTION 35. DUPLICATE ORIGINALS.**

Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or

other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 4.

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their duly-authorized representatives as of the dates written below.

**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS,  
a Texas governmental agency

DATE: 3/1/2013

BY: Jerry Clark  
Jerry Clark,  
its Executive Vice-President and General Manager

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR THE SELLER

**BUYER:**

CHEVRON PHILLIPS CHEMICAL COMPANY LP,  
a Delaware limited partnership

DATE: \_\_\_\_\_

BY: Rob Robert

ATO

its SVP MANUFACTURING

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR THE BUYER

**Exhibit 1 WATER RATE SCHEDULE**

**GULF COAST DIVISION  
WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective January 1, 2013  
The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for **Irrigation** Purposes  
Metered at a rate of 3.3¢ per 1,000 gallons

**Water Used for all Municipal and Industrial Purposes**

		<b>Municipal</b>	<b>Industrial</b>
Schedule A	Cost <sup>2</sup>	19.4¢ to 40.2¢ per 1,000 gallons	21.5¢ to 41.7¢ per 1,000 gallons
	Minimum Take or Pay	Less than 250,000 gallons per day	Less than 250,000 gallons per day
Schedule B	Cost	19.3¢ per 1,000 gallons	21.4¢ per 1,000 gallons
	Minimum Take or Pay	250,000 – 499,999 gallons per day	250,000 – 499,999 gallons per day
Schedule C	Cost	17.9¢ per 1,000 gallons	21.3¢ per 1,000 gallons
	Minimum Take or Pay	500,000 – 999,999 gallons per day	500,000 – 999,999 gallons per day
Schedule D	Cost	16.7¢ per 1,000 gallons	19.8¢ per 1,000 gallons
	Minimum Take or Pay	1,000,000 – 1,999,999 gallons per day	1,000,000 – 1,999,999 gallons per day
Schedule E	Cost	15.5¢ per 1,000 gallons	18.9¢ per 1,000 gallons
	Minimum Take or Pay	2,000,000 – 3,999,999 gallons per day	2,000,000 – 3,999,999 gallons per day
Schedule F	Cost	14.6¢ per 1,000 gallons	17.7¢ per 1,000 gallons
	Minimum Take or Pay	4,000,000 – 7,999,999 gallons per day	4,000,000 – 7,999,999 gallons per day
Schedule G	Cost	13.9¢ per 1,000 gallons	16.6¢ per 1,000 gallons
	Minimum Take or Pay	8,000,000 – 15,999,999 gallons per day	8,000,000 – 15,999,999 gallons per day

Water supply contracts requiring reservations of 16,000,000 or more gallons per day will be negotiated on an individual basis.

Out of Basin Sales: Water contracted for use outside of the Sabine River Basin will be assessed an additional 15¢ per 1,000 gallons<sup>3</sup>.

<sup>1</sup> Rates are for water "in place." If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup> As negotiated and according to such factors as duration, quantity, location, etc.

<sup>3</sup> The Out of Basin Sales additional rate is waived for municipal customers in the Neches River Basin or as negotiated and according to such factors as duration, quantity, location, etc. All Out of Basin Sales are subject to the provisions of the applicable water right authorizing interbasin transfers.



**Exhibit 2 Location of Point(s) of Delivery**

Exhibit Number 2: Chevron-Phillips Point of Delivery



**Exhibit 3 Location Map of Service Area**

Exhibit Number 3: Chevron-Phillips Service Area



**Exhibit 4 Authorization to Execute on Behalf of Buyer**

CEO APPROVAL LETTER

CORPORATE APPROVAL  
Domestic Manufacturing - Orange  
Date: February 19, 2013

CEO APPROVAL NO: 2013-1649  
JLB


The President and CEO of Chevron Phillips Chemical Company LLC approves of the following:

1. Sabine River Authority Raw Water Supply Contract - Industrial between Chevron Phillips Chemical Company LP and Sabine River Authority of Texas for the purchase of untreated raw water effective March 31, 2013 ("Agreement");
2. Duration of contract is 40 years; and
3. Estimated cost of contract is \$127,800 for Minimum Annual Quantity of 300,000,000 gallons per calendar year at a rate of \$0.213 per 1000 gallons. The Maximum Annual Quantity is 600,000,000 gallons per calendar year at the same rate per gallon

and hereby delegates to the SVP of Manufacturing the authority to sign the Agreement.

CEO approval is required because contract terms are greater than five (5) years.

 APPROVED: 21 February, 2012

  
Peter L. Cella  
President and Chief Executive Officer

**APPENDIX A SRA BOARD RESOLUTION ADOPTING WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN**

RESOLUTION NO. 601

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought, and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes, and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan, and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan, and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage, and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon its passage.

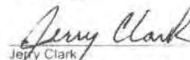
UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 8<sup>th</sup> DAY OF OCTOBER 2009.

  
Connie Wade  
President, Board of Directors

ATTEST TO

  
Secretary/Treasurer, Board of Directors

APPROVED

  
Jerry Clark  
Executive Vice President  
and General Manager



Expires 12-31-2018  
Rate 11.9/1000 Sch "I"  
As of Sept. 15, 2005 min  
with Su To Hmgs Sch "H"  
© 12-3/1000

## WATER SUPPLY AGREEMENT

STATE OF TEXAS \*

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF ORANGE \*

THIS AGREEMENT is made and entered into this 15th day of April, 2000 by and between the SABINE RIVER AUTHORITY OF TEXAS (hereinafter called "Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and E. I. DU PONT DE NEMOURS AND COMPANY. (hereinafter called "Buyer") a Delaware corporation authorized to do business in the State of Texas, and having offices in Orange County, Texas.

### RECITAL:

- A. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
- B. Seller owns and operates water supply facilities consisting of a pumping station and fresh water canal system and is authorized under the provisions of Certificate of Adjudication No. 5-4662 (as amended), issued by the Texas Natural Resource Conservation Commission, to appropriate public waters of the State of Texas which are supplied through this canal system.
- C. The Buyer proposes to purchase untreated Water from the Seller for use in its Sabine River Works plant.

NOW, THEREFORE, in consideration of the premises and of the respective agreements herein contained, the parties hereto agree as follows:

**ARTICLE I**  
**DEFINITIONS**

- A. "Agreement" shall mean this Water Supply Agreement including exhibits and any amendments thereto.
- B. "Diversion Point" shall mean the Buyer's existing point of withdrawal of water from Seller's Gulf Coast Division canal system.
- C. "Effective Date" shall mean the Effective Date of this Agreement. The Effective Date is January 1, 2003.
- D. "Maximum Annual Quantity" shall mean 10,950,000,000 gallons.
- E. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw water as measured at the Diversion Point, which shall be 21,000 gallons per minute.
- F. "Minimum Annual Quantity" shall mean the minimum quantity the Buyer shall be obligated to take and/or pay for during any calendar year. The Minimum Annual Quantity shall initially be 5,840,000,000 gallons.
- G. "Water" shall mean untreated fresh Water from Seller's Gulf Coast Division canal system.
- H. "Water Rate" shall mean the rate to be charged based on the actual quantity of Water purchased by Buyer under the terms of this Agreement as set forth in the Article III.

**ARTICLE II  
QUANTITIES**

Subject to the terms and conditions contained in this Agreement, Seller agrees to commit, reserve and allocate for the use and benefit of Buyer at the Diversion Point Water in an amount not to exceed the Maximum Annual Quantity.

**ARTICLE III  
RATES AND COMPENSATION**

Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

Beginning with the Effective Date of this Agreement, Buyer shall pay to Seller a minimum monthly payment of \$51,586.67 (or such other amount as discussed below) which is based on the Minimum Annual Quantity at a Water Rate of \$0.106 per one thousand gallons (as specified in Schedule I of the attached EXHIBIT "A", TABLE OF SCHEDULES which is currently in effect). In addition to the minimum monthly payment, Buyer shall pay to Seller at the same Water Rate as specified above (or as amended as provided for herein) any quantity diverted each calendar month above 486,666,667 gallons. After the quantities diverted for December of each year are determined, the amount diverted for the calendar year will be calculated and any credit due to the Buyer will be applied to the next monthly statement(s).

Due to the delay in the Effective Date of this Agreement, Buyer agrees that the payments described in the preceding paragraph will be adjusted in accordance with Seller's Water Rate Schedule in effect on January 1, 2003 (Buyer recognizes that this Water Rate Schedule may be a System Rate which applies to all of Seller's customers at all of its operating divisions).

**ARTICLE IV**  
**BILLING AND PAYMENT**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 o'clock A.M. on the first day of each succeeding calendar month, beginning with the Effective Date of this Agreement.
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the beginning of each month and shall promptly report all such readings and the total quantity of Water diverted during such month to Seller.
- C. Seller shall render to Buyer at Buyer's offices at P.O. Box 1089, Orange, Texas 77630 (or such other place as designated by Buyer) on or before the 10th day of each calendar month a statement showing charges for the quantity of Water diverted hereunder by Buyer and/or for which payment is due hereunder during the preceding month. Payment of such statement shall be due and payable at Seller's office at 800 O-I Road, Orange, Texas 77632 (or such other place as designated by Seller) on or before the 15th day after receipt of such statement.
- D. Should Buyer fail to tender payment of any amount when due, Buyer shall pay a penalty equal to one percent (1%) of the amount due for each month from the date when due until paid.

**ARTICLE V**  
**ADJUSTMENT**

Commencing on January 1, 2004, and on the first day of January of each year thereafter during the term of this Agreement, the Water Rate Schedule in effect at that time for Seller's Gulf Coast Division Canal System may be changed and adjusted by

action of the Seller's Board of Directors subject to Buyer's right to appeal any such action to the TNRCC or other regulatory or judicial body then having jurisdiction. Should Seller ever sell Water in the same or a lesser quantity to a new industrial customer (including contract renewals of existing industrial customers) from the Gulf Coast Division Canal System for a cheaper Water Rate than being paid by the Buyer, then Buyer will be charged such cheaper Water Rate for the term it is in effect.

#### **ARTICLE VI MEASURING EQUIPMENT**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate and maintain at the Diversion Point, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of water in accordance with the then current water industry standards or as prescribed by standard of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2 %). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.
- B. During any reasonable hours Seller shall have access to such measuring equipment so installed provided Seller gives twenty-four hour advance notice by facsimile to a phone number to be provided by Buyer and arranges with

Buyer for access to such measuring equipment. Seller shall abide by all rules and safety practices as may be in force or established by Buyer to govern this type of activity. Seller shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by the Buyer and reported to the Seller for the purpose of billing. Buyer agrees that the Seller may furnish, install, operate and maintain check meters, should Seller so choose.

- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be based on Buyer's historic usage normalized for known changes and such estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty days or more, Seller may purchase, install and maintain any required measuring equipment, as determined by Seller, and charge the expense therefor to Buyer.

## **ARTICLE VII**

### **TITLE TO AND RESPONSIBILITY FOR WATER**

Title to, possession and control of Water shall remain in Seller, or its assigns, to the Diversion Point, where title to, possession and control of Water shall pass from Seller to Buyer, and Buyer shall take such title, possession and control of such at the Diversion Point. Seller agrees to operate and maintain its canals and equipment in accordance with accepted good business and engineering practices and that all costs for delivery of Water

to the Diversion Point shall be borne by Seller. All costs and expense of taking and pumping the Water at the Diversion Point for use by Buyer shall be borne and paid by Buyer.

It is recognized that the control of possible overflow at the Diversion Point is dependent on close coordination between Buyer and Seller in the opening and closing of gates regulating the flow into Lateral 5-G(1) and Buyer's conduit. Providing Buyer gives twenty-four hour advance notice of the opening and closing of its intake gate by facsimile to Seller at a phone number to be provided by Seller, Seller assumes responsibility for any cost or expense incurred or imposed upon Buyer as a result of any overflow at the Diversion Point.

#### **ARTICLE VIII**

##### **TERM**

- A. This Agreement shall be a binding obligation on the parties hereto from and after the execution hereof notwithstanding any delay in the Effective Date, and this Agreement shall expire on December 31, 2018.
- B. This Agreement, may be extended in increments of ten (10) years to the extent then permitted by law upon mutual agreement of the parties to the provisions of such extended Agreements.

#### **ARTICLE IX**

##### **FORCE MAJEURE**

In the event of either party being rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than the obligations to make payments of amounts accrued and due hereunder at the time thereof, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by

facsimile to the other party within a reasonable time after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall so far as possible be remedied with all responsible dispatch. The term "force majeure" as employed herein shall mean interferences not reasonably within the control of the party claiming force majeure, arising out of acts of God, governmental action, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests and restraint of government and people, civil disturbances, explosions, major breakage or accident of machinery, canals, conduits, and/or pipelines, partial or entire failure of the supply of Water, extreme and unforeseeable delays in transportation, and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.

In the event of Buyer's or Seller's force majeure and as a consequence thereof Buyer does not receive Water quantities as agreed to herein, Buyer shall be entitled to a credit for that portion of the Minimum Annual Charge relating to the Water that Buyer has not taken as a result of such force majeure.

#### **ARTICLE X ASSIGNMENT**

This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their legal successors. Other than to Buyer's Tenants or suppliers located on or adjacent to its Sabine River Works, Buyer shall not have any right to resell raw Water purchased hereunder and shall not assign this Agreement or any of its rights hereunder without first obtaining the written consent of Seller.



**ARTICLE XI**  
**SPECIFICATIONS AND USE**

A. The supply of Water to be available for delivery under this Agreement shall contain less than one hundred (100) milligrams per liter of Chlorides, and three hundred thirty (330) n.t.u. Turbidity as determined by standard methods which have been accepted by the U.S. Environmental Protection Agency and/or the Texas Natural Resource Conservation Commission. Seller agrees to perform these tests on samples collected at Seller's pump station each weekday and to advise Buyer if the quality of Water does not conform to these specifications and upon request shall provide Buyer with records of such analyses. The supply of Water shall also be free of oil and other objectionable waste products and foreign substances. The acceptance of Water by the Buyer which does not conform to the foregoing specifications shall constitute a waiver of specification requirements with respect to the quantity involved, but any such acceptance shall not prejudice Buyer's rights thereafter to refuse water not conforming to the specifications.

Buyer agrees, upon election to refuse Water because of failure to meet specifications, to immediately notify Seller thereof as nearly simultaneously, with the closing of Seller's gates as can be accomplished.

Seller agrees to keep and maintain records of the periods, if any, during each year in which the Water does not meet the foregoing specifications, and the Buyer, for such reason, does not accept such Water. In such event that Buyer does not take the Minimum Annual Quantity of Water due to the Water not meeting specifications as agreed to herein, Buyer shall be entitled to a credit for that portion of the Minimum Annual Charge relating to the Water that Buyer has not taken as a result of such occurrence.

- B. The Seller makes no warranty, express or implied, as to the suitability of Water diverted hereunder. Buyer assumes full responsibility with respect to the treatment of the Water prior to its use.
- C. The Seller agrees to use its reasonable best efforts (as determined solely by Seller) to correct any condition which affects the normal quality of the Water to the extent that it is authorized to do so under the laws of the State of Texas. Seller agrees to notify Buyer promptly on becoming aware of any such condition.

**ARTICLE XII**  
**INDEMNITY**

Before the Buyer has taken possession of the Water at the Diversion Point, Seller shall be in exclusive control and possession of the Water and solely responsible for any damage or injury caused thereby, and Seller shall indemnify and save harmless Buyer from and against any and all claims, demands, damages, judgments and causes of action, including attorneys' fees, by reason of injury or death to any person or damage to any property arising out of or in any way connected with any actions or activities prior to the Buyer taking possession of the Water at the Diversion Point.

After the Buyer has taken possession of the Water at the Diversion Point, Buyer shall be in exclusive control and possession of the Water and solely responsible for any damage or injury caused thereby, and Buyer shall indemnify and save harmless Seller from and against any and all claims, demands, damages, judgments and causes of action, including attorneys' fees, by reason of injury or death to any person or damage to any property arising out of or in any way connected with any actions or activities after the Buyer has taken possession of the Water at the Diversion Point.

### ARTICLE XIII

#### DEFAULT

- A. **Default by Buyer.** The following shall be deemed to be default by Buyer under the provisions of this Agreement:
1. Buyer fails to tender any payment due hereunder when due.
  2. Buyer breaches any of the other terms or conditions of this Agreement.
- B. **Default by Seller.** Seller shall be deemed to be in default under the provisions of this Agreement if Seller breaches any of the terms or conditions of this Agreement:
- C. If an event of default occurs or is claimed to have occurred under this Agreement, the non-defaulting party shall give the defaulting party written notice describing such default and if the defaulting party has failed to cure such default within thirty (30) days after receipt of such notice to cure the default, the non-defaulting party may terminate this Agreement unless the default cannot be cured in such thirty (30) day period through the exercise of reasonable diligence in which case the defaulting party shall have a reasonable additional period of time in which to cure such default, provided that the defaulting party commences within such thirty (30) day period immediate and substantial good faith efforts to cure and at all times thereafter proceeds diligently to complete such cure.

Seller may terminate this Agreement in the event Buyer fails to tender payment within thirty (30) days following Notice by Seller to Buyer of such default.

### ARTICLE XIV

#### APPLICABLE LAWS

The Constitution and Laws of the State of Texas and the decisions of its Courts shall govern with respect to any question or controversy which may arise hereunder.

Notwithstanding any other provisions herein, this Agreement shall be deemed to have been entered in contemplation of the statutes governing and creating the Sabine River Authority of Texas, and as to any repugnancy between the provisions hereof and said statutes, the latter shall control, the same as if set forth herein as special conditions hereof, and such repugnancy, if any, shall not void such provisions of this Agreement as may be lawfully authorized under the terms and provisions of said statutes.

**ARTICLE XV**  
**GENERAL CONDITIONS**

- A. A waiver by either party of any default by the other hereunder shall not be deemed a waiver by such party of any default by the other which may thereafter occur.
- B. Any Notice, request or communication under this Agreement shall be given in writing and shall be deemed to have been given by any party to the other party upon the either of the following dates:
  - 1. The date of the mailing thereof, as shown by a United States Postal Service receipt, if mailed to the other party by registered or certified mail to the latest address specified for such other party in writing; or
  - 2. The date of the receipt thereof by such other party, if not so mailed by registered or certified mail.
- C. Buyer hereby agrees to use reasonable diligence to avoid waste and achieve water conservation, including formulation, adoption and implementation of water conservation plan(s) which may be required under the rules and regulations of the Texas Natural Resource Conservation Commission (or any successor agency having such jurisdiction).

Buyer shall provide any such water conservation plan(s), along with information concerning their adoption and implementation, to the Texas Natural Resource Conservation Commission (TNRCC) and the Seller. In the event Buyer fails to formulate, adopt and implement any required water conservation plan(s) following one (1) year Notice by Seller to Buyer of such failure, Seller may, but shall not be required to, reduce the Maximum Annual Quantity by twenty-five percent (25%) for the remainder of the term of this Water Supply Agreement or impose a twenty-five percent (25%) surcharge on all charges for Water then in effect for the period beginning after the one-year Notice until such water conservation plan is adopted, filed with TNRCC and Seller, and fully implemented as determined by Seller.

- D. It is expressly understood and agreed that the effectiveness of this Agreement is dependent upon Buyer's and Seller's compliance with applicable rules of the Texas Natural Resource Conservation Commission (TNRCC) and the provisions of this Agreement are subject to the continuing supervision of the TNRCC. Buyer agrees to pay its prorata part of any charges and fees imposed on Seller by TNRCC or any other state or federal regulatory authority with respect to Seller's rights to Water in the Gulf Coast Division, as determined by Seller in its sole discretion.
- E. Seller agrees that Buyer shall have the right under the terms of this Agreement, with a one-year advance notice to Seller, to modify the Minimum Annual Quantity (to either increase or decrease such quantity). If so modified, the Water Rate, the minimum monthly payment and the Maximum Annual Quantity will be modified based on Seller's Water Rate Schedule in effect at the conclusion of the notice period to reflect the new quantities nominated.

IN WITNESS WHEREOF, the parties have executed this Agreement in duplicate originals on this the 15th day of April, 2000.

ATTEST:

Albert J. Gray

APPROVED AS TO FORM:

John  
Atty

ATTEST:

Robert H. Freedman

APPROVED AS TO FORM:

\_\_\_\_\_

SABINE RIVER AUTHORITY OF TEXAS  
SELLER

By: Jerry Clark

Jerry Clark  
Executive Vice President  
and General Manager

E. I. DU PONT DE NEMOURS AND  
COMPANY  
BUYER

By: S.A. Hamdan

**EXHIBIT A**

**WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective January 1, 1997

The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for Irrigation Purposes<sup>2</sup>

Metered at a rate of \$9.25 per acre-foot.

Water Used for Municipal or Industrial Purposes

	<b>Municipal</b>	<b>Industrial</b>
Schedule A	Less than 250,000 gallons per day, 14.5¢ to 30¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.	Less than 250,000 gallons per day, to 31¢ per 1,000 gallons as negotiat according to such factors as du quantity, location, etc.
Schedule B		
Cost	14.4¢ per 1,000 gallons	15.4¢ per 1,000 gallons
Minimum Take or Pay	250,000 gallons per day	250,000 gallons per day
Schedule C		
Cost	13.4¢ per 1,000 gallons	14.4¢ per 1,000 gallons
Minimum Take or Pay	500,000 gallons per day	500,000 gallons per day
Schedule D		
Cost	12.4¢ per 1,000 gallons	13.4¢ per 1,000 gallons
Minimum Take or Pay	1,000,000 gallons per day	1,000,000 gallons per day
Schedule E		
Cost	11.6¢ per 1,000 gallons	12.6¢ per 1,000 gallons
Minimum Take or Pay	2,000,000 gallons per day	2,000,000 gallons per day
Schedule F		

	Cost	10.9¢ per 1,000 gallons	11.9¢ per 1,000 gallons
	Minimum Take or Pay	4,000,000 gallons per day	4,000,000 gallons per day
Schedule G			
	Cost	10.4¢ per 1,000 gallons	11.4¢ per 1,000 gallons
	Minimum Take or Pay	7,000,000 gallons per day	7,000,000 gallons per day
Schedule H			
	Cost	9.9¢ per 1,000 gallons	10.9¢ per 1,000 gallons
	Minimum Take or Pay	11,000,000 gallons per day	11,000,000 gallons per day
Schedule I			
	Cost	9.6¢ per 1,000 gallons	10.6¢ per 1,000 gallons
	Minimum Take or Pay	16,000,000 gallons per day	16,000,000 gallons per day
Schedule J			
	Cost	9.5¢ per 1,000 gallons	10.5¢ per 1,000 gallons
	Minimum Take or Pay	22,000,000 gallons per day	22,000,000 gallons per day

Water user contracts requiring guarantees in excess of 22,000,000 gallons per day will be negotiated on an individual basis with 10.5¢ per 1,000 gallons being the minimum cost.

<sup>1</sup>Rates are for water “in place.” If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup>Irrigation water for agricultural purposes, including supplemental irrigation, will be supplied on “water used” basis, subject to negotiation depending on quantities, frequency, location, etc.



**AMENDMENT TO  
WATER SUPPLY AGREEMENT**

**STATE OF TEXAS**

**KNOW ALL MEN BY THESE PRESENTS:**

**COUNTY OF ORANGE**

**THIS AMENDMENT TO WATER SUPPLY AGREEMENT** is made and entered into this 1<sup>st</sup> day of September, 2005, by and between **SABINE RIVER AUTHORITY OF TEXAS** (hereinafter called "Seller"), a governmental agency of the State of Texas, and **E. I. DU PONT DE NEMOURS AND COMPANY** (hereinafter called "Buyer") a Delaware corporation authorized to do business in the State of Texas, and having offices in Orange County, Texas.

**WITNESSETH:**

**WHEREAS**, the seller and the Buyer entered into a Water Supply Agreement (hereinafter called "Agreement") dated the 15<sup>th</sup> day of April, 2000 by the terms of which Seller agreed to furnish certain quantities of untreated water to Buyer for use in its Sabine River Works plant: and,

**WHEREAS**, Buyer has requested certain amendments to the Agreement as incorporated into this **AMENDMENT TO WATER SUPPLY AGREEMENT**.

**NOW, THEREFORE**, for and in consideration of the premises and of the respective agreements herein contained, the parties hereto agree to amend the Agreement as follows:

**ARTICLE I DEFINITIONS PART D, E & F**, are hereby amended to read as follows:

D. "Maximum Annual Quantity" shall mean 8,030,000,000 gallons.

E. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw water as measured at the Diversion Point, which shall be 15,277 gallons per minute.

F. "Minimum Annual Quantity" shall mean the minimum quantity the Buyer shall be obligated to take and/or pay for during any calendar year. The minimum Annual Quantity shall be 4,015,000,000 gallons.

**ARTICLE III RATES AND COMPENSATION**, paragraph one is hereby amended to read as follows:

Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

Beginning with the Effective Date of this Amendment, Buyer shall pay to Seller a minimum monthly payment of \$ 41,153.75 (or such other amount as discussed below) which is based on the Minimum Annual Quantity at a Water Rate of \$ 0.123 per one thousand gallons (as specified in Schedule H of the attached EXHIBIT "A", TABLE OF SCHEDULES which is currently in effect). In addition to the minimum monthly payment, Buyer shall pay to Seller at the same Water Rate as specified above (or as amended as provided for herein) any quantity diverted each calendar month above 334,583,333 gallons. After the quantities diverted for December of each year are determined, the amount diverted for the calendar year will be calculated and any credit due to the Buyer from overages in any given month will be applied to the next monthly statement(s).


This Agreement is hereby amended so as to reflect the terms contained in this Amendment. All Provisions of the Agreement other than those specifically amended hereby shall remain in full force and effect.


This Amendment to the Agreement shall remain in full force and effect from and after the date of execution hereof and shall expire on the date of expiration of said Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

**ATTEST:**  
**APPROVED AS TO FORM**  
**AND LEGALITY**

**SABINE RIVER AUTHORITY OF TEXAS**  
**SELLER**

BY   
**ATTORNEY FOR SELLER**

BY   
Jerry Clark  
Executive Vice President and General Manager

**ATTEST:**  
**APPROVED AS TO FORM**  
**AND LEGALITY**

**E. I. DU PONT DE NEMOURS & COMPANY**  
**BUYER**

BY   
**ATTORNEY FOR BUYER**

BY 

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT

INDUSTRIAL

ENTERGY TEXAS, INC.

GULF COAST DIVISION

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT - INDUSTRIAL

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<input type="checkbox"/> THE STATE OF TEXAS	§	INDUSTRIAL
<input type="checkbox"/>	§	RAW WATER
<input type="checkbox"/> COUNTY OF ORANGE	§	CONTRACT

This Raw Water Supply Contract ("Agreement") is made and entered into this 1<sup>st</sup> day of January, 2010, by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and Entergy Texas, Inc. ("Buyer") a Texas Corporation with its principal offices in Jefferson County, Texas.

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities known as the John W. Simmons Gulf Coast Canal System and is authorized under the provisions of Certificate of Adjudication No. 05-4662 (as amended), to appropriate public waters of the State of Texas which are supplied through the John W. Simmons Gulf Coast Canal System which for purposes of this agreement is defined as the "Project". In the future Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project" for purposes of the agreement will be the Sabine River Authority Water Supply System.
3. Buyer proposes to purchase Water from Seller for subsequent treatment and distribution for industrial and ancillary domestic use at its Sabine Plant, an electric generating facility located in Bridge City, Texas ("Plant").

4. Buyer wants to purchase and Seller wants to sell Water from the Project subject to the terms and conditions of this Agreement.

5. Buyer will divert Water from the Project subject to all applicable rules and regulations of the Seller, state and federal agencies, and the water rights associated with the Project.

### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, the Seller and Buyer agree as follows:

#### **SECTION 1. DEFINITIONS.**

1. "Agreement" shall mean this Water Supply Contract including exhibits and any amendments thereto.

2. "Rate" shall mean the rate that the Buyer shall pay for the greater of Water actually diverted or the Minimum Monthly Quantity of Water as set forth in the current WATER RATE SCHEDULE, Schedule E, attached hereto as Exhibit 1, which shall initially be \$0.171 per 1,000 gallons. The rate may be modified as provided by Section 7, below.

3. "Point(s) of Delivery" shall mean the location(s) where Water is either released or diverted from the Project.

4. "Effective Date" shall mean the Effective Date of this Agreement and shall be January 1, 2010.

5. "Maximum Annual Quantity" shall mean 1,460,000,000 gallons per calendar year (4 MGD or 4,481 acre-feet per year).
6. "Maximum Monthly Quantity" shall mean one-twelfth of the Maximum Annual Quantity and shall be the maximum quantity of Water which Seller is obligated to commit, reserve, and allocate for Buyer's use and benefit at Buyer's Point(s) of Delivery during any calendar month.
7. "Minimum Annual Quantity" shall mean 730,000,000 gallons per calendar year (2 MGD or 2,240 acre-feet per year).
8. "Minimum Monthly Quantity" shall mean one-twelfth of the Minimum Annual Quantity and shall be the minimum quantity of Water which Buyer is obligated to take or pay for or to pay for if not taken during any calendar month.
9. "Annual Standby Quantity" shall mean 730,000,000 gallons per calendar year (2 MGD or 2,240 acre-feet per year).
10. "Monthly Standby Quantity" shall mean one-twelfth of the Annual Standby Quantity and shall be the amount of Water over and above the Minimum Monthly Quantity up to the Maximum Monthly Quantity which under the terms and provisions hereof Seller is obligated to hold, allocate, and maintain in reserve for Buyer's use and benefit at Buyer's Point(s) of Delivery.
11. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw Water as measured at the Point(s) of Delivery and shall be 10,000 gallons per minute.
12. "Water" shall mean untreated, raw water from the Project.



13. "Project" shall mean John W. Simmons Gulf Coast Canal System and other facilities used by Seller to make Water available at Buyer's Point(s) of Delivery.

14. "Commission" shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.

15. "Water Rate Schedule" shall mean the rates adopted by Seller's Board of Directors for various quantities of Water supplied from Seller's Gulf Coast Division. The Water Rate Schedule may be revised from time to time by Seller's Board of Directors. The Water Rate Schedule to be effective January 1, 2010 is attached hereto as Exhibit 1 and incorporated by reference herein for all purposes.

**SECTION 2. TERM.**

This Agreement shall be a binding obligation on the parties hereto and after the Effective Date and shall terminate on December 31, 2015 ("Initial Term"). This Agreement shall automatically renew for up to five (5) additional four (4) year terms (each a "Renewal Term") unless Buyer provides written notice of non-renewal to the Seller at least ninety (90) days prior to the end of the Initial Term or any Renewal Term. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive Water from Seller after the termination date of this Agreement.

**SECTION 3. EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

**SECTION 4. VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate of Adjudication No. 05-4662, and subsequent amendments, Seller agrees to sell Buyer Water from the Project at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity. Buyer may not divert more than the Maximum Annual Quantity without prior written approval of Seller.

**SECTION 5. RATES AND COMPENSATION.**

Beginning with the Effective Date and for each month of the Agreement, Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

- A. For gallons of Water diverted during any calendar month in an amount less than or equal to the Minimum Monthly Quantity, Buyer shall pay the Minimum Monthly Quantity times the Rate as specified in the WATER RATE SCHEDULE, Schedule E, attached as Exhibit 1, and incorporated herein for all purposes.
  
- B. For gallons of Water diverted during any calendar month in an amount less than or equal to the Minimum Monthly Quantity, Buyer shall also pay Seller an

additional amount for the Monthly Standby Quantity computed as Monthly Standby Quantity times ten percent (10%) of the Rate as specified in the WATER RATE SCHEDULE, Schedule E, attached as Exhibit 1.

- C. For gallons of Water diverted during any calendar month in an amount greater than the Minimum Monthly Quantity but less than or equal to the Maximum Monthly Quantity, Buyer shall pay Seller a payment equal to gallons of Water actually diverted times the Rate as specified in the WATER RATE SCHEDULE, Schedule E, attached as Exhibit 1. Furthermore, the payment for the Monthly Standby Quantity will be reduced by gallons diverted in excess of the Minimum Monthly Quantity times ten percent (10%) of the Rate as specified in the WATER RATE SCHEDULE, Schedule E, attached as Exhibit 1.

Buyer acknowledges that the Rate may be changed pursuant to Section 7.

**SECTION 6. BILLING AND PAYMENT.**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report to Seller all such readings and the total quantity of Water diverted during such month.

- C. Seller shall render to Buyer at Buyer's offices at Sabine Plant, PO Box 888, Bridge City, TX 77611 (or such other place as designated by Buyer), on or before the 10th day of each calendar month, a statement showing charges for the quantity of Water diverted hereunder by the Buyer and/or for which payment is due hereunder during the preceding month. Payment of such statement shall be due and payable at Seller's office at the Gulf Coast Division, 1922 O-I Road, Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. RATE ADJUSTMENT.**

It is hereby mutually agreed that beginning January 1, 2011, and once each calendar year thereafter, for the term of this Agreement, the Rate may be adjusted by action of Seller's Board of Directors. Seller shall notify Buyer at least one hundred fifty (150) days prior to the institution of a Rate adjustment. Seller hereby notifies Buyer that Seller is evaluating using a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to recover fixed cost and another rate to recover variable cost. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a two-part rate. The Rate may also be adjusted under the provisions of any other applicable State or Federal laws.

**SECTION 8. MEASURING EQUIPMENT.**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate, and maintain at the Point(s) of Delivery, measuring equipment, properly equipped with meters

and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.

- B. During any reasonable hours and subject to Buyer's ability to provide an escort, Seller shall have access to such measuring equipment so installed, subject to meeting all Buyer's, local, state and federal security and access requirements. Seller shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate, and maintain check meters, should Seller so choose. Buyer also agrees that the design and construction of any new diversion facility and/or metering equipment will facilitate Seller's installation and operation of check meters.

- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty (30) days or more, Seller may purchase, install, and maintain any required measuring equipment, as determined by Seller, and charge the expense therefore to Buyer, provided that Seller will give Buyer thirty (30) days notice before purchasing or installing such equipment.

**SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless make the disputed payment or payments within the payment period set forth herein; but, if it is subsequently determined by agreement or court decision that the disputed amount paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering Water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other

customers will be prejudiced if Buyer avoids the obligation to pay the rates for Water specified in this Agreement while accepting the benefits of obtaining Water from Seller.

Nothing in this Agreement shall be construed as constituting an undertaking by the Seller to furnish Water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its expenses, including attorneys' fees, in the proceeding within fifteen (15) days after Seller's demand for payment. Buyer stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery are attached as Exhibit 2 to this Agreement. Buyer shall provide, at Buyer's expense, the facilities required to transport Water to Buyer's place of treatment and/or use. If Buyer adds or changes the location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic description of the location of the additional or relocated Point of Delivery which shall be attached to this Agreement, and, subject to Seller's written approval, this Agreement will be modified by attaching the map to this Agreement as an exhibit. Upon Seller's filing of this Agreement, as modified, with the Commission, the modification shall become effective upon regulatory approval of the location of the additional or relocated Point of Delivery.

**SECTION 11. FACILITIES FOR DIVERTING WATER.**

Seller shall be responsible for the maintenance, repair and operation of all facilities and property owned by Seller required for the delivery of Water to Buyer's Point(s) of Delivery. If Seller desires to maintain or repair its facilities and property that is located on property owned by Buyer or subject to an easement granted by Buyer to Seller, Seller shall advise Buyer of its intention to conduct such work sufficiently in advance to allow Buyer to make necessary escort arrangements and to ensure that Buyer's operations shall not be affected by Seller's maintenance or repair work.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of Water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement. However, Buyer's agreement to hold harmless Seller for such claims described in this paragraph shall not apply in the event of Seller's negligence in failing to maintain its facilities, or Seller's gross negligence or willful misconduct.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in



providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller deems likely to result in such pollution within thirty (30) days from the receipt by Buyer of written notice from Seller to do so.

**SECTION 12. TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all Water supplied hereunder to Buyer shall be in the Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a party, that party hereby agrees to save and hold the other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said Water.

**SECTION 13. PURPOSE AND PLACE OF USE.**

Except as provided herein, or by subsequent agreement, Buyer shall use Water purchased from Seller under this Agreement for industrial and municipal purposes only for the supply of Water to the Plant and ancillary domestic use at the Plant, the location which is shown by the vicinity map attached as Exhibit 2 to this Agreement. Buyer is hereby prohibited from selling Water provided under this Agreement on a wholesale basis without the prior written consent of Seller.

**SECTION 14. LOSSES.**

If Buyer's diversion, now or in the future, requires a release of Water from one of Seller's reservoirs or pipelines, Buyer agrees to bear the cost of transportation and evapotranspiration

losses incident to the downstream sale of Water from the Point(s) of Delivery to Buyer's point of diversion of Water.

**SECTION 15. COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101 and 297.101-.108 as of the effective date of this Agreement. Seller will file a signed copy of this Agreement with the Executive Director of the Commission as required by the rules of the Commission. Buyer may continue diverting Water from the Project unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of Water taken under this Agreement each month. Buyer also shall submit to Seller written reports each month indicating the total amount of Water diverted under this Agreement each month.

**SECTION 16. REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction, and Seller and Buyer each agree to make a good faith effort to

support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in use of water, or increase the recycling and reuse of water. Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation and drought contingency plan, as well as implementing any water conservation and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Agreement, Buyer shall submit its water conservation and drought contingency plan to Seller for its review.

If Seller authorizes Buyer to resell Seller's Water, Buyer shall require through a contract condition that any successive user of Seller's Water must implement water conservation measures that comply with the State's, Seller's, and Buyer's water conservation and drought contingency plans, programs, and rules.

**SECTION 18. SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be Water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right or entitlement to any portion of Seller's Water in the Project after the expiration of the term of this Agreement.

Seller will use its best efforts to remain in a position to furnish Water sufficient for the reasonable demands of Buyer. Seller's agreement to provide Water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of Water will be available, and the quantity of Water taken shall at all times be subject to the right of Seller to reduce said quantity of Water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

Seller has adopted a water conservation and drought contingency plan. If Buyer fails to implement Seller's and its own water conservation and drought contingency plans when trigger conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's Water made available to Buyer when Buyer is not in compliance with Seller's water conservation and drought contingency plan will be reduced to the amount of Water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was

operating in compliance with both Seller's and Buyer's water conservation and drought contingency plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level. Further, if the permitted yield of the Project is reduced, Seller reserves the right to decrease the Maximum Annual Quantity by a like percentage.

**SECTION 19. RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL

RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

**SECTION 20. RETURN FLOWS.**

Buyer acknowledges that some of the Water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller has the right, subsequent to Buyer's use of Water purchased from Seller, to make whatever reuse of the water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

**SECTION 21. OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the Water received by Buyer from the Project, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on Water received by Buyer, then Buyer shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

**SECTION 22. DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in TEX. FIN. CODE ANN. § 304.003 (Vernon Supp. 1998), or any successor statute, from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water from the Project to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days after notice from Seller to Buyer of its delinquency and shall not resume delivery of Water while Buyer is so delinquent and may, at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

**SECTION 23. TERMINATION.**

If Seller decides to terminate this Agreement, as provided by this Agreement, Seller shall deliver written notice of the decision to Buyer. Buyer shall discontinue taking Water from Seller under this Agreement within one hundred eighty (180) days after Seller delivers written notice to Buyer.

**SECTION 24. WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of Seller to receive the payments which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

**SECTION 25. REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any party's obligations hereunder could not be adequately compensated in money damages alone, each party agrees in the event of any default on its part that each party shall have available to it the equitable remedy



of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to such party.

**SECTION 26. INDEMNITY.**

By signing this Agreement, Buyer agrees, on behalf of itself and its successors and assigns, that it relinquishes and discharges, and will, to the fullest extent permitted by law, defend, protect, indemnify, and hold harmless Seller and Seller's officers, directors, employees, agents, and consultants from and against all claims, losses, expenses, costs, damages, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defense, such as fees and charges of attorneys, expert witnesses, and other professionals incurred by Seller and all court or arbitration or other dispute resolution costs) arising out of or incident to, directly or indirectly, this Agreement, including but not limited to any such claim for bodily injury, death, property damage, consequential damage, or economic loss and any claim that may arise in connection with the quality, quantity, use, misuse, impoundment, diversion, transportation, and measurement of Project Water and any claim that may arise as a result of installation, inspection, adjusting, or testing of measuring and recording equipment involving Buyer's diversion of Seller's Water, as well as any claim that may arise from any condition of Buyer's facilities, separate operations being conducted on Buyer's facilities, or the imperfection or defective condition, whether latent or patent, of any material or equipment sold, supplied, or furnished by Seller.

Provisions of this section shall survive termination or expiration of this Agreement.

**SECTION 27. FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the party shall give notice of the reasons in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver Water, or of Buyer to receive Water, on account of any other cause not reasonably within the control of the party claiming the inability.

**SECTION 28. NON-ASSIGNABILITY.**

Buyer understands and agrees that any assignment of rights or delegation of duties under this Agreement is void without the prior written consent of Seller. No consent shall be required in the event that the assignment of rights or delegation of duties is made to an affiliate of Buyer.

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

**SECTION 31. SOLE AGREEMENT.**

This Agreement constitutes the sole agreement of Buyer and Seller regarding the subject matter set forth herein and supersedes any prior understanding or oral or written agreements between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

**SECTION 32. SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

**SECTION 33. NOTICES.**

All notices, payments, and communications (collectively "notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the party to be notified. Notice deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be shown above the signatures of the individuals who signed this Agreement on behalf of Seller and Buyer. Either party may change its address by giving written notice of the change to the other party at least fifteen (15) days before the change becomes effective.

**SECTION 34. PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the

breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

**SECTION 35. DUPLICATE ORIGINALS.**

Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 3.

EFFECTIVE as of the date signed by the authorized representative of Seller:

SABINE RIVER AUTHORITY,  
P.O. Box 579  
Orange, TX 77631  
Attn.: Executive Vice President  
and General Manager  
BY: Gary Clark  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR THE SELLER

Entergy Texas, Inc.  
Sabine Plant, PO Box 888  
Bridge City, TX 77611  
Attn: Legal Services  
BY: [Signature]  
TITLE: Dir. Services  
DATE: 9-2-10

*Home*

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR BUYER

**Exhibit 1 WATER RATE SCHEDULE**

## GULF COAST DIVISION

### WATER RATE SCHEDULE

Adopted by the Board of Directors to be effective January 1, 2010

The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for Irrigation Purposes<sup>2</sup>

Metered at a rate of \$10.00 per acre foot.

Water Used for Municipal or Industrial Purposes

	<b>Municipal</b>	<b>Industrial</b>
Schedule A	Less than 250,000 gallons per day, 17.6¢ to 36.5¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.	Less than 250,000 gallons per day, 19.5¢ to 37.8¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.
Schedule B	Cost Minimum Take or Pay	17.5¢ per 1,000 gallons 250,000 gallons per day
Schedule C	Cost Minimum Take or Pay	19.4¢ per 1,000 gallons 250,000 gallons per day
Schedule D	Cost Minimum Take or Pay	16.2¢ per 1,000 gallons 500,000 gallons per day
Schedule E	Cost Minimum Take or Pay	19.3¢ per 1,000 gallons 500,000 gallons per day
Schedule F	Cost Minimum Take or Pay	15.1¢ per 1,000 gallons 1,000,000 gallons per day
Schedule G	Cost Minimum Take or Pay	18.0¢ per 1,000 gallons 1,000,000 gallons per day
Schedule H	Cost Minimum Take or Pay	14.1¢ per 1,000 gallons 2,000,000 gallons per day
	Cost Minimum Take or Pay	17.1¢ per 1,000 gallons 2,000,000 gallons per day
	Cost Minimum Take or Pay	13.2¢ per 1,000 gallons 4,000,000 gallons per day
	Cost Minimum Take or Pay	16.1¢ per 1,000 gallons 4,000,000 gallons per day
	Cost Minimum Take or Pay	12.6¢ per 1,000 gallons 7,000,000 gallons per day
	Cost Minimum Take or Pay	15.5¢ per 1,000 gallons 7,000,000 gallons per day
	Cost Minimum Take or Pay	12.0¢ per 1,000 gallons 11,000,000 gallons per day
		15.0¢ per 1,000 gallons 11,000,000 gallons per day

<sup>1</sup>Rates are for water "in place." If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup>Irrigation water for agricultural purposes, including supplemental irrigation, will be supplied on "water used" basis, subject to negotiation depending on quantities, frequency, location, etc.



**Exhibit 2 Location of Point(s) of Delivery**

Exhibit 2: Point of Delivery, Entergy Texas, Inc., Sabine Plant



**Exhibit 3 Authorization to Execute on Behalf of Buyer**

**APPENDIX A SRA BOARD RESOLUTION ADOPTING WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN**

RESOLUTION NO. 601

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought; and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes; and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan; and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan; and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon its passage.

UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 8<sup>th</sup> DAY OF OCTOBER 2009.



Connie Wade  
President, Board of Directors

ATTEST TO:



Secretary/Treasurer, Board of Directors

APPROVED



Jerry Clark  
Executive Vice President  
and General Manager

**SABINE RIVER AUTHORITY**  
**RAW WATER SUPPLY CONTRACT**  
**INDUSTRIAL**  
**FIRESTONE POLYMERS**  
**GULF COAST DIVISION**

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT - INDUSTRIAL

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<input type="checkbox"/> THE STATE OF TEXAS	§	INDUSTRIAL
	§	RAW WATER
<input type="checkbox"/> COUNTY OF ORANGE	§	CONTRACT

This Raw Water Supply Contract ("Agreement") is made and entered into this 22<sup>nd</sup> day of April, 2013, by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and FIRESTONE POLYMERS, LLC ("Buyer"), a Delaware limited liability company registered to do business in Texas, having offices at 5713 Farm to Market 1006, Orange, Texas 77630, each a "Party" and collectively the "Parties".

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities known as the John W. Simmons Gulf Coast Canal System and is authorized under the provisions of Certificate of Adjudication No. 05-4662 (as amended), to appropriate public waters of the State of Texas which are supplied through the John W. Simmons Gulf Coast Canal System which for purposes of this agreement is defined as the "Project". In the future Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project" for purposes of the agreement will be the Sabine River Authority Water Supply System.

3. Buyer proposes to purchase raw, untreated water from Seller for use at Buyer's Orange County Texas manufacturing facility ("Plant").
4. Buyer wants to purchase and Seller wants to sell raw, untreated water from the Project subject to the terms and conditions of this Agreement.
5. Buyer will divert raw, untreated water from the Project subject to all applicable rules and regulations of the Seller, state and federal agencies, and the water rights associated with the Project.

### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, the Seller and Buyer agree as follows:

#### SECTION 1. **DEFINITIONS.**

1. "Agreement" shall mean this Water Supply Contract including exhibits and any amendments thereto.
2. "Rate" shall mean the rate that the Buyer shall pay for the Minimum Monthly Quantity of Water or Water diverted in excess of the Minimum Annual Quantity as set forth in the WATER RATE SCHEDULE, attached hereto as Exhibit 1, which shall be initially \$0.213 per 1,000 gallons. The Rate may be modified as provided by Section 7, below.
3. "Point(s) of Delivery" shall mean the location(s) where Water is either released or diverted from the Project.

4. "Effective Date" shall mean the Effective Date of this Agreement and shall be April 1, 2013.
5. "Minimum Annual Quantity" shall mean 240,000,000 gallons per calendar year (0.66 MGD or 737 acre-feet per year). The Minimum Annual Quantity may be increased or decreased on an annual basis by mutual written agreement between Buyer and Seller.
6. "Maximum Annual Quantity" shall mean 480,000,000 gallons per calendar year (1.32 MGD or 1,473acre-feet per year).
7. "Minimum Monthly Quantity" shall mean one-twelfth of the Minimum Annual Quantity, rounded-up to the nearest one gallon, and shall be the minimum quantity of Water which Buyer is obligated to take or pay for or to pay for if not taken during any calendar month. The Minimum Monthly Quantity shall be 20,000,000 gallons.
8. "Minimum Monthly Payment" shall mean the Minimum Monthly Quantity times the Rate.
9. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw Water as measured at the Point(s) of Delivery and shall be 1,143 gallons per minute.
10. "Water" shall mean raw, untreated water from the Project.
11. "Project" shall mean Seller's John W. Simmons Gulf Coast Canal System and other facilities used by Seller to make Water available at Buyer's Point(s) of Delivery. In the future, Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project " for purposes of this Agreement will be the Sabine River Authority Water Supply System.

12. “Commission” shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.

SECTION 2. **TERM.**

This Agreement shall remain in force and effect from the Effective Date until December 31, 2032 unless this Agreement is terminated sooner because Seller and Buyer both agree to terminate this Agreement or this Agreement is terminated pursuant to its terms. Buyer may terminate this Agreement without incurring any liability or penalty, other than for payment of charges theretofore accrued as of the date of termination, by providing one (1) year prior Notice to Seller. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive Water from Seller after the termination date of this Agreement.

SECTION 3. **EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

SECTION 4. **VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate of Adjudication No. 05-4662, and subsequent amendments, Seller agrees to sell Buyer Water at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity. Buyer may not divert more than the Maximum Annual Quantity without prior written permission from Seller.

**SECTION 5. RATES AND COMPENSATION.**

Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed in the following:

Beginning with the Effective Date and for each month of the Agreement,

- A. Buyer agrees to pay Seller the Minimum Monthly Payment whether or not Water is diverted by Buyer.
- B. After the quantity of Water diverted for December of each year is determined, the total amount diverted for the calendar year will be calculated and the amount due to Seller for amounts of Water diverted in excess of the Minimum Annual Quantity will be applied to the next monthly statement.

Buyer acknowledges that the Rate may be changed pursuant to Section 7.

**SECTION 6. BILLING AND PAYMENT.**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report to Seller all such readings and the total quantity of Water diverted during such month.
- C. Seller shall render to Buyer at Buyer's offices at Attn: Accounts Payable, 5713 FM 1006, Orange, TX 77630-8041 (or such other place as designated by Buyer),

on or before the 10th day of each calendar month, a statement showing charges for payment due as described in Section 5 of this Agreement. Payment of such statement shall be due and payable at Seller's office at the Gulf Coast Division Office, 1922 O-I Rd. Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. RATE ADJUSTMENT.**

It is hereby mutually agreed that beginning January 1, 2014, and once each calendar year thereafter, for the term of this Agreement, the Rate may be adjusted by action of Seller's Board of Directors. Seller shall give Buyer at least ninety (90) days prior Notice to the institution of a Rate adjustment. Seller hereby notifies Buyer that Seller is evaluating using a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to recover fixed cost and another rate to recover variable cost. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a two-part rate. The Rate may also be adjusted under the provisions of any other applicable State or Federal laws.

**SECTION 8. MEASURING EQUIPMENT.**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate, and maintain at the Point(s) of Delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall

the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.

- B. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate, and maintain check meters, should Seller so choose. Buyer also agrees that the design and construction of any new diversion facility and/or metering equipment will facilitate Seller's installation and operation of check meters.
  
- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate

shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty (30) days or more, Seller may purchase, install, and maintain any required measuring equipment, as determined by Seller, and charge the expense therefore to Buyer, provided that Seller will give Buyer thirty (30) days' notice before purchasing or installing such equipment.

**SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless make the disputed payment or payments within the payment period set forth herein; but, if it is subsequently determined by agreement or court decision that the disputed amount paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering Water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other customers will be prejudiced if Buyer avoids the obligation to pay the rates for Water specified in this Agreement while accepting the benefits of obtaining Water from Seller.

Nothing in this Agreement shall be construed as constituting an undertaking by the Seller to furnish Water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its



expenses, including attorneys' fees, in the proceeding within fifteen (15) days after Seller's demand for payment. Buyer stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery is attached as Exhibit 2 to this Agreement. The diversion shall be accomplished by facilities with a combined diversion rate not to exceed Maximum Diversion Rate. Buyer shall provide, at Buyer's expense, the facilities required to divert and transport Water to Buyer's place of treatment and/or use. If Buyer adds or changes the location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic description of the location of the additional or relocated Point of Delivery. Upon Seller's written approval, this Agreement will be modified by attaching the map of the additional or relocated Point of Delivery to Exhibit 2 of this Agreement. If Seller is required by Commission rules to file a signed copy of the Agreement with the Commission (Section 15), the modification shall then become effective upon regulatory approval of the location of the additional or relocated Point of Delivery.

**SECTION 11. FACILITIES FOR DIVERTING WATER.**

The detailed plans and specifications for any new facilities for diverting Water under this Agreement which are on Seller's property shall be submitted to Seller and approved by Seller in

writing before such facilities are installed, and any changes thereafter made in the nature, type, or location of such facilities shall be made only after Seller's prior written approval.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of Water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller deems likely to result in such pollution within thirty (30) days from the receipt by Buyer of Notice from Seller to do so.

**SECTION 12. TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all Water supplied hereunder to Buyer shall be in the Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a Party, that Party hereby agrees to save and hold the other Party harmless

from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said Water.

**SECTION 13. PURPOSE AND PLACE OF USE.**

Except as provided herein, or by subsequent agreement, Buyer shall use Water purchased from Seller under this Agreement only for industrial and municipal purposes and only for the supply of Water to the Plant and ancillary domestic use at the Plant, the location of which is shown by the vicinity map attached as Exhibit 3 to this Agreement. Buyer is hereby prohibited from reselling Water provided under this Agreement without the prior written consent of Seller.

**SECTION 14. LOSSES.**

If Buyer's diversion, now or in the future, requires a release of water from one of Seller's reservoirs or pipelines, Buyer agrees to bear the cost of transportation and evapotranspiration losses incident to the downstream sale of Water from the point(s) of delivery to Buyer's point of diversion of Water.

**SECTION 15. COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101 and 297.101-.108 as of the effective date of this Agreement. If required by Commission rules, Seller will file a signed copy of this Agreement with the Executive Director of the Commission. Buyer may continue diverting Water unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall

submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of Water taken under this Agreement each month. Buyer also shall submit to Seller written reports each month indicating the total amount of Water diverted under this Agreement each month.

**SECTION 16. REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction, and Seller and Buyer each agree to make a good faith effort to support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in use of water, or increase the recycling and reuse of water. Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation and drought contingency plan, as well as implementing any water conservation and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with

power to require or approve water conservation and drought contingency plans. Upon execution of this Agreement, Buyer shall submit its water conservation and drought contingency plan to Seller for its review.

If Seller authorizes Buyer to resell Seller's Water, Buyer shall require through a contract condition that any successive user of Seller's Water must implement water conservation measures that comply with the State's, Seller's, and Buyer's water conservation and drought contingency plans, programs, and rules.

**SECTION 18. SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be Water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right or entitlement to any portion of Seller's Water after the expiration of the term of this Agreement.

Seller will use its best efforts to remain in a position to furnish Water sufficient for the reasonable demands of Buyer. Seller's agreement to provide Water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of Water will be available, and the quantity of Water taken shall at all times be subject to the right of Seller to reduce said quantity of Water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

Seller has adopted a water conservation and drought contingency plan. If Buyer fails to implement Seller's and its own water conservation and drought contingency plans when trigger

conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's Water made available to Buyer when Buyer is not in compliance with Seller's water conservation and drought contingency plan will be reduced to the amount of Water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was operating in compliance with both Seller's and Buyer's water conservation and drought contingency plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level. Further, if the permitted yield of the Project is reduced, Seller reserves the right to decrease the Maximum Annual Quantity by a like percentage.

**SECTION 19. RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN

THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

SECTION 20. **RETURN FLOWS.**

Buyer acknowledges that some of the Water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller has the right, subsequent to Buyer's use of Water purchased from Seller, to make whatever reuse of the water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

SECTION 21. **OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the Water received by Buyer, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on Water received by Buyer, then Buyer

shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

**SECTION 22. DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in TEX. FIN. CODE ANN. § 304.003 (Vernon Supp. 1998), or any successor statute, from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days and shall not resume delivery of Water while Buyer is so delinquent and may, at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

**SECTION 23. TERMINATION.**

If Seller decides to terminate this Agreement, as provided by this Agreement, Seller shall deliver Notice of the decision to Buyer. If Seller's termination is for DEFAULT IN PAYMENTS, Buyer shall discontinue taking Water from Seller under this Agreement immediately after Seller delivers Notice to Buyer. Otherwise, Buyer shall discontinue taking



Water from Seller under this Agreement within one hundred eighty (180) days after Seller delivers Notice to Buyer.

SECTION 24. **WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of Seller to receive payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

SECTION 25. **REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any Party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any Party's obligations hereunder could not be adequately compensated in money damages alone, each Party agrees in the event of any default on its part that each Party shall have available to it the equitable remedy

of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to such Party.

SECTION 26. **INDEMNITY.**

By signing this Agreement, Buyer agrees, on behalf of itself and its successors and assigns, that it relinquishes and discharges, and will, to the fullest extent permitted by law, defend, protect, indemnify, and hold harmless Seller and Seller's officers, directors, employees, agents, and consultants from and against all claims, losses, expenses, costs, damages, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defense, such as fees and charges of attorneys, expert witnesses, and other professionals incurred by Seller and all court or arbitration or other dispute resolution costs) arising out of or incident to, directly or indirectly, this Agreement, including but not limited to any such claim for bodily injury, death, property damage, consequential damage, or economic loss and any claim that may arise in connection with the quality, quantity, use, misuse, impoundment, diversion, transportation, and measurement of Project Water and any claim that may arise as a result of installation, inspection, adjusting, or testing of measuring and recording equipment involving Buyer's diversion of Seller's Water, as well as any claim that may arise from any condition of Buyer's facilities, separate operations being conducted on Buyer's facilities, or the imperfection or defective condition, whether latent or patent, of any material or equipment sold, supplied, or furnished by Seller.

Provisions of this section shall survive termination or expiration of this Agreement.

**SECTION 27. FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver Water, or of Buyer to receive Water, on account of any other cause not reasonably within the control of the Party claiming the inability.

**SECTION 28. NON-ASSIGNABILITY.**

Buyer understands and agrees that any assignment of rights or delegation of duties under this Agreement is void without the prior written consent of Seller. No consent shall be required in the event that the assignment of rights or delegation of duties is made to an affiliate of Buyer.

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the Parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each Party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

**SECTION 31. SOLE AGREEMENT.**

This Agreement constitutes the sole agreement of Buyer and Seller regarding the subject matter set forth herein and supersedes any prior understanding or oral or written agreements between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

**SECTION 32. SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or

unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

**SECTION 33. NOTICES.**

All notices and communications (collectively "Notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the Notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the Party to be notified. Notices deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the Notice is deposited in the mail.

For purposes of Notice, the addresses of and the designated representative for receipt of Notice for each of the Parties are as shown below.

**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS

P.O. Box 579

Orange, TX 77631-0579

Attn.: Executive Vice-President and General Manager

**BUYER:**

FIRESTONE POLYMERS

5713 FM 1006

Orange, TX 77630-8041

Attn.: Plant Manager

Either Party may change its address by giving Notice of the change to the other Party at least fifteen (15) days before the change becomes effective.

**SECTION 34. PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

**SECTION 35. DUPLICATE ORIGINALS.**

Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 4.

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their duly-authorized representatives as of the dates written below.

**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS,  
a Texas governmental agency

DATE: 4/22/2013

BY: Jerry Clark  
Jerry Clark,  
its Executive Vice-President and General Manager

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR THE SELLER

**BUYER:**

FIRESTONE POLYMERS, LLC  
a Delaware limited liability company registered to do  
business in Texas, having offices at 5713 FM 1006,  
Orange, Texas 77630

DATE: \_\_\_\_\_

BY: Robert Handlos  
Robert Handlos,  
its Chairman and CEO

APPROVED AS TO FORM AND LEGALITY:

BY: \_\_\_\_\_  
ATTORNEY FOR THE BUYER

**Exhibit 1 WATER RATE SCHEDULE**



**GULF COAST DIVISION  
WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective January 1, 2013  
The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for **Irrigation** Purposes  
Metered at a rate of 3.3¢ per 1,000 gallons

**Water Used for all Municipal and Industrial Purposes**

		<b>Municipal</b>	<b>Industrial</b>
Schedule A	Cost <sup>2</sup>	19.4¢ to 40.2¢ per 1,000 gallons	21.5¢ to 41.7¢ per 1,000 gallons
	Minimum Take or Pay	Less than 250,000 gallons per day	Less than 250,000 gallons per day
Schedule B	Cost	19.3¢ per 1,000 gallons	21.4¢ per 1,000 gallons
	Minimum Take or Pay	250,000 – 499,999 gallons per day	250,000 – 499,999 gallons per day
Schedule C	Cost	17.9¢ per 1,000 gallons	21.3¢ per 1,000 gallons
	Minimum Take or Pay	500,000 – 999,999 gallons per day	500,000 – 999,999 gallons per day
Schedule D	Cost	16.7¢ per 1,000 gallons	19.8¢ per 1,000 gallons
	Minimum Take or Pay	1,000,000 – 1,999,999 gallons per day	1,000,000 – 1,999,999 gallons per day
Schedule E	Cost	15.5¢ per 1,000 gallons	18.9¢ per 1,000 gallons
	Minimum Take or Pay	2,000,000 – 3,999,999 gallons per day	2,000,000 – 3,999,999 gallons per day
Schedule F	Cost	14.6¢ per 1,000 gallons	17.7¢ per 1,000 gallons
	Minimum Take or Pay	4,000,000 – 7,999,999 gallons per day	4,000,000 – 7,999,999 gallons per day
Schedule G	Cost	13.9¢ per 1,000 gallons	16.6¢ per 1,000 gallons
	Minimum Take or Pay	8,000,000 – 15,999,999 gallons per day	8,000,000 – 15,999,999 gallons per day

Water supply contracts requiring reservations of 16,000,000 or more gallons per day will be negotiated on an individual basis.

Out of Basin Sales: Water contracted for use outside of the Sabine River Basin will be assessed an additional 15¢ per 1,000 gallons<sup>3</sup>.

<sup>1</sup> Rates are for water “in place.” If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup> As negotiated and according to such factors as duration, quantity, location, etc.

<sup>3</sup> The Out of Basin Sales additional rate is waived for municipal customers in the Neches River Basin or as negotiated and according to such factors as duration, quantity, location, etc. All Out of Basin Sales are subject to the provisions of the applicable water right authorizing interbasin transfers.

**Exhibit 2** Location of Point(s) of Delivery

**Exhibit 2: Point of Delivery, Firestone Polymers**



**Exhibit 3** Location Map of Service Area

**Exhibit 3: Service Area, Firestone Polymers**



**Exhibit 4** Authorization to Execute on Behalf of Buyer

**RESOLUTIONS IN WRITING  
IN LIEU OF MEETING  
BY THE SOLE SHAREHOLDER OF  
BRIDGESTONE PROCUREMENT HOLDINGS USA, INC.**

**October 1, 2012**

The undersigned, being the sole Shareholder of Bridgestone Procurement Holdings USA, Inc., a Delaware corporation (the "Company"), in accordance with the Delaware General Corporation Law, hereby adopts the following Resolutions for the Company by this writing effective as of the date first above written:

RESOLVED, that with gratitude for his contribution, the Company hereby accepts the resignation of Shinsuke Yamaguchi as the Director of the Company, effective as of October 1, 2012; and

RESOLVED, that the following individuals be appointed to be the Directors for the Board of Directors for the Company until the earliest of his death, resignation or replacement:

Robert Handlos  
Kazuya Hatakeyama  
Hideki Komatsu  
Koji Takagi  
Hidenari Nagashima

IN WITNESS WHEREOF, the undersigned has hereunto set its hand effective as of the date first above written.

Sole Shareholder:

BRIDGESTONE CORPORATION,  
a corporation organized under the laws of Japan



Narumi Zaitu  
Vice President and Senior Officer  
Member of the Board

**APPENDIX A SRA BOARD RESOLUTION ADOPTING WATER CONSERVATION AND  
DROUGHT CONTINGENCY PLAN**



RESOLUTION NO. 601

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought; and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes; and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan; and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan; and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon its passage.

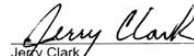
UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 8<sup>th</sup> DAY OF OCTOBER 2009.

  
Connie Wade  
President, Board of Directors

ATTEST TO:

  
Secretary/Treasurer, Board of Directors

APPROVED

  
Jerry Clark  
Executive Vice President  
and General Manager

**SABINE RIVER AUTHORITY**  
**RAW WATER SUPPLY CONTRACT**  
**INDUSTRIAL**  
**GERDAU AMERISTEEL U.S., INC**  
**GULF COAST DIVISION**

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT - INDUSTRIAL

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<input type="checkbox"/> THE STATE OF TEXAS	§	INDUSTRIAL
	§	RAW WATER
<input type="checkbox"/> COUNTY OF ORANGE	§	CONTRACT

This Raw Water Supply Contract ("Agreement") is made and entered into this 14<sup>th</sup> day of June, 2016, by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and GERDAU AMERISTEEL U.S., Inc. ("Buyer"), a Florida corporation with its principal offices in Tampa, authorized to do business in Texas and having offices in Orange County, Texas, each a "Party" and collectively the "Parties".

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities including Lake Fork, Lake Tawakoni, and Toledo Bend Reservoir and is authorized under the provisions of certificates of adjudication Nos. 05-4669, 05-4670, and 05-4658 (as amended), issued by the Texas Commission on Environmental Quality ("Commission") or its predecessor agencies to appropriate public waters of the State of Texas. In addition, Seller owns Certificate of Adjudication No. 05-4662 (as amended), issued by the Commission which authorizes Seller to divert and use public waters of the State of Texas from the Sabine River in Orange and Newton Counties for industrial,

municipal, and agricultural use using a pumping station and fresh water canal system known as the John W. Simmons Gulf Coast Canal System.

3. The Sabine River splits into two channels upstream of the diversion point for the existing pump station for the John W. Simmons Gulf Coast Canal System. Over time and during low flow conditions, the majority of the flow has migrated to the eastern channel that is located in the State of Louisiana. This has diminished the reliability of adequate streamflow available to Seller in the vicinity of the existing pump station. Seller is in the planning stage of establishing an additional pump station on the Sabine River in the vicinity of the Highway 12 crossing to ensure adequate water can be diverted from the Sabine River to meet the demands of the customers of the John W. Simmons Gulf Coast Canal system.

4. Buyer proposes to purchase raw, untreated water from Seller for use at Buyer's Orange County Texas manufacturing facility ("Plant").

5. Buyer wants to purchase and Seller wants to sell raw, untreated water from the Project subject to the terms and conditions of this Agreement.

6. Buyer will divert raw, untreated water from the Project subject to all applicable rules and regulations of the Seller, state and federal agencies, and the water rights associated with the Project.

## **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, the Seller and Buyer agree as follows:

SECTION 1. **DEFINITIONS.**

1. "Agreement" shall mean this Water Supply Contract including exhibits and any amendments thereto.
2. "Rate" shall mean the rate that the Buyer shall pay for the Minimum Monthly Quantity of Water or Water diverted in excess of the Minimum Annual Quantity as set forth in the WATER RATE SCHEDULE, attached hereto as Exhibit 1, which shall be initially \$0.296 per 1,000 gallons. The Rate may be modified as provided by Section 7, below.
3. "Point(s) of Delivery" shall mean the location(s) where Water is either released or diverted from the Project.
4. "Effective Date" shall mean the Effective Date of this Agreement and shall be July 1, 2016.
5. "Maximum Annual Quantity" shall mean 365,000,000 gallons per calendar year (1 MGD or 1,120 acre-feet per year).
6. "Maximum Monthly Quantity" shall mean one-twelfth of the Maximum Annual Quantity rounded up to the nearest one gallon and shall be the maximum quantity of Water which Seller is obligated to commit, reserve, and allocate for Buyer's use and benefit at Buyer's Point(s) of Delivery during any calendar month.
7. "Minimum Annual Quantity" shall mean 182,500,000 gallons per calendar year (0.5 MGD or 560 acre-feet per year).

8. “Minimum Monthly Quantity” shall mean one-twelfth of the Minimum Annual Quantity, rounded-up to the nearest one gallon, and shall be the minimum quantity of Water which Buyer is obligated to take or pay for or to pay for if not taken during any calendar month.
9. “Annual Standby Quantity” shall mean 182,500,000 gallons per calendar year (0.5 MGD or 560 acre-feet per year).
10. “Monthly Standby Quantity” shall mean one-twelfth of the Annual Standby Quantity rounded up to the nearest one gallon.
11. “Maximum Diversion Rate” shall mean the maximum rate at which Buyer may withdraw Water as measured at the Point(s) of Delivery and shall be 1,735 gallons per minute.
12. “Water” shall mean raw, untreated water from the Project.
13. “Project” shall mean the pipelines, pump stations, and other components of the Seller’s John W. Simmons Gulf Coast Canal System, whether currently in existence or added in the future, used by Seller to make Water available to Buyer and other customers of the John W. Simmons Gulf Coast Canal System. In the future, Seller may expand the system by combining the John W. Simmons Gulf Coast Canal System with one or more of Seller’s other water supply facilities at which time the “Project” for purposes of this Agreement will be the combined system as defined and named by Seller’s Board of Directors.
14. “System Rate” shall mean a rate based on Seller’s costs in providing Water to its customers from the system.
15. “Commission” shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.



SECTION 2. **TERM.**

This Agreement shall remain in force and effect from the Effective Date until December 31, 2036 unless this Agreement is terminated sooner because Seller and Buyer both agree to terminate this Agreement or this Agreement is terminated pursuant to its terms. In the event that Buyer permanently ceases operations at its Plant, Buyer may terminate this Agreement without incurring any liability or penalty, other than for payment of charges theretofore accrued as of the date of termination, by providing one (1) year prior Notice to Seller. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive Water from Seller after the termination date of this Agreement.

SECTION 3. **EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

SECTION 4. **VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate of Adjudication No. 05-4662, and subsequent amendments, Seller agrees to sell Buyer Water at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity. Buyer may not divert more than the Maximum Annual Quantity without prior written permission from Seller.

SECTION 5. **RATES AND COMPENSATION.**

Beginning with the Effective Date and for each month of the Agreement, Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

- A. For gallons of Water diverted during any calendar month in an amount less than or equal to the Minimum Monthly Quantity, Buyer shall pay the Minimum Monthly Quantity times the Rate.
- B. For gallons of Water diverted during any calendar month in an amount less than or equal to the Minimum Monthly Quantity, Buyer shall also pay Seller an additional amount for the Monthly Standby Quantity computed as Monthly Standby Quantity times ten percent (10%) of the Rate.
- C. For gallons of Water diverted during any calendar month in an amount greater than the Minimum Monthly Quantity but less than or equal to the Maximum Monthly Quantity, Buyer shall pay Seller a payment equal to gallons of Water actually diverted times the Rate. Furthermore, the payment for the Monthly Standby Quantity will be reduced by gallons diverted in excess of the Minimum Monthly Quantity times ten percent (10%) of the Rate.
- D. In the event it is necessary for Seller to release water from Toledo Bend Reservoir to meet the demands of the John W. Simmons Gulf Coast Canal System customers, in the following month, the charge in Paragraph C, above, for each John W. Simmons Gulf Coast Canal System customers' bill will be increased by an amount sufficient to pay for the water released for John W. Simmons Gulf

Coast Canal System customers based on the then current Water Rate Schedule for Toledo Bend Reservoir.

Buyer acknowledges that the Rate may be changed pursuant to Section 7.

**SECTION 6. BILLING AND PAYMENT.**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report to Seller all such readings and the total quantity of Water diverted during such month.
- C. Seller shall render to Buyer at Buyer's offices at Attn: Accounts Payable, PO Box 3869, Beaumont, TX 77704 (or such other place as designated by Buyer), on or before the 10th day of each calendar month, a statement showing charges for payment due as described in Section 5 of this Agreement. Payment of such statement shall be due and payable at Seller's office at the Gulf Coast Division Office, 1922 O-I Rd., Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. RATE ADJUSTMENT.**

Buyer acknowledges and agrees that beginning January 1, 2017, the Rate may be adjusted from time to time by action of Seller's Board of Directors. Seller hereby notifies Buyer

that Seller is evaluating using a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to recover fixed cost and another rate to recover variable cost. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a System Rate or a two-part rate. The Rate may also be adjusted under the provisions of any other applicable State or Federal laws.

SECTION 8. **MEASURING EQUIPMENT.**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate, and maintain at the Point(s) of Delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.
- B. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to

determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate, and maintain check meters, should Seller so choose. Buyer also agrees that the design and construction of any new diversion facility and/or metering equipment will facilitate Seller's installation and operation of check meters.

- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty (30) days or more, Seller may purchase, install, and maintain any required measuring equipment, as determined by Seller, and charge the expense therefore to Buyer, provided that Seller will give Buyer thirty (30) days' notice before purchasing or installing such equipment.

**SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless make the disputed payment or payments within the payment period set forth herein; but, if it is subsequently determined by agreement or court decision that the disputed amount

paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering Water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other customers will be prejudiced if Buyer avoids the obligation to pay the rates for Water specified in this Agreement while accepting the benefits of obtaining Water from Seller.

Nothing in this Agreement shall be construed as constituting an undertaking by the Seller to furnish Water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its expenses, including attorneys' fees, in the proceeding within fifteen (15) days after Seller's demand for payment. Buyer stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery is attached as Exhibit 2 to this Agreement. The diversion shall be accomplished by facilities with a combined diversion rate not to exceed Maximum Diversion Rate. Buyer shall provide, at Buyer's expense, the facilities required to divert and transport Water to Buyer's place of treatment and/or use. If Buyer adds or changes the

location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic description of the location of the additional or relocated Point of Delivery. Upon Seller's written approval, this Agreement will be modified by attaching the map of the additional or relocated Point of Delivery to Exhibit 2 of this Agreement. If Seller is required by Commission rules to file a signed copy of the Agreement with the Commission (Section 15), the modification shall then become effective upon regulatory approval of the location of the additional or relocated Point of Delivery.

**SECTION 11. FACILITIES FOR DIVERTING WATER.**

The detailed plans and specifications for any new facilities for diverting Water under this Agreement which are on Seller's property shall be submitted to Seller and approved by Seller in writing before such facilities are installed, and any changes thereafter made in the nature, type, or location of such facilities shall be made only after Seller's prior written approval.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of Water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller deems likely to result in such pollution within thirty (30) days from the receipt by Buyer of Notice from Seller to do so.

SECTION 12. **TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all Water supplied hereunder to Buyer shall be in the Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a Party, that Party hereby agrees to save and hold the other Party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said Water.

SECTION 13. **PURPOSE AND PLACE OF USE.**

Except as provided herein, or by subsequent agreement, Buyer shall use Water purchased from Seller under this Agreement only for industrial and municipal purposes and only for the supply of Water to the Plant and ancillary domestic use at the Plant, the location of which is shown by the vicinity map attached as Exhibit 3 to this Agreement. Buyer is hereby prohibited from reselling Water provided under this Agreement without the prior written consent of Seller.



SECTION 14. **LOSSES.**

If supplying Water to Buyer, now or in the future, requires a release of Water from one of Seller's reservoirs or pipelines into a watercourse and subsequent diversion of Water by Seller or Buyer, Buyer agrees to bear the cost of transportation and evapotranspiration losses.

SECTION 15. **COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101, 295.202, and 297.101-.108 as of the effective date of this Agreement.

If required by Commission rules, Seller will file a signed copy of this Agreement with the Executive Director of the Commission. Buyer may continue diverting Water unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of Water taken under this Agreement each month.

Buyer shall submit to Seller written reports each month indicating the total amount of Water diverted under this Agreement each month.

SECTION 16. **REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed

as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction, and Seller and Buyer each agree to make a good faith effort to support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in use of water, or increase the recycling and reuse of water. Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation and drought contingency plan, as well as implementing any water conservation and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Agreement, Buyer shall submit its water conservation and drought contingency plan to Seller for its review.

If Seller authorizes Buyer to resell Seller's Water, Buyer shall require through a contract condition that any successive user of Seller's Water must implement water conservation measures that comply with the State's, Seller's, and Buyer's water conservation and drought contingency plans, programs, and rules.

SECTION 18. **SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be Water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right or entitlement to any portion of Seller's Water after the expiration of the term of this Agreement.

Seller will use its best efforts to remain in a position to furnish Water sufficient for the reasonable demands of Buyer. Seller's agreement to provide Water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of Water will be available, and the quantity of Water taken shall at all times be subject to the right of Seller to reduce said quantity of Water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

Seller has adopted a water conservation and drought contingency plan. If Buyer fails to implement Seller's and its own water conservation and drought contingency plans when trigger conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's Water made available to Buyer when Buyer is not in compliance with Seller's water conservation and drought contingency plan will be reduced to the amount of Water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was operating in compliance with both Seller's and Buyer's water conservation and drought contingency plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level. Further, if the permitted yield of the Project is reduced, Seller reserves the right to decrease the Maximum Annual Quantity by a like percentage.

SECTION 19. **RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

SECTION 20. **RETURN FLOWS.**

Buyer acknowledges that some of the Water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller has the right, subsequent to Buyer's use of Water purchased from Seller, to make whatever reuse of the water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

SECTION 21. **OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the Water received by Buyer, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on Water received by Buyer, then Buyer shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

SECTION 22. **DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in Tex. Fin. Code Ann. § 304.003 (Vernon 2015), or any successor statute, from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer

to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days and shall not resume delivery of Water while Buyer is so delinquent and may, at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

**SECTION 23. TERMINATION.**

If Seller decides to terminate this Agreement, as provided by this Agreement, Seller shall deliver Notice of the decision to Buyer. If Seller's termination is for DEFAULT IN PAYMENTS, Buyer shall discontinue taking Water from Seller under this Agreement immediately after Seller delivers Notice to Buyer. Otherwise, Buyer shall discontinue taking Water from Seller under this Agreement within one hundred eighty (180) days after Seller delivers Notice to Buyer.

**SECTION 24. WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or

any default under this Agreement, except the right of Seller to receive payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

**SECTION 25. REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any Party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any Party's obligations hereunder could not be adequately compensated in money damages alone, each Party agrees in the event of any default on its part that each Party shall have available to it the equitable remedy of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to such Party.

**SECTION 26. INDEMNITY.**

BY SIGNING THIS AGREEMENT, BUYER AGREES, ON BEHALF OF ITSELF AND ITS SUCCESSORS AND ASSIGNS, THAT IT RELINQUISHES AND DISCHARGES, AND WILL, TO THE FULLEST EXTENT PERMITTED BY LAW, DEFEND, PROTECT, INDEMNIFY, AND HOLD HARMLESS SELLER AND SELLER'S OFFICERS,

DIRECTORS, EMPLOYEES, AGENTS, AND CONSULTANTS FROM AND AGAINST ALL CLAIMS, LOSSES, EXPENSES, COSTS, DAMAGES, DEMANDS, JUDGMENTS, CAUSES OF ACTION, SUITS, AND LIABILITY IN TORT, CONTRACT OR ANY OTHER BASIS AND OF EVERY KIND AND CHARACTER WHATSOEVER (INCLUDING BUT NOT LIMITED TO ALL COSTS OF DEFENSE, SUCH AS FEES AND CHARGES OF ATTORNEYS, EXPERT WITNESSES, AND OTHER PROFESSIONALS INCURRED BY SELLER AND ALL COURT OR ARBITRATION OR OTHER DISPUTE RESOLUTION COSTS) ARISING OUT OF OR INCIDENT TO, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ANY SUCH CLAIM FOR BODILY INJURY, DEATH, PROPERTY DAMAGE, CONSEQUENTIAL DAMAGE, OR ECONOMIC LOSS AND ANY CLAIM THAT MAY ARISE IN CONNECTION WITH THE QUALITY, QUANTITY, USE, MISUSE, IMPOUNDMENT, DIVERSION, TRANSPORTATION, AND MEASUREMENT OF PROJECT WATER AND ANY CLAIM THAT MAY ARISE AS A RESULT OF INSTALLATION, INSPECTION, ADJUSTING, OR TESTING OF MEASURING AND RECORDING EQUIPMENT INVOLVING BUYER'S DIVERSION OF SELLER'S WATER, AS WELL AS ANY CLAIM THAT MAY ARISE FROM ANY CONDITION OF BUYER'S FACILITIES, SEPARATE OPERATIONS BEING CONDUCTED ON BUYER'S FACILITIES, OR THE IMPERFECTION OR DEFECTIVE CONDITION, WHETHER LATENT OR PATENT, OF ANY MATERIAL OR EQUIPMENT SOLD, SUPPLIED, OR FURNISHED BY SELLER.

PROVISIONS OF THIS SECTION SHALL SURVIVE TERMINATION OR EXPIRATION OF THIS AGREEMENT.



SECTION 27. **FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver Water, or of Buyer to receive Water, on account of any other cause not reasonably within the control of the Party claiming the inability.

SECTION 28. **NON-ASSIGNABILITY.**

Buyer understands and agrees that any assignment of rights or delegation of duties under this Agreement, except as cited below, is void without the prior written consent of Seller, such consent not to be unreasonably withheld. Buyer may assign its rights hereunder in whole or in part with Notice to Seller but without Seller's prior written consent (a) to any successor to Buyer

of all or part of its Plant operations in Orange County, Texas, or (b) to any other party, including but not limited to a corporation wholly or partially owned or controlled by Buyer, for use in connection with any industrial or commercial activity to be carried on upon the Buyer's Plant in Orange County, Texas, which activity is related directly or indirectly to any industrial operation which Buyer or its successors may conduct upon such premises. However, nothing contained herein shall grant to Buyer the right to re-sell Water to any other party.

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the Parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each Party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

SECTION 31. **SOLE AGREEMENT.**

This Agreement constitutes the sole agreement of Buyer and Seller regarding the subject matter set forth herein and supersedes any prior understanding or oral or written agreements between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

SECTION 32. **SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

SECTION 33. **NOTICES.**

All notices and communications (collectively "Notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the Notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the Party to be notified. Notices deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the Notice is deposited in the mail.

For purposes of Notice, the addresses of and the designated representative for receipt of Notice for each of the Parties are as shown below.

**SELLER:**

Sabine River Authority of Texas  
Gulf Coast Division Water Supply Contract  
Gerdau Ameristeel U.S., Inc.  
Page 26 of 39

SABINE RIVER AUTHORITY OF TEXAS

P.O. Box 579

Orange, TX 77631-0579

Attn.: Executive Vice-President and General Manager

**BUYER:**

GERDAU AMERISTEEL U. S., INC.

PO Box 3869

Orange, TX 77704-3869

Attn.: Vice President & General Manager

Either Party may change its address by giving Notice of the change to the other Party at least fifteen (15) days before the change becomes effective.

SECTION 34. **PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

SECTION 35. **DUPLICATE ORIGINALS.**

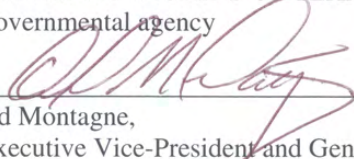
Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 4.

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their duly-authorized representatives as of the dates written below.

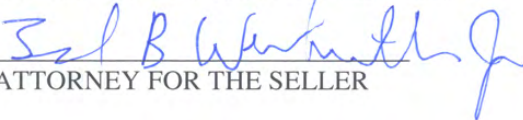
**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS,  
a Texas governmental agency

DATE: 6-14-16

BY:   
David Montagne,  
its Executive Vice-President and General Manager

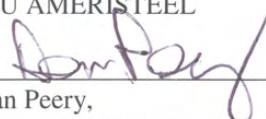
APPROVED AS TO FORM AND LEGALITY:

BY:   
ATTORNEY FOR THE SELLER

**BUYER:**

GERDAU AMERISTEEL

DATE: 6/11/2016

BY:   
Dean Peery,  
its Vice President & General Manager

APPROVED AS TO FORM AND LEGALITY:

BY: \_\_\_\_\_  
ATTORNEY FOR THE BUYER

**Exhibit 1 WATER RATE SCHEDULE**

**GULF COAST DIVISION  
WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective **January 1, 2016**  
The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for **Irrigation** Purposes  
Metered at a rate of **3.9¢** per 1,000 gallons

**Water Used for all Municipal Purposes**

Cost	22.9¢ per 1,000 gallons
Minimum Take or Pay	Up to 15,999,999 gallons per day

**Water Used for all Industrial Purposes**

<b>Schedule A</b>	Cost	29.6¢ per 1,000 gallons
	Minimum Take or Pay	Up to 1,999,999 gallons per day
<b>Schedule B</b>	Cost	26.4¢ per 1,000 gallons
	Minimum Take or Pay	2,000,000 – 3,999,999 gallons per day
<b>Schedule C</b>	Cost	24.8¢ per 1,000 gallons
	Minimum Take or Pay	4,000,000 – 7,999,999 gallons per day
<b>Schedule D</b>	Cost	22.6¢ per 1,000 gallons
	Minimum Take or Pay	8,000,000 – 15,999,999 gallons per day

Water supply contracts requiring reservations of 16,000,000 or more gallons per day will be negotiated on an individual basis.

Out of Basin Sales: Water contracted for use outside of the Sabine River Basin will be assessed an additional 17.4¢ per 1,000 gallons<sup>2</sup>.

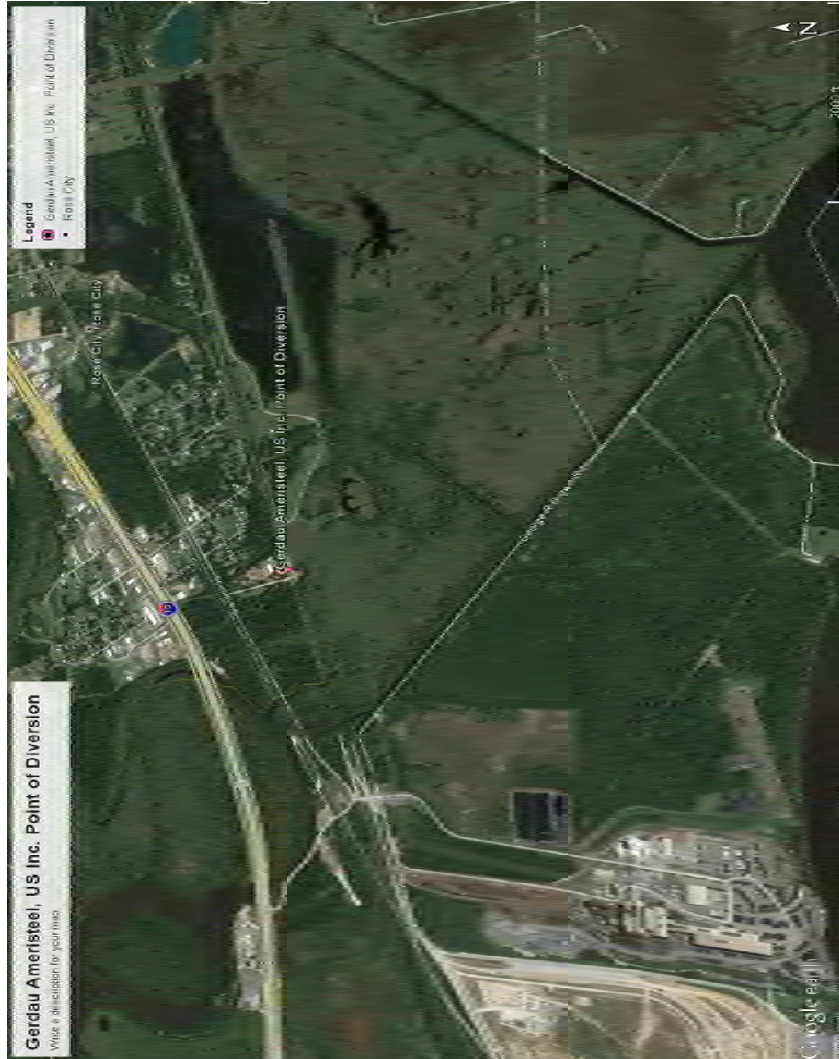
<sup>1</sup> Rates are for water “in place.” If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup> The Out of Basin Sales additional rate is waived for municipal customers in the Neches River Basin or as negotiated and according to such factors as duration, quantity, location, etc. All Out of Basin Sales are subject to the provisions of the applicable water right authorizing interbasin transfers.



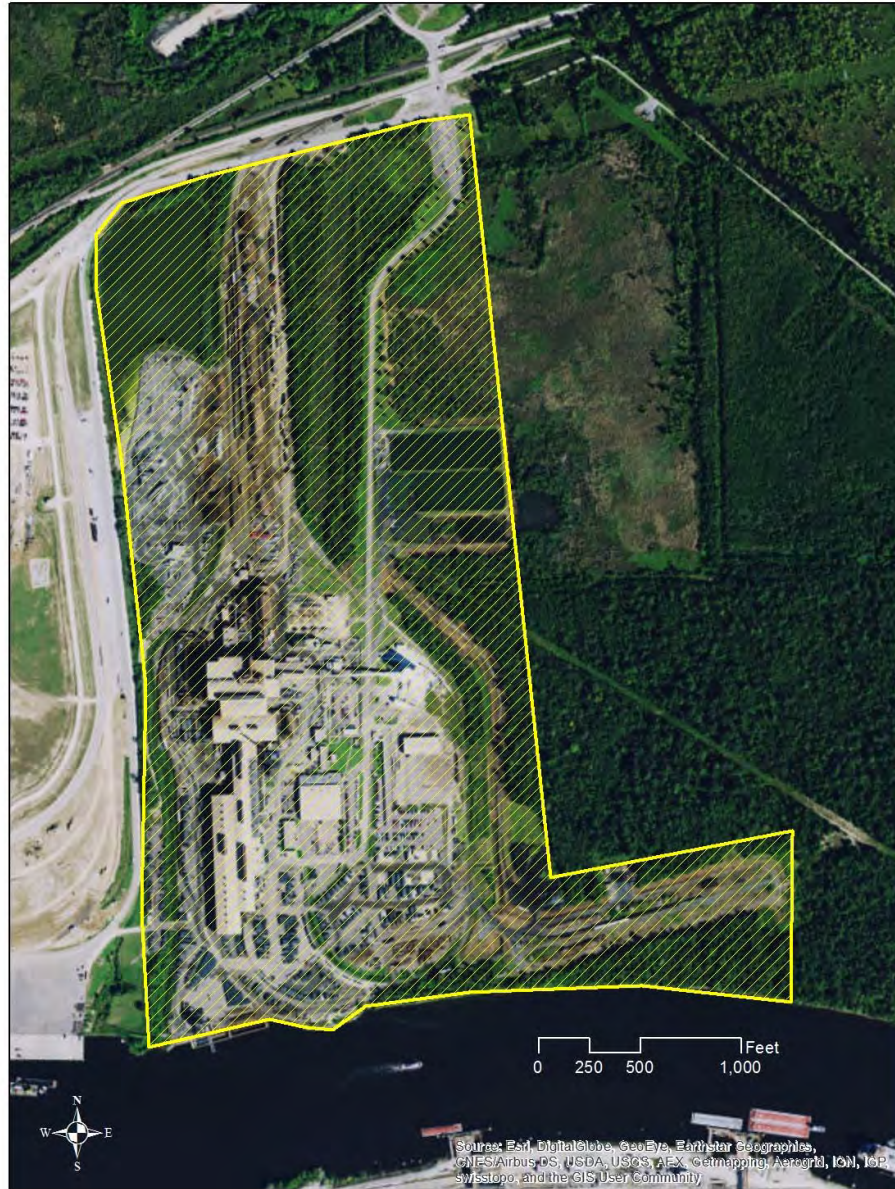
**Exhibit 2 Location of Point(s) of Diversion**

Point of Diversion: 30.093810° / -94.063053°



**Exhibit 3 Location Map of Service Area**

**Gerdau Ameristeel US, Inc. Service Area**



**Exhibit 4 Authorization to Execute on Behalf of Buyer**



May 31, 2016

VIA EMAIL: [MVANN@SRATX.ORG](mailto:MVANN@SRATX.ORG)

Mary S. Vann  
Manager, Environmental and Information Resources  
Water Resources Branch  
Sabine River Authority of Texas

Re: Industrial Raw Water Supply Contract - Gerdau Ameristeel U.S. Inc.

Dear Ms. Vann,

Please allow this letter to certify that the undersigned authorizes Dean Perry, Vice President of the Beaumont Mill, to enter into agreement and execute same, with regard to any and all matters associated with the above-referenced matter on behalf of Gerdau Ameristeel US Inc.

Please feel free to contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Wallace', written over a horizontal line.

Robert P. Wallace  
Senior Corporate Counsel/Assistant Secretary  
Gerdau Ameristeel US Inc.  
4221 W. Boy Scout Blvd, Ste. 600  
Tampa, FL 33607  
Tele: 813.207-2289  
Email: [Robert.Wallace@gerdau.com](mailto:Robert.Wallace@gerdau.com)

**APPENDIX A SRA BOARD RESOLUTION ADOPTING WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN**

RESOLUTION NO. 614

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought; and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes; and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan; and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan; and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan, revised May 1, 2014, attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

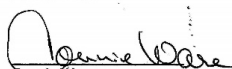
SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

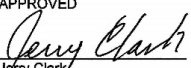
SECTION 3. That this resolution shall take effect immediately upon its passage.

UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 10<sup>th</sup> DAY OF JULY 2014.

  
Cliff Todd  
President, Board of Directors

ATTEST TO:

  
Connie Ware  
Secretary/Treasurer, Board of Directors

APPROVED  
  
Jeffery Clark  
Executive Vice President  
and General Manager



WATER SUPPLY CONTRACT

7070 1-12-05  
Rate 15.9¢ sch 8"

STATE OF TEXAS

I

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF ORANGE

I

THIS AGREEMENT is made and entered into this 8th day of March,  
1976, by and between SABINE RIVER AUTHORITY OF TEXAS (hereinafter called "Seller"),  
a governmental agency of the State of Texas, having offices in Orange County, Texas,  
and ALLIED CHEMICAL CORPORATION (hereinafter called "Buyer"), a New York Corporation  
with its principal offices in Morris County, New Jersey, authorized to do business  
in the State of Texas, and having offices in Orange County, Texas.

W I T N E S S E T H:

In consideration of the premises and the mutual covenants and  
undertakings herein contained, the parties hereto do mutually agree and bind  
themselves as follows:

ARTICLE I

DEFINITIONS

A. "Minimum Monthly Quantity" shall mean the minimum quantity of  
water which Buyer is obligated to take and pay for or to pay for if not taken during  
any calendar month.

B. "Maximum Monthly Quantity" shall mean the maximum quantity of  
water which Seller is obligated to deliver to Buyer during any calendar month.

C. "Standby Quantity" shall mean the amount of water over and above  
the minimum monthly quantity which under the terms and provisions hereof Seller  
is obligated to deliver for the benefit of Buyer up to the Maximum Monthly Quantity  
specified.

ARTICLE II

QUANTITIES

Buyer hereby agrees to take and pay for, or to pay for if not taken, a Minimum Monthly Quantity of <sup>5 MGD</sup> 15.21 million gallons of untreated fresh water at an existing point of delivery as described in Article VIII. Seller agrees to commit, reserve and allocate for the use and benefit of Buyer at said point of delivery, untreated fresh water in sufficient quantity to supply Buyer a Maximum Monthly Quantity of <sup>1,000,000</sup> 30.42 million gallons. In addition, it is hereby mutually agreed that Seller shall be under no obligation to deliver water at a rate in excess of 4,000 gallons per minute. It is here recognized that the Maximum Monthly Quantity which Seller is obligated to make available to Buyer is substantially in excess of Buyer's Minimum Monthly Quantity take-or-pay obligation during the term hereof.

ARTICLE III

RATES AND COMPENSATION

A. Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed not less than the Minimum Monthly Payment shown in the attached Table of Schedules, which is designated Exhibit "A", based upon Minimum Monthly Quantity which under the terms and provisions hereof Buyer is obligated to take and pay for or to pay for regardless of whether such quantity is taken. Such Minimum Monthly Payment includes compensation to Seller for the Minimum Monthly Quantity of water specified whether or not taken and diverted by Buyer, with the basic rate for said quantity of water being computed on the basis of <sup>15.9</sup> 8.9¢ per thousand gallons of water, such rate being Schedule C of the WATER RATE SCHEDULE as approved by the Board of Directors of Seller on December 11, 1975. Said Minimum Monthly Payment does further include compensation to Seller for holding, allocating and maintaining in reserve a Standby Quantity of 15.21 million gallons per month, with the compensation of said Standby Quantity being computed on the basis of ten per cent (10%) of the compensation which would have otherwise been charged under the terms and provisions hereof had Buyer taken and diverted said quantity of water. The foregoing description of the compositions of the Minimum Monthly Payment is illustrative only and is not intended to alter or impair Buyer's obligation to pay the prescribed monthly payment

as shown on the attached Table of Schedules, or as may be increased by mutual agreement between Buyer and Seller for escalation to a higher schedule in the WATER RATE SCHEDULE of Seller which is then in effect, or as otherwise herein provided.

B. In addition to the Minimum Monthly Payment, Buyer agrees to pay Seller monthly for water actually taken and diverted each month in excess of the Minimum Monthly Quantity specified and applicable to such Minimum Monthly Payment. Compensation to Seller for such excess over and above the Minimum Monthly Quantity shall be at the rate of 8.9¢ per thousand gallons taken and diverted over and above said Minimum Monthly Quantity; provided, however, the Maximum Monthly Standby cost shall be reduced by 0.89¢ per thousand gallons taken and diverted over and above said Minimum Monthly Quantity.

C. In the event of emergency or other urgent need, upon request, Seller shall exert every effort to deliver the maximum rate of flow necessary to meet the needs of Buyer in the operation of its facilities.

#### ARTICLE IV

##### BILLING AND PAYMENT

A. As used in this contract, the term "month" shall mean a period beginning at 8:00 o'clock A.M. on the first day of each succeeding calendar month, and the first month shall begin on the 15th day of March, 1976.

B. Buyer shall read the measuring equipment as provided for herein at the end of each month and shall promptly report the total quantity of water taken during such month to Seller.

C. Seller shall render to Buyer at Buyer's offices at P. O. Box 2041, Orange, Texas, 77630 (or such other place as designated by Buyer) on or before the 10th day of each calendar month a statement showing charges for the quantity of water delivered hereunder by Seller or for which payment is due hereunder during the preceding month. Payment of such statement shall be due and payable at Seller's office at Rt. 6, Box 47B, Orange, Texas, 77630 (or such other place as designated by Seller) on or before the 10th day after receipt of such statement.

D. Should Buyer fail to tender payment of any amount when due, interest thereon shall accrue at the rate of ten per cent (10%) per annum from the date when due until paid.

E. In the event Buyer fails to tender payment of any amount when due and such failure continues for forty-five (45) days after notice in writing to Buyer of such default, Seller may suspend delivery of water; however, the exercise of such right shall be in addition to any other remedy available to Seller.

ARTICLE V

ADJUSTMENT

It is hereby mutually agreed that commencing on March 1, 1978 and once each year thereafter for the term of this contract, the rates for water as provided herein may be adjusted by action of the Board of Directors of Seller, utilizing as a guide the Wholesale Price Index, Bureau of Labor Statistics, U. S. Department of Labor, with the base month being March, 1976, or, additionally, as required by the provisions relating to the establishment of rates for the sale of water set forth in the Statutes of the State of Texas creating and governing the operation of the Sabine River Authority of Texas, or the provisions of any other applicable State or Federal laws.

ARTICLE VI

MEASURING EQUIPMENT

A. At Buyer's own cost and expense, Buyer shall furnish, operate and maintain at the point of delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of water delivered under this contract, with a capacity to measure the quantity of water delivered within the accuracy tolerance of one per cent (1%), and Buyer will have said meters calibrated annually by qualified personnel. Buyer shall notify Seller fifteen (15) days in advance of the annual meter calibration and Seller shall have the right to be present and witness said calibration. Such measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.

B. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to determining the measurement and quantity of water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate and maintain check meters, should Seller choose to do so, at the sole cost and expense of the Seller.

C. Should the accuracy of the Buyer's or Seller's meter be questioned by either party hereto, it shall be disassembled and inspected by employees and/or agents of the installing party, in the presence of representatives of the other party, and if possible, recalibrated in position. If the meter is found upon inspection to be more than one per cent (1%) fast or slow, then all cost and expense for disassembling, inspection and assembling shall be assumed by the installing party; otherwise, such cost and expense shall be assumed by the party questioning the accuracy of the meter. In addition, the account shall be adjusted for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, for a period extending back one-half of the time elapsed since the date of the last test or the date of the last adjustment to correct registration, whichever is later, not to exceed forty-five (45) days.

D. If, for any reason, the measuring equipment is out of service or out of repair and the amount of water delivered cannot be ascertained or computed by the reading thereof, water delivered during the period shall be estimated and agreed upon by the parties hereto on the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check measuring equipment of Seller.

#### ARTICLE VII

##### TITLE TO AND RESPONSIBILITY FOR WATER

Title to, possession and control of water shall remain in Seller, or its assigns, to the point of delivery, where title to, possession and control of water shall pass from Seller to Buyer, and Buyer shall take such title, possession and control of such at the point of delivery.

#### ARTICLE VIII

##### DELIVERY POINT

The delivery point for water purchased under this contract shall be located near Buyer's property boundary in Orange County at the junction of Buyer's conduit system with Seller's Lateral 5-G(1). It is recognized that the control of possible overflow at the point of delivery is dependent on close coordination between

Buyer and Seller in the opening and closing of gates regulating flow into the canal and Buyer's conduit system, and Buyer and Seller hereby agree to maintain such coordination.

#### ARTICLE IX

##### TERM

A. This contract shall be in force and effect from and after the date of execution hereof. The first contract year hereof for the purpose of taking and/or paying for water shall commence on the 15th day of March, 1976, which date shall be considered for the purpose of this contract as the "Effective Date". This contract shall be a binding obligation on the parties hereto from and after the execution hereof notwithstanding a delay in the effective date, and this contract shall expire forty years from the effective date hereof as that term is defined in this paragraph.

B. It is expressly understood and agreed that the provisions of this contract are subject to the continuing jurisdiction of the Texas Water Rights Commission as the same relates to the establishment of rates and compensations for the use of the services and resources of Seller.

C. It is hereby understood and agreed that the effectiveness of this contract is dependent upon the issuance to Buyer of a valid Texas Water Rights Commission permit under Commission Rule 246 (or such other existing or future Commission Rules which may apply).

#### ARTICLE X

##### SPECIFICATIONS AND USE

It is understood and agreed that the water to be delivered under the terms and provisions hereof shall be untreated, fresh water delivered through Seller's Gulf Coast Division Canal System and Seller covenants to use diligence in avoiding and correcting any condition affecting the normal quality of the water to the extent that it has the capacity to do so under the laws of the State of Texas as they presently exist or may hereafter be enacted.

#### ARTICLE XI

##### PERFORMANCE BY SELLER

Seller covenants and agrees that it will not contract for the sale of water to other users to such an extent or for such quantities as to impair Seller's ability to perform fully and punctually its obligations to Buyer under this Contract.

ARTICLE XII

FORCE MAJEURE

In the event of either party being rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligations to make payments of amounts accrued and due hereunder at the time thereof, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall so far as possible be remedied with all responsible dispatch. The term "force majeure" as employed herein shall mean interferences not reasonably within the control of the party claiming force majeure, arising out of acts of God, governmental action, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests and restraint of government and people, civil disturbances, explosions, major breakage or accident of machinery, canals, conduits, and/or pipelines, partial or entire failure of the supply of water, extreme and unforeseeable delays in transportation, and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.

ARTICLE XIII

TERMINATION

This contract may be terminated by mutual agreement of the parties hereto, or as may be provided by law in the event of a breach of the terms and agreements set forth herein by either of the parties. It is further provided that upon at least one (1) year advance written notification by Buyer to Seller, that Buyer may terminate this contract without further liability under the terms and conditions hereof other than for payment of charges theretofore accrued as of the date of termination. It is expressly provided that as of the date of notification of intention to terminate, Seller shall be free to negotiate, contract for, and sell the quantities of water herein reserved and appropriated to Buyer to any other party or parties, which sale would become effective after termination of this contract.

ARTICLE XIV

PRICE PROTECTION

If Seller, during the term of this agreement, contracts to sell untreated fresh water from the Gulf Coast Division Canal System in quantities less than or equivalent to those provided herein to an industrial customer, at a lower rate than in effect hereunder, then Buyer shall receive the benefit of such lower rate on all water delivered to Buyer under this agreement while such lower rate is effective.

ARTICLE XV

ASSIGNMENT

This agreement shall be binding upon and inure to the benefit of the respective parties hereto and their legal successors, but the same shall not otherwise be assignable, in whole or in part, by either party without first obtaining the written consent of the other.

ARTICLE XVI

APPLICABLE LAWS

The Constitution and Laws of the State of Texas and the decisions of its Courts shall govern with respect to any question or controversy which may arise hereunder. Notwithstanding any other provision herein, this contract shall be deemed to have been entered in contemplation of the Statutes governing and creating the Sabine River Authority of Texas, and as to any repugnancy between the provisions hereof and said Statutes, the latter shall control, the same as if set forth in length herein as special conditions hereof, and such repugnancy, if any, shall not void such provisions of this contract as may be lawfully authorized under the terms and provisions of said Statutes.

ARTICLE XVII

GENERAL CONDITIONS

A waiver by either party of any default by the other hereunder shall not be deemed a waiver by such party of any default by the other which may thereafter occur.




This agreement cancels and supersedes, as of the Effective Date specified herein, all agreements heretofore existing by and between the parties hereto relating to the purchase and sale of water in Orange County, Texas.

IN WITNESS WHEREOF, the parties have executed this contract in  
DUPLICATE ORIGINALS on this the 8th day of March, 1976.

SABINE RIVER AUTHORITY OF TEXAS  
SELLER

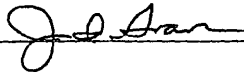
BY

  
John W. Simmons  
Executive Vice President  
and General Manager

ATTEST:

  
\_\_\_\_\_

APPROVED AS TO FORM:

  
\_\_\_\_\_

ALLIED CHEMICAL CORPORATION  
BUYER

BY

  
\_\_\_\_\_

ATTEST:

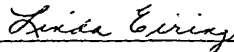
  
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EXHIBIT "A"  
TABLE OF SCHEDULES

Contract Term In Years	Minimum Monthly Quantity (In Million Gallons)	Maximum Monthly Standby Quantity (In Million Gallons)	Maximum Monthly Quantity (In Million Gallons)	Maximum Diversion Rate (In Gallons Per Minute)	Payment For Minimum Monthly Quantity	Maximum Monthly Standby Charge	Minimum Monthly Payment	Maximum Monthly Paymer
0-40	15.21	15.21	30.42	4,000	\$ 1,353.69	\$ 135.37	\$ 1,489.06	\$ 2,707.38

\*Based on taking the Maximum Monthly Quantity of 30.42 million gallons

**SABINE RIVER AUTHORITY**  
**RAW WATER SUPPLY CONTRACT**  
**INDUSTRIAL**  
**HONEYWELL INTERNATIONAL, INC.**  
**GULF COAST DIVISION**

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT - INDUSTRIAL

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<input type="checkbox"/> THE STATE OF TEXAS	§	INDUSTRIAL
	§	RAW WATER
<input type="checkbox"/> COUNTY OF ORANGE	§	CONTRACT

This Raw Water Supply Contract ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2016, by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and HONEYWELL INTERNATIONAL, INC. ("Buyer"), a Delaware corporation with its principal offices in Morris Plains, New Jersey, authorized to do business in Texas and having offices in Orange County, Texas, each a "Party" and collectively the "Parties".

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities including Lake Fork, Lake Tawakoni, and Toledo Bend Reservoir and is authorized under the provisions of certificates of adjudication Nos. 05-4669, 05-4670, and 05-4658 (as amended), issued by the Texas Commission on Environmental Quality ("Commission") or its predecessor agencies to appropriate public waters of the State of Texas. In addition, Seller owns Certificate of Adjudication No. 05-4662 (as amended), issued by the Commission which authorizes Seller to divert and use public waters of the State of Texas from the Sabine River in Orange and Newton Counties for industrial, municipal, and agricultural use

using a pumping station and fresh water canal system known as the John W. Simmons Gulf Coast Canal System.

3. The Sabine River splits into two channels upstream of the diversion point for the existing pump station for the John W. Simmons Gulf Coast Canal System. Over time and during low flow conditions, the majority of the flow has migrated to the eastern channel that is located in the State of Louisiana. This has diminished the reliability of adequate streamflow available to Seller in the vicinity of the existing pump station. Seller is in the planning stage of establishing an additional pump station on the Sabine River in the vicinity of the Highway 12 crossing to ensure adequate water can be diverted from the Sabine River to meet the demands of the customers of the John W. Simmons Gulf Coast Canal system.

4. Buyer proposes to purchase raw, untreated water from Seller for use at Buyer's Orange County Texas manufacturing facility ("Plant").

5. Buyer wants to purchase and Seller wants to sell raw, untreated water from the Project subject to the terms and conditions of this Agreement.

6. Buyer will divert raw, untreated water from the Project subject to all applicable rules and regulations of the Seller, state and federal agencies, and the water rights associated with the Project.

### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, the Seller and Buyer agree as follows:

SECTION 1. **DEFINITIONS.**

1. "Agreement" shall mean this Water Supply Contract including exhibits and any amendments thereto.
2. "Rate" shall mean the rate that the Buyer shall pay for the Minimum Monthly Quantity of Water or Water diverted in excess of the Minimum Annual Quantity as set forth in the WATER RATE SCHEDULE, attached hereto as Exhibit 1, which shall be initially \$0.296 per 1,000 gallons. The Rate may be modified as provided by Section 7, below.
3. "Point(s) of Delivery" shall mean the location(s) where Water is either released or diverted from the Project.
4. "Effective Date" shall mean the Effective Date of this Agreement and shall be July 9, 2016.
5. "Maximum Annual Quantity" shall mean 365,000,000 gallons per calendar year (1 MGD or 1,120 acre-feet per year).
6. "Maximum Monthly Quantity" shall mean one-twelfth of the Maximum Annual Quantity rounded up to the nearest one gallon and shall be the maximum quantity of Water which Seller is obligated to commit, reserve, and allocate for Buyer's use and benefit at Buyer's Point(s) of Delivery during any calendar month.
7. "Minimum Annual Quantity" shall mean 182,500,000 gallons per calendar year (0.5 MGD or 560 acre-feet per year).



8. “Minimum Monthly Quantity” shall mean one-twelfth of the Minimum Annual Quantity, rounded-up to the nearest one gallon, and shall be the minimum quantity of Water which Buyer is obligated to take or pay for or to pay for if not taken during any calendar month.
9. “Annual Standby Quantity” shall mean 182,500,000 gallons per calendar year (0.5 MGD or 560 acre-feet per year).
10. “Monthly Standby Quantity” shall mean one-twelfth of the Annual Standby Quantity rounded up to the nearest one gallon.
11. “Maximum Diversion Rate” shall mean the maximum rate at which Buyer may withdraw Water as measured at the Point(s) of Delivery and shall be 1,735 gallons per minute.
12. “Water” shall mean raw, untreated water from the Project.
13. “Project” shall mean the pipelines, pump stations, and other components of the Seller’s John W. Simmons Gulf Coast Canal System, whether currently in existence or added in the future, used by Seller to make Water available to Buyer and other customers of the John W. Simmons Gulf Coast Canal System. In the future, Seller may expand the system by combining the John W. Simmons Gulf Coast Canal System with one or more of Seller’s other water supply facilities at which time the “Project” for purposes of this Agreement will be the combined system as defined and named by Seller’s Board of Directors.
14. “System Rate” shall mean a rate based on Seller’s costs in providing Water to its customers from the system.
15. “Commission” shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.

SECTION 2. **TERM.**

This Agreement shall remain in force and effect from the Effective Date until December 31, 2056 unless this Agreement is terminated sooner because Seller and Buyer both agree to terminate this Agreement or this Agreement is terminated pursuant to its terms. In the event that Buyer permanently ceases operations at its Plant, Buyer may terminate this Agreement without incurring any liability or penalty, other than for payment of charges theretofore accrued as of the date of termination, by providing one (1) year prior Notice to Seller. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive Water from Seller after the termination date of this Agreement.

SECTION 3. **EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

SECTION 4. **VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate of Adjudication No. 05-4662, and subsequent amendments, Seller agrees to sell Buyer Water at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity. Buyer may not divert more than the Maximum Annual Quantity without prior written permission from Seller.

SECTION 5. **RATES AND COMPENSATION.**

Beginning with the Effective Date and for each month of the Agreement, Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

- A. For gallons of Water diverted during any calendar month in an amount less than or equal to the Minimum Monthly Quantity, Buyer shall pay the Minimum Monthly Quantity times the Rate.
- B. For gallons of Water diverted during any calendar month in an amount less than or equal to the Minimum Monthly Quantity, Buyer shall also pay Seller an additional amount for the Monthly Standby Quantity computed as Monthly Standby Quantity times ten percent (10%) of the Rate.
- C. For gallons of Water diverted during any calendar month in an amount greater than the Minimum Monthly Quantity but less than or equal to the Maximum Monthly Quantity, Buyer shall pay Seller a payment equal to gallons of Water actually diverted times the Rate. Furthermore, the payment for the Monthly Standby Quantity will be reduced by gallons diverted in excess of the Minimum Monthly Quantity times ten percent (10%) of the Rate.
- D. In the event it is necessary for Seller to release water from Toledo Bend Reservoir to meet the demands of the John W. Simmons Gulf Coast Canal System customers, in the following month, the charge in Paragraph C, above, for each John W. Simmons Gulf Coast Canal System customers' bill will be increased by an amount sufficient to pay for the water released for John W. Simmons Gulf Coast Canal System customers based on the then current Water Rate Schedule for Toledo Bend Reservoir.

Buyer acknowledges that the Rate may be changed pursuant to Section 7.

**SECTION 6. BILLING AND PAYMENT.**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report to Seller all such readings and the total quantity of Water diverted during such month.
- C. Seller shall render to Buyer at Buyer's offices at Attn: Accounts Payable, PO Box 640, Orange, TX 77631 (or such other place as designated by Buyer), on or before the 10th day of each calendar month, a statement showing charges for payment due as described in Section 5 of this Agreement. Payment of such statement shall be due and payable at Seller's office at the Gulf Coast Division Office, 1922 O-I Rd., Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. RATE ADJUSTMENT.**

Buyer acknowledges and agrees that beginning January 1, 2017, the Rate may be adjusted from time to time by action of Seller's Board of Directors. Seller hereby notifies Buyer that Seller is evaluating using a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to recover fixed cost and another rate to recover variable cost. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a System

Rate or a two-part rate. The Rate may also be adjusted under the provisions of any other applicable State or Federal laws.

SECTION 8. **MEASURING EQUIPMENT.**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate, and maintain at the Point(s) of Delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.
- B. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate, and maintain check meters, should

Seller so choose. Buyer also agrees that the design and construction of any new diversion facility and/or metering equipment will facilitate Seller's installation and operation of check meters.

- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty (30) days or more, Seller may purchase, install, and maintain any required measuring equipment, as determined by Seller, and charge the expense therefore to Buyer, provided that Seller will give Buyer thirty (30) days' notice before purchasing or installing such equipment.

**SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless make the disputed payment or payments within the payment period set forth herein; but, if it is subsequently determined by agreement or court decision that the disputed amount paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering Water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other customers will be prejudiced if Buyer avoids the obligation to pay the rates for Water specified in this Agreement while accepting the benefits of obtaining Water from Seller.

Nothing in this Agreement shall be construed as constituting an undertaking by the Seller to furnish Water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its expenses, including attorneys' fees, in the proceeding within fifteen (15) days after Seller's demand for payment. Buyer stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery is attached as Exhibit 2 to this Agreement. The diversion shall be accomplished by facilities with a combined diversion rate not to exceed Maximum Diversion Rate. Buyer shall provide, at Buyer's expense, the facilities required to divert and transport Water to Buyer's place of treatment and/or use. If Buyer adds or changes the location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic description of the location of the additional or relocated Point of Delivery. Upon Seller's written approval, this Agreement

will be modified by attaching the map of the additional or relocated Point of Delivery to Exhibit 2 of this Agreement. If Seller is required by Commission rules to file a signed copy of the Agreement with the Commission (Section 15), the modification shall then become effective upon regulatory approval of the location of the additional or relocated Point of Delivery.

**SECTION 11. FACILITIES FOR DIVERTING WATER.**

The detailed plans and specifications for any new facilities for diverting Water under this Agreement which are on Seller's property shall be submitted to Seller and approved by Seller in writing before such facilities are installed, and any changes thereafter made in the nature, type, or location of such facilities shall be made only after Seller's prior written approval.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of Water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller deems likely to



result in such pollution within thirty (30) days from the receipt by Buyer of Notice from Seller to do so.

SECTION 12. **TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all Water supplied hereunder to Buyer shall be in the Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a Party, that Party hereby agrees to save and hold the other Party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said Water.

SECTION 13. **PURPOSE AND PLACE OF USE.**

Except as provided herein, or by subsequent agreement, Buyer shall use Water purchased from Seller under this Agreement only for industrial and municipal purposes and only for the supply of Water to the Plant and ancillary domestic use at the Plant, the location of which is shown by the vicinity map attached as Exhibit 3 to this Agreement. Buyer is hereby prohibited from reselling Water provided under this Agreement without the prior written consent of Seller.

SECTION 14. **LOSSES.**

If supplying Water to Buyer, now or in the future, requires a release of Water from one of Seller's reservoirs or pipelines into a watercourse and subsequent diversion of Water by Seller or Buyer, Buyer agrees to bear the cost of transportation and evapotranspiration losses.

**SECTION 15. COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101, 295.202, and 297.101-.108 as of the effective date of this Agreement.

If required by Commission rules, Seller will file a signed copy of this Agreement with the Executive Director of the Commission. Buyer may continue diverting Water unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of Water taken under this Agreement each month.

Buyer shall submit to Seller written reports each month indicating the total amount of Water diverted under this Agreement each month.

**SECTION 16. REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction, and Seller and Buyer each agree to make a good faith effort to support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in use of water, or increase the recycling and reuse of water. Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation and drought contingency plan, as well as implementing any water conservation and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Agreement, Buyer shall submit its water conservation and drought contingency plan to Seller for its review.

If Seller authorizes Buyer to resell Seller's Water, Buyer shall require through a contract condition that any successive user of Seller's Water must implement water conservation measures that comply with the State's, Seller's, and Buyer's water conservation and drought contingency plans, programs, and rules.

**SECTION 18. SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be Water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right or entitlement to any portion of Seller's Water after the expiration of the term of this Agreement.

Seller will use its best efforts to remain in a position to furnish Water sufficient for the reasonable demands of Buyer. Seller's agreement to provide Water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of Water will be available, and the quantity of Water taken shall at all times be subject to the right of Seller to reduce said quantity of Water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

Seller has adopted a water conservation and drought contingency plan. If Buyer fails to implement Seller's and its own water conservation and drought contingency plans when trigger conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's Water made available to Buyer when Buyer is not in compliance with Seller's water conservation and drought contingency plan will be reduced to the amount of Water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was operating in compliance with both Seller's and Buyer's water conservation and drought contingency plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level.

Further, if the permitted yield of the Project is reduced, Seller reserves the right to decrease the Maximum Annual Quantity by a like percentage.

SECTION 19. **RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

SECTION 20. **RETURN FLOWS.**

Buyer acknowledges that some of the Water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller

has the right, subsequent to Buyer's use of Water purchased from Seller, to make whatever reuse of the water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

**SECTION 21. OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the Water received by Buyer, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on Water received by Buyer, then Buyer shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

**SECTION 22. DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in Tex. Fin. Code Ann. § 304.003 (Vernon 2015), or any successor statute, from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days and shall not resume delivery of Water while Buyer is so delinquent and may,

at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

**SECTION 23. TERMINATION.**

If Seller decides to terminate this Agreement, as provided by this Agreement, Seller shall deliver Notice of the decision to Buyer. If Seller's termination is for DEFAULT IN PAYMENTS, Buyer shall discontinue taking Water from Seller under this Agreement immediately after Seller delivers Notice to Buyer. Otherwise, Buyer shall discontinue taking Water from Seller under this Agreement within one hundred eighty (180) days after Seller delivers Notice to Buyer.

**SECTION 24. WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of Seller to receive payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

**SECTION 25. REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any Party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any Party's obligations hereunder could not be adequately compensated in money damages alone, each Party agrees in the event of any default on its part that each Party shall have available to it the equitable remedy of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to such Party.

**SECTION 26. INDEMNITY.**

BY SIGNING THIS AGREEMENT, BUYER AGREES, ON BEHALF OF ITSELF AND ITS SUCCESSORS AND ASSIGNS, THAT IT RELINQUISHES AND DISCHARGES, AND WILL, TO THE FULLEST EXTENT PERMITTED BY LAW, DEFEND, PROTECT, INDEMNIFY, AND HOLD HARMLESS SELLER AND SELLER'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, AND CONSULTANTS FROM AND AGAINST ALL CLAIMS, LOSSES, EXPENSES, COSTS, DAMAGES, DEMANDS, JUDGMENTS, CAUSES OF ACTION, SUITS, AND LIABILITY IN TORT, CONTRACT OR ANY OTHER BASIS AND OF EVERY KIND AND CHARACTER WHATSOEVER (INCLUDING BUT NOT LIMITED



TO ALL COSTS OF DEFENSE, SUCH AS FEES AND CHARGES OF ATTORNEYS, EXPERT WITNESSES, AND OTHER PROFESSIONALS INCURRED BY SELLER AND ALL COURT OR ARBITRATION OR OTHER DISPUTE RESOLUTION COSTS) ARISING OUT OF OR INCIDENT TO, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ANY SUCH CLAIM FOR BODILY INJURY, DEATH, PROPERTY DAMAGE, CONSEQUENTIAL DAMAGE, OR ECONOMIC LOSS AND ANY CLAIM THAT MAY ARISE IN CONNECTION WITH THE QUALITY, QUANTITY, USE, MISUSE, IMPOUNDMENT, DIVERSION, TRANSPORTATION, AND MEASUREMENT OF PROJECT WATER AND ANY CLAIM THAT MAY ARISE AS A RESULT OF INSTALLATION, INSPECTION, ADJUSTING, OR TESTING OF MEASURING AND RECORDING EQUIPMENT INVOLVING BUYER'S DIVERSION OF SELLER'S WATER, AS WELL AS ANY CLAIM THAT MAY ARISE FROM ANY CONDITION OF BUYER'S FACILITIES, SEPARATE OPERATIONS BEING CONDUCTED ON BUYER'S FACILITIES, OR THE IMPERFECTION OR DEFECTIVE CONDITION, WHETHER LATENT OR PATENT, OF ANY MATERIAL OR EQUIPMENT SOLD, SUPPLIED, OR FURNISHED BY SELLER.

PROVISIONS OF THIS SECTION SHALL SURVIVE TERMINATION OR EXPIRATION OF THIS AGREEMENT.

SECTION 27. **FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the

event or cause relied on, the obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver Water, or of Buyer to receive Water, on account of any other cause not reasonably within the control of the Party claiming the inability.

**SECTION 28. NON-ASSIGNABILITY.**

Buyer understands and agrees that any assignment of rights or delegation of duties under this Agreement, except as cited below, is void without the prior written consent of Seller, such consent not to be unreasonably withheld. Buyer may assign its rights hereunder in whole or in part with Notice to Seller but without Seller's prior written consent (a) to any successor to Buyer of all or part of its Plant operations in Orange County, Texas, or (b) to any other party, including but not limited to a corporation wholly or partially owned or controlled by Buyer, for use in connection with any industrial or commercial activity to be carried on upon the Buyer's Plant in Orange County, Texas, which activity is related directly or indirectly to any industrial operation

which Buyer or its successors may conduct upon such premises. However, nothing contained herein shall grant to Buyer the right to re-sell Water to any other party.

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the Parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each Party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

**SECTION 31. SOLE AGREEMENT.**

This Agreement constitutes the sole agreement of Buyer and Seller regarding the subject matter set forth herein and supersedes any prior understanding or oral or written agreements between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

SECTION 32. **SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

SECTION 33. **NOTICES.**

All notices and communications (collectively "Notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the Notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the Party to be notified. Notices deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the Notice is deposited in the mail.

For purposes of Notice, the addresses of and the designated representative for receipt of Notice for each of the Parties are as shown below.

**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS

P.O. Box 579

Orange, TX 77631-0579

Attn.: Executive Vice-President and General Manager

**BUYER:**

HONEYWELL INTERNATIONAL, INC.

115 Taber Road  
Morris Plains, NJ 07950  
Attn.: PMT-Procurement VP

Either Party may change its address by giving Notice of the change to the other Party at least fifteen (15) days before the change becomes effective.

**SECTION 34. PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

**SECTION 35. DUPLICATE ORIGINALS.**

Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 4.

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be signed by their duly-authorized representatives as of the dates written below.

**SELLER:**

SABINE RIVER AUTHORITY OF TEXAS,  
a Texas governmental agency

DATE: \_\_\_\_\_

BY: \_\_\_\_\_

David Montagne,  
its Executive Vice-President and General Manager

APPROVED AS TO FORM AND LEGALITY:

BY: \_\_\_\_\_

ATTORNEY FOR THE SELLER

**BUYER:**

HONEYWELL INTERNATIONAL, INC.

DATE: \_\_\_\_\_

BY: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(print)  
(print)

APPROVED AS TO FORM AND LEGALITY:

BY: \_\_\_\_\_

ATTORNEY FOR THE BUYER

**Exhibit 1 WATER RATE SCHEDULE**

**GULF COAST DIVISION  
WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective **January 1, 2016**  
The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for **Irrigation** Purposes  
Metered at a rate of **3.9¢** per 1,000 gallons

**Water Used for all Municipal Purposes**

Cost	22.9¢ per 1,000 gallons
Minimum Take or Pay	Up to 15,999,999 gallons per day

**Water Used for all Industrial Purposes**

<b>Schedule A</b>	Cost	29.6¢ per 1,000 gallons
	Minimum Take or Pay	Up to 1,999,999 gallons per day
<b>Schedule B</b>	Cost	26.4¢ per 1,000 gallons
	Minimum Take or Pay	2,000,000 – 3,999,999 gallons per day
<b>Schedule C</b>	Cost	24.8¢ per 1,000 gallons
	Minimum Take or Pay	4,000,000 – 7,999,999 gallons per day
<b>Schedule D</b>	Cost	22.6¢ per 1,000 gallons
	Minimum Take or Pay	8,000,000 – 15,999,999 gallons per day

Water supply contracts requiring reservations of 16,000,000 or more gallons per day will be negotiated on an individual basis.

Out of Basin Sales: Water contracted for use outside of the Sabine River Basin will be assessed an additional 17.4¢ per 1,000 gallons<sup>2</sup>.

<sup>1</sup> Rates are for water “in place.” If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup> The Out of Basin Sales additional rate is waived for municipal customers in the Neches River Basin or as negotiated and according to such factors as duration, quantity, location, etc. All Out of Basin Sales are subject to the provisions of the applicable water right authorizing interbasin transfers.



**Exhibit 2 Location of Point(s) of Diversion**

Point of Diversion: 30.050904° / - 93.770364°



**Exhibit 3 Location Map of Service Area**

**Honeywell International, Inc. Service Area**



**Exhibit 4 Authorization to Execute on Behalf of Buyer**

<**BUYER'S AUTHORIZATION TO EXECUTE ON BEHALF OF BUYER; INSERT DOCUMENT HERE**>

**APPENDIX A SRA BOARD RESOLUTION ADOPTING WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN**

RESOLUTION NO. 614

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought; and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes; and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan; and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan; and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan, revised May 1, 2014, attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

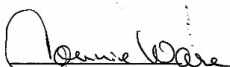
SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

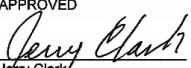
SECTION 3. That this resolution shall take effect immediately upon its passage.

UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 10<sup>th</sup> DAY OF JULY 2014.

  
Cliff Todd  
President, Board of Directors

ATTEST TO:

  
Connie Ware  
Secretary/Treasurer, Board of Directors

APPROVED  
  
Jeffrey Clark  
Executive Vice President  
and General Manager



**First Amendment  
to  
Industrial Raw Water Contract**


This First Amendment to Industrial Raw Water Contract (the "First Amendment") is entered into this 30<sup>th</sup> day of May, 2008 (the "First Amendment Date") by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and TIN INC. d/b/a TEMPLE-INLAND ("Buyer"), a Delaware Corporation with its principal offices in Austin, TX, authorized to do business in the State of Texas, and having a manufacturing facility located in Orange County, Texas.

WHEREAS, Seller and Buyer entered into that certain Industrial Raw Water Contract (the "Agreement") with an Effective Date (as defined in the Agreement) of January 1, 2008;

WHEREAS, Seller and Buyer desire to amend the pricing in the Agreement to reflect a modified Rate and a modified Minimum Annual Quantity; and

WHEREAS, Seller and Buyer desire that all other terms and conditions contained in the Agreement remain in full force and effect.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer agree as follows:

1. **"Rate" Definition Modification**—In Section 1 of the Agreement (Definitions), the definition of the term "Rate" shall be deleted in its entirety and replaced with the following: "Rate" shall apply to the amount paid by Buyer for the greater of amount of water actually diverted or the Minimum Monthly Amount and shall initially be \$0.136 per thousand gallons. The Rate is listed on the Water Rate Schedule (as specified in Schedule H of Exhibit 1 under the Industrial column) and may be adjusted from time to time in accordance with the provisions of Section 7 of this Agreement." 
2. **"Minimum Annual Quantity" Definition Modification**—In Section 1 of the Agreement (Definitions), the definition of the term "Minimum Annual Quantity" shall be deleted in its entirety and replaced with the following: "Minimum Annual Quantity" shall mean 4,015 million gallons per calendar year (11 MGD).
3. **Minimum Gallons Per Month Adjustment**—In Section 5 of the Agreement (Rates and Compensation), following "one twelfth of the Minimum Annual Quantity" the following phrase shall be deleted "(304.17 MG per month)" and shall be replaced with "(334.58 MG per month)".

4. **Retroactive Enactment**—The modifications to the Agreement contained in this First Amendment shall be retroactively enacted to the original Effective Date of this Agreement (January 1, 2008). Therefore, the Rate and the Minimum Annual Quantity stated in this First Amendment shall apply to all purchases of Water beginning on the Effective Date of said Agreement.

5. **Additional Terms:**

- a. Except to the extent modified herein, all other terms and conditions in the Agreement shall remain in full force and effect.
- b. All capitalized terms contained in this First Amendment that are not herein defined or modified shall have the original definition as stated in the Agreement.
- c. The individuals signing this First Amendment on behalf of Seller and Buyer warrant and represent that they are duly authorized to execute and deliver this First Amendment on behalf of Seller and Buyer, as appropriate, to bind their respective parties, and that no other person's signature is required to create a binding agreement on behalf of the named party.

IN WITNESS WHEREOF, the parties hereto execute this First Amendment as of the First Amendment Date.

Sabine River Authority  
of Texas

TIN Inc. d/b/a Temple-Inland

*(DTM)*

By: *Jerry Clark*

By: *[Signature]*

Printed Name: *Jerry Clark*

Printed Name: *ROBERT E. JONES*

Title: *General Manager*

Title: *Sr. V.P.*

Date: *JUNE 25, 2008*

Date: *JUNE 16, 2008*

**Sabine River Authority  
Industrial Raw Water Contract  
TIN INC. d/b/a TEMPLE-INLAND  
Gulf Coast Division**

Sabine River Authority  
Raw Water Contract- Industrial  
Temple-Inland

SABINE RIVER AUTHORITY  
INDUSTRIAL RAW WATER CONTRACT

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<b>THE STATE OF TEXAS</b>	<b>§</b>	<b>INDUSTRIAL</b>
	<b>§</b>	<b>RAW WATER</b>
<b>COUNTY OF ORANGE</b>	<b>§</b>	<b>CONTRACT</b>

This Raw Water Supply Contract ("Agreement") is made and entered into this 1st day of January, 2008 by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and TIN INC. d/b/a TEMPLE-INLAND ("Buyer"), a Delaware Corporation with its principal offices in Austin, TX, authorized to do business in the State of Texas, and having a manufacturing facility located in Orange County, Texas.

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities known as the John W. Simmons Gulf Coast Canal System and is authorized under the provisions of Certificate of Adjudication No. 05-4662 (as amended) to appropriate public waters of the State of Texas which are supplied through the John W. Simmons Gulf Coast Canal System which for purposes of this agreement is defined as the "Project". In the future Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project" for purposes of the agreement will be the Sabine River Authority Water Supply System.
3. Buyer proposes to purchase untreated Water from Seller for industrial and ancillary municipal use at its manufacturing facility ("Plant").
4. Buyer wants to purchase, and Seller is willing to sell, raw water from the Project subject to the terms and conditions of this Agreement.

Sabine River Authority  
Raw Water Contract- Industrial  
Temple-Inland

5. Buyer will divert water from the Project subject to all applicable rules and regulations of Seller, state and federal agencies, and the water rights associated with the Project.

#### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, Seller, and Buyer agree as follows:

#### **SECTION 1. DEFINITIONS.**

- A. "Agreement" shall mean this Industrial Raw Water Contract including exhibits and any amendments thereto.
- B. "Rate" shall apply to the amount paid by Buyer for the greater of amount of water actually diverted or the Minimum Monthly Amount and shall initially be \$ 0.141 per thousand gallons. The Rate is listed on the Water Rate Schedule (as specified in Schedule G of Exhibit 1) and may be adjusted from time to time in accordance with the provisions of Section 7 of this Agreement.
- C. "Point(s) of Delivery" shall mean the point or points at which water for Buyer is withdrawn or released from the Project.
- D. "Effective Date" shall mean the Effective Date of this Agreement. The Effective Date is January 1, 2008.
- E. "Maximum Annual Quantity" shall mean 7,300 million gallons per calendar year (20 MGD).
- F. "Maximum Monthly Quantity" shall mean one-twelfth of the Maximum Annual Quantity (608.3 million gallons per calendar month).
- G. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw water as measured at the Point(s) of Delivery, which shall be 34,700 gallons per minute.
- H. "Minimum Annual Quantity" shall mean 3,650 million gallons per calendar year (10 MGD).
- I. "Water" shall mean untreated, raw water from the Project.

Sabine River Authority  
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Temple-Inland

J. "Project," for purposes of this Agreement shall mean, Seller's John W. Simmons Gulf Coast Canal System.

K. "Commission" shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.

L. "Water Rate Schedule" shall mean the rates adopted by Seller's Board of Directors for various quantities of untreated water supplied from Seller's Gulf Coast Division. The Water Rate Schedule may be revised from time to time by Seller's Board of Directors. The Water Rate Schedule to be effective January 1, 2008, is attached hereto as Exhibit 1 and incorporated by reference herein for all purposes.

**SECTION 2. TERM.**

This Agreement shall remain in force and effect from the Effective Date until December 31, 2027, unless this Agreement is terminated sooner because Seller and Buyer both agree to terminate this Agreement or this Agreement is terminated pursuant to its terms. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive water from Seller after the December 31, 2027 termination date of this Agreement.

**SECTION 3. EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

**SECTION 4. VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate(s) of Adjudication No. 05-4662, Seller agrees to sell Buyer raw water from the Project at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity.

**SECTION 5. RATES AND COMPENSATION.**

Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

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Beginning with the Effective Date, Buyer shall each month pay an amount equal to the Rate times one twelfth of the Minimum Annual Quantity (304.17 MG per month). After the quantities diverted for December of each year are determined, the amount diverted for the calendar year will be calculated and the amount due Seller for amounts in excess of the Minimum Annual Quantity will be applied to the next monthly statement

**SECTION 6. BILLING AND PAYMENT.**

As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.

Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report all such readings and the total quantity of Water diverted during such month to Seller.

Seller shall render to Buyer at Buyer's offices at 1750 Inland Rd., Orange, TX 77632 (or such other place as designated by Buyer), on or before the 10th day of each calendar month, a statement showing charges for the quantity of Water diverted hereunder by the Buyer and/or for which payment is due hereunder during the preceding month. Payment of such statement shall be due and payable at Seller's office at 1922 O-I Rd. Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. ADJUSTMENT.**

Buyer acknowledges and agrees that the Rate may be changed from time to time by Seller's Board of Directors. Seller hereby notifies Buyer that Seller is evaluating using a system-wide rate and a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to recover fixed costs and another rate to recover variable costs. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a system rate or a two-part rate.

**SECTION 8. MEASURING EQUIPMENT.**

At Buyer's own cost and expense, Buyer shall furnish, operate and maintain at the Point(s)

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of Delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.

During any reasonable hours Seller shall have access to such measuring equipment so installed. Seller shall, at any given time, have access to all records pertinent to determining the measurement and quantity of Water actually delivered during the preceding twelve (12) month period, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate and maintain check meters, should Seller so choose. Buyer also agrees that the design and construction of its diversion facility and metering equipment will facilitate Seller's installation and operation of check meters.

If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty days or more, Seller may purchase, install and maintain any required measuring equipment, as determined by Seller, and charge the expense therefore to Buyer.

**SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless promptly make the disputed payment or payments; but, if it is subsequently determined by

agreement or court decision that the disputed amount paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other customers will be prejudiced if Buyer avoids the obligation to pay the rates for water specified in this Agreement while accepting the benefits of obtaining water from Seller. Nothing in this Agreement shall be construed as constituting an undertaking by Seller to furnish water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its expenses, including attorneys' fees, in the proceeding within fifteen (15) days after Seller's demand for payment. Buyer stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery are attached as Exhibit 2 to this Agreement. The diversion shall be accomplished by facilities with a maximum combined diversion rate of 34,700 gallons per minute. Buyer shall provide, at Buyer's expense, the facilities required to divert and transport raw water to Buyer's place of treatment and/or use. If Buyer adds or changes the location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic description of the location of the additional or relocated Point of Delivery which shall be attached to this Agreement, and, subject to Seller's written approval, this Agreement will be modified by attaching the map to this Agreement as an exhibit. Upon filing this Agreement, as modified, with the Commission, the modification shall become effective upon regulatory approval of the location of the additional or relocated Point of Delivery.

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**SECTION 11. FACILITIES FOR DIVERTING WATER.**

All facilities required for the taking of water under this Agreement from a watercourse or reservoir shall be appropriately marked and lighted in the interest of the safety of persons using the watercourse or reservoir surface or shore. The detailed plans and specifications for such facilities shall be submitted to Seller and approved by Seller in writing before such facilities are installed, and any changes thereafter made in the nature, type, or location of such facilities shall be made only after Seller's prior written approval.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of the water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller deems likely to result in such pollution within thirty (30) days from the receipt by Buyer of written notice from Seller to do so.

**SECTION 12. TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all water supplied hereunder to Buyer shall be in Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a party, that party hereby agrees to save and hold the other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water.

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**SECTION 13. PURPOSE AND PLACE OF USE.**

Buyer shall use raw water purchased from Seller under this Agreement only for industrial and municipal purposes and only for the supply of raw water to the Plant and ancillary domestic use at the Plant, the location of which is shown by the vicinity map attached as Exhibit 3 to this Agreement. Buyer is hereby prohibited from reselling raw water provided under this Agreement.

**SECTION 14. LOSSES.**

If Buyer's diversion, now or in the future, requires a release of water from one of Seller's reservoirs or pipelines, the Buyer agrees to bear the cost of transportation and evapotranspiration losses incident to the downstream sale of water from the Point(s) of Delivery to Buyer's point of diversion of water.

**SECTION 15. COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101 and 297.101-.108 as of the effective date of this Agreement. Seller will file a signed copy of this Agreement with the Executive Director of the Commission as required by the rules of the Commission. Buyer may continue diverting raw water from the Project unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of water taken under this Agreement each week and each month. Buyer also shall submit to Seller written reports each month indicating the total amount of water diverted under this Agreement each week and each month.

**SECTION 16. REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum

having jurisdiction, and Seller and Buyer each agree to make a good faith effort to support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in use of water, or increase the recycling and reuse of water. Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation plan or water conservation measures, as well as implementing any water conservation plans and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Agreement, Buyer shall submit water conservation plan or water conservation measures to Seller for its review and approval.

If Seller authorizes Buyer to resell Seller's water, Buyer shall require through a contract condition that any successive user of Seller's water must implement water conservation measures that comply with the State's, Seller's, and Buyer's water conservation plans, programs, and rules.

**SECTION 18. SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right or entitlement to any portion of Seller's water in the Project after the expiration of the term of this Agreement. Seller will use its best efforts to remain in a position to furnish raw water sufficient for the reasonable demands of Buyer. Seller's agreement to provide water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of water will be available, and the quantity of water taken shall at all times be subject to the right of Seller to reduce said quantity of water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments

under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

In the event that Seller cannot meet all or any part of the water required for Buyer's operations, Buyer shall have the option to purchase or otherwise obtain Buyer's needs for water over and above the amount Seller can supply from any other third party source that Buyer, in its sole discretion, so desires.

This contract shall NOT be deemed to be a requirements type contract whereby Buyer would be obligated to purchase all of its requirements for water from Seller. Seller shall only be committed to purchase the Minimum Annual Quantity from Seller and may purchase additional water from any other source.

Seller has adopted a Water Conservation and Drought Contingency Plan. If Buyer fails to implement Seller's and its own Drought Contingency Plans when trigger conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's water made available to Buyer when Buyer is not in compliance with Seller's Water Conservation and Drought Contingency Plan will be reduced to the amount of water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was operating in compliance with both Seller's and Buyer's Drought Contingency Plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level. Further, if the permitted yield of the Project is reduced by Commission, Seller reserves the right to decrease the Contract Quantity by a like percentage.

**SECTION 19. RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

**SECTION 20. RETURN FLOWS.**

Buyer acknowledges that some of the water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller has the right, subsequent to Buyer's use of water purchased from Seller, to make whatever reuse of the water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

**SECTION 21. OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the water received by Buyer from the Project, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on water received by Buyer, then

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Buyer shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

**SECTION 22. DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in TEX. FIN. CODE ANN. § 304.003 (Vernon Supp. 1998), or any successor statute, from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water from the Project to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days and shall not resume delivery of Water while Buyer is so delinquent and may, at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

**SECTION 23. TERMINATION.**

If Seller decides to terminate this Agreement, as provided by this Agreement, Seller shall deliver written notice of the decision to Buyer. Buyer shall discontinue taking water from Seller under this Agreement within one hundred eighty (180) days after Seller delivers written notice to Buyer.

This Agreement may also be terminated by mutual agreement of the parties thereto, provided that such mutual agreement is in writing and signed by both parties.

It is further provided that upon at least two (2) years advance written notification to the other party, of Seller or Buyer's intent to terminate this Agreement, that either party may unilaterally terminate this Agreement by providing the other party with advance written notice of such party's intent to terminate the Agreement. Such termination shall be effective following a

period of at least two (2) years after the receipt of such termination notice by the other party. It is expressly provided that as of the date of notification of intention to terminate, Seller shall be free to negotiate, contract for, and sell the quantities of water herein reserved and appropriated to Buyer to any other party or parties, which sale would become effective after termination of this Agreement.

**SECTION 24. WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of Seller to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

**SECTION 25. REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any party's obligations hereunder could not be adequately compensated in money damages alone, each party agrees in the event of any default on its part that each party shall have available to it the equitable remedy of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to Seller.

**SECTION 26. INDEMNITY.**

By signing this Agreement, Buyer agrees, on behalf of itself and its successors and assigns,

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that it relinquishes and discharges, and will, to the fullest extent permitted by law, defend, protect, indemnify, and hold harmless Seller and Seller's officers, directors, employees, agents, and consultants from and against all claims, losses, expenses, costs, damages, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defense, such as fees and charges of attorneys, expert witnesses, and other professionals incurred by Seller and all court or arbitration or other dispute resolution costs) arising out of or incident to, directly or indirectly, this Agreement, including but not limited to any such claim for bodily injury, death, property damage, consequential damage, or economic loss and any claim that may arise in connection with the quality, quantity, use, misuse, impoundment, diversion, transportation, and measurement of Project Water and any claim that may arise as a result of installation, inspection, adjusting, or testing of measuring and recording equipment involving Buyer's diversion of Seller's Water, as well as any claim that may arise from any condition of Buyer's facilities, separate operations being conducted on Buyer's facilities, or the imperfection or defective condition, whether latent or patent, of any material or equipment sold, supplied, or furnished by Seller.

Provisions of this section shall survive termination or expiration of this Agreement.

**SECTION 27. FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the party shall give notice of the reasons in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving the notice, so far as it is affected by the "force majeure," shall be suspended during the continuance of the inability then claimed, but for no longer period. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, land slides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions,

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breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver water, or of Buyer to receive water, on account of any other cause not reasonably within the control of the party claiming the inability.

**SECTION 28. NON-ASSIGNABILITY.**

This Agreement shall be binding upon and inure to the benefit of the respective parties hereto and their legal successors, but shall not otherwise, except as hereinafter provided, be assignable in whole or in part, by either party without first obtaining the written consent of the other party. Buyer may assign its rights hereunder in whole or in part without Seller's consent (a) to any successor to Buyer of all or part of its linerboard plant operations in Orange County, Texas, or (b) to any other party, including but not limited to a corporation wholly or partially owned or controlled by Buyer, for use in connection with any industrial or commercial activity to be carried on upon the Buyer's premises in Orange County, Texas, which activity is related directly or indirectly to any industrial operation which Buyer or its successors may conduct upon such premises. However, nothing contained herein shall grant to Buyer the right to re-sell untreated water to any other party.

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any

purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

**SECTION 31. SOLE AGREEMENT.**

This Agreement constitutes the sole and only agreement of Buyer and Seller and supersedes any prior understanding or oral or written agreements between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

**SECTION 32. SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

**SECTION 33. NOTICES.**

All notices, payments, and communications (collectively "notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the party to be notified. Notice deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be shown above the signatures of the individuals who signed this Agreement on behalf of Seller and Buyer. Either party may change its address by giving written notice of the change to the other party at least fifteen (15) days before the change becomes effective.

**SECTION 34. PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the

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breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

**SECTION 35. DUPLICATE ORIGINALS.**

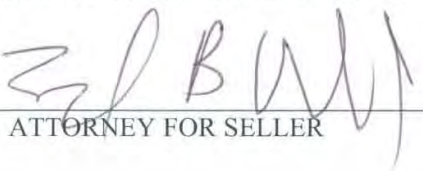
Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 4.

EFFECTIVE as of the date signed by the authorized representative of Seller.

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

BY:

  
ATTORNEY FOR SELLER

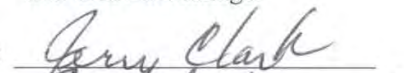
SABINE RIVER AUTHORITY,  
P.O. Box 579  
Orange, TX 77631

Attn.: Executive Vice President  
and General Manager

BY:

TITLE:


DATE:

  
General Manager  
4-2-08

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

BY:

  
DANNY McDONALD  
ATTORNEY FOR BUYER

TEMPLE INLAND

1750 Inland Rd.


Orange, TX 77632

Attn.: Plant Manager

BY:

TITLE:

DATE:

  
Sr. V.P.  
MAR. 24, 2008

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EXHIBIT 1

**GULF COAST DIVISION  
WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective January 1, 2008

The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for Irrigation Purposes<sup>2</sup>  
Metered at a rate of \$10.00 per acre foot.

Water Used for Municipal or Industrial Purposes

	<b>Municipal</b>	<b>Industrial</b>
Schedule A	Less than 250,000 gallons per day, 16.0¢ to 33.1¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.	Less than 250,000 gallons per day, 17.7¢ to 34.3¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.
Schedule B		
Cost	15.9¢ per 1,000 gallons	17.6¢ per 1,000 gallons
Minimum Take or Pay	250,000 gallons per day	250,000 gallons per day
Schedule C		
Cost	14.7¢ per 1,000 gallons	17.5¢ per 1,000 gallons
Minimum Take or Pay	500,000 gallons per day	500,000 gallons per day
Schedule D		
Cost	13.7¢ per 1,000 gallons	16.3¢ per 1,000 gallons
Minimum Take or Pay	1,000,000 gallons per day	1,000,000 gallons per day
Schedule E		
Cost	12.8¢ per 1,000 gallons	15.5¢ per 1,000 gallons
Minimum Take or Pay	2,000,000 gallons per day	2,000,000 gallons per day
Schedule F		
Cost	12.0¢ per 1,000 gallons	14.6¢ per 1,000 gallons
Minimum Take or Pay	4,000,000 gallons per day	4,000,000 gallons per day
Schedule G		
Cost	11.4¢ per 1,000 gallons	14.1¢ per 1,000 gallons
Minimum Take or Pay	7,000,000 gallons per day	7,000,000 gallons per day
Schedule H		
Cost	10.9¢ per 1,000 gallons	13.6¢ per 1,000 gallons
Minimum Take or Pay	11,000,000 gallons per day	11,000,000 gallons per day

<sup>1</sup>Rates are for water "in place." If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup>Irrigation water for agricultural purposes, including supplemental irrigation, will be supplied on "water used" basis, subject to negotiation depending on quantities, frequency, location, etc.

**Exhibit 2 Location of Point(s) of Delivery**



Sabine River Authority  
Raw Water Contract- Industrial  
Temple-Inland



**Exhibit 3 Location Map of Service Area**



Sabine River Authority  
Raw Water Contract- Industrial  
Temple-Inland

**Exhibit 4 Authorization to Execute on Behalf of Temple Inland**

Sabine River Authority  
Raw Water Contract- Industrial  
Temple-Inland

**APPENDIX B**  
**SRA BOARD RESOLUTION ADOPTING CONSERVATION AND DROUGHT**  
**CONTINGENCY PLANS**

Resolution No. 596

A RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING  
A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought, and,

WHEREAS, the SRA recognized that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes, and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan, and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan, and,

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to distribute available water supplies on a pro rata basis during times of water supply shortage, and,

WHEREAS, as authorized under law, and in the best interests of the customers of the SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

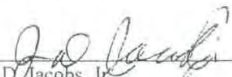
SECTION 1. That the Water Conservation and Drought Contingency Plan attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

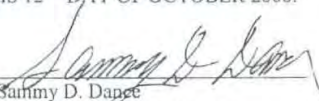
SECTION 2. That the Management Staff and employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon its passage.

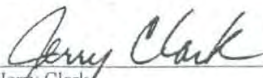
UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 12<sup>TH</sup> DAY OF OCTOBER 2006.

ATTEST TO:

  
J. D. Jacobs, Jr.  
Secretary, Board of Directors

  
Sammy D. Dance  
President, Board of Directors

APPROVED:

  
Jerry Clark  
Executive Vice President  
and General Manager

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT  
INDUSTRIAL  
LANXESS CORPORATION  
GULF COAST DIVISION

SABINE RIVER AUTHORITY  
RAW WATER SUPPLY CONTRACT - INDUSTRIAL

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<input type="checkbox"/> THE STATE OF TEXAS	§	INDUSTRIAL
	§	RAW WATER
<input type="checkbox"/> COUNTY OF ORANGE	§	CONTRACT

This Raw Water Supply Contract ("Agreement") is made and entered into this 1st day of ~~April~~ <sup>July</sup> 2011, by and between the SABINE RIVER AUTHORITY OF TEXAS ("Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and LANXESS CORPORATION ("Buyer"), a corporation authorized to do business in the State of Texas, and having offices in Orange County, Texas.

**RECITALS**

1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. Seller owns and operates water supply facilities known as the John W. Simmons Gulf Coast Canal System and is authorized under the provisions of Certificate of Adjudication No. 05-4662 (as amended), to appropriate public waters of the State of Texas which are supplied through the John W. Simmons Gulf Coast Canal System which for purposes of this agreement is defined as the "Project". In the future Seller may combine the John W. Simmons Gulf Coast Canal System with Seller's other water supply facilities at which time the "Project" for purposes of the agreement will be the Sabine River Authority Water Supply System.
3. Buyer proposes to purchase Water from Seller for subsequent treatment and distribution for industrial and ancillary domestic use at its manufacturing facility ("Plant").



4. Buyer wants to purchase and Seller wants to sell Water from the Project subject to the terms and conditions of this Agreement.

5. Buyer will divert Water from the Project subject to all applicable rules and regulations of the Seller, state and federal agencies, and the water rights associated with the Project.

### AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, the Seller and Buyer agree as follows:

#### SECTION 1. DEFINITIONS.

1. "Agreement" shall mean this Water Supply Contract including exhibits and any amendments thereto.

2. "Rate" shall mean the rate that the Buyer shall pay for the Minimum Monthly Quantity of Water or Water diverted in excess of the Minimum Annual Quantity as set forth in the current WATER RATE SCHEDULE attached hereto as Exhibit 1, which shall initially be \$0.161 per 1,000 gallons (Schedule F). The rate may be modified as provided by Section 7, below.

3. "Point(s) of Delivery" shall mean the location(s) where Water is either released or diverted from the Project.

4. "Effective Date" shall mean the Effective Date of this Agreement and shall be <sup>May</sup>~~April~~ 1, *JC* 2011.  
7-18-11

5. “Minimum Annual Quantity” shall mean 1,460,000,000 gallons per calendar year (4.0 MGD or 4,480 acre-feet per year). The Minimum Annual Quantity may be increased or decreased on a quarterly basis by mutual written agreement between Buyer and Seller.
6. “Maximum Annual Quantity” shall mean 2,920,000,000 gallons per calendar year (8.0 MGD or 8,960 acre-feet per year).
7. “Minimum Monthly Quantity” shall mean one-twelfth of the Minimum Annual Quantity (121,666,667 gallons) and shall be the minimum quantity of Water which Buyer is obligated to take or pay for or to pay for if not taken during any calendar month.
8. “Maximum Monthly Quantity” shall mean one-twelfth of the Maximum Annual Quantity (243,333,333 gallons).
9. “Minimum Monthly Payment” shall mean the Minimum Monthly Quantity times the Rate.
10. “Maximum Diversion Rate” shall mean the maximum rate at which Buyer may withdraw Water as measured at the Point(s) of Delivery and shall be 6,945 gallons per minute.
11. “Water” shall mean untreated, raw water from the Project.
12. “Project” shall mean Seller’s John W. Simmons Gulf Coast Canal System and other facilities used by Seller to make Water available at Buyer’s Point(s) of Delivery. In the future, Seller may combine the John W. Simmons Gulf Coast Canal System with Seller’s other water supply facilities at which time the “Project” for purposes of this Agreement will be the Sabine River Authority Water Supply System.

13. "Commission" shall mean the Texas Commission on Environmental Quality and its predecessor and successor agencies.

14. "WATER RATE SCHEDULE" shall mean the rates adopted by Seller's Board of Directors for various quantities of Water supplied from Seller's Gulf Coast Division. The WATER RATE SCHEDULE may be revised from time to time by Seller's Board of Directors. The WATER RATE SCHEDULE effective January 1, 2011 is attached hereto as Exhibit 1 and incorporated by reference herein for all purposes.

### **SECTION 2. TERM.**

This Agreement shall remain in force and effect from the Effective Date until December 31, 2031, unless this Agreement is terminated sooner because Seller and Buyer both agree to terminate this Agreement or this Agreement is terminated pursuant to its terms. Buyer acknowledges and agrees that Seller has no obligation to extend the term of this Agreement and Buyer will have no entitlement related to this Agreement to receive water from Seller after the December 31, 2031 termination date of this Agreement.

### **SECTION 3. EQUITY.**

Buyer acknowledges that it will accrue no equity or any other interest in the Project or any other assets of Seller as a result of payment or other performance of Buyer under this Agreement.

**SECTION 4. VOLUME.**

Subject to the limitations and conditions described in this Agreement and Certificate of Adjudication No. 05-4662, and subsequent amendments, Seller agrees to sell Buyer Water at the Point(s) of Delivery in an amount not to exceed the Maximum Annual Quantity. Buyer may not divert more than the Maximum Annual Quantity without prior written permission from Seller.

**SECTION 5. RATES AND COMPENSATION.**

Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed the following:

Beginning with the Effective Date and for each month of the Agreement,

- A. Buyer agrees to pay Seller the Minimum Monthly Payment whether or not Water is diverted by Buyer.
- B. After the quantity of Water diverted for December of each year is determined, the total amount diverted for the calendar year will be calculated and the amount due Seller for amounts of Water diverted in excess of the Minimum Annual Quantity will be applied to the next monthly statement.

Buyer acknowledges that the Rate may be changed pursuant to Section 7.

**SECTION 6. BILLING AND PAYMENT.**

- A. As used in this Agreement, the term "month" shall mean a period beginning at 8:00 a.m. on the first day of each succeeding calendar month and ending at 8:00 a.m. of the first day of the following month.
  
- B. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report to Seller all such readings and the total quantity of Water diverted during such month.
  
- C. Seller shall render to Buyer at Buyer's offices at LANXESS Corporation, C/O Docudata, PO Box 565248, Dallas, TX 75356 (or such other place as designated by Buyer), on or before the 10th day of each calendar month, a statement showing charges for payment due as described in Section 5 of this Agreement. Payment of such statement shall be due and payable at Seller's office at the Gulf Coast Division Office, 1922 O-I Rd. Orange, TX 77632 (or such other place as designated by Seller) on or before the 30th day after receipt of such statement.

**SECTION 7. RATE ADJUSTMENT.**

It is hereby mutually agreed that beginning January 1, 2012, and once each calendar year thereafter, for the term of this Agreement, the Rate may be adjusted by action of Seller's Board of Directors. Seller shall notify Buyer at least ninety (90) days prior to the institution of a Rate adjustment. Seller hereby notifies Buyer that Seller is evaluating using a two-part rate methodology for the John W. Simmons Gulf Coast Canal System consisting of one rate to

recover fixed cost and another rate to recover variable cost. Buyer agrees that the Rate may, at the discretion of Seller's Board of Directors, be replaced by a two-part rate. The Rate may also be adjusted under the provisions of any other applicable State or Federal laws.

**SECTION 8. MEASURING EQUIPMENT.**

- A. At Buyer's own cost and expense, Buyer shall furnish, operate, and maintain at the Point(s) of Delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.
- B. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to determining the measurement and quantity of Water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose

of billing. Buyer agrees that Seller may furnish, install, operate, and maintain check meters, should Seller so choose. Buyer also agrees that the design and construction of any new diversion facility and/or metering equipment will facilitate Seller's installation and operation of check meters.

- C. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available but, if no information from check meters is available, Seller's estimate shall be final and conclusive. If Buyer's measuring equipment is out of service for thirty (30) days or more, Seller may purchase, install, and maintain any required measuring equipment, as determined by Seller, and charge the expense therefore to Buyer, provided that Seller will give Buyer thirty (30) days' notice before purchasing or installing such equipment.

**SECTION 9. DISPUTE REGARDING PAYMENT.**

If Buyer at any time disputes the amount to be paid by it to Seller, Buyer shall nevertheless make the disputed payment or payments within the payment period set forth herein; but, if it is subsequently determined by agreement or court decision that the disputed amount paid by Buyer should have been less or more, Seller shall promptly revise and reallocate Buyer's payments in a manner that Buyer or Seller will recover the amount due.

If a court, the Commission, or any federal or state regulatory authority finds that Seller's rates or policies for delivering Water to Buyer under this Agreement are unreasonable or otherwise unenforceable, Seller has the option to terminate this Agreement without liability to Buyer. By signing this Agreement, Buyer stipulates and agrees that Seller and its other customers will be prejudiced if Buyer avoids the obligation to pay the rates for Water specified in this Agreement while accepting the benefits of obtaining Water from Seller.

Nothing in this Agreement shall be construed as constituting an undertaking by the Seller to furnish Water to Buyer except pursuant to the terms of this Agreement. If Buyer initiates or participates in any proceeding regarding Seller's rates and policies under this Agreement and advocates a position that is adverse to Seller and Seller prevails, Buyer shall pay Seller for its expenses, including attorneys' fees, in the proceeding within fifteen (15) days after Seller's demand for payment. Buyer stipulates and agrees that the rates and policies specified in this Agreement are just, reasonable, and without discrimination.

**SECTION 10. POINT(S) OF DELIVERY.**

A narrative description of the location of the Point(s) of Delivery and a vicinity map that shows the location of the Point(s) of Delivery are attached as Exhibit 2 to this Agreement. The diversion shall be accomplished by facilities with a combined diversion rate not to exceed Maximum Diversion Rate. Buyer shall provide, at Buyer's expense, the facilities required to divert and transport Water to Buyer's place of treatment and/or use. If Buyer adds or changes the location of a Point of Delivery, Buyer shall deliver to Seller the location of the additional or relocated Point of Delivery on a reproducible vicinity map with a narrative and graphic



description of the location of the additional or relocated Point of Delivery which shall be attached to this Agreement, and, subject to Seller's written approval, this Agreement will be modified by attaching the map to this Agreement as an exhibit. Upon Seller's filing of this Agreement, as modified, with the Commission, the modification shall become effective upon regulatory approval of the location of the additional or relocated Point of Delivery.

**SECTION 11. FACILITIES FOR DIVERTING WATER.**

All facilities required for the taking of Water under this Agreement from a watercourse or reservoir shall be appropriately marked and lighted in the interest of the safety of persons using the watercourse or reservoir surface or shore. The detailed plans and specifications for any new such facilities shall be submitted to Seller and approved by Seller in writing before such facilities are installed, and any changes thereafter made in the nature, type, or location of such facilities shall be made only after Seller's prior written approval.

All facilities and property of Buyer used by Buyer or relating to the use or diversion of Water contemplated by this Agreement are subject to flood damage by reason of their location near a watercourse or reservoir owned or used by Seller or Seller's water transportation facility. Buyer acknowledges the possibility of flood damage and assumes the risk of such an occurrence. Buyer will hold Seller harmless for any claims asserted by Buyer or by others growing out of the construction and/or operation by Buyer of the facilities used and employed by it in connection with this Agreement.

Buyer agrees that its use of the facilities to be constructed under this Agreement, if any, and its operations under this Agreement shall not cause or in any way result in the pollution of reservoirs and other water bodies within the areas that drain, either directly or indirectly, into a reservoir owned, controlled, or used by Seller, or watercourses that are used by Seller in providing water to its customers. Buyer agrees to correct any practice of Buyer which Seller deems likely to result in such pollution within thirty (30) days from the receipt by Buyer of written notice from Seller to do so.

**SECTION 12. TITLE TO AND RESPONSIBILITY FOR WATER.**

Title for liability purposes to all Water supplied hereunder to Buyer shall be in the Seller up to the Point(s) of Delivery, at which point title shall pass to Buyer. While title for liability purposes remains in a party, that party hereby agrees to save and hold the other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said Water.

**SECTION 13. PURPOSE AND PLACE OF USE.**

Except as provided herein, or by subsequent agreement, Buyer shall use Water purchased from Seller under this Agreement only for industrial and municipal purposes and only for the supply of raw water to the Plant and ancillary domestic use at the Plant, the location of which is shown by the vicinity map attached as Exhibit 3 to this Agreement. Buyer is hereby prohibited from reselling Water provided under this Agreement without the prior written consent of Seller.

**SECTION 14. LOSSES.**

If Buyer's diversion, now or in the future, requires a release of Water from one of Seller's reservoirs or pipelines, Buyer agrees to bear the cost of transportation and evapotranspiration losses incident to the downstream sale of Water from the Point(s) of Delivery to Buyer's point of diversion of Water.

**SECTION 15. COMMISSION RULES.**

The effectiveness of this Agreement is dependent upon Seller and Buyer complying with the rules of the Commission, specifically including the rules codified as Texas Administrative Code, Title 30, §§ 295.101 and 297.101-.108 as of the effective date of this Agreement. Seller will file a signed copy of this Agreement with the Executive Director of the Commission as required by the rules of the Commission. Buyer may continue diverting Water from the Project unless Seller notifies Buyer that Seller has received written notification from the Commission that a copy of this Agreement has been received by the Commission but not accepted for filing. Buyer shall submit written reports annually to the Commission, with a copy to Seller, on forms provided by the Commission, indicating the total amount of Water taken under this Agreement each month. Buyer also shall submit to Seller written reports each month indicating the total amount of Water diverted under this Agreement each month.

**SECTION 16. REGULATORY REQUIREMENTS.**

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental

authority having jurisdiction. However, nothing contained in this Agreement shall be construed as a waiver of any right to question or contest any law, ordinance, order, rule, or regulation in any forum having jurisdiction, and Seller and Buyer each agree to make a good faith effort to support proposed laws and regulations which would be consistent with the performance of this Agreement in accordance with its terms.

**SECTION 17. WATER CONSERVATION PLANS.**

Buyer shall cooperate with and assist Seller in its efforts to develop and implement plans, programs, and rules to develop water resources and to promote practices, techniques, and technologies that will reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in use of water, or increase the recycling and reuse of water. Seller's obligations under this Agreement shall be subject to Buyer preparing and implementing a water conservation and drought contingency plan, as well as implementing any water conservation and drought contingency plans adopted by Seller and required or approved by the Commission, the Texas Water Development Board, or any other federal, state, or local regulatory authority with power to require or approve water conservation and drought contingency plans. Upon execution of this Agreement, Buyer shall submit its water conservation and drought contingency plan to Seller for its review.

If Seller authorizes Buyer to resell Seller's Water, Buyer shall require through a contract condition that any successive user of Seller's Water must implement water conservation measures that comply with the State's, Seller's, and Buyer's water conservation and drought contingency plans, programs, and rules.

**SECTION 18. SOURCE AND ADEQUACY OF SUPPLY.**

Water supplied by Seller to Buyer under this Agreement shall be Water from the Project and from no other source, unless Seller, at its sole discretion, decides to supply water from another source available to Seller. Seller and Buyer hereby agree that Buyer shall have no right or entitlement to any portion of Seller's Water in the Project after the expiration of the term of this Agreement.

Seller will use its best efforts to remain in a position to furnish Water sufficient for the reasonable demands of Buyer. Seller's agreement to provide Water to Buyer shall not be deemed a guarantee on Seller's part that any particular quantity of Water will be available, and the quantity of Water taken shall at all times be subject to the right of Seller to reduce said quantity of Water as Seller, in its sole judgment, may deem necessary in order to meet Seller's commitments under its existing contracts, comply with any order of any court or administrative body having appropriate jurisdiction, reduce flooding, or prevent injury.

Seller has adopted a water conservation and drought contingency plan. If Buyer fails to implement Seller's and its own water conservation and drought contingency plans when trigger conditions occur, Seller's General Manager is authorized to institute rationing pursuant to any applicable wholesale water contracts, including this Agreement, as well as to enforce any contractual, statutory, or common law remedies available to Seller necessary to protect the public welfare. Seller's Water made available to Buyer when Buyer is not in compliance with Seller's water conservation and drought contingency plan will be reduced to the amount of Water that Seller's General Manager estimates would be necessary to satisfy Buyer's demand if Buyer was

operating in compliance with both Seller's and Buyer's water conservation and drought contingency plans.

Seller's rights to maintain and operate the reservoirs owned or used by Seller and its water transportation facilities and at any and all times in the future to impound and release waters thereby in any lawful manner and to any lawful extent Seller may see fit is recognized by Buyer, and, except as otherwise provided herein, there shall be no obligation hereunder upon Seller to release or not to release any impounded waters at any time or to maintain any waters at any specified level. Further, if the permitted yield of the Project is reduced, Seller reserves the right to decrease the Maximum Annual Quantity by a like percentage.

**SECTION 19. RAW WATER QUALITY.**

THE WATER WHICH SELLER OFFERS TO SELL TO BUYER IS NON-POTABLE, RAW, AND UNTREATED. BUYER HAS SATISFIED ITSELF THAT SUCH WATER IS SUITABLE FOR ITS NEEDS. SELLER EXPRESSLY DISCLAIMS ANY WARRANTY AS TO THE QUALITY OF THE RAW WATER OR SUITABILITY OF THE RAW WATER FOR ITS INTENDED PURPOSE. SELLER EXPRESSLY DISCLAIMS THE WARRANTIES OF MERCHANTABILITY AND FITNESS. BUYER AGREES THAT ANY VARIATION IN THE QUALITY OR CHARACTERISTICS OF THE RAW WATER OFFERED FOR SALE AS PROVIDED BY THIS AGREEMENT SHALL NOT ENTITLE BUYER TO AVOID OR LIMIT ITS OBLIGATION TO MAKE PAYMENTS PROVIDED FOR BY THIS AGREEMENT. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED IN THIS AGREEMENT. BUYER ASSUMES FULL

RESPONSIBILITY WITH RESPECT TO THE TREATMENT OF THE WATER PRIOR TO ITS DISTRIBUTION FOR HUMAN CONSUMPTION OR ANY OTHER USES.

**SECTION 20. RETURN FLOWS.**

Buyer acknowledges that some of the Water supplied to it by Seller may be returned to watercourses in the Sabine River Basin as return flows. Seller and Buyer believe that the most economical means for meeting some of the future demands of Seller's customers may involve the use of return flows to extend or enhance the yield of Seller's reservoirs. Buyer agrees that Seller has the right, subsequent to Buyer's use of Water purchased from Seller, to make whatever reuse of the water Seller deems desirable. Buyer will receive no compensation, credit, or off-set for making return flows available to Seller.

**SECTION 21. OTHER CHARGES.**

In the event that any sales or use taxes, or taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using, or consuming the Water received by Buyer from the Project, the amount of the tax, assessment, or charge shall be borne by Buyer, in addition to all other charges, and whenever Seller shall be required to pay, collect, or remit any tax, assessment, or charge on Water received by Buyer, then Buyer shall promptly pay or reimburse Seller for the tax, assessment, or charge in the manner directed by Seller.

**SECTION 22. DEFAULT IN PAYMENTS.**

All amounts due and owing to Seller by Buyer shall, if not paid when due, bear interest at the Texas post-judgment interest rate set out in TEX. FIN. CODE ANN. § 304.003 (Vernon Supp. 1998), or any successor statute, from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate permitted by law. If any amount due and owing by Buyer to Seller is placed with an attorney for collection, Buyer shall pay to Seller, in addition to all other payments provided for by this Agreement, including interest, Seller's collection expenses, including court costs and attorneys' fees. Seller shall, to the extent permitted by law, suspend delivery of Water from the Project to Buyer if Buyer remains delinquent in any payments due hereunder for a period of sixty (60) days and shall not resume delivery of Water while Buyer is so delinquent and may, at its option, terminate this Agreement without further liability to Buyer. Seller shall pursue all legal remedies against Buyer to enforce and protect the rights of Seller, Seller's customers, and the holders of Seller's bonds. It is understood that the foregoing provisions are for the benefit of the holders of Seller's bonds.

**SECTION 23. TERMINATION.**

This Agreement may be terminated by mutual agreement of the Seller and the Buyer, or as may be provided by law in the event of a breach of the terms and agreements set forth herein by either of the parties.

It is further provided that upon at least one (1) year advance written notification by Buyer to Seller, that Buyer may terminate this Agreement without further liability under the terms and



conditions hereof other than for payment of charges theretofore accrued as of the date of termination. It is expressly provided that as of the date of notification of intention to terminate, Seller shall be free to negotiate, contract for, and sell the quantities of water herein reserved and appropriated to Buyer to any other party or parties, which sale would become effective after termination of this Agreement.

**SECTION 24. WAIVER AND AMENDMENT.**

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Seller or Buyer shall not be deemed a waiver by Buyer or Seller of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of Seller to receive the payments which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of Seller or Buyer is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by Seller's and Buyer's authorized representatives.

**SECTION 25. REMEDIES.**

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than

termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any party's obligations hereunder could not be adequately compensated in money damages alone, each party agrees in the event of any default on its part that each party shall have available to it the equitable remedy of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available to such party.

**SECTION 26. INDEMNITY.**

By signing this Agreement, Buyer agrees, on behalf of itself and its successors and assigns, that it relinquishes and discharges, and will, to the fullest extent permitted by law, defend, protect, indemnify, and hold harmless Seller and Seller's officers, directors, employees, agents, and consultants from and against all claims, losses, expenses, costs, damages, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defense, such as fees and charges of attorneys, expert witnesses, and other professionals incurred by Seller and all court or arbitration or other dispute resolution costs) arising out of or incident to, directly or indirectly, this Agreement, including but not limited to any such claim for bodily injury, death, property damage, consequential damage, or economic loss and any claim that may arise in connection with the quality, quantity, use, misuse, impoundment, diversion, transportation, and measurement of Project Water and any claim that may arise as a result of installation, inspection, adjusting, or testing of measuring and recording equipment involving Buyer's diversion of Seller's Water, as well as any claim that may arise from any condition of Buyer's facilities,

separate operations being conducted on Buyer's facilities, or the imperfection or defective condition, whether latent or patent, of any material or equipment sold, supplied, or furnished by Seller.

Provisions of this section shall survive termination or expiration of this Agreement.

**SECTION 27. FORCE MAJEURE.**

If, for any reason of force majeure, either Seller or Buyer shall be rendered unable, wholly or in part, to carry out its obligation under this Agreement, other than the obligation of Buyer to make the payments required under the terms of this Agreement, then if the party shall give notice of the reasons in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure," as used in this Agreement, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply, including pollution (accidental or intentional), and any inability on the part of Seller to deliver Water, or of Buyer to receive Water, on account of any other cause not reasonably within the control of the party claiming the inability.

**SECTION 28. NON-ASSIGNABILITY.**

Buyer understands and agrees that any assignment of rights or delegation of duties under this Agreement, except as cited below, is void without the prior written consent of Seller, such consent not to be unreasonably withheld. Buyer may assign its rights hereunder in whole or in part with notice to Seller but without Seller's prior written consent (a) to any successor to Buyer of all or part of its Plant operations in Orange County, Texas, or (b) to any other party, including but not limited to a corporation wholly or partially owned or controlled by Buyer, for use in connection with any industrial or commercial activity to be carried on upon the Buyer's Plant in Orange County, Texas, which activity is related directly or indirectly to any industrial operation which Buyer or its successors may conduct upon such premises. However, nothing contained herein shall grant to Buyer the right to re-sell Water to any other party.

**SECTION 29. NO THIRD-PARTY BENEFICIARIES.**

This Agreement shall inure only to the benefit of the parties hereto and third persons not privy hereto shall not, in any form or manner, be considered a third-party beneficiary of this Agreement. Each party hereto shall be solely responsible for the fulfillment of its customer contracts or commitments, and Seller shall not be construed to be responsible for Buyer's contracts or commitments by virtue of this Agreement or any provision contained herein.

**SECTION 30. RELATIONSHIP OF THE PARTIES.**

This Agreement is by and between Seller and Buyer and is not intended, and shall not be construed to create, the relationship of agent, servant, employee, partnership, joint venture, or

association as between Seller and Buyer nor between Seller and any officer, employee, contractor, or representative of Buyer. No joint employment is intended or created by this Agreement for any purpose. Buyer agrees to so inform its employees, agents, contractors, and subcontractors who are involved in the implementation of or construction under this Agreement.

**SECTION 31. SOLE AGREEMENT.**

This Agreement constitutes the sole agreement of Buyer and Seller regarding the subject matter set forth herein and supersedes any prior understanding or oral or written agreements between Seller and Buyer respecting the subject matter of this Agreement, including any oral or written agreement with Seller that Buyer obtained by assignment.

**SECTION 32. SEVERABILITY.**

The provisions of this Agreement are severable, and if, for any reason, any one or more of the provisions contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in effect and be construed as if the invalid, illegal, or unenforceable provision had never been contained in the Agreement.

**SECTION 33. NOTICES.**

All notices, payments, and communications (collectively "notices") required or allowed by this Agreement shall be in writing and be given by hand-delivery or by depositing the notice in the United States mail, postage prepaid, registered or certified, with return receipt requested, and addressed to the party to be notified. Notice deposited in the mail in the previously

described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be shown above the signatures of the individuals who signed this Agreement on behalf of Seller and Buyer. Either party may change its address by giving written notice of the change to the other party at least fifteen (15) days before the change becomes effective.

**SECTION 34. PLACE OF PERFORMANCE.**

All acts performable under the terms of this Agreement and all amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Orange County, Texas, said Orange County, Texas, being the place of performance agreed to by the parties to this Agreement. In the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Orange County, Texas.

**SECTION 35. DUPLICATE ORIGINALS.**

Buyer and Seller, acting under the authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. Buyer shall submit written evidence in the form of bylaws, charters, resolutions, or other written documentation specifying the authority of Buyer's representative to sign this Agreement, which evidence shall be attached to this Agreement as Exhibit 4.

EFFECTIVE as of the date signed by the authorized representative of Seller:

SABINE RIVER AUTHORITY,  
PO Box 579  
Orange, TX 77631-0579  
Attn.: Jerry Clark  
BY: Jerry Clark  
TITLE: Executive Vice-President  
and General Manager  
DATE: 7-11-11

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR THE SELLER

LANXESS Corporation  
111 RIDC Park West Drive  
Pittsburgh, PA 15275-1112  
Attn: Randall S. Dearth  
BY: Randall S. Dearth  
TITLE: President & CEO  
DATE: 5-22-11

ATTEST:

APPROVED AS TO FORM AND LEGALITY:

BY: [Signature]  
ATTORNEY FOR BUYER

*Handwritten initials and notes:*  
RD  
KMS  
JAG

**Exhibit 1 WATER RATE SCHEDULE**



**GULF COAST DIVISION  
WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective January 1, 2011

The following rates apply for untreated water supplied from the *Gulf Coast Division*.<sup>1</sup>

Water Used for Irrigation Purposes<sup>2</sup>  
Metered at a rate of \$10.00 per acre foot.

Water Used for Municipal or Industrial Purposes

	<b>Municipal</b>	<b>Industrial</b>
Schedule A	Less than 250,000 gallons per day, 17.6¢ to 36.5¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.	Less than 250,000 gallons per day, 19.5¢ to 37.8¢ per 1,000 gallons as negotiated and according to such factors as duration, quantity, location, etc.
Schedule B		
Cost	17.5¢ per 1,000 gallons	19.4¢ per 1,000 gallons
Minimum Take or Pay	250,000 gallons per day	250,000 gallons per day
Schedule C		
Cost	16.2¢ per 1,000 gallons	19.3¢ per 1,000 gallons
Minimum Take or Pay	500,000 gallons per day	500,000 gallons per day
Schedule D		
Cost	15.1¢ per 1,000 gallons	18.0¢ per 1,000 gallons
Minimum Take or Pay	1,000,000 gallons per day	1,000,000 gallons per day
Schedule E		
Cost	14.1¢ per 1,000 gallons	17.1¢ per 1,000 gallons
Minimum Take or Pay	2,000,000 gallons per day	2,000,000 gallons per day
Schedule F		
Cost	13.2¢ per 1,000 gallons	16.1¢ per 1,000 gallons
Minimum Take or Pay	4,000,000 gallons per day	4,000,000 gallons per day
Schedule G		
Cost	12.6¢ per 1,000 gallons	15.5¢ per 1,000 gallons
Minimum Take or Pay	7,000,000 gallons per day	7,000,000 gallons per day
Schedule H		
Cost	12.0¢ per 1,000 gallons	15.0¢ per 1,000 gallons
Minimum Take or Pay	11,000,000 gallons per day	11,000,000 gallons per day

<sup>1</sup>Rates are for water “in place.” If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

<sup>2</sup>Irrigation water for agricultural purposes, including supplemental irrigation, will be supplied on “water used” basis, subject to negotiation depending on quantities, frequency, location, etc.

**Exhibit 2 Location of Point(s) of Delivery**

Exhibit 2: Point of Delivery, Lanxess Corporation



**Exhibit 3 Location Map of Service Area**

Exhibit 3: Service Area Map, Lanxess Corporation



**Exhibit 4 Authorization to Execute on Behalf of Buyer**

**CERTIFICATE OF INCUMBENCY**

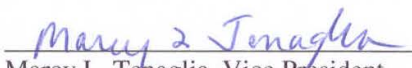
I, Marcy L. Tenaglia, Vice President, General Counsel & Secretary of LANXESS Corporation, a corporation formed under the laws of the State of Delaware (the "Corporation"), having its principal place of business at 111 RIDC Park West Drive, Pittsburgh, PA 15275-1112, hereby certify that:

1. The following person has been duly elected or appointed, duly qualified, and on the date hereof, is serving as an officer of the Corporation holding the position set forth opposite such person's name;
2. The signature set forth opposite such officer's name is such officer's true and genuine signature; and
3. Such officer is authorized to negotiate and enter into agreements on behalf of the Corporation to bind the Corporation for any obligations to Sabine River Authority upon such terms and conditions as the officer, in his discretion, may deem to be in the best interests of the Corporation, and to execute all documents and take other action on behalf of the Corporation as may be necessary or convenient to effectuate and comply with such agreements.

<b>Name</b>	<b>Title</b>	<b>Signature</b>
Randall S. Dearth	President & CEO	 _____

*Do  
179*

22<sup>nd</sup> IN WITNESS WHEREOF, I have hereunto subscribed my name and seal this day of May, 2011.

  
\_\_\_\_\_  
Marcy L. Tenaglia, Vice President,  
General Counsel & Secretary

*Karo*

**APPENDIX A SRA BOARD RESOLUTION ADOPTING WATER CONSERVATION  
AND DROUGHT CONTINGENCY PLAN**



RESOLUTION NO. 601

A RESOLUTION OF THE BOARD OF DIRECTORS  
ADOPTING A WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN  
FOR  
THE SABINE RIVER AUTHORITY OF TEXAS

WHEREAS, the Board of Directors recognizes that the amount of water available to the Sabine River Authority of Texas (SRA) and to its wholesale water customers is limited and subject to depletion during periods of extended drought; and,

WHEREAS, the Board of Directors recognizes that natural limitations due to drought conditions and other acts of God cannot guarantee an uninterrupted water supply for all purposes; and,

WHEREAS, Section 11.1271 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all water rights holders in Texas to prepare a water conservation plan; and,

WHEREAS, Section 11.1272 of the Texas Water Code and applicable rules of the Texas Commission on Environmental Quality require all public water supply systems in Texas to prepare a drought contingency plan; and

WHEREAS, Section 11.039 of the Texas Water Code authorizes water suppliers to adjust the allocation of available water supplies during times of water supply shortage; and

WHEREAS, as authorized under law, and in the best interests of the customers of SRA, the Board of Directors deems it expedient and necessary to establish certain rules and policies for the orderly and efficient management of limited water supplies during drought and other water supply emergencies.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS:

SECTION 1. That the Water Conservation and Drought Contingency Plan attached hereto as Exhibit "A" is hereby adopted as the official policy of the Sabine River Authority of Texas.

SECTION 2. That the Management, Staff, and Employees of the Sabine River Authority of Texas are hereby directed to implement, administer, and enforce the Water Conservation and Drought Contingency Plan.

SECTION 3. That this resolution shall take effect immediately upon its passage.

UNANIMOUSLY ADOPTED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS ON THIS 8<sup>th</sup> DAY OF OCTOBER 2009.

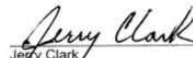
  
Connie Wade  
President, Board of Directors

ATTEST TO:



Secretary/Treasurer, Board of Directors

APPROVED

  
Jerry Clark  
Executive Vice President  
and General Manager

herein contained, the Parties hereto agree as follows:  
NOW, THEREFORE, in consideration of the premises and of the respective agreements

- 3. Buyer proposes to purchase Water (as defined below) from the Seller for use in its 1200 MW combined cycle electric power generation facility in Newton County, Texas, as more particularly described in Exhibit A (the "Project").
- 2. Seller owns and operates water supply facilities consisting of a pumping station and fresh water canal system and is authorized under the provisions of Certificate of Adjudication No. 5-4662 (as amended), issued by the Texas Water Commission (now the Texas Natural Resource Conservation Commission, or TNRCC), to appropriate public waters of the State of Texas that are supplied through this system.
- 1. Seller is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.

**RECITALS:**

THIS AGREEMENT is made and entered into this 1<sup>st</sup> day of August, 2000 (Effective Date) by and between the SABINE RIVER AUTHORITY OF TEXAS (hereinafter called "Seller"), a governmental agency of the State of Texas, having offices in Orange County, Texas, and Cottonwood Energy Company, L.P (hereinafter called "Buyer") a limited partnership organized under the State of Delaware.

COUNTY OF ORANGE

\*

KNOW ALL MEN BY THESE PRESENTS:

\*

STATE OF TEXAS

**WATER SUPPLY AGREEMENT**

**ARTICLE I**  
**RULES OF INTERPRETATION AND DEFINITIONS**

**A. Rules of Interpretation.**

1. As used in this Agreement, the term "month" shall mean a period beginning at

8:00 o'clock A.M. Central Standard Time on the first day of each succeeding

calendar month, beginning with the Supply Commencement Date. The term

"day" shall mean calendar day (beginning at 12:00 A.M. Central Standard Time)

in (a) the location where the relevant payment of funds is to be received, (b)

notice is to be received, or (c) performance is to be made. The term "business

day" shall mean a day on which commercial banks are commonly open in

Houston, Texas. Whenever an event is to be performed by a particular date, or a

period ends on a particular date, and the date in question falls on a weekend, or on

a day which is not a business day, the event shall be performed, or the period shall

end, on the next succeeding business day. The term "year" shall mean a calendar

year. For provisions of this Agreement, partial months and partial years will be

prorated.

2.

The headings and captions contained in this Agreement are solely for convenient

reference and shall not be deemed to affect the meaning or interpretation of any

provision or paragraph hereof.

3.

All pronouns used in this Agreement shall include the other gender, whether used

in the masculine, feminine or neuter gender, and the singular shall include the

plural whenever and as often as may be appropriate.

4.

References to "Articles," "Sections," or "Exhibits" shall be to articles, sections, or

exhibits of this Agreement.

**B. Definitions.**

1.

"Affiliate" shall mean with respect to any Person, any other Person directly or

indirectly controlling or controlled by, or under direct or indirect common control

with such Person. For purposes of the definition of "Affiliate," the term "control"

(including the correlative terms "controlled by" and "under the common control

with"), as used with respect to any Person, means the possession, directly or

indirectly, of the power to direct or cause the direction of the management and

- 13. "Minimum Annual Quantity" shall mean 2,190,000,000 gallons.
  - 12. "Minimum Annual Charge" shall mean the Water Rate as specified in Article III times the Minimum Annual Quantity.
  - 11. "Maximum Diversion Rate" shall mean the maximum rate at which Buyer may withdraw water as measured at the Diversion Point, which shall be 15,000 gallons per minute.
  - 10. "Maximum Annual Quantity" shall mean 4,380,000,000 gallons.
  - 9. "Hazardous Substances" shall mean any waste or other substance that is listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.
  - 8. "Gulf Coast Division" shall mean the Seller's Gulf Coast Division Canal System.
  - 7. "Force Majeure" shall have the meaning assigned thereto in Article IX of this Agreement.
  - 6. "Environmental Law" shall mean all laws and regulations pertaining to pollution or the protection of human health or the environment, including but not limited to, those relating to the treatment, storage, discharge, release, disposal and transportation of wastewater or solid waste materials and/or hazardous substances.
  - 5. "Effective Date" shall mean the date on which this Agreement is made and entered into, and as contained in the introductory paragraph of this Agreement.
  - 4. "Diversion Point" shall mean the point of withdrawal by Buyer of the Water, more specifically described in Exhibit B; provided, however, that Buyer may change the location of the Diversion Point to another location reasonably acceptable to Seller.
  - 3. "Dispute or Controversy" shall have the meaning assigned thereto in Article XV amendments thereto.
  - 2. "Agreement" shall mean this Water Supply Agreement including exhibits and any contract or otherwise.
- policies of such Person, through the ownership of the voting securities, by

14. "Person" shall mean any individual, corporation (including any non-profit

corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union or other entity or

governmental body.

15. "Supply Commencement Date" shall mean the date on which (A) Buyer notifies

Seller that Buyer is prepared to withdraw Water at the Diversion Point for use at

the Project and (B) Seller begins to commit, reserve and allocate for the use and

benefit of Buyer at the Diversion Point the supply of Water in accordance with the

terms of this Agreement. Buyer and Seller hereby agree that if the Supply

Commencement Date does not begin prior to 10 years after the Effective Date,

then this Agreement shall be automatically terminated. Buyer agrees to provide

Seller prompt written notice should the Project be cancelled any time prior to ten

(10) years after the Effective Date. Should Buyer cancel the Project, then this

Agreement and the accompanying General Agreement shall terminate when Seller

receives the notice of termination.

16. "Water" shall mean untreated fresh water from Seller's Gulf Coast Division Canal

System that at least meets the criteria of Exhibit C.

## QUANTITIES

### ARTICLE II

1. Quantity of Water. Subject to the terms and conditions contained in this Agreement and

beginning on the Supply Commencement Date, Seller agrees to commit, reserve and

allocate for the use and benefit of Buyer at the Diversion Point Water in an amount equal

to the Maximum Annual Quantity.

2. Maximum Diversion Rate. Seller shall have the right to divert Water at

the Diversion Point in an amount not to exceed the Maximum Diversion

Rate.

3. Non-Conforming Water. In the event that the Water supplied by Buyer fails to meet the

minimum criteria set forth on Exhibit C, then Buyer shall not be obligated to divert, use

or pay for such Water. The acceptance of Water by the Buyer that does not meet the

minimum criteria set forth in Exhibit C shall constitute a waiver of specification

requirements with respect to the quantity involved, but any such acceptance shall not

prejudice Buyer's rights thereafter to refuse Water not conforming to the specifications.

accordance with Seller's Water Rate Schedule in effect at the time of the Supply that payments described in the preceding paragraph will be recalculated and adjusted in Due to the delay in the Supply Commencement Date of this Agreement, Buyer agrees due to the Buyer will be applied to the next monthly statement(s).

determined, the amount diverted for the calendar year will be calculated and any credit 182,500,000 gallons. After the quantities diverted for December of each year are Water Rate as specified above for any quantity diverted each calendar month above In addition to the minimum monthly payment, Buyer shall pay to Seller at the same herein, the new Water Rate will be used for purposes of this calculation.

the Water Rate Schedule should be amended by action of the Seller as provided for between Schedule F and Schedule G of the Water Rate Schedule found in Exhibit D. If of \$0.116 per one thousand gallons, a modified Water Rate rounded to the nearest \$0.001 below), which is based on one-twelfth of the Minimum Annual Quantity at a Water Rate Seller a minimum monthly payment of \$21,170.00 (or such other amount as discussed Beginning with the Supply Commencement Date of this Agreement, Buyer shall pay Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed:

**RATES AND COMPENSATION**

**ARTICLE III**

also exercise any additional rights available to it under this Agreement. determined solely by Seller) to remove or mitigate the effects of such release. Buyer may Buyer in writing and by telephone of such release and (b) use all reasonable efforts (as Substances that could enter the Diversion Point, then Seller shall: (a) immediately notify Release of Hazardous Substances. Should Seller learn of a release of Hazardous occurrence. Annual Charge relating to the Water that Buyer has not taken as a result of such agreed to herein, Buyer shall be entitled to a credit for that portion of the Minimum the Minimum Annual Quantity of Water due to the Water not meeting specifications as based on information supplied to Seller by Buyer. In such event that Buyer does not take which Buyer does not accept such Water due to its failure to meet the minimum criteria Seller agrees to keep and maintain records of the periods, if any, during each year in Buyer may also exercise any additional rights available to it under this Agreement.

3.

2.

1.

4.

be resolved in accordance with Article XV. when due until paid. Any Dispute or Controversy pertaining to billing or payment shall

3. Should Buyer fail to tender payment of any undisputed amount when due, Buyer shall pay a penalty equal to one percent (1.0%) of such amount for each month from the date

by Seller) on or before the 30th day after receipt of such statement. office at 800 O-I Road, Orange, Texas 77632 (or such other place designated in writing the preceding month. Payment of such statement shall be due and payable at Seller's of Water diverted hereunder by Buyer and/or for which payment is due hereunder during before the tenth day of each calendar month a statement showing charges for the quantity 2222, Houston, TX 77010 (or such other place designated by Buyer in writing) on or Seller shall render to Buyer at Buyer's offices at Two Houston Center, 909 Fannin, Suite of Water diverted during such month to Seller.

1. Buyer shall read the measuring equipment as provided for herein at least weekly and at the end of each month and shall promptly report all such readings and the total quantity

**BILLING AND PAYMENT**

**ARTICLE IV**

into effect no later than September 1 of that same calendar year. new amount no later than May 1 of that calendar year, and the adjusted amount will go Minimum Annual Quantity is adjusted downward, then Buyer must provide notice of the amount will go into effect no later than 15 days after Buyer provides Seller notice. If the nominated. If the Minimum Annual Quantity is adjusted upward, then the adjusted Schedule in effect at the conclusion of the notice period to reflect the new quantities Rate and the Minimum Monthly Payment will be modified based on Seller's Water Rate the Minimum Annual Quantity (either upward or downward). If so modified, the Water Seller agrees that Buyer shall have the right under the terms of this Agreement to modify

5. thousand gallons as set forth in Exhibit D, Schedule B. Quantity shall be 91.25 million gallons and the initial Water Rate shall be \$0.154 per other purposes prior to the Supply Commencement Date, the initial Minimum Annual 4. To reflect the smaller amounts of Water initially needed for testing, construction and Rate, which applies to all of Seller's customers at all of its operating divisions).

Commencement Date (Buyer recognizes that this Water Rate Schedule may be a System

171-001-0002

1. At Buyer's own cost and expense, Buyer shall furnish, operate and maintain at the Diversion Point, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure such quantity of Water in accordance with the then current water industry standards or as prescribed by standards of the American Water Works Association. However, in no case shall the accuracy tolerance of such equipment exceed two percent (2%). Buyer agrees to have said meters calibrated as necessary, but at least every two (2) years, by qualified personnel. Such qualified personnel shall provide a certified report to Buyer and Seller concerning such calibration. Buyer shall notify Seller fifteen (15) days in advance of the date for such meter calibration, and Seller shall have the right to be present and witness said calibration. The measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer. Approval of such measuring equipment by Seller shall not be unreasonably withheld, conditioned or delayed.
2. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to determining the measurement of the quantity of Water actually delivered, but the reading of the meter shall be done by the Buyer and reported to the Seller for the purpose of billing. Buyer agrees that the

**MEASURING EQUIPMENT**

**ARTICLE VI**

Commencing on the first day of January after the Supply Commencement Date and on the first day of January of each year thereafter during the term of this Agreement, the Water Rate Schedule for Seller's Gulf Coast Division Canal System may be changed and adjusted by action of the Seller's Board of Directors. In no event shall the new rates exceed the previous rates by either 8% or the Consumer Price Index, whichever is greater. Should Seller ever sell Water from its Gulf Coast Division Canal System in the same or a lesser quantity to any industrial customer, except for the existing plants for the customers (or those customer's successors) listed on Exhibit E, for a lower rate than being paid by the Buyer, then Buyer will be charged such lower rate for the term that it is in effect.

**ADJUSTMENT**

**ARTICLE V**



1. Unless terminated earlier pursuant to Article VIII, this Agreement shall be in force and effect and a binding obligation on the Parties hereto for 40 years from and after the Supply Commencement Date, (the "Term"). This Agreement, may be extended in increments of ten (10) years to the extent then permitted by law upon mutual agreement of the Parties to the provisions of such extended Agreements.
2. The Agreement may be terminated prior to the expiration of the Term, as

**TERM: TERMINATION RIGHT**

**ARTICLE VIII**

Title to, possession and control of Water shall remain in Seller, or its assigns, to the Diversion Point, where title to, possession and control of Water shall pass from Seller to Buyer, and Buyer shall take such title, possession and control of such Water at the Diversion Point.

**TITLE TO AND RESPONSIBILITY FOR WATER**

**ARTICLE VII**

3. If, for any reason, Buyer's measuring equipment is out of service or out of repair and the amount of Water diverted hereunder cannot be ascertained or computed by the reading thereof, the quantity of Water diverted during such period shall be estimated and determined by Seller based on the best data available. In this regard, information from Seller's check meter shall be deemed the best data available. If no information from check meters is available, Seller and Buyer shall jointly calculate the estimated water use for that month based on the best data available from Seller and Buyer. Should Seller's calculation differ from Buyer's calculation, then the water use for that month shall be set as the average of the two calculations. If Buyer's measuring equipment is out of service for thirty days or more, Seller may purchase, install and maintain any required measuring equipment, as determined by Seller and agreed to by Buyer (which agreement shall not be unreasonably withheld, conditioned or delayed), and charge the expense therefor to Buyer.

In the event of either Party being rendered unable, wholly or in part, by reason of Force Majeure, to carry out its obligations under this Agreement, other than the obligations to make payments of the amounts accrued and due hereunder at the time thereof, it is agreed that on such Party giving notice and full particulars of such Force Majeure in writing to the other Party within a reasonable time after the occurrence of the cause relied on, the obligations of the Party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall so far as possible be remedied with all responsible dispatch. The Parties shall use their reasonable efforts to mitigate the effects of such Force Majeure and to cooperate to develop and implement a plan of remedial and reasonable alternative measures. As used herein, the term "Force Majeure" means acts of God, governmental action, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, arrests and restraint of government and people, civil disturbances, explosions, major breakage or accident of machinery, canals, conduits, and/or pipelines, partial or entire failure of the dams, extreme and unforeseeable delays in transportation, and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the Party claiming the Force Majeure.

**FORCE MAJEURE**

**ARTICLE IX**

- follows:
- A. By Buyer upon sixty (60) days prior written notice to Seller if it determines (a) not to complete construction of the Project, or (b) after construction of the Project is complete, determines to discontinue operation of the Project for a period estimated in good faith to be longer than six (6) months.
  - B. By either Party upon thirty (30) days written notice to the other in the event of default by the other Party under Article XIII.
3. Notwithstanding any other provision herein to the contrary, Buyer and Seller hereby agree that if the Supply Commencement Date does not begin prior to ten (10) years after the Effective Date, then this Agreement shall be automatically terminated without any further action by either Party hereto.

1. Indemnification by Buyer. After the Buyer has taken possession of the Water at the Diversion Point, Buyer shall be in exclusive control and possession of the Water and solely responsible for any damage or injury caused thereby, and Buyer shall indemnify and save harmless Seller from and against any and all claims, demands, damages, judgments and causes of action, including attorneys' fees, by reason of injury or death to any person or damage to any property arising out of or in any way connected with any actions or activities after the Buyer has taken possession of the Water at the Diversion

**INDEMNITY**  
**ARTICLE XII**

1. Other than as specified in Article II hereof, the Seller makes no warranty, express or implied, as to the suitability or quality of Water diverted hereunder. Buyer assumes full responsibility with respect to the treatment of the Water prior to its use.

2. The Seller agrees to use its reasonable best efforts (as determined solely by Seller) to correct any condition which affects the normal quality of the Water to the extent that it is authorized to do so under the laws of the State of Texas.

**SPECIFICATIONS AND USE**  
**ARTICLE XI**

This Agreement shall be binding upon and inure to the benefit of the respective Parties hereto and their legal successors. The Parties shall not assign this Agreement or any of their rights hereunder without the written consent of the other Party, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Seller expressly acknowledges that Buyer may assign its rights under this Agreement to an Affiliate or to any Party that owns, co-owns, leases or operates the Project and may grant liens or security interests to lenders providing financing for the Project and to any power purchaser of Buyer whose rights are secured by an interest in the Project. Upon the execution by Buyer's transferee of an assignment and assumption of all Buyer's rights and obligations under this Agreement in a form reasonably satisfactory to Seller, Buyer shall be released and relieved of all obligations arising under or in connection with this Agreement on or after the date of such assignment or assumption. Buyer agrees to use the Water only for its Project and will not resell the Water to any other Person.

**ASSIGNMENT**  
**ARTICLE X**

XIII, then Seller shall have one or both of the following options:

B. Should Buyer commit a default under the terms of Section 1(A) of this Article

not dismissed within sixty (60) days of filing.

proceeding instituted against Buyer (but not by Buyer), such proceeding is composition or readjustment of debts and, in the case of any such

relating to bankruptcy, insolvency, reorganization, winding up or Buyer, or Buyer files a petition seeking to take advantage of any other law

of its creditors, or a receiver is appointed on account of the insolvency of bankrupt or insolvent or Buyer makes a general assignment for the benefit

(e) Any proceeding is instituted against Buyer seeking to adjudicate Buyer as

and

(d) Buyer breaches any of the other terms or conditions of this Agreement;

(c) Any material representation made by Buyer is false and misleading;

except as expressly permitted by this Agreement;

(b) Buyer assigns or transfers this Agreement or any right or interest herein

hereunder;

(a) Buyer fails to tender any payment for any undisputed amount due

remedied:

provides Buyer with notice specifying the default and demanding that the same be provisions of this Agreement if not cured within thirty (30) days after Seller

A. The following shall be deemed to be an event of default by Buyer under the

Default by Buyer.

1.

**DEFAULT**

**ARTICLE XIII**

activities before the Water has been delivered to the Diversion Point.

or damage to any property arising at or in any way connected with any actions or and causes of action, including attorneys' fees, by reason of injury or death to any person

save harmless Buyer from and against any and all claims, demands, damages, judgments caused thereby prior to delivery at the Diversion Point, and Seller shall indemnify and

control and possession of the Water and solely responsible for any damage or injury Indemnification by Seller. As between the Parties hereto, Seller shall be in exclusive

Point.

2.

- (a) Seller may suspend delivery of Water hereunder until such time as the event of default has been cured; or
  - (b) Seller may terminate this Agreement.
2. Default by Seller.
- A. The following shall be deemed to be an event of default by Seller under the provisions of this Agreement if not cured within thirty (30) days after Buyer provides Seller with notice specifying the default and demanding that the same be remedied:
- (a) Seller fails to deliver Water to the Diversion Point at the times and in the manner specified under this Agreement;
  - (b) Seller delivers Water for a continuous period of 30 days that fails to meet at least the minimum criteria set forth in Exhibit C;
  - (c) Any material representation made by Seller is false or misleading;
  - (d) Seller assigns or transfers this Agreement or any right or interest herein except as expressly permitted by this Agreement;
  - (e) Seller breaches any of the other terms or conditions of this Agreement; and
  - (f) Any proceeding is instituted against Seller seeking to adjudicate Seller as bankrupt or insolvent or Seller makes a general assignment for the benefit of its creditors, or a receiver is appointed on account of the insolvency of Seller, or Seller files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or readjustment of debts and, in the case of any such proceeding instituted against Seller (but not by Seller), such proceeding is not dismissed within sixty (60) days of filing.
- B. Should Seller commit a default under the terms of Section 2(A) of this Article XIII, then Buyer shall have one or both of the following options:
- (a) Except for payment for Water already diverted by Buyer, Buyer may suspend payment until such time as the event of default has been cured; or
  - (b) Buyer may terminate this Agreement.

1. In the event any dispute, controversy or claim between or among Buyer, Seller or their respective Affiliates arises under this Agreement or is connected with or related in any way to the sale of Water; any right, duty or obligation arising hereunder; or the relationship of Buyer, Seller or their respective Affiliates hereunder (a "Dispute or Controversy"), the Parties shall first attempt in good faith to settle and resolve such Dispute or Controversy in accordance with the terms of this Article XV. In the event a Dispute or Controversy arises, any Party shall have the right to notify the other Party to such Dispute or Controversy that it has elected to implement the procedures set forth in this Article XV. Within fifteen (15) days after delivery of any such notice by one Party to the other Party regarding a Dispute or Controversy, the Parties shall meet at a mutually

**DISPUTE RESOLUTION**

**ARTICLE XV**

The effectiveness of this Agreement is specifically dependent upon compliance by the Parties with pertinent provisions of 30 Texas Administrative Code, Chapters 295 and 297. provisions of said statutes.

void such provisions of this Agreement as may be lawfully authorized under the terms and same as if set forth herein as special conditions hereof, and such repugnancy, if any, shall not to any repugnancy between the provisions hereof and said statutes, the latter shall control, the contemplation of the statutes governing and creating the Sabine River Authority of Texas, and as any other provisions herein, this Agreement shall be deemed to have been entered in govern with respect to any question or controversy that may arise hereunder. Notwithstanding The Constitution and laws of the State of Texas and the decisions of its Courts shall

**APPLICABLE LAWS**

**ARTICLE XIV**

3. The pursuit of either Party of any remedy available under this Agreement shall not shall be deemed to constitute a waiver of any other violation or breach. shall be deemed to constitute a waiver of any other violation or breach, and forbearance to enforce one or more of the remedies available for a violation or breach shall not be deemed to constitute a waiver of any other violation or breach. No waiver of any violation or breach, representations or warranties of this Agreement. No waiver of any violation or breach, law, by reason of violation or breach of any of the terms, provisions, covenants, constitute an election or waiver of any other remedy available to that Party, at equity or in The pursuit of either Party of any remedy available under this Agreement shall not

agreed time and place to attempt, with diligence and good faith, to resolve and settle such Dispute or Controversy. Should mutual resolution and settlement not be obtained at the meeting of the Parties for such purposes or should no such meeting take place within such fifteen (15) day period, then either Party may by notice to the other Party, submit the Dispute or Controversy to binding arbitration in accordance with the provisions of this Article XV. Upon the receipt of notice of referral to arbitration hereunder, the Parties shall be compelled to arbitrate the Dispute or Controversy in accordance with the terms of this Article XV without regard to the justifiable character or executory nature of such Dispute or Controversy.

2. Each Party hereby agrees that any Dispute or Controversy that is not resolved pursuant to the provisions of this Article XV shall be submitted to binding arbitration by a single arbitrator appointed in accordance with the rules of the American Arbitration Association. The venue of the arbitration shall be Travis County, Texas, or such other location as to which the Parties may agree. The arbitrator shall be qualified to arbitrate the dispute by experience and expertise in the legalities of water rights and the technicalities of water delivery, and shall not be employed by either Party or its Affiliates or have any financial dependence on a Party or have any financial interest in the Dispute or Controversy. The cost of the arbitrator shall be shared equally by the Parties. The Parties hereto acknowledge that this Article XV constitutes a written agreement by the Parties to submit to arbitration any Dispute or Controversy.

3. Notwithstanding any provision of this Agreement to the contrary, any Party may seek injunctive relief or any other form of ancillary relief at any time from any court of competent jurisdiction in Travis County, Texas. In the event that a Dispute or Controversy requires emergency relief before the matter may be resolved under the arbitration procedures, notwithstanding the fact that any court of competent jurisdiction may enter an order providing for injunctive or other form of ancillary relief, the Parties expressly agree that the arbitration procedures will still govern the ultimate resolution of that portion of the Dispute or Controversy not resolved pursuant to said court order.

**ARTICLE XVI**  
**GENERAL CONDITIONS**

1. Waiver. A failure of any Party at any time to require another Party's performance of any obligation under this Agreement shall not affect the right of any Party to require

2. Notice. Any notice, request or communication under this Agreement shall be given in writing to the addresses set forth on Exhibit F and shall either be (a) personally delivered, receipt requested, (b) sent by registered or certified mail, return receipt requested, postage prepaid or (c) sent by facsimile. Notice shall be deemed to have been given by any Party to the other Party upon either of the following dates:
  - A. The date of the mailing thereof, as shown by a United States Postal Service receipt, if mailed to the other Party by registered or certified mail; or
  - B. The date of the receipt thereof by such other Party, if personally delivered or sent by facsimile.
3. Buyer hereby agrees to use reasonable diligence to avoid waste and achieve water conservation, including formulation, adoption and implementation of water conservation plan(s), which may be required under the rules and regulations of the TNRCC (or any successor agency having such jurisdiction).
4. It is expressly understood and agreed that the effectiveness of this Agreement is dependent upon Buyer's and Seller's compliance with applicable rules of the TNRCC, and the provisions of this Agreement are subject to the continuing supervision of the TNRCC. Resale. Buyer shall not have any right to resell Water purchased hereunder without the prior written consent of Seller.
6. Consequential Damages. In no event shall either Party be liable for any loss of profits or incidental, special, exemplary, indirect or consequential damages.
7. Entire Agreement. This Agreement, along with the General Agreement (of even date herewith) and their Exhibits, contain the entire contracts between the Parties hereto, and



Party having drafted the document or any portion thereof.  
presumption, or conclusion drawn whatsoever against any Party by virtue of that  
Agreement or any of its terms and conditions, there shall be no interference,  
In any Dispute or Controversy over the meaning, validity or enforceability of this

A. This Agreement has been freely negotiated by the Parties; and  
No Presumption Against Drafter. The Parties understand, agree and acknowledge that:

13. accordance with their terms.  
expiration of the Term or earlier termination of this Agreement and are to survive in  
Agreement is earlier terminated, except those duties and obligations that arose prior to  
connection herewith after the last day of the Term or after the date on which this  
12. Survival. Each Party shall have no duties or obligations to the other arising under or in  
to time in order to give full effect to this Agreement.  
Further agreements and instruments as the other Party may reasonably request from time

11. Further Assurances. The Parties shall execute, acknowledge and deliver any and all such  
identified in Article X of this Agreement.

10. Third Party Beneficiaries. The provisions of this Agreement are intended for the sole  
benefit of the Parties, and there are no third-party beneficiaries other than assignees  
be as effective as originals hereto.

9. Counterparts. This Agreement may be executed in one or more counterparts and by one  
or more Parties to any counterpart, each of which shall be deemed an original and all of  
which together shall constitute one and the same agreement. Facsimile signatures shall  
and that restore this Agreement as nearly as possible to its original intent and effect.

8. Severability. The invalidity or unenforceability of any provision of this Agreement shall  
not affect the validity or enforceability of its other provisions. Following a determination  
by a court of competent jurisdiction that any provision of this Agreement is invalid or  
unenforceable, the Parties shall negotiate in good faith new provisions that, as far as  
legally possible, most nearly reflect the intent of the Parties originally expressed herein  
and that restore this Agreement as nearly as possible to its original intent and effect.

each Party acknowledges that neither has made (either directly or through any agent or  
representative) any representations or agreements in connection with this Agreement or  
the General Agreement not specifically set forth herein and therein. This Agreement may  
be modified or amended only by agreement in writing executed by Buyer and Seller.

APPROVED AS TO FORM:

*Douglas J. Rodgers*  
*Asst. Secretary*

ATTEST:

*[Signature]*

APPROVED AS TO FORM:

*Albert G. Gray*

ATTEST:

Mark A. Iamonaco  
Vice President, Development

*[Signature]*  
By:

COTTONWOOD ENERGY COMPANY, L.P.  
BUYER

Jerry Clark  
Executive Vice President  
and General Manager

*[Signature]*  
By:

SABINE RIVER AUTHORITY OF TEXAS  
SELLER

originals on this the 1<sup>st</sup> day of August, 2000.

IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate

The Project consists of a 1200 MW natural gas fired, combined cycle electric generating facility and related assets to be located on an approximate 250 acre site off Indian Lake Road near the town of Hartburg, Texas. The Project will source natural gas from numerous large interstate and intrastate natural gas pipelines located near the project site and will interconnect into the Entergy electric transmission system at Entergy's 500 KV/230 KV Hartburg substation.

PROJECT DESCRIPTION

EXHIBIT A

DIVERSION POINT METES AND BOUNDS

EXHIBIT B

- Non-Conforming Water is any Water that fails to meet the following criteria:
1. pH not to exceed 8.0 and not less than 5.5
  2. Total Hardness as  $\text{CaCO}_3$  not to exceed 60 mg/L
  3. Turbidity not to exceed 125 NTU
  4. Hydrocarbons including oil and grease shall not exceed a total of 2.0 mg/L as measured by generally accepted methods

EXHIBIT C

**EXHIBIT D**

**WATER RATE SCHEDULE**

Adopted by the Board of Directors to be effective January 1, 1997

The following rates apply for untreated water supplied from the *Gulf Coast Division*.

Water Used for Irrigation Purposes<sup>2</sup>

Metered at a rate of \$9.25 per acre foot.

Water Used for Municipal or Industrial Purposes

**Industrial**

Less than 250,000 gallons per day, 15.5¢  
 31¢ per 1,000 gallons as negotiated a  
 according to such factors as duration, quanti  
 location, etc.

**Municipal**

Less than 250,000 gallons per day, 14.5¢  
 to 30¢ per 1,000 gallons as negotiated and  
 according to such factors as duration,  
 quantity, location, etc.

Schedule	Minimum Take or Pay	Cost
Schedule A	250,000 gallons per day	14.4¢ per 1,000 gallons
Schedule B	250,000 gallons per day	15.4¢ per 1,000 gallons
Schedule C	500,000 gallons per day	13.4¢ per 1,000 gallons
Schedule D	500,000 gallons per day	14.4¢ per 1,000 gallons
Schedule E	1,000,000 gallons per day	12.4¢ per 1,000 gallons
Schedule F	2,000,000 gallons per day	11.6¢ per 1,000 gallons
Schedule G	4,000,000 gallons per day	10.9¢ per 1,000 gallons
Schedule H	7,000,000 gallons per day	10.4¢ per 1,000 gallons
Schedule I	11,000,000 gallons per day	9.9¢ per 1,000 gallons
	11,000,000 gallons per day	9.6¢ per 1,000 gallons

Schedule J	
Minimum Take or Pay	Cost
16,000,000 gallons per day	9.5¢ per 1,000 gallons
22,000,000 gallons per day	10.5¢ per 1,000 gallons

Water user contracts requiring guarantees in excess of 22,000,000 gallons per day will be negotiated on an individual basis with 10.5¢ per 1,000 gallons being the minimum cost.

"Rates are for water "in place." If extensive transmission facilities (intake structures, canals, pipelines, pumps, etc.) are required, rates may vary, subject to negotiations as to whether facilities are to be owned and operated by customer or Authority.

"Irrigation water for agricultural purposes, including supplemental irrigation, will be supplied on "water used" basis, subject to negotiation depending on quantities, frequency, location, etc.

AlliedSignal, Inc.  
Bayer Corporation  
Chevron Chemical Corporation  
E. I. DuPont DeNemours & Company  
Entergy Bridge City Power Plant  
Firestone Synthetic Rubber & Latex Company  
Inland Container Corporation  
North Star Steel Texas, Inc.  
A. Schulman, Inc.

**EXHIBIT E**



**EXHIBIT F**

Notice shall be provided as follows:  
For the Authority:

Sabine River Authority

Attn: General Manager

12777 Highway 87 North

Orange, TX 77632

Facsimile No.: (409) 746-3780

For the Company:

Cottonwood Energy Company, L.P.

Attn: General Manager

Two Houston Center, 909 Fannin

Suite 2222

Houston, TX 77010

Facsimile No.: (713) 374-3901

Current 1-11-05  
Expires -7-15-2020  
Amended Feb. 11, 94  
Rate 15.5¢/100' Sch: A "

**ADDENDUM**  
To  
**WATER SUPPLY CONTRACT**

WHEREAS, the CITY OF ROSE CITY (hereinafter called "Buyer") is a municipal corporation established under the laws of the State of Texas and located in Orange County, Texas; and,

WHEREAS, the Buyer owns and operates a surface water treatment plant providing potable water to users within its boundaries and potentially may serve users outside its boundaries; and,

WHEREAS, the SABINE RIVER AUTHORITY OF TEXAS, (hereinafter called "Seller"), a governmental agency of the State of Texas, owns and operates a system of fresh water canals in Orange County which extend into the vicinity of the Buyer; and,

WHEREAS, the Seller supplies the Buyer with raw water (at an existing designated delivery point) for its treatment plant under an existing Water Supply Contract dated July 12, 1979; and,

WHEREAS, the Buyer proposes to expand its water treatment plant capacity and has requested an amendment to the existing Water Supply Contract;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, the existing Water Supply Contract between the Buyer and the Seller is herein modified and amended as follows:

1. The Minimum Monthly Quantity of raw water which the Buyer agrees to take and pay for, or to pay for if not taken, is increased from 1.0 million gallons per month to 2.0 million gallons per month.
2. The Maximum <sup>.066 MG</sup> Monthly Quantity of raw water which the Seller agrees to commit, reserve, and allocate to and for the Buyer is increased from 3.0 million gallons per month to 13.0 million gallons per month.
3. The Seller shall be under no obligation to deliver water at the Point of Delivery at a rate in excess of 300 gallons per minute rather than 150 gallons per minute as specified in the existing Water Supply Contract.
4. The Seller agrees to allow the Buyer to perform the necessary improvements to the Seller's canal at the Point of Delivery to provide for mechanical pumpage of raw water (at the increased rate) from the Point of Delivery to the Buyer's water treatment plant and to allow the Buyer to perform continued maintenance required to maintain the canal in the improved condition: provided, however, that these provisions are contingent on Seller having the right to approve plans and specifications for any work which may affect Seller's canal system and Buyer's agreement that it will not unreasonably

interfere with Seller's maintenance and operation of said canal. Unreasonable interference to be at the sole determination of Seller. Seller agrees to provide Buyer with written notice of approval or rejection of such plans and specifications within thirty (30) days from Seller's receipt thereof. Seller's failure to provide written notice within said thirty (30) day period shall be deemed an approval of such plans and specifications.

5. The Seller agrees to use its reasonable best efforts to maintain the raw water level in its canal at the Point of Delivery at a minimum depth which will allow operation of Buyer's raw water pumps.
6. The provisions of this modification and amendment to the existing Water Supply Contract shall become effective on the first day of the month following the substantial completion of the expansion of the aforementioned water treatment plant but not later than September 1, 1995. Substantial completion is defined as completion to the stage that the improvements are useable, but may still require minor work before acceptance of the project. The City's Engineer shall determine when substantial completion has been accomplished. Thereafter, the Buyer shall provide written notice to the Seller of such substantial completion.
7. Buyer hereby agrees to use reasonable diligence to avoid waste and achieve water conservation, including formulation, adoption and implementation of water conservation plans in accordance with the rules and regulations of the Texas Natural Resource Conservation Commission (or any successor agency having such jurisdiction).

Buyer shall provide such water conservation plans, along with information concerning their adoption and implementation, to the Texas Natural Resource Conservation Commission (TNRCC) and the Seller. If Buyer fails to formulate, adopt and implement such water conservation plans after one-year notice from Seller to Buyer of such failure, Seller may reduce the Maximum Monthly Quantity herein by twenty-five percent (25%) of such Quantity or impose a surcharge of twenty-five percent (25%) on the Minimum Monthly Payment then in effect for the period until such water conservation plans are formulated, adopted, implemented and filed with TNRCC and Seller.

8. All other terms and conditions contained in the Water Supply Contract which are not specifically amended herein shall remain the same.

IN WITNESS THEREOF, the Parties hereto, acting under the authority of their respective governing bodies, have caused this contract to be duly executed on this 11th day of February, 1994.

ATTEST:

Albert J. Gray

SABINE RIVER AUTHORITY OF TEXAS  
SELLER

By: Sam F. Collins  
Sam F. Collins  
Executive Vice President  
and General Manager

APPROVED AS TO FORM:

John Carl Austin

ATTEST:

Ginger W. Giza  
City Secretary

CITY OF ROSE CITY  
BUYER

By: Ruth Dubuisson  
Ruth Dubuisson  
Mayor

APPROVED AS TO FORM:

Curtis W. Collum

WATER SUPPLY CONTRACT

STATE OF TEXAS                    )  
                                          )  
                                          )     KNOW ALL MEN BY THESE PRESENTS:  
COUNTY OF ORANGE                )

THIS AGREEMENT is made and entered into this the 12<sup>TH</sup>  
day of JULY, 1979, by and between the SABINE RIVER  
AUTHORITY OF TEXAS (hereinafter called "Seller"), a governmental  
agency of the State of Texas, having offices in Orange County,  
Texas, and the CITY OF ROSE CITY (hereinafter called "Buyer"), a  
municipal corporation located in Orange County, Texas.

W I T N E S S E T H:

In consideration of the premises and the mutual covenants  
and undertakings herein contained, the parties hereto do mutually  
agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

A. "Minimum Monthly Quantity" shall mean the minimum  
quantity of water which Buyer is obligated to take and pay for or  
to pay for if not taken during any calendar month.

B. "Maximum Monthly Quantity" shall mean the maximum  
quantity of water which Seller is obligated to deliver to Buyer  
during any calendar month.

C. "Standby Quantity" shall mean the amount of water  
over and above the Minimum Monthly Quantity which under the terms  
and provisions hereof Seller is obligated to deliver for the bene-  
fit of Buyer up to the Maximum Monthly Quantity specified.

ARTICLE II

QUANTITIES

A. Buyer hereby agrees to take and pay for, or to pay  
for if not taken, a Minimum Monthly Quantity of 1.0 million gallons  
of untreated fresh water at a point of delivery as described in  
Article VIII. Seller agrees to commit, reserve and allocate for

the use and benefit of Buyer at said point of delivery, untreated fresh water in sufficient quantity to supply Buyer a Maximum Monthly Quantity of 3.0 million gallons. In addition, it is hereby mutually agreed that Seller shall be under no obligation to deliver water at the Point of Delivery, as that term is hereinafter described, at a rate in excess of 150 gallons per minute. It is here recognized that the Maximum Monthly Quantity which Seller is obligated to make available to Buyer is substantially in excess of Buyer's Minimum Monthly Quantity take-or-pay obligation during the term hereof.

### ARTICLE III

#### RATES AND COMPENSATION

A. Buyer agrees to pay Seller at the times and in the manner hereinafter prescribed not less than the Minimum Monthly Payment shown in the attached Table of Schedules, which is designated Exhibit "A", based upon Minimum Monthly Quantity which under the terms and provisions hereof Buyer is obligated to take and pay for or to pay for regardless of whether such quantity is taken. Such Minimum Monthly Payment includes compensation to Seller for the Minimum Monthly Quantity of water specified whether or not taken and diverted by Buyer, with the basic rate for said quantity of water being computed on the basis of 12.5¢ per thousand (1,000) gallons of water, such rate being Schedule "A" of the WATER RATE SCHEDULE as approved by the Board of Directors of Seller, effective January 1, 1978. Said Minimum Monthly Payment does further include compensation to Seller for holding, allocating and maintaining in reserve a Standby Quantity of 2.0 million gallons per month, with the compensation of said Standby Quantity being computed on the basis of ten per cent (10%) of the compensation which would have otherwise been charged under the terms and provisions hereof had Buyer taken and diverted said quantity of water. The foregoing description of the compositions of the Minimum Monthly Payment is illustrative only and is not intended to alter or impair Buyer's

obligation to pay the prescribed monthly payment as shown on the attached Table of Schedules, or as may be increased by mutual agreement between Buyer and Seller for escalation to a higher schedule in the WATER RATE SCHEDULE of Seller which is then in effect, or as otherwise herein provided.

B. In addition to the Minimum Monthly Payment, Buyer agrees to pay Seller monthly for water actually taken and diverted each month in excess of the Minimum Monthly Quantity specified and applicable to such Minimum Monthly Payment. Compensation to Seller for such excess over and above the Minimum Monthly Quantity shall be at the rate of 12.5¢ per thousand (1,000) gallons taken and diverted over and above said Minimum Monthly Quantity; provided however, the Maximum Monthly Standby cost shall be reduced by 1.25¢ per thousand (1,000) gallons taken and diverted over and above said Minimum Monthly Quantity.

C. A Transmission Fee of 6.48¢ per thousand (1,000) gallons, which is in addition to the water rate discussed above, shall be assessed beginning on the Effective Date of this Agreement. This Transmission Fee is based on part of the construction cost of Seller's Lateral 14A and will be in effect on all water supplied from said Lateral for all new industrial or municipal customers until the construction cost of the Lateral has been recovered, or until April 1, 1986, whichever occurs first. The Transmission Fee is based on the Minimum Monthly Take or Pay Quantity or such greater quantity as is actually taken.

D. In the event of emergency or other urgent need, upon request, Seller shall exert every effort to deliver the maximum rate of flow necessary to meet the needs of Buyer in the operation of its facilities.

#### ARTICLE IV

##### BILLING AND PAYMENT

A. As used in this contract, the term "month" shall mean a period beginning at 8:00 o'clock A.M. on the first day of

each succeeding calendar month, except that the first month of partial month shall begin on the day of initial delivery of water hereunder, but not later than January 1, 1981, and the minimum monthly payment shall be prorated for such partial month, if any.

B. Buyer shall read the measuring equipment as provided for herein at the end of each month and shall promptly report the total quantity of water taken during such month to Seller.

C. Seller shall render to Buyer at Buyer's offices at P. O. Drawer 968, Vidor, Texas 77662 (or such other place as designated by Buyer) on or before the 10th day of each calendar month a statement showing charges for the quantity of water delivered hereunder by Seller or for which payment is due hereunder during the preceding month. Payment of such statement shall be due and payable at Seller's office at Route 6, Box 47-B, Orange, Texas 77630 (or such other place as designated by Seller) on or before the 10th day after receipt of such statement.

D. Should Buyer fail to tender payment of any amount when due, interest thereon shall accrue at the rate of twelve per cent (12%) per annum from the date when due until paid.

E. In the event Buyer fails to tender payment of any amount when due and such failure continues for forty-five (45) days after notice in writing to Buyer of such default, Seller may suspend delivery of water; however, the exercise of such right shall be in addition to any other remedy available to Seller.

#### ARTICLE V

#### ADJUSTMENT

It is hereby mutually agreed that commencing at the end of the first year after Buyer is obligated to take and pay for or to pay for water if not taken, and once each year thereafter for the term of this contract, the rates for water as provided herein may be adjusted by action of the Board of Directors of Seller, utilizing as a guide the Wholesale Price Index, Bureau of



Labor Statistics, U. S. Department of Labor, with the base month being January, 1981, or, additionally, as required by the provisions relating to the establishment of rates for the sale of water set forth in the Statutes of the State of Texas creating and governing the operation of the Sabine River Authority of Texas, or the provisions of any other applicable State or Federal laws.

ARTICLE VI

MEASURING EQUIPMENT

A. At Buyer's own cost and expense, Buyer shall furnish, operate and maintain at the point of delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of water delivered under this contract, with a capacity to measure the quantity of water delivered within an accuracy tolerance of one per cent (1%), and Buyer will have said meters calibrated annually by qualified personnel. Buyer shall notify Seller fifteen (15) days in advance of the annual meter calibration and Seller shall have the right to be present and witness said calibration. Such measuring equipment shall be approved by Buyer and Seller, but shall remain the property of Buyer.

B. During any reasonable hours, Seller shall have access to such measuring equipment so installed. Seller shall have access to all records pertinent to determining the measurement and quantity of water actually delivered, but the reading of the meter shall be done by Buyer and reported to Seller for the purpose of billing. Buyer agrees that Seller may furnish, install, operate and maintain check meters, should Seller choose to do so, at the sole cost and expense of the Seller.

C. Should the accuracy of the Buyer's or Seller's meter be questioned by either party hereto, it shall be disassembled and inspected by employees and/or agents of the installing party, in the presence of representatives of the other party, and if possible, recalibrated in position. If the meter is found upon inspection to be more than one per cent (1%) fast or slow, then all cost and

expense for disassembling, inspection and assembling shall be assumed by the installing party; otherwise, such cost and expense shall be assumed by the party questioning the accuracy of the meter. In addition, the account shall be adjusted for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, for a period extending back one-half (1/2) of the time elapsed since the date of the last test or the date of the last adjustment to correct registration, whichever is later, not to exceed forty-five (45) days.

D. If, for any reason, the measuring equipment is out of service or out of repair and the amount of water delivered cannot be ascertained or computed by the reading thereof, water delivered during the period shall be estimated and agreed upon by the parties hereto on the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check measuring equipment of Seller.

#### ARTICLE VII

##### TITLE TO AND RESPONSIBILITY FOR WATER

Title to, possession and control of water shall remain in Seller, or its assigns, to the point of delivery, where title to, possession and control of water shall pass from Seller to Buyer, and Buyer shall take such title, possession and control at the point of delivery.

#### ARTICLE VIII

##### DELIVERY POINT

The delivery point for water purchased under this contract shall be located on Buyer's property in Orange County at the junction of Buyer's intake facility and Seller's Lateral 14A. It is recognized that the control of possible overflow at the point of delivery is dependent on close coordination between Buyer and Seller in the opening and closing of gates regulating flow and Buyer and Seller hereby agree to maintain such coordination.

ARTICLE IX

TERM

A. This contract shall be in force and effect from and after the date of execution hereof. It is understood that Buyer is constructing a water treatment plant and related facilities for which water purchased under this contract will be utilized. Should Buyer, through no fault of its own, be unable to construct the facilities to divert and utilize the water purchased hereunder, Buyer may cancel this contract upon ninety (90) day written notification at any time prior to the contract's Effective Date. After the Effective Date of this contract, Buyer reserves the right to terminate this agreement by giving written notice to Seller two years prior to such termination date. The Effective Date of this contract shall be the initial date water is actually taken, but not later than January 1, 1981. This contract shall be a binding obligation on the parties hereto from and after the execution hereof notwithstanding a delay in the Effective Date, and this contract shall expire forty (40) years from the Effective Date hereof as that term is defined in this paragraph.

B. It is expressly understood and agreed that the provisions of this contract and any renewals are subject to the continuing jurisdiction of the Texas Water Commission as the same relates to the establishment of rates and compensations for the use of the services and resources of Seller.

C. This contract may be renewed and extended for ten (10) year periods (or as often and to the extent then permitted by law) by mutual agreement of the parties hereto of all terms and conditions in such agreement for extension.

ARTICLE X

SPECIFICATIONS AND USE

It is understood and agreed that the water to be delivered under the terms and provisions hereof shall be

untreated, fresh water delivered through Seller's Gulf Coast Division Canal System and Seller covenants to use diligence in avoiding and correcting any condition affecting the normal quality of the water to the extent that it has the capacity to do so under the laws of the State of Texas as they presently exist or may hereafter be enacted.

ARTICLE XI

PERFORMANCE BY SELLER

Seller covenants and agrees that it will not contract for the sale of water to other users to such an extent or for such quantities as to impair Seller's ability to perform fully and punctually its obligations to Buyer under this contract.

ARTICLE XII

FORCE MAJEURE

In the event of either party being rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligations to make payments of amounts accrued and due hereunder at the time thereof, it is agreed that on such party giving notice and full particulars of such force majeure in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall so far as possible be remedied with all responsible dispatch. The term "force majeure" as employed herein shall mean interferences not reasonably within the control of the party claiming force majeure, arising out of acts of God, governmental action, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests and restraint of government and people, civil disturbances, explosions, major breakage or accident of machinery, canals,

conduits, and/or pipelines, partial or entire failure of the supply of water, extreme and unforeseeable delays in transportation, and any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.

ARTICLE XIII

ASSIGNMENT

This agreement shall be binding upon and inure to the benefit of the respective parties hereto and their legal successors, but the same shall not otherwise be assignable, in whole or in part, by either party without first obtaining the written consent of the other.

ARTICLE XIV

APPLICABLE LAWS

The Constitution and Laws of the State of Texas and the decisions of its Courts shall govern with respect to any question or controversy which may arise hereunder. Notwithstanding any other provisions herein, this contract shall be deemed to have been entered in contemplation of the Statutes governing and creating the Sabine River Authority of Texas, and as to any repugnancy between the provisions hereof and said Statutes, the latter shall control, the same as if set forth at length herein as special conditions hereof, and such repugnancy, if any, shall not void such provisions of this contract as may be lawfully authorized under the terms and provisions of said Statutes.

ARTICLE XV

GENERAL CONDITIONS

A. It is hereby recognized that Buyer may request additional quantities of water in the future. Buyer and Seller hereby agree to review, on a five (5) year basis at Buyer's request, the quantities of water committed to Buyer under this agreement. Should Buyer need additional supplies of water in the future, Seller agrees to use its best efforts to meet such

additional needs and the appropriate terms of this contract (quantities, rates, standby, etc.) may be amended to supply such additional quantities in accordance with the policies of Seller in effect at that time.

B. A waiver by either party of any default by the other hereunder shall not be deemed a waiver by such party of any default by the other which may thereafter occur.

IN WITNESS WHEREOF, the parties have executed this contract in DUPLICATE ORIGINALS on this the 12<sup>th</sup> day of July, 1979.

SABINE RIVER AUTHORITY OF TEXAS

BY: Sam F. Collins  
Sam F. Collins  
Executive Vice President  
and General Manager

ATTEST:

SELLER

Henry L. Bink

APPROVED AS TO FORM:

J. L. Swan

CITY OF ROSE CITY

BY: Robert R. Shoup  
Mayor

ATTEST:

BUYER

James A. Butler

APPROVED AS TO FORM:

\_\_\_\_\_

July 1954  
 13  
 1000.00

EXHIBIT "A"  
 TABLE OF SCHEDULES

CONTRACT TERM IN YEARS	MINIMUM MONTHLY QUANTITY (IN MILLION GALLONS)	MAXIMUM MONTHLY STANDBY QUANTITY (IN MILLION GALLONS)	MAXIMUM MONTHLY QUANTITY (IN MILLION GALLONS)	MAXIMUM DIVERSION RATE (IN GALLONS PER MINUTE)	PAYMENT FOR MINIMUM MONTHLY QUANTITY	MAXIMUM MONTHLY STANDBY CHARGE	MINIMUM MONTHLY PAYMENT	MAXIMUM MONTHLY PAYMENT*
0 - 40	1.0	2.0	3.0	150	\$ 125.00	\$ 25.00	\$ 150.00	\$ 375.00

\*Based on actual use of 3.0 million gallons per month.

Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.): In an effort to conserve raw water from Toledo Bend that SRA has had to release to back-up its run-of-river water right during drought conditions; as well as address changes within the Sabine River that are limiting SRA's ability to withdraw water from the river, SRA is considering a water management strategy to construct a new raw water pump station and associated conveyance system. The approximately 8-mile conveyance system will consist of both a large diameter pipeline and a canal system to convey the diverted water from the proposed pump station back to SRA's existing canal system. A water management strategy for developing the project is included in the list of strategies for SRA in the 2016 East Texas Regional Water Plan. The project will be designed to accommodate an initial need of up to 85 MGD. Additionally, the raw water intake, pump station wet well structure, and conveyance system right-of-way will be designed and constructed to accommodate an additional 200 MGD of future demand totaling 285 MGD.

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components): In an effort to conserve raw water from the Toledo Bend Reservoir, the Sabine River Authority (SRA) is considering a water management strategy that involves constructing a new 85 MGD raw water pump station and associated conveyance system. SRA's current location and infrastructure combined with the rivers natural limitations is requiring the Authority to release more water than needed to back-up its run-of-river water right during drought conditions. Additionally, changes within the Sabine River are limiting SRA's ability to withdraw water from the river. Therefore, SRA proposes to design and construct a new pump station near the crossing of State Highway 12 and the Sabine River in Deweyville, Texas. The proposed pump station and conveyance system will be initially designed and constructed for 85 MGD; however, the intake will be designed to accommodate a future capacity of 285 MGD. From the pump station there will be an approximate 8-mile conveyance system that will consist of a 66-inch or 72-inch diameter transmission pipeline and canal that will terminate at SRA's existing Gulf Coast Canal. The proposed project is also included in the list of water management strategies for SRA in the 2016 East Texas Regional Water Plan. This application is to request funding for the 85 MGD pump station and its associated conveyance system.

## Water Made Available

New Supply: 95,285 (acre-feet/year)/\$75,000,000 (capital cost)

New Conservation Savings: 159,110 (acre-feet/year)/\$0 (capital cost)



New Reuse Supply: 0 (acre-feet/year)/\$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/\$0 (capital cost)

## SWIFT

SWIFT Funding Type

Low Interest Loan: \$75000000.00

Is this request for multi-year funding or phased commitments?: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.: Y

SRA Loan Schedule	
2016	\$ -
2017	\$ 18,825,000
2018	\$ 33,310,000
2019	\$ 22,865,000
<b>Total</b>	<b>\$ 75,000,000</b>

TO BE SUBMITTED PRIOR  
TO ISSUANCE OF  
SERIES 2017 BONDS

TO BE SUBMITTED PRIOR  
TO ISSUANCE OF  
SERIES 2017 BONDS

# Project Location

County: Orange

Primary: Y

County: Newton

Primary: N

Colonias:

Colonia: M1760004

Can you locate your project to a specific address?: N

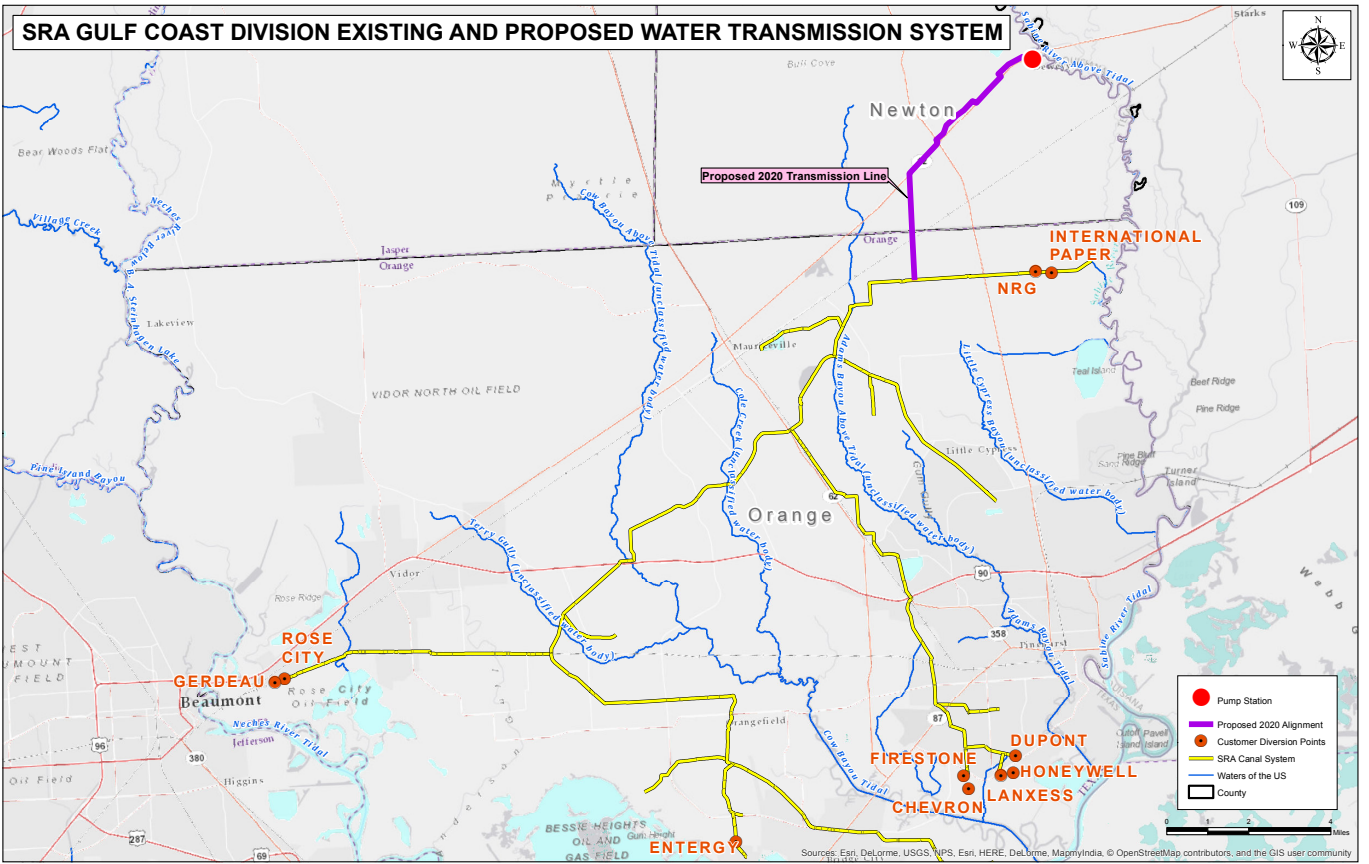
Project Address:

Project City:

Project State: TX

Project ZIP:

# SRA GULF COAST DIVISION EXISTING AND PROPOSED WATER TRANSMISSION SYSTEM



# Project Schedule

- a) Requested loan closing date: 11-30-2016
- b) Estimated date to submit environmental planning documents.: 06-02-2017
- c) Estimated date to submit engineering planning documents.: 03-12-2018
- d) Estimated date for completion of design.: 06-01-2018
- e) Estimated Construction start date for first contract.: 08-01-2018
- f) Estimated Construction end date for last contract: 09-10-2020

# DRAFT MEMORANDUM



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**TO:** Travis Williams, Mary Vann, David Montagne,  
Ann Galassi, Bill Hughes, Jim Brown, Michael  
Reedy, Alan Hutson, Jason Ward

**FROM:** Spandana Tummuri

**SUBJECT:** Sabine River Authority Pump Station and  
Pipeline Route Study Customer Demands  
Summary

**DATE:** January 13, 2016



FREESE AND NICHOLS, INC.  
TEXAS REGISTERED  
ENGINEERING FIRM  
F-2144

## 1.0 Purpose and Background

Toledo Bend Reservoir is jointly operated by the Sabine River Authority (SRA) in Louisiana and Texas. SRA has water right permits to use approximately 750,000 acre-feet per year from the Texas portion of the Toledo Bend Reservoir. SRA is currently in the process of securing permits to use an additional supply of approximately 220,000 acre-feet per year from the Texas portion of the reservoir. In addition to the Toledo Bend supplies, SRA also has permits to use approximately 147,100 acre-feet per year of run-of-river supplies from the Sabine River. SRA has contracts to supply water to various manufacturing, steam-electric power, mining, irrigation, and municipal customers in Orange, Newton, Jefferson, Sabine, Rusk, and Shelby counties. The customers are categorized into Toledo Bend and canal customers based on the source used to supply water to them. Most of the canal customers divert their contracted supplies from the SRA's canal system from their respective diversion points. SRA uses its existing main pump station with four 90 million gallons per day (MGD) pumps to maintain supplies in the canal system for the canal customers to divert their contracted supplies. The main pump station was constructed in 1934 and is 82 years old. Two of the four 90 MGD pumps are permanently decommissioned due to mechanical failure. An auxiliary relief pump with capacity of 15 MGD was originally constructed in 1967 and replaced in 2011. In addition to the two functioning pumps at the main pump station, SRA uses two 8.35 MGD tractor-driven power take off (PTO) pumps as temporary backup.

Increasing needs of the customer demand in the future decades and the poor operational life of the existing pump station has prompted SRA to develop the conceptual design for a new pump station. SRA has directed Freese and Nichols to evaluate the existing customer contracts, the historical pumping records, and the future customers identified during the compilation of the 2016 Region I (East Texas) Regional Water Plan (RWP) to determine the potential short-term and long-term demand for the new pump station. The purpose of this technical memorandum is to summarize the details of the existing and future customer demands used for evaluating the pump station capacity. This technical memorandum is prepared as part of the Task 2 efforts for the SRA pump station and pipeline route study being conducted by Freese and Nichols in 2016.

## 2.0 Customer Demands

SRA is one of the primary wholesale water provider in the East Texas region. The list of their current customers include various



manufacturing, steam electric power, municipal, irrigation, and mining users in multiple counties within the Sabine Basin. In addition to the contracts with current customers, SRA is also identified as a major potential wholesale water provider for various future water users within the East Texas region and other parts of the state of Texas. As future growth catches up with available supplies in fast growing metroplexes in the North Central, North East, and South East portions of Texas, transferring surplus supplies available from Toledo Bend and the canal system is seen as a viable potential strategy for water users in these regions.

**Figure 1** includes an illustration of the proposed location of the pump station, the potential pipeline corridors, SRA's existing canal system, and the diversion points for SRA's gulf coast division existing customers.

### 2.1 Assumptions – This section includes a list of the assumptions considered for the demand estimation.

- It is a common practice in the regional planning process to plan for a 50-year future period. This helps establish a viable water supply plan for an entity to address both short-term and long-term needs it may provide in a given region. A 50-year planning period is also recommended for evaluating the potential demands served by pump station and pipeline infrastructure projects because of the long construction and life cycle periods associated with the infrastructure. For this purpose, a 50-year planning period was selected for developing the demand estimates for the pump station.
- While there is some certainty associated with the contracts for the current customers, the potential growth assumed for the current customer demands and the potential future customer demands are based on various census studies and population projection studies funded by the state of Texas. The future demands identified for the current customers and potential new customers may change in the future decades based on the economic and demographic changes in the East Texas region and the other regions around it.
- No peaking is assumed for the customer diversions from the canal system. Based on the current diversion rates and the diversion patterns during dry and wet seasons, it was observed that the customer use stays consistent for the most part. If there are any fluctuations in the usage patterns, it is assumed that the additional supply in the canal system will act as a buffer.
- Based on the current operations of the pump station and the canal system conveyance, there are approximately 8-20% losses as the water is conveyed from the pump station to the customer diversion points. However, no losses are considered in the demand estimation for determining the pump station capacity. It is assumed that there is enough buffer in the canal system, the growth rate of the demand projections to account for the conveyance losses.

**2.2 Existing Customers – Table 1** includes a list of SRA's current customers relying on the canal system and the pump station. A growth rate of 0.5% per year was assumed for the canal customers. This is based on SRA's estimate of the potential growth in their customer demand. SRA also has existing customers that rely on the Toledo Bend supplies. These customers will be primarily relying on diversions taken directly from Toledo Bend supplies and the demand for these customers was not be included in the evaluation of the demand projections for the pump station project.

**2.3 Potential Future Customers -** Referring to the 2016 Regional Water Plans for Region C (North Central Region), Region D (North East Region), Region I (East Texas Region), and Region H (South East Region), it was noted that there are various municipal, steam electric, and manufacturing users planning to potentially connect to Toledo Bend and/or canal system supplies in the future decades. None of these strategies for future connections are firm at this time. The entities planning for the connections have not contracted with SRA



for these supplies so the quantities may change in the future. However, based on the demands in the regions listed above, the entities listed in Table 2 and the demand projections associated with the entities are the most probable estimates for the future demands. There are several other entities that have projects listed in their respective regional plans but all of them are not included in the list of potential future customers for SRA. The most probable list of entities are included for determining the demand projections for the pump station project as the pump station will be used to supply these entities in the future.

**TABLE 1. SUMMARY OF SRA EXISTING CUSTOMERS FOR THE GULF COAST DIVISION (CANAL SYSTEM)**

Entity	2020		2030		2040		2050		2060		2070	
	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD
Honeywell	1,120	1.0	1,176	1.0	1,235	1.1	1,297	1.2	1,361	1.2	1,429	1.3
Chevron Phillips	1,841	1.6	1,933	1.7	2,030	1.8	2,131	1.9	2,238	2.0	2,350	2.1
DuPont	24,643	22.0	25,875	23.1	27,169	24.3	28,527	25.5	29,954	26.7	31,451	28.1
Entergy	4,481	4.0	4,705	4.2	4,940	4.4	5,187	4.6	5,447	4.9	5,719	5.1
Firestone	1,473	1.3	1,547	1.4	1,624	1.4	1,705	1.5	1,790	1.6	1,880	1.7
International Paper	22,403	20.0	23,523	21.0	24,699	22.1	25,934	23.2	27,231	24.3	28,593	25.5
Gerdau	1,120	1.0	1,176	1.0	1,235	1.1	1,297	1.2	1,361	1.2	1,429	1.3
Lanxess	4,480	4.0	4,704	4.2	4,939	4.4	5,186	4.6	5,445	4.9	5,718	5.1
NRG	13,442	12.0	14,114	12.6	14,820	13.2	15,561	13.9	16,339	14.6	17,156	15.3
Rose City	478	0.4	502	0.4	527	0.5	553	0.5	581	0.5	610	0.5
Irrigation	1,255	1.1	1,318	1.2	1,384	1.2	1,453	1.3	1,525	1.4	1,602	1.4
<b>TOTAL</b>	<b>76,736</b>	<b>68.5</b>	<b>80,573</b>	<b>71.9</b>	<b>84,601</b>	<b>75.5</b>	<b>88,832</b>	<b>79.3</b>	<b>93,273</b>	<b>83.3</b>	<b>97,937</b>	<b>87.4</b>

**TABLE 2. SUMMARY OF POTENTIAL FUTURE CUSTOMERS FOR GULF COAST DIVISION (CANAL SYSTEM)**

Entity (Planning Region)	2020		2030		2040		2050		2060		2070	
	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD
Transfer to Region H					250,000	223.2	250,000	223.2	250,000	223.2	250,000	223.2
LNVA (I)							200,000	178.5	200,000	178.5	200,000	178.5
Orange Irrigation (I)	2,432	2.2	2,685	2.4	2,858	2.6	2,920	2.6	2,855	2.5	2,758	2.5
Orange Manufacturing (I)	3,943	3.5	9,890	8.8	15,850	14.1	21,141	18.9	27,092	24.2	33,477	29.9
Orange Steam Electric (I)			14	0.0	1,038	0.9	2,286	2.0	3,807	3.4	4,846	4.3
Newton Mining & Steam Electric (I)	805	0.7	3,139	2.8	5,994	5.4	9,545	8.5	13,875	12.4	19,021	17.0
<b>SUBTOTALS</b>	<b>7,180</b>	<b>6.4</b>	<b>15,728</b>	<b>14.0</b>	<b>275,740</b>	<b>246.2</b>	<b>485,892</b>	<b>433.8</b>	<b>497,629</b>	<b>444.3</b>	<b>510,102</b>	<b>455.4</b>

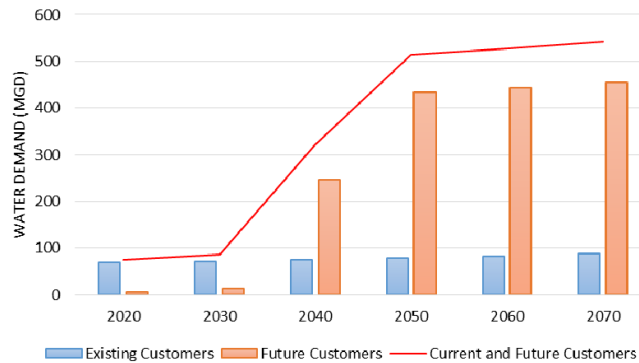


### 3.0 Summary

**Table 3** includes a summary of SRA's current customer and potential future customer demand projections for the pump station project. Figure 2 includes an illustration of the current and potential future customer demand for the pump station project. Reviewing the customer demand projections in **Table 3**, it was determined that a reasonable configuration for the new pump station is an 85 MGD capacity upon the completion of construction by 2018. This capacity is based on securing the ability to serve the 2030 demands for the current and potential future customers. In addition to this, the wet well, the pump station facility, and the pipeline corridor will be sized for a capacity of 285 MGD. Based on the demand projections listed in the **Table 3** below, there is a potential for SRA's current and potential future customer demand to increase up to 320 MGD by 2040. Planning for a pump station expansion to a 320 MGD plant would be an over-conservative estimate considering the uncertainties associated with the demand projections. At the same time, it is prudent to develop a facility that can supply part of the 2040 demand if not all of it. A more realistic estimate is to expect a demand increase of 285 MGD by 2040 and the pump station infrastructure and the pipeline corridor will be sized for a capacity of 285 MGD in the long-term. This will allow SRA to easily upgrade the 85 MGD capacity of the new pump station to 285 MGD in the long-term future, if the customer demand projections were to increase commensurately.

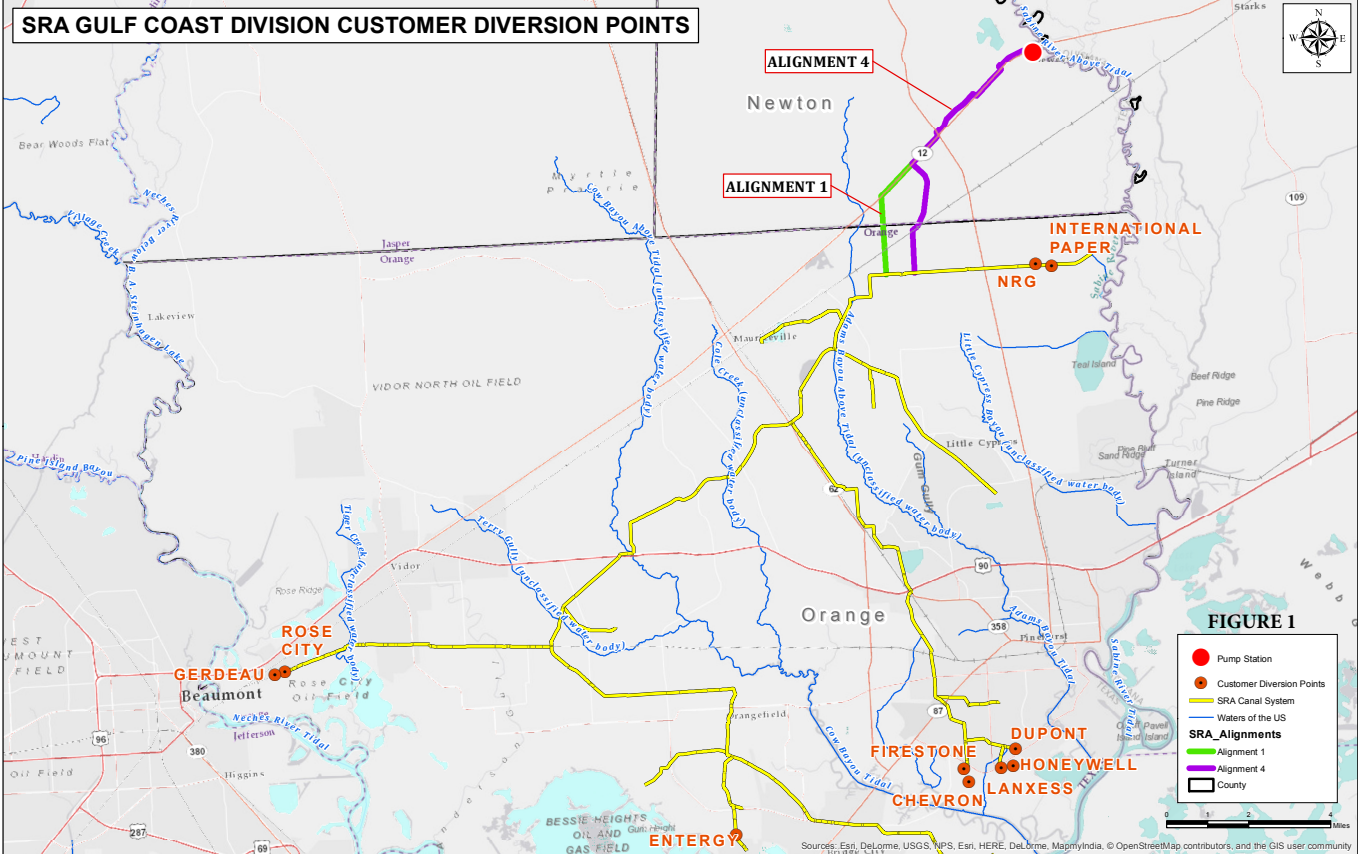
**TABLE 4. SUMMARY OF CURRENT AND POTENTIAL FUTURE CUSTOMERS FOR GULF COAST DIVISION (CANAL SYSTEM)**

Entity	2020		2030		2040		2050		2060		2070	
	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD	AC-FT	MGD
Existing Customers	76,736	68.5	80,573	71.9	84,601	75.5	88,832	79.3	93,273	83.3	97,937	87.4
Potential Customers	7,180	6.4	15,728	14.0	275,740	246.2	485,892	433.8	497,629	444.3	510,102	455.4
<b>SUBTOTALS</b>	<b>83,916</b>	<b>74.9</b>	<b>96,301</b>	<b>86.0</b>	<b>360,341</b>	<b>321.7</b>	<b>574,724</b>	<b>513.1</b>	<b>590,902</b>	<b>527.5</b>	<b>608,039</b>	<b>542.8</b>

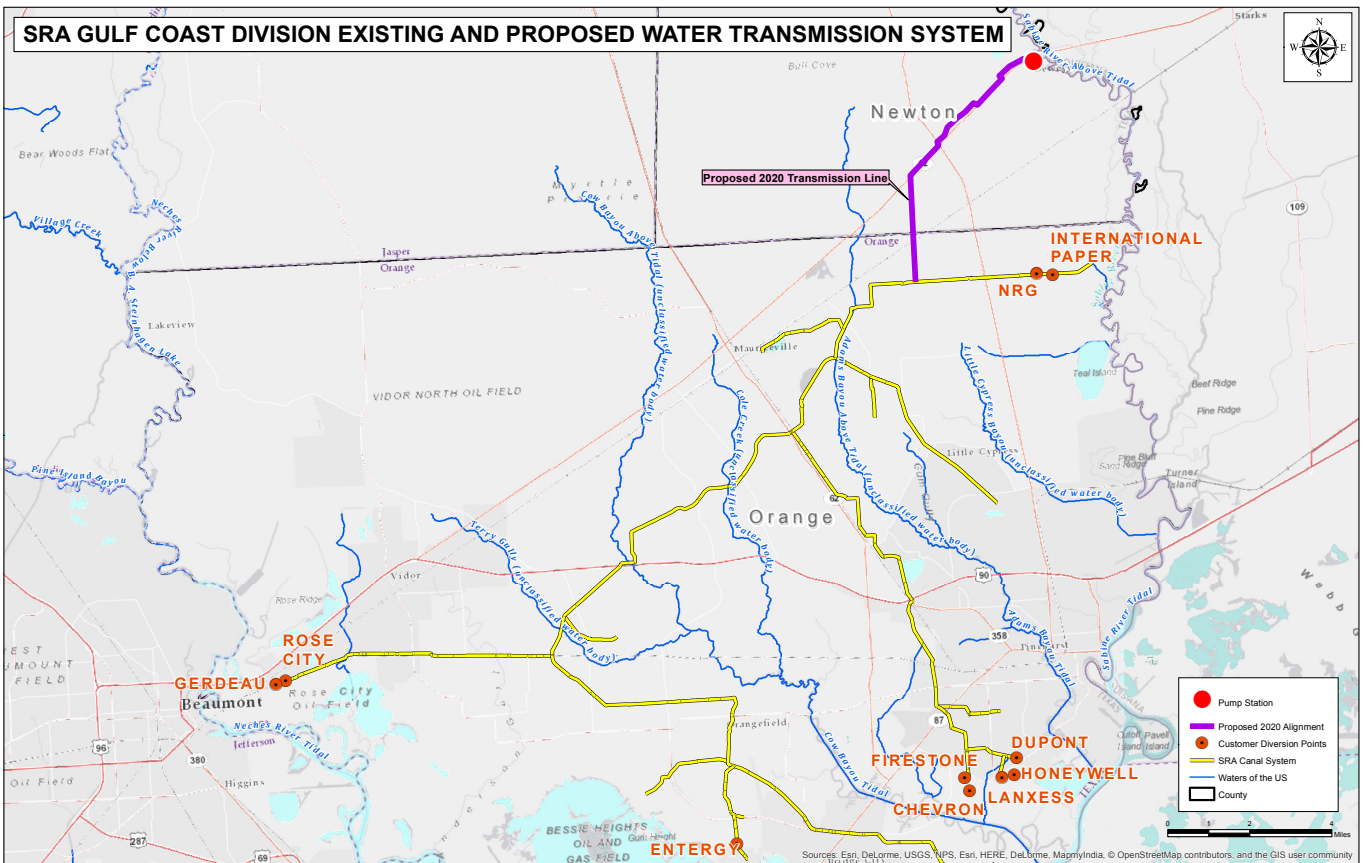


**Figure 2. Summary of SRA Customer Demand for the Pump Station Project**

**SRA GULF COAST DIVISION CUSTOMER DIVERSION POINTS**



Texas Water Development Board Water Project Information							
A. Project Name SRA PUMPSTATION		B. Project No. 276504		C. County Orange Newton		D. Regional Planning Group (A-P) Region I East Texas Region	
E. Program(s) SWIFT PROGRAM		F. Loan <input type="checkbox"/> : \$ 75,000,000 Loan Forgiveness <input type="checkbox"/> : \$ _____ Grant <input type="checkbox"/> : \$ _____		G. Loan Term: 30 Years			
<p>H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)</p> <p>In an effort to conserve raw water from Toledo Bend that SRA has had to release to back-up its run-of-river water right during drought conditions; as well as address changes within the Sabine River that are limiting SRA's ability to withdraw water from the river, SRA is considering a water management strategy to construct a new raw water pump station and associated conveyance system. The approximately 8-mile conveyance system will consist of both a large diameter pipeline and a canal system to convey the diverted water from the proposed pump station back to SRA's existing canal system. A water management strategy for developing the project is included in the list of strategies for SRA in the 2016 East Texas Regional Water Plan. The project will be designed to accommodate an initial need of up to 85 MGD. Additionally, the raw water intake, pump station wet well structure, and conveyance system right-of-way will be designed and constructed to accommodate an additional 200 MGD of future demand totaling 285 MGD.</p> <p><b>Attach map of service area affected by Project or other documentation.</b></p>							
I. Is an Inter Basin Transfer potentially involved? NO				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input checked="" type="checkbox"/> Southeast Texas GCD in Newton County No <input type="checkbox"/>			
K. Service Area Projected Population for at least a 20 year period: NA (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	20	2020	2025	2030	2035	2040
	Population:	NA	NA	NA	NA	NA	NA
Project Design Year: (Year for which project will be sized)		2020		Design Population: (Population served by project on the design year)		NA	
L. Is the proposed project included in a current Regional Water Plan? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> Region I Plan (East Texas Region) (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: Chapter 5B.3.14, 5B.106-109)							
M. What type of water source is associated directly with the proposed project? Surface Water <input checked="" type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? 95,285 Acre-Foot/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names Run of River Rights on Sabine River		Certificate No. 05-4662A		Source County Orange, Newton		Annual Volume and Unit 147,100 acft/yr	
Groundwater Source Aquifer NA		Well Field location NA		Source County NA		Annual Volume and Unit NA	
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names Run of River Rights on Sabine River		Certificate No. 05-04662A		Source County Orange, Newton		Annual Volume and Unit 147,100 acft/yr	
Groundwater Source Aquifer NA		Well Field location: NA		Source County NA		Annual Volume and Unit NA	
R. Consulting Engineer Name Michael Reedy, Freese and Nichols Inc		Telephone No. 713-600-6800		E-mail address mvr@freese.com			
S. Applicant Contact Name, Title Travis Williams, Sabine River Authority		Telephone No. 409-746-2192		E-mail address twilliams@sratx.org			



# Property Rights

- a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?: Y
- b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Type of Permit Water Right	Entity from which the right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.
NA	NA	NA		

STATE OF TEXAS §  
§  
COUNTY OF Orange §

**SURFACE WATER  
AFFIDAVIT**

Before me, the undersigned notary, on this day personally appeared **David Montagne**, a person whose identity is known to me. After I administered an oath to him/her, upon his/her oath he/she said:

1. I am over 18 years of age, of sound mind, and capable of making this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.
2. I am an authorized representative of **Sabine River Authority**, an entity that has filed an application for financial assistance with the Texas Water Development Board for a project that proposes the development of a new surface water supply source.

3. Does the applicant possess a Certificate of Adjudication and/or Water Rights Permit(s) issued by the Texas Commission on Environmental Quality or a predecessor agency authorizing the appropriation and use of the surface water needed for the Project? Yes  No

Please attach a copy of the Certificate(s) of Adjudication and Water Rights Permit(s).

Item attached: Yes  No

4. Does the applicant have the contractual right to use the surface water from an entity that enjoys the right to appropriate and use the surface water needed for the project? Yes  No   
Please attach a copy of any draft or executed water supply contract, lease or other legal instrument providing contractual authorization to use the surface water needed for the Project.

Item attached: Yes  No

Please identify the Certificate of Adjudication(s) and Water Rights Permit(s) possessed by the wholesale water provider pursuant to which the contract, lease or other legal instrument has been or will be executed.

Certificate of Adjudications: \_\_\_\_\_

Item attached: Yes  No

Water Rights Permit(s): NA

Item attached: Yes  No

Signed the 3<sup>rd</sup> day of May, 2016.

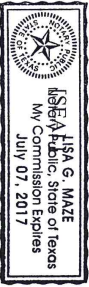


Name

Executive Vice-President and General Manager

Title

Sworn to and subscribed before me by David Montague on May 3, 2016.



  
Notary Public in and for the State of Texas

My Commission expires: JULY 7, 2017



CERTIFICATE OF ADJUDICATION

VOL 641 PAGE 587

CERTIFICATE OF ADJUDICATION: 05-4662 OWNER: Sabine River Authority of

45523

Texas  
P. O. Box 579  
Orange, Texas 77631

COUNTIES: Newton and Orange PRIORITY DATES: February 24, 1926;

June 7, 1946 and  
November 13, 1978

WATERCOURSE: Sabine River

BASIN: Sabine River

WHEREAS, by final decree of the 188th Judicial District Court of Gregg County, in Cause No. 86-256-A, In Re: The Adjudication of Water Rights in the Lower Sabine River Segment of the Sabine River Basin dated June 9, 1986, a right was recognized under Permit 977A and Permit 1391A authorizing the Sabine River Authority of Texas to appropriate waters of the State of Texas as set forth below;

NOW, THEREFORE, this certificate of adjudication to appropriate waters of the State of Texas in the Sabine River Basin is issued to the Sabine River Authority of Texas, subject to the following terms and conditions:

1. USE

A. Owner is authorized to divert and use not to exceed 100,400 acre-feet of water per annum from the Sabine River for municipal and industrial purposes. Owner may transfer not more than 30,000 acre-feet of this amount from the Sabine River Basin to the Neches River Basin for municipal and industrial purposes.

B. Owner is also authorized to divert and use not to exceed 46,700 acre-feet of water per annum from the Sabine River to irrigate a maximum of 14,000 acres of land in the Sabine River Basin and 4000 acres of land in the Neches River Basin within the service area of the Sabine River Authority in Orange County, Texas.

2. DIVERSION

A. Location:

At a point on the Sabine River in the George Hayden Survey, Abstract 973, Newton County, Texas through a channel leading to a pumping plant located in the G. A. Hudson, Jr. Survey, Abstract 446, Orange County, Texas.

B. Maximum rate: 650 cfs (292,500 gpm).

3. PRIORITY

- A. The time priority of owner's right is February 24, 1926 for the diversion and use 70,400 acre-feet of water for municipal and industrial purposes.
- B. The time priority of owner's right is June 7, 1946 for the diversion of the remaining 30,000 acre-feet of water for municipal and industrial purposes.
- C. The time priority of owner's right is November 13, 1978 for the diversion and use of water for irrigation purposes.

The locations of pertinent features related to this certificate are shown on Pages 24 and 25 of the Lower Sabine River Segment Certificates of Adjudication Maps, copies of which are located in the office of the Texas Water Commission, Austin, Texas.

This certificate of adjudication is issued subject to all terms, conditions and provisions in the final decree of the 188th Judicial District Court of Gregg County, Texas, in Cause No. 86-256-A, In Re: The Adjudication of Water Rights in the Lower Sabine River Segment of the Sabine River Basin dated June 9, 1986, and supersedes all rights of the owner asserted in that cause.

This certificate of adjudication is issued subject to senior and superior water rights in the Sabine River Basin.

This certificate of adjudication is issued subject to the obligations of the State of Texas pursuant to the terms of the Sabine River Compact.



**WRD 208 B NOT APPLICABLE FOR THIS ENTITY**

# Permits & Easements

Are any major permits necessary for completion of the project?: Y

Permits

Permit	Issuing Entity	Permit Acquired (Y/N)
Diversion Permit	USACE, TCEQ	N

Has the applicant obtained all necessary land and easements for the project?: N

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)
Acquisition of conveyance system alignment	multiple landowners	OWN	03-01-2018	Y

# Environmental Determination

Has a Categorical Exclusion (CE), Determination of No Effect, Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?: N

## CE/DNE

Is the project potentially eligible for a CE/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?: Y

# Adverse Environmental/Social Impacts

Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?: N

# Associated PIF(s)

PIF number(s):

There are no associated PIFs.

# Additional Attachments

The following documents are attached after this page:

RESOLUTION 623 - Reimbursement.pdf

SRA\_PumpStationCustomers\_TopTenByUsage\_FY2015.pdf

SRA\_PumpStationCustomers\_TopTenByRevenue\_FY2015.pdf

SRA\_PumpStationCustomers\_ContractSummary.pdf

20160204\_DRAFT\_SRA\_Pumpstation\_Conservation.pdf

SRA - Top 10 Water Customers Worksheet.pdf

SRA FT15-annualreport.pdf

**RESOLUTION NO. 623**

**EXPRESSING OFFICIAL INTENT TO REIMBURSE COSTS OF SABINE  
RIVER AUTHORITY OF TEXAS WATER SYSTEM PROJECT**

---

WHEREAS, the Sabine River Authority of Texas (the "Authority") is a duly created governmental body of the State of Texas;

WHEREAS, the Authority expects to pay, or have paid on its behalf, expenditures in connection with the design, planning, acquisition and construction of various capital improvements to the Authority's raw water delivery system, including construction of a new raw water pump station and associated conveyance system and related construction (collectively, the "Project") prior to the issuance of tax-exempt obligations, tax-credit obligations and/or obligations for which a prior expression of intent to finance or refinance is required by Federal or state law (collectively and individually, the "Obligations") to finance the Project;

WHEREAS, the Authority finds, considers, and declares that the reimbursement for the payment of such expenditures will be appropriate and consistent with the lawful objectives of the Authority and, as such, chooses to declare its intention to reimburse itself for such payments at such time as it issues Obligations to finance the Project;

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE RIVER AUTHORITY OF TEXAS THAT:

Section 1. The Authority reasonably expects to incur debt, as one or more series of Obligations, with an aggregate maximum principal amount equal to \$75,000,000 for the purpose of paying the costs of the Project.

Section 2. All costs to be reimbursed pursuant hereto will be capital expenditures. No tax-exempt or tax credit Obligations will be issued by the Authority in furtherance of this Statement after a date which is later than 18 months after the later of (1) the date the expenditures are paid or (2) the date on which the property, with respect to which such expenditures were made, is placed in service.

Section 3. The foregoing notwithstanding, no tax-exempt or tax credit Obligation will be issued pursuant to this Statement more than three years after the date any expenditure which is to be reimbursed is paid.

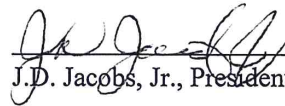
Section 4. The foregoing Sections 2 and 3 notwithstanding, all costs to be reimbursed with qualified tax credit Obligations shall not be paid prior to the date hereof and no tax credit Obligations shall be issued after 18 months of the date the original expenditure is made.

[SIGNATURE PAGE FOLLOWS]

This Resolution shall take effect and be in force from and after the date of its passage, and it is so resolved.

PASSED AND APPROVED this the 7<sup>th</sup> day of April, 2016.


SABINE RIVER AUTHORITY OF TEXAS

  
\_\_\_\_\_  
J.D. Jacobs, Jr., President

ATTEST:

  
\_\_\_\_\_  
Earl Williams, Secretary

APPROVED:

  
\_\_\_\_\_  
David Montagne, Executive Vice  
President & General Manager



Entity	FY2015	Total gallons Used	% of Total Gallons Used
Gulf Coast WR			
International Paper		5,663,160,000	36.27%
E.I. Dupont		4,996,246,000	31.99%
Cottonwood Energy Co.		1,667,988,696	10.68%
Lanxess		1,154,734,274	7.39%
Entergy		1,046,231,000	6.70%
ChevronPhillips Chemical		330,182,000	2.11%
Firestone		300,079,000	1.92%
Gerdau Ameristeel US, Inc.		236,802,000	1.52%
Honeywell		196,489,263	1.26%
Rose City		23,812,000	0.15%

<b>Entity</b>	<b>FY2015</b>	<b>Total</b>	<b>% of Total</b>
		<b>FY2015 Rev</b>	<b>Revenue</b>
Gulf Coast WR			
International Paper		\$1,085,414.67	33.19%
E.I. Dupont		\$935,226.06	28.59%
Cottonwood Energy Co.		\$419,363.04	12.82%
Lanxess		\$304,166.64	9.30%
Entergy		\$227,157.81	6.95%
Firestone		\$83,742.36	2.56%
ChevronPhillips Chemical		\$78,934.23	2.41%
Honeywell		\$64,998.44	1.99%
Gerdau Ameristeel US, Inc.		\$62,792.69	1.92%
Rose City		\$8,836.03	0.27%

Entity	2016 Minimum	2016 Usage Fee	Annual	Annual	Annual	Annual Debt	Other
	Annual Amount	(per 1,000 Gal)	O&M	Capital Cost	Service		
Gulf Coast WR							
E.I. Dupont	\$907,390.00	\$0.226	0	0	0	0	
International Paper	\$907,390.00	\$0.226	0	0	0	0	
Cottonwood Energy Co.	\$464,280.00	\$0.212	0	0	0	0	
Lanxess	\$362,080.00	\$0.248	0	0	0	0	
Entergy	\$211,992.00	\$0.264	0	0	0	0	
ChevronPhillips Chemical	\$88,800.00	\$0.296	0	0	0	0	
Firestone	\$71,040.00	\$0.296	0	0	0	0	
Gerdau Ameristeel US, Inc.	\$59,422.00	\$0.296	0	0	0	0	
Honeywell	\$59,428.51	\$0.296	0	0	0	0	
Rose City	\$8,518.80	\$0.229	0	0	0	0	

**NOTE: SRA's water rates are Calendar Year based, not Fiscal Year. The Minimum Annual Amount income is based on the Contract Minimum Annual Gallons X Usage Fee + Contract Annual Standby Gallons X 1/10th of Usage Fee. Some customers do not have a Contract Annual Standby Gallons amount.**

# MEMORANDUM



Innovative approaches  
Practical results  
Outstanding service

**SUBJECT:** Sabine River Authority Pump Station  
Operations and Water Conservation

**DATE:** February 4, 2016

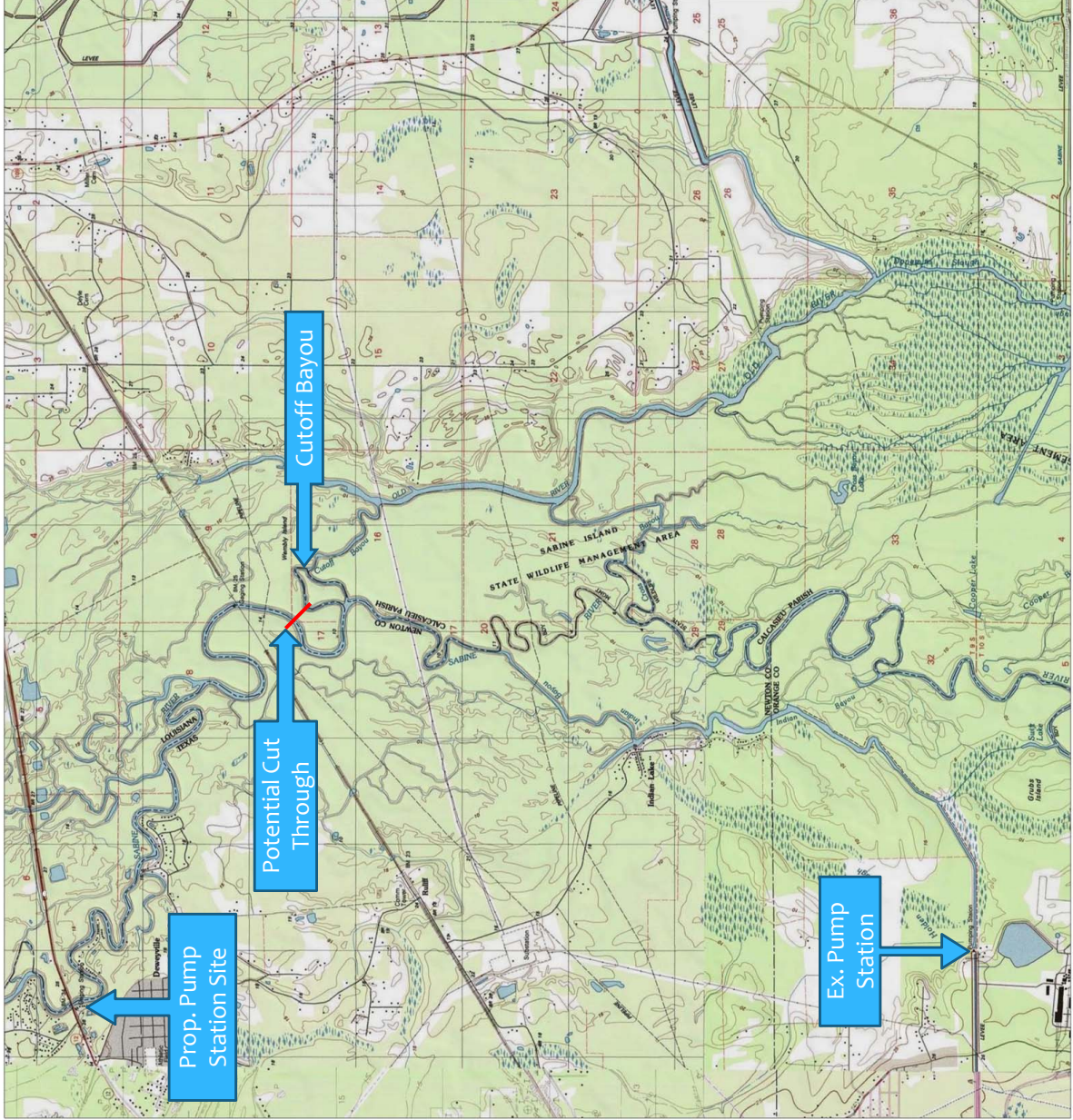


*Spandana Tummuri*  
FREESE AND NICHOLS, INC.  
TEXAS REGISTERED  
ENGINEERING FIRM  
F-2144

Toledo Bend Reservoir is owned and operated by the Sabine River Authority of Texas (SRA-TX) and the Sabine River Authority, State of Louisiana (“SRA-LA”), the SRAs. The SRA-TX has a water right to divert up to 750,000 acre-feet per year from Toledo Bend Reservoir; and in 2003, submitted an application to amend its existing water right to increase the diversions from Toledo Bend Reservoir by 293,300 acre-feet per year. In addition to its Toledo Bend water right, SRA-TX also has a water-right to divert up to 147,100 acre-feet per year of run-of-river supplies from the Lower Sabine River. Under the aforementioned water rights, SRA-TX has contracts to supply water to various manufacturing, steam-electric power, mining, irrigation, and municipal customers in Orange, Newton, Sabine, Rusk, and Shelby counties. The customers may be considered either Toledo Bend or run-of-river customers based on the water right basis of their contracts. SRA-TX owns and operates the Gulf Coast Division Canal System with over 75 miles of canal in Orange County which conveys water diverted from the Sabine River to various customer intakes located on the Canal System.

Water from the Sabine River is diverted into the Canal System by its 82 year-old main pump station located in north Orange County. The main pump station, constructed in 1934, has four 90 million gallons per day (MGD) pumps with two of the 90 MGD pumps permanently decommissioned due to mechanical failure. An auxiliary 15 MGD relief pump was originally constructed in 1967 and replaced in 2011. In addition to the two functioning 90 MGD pumps at the main pump station, SRA-TX uses two 8.35 MGD tractor-driven power take off pumps as temporary backup when conditions dictate.

Approximately 4.5-miles upstream of SRA-TX’s existing pump station, the Sabine River splits into two channels at a location commonly known as Cutoff Bayou (see **Figure 1**). The westerly channel (Texas Channel) conveys flows to SRA-TX’s existing pump station while the easterly channel (Louisiana Channel) conveys flows to SRA-LA’s pump station. **Figure 1** shows Cutoff Bayou, a potential river





cut-through, SRA-TX's existing pump station, and the location of the proposed new pump station.

Historically, flows along the Sabine River were evenly split between the Texas and Louisiana Channels downstream of Cutoff Bayou. Due to hydrological and river morphological changes along the lower Sabine River, during natural low flow and drought conditions, Cutoff Bayou splits the Sabine River main stem flows with 23-percent going to the Texas Channel and 77-percent going to the Louisiana Channel. SRA-TX, along with the USGS, has been monitoring this flow split as far back as 1980. Results of this monitoring indicate that the flow split has increasingly favored the Louisiana Channel and this trend is expected to continue. During normal and wet hydrological conditions, flows within the Sabine River are adequate for SRA-TX to divert water using its main pump station. However, during drought and natural low-flow conditions, SRA-TX has had to make stored water releases from Toledo Bend Reservoir to raise the level of the river reaching the main pump station's intake canal so the water could be pumped.

SRA-TX is not contractually obligated to make these stored water releases from Toledo Bend to raise the Sabine River level downstream of Cutoff Bayou. However, SRA-TX has voluntarily made these releases, most recently during the drought of 2011 and again in 2012 and 2013, when drought conditions prevailed in the lower Sabine Basin. The image below of Cutoff Bayou was taken during the drought of 2011. Note the shallow conditions leading to the Texas Channel.



In addition to Toledo Bend stored water released to raise the river level at SRA-TX's main pump station intake, SRA-LA has needed releases from Toledo Bend during drought conditions to push the saltwater wedge downstream of its pump station located along the Louisiana Channel. In 2011, to ensure adequate river level in the Texas Channel to supply SRA-TX Canal System customers and to push the salt water wedge downstream along the Louisiana Channel, the SRA's released 318,220 acre-feet from Toledo Bend. Additionally, the SRA's had to make similar releases of 120,004 acre-feet and 58,264 acre-feet in 2012 and 2013 respectively.

An additional concern, as shown on **Figure 1**, is the potential of two opposing cut banks to erode through a narrow strip of land. Should the Sabine River eventually cut-through the narrow strip, the potential exists for all flows to be diverted to the Louisiana Channel during low flow conditions. A review of historical aerial photography indicates that this strip of land has narrowed from 445-feet in 1976 to 250-feet in 2015. In similar situations historically along the Sabine River, when two cut banks have reached within 100-150 feet of one another, the river has cut through during high flows creating

oxbow's along the river. Most recently, the Sabine River cut through at Taylor's Bend in 2005<sup>1</sup>.

In an effort to conserve Toledo Bend Reservoir water, SRA-TX is currently planning and designing a new pump station project, which will be on the main stem of the Sabine River upstream of Cutoff Bayou. Locating the proposed pump station upstream of Cutoff Bayou will not resolve the hydrological conditions at Cutoff Bayou and the flow split will most likely continue to favor the Louisiana Channel. However, by shifting the pump station upstream of Cutoff Bayou, SRA-TX will no longer need to release Toledo Bend stored water to raise the water level in the Texas Channel downstream of Cutoff Bayou. If dry conditions similar to 2011 will occur in the future, SRA-TX will be conserving up to 159,110 acre-feet per year (approximately 50 percent of Toledo Bend stored water releases made in 2011) of the water by locating the pump station upstream of Cutoff Bayou.

It should be noted that the water use in the area has changed from high-peak demand irrigation use to more steady-demand industrial use. Owing to this change, the pumping operations have been more steadier and therefore one 85 MGD pump station (with the option to expand by an additional 200 MGD) was proposed to replace the two 90 MGD pump stations.

---

<sup>1</sup> [https://www.researchgate.net/figure/260351733\\_fig4\\_Figure-4-Topographic-cross-section-west-to-east-showing-the-Sa](https://www.researchgate.net/figure/260351733_fig4_Figure-4-Topographic-cross-section-west-to-east-showing-the-Sa)"; accessed February 3.2016.



**SABINE RIVER AUTHORITY OF TEXAS  
TOP TEN WATER CUSTOMERS  
FYE 8/31/2015**

\$ 14,484,783.00 Total Water Sales

Rank	Water Sales	Percentage of Total	Customer
1	\$ 6,246,261.89	43.12%	Dallas Water Utilities
2	\$ 1,454,721.89	10.04%	North Texas Municipal Water District
3	\$ 1,047,937.84	7.23%	International Paper
4	\$ 954,694.72	6.59%	Dupont
5	\$ 952,843.26	6.58%	City of Greenville
6	\$ 739,682.68	5.11%	City of Longview
7	\$ 422,595.24	2.92%	NRG EnergyCo. (Cottonwood)
8	\$ 344,316.30	2.38%	XTO Energy
9	\$ 301,733.31	2.08%	Lanxess
10	\$ 248,567.50	1.72%	City of Kilgore
<b>Total</b>	<b>\$ 12,713,354.63</b>		

Comprehensive Annual Financial Report  
for the Fiscal Years Ended August 31, 2015 and 2014



SABINE RIVER AUTHORITY OF TEXAS









# SABINE RIVER AUTHORITY OF TEXAS

Comprehensive Annual Financial Report for Fiscal Years Ended August 31, 2015 and 2014

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## THIS REPORT PREPARED BY THE AUTHORITY GENERAL OFFICE

*The cover features Lake Tawakoni, a valuable Upper Basin water supply, popular catfish, white bass, and striped bass fishery, and popular recreation site.*

*(For more information about Lake Tawakoni, see page 16)*



# SABINE RIVER AUTHORITY of Texas

100 BOX 579  
ORANGE, TEXAS  
77631

February 1, 2016

Mr. Mac Abney  
and Members of the Board of Directors  
Sabine River Authority of Texas

Board Members:

It is our pleasure to submit the Comprehensive Annual Financial Report of the Sabine River Authority of Texas for the fiscal year ended August 31, 2015. The material aspect of the data is accurate in our opinion and the report discloses results of operations and the financial position of the Authority as recorded by the activity of the eight divisions within the Authority. Necessary information to assist the reader in understanding the financial position of the Authority is included. Narratives applicable to each division, along with financial statements are enclosed to provide complete details concerning the Authority's fiscal year activities and related costs.

Management is responsible for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed the anticipated benefit, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Comprehensive Annual Financial Report includes the management's discussion and analysis in the financial section which provides an overview of the Authority's financial activities and should be read in conjunction with the financial statements. The Statistical Section includes selected financial and demographic information.

The Authority was created in 1949, pursuant to Vernon's Ann. Civ. Stat. Art. 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59, of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. The Authority is governed by a nine member Board of Directors appointed by the Governor and the Board is vested with the management and control of the Authority. Responsibilities of the Authority include municipal, industrial, mining and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; management of three major reservoirs and recreation facilities; and an initiative to enhance economic growth in the Sabine River Basin.

## **LONG-TERM FINANCIAL PLANNING**

The Authority continues to pursue planning for meeting future water supply needs of the Basin and plays a major part in the State's regional water planning process. Management of the Authority's resources also includes negotiations with natural gas producers to sell Toledo Bend water for well completion; and negotiations with the City of Dallas on the renewal of the Lake Fork water supply contract. As authorized by the Board, the Authority is proceeding with the development of a new Gulf Coast Division Pump Station Project. The new pump station will provide a modernized pumping facility located on the main stem of the Sabine River, ensuring a more reliable water supply for the Authority's customers in the lower basin.



## FINANCIAL INFORMATION

The Authority accounting system consists of one enterprise fund where all financial activities are recorded. Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected. Through an ongoing review process the Authority assures that internal controls are adequate. Procurement of a new accounting software system was authorized by the Board with implementation scheduled to occur in FY2016.

**Enterprise Operations.** Total revenues for the fiscal year were \$24,363,668 compared to \$20,797,519 for FY2014.

**Budget Controls.** A budget is prepared annually in accordance with the Water Code Chapter 49, Subchapter G, Sec. 49.199 and, after approval by the Board of Directors, is used in planning and controlling costs. During the year, necessary budget amendments are submitted and approved by the Board prior to implementation.

**Debt Administration.** Outstanding revenue bonds at August 31, 2015 totaled \$20,732,925. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service.

## OTHER INFORMATION

**Independent Auditor.** V.T.C.A., Water Code Sec. 49.191 requires an annual audit of the Authority's records by the State Auditor or by an independent accountant. The Board of Directors engaged Pattillo, Brown & Hill, LLP to perform this audit. This report will be filed with the Texas Commission on Environmental Quality, the Orange County Clerk and the Pension Review Board.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sabine River Authority of Texas for its comprehensive annual financial report for the fiscal year ended August 31, 2014. This was the fifteenth consecutive year that the Authority has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

On December 17, 2015, Governor Greg Abbott reappointed Cary "Mac" Abney of Marshall and appointed Kimberly Fish of Longview and Jeanette Sterner of Holly Lake Ranch to the SRA Board of Directors. SRA would like to commend outgoing board members Connie Wade and Connie Ware for their twelve years of dedicated service on behalf of the citizens of the Sabine River Basin.

On behalf of the Executive Staff, we would like to sincerely thank the Board of Directors, Employees and Consultants for their cooperation and commitment to the projects undertaken by the Authority. The preparation of the Comprehensive Annual Financial Report was achieved through cooperative efforts and dedicated service of the Authority's General Office Staff.

Sincerely yours,

## SABINE RIVER AUTHORITY OF TEXAS

David Montagne  
Executive Vice President  
and General Manager

Ann Galassi  
Assistant General Manager,  
Administration

Debra Stagner  
Authority General Office Manager  
and Controller



# BOARD OF DIRECTORS - 2015



**Cary "Mac" Abney -  
President**  
*Marshall, Texas*

Mr. Abney is a certified public accountant and president of Abney and Company, PLLC. He is a member of the American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants, and Texas Forestry Association, and a board member of the Marshall Harrison County Joint Airport Zoning Board, and the Harrison County Soil and Water Conservation District, USDA. Mr. Abney is also past president of the Harrison County Housing Finance Corporation and Harrison County Airport Advisory Committee, secretary and treasurer of the Harrison County EMS (Dist #2), and secretary of the Fern Lake Club. He received a bachelor's degree from Southern Methodist University and is a graduate of the College of Financial Planning. Mr. Abney and his wife Claudia have two children, five grandchildren and reside in Marshall.



**Connie Ware  
Vice President**  
*Marshall, Texas*

Ms. Ware is very active in her community and served as the President and CEO of the Greater Marshall Chamber of Commerce for sixteen years. In 1995, Ms. Ware was appointed to serve as Chairman of the Texas Commission on the Arts by Governor Bush and served until 2000. In 2011, Ms. Ware was appointed to the Stephen F. Austin State University Board of Regents by Governor Rick Perry. Ms. Ware was a founding board member on the Texans for the Arts advocacy group and the Marshall Regional Arts Council. She also

served on various statewide and national arts boards. She received the "1988 Outstanding Citizen" award from the Marshall Chamber of Commerce. Ms. Ware chaired numerous political committees and has served as a delegate to the Texas Republican Convention since 1990 and as an alternate to the National Republican Convention in 1992 and 2000. She was Harrison County Republican Chairman from 1990-1996.



**J.D. Jacobs, Jr.  
Secretary**  
*Rockwall, Texas*

Mr. Jacobs is the former President and CEO of Jacobs Transportation, Inc. He resides in Rockwall County where he farms 4,000 acres of cotton, corn, milo and wheat and runs a 100-225 head cow/calf operation. Mr. Jacobs is a current member of the Farm Service Agency County Committee, the Rockwall County Extension Service Advisory Board and serves as VP for the Rockwall County Farm Bureau Insurance Board. He formerly served on the Rockwall Housing Development Corporation Board. He received the "2001 Agricultural Excellence Award" from the Texas Department of Agriculture. Mr. Jacobs and his wife, Ollie Marian, have three children and four grandchildren and are members of the Lake Pointe Baptist Church of Rockwall.



**Connie Wade  
Secretary Pro-Tem**  
*Longview, Texas*

Ms. Wade moved from the Texas panhandle to the piney woods of East Texas 1978 and fell in love with its natural beauty, history and its people. Since moving to East Texas, Ms. Wade has volunteered on behalf of local, state-wide and national candidates and served the Gregg County GOP Party as its secretary, vice-chairman and as an election judge. At the 1992 State GOP Convention, she chaired the sub-committee on education for the platform committee and in 1996, was elected as an alternate to the GOP National Convention in San Diego. She served on the Governor's Commission for Women from 1995-1996. She served as the scheduler for the state-wide campaign for Rick Perry for Lt. Governor; immediately afterward moving over to the Texas Department of Agriculture as a scheduler for Commissioner Susan Combs. Her work history includes jobs in physical therapy and dental fields. She has served as Gregg County Clerk since January 1, 2005 and is a member of the County and District Clerks Association of Texas. She resides in Longview with her husband, Jerry Gipson. Their son, Shannon, resides in Spring, Texas along with his wife and children.

# BOARD OF DIRECTORS



**Stanley N. "Stan" Mathews**  
*Pinehurst, Texas*

Mr. Mathews owns and operates Mathews Jewelers, Inc., established in Orange, Texas in 1984 and expanded to Beaumont in 2002. Born and raised in Orange as the son of J. L. and Laverne Mathews, he is very active in his community. He has served as Board Member, VP of Economic Development and Life Ambassador for the Greater Orange Area Chamber of Commerce. Mr. Mathews was named 1997 "Small Business Person of the Year." He previously served as a school board member of Little Cypress Mauriceville ISD and as an advisory board member for Memorial Hermann Baptist Orange Hospital. He is a member of the Texas Jewelers Association, a member of the Beaumont Chamber of Commerce, a member of the Lamar University Cardinal Club Board of Directors and a 22 year member of the Orange Rotary Club. In his leisure time, he enjoys golf, fishing and travel. Stan and his wife, Linda, have two children and five grandchildren and reside in Pinehurst, Texas.



**Earl Williams**  
*Orange, Texas*

Mr. Williams is CEO of Tool Tech Machining in Beaumont, Texas, partner of Cypress Bayou Industrial Painting and President of Cypress Bayou, Inc. in Orange, Texas. He received a Bachelor of Science degree from Howard Payne University, a Masters degree from Stephen F. Austin State University and completed post graduate work at Texas A&M University. Mr. Williams was appointed to SRA's Board of Directors by Governor Rick Perry in 2001. He previously served on SRA's Board from 1994 to 1999. Mr. Williams and his wife, Suzanne, have two children and live in the Orange area.



**Sharon Newcomer**  
*Mauriceville, Texas*

Sharon Newcomer is a past education certification instructor at Lamar State College-Orange and a former educator in the state of Alaska. Ms. Newcomer is also past president of the Alaska School Counseling Association, and a past member of the National Middle School Association, National Education Association, Matanuska Susitna Agency Partnership, Alaska Extended Learning Advisory Board, and LifeQuest Mental Health

Executive Board. Ms. Newcomer received a bachelor's degree from Sam Houston State University, a master's degree in elementary education from Stephen F. Austin State University, and a master's degree in education counseling from Oregon State University. Ms. Newcomer has a daughter and son-in-law and four grandchildren. She resides with her husband, Ed Newcomer, in Mauriceville and is a member of the choir at First Baptist Church of Orange.



**David Koonce**  
*Center, Texas*

Mr. Koonce is president/CEO of General Shelters of Texas Ltd., president/CEO of Campbell Portable Buildings, Ltd. and also has partnership interests in three small businesses. He is past president of the Shelby County Chamber of Commerce, past president and treasurer of the Shelby County Bass Anglers, Director for the Houston Livestock Show and Rodeo, member of Shelby County Area Go Texan Committee, member of Shelby County Cookers, past vice chairperson for the Shelby County Historical Commission, committeeman of Shelby County Ducks Unlimited and past board member for Center Crime Stoppers. Mr. Koonce received a bachelor's degree from Stephen F. Austin State University. In his spare time he enjoys hunting, fishing, travel and spending time with his grandson. He and wife, Angela, are members of the First Baptist Church and reside in Center.



**Cliff Todd - Past President**  
*Carthage, Texas*

Mr. Todd currently works for C and J Energy Services. Previously he was the executive director of the Marshall Economic Development Corporation. He is a past member of the Austin and Carthage Rotary clubs and a past president of the Carthage Rotary Club. He retired after nearly 30 years with the Texas Department of Agriculture, serving in Austin and later with the TDA Rural Economic Division for the entire East Texas region. He is involved in overseeing the management of his family-owned farm and ranch in Panola and Rusk Counties. He has served as a longtime adult and college Sunday school teacher for over 25 years. He currently serves as a deacon for Central Baptist Church. He enjoys being a pilot and spending time outdoors on weekends on their farm. His wife, Denise, is a retired kindergarten teacher. They have one daughter, Sara Roth of Dallas. Mr. Todd received a bachelor's degree from Stephen F. Austin State University.

# BOARD OFFICERS - 2015



*Standing left to right:* Connie Ware, J.D. Jacobs, and Connie Wade  
*Seated:* Cary "Mac" Abney

## Sabine River Authority

### Board Officers 2015

*President*  
**Cary "Mac" Abney**

*Vice President*  
**Connie Ware**

*Secretary/Treasurer*  
**J.D. Jacobs, Jr.**

*Secretary Pro-Tem*  
**Connie Wade**



## Board of Directors 2015

*Standing left to right:*  
Earl Williams, Stan Mathews,  
J. D. Jacobs, Mac Abney, and  
David Koonce

*Seated left to right:*  
Sharon Newcomer, Cliff Todd,  
Connie Ware, and Connie  
Wade

# BOARD HIGHLIGHTS

The Sabine River Authority of Texas is governed by a nine-member Board of Directors. Each board member serves a six-year term. The Governor of Texas appoints three board members every two years. Directors are required to reside within a county situated wholly or partially within the watershed of the Sabine River. The members of the Board of Directors are leaders in their communities. They are dedicated citizens who are active participants in the water issues being addressed by the Sabine River Authority of Texas.



Dedication of Veterans Memorial at Lake Fork, August 2015  
J.D. Jacobs, Jr., and Wife, Ollie, with Representative Bryan Hughes



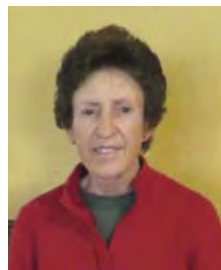
Connie Wade (left) and Mac Abney (right) present Community Assistance Program grant to the City of East Mountain

On December 17, 2015 Governor Greg Abbott reappointed Cary “Mac” Abney and appointed Kimberly Fish and Jeanette Sterner to the SRA Board of Directors for six-year terms.



**Kimberly Fish**  
Longview, Texas

Kimberly Fish is a freelance writer specializing in marketing and media materials, as well as a creative consultant in the community development field. Trained as a professional film maker, her career path gravitated to pre-production specialties, with a strong emphasis on writing. With experience honed in the auto manufacturing world, real estate development, and non-profits, her writing expertise has led to publication in professional, civic, and statewide magazines. She currently sits on the board of Longview 2020, Community Connections Center, Longview Arboretum, the LeTourneau University President’s Advisory Committee, LeTourneau University Board of Trustees, is an active member of Moberly Baptist Church, Longview-Greggton Rotary, Zonta International, Gregg County Republican Women, Longview 2020, and is the current Republican Precinct Chair for her district. Kimberly and her husband, Dr. Melton Fish, are proud parents of Mike and Laura Fish.



**Jeanette Sterner**  
Holly Lake Ranch, Texas

Col. Jeanette Sterner was honorably discharged from the United States Army and Texas Army National Guard after 30 years of service. While serving in the Texas Army National Guard, she worked for the Veteran Administration Medical Center in Dallas as a vocational rehabilitation counselor and clinical coordinator for the Veterans Homeless Program. She is an active member of the Military Officers Association of America, VFW Mineola, and the Women’s Service Guild Holly Lake Ranch. She is vice president of Greater Hawkins Veterans Memorial Association and president of Holly Lake Ranch Veterans Association and the Women’s Auxiliary to Greater Hawkins Memorial Association. Col. Sterner received a Bachelor of Arts from Oklahoma City University, Masters of Science from Trinity University and a master’s degree in strategic planning for Global Situations from the Army War College.

# EXECUTIVE STAFF



**Troy Henry**  
Upper Basin  
Regional Manager

**Travis Williams, P. E.**  
Water Resources  
Manager

**Bill Hughes, P. E.**  
Lower Basin  
Regional Manager

**Debra Stagner**  
Authority General Office  
Manager and Controller

**Ann Galassi**  
Asst. General Manager,  
Administration

**David Montagne**  
Executive Vice President and  
General Manager

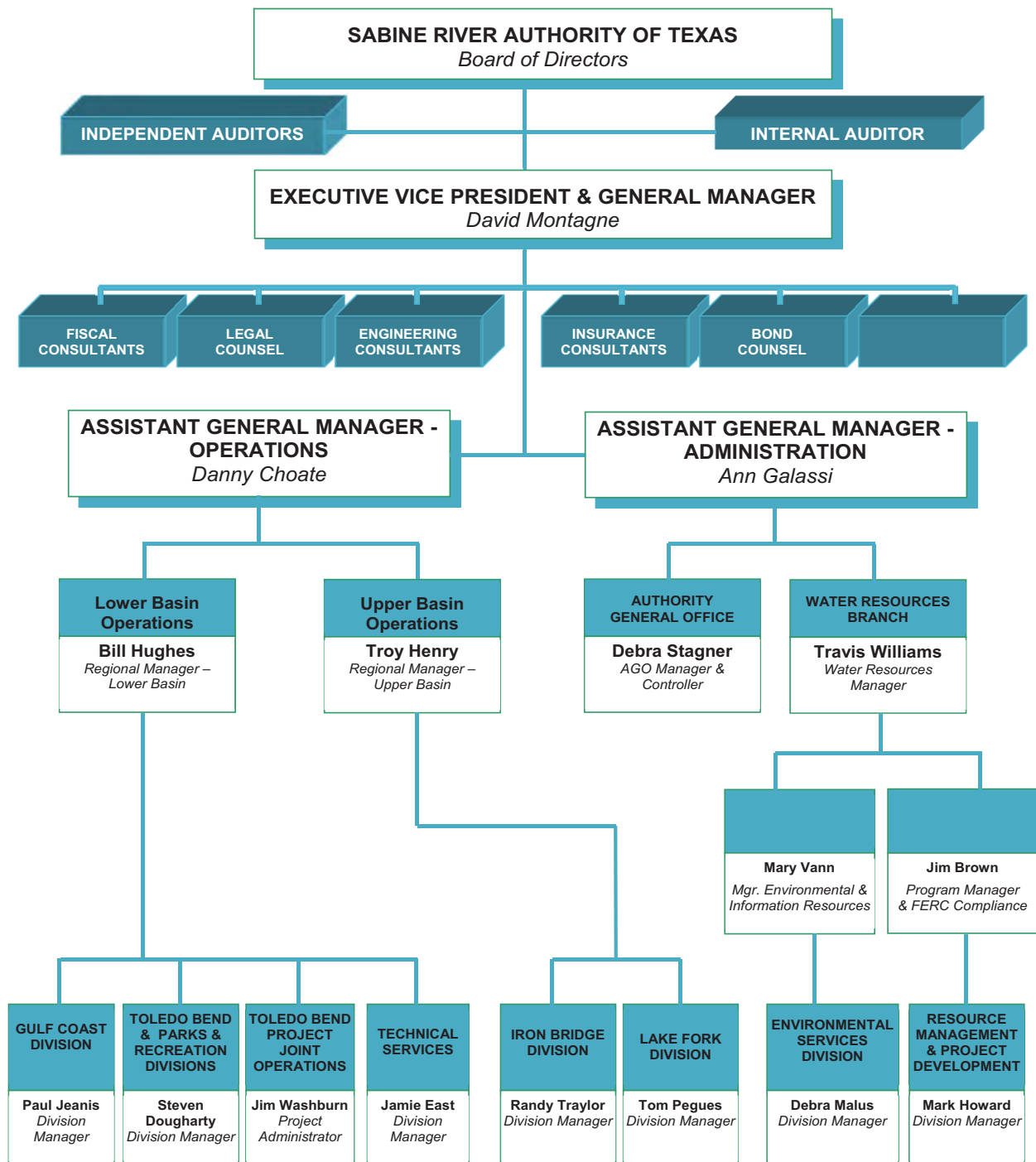
**Danny "Butch" Choate**  
Asst. General Manager,  
Operations



*For more than 65 years, the Board of Directors and Staff of the Sabine River Authority have taken the lead in managing the resources of the Sabine River Basin to meet the long-term water supply needs of the Basin and protect the value of the resources. As the demand for water grows due to increasing population in the State of Texas, SRA will continue to balance and prioritize the use of the water resources in accordance with State Laws.*

# MANAGEMENT STAFF

Effective September 1, 2015





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

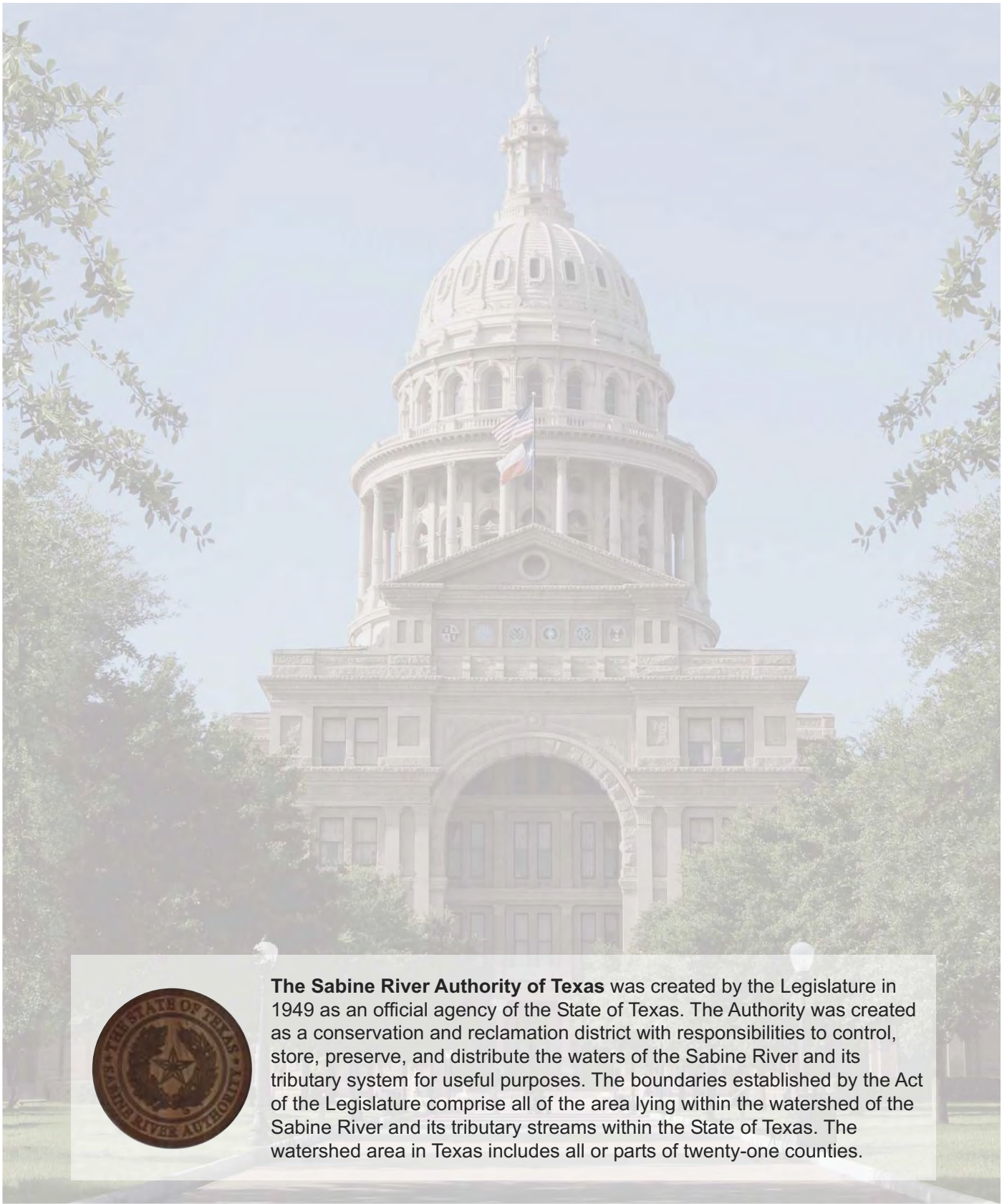
Presented to

**Sabine River Authority  
of Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2014**

Executive Director/CEO



**The Sabine River Authority of Texas** was created by the Legislature in 1949 as an official agency of the State of Texas. The Authority was created as a conservation and reclamation district with responsibilities to control, store, preserve, and distribute the waters of the Sabine River and its tributary system for useful purposes. The boundaries established by the Act of the Legislature comprise all of the area lying within the watershed of the Sabine River and its tributary streams within the State of Texas. The watershed area in Texas includes all or parts of twenty-one counties.



# MANAGING EAST TEXAS WATER

## AS A POLITICAL SUBDIVISION

created by the State Legislature, the Sabine River Authority of Texas (SRA) has the responsibility to manage the long-term water supply needs of the Basin. SRA plays a major part in state and regional water planning issues. Taking the lead in managing the Basin's water resources is part of SRA's overall plan to ensure that water rights are maintained in the Basin and the value of the resource is protected.

David Montagne became Executive Vice President and General Manager of SRA in September of 2014. Mr. Montagne is responsible for the overall operations of the Authority. He executes the policy and program directives of the Board of Directors, oversees the budget, and serves as the liaison between the agency and the Legislature as well as other governmental agencies. He represents the interests of Texas as Project Supervisor for Toledo Bend Project Joint Operation, serving as a member of the Technical Board and is an ex-officio member of the Operating Board. Mr. Montagne has been with the Authority for more than 28 years, previously holding the positions of Assistant General Manager and Controller. From 2004 until 2009, Mr. Montagne served as a Texas Ethics Commissioner. In 2009, he was appointed to the Texas State University System Board of Regents by Governor Rick Perry and in 2015 was reappointed for a six year term by Governor Greg Abbott.

Active in water resource planning efforts, David Montagne is a board member of the Texas Water

Conservation Association (TWCA), a statewide organization of water, wastewater and related entities. TWCA works to educate and inform members, the public, and governmental agencies and leaders at all levels regarding water industry issues. Mr. Montagne is also a



*David Montagne, Executive Vice President and General Manager*

member of the National Water Resources Association (NWRA), a federation of state organizations working to balance the needs of people and the environment.

Mr. Montagne was elected as a board member of the TWCA Risk Management Fund Board of Trustees. He is also a board member for Region I, one of the Regional Water Planning Groups (RWPG) developed from Texas Senate Bill 1 as a "bottom up" water planning process designed to ensure that the water needs of all Texans are met as Texas enters the 21st century. Each RWPG throughout the

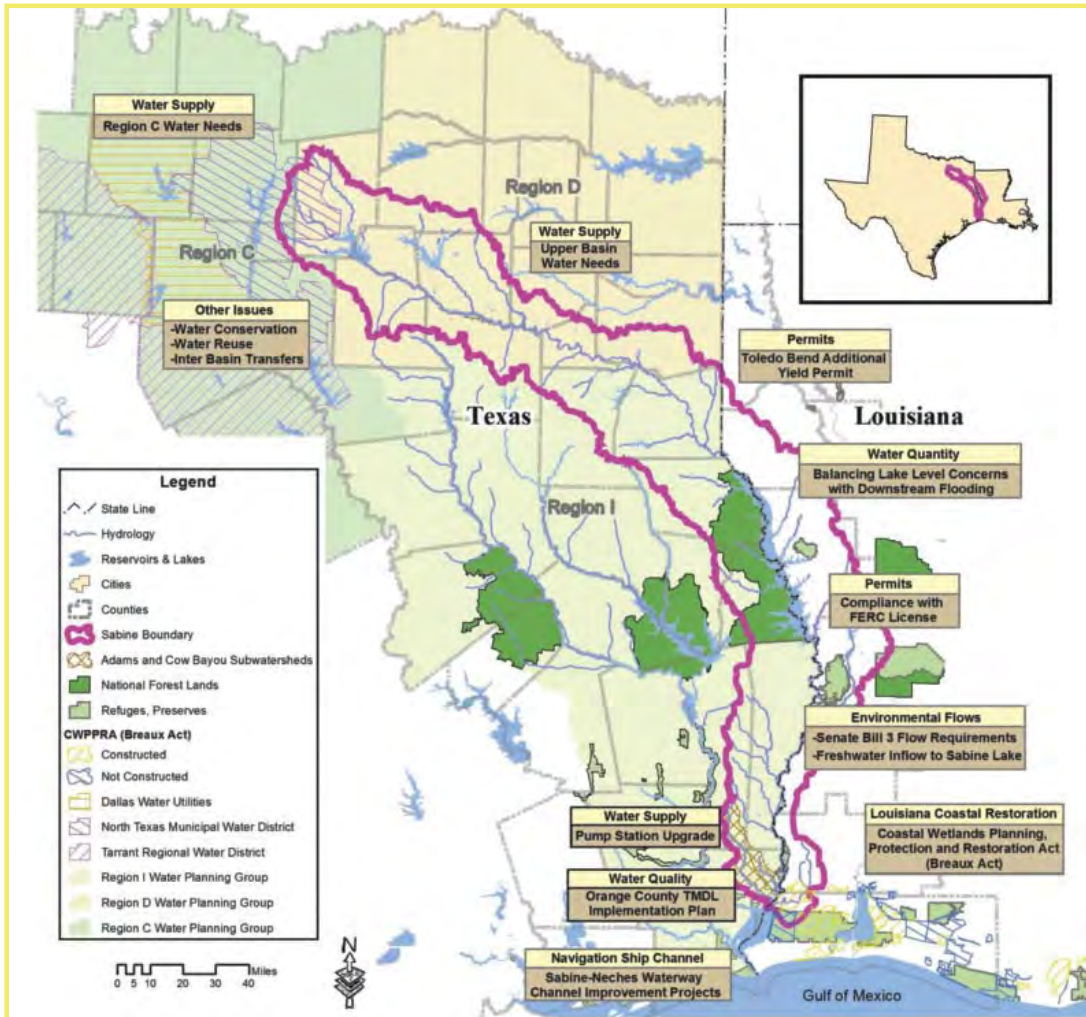
state prepares regional water plans for their respective areas. These plans will map out how to conserve water supplies, meet future water supply needs and respond to future droughts in the planning areas.

Danny "Butch" Choate, Assistant General Manager, Operations and Ann Galassi, Assistant General Manager, Administration assist Mr. Montagne in executing the policy and program directives of the Board of Directors.

Danny "Butch" Choate has been with the Authority for 23 years holding the positions of Iron Bridge Division Manager, Upper Basin Regional Manager, and Operations Manager. Mr. Choate has extensive operational experience that provides an excellent resource for operational activities at SRA. As Assistant General Manager, Operations, he is responsible for the operation, maintenance and safety of all operational facilities. He currently serves on the Engineering Committee of the Sabine River Compact and is a Technical Board Member of the Toledo Bend Project Joint Operation.

Ann Galassi has been with the Authority since 2001 and has held positions of Water Resources Manager and Manager of Economic Development/Public Relations. As Assistant General Manager, Administration she oversees financial and human resources, water resource planning and water quality, economic development and governmental relations. Prior to coming to the Authority, Ms. Galassi worked in economic development and is a Certified Economic Developer with the International Economic Development Council. 🇺🇸

# SABINE RIVER BASIN PLANNING ISSUES



## SPECIAL CONSULTANTS

The following are retained by the Authority to assist in their special capacities:

### ATTORNEYS

Jim Graves (Mehaffy & Weber)  
 Charlie Goehringer (Germer, PLLC)  
 Mike Booth (Booth, Ahrens & Werkenthin)  
 Bob Szabo (VanNess Feldman)  
 Charles Sensiba (VanNess Feldman)  
 Martin Rochelle (Lloyd Gosselink)

### INDEPENDENT AUDITORS

Pattillo, Brown & Hill, LLP

### INTERNAL AUDITOR

James P. Jansen (Jansen & Gregorczyk)

### INSURANCE CONSULTANTS

TWCA Risk Management Fund

### BOND CONSULTANTS

Financial Advisor – First Southwest Co., Inc.  
 Bond Counsel - McCall, Parkhurst & Horton

### ENGINEERING

Carroll & Blackman, Inc.  
 Freese & Nichols, Inc.  
 HDR  
 Alan Plummer Associates, Inc.  
 Schaumburg & Polk, Inc.

# ADMINISTRATIVE OFFICE AND ACCOUNTING

**THE AUTHORITY GENERAL OFFICE (AGO)** is located in the southeast corner of the state in Orange County near the city of Orange, Texas, approximately eight miles north of Interstate 10 on State Highway 87. All official activities of the SRA are arranged and coordinated through this office by the General Manager and his Executive Staff. Scheduling of meetings for the Board of Directors and management as well as posting public notices and agendas, disseminating public information and preparation of press releases are handled through the AGO. The General Manager and Executive Staff also consult with attorneys representing SRA concerning contracts and other legal issues and work with the financial advisors and bond counsel concerning bond issues.

The Accounting Department is located in the Authority General Office and is responsible for all vital accounting functions for the entire Authority. Debra Stagner, AGO Manager and Controller, has been



*Sabine River Authority of Texas General Office, Orange, Texas*

with SRA since 2000 and is responsible for management and oversight of the financial and human resource aspects of SRA. She is a member of the national and state Government Finance Officers Association and the Southeast Texas Human Resources

Association as well as TWCA and NWRA. The Accounting Department staff processes accounts receivable, accounts payable and generates financial statements on a monthly basis. In addition, the Accounting Department staff is responsible for all payroll functions, including preparation of

State and Federal reports, and maintaining personnel files for all employees. Working closely with the Division Managers, a budget of revenues and expenses is prepared for each fiscal year and is presented to the Board of Directors for approval. Revenues and expenses are then monitored on a monthly basis to ensure SRA is operating within the budget and to ensure that approvals for budget amendments are obtained from the Board as needed. Investment of SRA's funds is a very important function of the Accounting Department. The Controller ensures all investments are made in accordance with the Public Funds Investments Act, Chapter 2256 of the Government Code, and the Board-adopted Flow of Funds Resolution and Investment Policy. Investment reports detailing the investment transactions are prepared quarterly and submitted to the Board of Directors as required in the Public Funds Investment Act. In addition, accounts are monitored daily to ensure all funds are properly collateralized by the financial



*SRA Board President, Mac Abney, receives the GFOA Certificate of Achievement for Excellence in Financial Reporting from SRA General Office Manager and Controller, Debra Stagner*

institutions. In accordance with Texas Commission on Environmental Quality (TCEQ) rules, SRA contracts with a Certified Public Accounting firm to employ an internal auditor who reports directly to the Board of Directors. The role of the internal auditor is to verify that the internal controls SRA has in place are more than adequate to protect the assets of SRA. Additionally, SRA contracts with a separate Certified Public Accounting firm as an independent auditor for the purpose of forming an opinion on whether the financial statements present fairly the results of the operations of SRA. The Accounting Department staff is instrumental in working with the internal and independent auditors to assist in their objectives. In Fiscal Year 2015 (FY-15) the Board approved procurement and implementation of a new accounting software system. This system will allow SRA to update and enhance the accounting and reporting processes for the Authority. The conversion is expected to be completed by FY-16.

All purchases of vehicles and heavy equipment are coordinated through the AGO. Bid proposals are



*SRA Board Meeting in Carthage, March 2015*

obtained for major purchases to ensure SRA is receiving the most competitive price on these purchases. The Accounting Department maintains records for all SRA assets and conducts an annual inventory to verify the existence and the condition of the assets.

SRA is concerned with safety issues and provides training to all of

the divisions. The safety program includes training in areas such as safety in the workplace, a defensive driving course, a boating safety course, and the Red Cross first aid and cardiopulmonary resuscitation (CPR) training.

Procurement of health, life, property, and liability insurance coverage for SRA is also managed through the AGO. SRA manages a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of SRA's employees and their covered dependents, and to minimize the total cost of the medical insurance. SRA obtains property and liability insurance coverage from Texas Water Conservation Association (TWCA) Risk Management Fund and other carriers. ➤



# COVER FEATURE: LAKE TAWAKONI

**LAKE TAWAKONI** is SRA's most upstream project. Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. Completed in October 1960, its 36,700 acres include parts of Hunt, Rains and Van Zandt Counties. The ungated concrete spillway is 480 feet in length with a crest elevation of 437.5 feet above mean sea level. The reservoir storage capacity at 437.5 feet mean sea level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

From 2010 to the spring of 2015, drought conditions have been the norm rather than the exception and Lake Tawakoni experienced a record five years without completely filling. It filled to within a few tenths of full pool in spring 2012. Heavy spring rains

in May 2015 refilled the lake and it has spilled frequently since then.

In addition to its use for water supply, Lake Tawakoni has become an important recreation center. Its shoreline, totaling approximately 200 miles in length, offers extensive opportunities for recreational activities. Both private and public

facilities have been installed around the lake shore for swimming, boating, picnicking, fishing, duck hunting, and other uses. Certain areas around the reservoir are particularly adapted for summer homes, resorts, and clubs.

The Authority's 350-acre Wind Point Park on the north end of the



*Water Crests the Spillway in May, 2015*

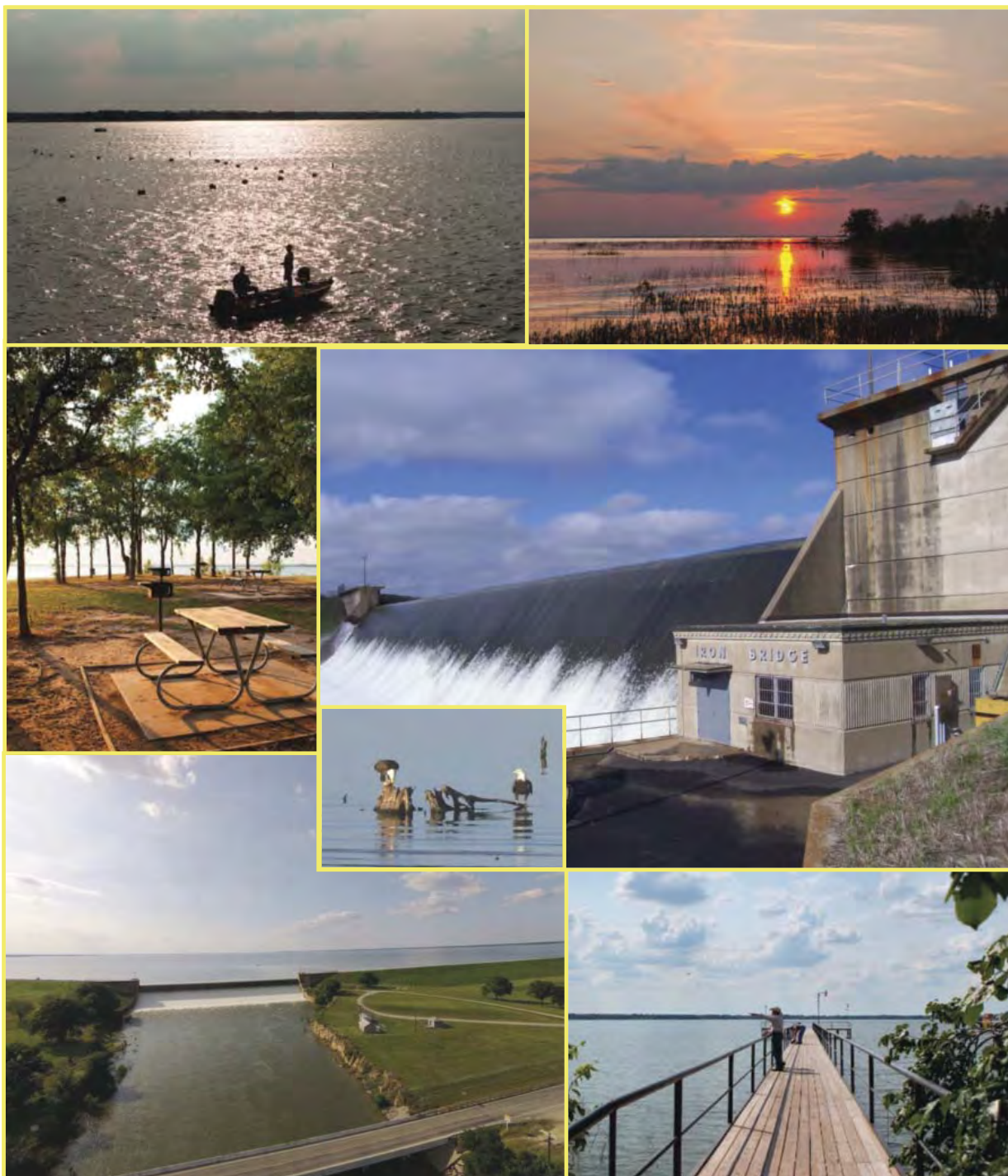


*Fishermen on Lake Tawakoni*

lake offers a variety of recreational facilities including cabins, screened shelters, RV hook-ups, and tent camping areas. The 400-acre Tawakoni State Park on the south end of the lake provides 78 multi-use campsites with water and electricity, 40 picnic sites, four-lane boat ramp, hiking trails, and a swimming beach.

Traditionally known as one of Texas' top catfishing hot spots, Lake Tawakoni is also listed as an excellent white and striped bass fishery. 🇹🇽

# COVER FEATURE: LAKE TAWAKONI



# WATER RESOURCES BRANCH

**THE WATER RESOURCES BRANCH** (WRB) of the Sabine River Authority directs water resource planning and development, water resource protection, environmental service support, and information resources management efforts that enable SRA to fulfill its mission to control, store, preserve and distribute the waters of the Sabine River and its tributary system for useful purposes.

Travis Williams, P.E., Water Resources Branch Manager, has been with the SRA since 2010. Mr. Williams, joined the SRA team in 2010 and is a licensed professional engineer with extensive experience in civil design, water treatment facilities, wastewater treatment facilities, project management and construction methods. He is an active member of the Texas Society of Professional Engineers (TSPE).

The WRB works closely with AGO and the Operations Branch to coordinate future planning efforts to assure dependable supplies of good quality surface water are available to meet the increasing demands for municipal, industrial, agricultural and recreational uses, which support a growing economy in the Sabine River Basin.

In Fiscal Year 2015 (FY-15), the WRB remained heavily involved in compliance activities associated with the new Toledo Bend Project Joint Operation Federal Energy Regulatory Commission (FERC) License issued in August 2014 in a variety of areas including geographic information systems, information technology, and document review. Significant tasks accomplished by the FERC Compliance Team comprised of personnel from SRA and Sabine River Authority, State of Louisiana,

in FY-15 include: filing of Existing Encroachment Identification Plan approved by FERC; filing revised Exhibit G (Project Boundary maps) and Exhibit A (Project description) each approved by FERC; and filing a Revised Recreation Management Plan under FERC review.

In FY-15, the WRB continued its participation in a statewide zebra mussel public information program spearheaded by Texas Parks and Wildlife Department (TPWD), and maintenance of nuisance aquatic plant treatment agreements with TPWD for Toledo Bend and Lake Fork reservoirs.

SRA's Community Assistance Program (CAP) assisted seven Sabine Basin applicants in FY-15 with repairs and improvements in the areas of wastewater management, water supply, and water or wastewater planning. Applicants that were awarded grants consisted of four water supply corporations, two water districts, and one municipality. SRA's CAP, part of an Economic Development Initiative SRA initiated in 2002, provides competitive grants intended to



**Mary Vann**  
*Manager, Environmental and Information Resources*



**Jim Brown**  
*Program Manager and FERC Compliance Officer*

complement or leverage local project funds for entities within the Basin. Projects funded by the grant program must fall within four categories, which include water supply, wastewater management, water conservation, and water quality and are limited to \$10,000 per project. ➔



*Cliff Todd (left) and Mac Abney (right) present Murvaul WSC with a Community Assistance Program grant.*

# RESOURCE MANAGEMENT AND PROJECT DEVELOPMENT DIVISION



**Mark Howard**  
RMPD  
Division  
Manager

**THE RESOURCE MANAGEMENT AND PROJECT DEVELOPMENT DIVISION** (RMPD) provides technical services including geographic information systems (GIS) mapping and analysis, data analysis and reporting, field biology expertise, project management, technical writing, graphic arts, aerial imaging, data management, information technology support, and content maintenance of the SRA website ([www.sratx.org](http://www.sratx.org)).

In FY-15, RMPD provided support to Engineering Services, Operations Divisions, and the Environmental Services Division with GIS products, research, wastewater permitting, U.S. Army



*Toledo Bend Nuisance Vegetation Survey  
Williams Camp, May 2015*

Corps of Engineers permitting, and Toledo Bend Private Limited Use Permits. The RMPD also assisted with FERC compliance by preparing and filing revised Project Boundary Maps, preparing and filing of an Existing Encroachment Identification Plan, cofferdam water quality and effectiveness monitoring and reporting, as well as mapping and analysis, and data management.

Other areas of assistance included drought monitoring and water accountability.

RMPD continues to coordinate with state agencies on a number of issues including invasive aquatic vegetation (giant salvinia and water hyacinth), the zebra mussel public awareness program, rare, threatened and endangered species, the fish sub advisory work group, and coastal issues. 🇺🇸



*Cutoff Bayou Erosion Evaluation Project Poster*

**Website:**  
[www.sratx.org](http://www.sratx.org)



# ENVIRONMENTAL SERVICES DIVISION

## THE ENVIRONMENTAL SERVICES DIVISION

(ESD) of the Water Resources Branch provides technical support to the Sabine River Authority (SRA) in the areas of field and laboratory water quality monitoring and analysis. The ESD is committed to water quality and the use of sound professional practices to achieve quality and uphold the

all contract laboratories reporting data for permits, assessments, compliance issues, enforcement actions, and corrective actions. The ESD laboratory is accredited to analyze potable water samples for the Lead and Copper Rule, an EPA regulation

**Debra Malus**  
*Environmental Services  
Division Manager*



*Staff at the Environmental Services Division Laboratory*

highest level of service. The ESD has nineteen employees and is comprised of a water quality laboratory along with Upper and Lower Basin Field Offices. Staff maintains memberships and actively participates in various professional and technical organizations in order to stay abreast of the latest changes in water quality related regulations and analytical technologies.

The ESD Water Quality Laboratory, located in Orange, performs metals, inorganic and bacteriological analyses of potable and non-potable water for public, private and governmental entities. The laboratory is accredited by the Texas Commission on Environmental Quality (TCEQ) for The NELAC Institute's National Environmental Laboratory Accreditation Program. The TCEQ requires accreditation for

to improve public health protection and control lead and copper in drinking water. The rule requires municipalities to monitor drinking water at a certain number of customer taps within their systems.

In Fiscal Year 2015 (FY-15), the ESD performed a total of 85,366 water quality tests consisting of the following: 39,692 tests for the Sabine River watershed

monitoring programs, 7,742 tests for 41 industrial customers, 7,015 tests for 73 municipal customers, and 226 tests for 158 private customers. A total of 30,691 tests were performed for quality assurance/quality control purposes to support the data generated by the laboratory and field offices. Quality assurance is critical for the validation, precision, and accuracy of laboratory results and collected field data.

In September 2015, the SRA purchased a Thermo Scientific ICS-2100 Ion Chromatograph to upgrade instrumentation and reinforce the SRA's commitment to providing crucial data to basin stakeholders, industries, municipalities, and drinking water customers. The ICS-2100 measures chloride, nitrate, nitrite, orthophosphate and sulfate in



*Thermoscientific 2100 Ion Chromatograph*

# ENVIRONMENTAL SERVICES DIVISION

potable and non-potable water. Routine samples are collected at selected sites on the SRA canal system and analyzed in support of water supply contracts.



*Total Dissolved Solids Analysis*

The Upper Basin Field Office near Lake Fork, and the Lower Basin Field Office in Orange, monitor water quality in the Sabine Basin through the Texas Clean Rivers Program (TCRP) and investigate water quality complaints. The SRA water quality monitoring program under TCRP consists of fixed stations that are monitored over multiple years at strategic locations in the Sabine Basin. These stations represent water bodies utilized for drinking or process water supply sources, recreation areas, and areas that receive treated wastewater. In FY-15, samples were collected monthly and analyzed at thirty-seven fixed sites and special monitoring for 24-hour dissolved oxygen and flow was conducted at one site on Grace Creek. Field staff also completed biological monitoring at Little White Oak Creek and Sabine River at FM 2517 for an Ambient Toxicity Study. The objective of this study was to verify that toxic conditions do not exist in the Sabine Basin at sites that have conflicting results in historical data. All results from this monitoring were submitted to TCEQ's Surface

Water Quality Monitoring database under SRA's Quality Assurance Project Plan.

In FY-15, the Upper Basin Field Office conducted supplemental surveillance and trend monitoring at twelve sites on Lake Fork and Lake Tawakoni and one site on the Sabine River upstream of municipal drinking water intakes. This supplemental sampling provides additional data to adequately characterize water quality trends in protecting water in the Upper Sabine Basin. Responsibilities of water quality protection require ESD staff to



*Sampling Little White Oak Creek*

work with local, municipal, state, or federal agencies to investigate incidents that may threaten Sabine Basin surface waters. From September 1, 2014 through August 31, 2015, staff investigated seven spills, one fish kill, one citizen complaint and nine miscellaneous investigations. Other ESD responsibilities include routine water quality monitoring of the SRA canal system and monitoring the flow of the Sabine River main channel split at Cut-off Bayou.

The ESD continues to be active in the Orange County Total Maximum Daily Load (OCTMDL) project, a

project intended to guide efforts to bring water quality in Adams Bayou and Cow Bayou to meet Texas Surface Water Quality Stream Standards. The project continues to be facilitated through a panel of area stakeholders that have helped finalize the OCTMDL project's Implementation Plan (I-Plan). The number one strategy in the I-Plan recommends regionalizing wastewater treatment and relocating wastewater outfalls from local bayous to the Sabine River. On January 21, 2015, TCEQ Commissioners approved sending the OCTMDL I-Plan out for public comment from February 6 through March 9, 2015. With no additional comments received, the I-Plan was approved by TCEQ on August 5, 2015. More information can be found at

[www.sratx.org/srwmp/octmdl/](http://www.sratx.org/srwmp/octmdl/) 



*Dissolved Metals in Water Analysis*

# OPERATIONS BRANCH OPERATING DIVISIONS



# OPERATIONS OVERVIEW

## OPERATIONS OF THE SABINE RIVER AUTHORITY

began in the lower Sabine River Basin with the purchase of the pump station and canal system owned by the Orange County Water Company in 1954. SRA's canal system, operating first as the Orange County Canal Division and later as the Gulf Coast Division, consisted of a pumping plant on the lower Sabine River and more than 70 miles of gravity-flow canals throughout Orange County. The canal system originally provided raw water to industries, a municipality, rice farmers and crawfish producers in Orange County. Although water use for rice farming and crawfish producers has greatly been reduced, the canal system continues today to provide a reliable and economical source of water to its industrial and municipal customers.

The next SRA operation facility was a water supply reservoir in the upper Sabine River Basin. The Iron Bridge Dam and Lake Tawakoni Reservoir, which lies partially in Hunt, Van Zandt and Rains Counties, began construction in 1958 and was completed in 1960. Construction of the dam and reservoir was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes.

Toledo Bend Reservoir was the next project undertaken by SRA. Plans to build Toledo Bend Dam and Reservoir proved feasible with an engineering study completed in 1958. The Toledo Bend Project was built for the primary purposes of water supply and hydroelectric power generation, with a secondary benefit of providing opportunities for

all types of recreational activities. The Toledo Bend Project is located in Louisiana and Texas on the Sabine River, which forms a portion of the boundary between the two states. Partnering with the Sabine River Authority, State of Louisiana, SRA began construction of the dam, spillway and power plant in April of 1964. Construction was completed in 1968.



The fourth operation facility and third water supply reservoir built by SRA was the Lake Fork Dam and Reservoir located in the upper Sabine River Basin in Wood, Rains, and Hopkins Counties. Construction of the dam and reservoir began in 1975 and was completed in 1980. Although the reservoir was initially built to provide water for an electric generating facility, it also provided water for many communities in the Basin. In 1981, it became a water supply source for the City of Dallas when they assumed the electric companies' contractual right to use Lake Fork water. Over the years, Lake Fork Reservoir has also become a premier largemouth bass fishery and a popular recreation site.

Management of the four operational facilities is headed by Danny "Butch" Choate, SRA Assistant General Manager, Operations. To assist in Operations, Troy Henry serves as the Upper Sabine Basin Regional Manager and Bill Hughes, P.E. serves as the Lower Sabine Basin Regional Manager.

Troy Henry is responsible for the operation, maintenance and safety of the facilities at the Iron Bridge and Lake Fork Divisions. Mr. Henry has been with the Authority for over 24 years and has worked in Environmental Services and Operations. He is a registered Professional Sanitarian and active in the Texas Environmental Health Association. Mr. Henry served on the Northeast Texas Regional Water Planning Group (Region D) where he represented the River Authority interest group.

Bill Hughes, P.E. is responsible for the operation, maintenance and safety of the facilities at the Toledo Bend Division, Parks and Recreation Division and Gulf Coast Division. Bill Hughes also oversees the Technical Services Division created to support and enhance operations throughout the basin. Mr. Hughes has been with the Authority since 2003 and was Director of Engineering Services before becoming Lower Basin Regional Manager. Mr. Hughes, a licensed professional engineer, has over 30 years of experience in civil design, concrete structures, steel structures, geotechnical design, project management and construction methods. He is a long-time standing member of the American Society of Civil Engineers (ASCE). 🇺🇸

# GULF COAST DIVISION

**THE SABINE RIVER AUTHORITY'S GULF COAST DIVISION** (GCD), the first and oldest operating division of the Sabine River Authority, operates and maintains the Authority pumping plant, canal system, wastewater treatment plant and two public boat ramps. The GCD office complex is located eight miles north of Orange, Texas near the Sabine River. The pumping plant consists of centrifugal horizontal pumps with 400 horsepower (HP) electric motors which are capable of pumping 60,000 gallons per minute (GPM) of freshwater and a vertical auxiliary pump with a 125 HP electric motor that is capable of pumping 10,400 GPM of freshwater. The freshwater is lifted 22 feet from

an intake channel off the Sabine River and is distributed through 75 miles of canal laterals by gravity flow which serves nine major industries, the City of Rose City and other small water users throughout Orange County. A total of 49,200 acre feet (16 billion gallons) of freshwater was delivered to customers from the GCD canal system in Fiscal

## Paul Jeanis

*Gulf Coast  
Division Manager*



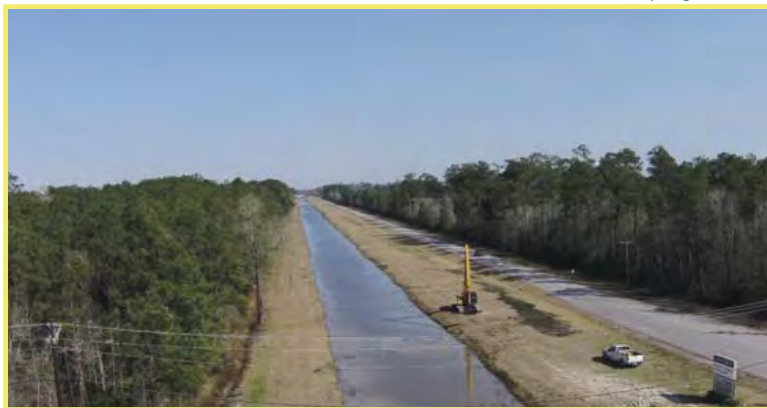
Year 2015 (FY-15). In keeping with SRA water conservation policy, all water sold is metered.

Improvements and repairs were made at GCD at the pumping plant and canal system. The #2 pump clutch bearings and winding were replaced. New updated variable speed drives were installed on the pumps in the plant, replacing the old and outdated drives. The new variable speed drives are helping to control the amount of freshwater being pumped throughout the canal system, improving the efficiency and cost of operating the pumping plant. The #3 pump went down due to a broken pump shaft and impeller. Due to the major cost of the

repairs and future plans of the Authority, it was decided to shut the pump down permanently. Other repairs that were performed in the plant were routine in nature such as electrical repairs to the pump control panels and alignments to the pumps to control bearing and shaft wear. The 300 foot radio tower that serves the GCD personnel was refurbished by replacing the guywires and re-painting to meet FAA requirements. GCD personnel replaced the metal roofs on the GCD carport and other storage

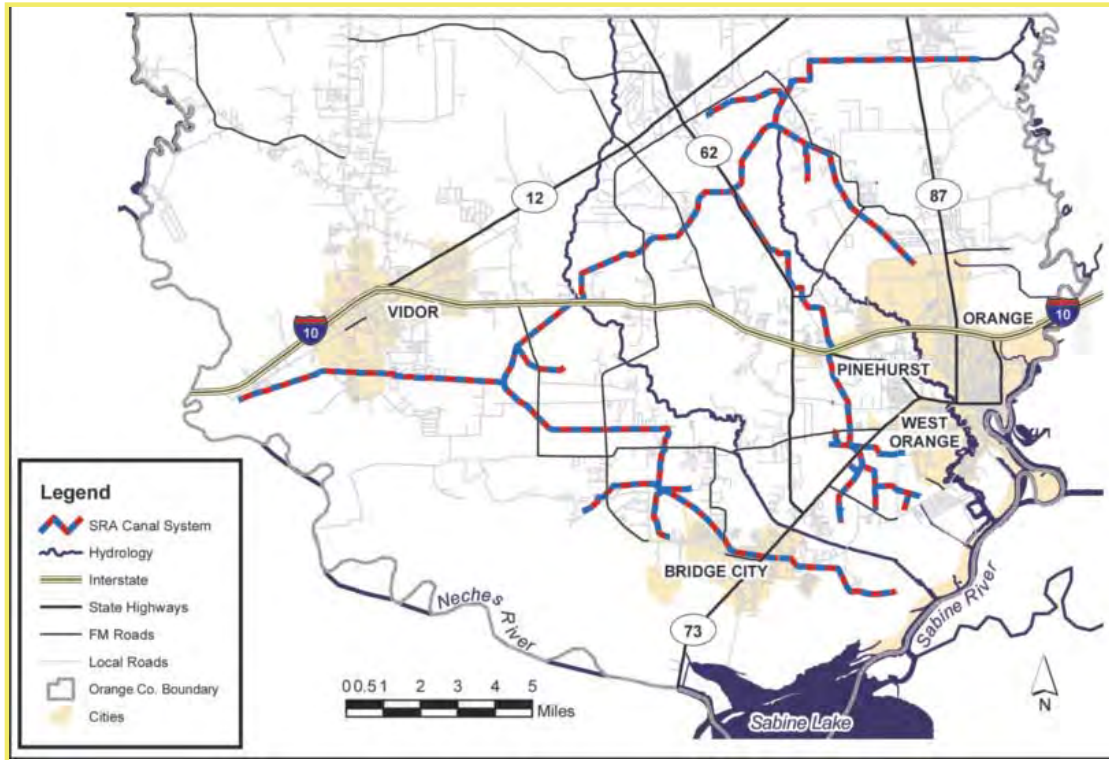


*Gulf Coast Division Pumping Plant*



*Mechanical Removal of Vegetation from the Water Supply Canal*

# GULF COAST DIVISION



*John W. Simmons Gulf Coast Canal System - Orange County*


buildings in the office yard and also installed new insulation inside the auto shop. The GCD personnel were involved in the ongoing Newton County Flood Hazard Mitigation Project located in the south portion of Newton County and surrounding areas. The GCD personnel continue to furnish demolition services for homes and structures that qualify under a FEMA grant to flood-prone areas along the Sabine River. A total of seven properties were demolished in FY-15.

In order to ensure long-term and dependable supply of freshwater to SRA customers in Orange County, GCD personnel continued to maintain existing canal levees, culverts and siphons. Accumulated silt and nuisance aquatic plants were removed



*Pump Control System Maintenance*

throughout the canal system.

Cumulative flow in the Sabine River at the USGS gauge at Deweyville, Texas was 6,613,497 acre feet in FY-15 compared to 2,494,250 acre feet in FY-14. Total rainfall was 58.99 inches in FY-15 compared to 51.70 inches in FY-14. 

# TOLEDO BEND DIVISION

**TOLEDO BEND RESERVOIR** is the largest man made reservoir in the South with 185,000 surface acres and 1,200 miles of shoreline. The reservoir sprawls into parts of Panola, Shelby, Sabine and Newton

Frontier Park water and wastewater system maintenance and operation was initiated in Fiscal Year 2014 (FY-14). Under private ownership,

**Steven Dougharty**

*Toledo Bend  
Division Manager*



*Spilling Flows from Heavy Spring Rainfall*

Counties in Texas as well as De Soto and Sabine Parishes in Louisiana. The reservoir was built for the primary purposes of water supply and hydroelectric power generation, with a secondary benefit of recreational activities. The Toledo Bend Powerhouse first began generating electricity in 1969.

The Toledo Bend Division has been responsible for management and operation of the Texas side of the reservoir for over 46 years. This division is responsible for 762 miles of shoreline, 2,435 Private Limited Use Permits, 26 Commercial Permits, 4,256 Private Sewage Facility Licenses, 1,400 On-Site Sewage Facility Registrations, more than 500 buoys, 2 recreation areas, 10 boat ramps and several maintenance facilities.

the systems had fallen below required standards. In FY-15, SRA has worked cooperatively with G-M Water Supply Corporation (G-M) to transfer water customers in the area

from the Frontier Park System to the G-M water system. SRA has continued to operate the old wastewater treatment plant at Frontier Park and is in the process of constructing a new plant. Once the new plant is operational, the old one will be decommissioned.

Work in conjunction with FERC compliance has been ongoing at Toledo Bend this year. Specifically, erosion monitoring site locations and investigations have been underway by land and by water. Erosion Monitoring Plan work has continued, with staff working cooperatively with archaeologists, geomorphologists and the USFS.

Development of permitting in conservation areas and education on the Historic Properties Management Program have been underway during FY-15. Letters were sent to over 2,400 limited use permit holders discussing changes the new FERC license will have on their permit areas. The letter



*Loading Rip-Rap for Shoreline Management*

# TOLEDO BEND DIVISION

explained that permittees must follow the guidelines as specified in the FERC license. Permits and construction applications located in conservation areas may require more stringent guidelines than in the past.

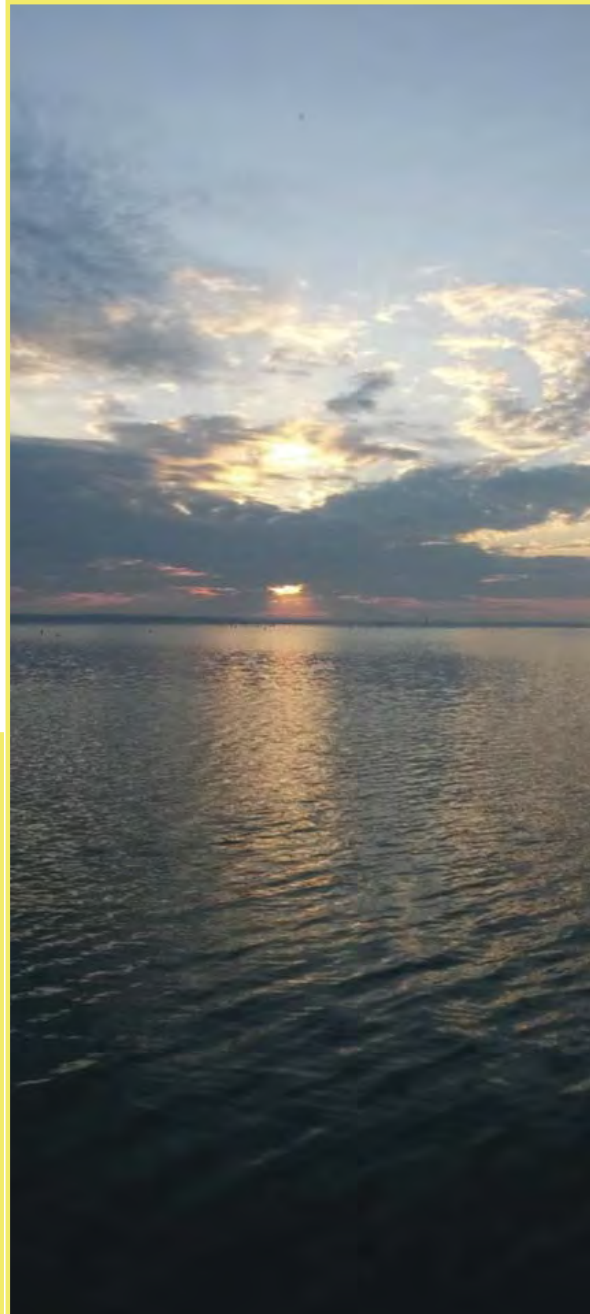
Giant Salvinia has been an ongoing issue for several years. The most problematic areas are in the back of the coves in the upper reaches of the reservoir. The Texas Parks and Wildlife Department (TPWD) has continued its efforts to control invasive plant species by applying herbicide and by the distribution of salvinia weevils. SRA continues to assist TPWD in these efforts by providing supplemental funds for this program.

Shoreline facility inspections and permit inspections have been ongoing, primarily in the summer. Employees are inspecting shoreline facilities to ensure uses of SRA land are properly permitted and all necessary fees are paid.

Another routine but notable project accomplished during FY-15 is the buoy program. Maintenance of Texas' 500 buoys continues to take a significant amount of time each year. Approximately 200 were replaced with new buoys during FY-15 and countless more were picked up from the shoreline and returned to their correct position. 🇺🇸



*Assembling Frontier Park Wastewater Treatment Plant*



*Sunrise near Patroon Bayou*



# TOLEDO BEND PROJECT JOINT OPERATION

**THE TOLEDO BEND PROJECT** is jointly owned by the Sabine River Authority of Texas (SRA-TX) and the Sabine River Authority, State of Louisiana (SRA-LA). The Toledo Bend Reservoir, at 185,000 acres is the largest man-made reservoir in the South. Toledo Bend has over 1,200 miles of shoreline, with 503 miles in Louisiana and 762 miles in Texas. The storage capacity of the reservoir is over 4,477,000 acre feet and it stretches more than 65 miles in length from the dam to the north end of the reservoir near Logansport, Louisiana.

Rules, regulations, financial management and operation of the Project are directed by the Operating Board which is comprised by two board members for SRA-LA Board of Commissioners and two board members from SRA-TX Board of Directors. The General Manager of SRA-TX and the Executive Director of SRA-LA serve on the Operating Board as ex-officio members. The initial costs for the

**Jim Washburn**  
*Project Administrator*



*Toledo Bend Dam and Powerhouse*



*Drilling New Relief Well Near the Powerhouse*

construction of the Project were shared equally by the two Authorities, and they continue to share in the operating cost; therefore, each state is entitled to fifty percent of the income from the sale of power generated at the facility. Management of matters relating to the reservoir, dam, spillway and power plant are handled jointly with each state managing its own shoreline.

On March 12, 2015 the reservoir was rising with one generating unit running 24/7 and the other unit down for repairs. At the spillway, two of the eleven gates were being refurbished so only nine gates were available for releases. As required by the Federal Energy Regulatory

# TOLEDO BEND PROJECT JOINT OPERATION

Commission (FERC), the Emergency Action Plan (EAP) was initiated at the spillway. This was the beginning of a very wet spring and early summer. The powerhouse units and spillway gates were used as needed to control the reservoir elevation until June 25, 2015 when SRA was able to close the spillway gates and only run both generating units 24/7. Both generating units were in operation until July 1, 2015. Normal summer time operations began on July 3, 2015.

The Toledo Bend Project Joint Operation (TBPJO) is participating with Newton County in a Flood Hazard Mitigation program for properties located below the Toledo Bend Dam. TBPJO is furnishing in-kind services in the form of demolition of the homes and structures. These homes are being purchased by Newton County with funds furnished through a Federal Emergency Management Agency (FEMA) grant. This highly successful program started in 2006 and with a total of 128 homes to date that have been demolished and removed from the floodway.

In Fiscal Year 2015 (FY-15), several major projects were underway at Toledo Bend. The final four spillway tainter gates were scheduled to be refurbished and completed during 2015, however, due to the release of high water through the spillway gates for several months during the spring and summer, only two gates were finished. Access to the Spillway apron is being provided by a rock road which is washed away and must be re-built every time the

project releases water, making for lengthy delays to the project. The final two gates are scheduled for completion during FY-16.

The FY-15 powerhouse fall outage was slated for work on Unit #2, which consisted of cleaning and inspecting the #5 head gate chain, inspecting runner blades, the draft

structure.

FERC made their annual safety inspection of the Project in April. This inspection of the dam, powerhouse, spillway and related facilities is to ascertain that all facilities are functioning properly and are being maintained in compliance with FERC standards and that the security and integrity of the Project are being enforced. Representatives from Freese and Nichols, Inc., were also present for the inspection.

FERC had requested that the Project have divers inspect and video the in-seals in front of the spillway, powerhouse and below the powerhouse. This was done during FY-15 and revealed no major concerns.

Toledo Bend Reservoir conservation pool level is 172' above mean sea level (MSL) and on September 1, 2015 the fiscal year started with a pool level of 170.67'

MSL and ended at 169.67' MSL on August 31st. Peak elevation for the year was 173.20' MSL on March 23rd, and three consecutive days shared the lowest elevation of 167.97' MSL (November 19th - 21st). Total rainfall for FY-15 was 55.73 inches, compared to last year's 52.55 inches. Total water released during FY-15 was 5,905,600 acre feet while only 1,934,460 acre feet were released during FY-14. The power plant generated 294,387,000 kWh this fiscal year and only 72,878,000 during FY-14. ➡



*Gate Refurbishment at Toledo Bend Spillway*

tube liner, the generator oil head, wicket gates, oil tank, as well as a warranty inspection of the cooling water lines. Typically, every year one of the two generating units is taken out of service for inspection and maintenance.

Due to the age and condition of the existing powerhouse relief wells, four new relief wells were drilled at the powerhouse in early 2015. The wells are used to remove ground water under the powerhouse structure and the surrounding area. These modern wells will automatically operate to adjust the water table as needed to avoid high ground water pressure under the

# PARKS AND RECREATION DIVISION



**Steven Dougharty**

*Parks & Recreation  
Division Manager*

## **THE PARKS & RECREATION DIVISION**

(PRD) began operation in September 1999 with the primary vision to preserve and expand recreation opportunities throughout the Sabine basin. For the past 16 years this division has specifically been operating and maintaining Haley's Ferry, Ragtown, East Hamilton, Indian Mounds, Lakeview and Willow Oak Recreation Areas which are located in Shelby and Sabine Counties. PRD employees maintain about 200 acres of recreation area which includes five boat ramps, 90 campsites, six restroom buildings, many miles of roads, two hiking trails, two water systems and two dispersed camping areas.

Improvements to the six United States Forest Service (USFS) recreation areas over the past sixteen years include renovation of five boat ramps, construction of a boat ramp at Indian Mounds in the camping area, and opening a second camping loop at Indian Mounds. All parks are open year round. Water systems have received significant improvements.

Buildings, grounds, amenities and trails have been improved through routine maintenance.

The issuance of the FERC license in 2014 initiated a five year capital improvement plan for the USFS owned recreation areas. During the five year period, improvements will be made to convert some campsites to ADA accessibility standards, replace current portable restroom facilities with new vault toilet facilities, decommission of a few unused facilities, and construct some new ADA-accessible boat ramps. Planning with the USFS has been ongoing in regard to these projects. Archaeological evaluations and testing have been completed with submission of reports to the USFS and Texas Historical Commission. Field assessments for the capital improvement projects in conjunction with the USFS were completed this year. Surveying and mapping for the projects were also completed this year, with design and layout work continuing.

The USFS approved plans for

entrance gates and fences for the recreation areas and construction is underway. Gates allow for the safe and thorough closure of parks if and when there is a need for closure such as hurricanes, USFS temporary closure orders, or safety issues.

Large timber recreation signs were constructed during the winter, in part for some of the upper basin's recreation sign needs and for Toledo Bend's recreation sign maintenance needs.

Other routine but notable projects accomplished during the year included hazard tree removal, replacing numerous lantern posts in camping areas, repainting picnic tables and lantern posts at 90 campsites, repainting campground signs, repairing asphalt, repairing and adding rip-rap as needed at boat ramps, adding road base material to gravel park roads, re-striping parking lot spaces, and trimming brush back along park



*Sam F. Collins Recreation Area Near The Toledo Bend Dam*

# PARKS AND RECREATION DIVISION

roads.

The annual Walk in the Forest was a success again this year. The fifth grade students and teachers love to get out of the classroom for a walk down the Ragtown nature trail. Education stations are set up along the trail. Some stations are nestled along the water's edge, some perched on high bluffs overlooking the lake, some near deep ravines or large hills, but all stations are among the towering trees of the Sabine National Forest. Education stations are presented by the Texas Forest Service, the USFS, Texas Parks & Wildlife and others. The Texas Forest Service and SRA are cosponsors of the event. All Shelby County

schools are invited and most attend each year. Education topics include forest reptiles, forest wildlife, trees, insects, and archaeology. Students enjoy a sack lunch in the camping area or near the lake's edge before returning to school. About 145 students attended this year, but the grand total of people involved was about 170 including teachers, presenters, workers, and trail guides. 🇹🇽



*Walk In The Forest,  
Texas Forest Service Tree and Wood Station*



*Walk In The Forest, U.S. Forest Service Station*



*Annual Walk in the Forest Education Program at Ragtown*

# LAKE FORK DIVISION

**THE LAKE FORK DIVISION** of the Sabine River Authority of Texas has been responsible for the operation and maintenance of Lake Fork Dam and Reservoir for 34 years. Final closure of the dam was made in 1980 and the reservoir reached full conservation pool, 403' above mean sea level (MSL), in 1985.

Lake Fork Reservoir provides raw water for numerous municipal and industrial customers. The full storage capacity of the reservoir is 675,819 acre feet of water, with an annual dependable yield of 188,660 acre feet. Bright Star-Salem Special Utility District, the City of Quitman, and the City of Dallas have pump stations on the reservoir. Downstream customers include the City of Longview, the City of Kilgore, the City of Henderson, and Texas Eastman. These customers receive their water from the Sabine River Authority by way of releases made through the spillway, and pump their released water from the river at TCEQ-licensed diversion points.

Lake Fork Dam has a controlled spillway with five tainter gates capable of passing the statistically calculated Probable Maximum Flood (PMF). Each gate is 20 feet tall and 40 feet in width. Cathodic protection and epoxy coatings are maintained on the gates to resist corrosion. The dam and spillway are inspected annually by engineers, with a more in-depth inspection occurring every three years (the tri-annual inspection).

The Fiscal Year 2015 (FY-15) engineer's tri-annual inspection took place in October 2014. The over-all evaluation indicated the dam and spillway are in good condition. Regular maintenance inspections and soil cement patching have kept the soil cement face of the dam in

good condition. Erosion on the downstream slope of the earthen embankment is controlled with a thick bed of Bermuda grass maintained by annual lime and fertilizer applications, weed control, and mowing.

The Lake Fork Division has a total of twelve employees. Lake Fork Division personnel are tasked with managing approximately 315 miles of shoreline in addition to maintaining the dam and spillway.

## Tom Pegues

*Lake Fork  
Division Manager*



maintain the dam and reservoir. Another project undertaken in 2015 was the improvement of the Farm-to-Market Highway 17 Boat Ramp parking lot. Contractors repaired damaged areas and re-surfaced the entire parking lot with asphalt under the supervision of LFD personnel. Maintenance personnel also



*State Representative Brian Hughes dedicating the new Veterans Memorial at Swearingen Park, sponsored by the Lake Fork Lion's Club*

Maintenance and Operations personnel handle a wide variety of tasks every year on the dam, reservoir, and surrounding lands. The Heavy Equipment Shop was re-wired this year by staff electricians. This project brought the wiring and breaker boxes up to date and improved the lighting, giving personnel a safer work environment while servicing the heavy equipment required to

assisted the Lake Fork Lions Club this year in the installation of a memorial honoring all United States veterans at Swearingen Park. The memorial was dedicated in August with numerous veterans in attendance.

The Toyota Texas Bass Classic fishing tournament, benefiting the Texas Parks and Wildlife Department, returned to Lake Fork Reservoir for Memorial Day

# LAKE FORK DIVISION



*New Surface on the Farm-to-Market Highway 17 Boat Ramp*

Weekend. The tournament featured 35 of the fishing world's top anglers competing for cash and prizes. The tournament was won by Brent Ehrler with a total tournament weight of 89 pounds, 12 ounces. Since its beginning on Lake Fork Reservoir in 2007, the Toyota Texas Bass Classic has donated over \$2 million to the Texas Parks and Wildlife Department.

The Sabine River Authority has been delegated administrative oversight of all septic systems adjacent to

each of the Authority's reservoirs. The Lake Fork Division reviews all plans for new septic systems and investigates complaints on malfunctioning systems around the reservoir. The Lake Fork Division staff works with homeowners to ensure that all septic systems function properly to protect human health and water quality. In FY-15, the Lake Fork Division issued 61 licenses for on-site sewage disposal and resolved 13 complaints. Another aspect of managing the floodplain around Lake Fork Reservoir includes oversight and administration of 1,729 Private Limited Use Permits, 47 Commercial Limited Use Permits, and 105 Grazing Permits. These permits allow adjoining land owners access to the reservoir and surrounding Authority lands for those uses.

In May 2015, Lake Fork Reservoir reached conservation pool again for the first time in over five years. Much

needed rainfall over the winter and spring brought water levels up from a low of 395.40' MSL. The average rainfall for the Lake Fork area is approximately 48 inches per year. In the twelve months of FY-15, 50.81 inches of rainfall was recorded at the Lake Fork Dam, compared to 44.18 inches and 33.12 inches in FY-14 and FY-13. The highest and lowest reservoir elevations in FY-15 were 403.85' MSL on May 27th, 2015, and 395.40' MSL on December 29, 2014. 🇺🇸



*Brent Ehrler Fishing the Toyota Texas Bass Classic (Photo: TTBC Foundation)*

# IRON BRIDGE DIVISION

## THE IRON BRIDGE DIVISION

**(IBD)** of the Sabine River Authority (SRA) is responsible for the operation and maintenance of Lake Tawakoni. Constructed as a water supply reservoir, Iron Bridge Dam, Lake Tawakoni can store approximately 927,440 acre-feet (289 billion gallons) of water at conservation pool elevation. The watershed for the reservoir is 752 square miles and the dependable annual yield of the project is approximately 238,100 acre-feet per year (212 million gallons per day). The SRA has twenty percent of the available yield, approximately 47,620 acre feet per year (42.5 million gallons a day) and provides water to a dozen cities and water supply entities. As part of the funding agreement that allowed for the construction of the reservoir, the City of Dallas has contracted rights to eighty percent of the available yield.

At conservation pool elevation of 437.5' MSL (Mean Sea Level) Lake Tawakoni inundates approximately 37,000 acres with about 200 miles of shoreline in Hunt, Rains and Van Zandt Counties. A permit to construct the reservoir was issued in 1955 and it was completed in 1960. The reservoir reached conservation pool elevation of 437.5' MSL in October

of 1965. The 480 foot concrete ogee spillway is located in Van Zandt County and the 5.5 mile long earthen dam is located in Van Zandt and Rains Counties. Iron Bridge Dam and Spillway is inspected each year. Every third year a more in depth inspection of dam and spillway is conducted. This tri-annual



*Iron Bridge Division Offices*

inspection was conducted in FY-15 and reported the dam and spillway to be in a well maintained condition.

The Iron Bridge Division office (IBD) has thirteen employees. IBD Administrative personnel are responsible for the oversight and administration of over 1,700 Private Limited Use Permits, 37 Commercial Limited Use Permits and 48 Grazing Permits. IBD Field Department personnel monitor instrumentation, such as piezometers and relief wells, to

## Randy Traylor

*Iron Bridge  
Division Manager*



ensure the continued safety and reliability of the dam and spillway. Field staff also oversee private and commercial construction activities on Authority property, as well as

annual inspections of all commercial facilities on SRA lands. The Authority also serves as the Authorized Agent for the Texas Commission on Environmental Quality for all On Site Sewage Facilities (OSSF) within 2,000 feet of the project boundary. In this capacity field personnel review design information for new systems, make inspections, investigate complaints and work with property owners and local

courts as necessary to resolve violations. IBD issued 25 permits for new OSSFs and worked 25 complaints during FY-15.

IBD M&O personnel are responsible for routine maintenance of Authority facilities, vehicles and equipment. They assist in maintaining buoys and monitoring instrumentation and undertake special construction projects related to the operation of the reservoir. Special projects completed by IBD M&O personnel this fiscal year,

# IRON BRIDGE DIVISION

were demolition of the old store and manager's residence at Wind Point Park (WPP). These buildings which were originally constructed in the early 1960's, had structural issues and were no longer being utilized. Exterior renovation and repairs were also performed on the Beach Lodge and wastewater treatment plant building at WPP. Near record low lake levels resulted in numerous boat ramps being unusable. In order to maintain boater access and to improve future access, silt removal and boat ramp repairs were performed at several locations around Lake Tawakoni. Due to problems related to lighting and Federal Aviation Administration compliance, the height of IBD's radio tower was shortened. Contractors removed 100 feet from the 300 foot tower and repainted the tower.

The Authority owns and operates wastewater treatment facilities at Tawakoni State Park and Wind Point Park. The wastewater treatment plant (WWTP) at the Tawakoni State Park also serves an adjacent mobile home subdivision



*Spring Rain Filled Lake Tawakoni After Five Years Below Conservation Pool*

(White Deer Landing). IBD M&O personnel installed new fencing at the State Park WWTP and management staff submitted a renewal application for the operation of the State Park wastewater plant to the Texas Commission on Environmental Quality in FY-15. This

is the second time the permit has been renewed since operation of the plant was taken over by the Authority in 2006.

The reservoir began the fiscal year 10.24 feet low, but the watershed saw bountiful spring rains and the reservoir crested the spillway for the first time in five years on May 26, 2015. The reservoir ended the fiscal year only 0.74 feet low. The lowest and highest elevations for Lake Tawakoni in FY-15 were 425.39' MSL on December 11, 2014 and 439.58' MSL on June 23, 2015 respectively. Rainfall for the fiscal year totaled 48.74 inches compared to 37.35 inches in FY-14 and 32.45 inches in FY-13. 🇺🇸



*Rental Cabin at Wind Point Park*



# SABINE RIVER AUTHORITY OF TEXAS

For the Years Ended  
August 31, 2015 and 2014

## FINANCIAL SECTION

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**PATTILLO, BROWN & HILL, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sabine River Authority of Texas  
Orange, Texas

### **Report on the Financial Statements**

We have audited the accompanying comparative financial statements of Sabine River Authority of Texas (the "Authority"), as of and for the year ended August 31, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Toledo Bend — Joint Operation, which represents approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2015, and approximately 18% and 2%, respectively, of the assets and revenue of the Authority for the year ended August 31, 2014. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the year ended August 31, 2015 and 2014 for Toledo Bend — Joint Operation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of August 31, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and Schedule of Funding Progress – Other Post-Employment Benefits on pages 4-10 and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
November 23, 2015

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## Management's Discussion and Analysis

The following discussion and analysis of the Sabine River Authority of Texas' financial performance provides an overview of the Authority's financial activities for the years ended August 31, 2015 and August 31, 2014, in comparison with the prior year financial results. Please read it in conjunction with the financial statements, which follow this section.

### Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows

The financial report consists of three parts: *Management's Discussion and Analysis* (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements include the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

### Net Position

The net position of the Authority increased during 2015 by \$2.6 million or 1.5% while the net position during 2014 decreased by \$0.4 million or 0.2%. Total Assets increased during 2015 by \$1.9 million resulting from an increase in accounts receivable and investments which were partially offset by an increase in accumulated depreciation and a decrease in work in progress while total assets increased in 2014 by \$0.4 million. Total liabilities decreased during 2015 by \$0.7 million and increased during 2014 by \$0.8 million, or 2.1% and 2.6% respectively. The decrease in total liabilities for 2015 is the result of a decrease in accounts payable while the increase in 2014 is the result of the recognition of the net obligation for post-employment benefits.

Total noncurrent assets increased by \$1.5 million or 0.8% during 2015 after a decrease of 0.5% for 2014. The increase in 2015 is the result of an increase in investments and capital assets which was partially offset by a decrease in work in progress and an increase in accumulated depreciation. The decrease in 2014 is the result of recognition of depreciation expense which was partially offset by an increase in investments.

Current assets increased by \$0.4 million following an increase of \$1.4 million for 2014. The increase in 2015 is mainly attributable to an increase in accounts receivable.

## FINANCIAL HIGHLIGHTS

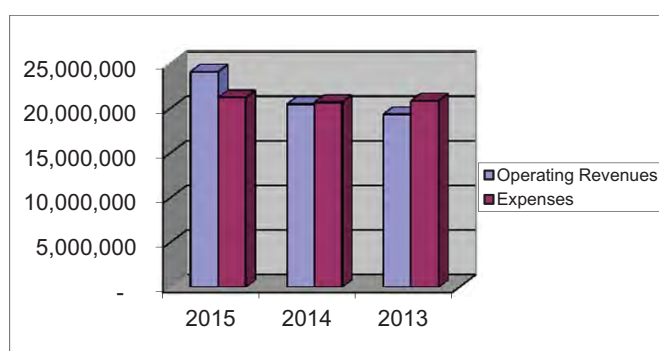
	2015	2014	2013
<b>Assets:</b>			
Current assets	\$ 8,411,917	\$ 8,012,309	\$ 6,592,130
Noncurrent assets	35,116,519	31,135,035	30,579,285
Capital assets, net	162,274,365	164,713,703	166,282,311
Total assets	<u>205,802,801</u>	<u>203,861,047</u>	<u>203,453,726</u>
<b>Liabilities:</b>			
Current liabilities	1,127,691	2,139,730	1,790,922
Noncurrent liabilities	30,701,207	30,374,510	29,907,051
Total liabilities	<u>31,828,898</u>	<u>32,514,240</u>	<u>31,697,973</u>
<b>Net Assets:</b>			
Net investment in capital assets	141,541,440	143,052,238	143,540,306
Restricted for debt service	800,079	800,017	825,016
Unrestricted	31,632,384	27,494,552	27,390,431
Total net assets	<u>173,973,903</u>	<u>171,346,807</u>	<u>171,755,753</u>
<b>Change in net assets:</b>			
<b>Operating revenues:</b>			
Water sales	14,484,783	14,493,602	14,593,165
Power sales	6,381,340	2,599,284	1,514,146
Waste water treatment	67,290	70,650	46,265
Permits	921,476	986,570	851,074
Water quality activity	773,787	834,104	816,696
Miscellaneous	847,606	864,548	898,904
Reservation fee	651,702	651,702	651,702
Total operating revenues	<u>24,127,984</u>	<u>20,500,460</u>	<u>19,371,952</u>
<b>Operating expenses:</b>			
Operation and maintenance	17,527,226	17,036,591	17,284,765
Depreciation	3,714,691	3,667,751	3,580,089
Total operating expenses	<u>21,241,917</u>	<u>20,704,342</u>	<u>20,864,854</u>
Operating income	2,886,067	( 203,882)	( 1,492,902)
<b>Nonoperating revenues (expenses):</b>			
Grant program	( 81,000)	( 77,995)	( 100,000)
Loss from disposition of capital assets	-	( 663)	76
Bad debt expense	-	-	( 7,702)
Investment income	235,684	297,059	134,120
Interest expense	( 413,655)	( 423,465)	( 432,948)
Total nonoperating revenues (expenses)	<u>( 258,971)</u>	<u>( 205,064)</u>	<u>( 406,454)</u>
Change in net assets	2,627,096	( 408,946)	( 1,899,356)
Total net assets, beginning	171,346,807	171,755,753	173,655,109
Total net assets, ending	<u>\$ 173,973,903</u>	<u>\$ 171,346,807</u>	<u>\$ 171,755,753</u>

## Operating Income

Operations for 2015 resulted in an income of \$2.9 million, while operations in 2014 resulted in a loss of \$0.2 million and 2013 resulted in a loss of \$1.5 million. The income in 2015 resulted from higher than average power sales due to large rainfall events in the Sabine River basin which raised the lake level at Toledo Bend and allowed hydropower generation. In 2014 and 2013, drought conditions affected the lake level and deterred the ability to generate electricity. Operating expenses increased \$0.5 million in 2015 while operating revenues increased \$3.6 million.

Total operating revenues consist primarily of water sales and power sales. Other operating revenues include waste water treatment, permits, and water quality activity as well as miscellaneous income and reservation fees. The increase in operating revenues during 2015 follows an increase of 5.8% during 2014. Water sales remained substantially the same and power sales increased dramatically for 2015 when compared to 2014. The income recognition of the reservation fee on the NTMWD interim water contributed \$0.7 million to total operating revenues in 2015, 2014 and 2013. Additionally, miscellaneous income of \$0.9 million consisting of water sold for frac operations and payments for easements as oil and natural gas operations are ongoing in the basin.

Operating expenses increased \$0.5 million, a 2.6% increase following a \$0.2 million, or 0.8% decrease in 2014. While the operating expenses increased in 2015 and decreased in 2014, no single category of expenses accounted for the differences, however a portion of the increase in 2015 is attributable to the purchase of an accounting system and the associated hardware and an increase in legal fees.



## Overall Financial Position

The Authority has sufficient revenues and reserves to pay the expenses and debt service of the Authority.

## Significant Capital Assets

Net capital assets decreased from \$164,713,703 to \$162,274,365 a decrease of \$2,439,338. The decrease is primarily the result of the recognition of depreciation expense which is partially offset by an increase in dams and electric plant and a decrease in work in progress. The Authority's projects and a description of each are as follows:

## Gulf Coast Division

The Sabine River Authority, having been created by the legislature in 1949, purchased the Orange County Water Company in 1954. The newly acquired canal system, now known as the Gulf Coast Division, provided the initial catalyst for the operations of SRA. The Gulf Coast Division supplies fresh water from the Sabine River to industries, farmers and a municipality in Orange County by way of a canal system. The pumping plant consists of four horizontal centrifugal pumps with 400 horsepower electric motors capable of pumping 60,000 gallons per minute (gpm) each and one vertical auxiliary pump with a 125 horsepower motor capable of pumping 12,000 gpm. The water is lifted approximately 22 feet from an intake channel to a gravity flow canal system through approximately 75 miles of main canal and laterals to supply fresh water from the east side of Orange County to the west side.

The canal system provides fresh water to six petrochemical plants, two electric power plants, a pulp and paper mill and a steel mill, as well as the city of Rose City, Texas. Water sales for Gulf Coast Division were 43.93 million gallons daily (mgd) for 2015 as compared to the 2014 water sales which were 42.11 mgd.

## Lake Tawakoni

This water supply project of the Sabine River Authority of Texas is located on the Sabine River immediately above the old Iron Bridge Crossing on FM 47, about 10 miles northeast of Wills Point, Texas. The reservoir inundates land in Hunt, Rains, and Van Zandt Counties. The State Board of Water Engineers issued a permit for project construction on December 20, 1955. Land acquisition was initiated in 1956 and completed in October 1960. Construction on the dam began in January 1958 and was completed in October 1960.

Construction of the Iron Bridge Dam and Reservoir Project was funded through a water supply agreement with the City of Dallas to provide water for municipal and industrial purposes. The reservoir storage capacity at 437.5 feet mean sea level conservation pool level is 926,000 acre-feet (302 billion gallons). The dependable annual yield of the reservoir is approximately 238,100 acre-feet per year (213 million gallons per day).

In 2015, 56.69 mgd of water was delivered to 15 customers including municipalities and water supply corporations compared to 141.32 mgd delivered in 2014.

## Toledo Bend Reservoir

The Sabine River Authority of Texas, and the Sabine River Authority, State of Louisiana constructed Toledo Bend Reservoir, primarily for the purposes of water supply, hydroelectric power generation, and recreation. Revenues and expenses are shared equally between Texas and Louisiana.

This project is located in Texas and Louisiana on the Sabine River, which forms a portion of the boundary between the two states. From the dam site the reservoir extends up the river for about 65 miles to Logansport, Louisiana, and inundates land in Sabine, Shelby, Panola, and Newton Counties, Texas, and Sabine and DeSoto Parishes, Louisiana.

Toledo Bend Reservoir is one of the largest man-made bodies of water in the South and one of the largest in surface acres in the United States, with water normally covering an area of 185,000 acres and having a controlled storage capacity of 4,477,000 acre-feet (1,448,934,927,000 gallons). Toledo Bend Reservoir is distinctive in that it is a public water conservation and hydroelectric power project that was undertaken without federal participation in its permanent financing.

The operation of the project for hydroelectric power generation and water supply provides a dependable yield of 1,868 million gallons per day. Most of this water is passed through the turbines for the generation of electric power and is available for municipal, industrial, and agricultural purposes. An indoor type hydroelectric power plant is located in the south abutment of the dam. It consists of two vertical units of equal size utilizing Kaplan turbines, rated at 55,750 hp each at a minimum net head of 60.8 feet, and water-cooled generators of the umbrella type rated at 42,500 KVA at a 0.95 power factor. It is estimated that the power plant will generate an average of 207,000,000-kilowatt hours annually. Entergy Gulf States and the Central Louisiana Electric Company, Inc. have contracted with the Sabine River Authorities for the purchase of the hydroelectric power. The revenue from the sale of hydroelectric power is used to retire the Authorities revenue bonds and constitutes the principal source of income for operation of the project.

The yield of Toledo Bend Reservoir is 2,086,600 acre-feet (ac-ft), of which half is allocated to Texas and half to Louisiana. Of the 1,043,300 ac-ft allocated to Texas, the Authority has a permit for 750,000 ac-ft. In 2003, the Authority made application to Texas Commission on Environmental Quality for the unpermitted 293,300 ac-ft of water in Toledo Bend. Studies are now under way to examine the feasibility of a pipeline from Toledo Bend Reservoir to the upper basin which would supply water to our customers in the basin as well as other customers in the north Texas region. In 2015, water sales from Toledo Bend totaled 4.46 mgd compared to 4.18 mgd in 2014. Water is delivered to two municipalities and three industrial customers.

## Lake Fork

This project is located on Lake Fork Creek, a major tributary of the Sabine River, about 5 miles west of Quitman, Texas. The reservoir, owned and operated by the Sabine River Authority of Texas, inundates land in Wood, Rains, and Hopkins Counties. Preliminary engineering studies for the Lake Fork Reservoir Project were initiated in November 1972. Construction work on the project began in the fall of 1975. Final closure of the dam was made in February 1980, and conservation pool level was reached in December 1985. A total of 41,100 acres of land were acquired for the project. Lake Fork Reservoir has an estimated surface area of 27,690 acres at conservation pool elevation 403.0 feet above mean m.s.l. (mean sea level) and extends up Lake Fork Creek about 15 miles.

Construction of the Lake Fork Reservoir was funded through a water supply agreement with Texas Utilities, Inc. (TXU) to provide water for municipal and industrial uses. The Cities of Dallas, Longview, Kilgore, Henderson and Quitman have contracted for purchase of water from the reservoir. The reservoir's storage capacity at the 403 feet m.s.l. conservation pool level is 675,819 acre-feet with a minimum firm yield of 188,660 acre-feet per year.

Lake Fork is a world-class fishery and has been identified by many outdoor writers as the best "big bass" reservoir in the state and perhaps the nation. This reputation is due in large part to fishery management efforts of the Texas Parks and Wildlife Department who began stocking the reservoir with Florida largemouth bass in 1978. The current state record largemouth bass was caught in Lake Fork.

Lake Fork customers consist of five municipalities. In 2015, 76.27 mgd of water was delivered to these customers as compared to 28.41 mgd delivered in 2014.

## **Environmental Services**

The Environmental Services Division is responsible for the Authority's water quality monitoring activities in the Sabine River Basin of Texas. These activities are coordinated with State regulatory agencies and also include the review and evaluation of water quality data collected by other agencies in the Sabine Basin. Further, Environmental Services Division staff conducts the assessment of water quality within the Sabine River Basin, Texas, for the Texas Clean Rivers Program.

Tracking water quality conditions in the reservoirs and the streams in the Basin becomes more important to the Authority each year as the number and size of water users and wastewater dischargers increase. Additionally, the Environmental Services Division assists governmental entities, industries, and municipalities by providing them with water quality information to meet their various needs.

The Authority receives funds from the State of Texas to offset costs for administering the Clean Rivers Program in addition to the fees collected for the water testing performed for industrial and municipal customers. In 2015, Environmental Services Division performed 85,366 tests which is an increase from the 65,322 tests performed in 2014.

For more detailed information on capital asset activities, please refer to the capital asset section in Note 3 of the Notes to Financial Statements.

## **Long-Term Debt**

The majority of the assets previously discussed were financed by revenue bonds. Principal payments made during 2015 and 2014 were \$924,238 and \$922,091, respectively. In 2009, payment was made on the final outstanding hydroelectric revenue bonds leaving the Texas Water Development Board loan as the only outstanding debt on Toledo Bend Reservoir. There are no outstanding bonds on Lake Tawakoni or Lake Fork.

The Authority finances capital additions from revenues and reserve funds. The Authority has not issued any new revenue bonds.

For more detailed information on long-term debt activities, please refer to the Long-Term Liabilities section in Note 3 of the Notes to Financial Statements as well as the Supplementary Information which follows the Notes to Financial Statements.

## **Restricted Assets**

The Authority maintains bond reserve funds as required by bond covenants. In addition to the bond reserve funds, restricted funds are set aside by the Board of Directors for specific purposes such as reservoir repair and improvement funds for each reservoir, upper basin water supply project, insurance reserve fund, debt service reserve fund, emergency repair and replacement fund, parks and recreation reserve fund and economic development reserve fund. The Authority receives no state appropriations and has no powers to levy taxes. As such, all expenses associated with the maintenance and operations of existing projects as well as planning for future water needs are the responsibility of the Authority. In order to be a self-sufficient entity, the Authority must maintain adequate reserves to ensure funds are available for ongoing activities as well as meeting the financial needs arising from major repairs on the existing projects and planning for future water needs.



## **Change in Financial Position**

The net position for the Authority has increased from 2014 to 2015 and decreased from 2013 to 2014. Total operating revenues increased from 2014 to 2015 and increased from 2013 to 2014.

This report is intended to provide our legislators, state officials, customers, bondholders, citizens of the State of Texas and other interested parties with a general overview of the Authority's financial position and to indicate accountability for the revenues the Authority receives.

Questions about this report or requests for additional financial information should be directed to Debra Stagner, Controller, at P. O. Box 579, Orange, Texas 77631, or call 409.746.2192.

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF NET POSITION**

**AUGUST 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,666,703	\$ 4,878,010
Investments	1,165,412	1,463,726
Accounts receivable	2,209,013	1,302,946
Accrued interest receivable	106,233	113,935
Other current assets	264,556	253,692
Total current assets	8,411,917	8,012,309
Noncurrent assets:		
Restricted cash and cash equivalents	800,079	800,017
Investments	34,316,440	30,335,018
Capital assets:		
Land	54,976,538	54,976,538
Dams and electric plant	138,227,735	132,429,266
Water and pumping plant	30,280,360	30,280,360
Buildings	8,789,501	8,789,501
Equipment	8,112,635	8,068,291
Work in progress	2,962,620	7,750,047
Less: accumulated depreciation	( 81,075,024)	( 77,580,300)
Net capital assets	162,274,365	164,713,703
Total noncurrent assets	197,390,884	195,848,738
Total assets	205,802,801	203,861,047
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	627,373	1,656,798
Current portion of long-term liabilities	337,751	318,449
Accrued liabilities	125,000	125,000
Other payables	37,567	39,483
Total current liabilities	1,127,691	2,139,730
Noncurrent liabilities:		
Texas Water Development Board loan	20,557,925	21,501,465
Net obligation for post-employment benefits	9,655,033	8,397,696
Compensated absences	488,249	475,349
Total noncurrent liabilities	30,701,207	30,374,510
Total liabilities	31,828,898	32,514,240
<b>NET POSITION</b>		
Net investment in capital assets	141,541,440	143,052,238
Restricted for debt service	800,079	800,017
Unrestricted	31,632,384	27,494,552
Total net position	\$ 173,973,903	\$ 171,346,807

**The accompanying notes are an integral part of these financial statements.**

**SABINE RIVER AUTHORITY OF TEXAS**

**STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014**

	2015	2014
<b>OPERATING REVENUES</b>		
Water sales	\$ 14,484,783	\$ 14,493,602
Power sales	6,381,340	2,599,284
Wastewater treatment	67,290	70,650
Permits	921,476	986,570
Water quality activity	773,787	834,104
Miscellaneous	847,606	864,548
Reservation fee	651,702	651,702
Total operating revenues	24,127,984	20,500,460
<b>OPERATING EXPENSES</b>		
Operation and maintenance	17,527,226	17,036,591
Depreciation	3,714,691	3,667,751
Total operating expenses	21,241,917	20,704,342
<b>OPERATING INCOME (LOSS)</b>	2,886,067	( 203,882)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant program	( 81,000)	( 77,995)
Gain/(loss) from disposition of capital assets	-	( 663)
Investment income	235,684	297,059
Interest expense	( 413,655)	( 423,465)
Total nonoperating revenues (expenses)	( 258,971)	( 205,064)
<b>CHANGE IN NET POSITION</b>	2,627,096	( 408,946)
<b>TOTAL NET POSITION, BEGINNING</b>	171,346,807	171,755,753
<b>TOTAL NET POSITION, ENDING</b>	\$ 173,973,903	\$ 171,346,807

The accompanying notes are an integral part of these financial statements.

**SABINE RIVER AUTHORITY OF TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 22,363,447	\$ 20,120,915
Payments to suppliers	( 10,768,281)	( 8,835,483)
Payments to employees	( 6,520,049)	( 6,456,875)
Other receipts	847,606	864,548
Net cash provided by operating activities	5,922,723	5,693,105
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	( 6,633,999)	( 5,166,787)
Disposal of capital assets	5,358,646	3,066,981
Principal paid on capital debt	( 924,238)	( 922,091)
Interest paid on capital debt	( 413,655)	( 423,465)
Grants	( 81,000)	( 77,995)
Net cash used by capital and related financing activities	( 2,694,246)	( 3,523,357)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (sell of) investments, net	( 3,683,108)	( 1,058,402)
Interest received	243,386	289,993
Net cash provided (used) by investing activities	( 3,439,722)	( 768,409)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 211,245)	1,401,339
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	5,678,027	4,276,688
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 5,466,782	\$ 5,678,027
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 2,886,067	\$( 203,882)
Noncash items included in operating income:		
Depreciation	3,714,691	3,667,751
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 906,067)	494,654
(Increase) decrease in other assets	( 10,864)	( 3,776)
Increase (decrease) in unearned revenue	-	( 5,875)
Increase (decrease) in accounts payable	( 1,029,425)	345,268
Increase (decrease) in accrued and other liabilities	( 1,916)	( 2,909)
Increase (decrease) in compensated absences	12,900	( 9,060)
Increase in net obligation for post-employment benefits	1,257,337	1,410,934
Net cash provided by operating activities	\$ 5,922,723	\$ 5,693,105
<b>NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES</b>		
(Loss) gain from disposition of assets	\$ -	\$( 663)

The accompanying notes are an integral part of these financial statements.

# SABINE RIVER AUTHORITY OF TEXAS

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sabine River Authority of Texas ("Authority") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

#### Reporting Entity

The Sabine River Authority of Texas was created in 1949, pursuant to Vernon's Annotated Civil Statutes Article 8280-133, as a conservation and reclamation district. The Authority was determined to be necessary in accomplishing the provisions of Article XVI, Section 59 of the Texas Constitution and for the conservation, protection and development of the waters of the Sabine River. Responsibilities of the Authority include municipal, industrial and agricultural raw water supply; hydroelectric generation; water and wastewater treatment; water quality and pollution control activities; and recreation facilities.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority's reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of 21 counties in the Sabine Basin and is administered by a 9-member Board of Directors appointed by the Governor to 6-year staggered terms. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

#### Fund Financial Statements

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis ("MD&A"), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable.

Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

#### Basis of Accounting

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of Authority facilities and services and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows and outflows associated with the operation of this fund are included on the Statement of Net Position. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned, and its expenses are recognized when they are incurred.

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, power sales, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

### **Assets, Deferred Outflows (Inflows) of Resources, Liabilities and Net Position**

#### **Cash and Cash Equivalents**

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

#### **Investments**

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. Investments in TexPool are stated at cost which approximates fair value. The change in the difference between fair value and cost of investments is reported as a component of investment income. All investments are in accordance with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

#### **Accounts Receivable**

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

#### **Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Depreciation is provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50 - 5.00%
Buildings	2.00 - 5.00%
Equipment	4.00 - 20.00%

The Authority capitalizes interest on major construction projects.

#### **Restricted Assets**

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

#### **Sick Leave and Vacation**

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority does not have any items that qualify for reporting in either of the above categories in the current fiscal year.

### **Subsequent Events**

Management has evaluated subsequent events through November 23, 2015, the date the financial statements were available to be used.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgets and Budgetary Accounting**

The Authority prepares a budget in accordance with the Water Code, Chapter 49, Subchapter G, Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. Appropriate sections of the budget are reviewed by the City of Dallas and the Toledo Bend Project Joint Operations Board.

### **Rates and Regulations**

Water rates are established by the Authority's Board of Directors. These contracted rates can be appealed to the Texas Commission on Environmental Quality. On May 16, 2008, the Public Utility Commission of Texas (PUC) approved the Authority's request for registration as a power generation company pursuant to P.U.C. SUBST.R.25.109. As of August 31, 2015 and 2014, the rate was \$0.04381 and \$0.04384, respectively, per KWH.

### **Other Post-employment Benefits**

The Authority provides certain health care and insurance benefits to its employees after retirement, and prior to fiscal year 2009, accounted for the benefits in accordance with Government Accounting Standards Board Statement No. 12, *Disclosure of Information on Post-employment Benefits Other than Pension Benefits by State and Local Government Employees*. Beginning with the fiscal year ended August 31, 2009, the Authority was required to prospectively adopt Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (see Note 3).

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### 3. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

*Interest Rate Risk.* In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years. Maximum allowable maturity shall be 10 years with the exception of investments made specifically to retire debt.

*Credit Risk.* The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. An Advisory Board reviews the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of the Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As of August 31, 2015 and 2014, the Authority had \$13,167 and \$13,161, respectively, invested in TexPool. The weighted average maturity of TexPool as of August 31, 2015 and 2014, was 41 days and 53 days, respectively.

The Board of Directors has authorized the Authority to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds, certificates of deposit, or interest-bearing demand deposits and is stated at fair value.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of August 31, 2015, all of the Authority's \$37,532,832 deposit balances exceeding depository insurance limits were collateralized with securities pledged by the financial institutions in the Authority's name and held in safekeeping by a third party. Fair values of pledged securities are monitored on a monthly basis to assure that they are in excess of 100% of the carrying values.

As of August 31, 2015 and 2014, \$800,079 and \$800,016 of the Authority's deposits was placed in money market funds secured by obligations of the United States therefore the principal and interest are unconditionally guaranteed or insured by the United States and no additional collateralization was required.

*Concentration of Credit Risk.* The Authority places no limit on the amount the Authority may invest in any one issuer. The Authority invests primarily in bank issued certificates of deposits. Concentration of investments as of August 31, 2015, is as follows:

Issuer	Description	Amount	Percentage of Total Investments
Wyandotte County KS	Bond holding	\$ 2,050,987	5.67%
First Financial Bank	Certificate of deposit	15,581,702	43.10%
Mobil Oil Federal Credit Union	Certificate of deposit	6,363,438	17.60%
Texas Bank and Trust	Certificate of deposit	2,872,000	7.94%
Federal Farm Credit Bank	Investment	3,600,000	9.96%
All other under 5%	Various	<u>5,685,274</u>	<u>15.73%</u>
Total		<u>\$ 36,153,401</u>	<u>100.00%</u>



## Capital Assets

Capital assets activity for the year ended August 31, 2015, was as follows:

	Balance 08/31/14	Increases	Decreases	Balance 08/31/15
Capital assets, not being depreciated:				
Land	\$ 54,976,538	\$ -	\$ -	\$ 54,976,538
Work in progress	7,750,047	571,222	( 5,358,649)	2,962,620
Total capital assets not being depreciated	<u>62,726,585</u>	<u>571,222</u>	<u>( 5,358,649)</u>	<u>57,939,158</u>
Capital assets, being depreciated:				
Dams and electric plant	132,429,266	5,798,469	-	138,227,735
Water and pumping plant	30,280,360	-	-	30,280,360
Buildings	8,789,501	-	-	8,789,501
Equipment	8,068,291	264,309	( 219,965)	8,112,635
Total capital assets being depreciated	<u>179,567,418</u>	<u>6,062,778</u>	<u>( 219,965)</u>	<u>185,410,231</u>
Less: accumulated depreciated for:				
Dams and electric plant	59,173,335	2,215,478	-	61,388,813
Water and pumping plant	5,609,712	904,908	-	6,514,620
Buildings	5,745,644	230,945	-	5,976,589
Equipment	7,051,609	363,358	( 219,965)	7,195,002
Total capital assets being depreciated	<u>77,580,300</u>	<u>3,714,689</u>	<u>( 219,965)</u>	<u>81,075,024</u>
Total capital assets being depreciated, net	<u>101,987,118</u>	<u>2,348,089</u>	<u>-</u>	<u>104,335,207</u>
Total capital assets	<u>\$ 164,713,703</u>	<u>\$ 2,919,311</u>	<u>\$ ( 5,358,649)</u>	<u>\$ 162,274,365</u>

## Self-insurance

The Authority has established a medical self-insurance plan. The purpose of this plan is to pay the medical expenses of the Authority's employees and their covered dependents, and to minimize the total cost of medical insurance. Cost incurred to provide this plan was \$1,402,281 and \$1,569,140 for the years ended August 31, 2015 and 2014, respectively. Medical claims exceeding \$1,800,261, and \$1,856,082 for 2015 and 2014, respectively, for the group, or \$60,000 per covered individual, were covered through a commercial insurance carrier. The maximum amount of coverage offered through the commercial insurance carrier is \$2,000,000 for a specific incident or \$2,000,000 in the aggregate. The Authority has not exceeded its insurance coverage in the last three years.

Governmental Accounting Standards Board, Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Management has estimated this liability to be \$125,000. As required by this statement, a reconciliation of claims liabilities is shown below:

Reconciliations of Claims Liabilities		
	2015	2014
Claims on liabilities at September 1	\$ 125,000	\$ 125,000
Incurred claims	1,402,281	1,569,140
Payments on claims	( 1,402,281)	( 1,569,140)
Claims on liabilities at August 31	<u>\$ 125,000</u>	<u>\$ 125,000</u>

## Employee Benefits

### **Pension Plan**

The Authority has created the Sabine River Authority of Texas Employee Retirement Plan (Plan) by conforming to the requirements of Section 401(a) of the Internal Revenue Code for the exclusive use and benefit of the permanent employees of the Authority and their beneficiaries. The Plan is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984; and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification. The Plan is authorized by Article 8280-133 of Vernon's Texas Civil Statutes as amended. It is a defined contribution pension plan, whereby the Authority contributes an amount equal to 15% of the employees' compensation which is within the limitations as set out in Section 415(c) of the Internal Revenue Code. Fulltime employees, after one year of service, are enrolled in the retirement plan, and the employees are fully vested after seven years. Benefits are based on the amounts accumulated from such contributions. At August 31, 2015, there were 125 plan members consisting of 100 active employees, 15 retirees and 10 inactive. At August 31, 2014, there were 125 plan members consisting of 100 active employees, 15 retirees and 10 inactive. Retirement contribution costs for the current year and two preceding years are as follows:

	<u>Employer Contributions Required</u>	<u>Employer Contributions Made</u>	<u>Percentage of Contributions Made</u>
2015	\$ 1,027,503	\$ 1,027,503	100%
2014	1,056,671	1,056,671	100%
2013	1,054,439	1,054,439	100%

Voluntary employee contributions totaled \$69,685 and \$78,910 for the years ended August 31, 2015 and 2014, respectively.

Retirement contributions are deposited into each employee's individual account at ICMA-RC (International City/County Management Association-Retirement Corporation). ICMA-RC is a not-for-profit corporation that assists in the establishment and maintenance of retirement plans exclusively for State and Local government employees. Through ICMA-RC, each employee manages and invests the funds in their individual accounts.

The total assets in the plan as of August 31, 2015, are \$34,243,601. The asset allocation breakdown is as follows:

FUND	Percentage Invested	Fund Balance
VT Invesco Diversified Div	<1%	\$ 313,419
VT AMG TimesSquare Mid Cap	<1%	336,217
VT Puritan Fund	<1%	307,430
Vantagepoint Discovery	<1%	164,201
Vantagepoint Money Market	<1%	130,469
VT Harbor Mid Cap Growth	<1%	172,539
VT PIMCO High Yield	1.06%	363,290
VT Gold Sachs Mid Cap Value	<1%	162,611
VantageBroker	<1%	150,327
VT Vantagepoint Milestone 2015	<1%	107,758
VT Vantagepoint Milestone 2040	<1%	154,185
Vantagepoint Milestone Ret Inc	<1%	111,720
VT Vantagepoint Infltn Focused	<1%	192,141
VT Vantagepoint MP Trad Growth	<1%	246,456
VT Diversified Intl	1.73%	593,557
VT T Rowe Price Growth Stock	1.35%	461,425
VT Vantagepoint Milestone 2010	<1%	245,641
VT Vantagepoint Milestone 2020	1.14%	392,016
VT Nuveen Real Estate Secs	1.61%	550,228
VT Vantagepoint Milestone 2025	2.47%	846,733
VT Vantagepoint International	1.42%	487,096
VT Vantagepoint Overseas Eq Idx	<1%	280,642
VT Vantagepoint Cor Bnd Idx	1.13%	388,599
Vantagepoint Growth & Income	1.71%	585,462
VT Vantagepoint Milestone 2030	1.97%	674,618
VT Vantagepoint Md/Sm Co Idx	2.82%	965,575
VT Retirement Income Advantage	12.83%	4,392,777
VT Vantagepoint 500 Stk Idx	2.49%	851,521
Vantagepoint MP All-Eqty Grwth	2.03%	695,831
VT Contrafund	1.38%	473,573
VT Oppenheimer Discovery	1.03%	354,074
VT Western Asset Core Plus Bnd	2.72%	931,655
VT Vantagepoint MP Lng-Trm Gr	3.27%	1,121,009
VT Vantagepoint Brd Mkt Idx	3.30%	1,130,725
Vantagepoint Equity Income	4.07%	1,394,784
Vantagepoint Aggressive Ops	5.39%	1,846,977
VT Vantagepoint Growth	6.18%	2,116,536
Vantage Trust PLUS Fund	25.84%	8,849,852
Other Funds w/ less than \$100,000 ( 51 funds)	2.04%	699,933
<b>TOTAL ALL FUNDS</b>		<b>\$ 34,243,601</b>

## Other Post-employment Benefits

### Plan Description and Funding Policy

In addition to providing pension benefits, the Authority provides post-employment health care benefits, in accordance with federal and state statutes and Board resolution, to employees who attain retirement status. Fulltime employees hired before January 1, 2003 are eligible to receive retiree health care benefits upon reaching retirement status. Employees hired after January 1, 2003, are not eligible for post-employment health benefits. Employees are eligible for retirement status at age 65 or they may also attain early retirement status prior to age 65 provided that for each year of age prior to age 65, the employee shall have completed one year of service such that the employee's age plus years of service must equal 80. The Plan is a defined benefit plan and the cost for each employee is paid on a "pay-as-you-go" basis. The Authority pays the health care costs under its medical self-insurance plan described in Note 3. At August 31, 2015 and 2014, respectively, there were 33 and 32 active employees meeting these eligibility requirements who could elect to retire. During the fiscal years ended August 31, 2015 and 2014, respectively, 40 and 40 qualified retirees received these benefits. The Plan's provisions and funding requirements are established and can be amended by the management of the Authority. The plan is a single employer plan.

### Annual OPEB Cost and Net OPEB Obligation

During the fiscal year ended August 31, 2010, the Authority implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)*. The implementation was prospective, meaning there was a zero net OPEB obligation at transition. The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$	1,980,761
Interest on net OPEB obligation		377,896
Adjustment to annual required contribution	(	504,284)
Annual OPEB cost (expense)		1,854,373
Contributions made	(	597,036)
Increase in net OPEB obligation		1,257,337
Net OPEB obligation, beginning of year		<u>8,397,696</u>
Net OPEB obligation, end of year	\$	<u><u>9,655,033</u></u>

The Authority's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ended August 31, 2015 and 2014, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
August 31, 2015	\$ 1,854,373	32.2%	\$ 9,655,033
August 31, 2014	1,875,608	24.8%	8,397,696
August 31, 2013	1,777,457	21.7%	6,986,762

The Authority is only required to obtain a complete actuarial evaluation every three years as long as it has less than 200 employees and provided significant changes have not occurred that would affect the result of the last evaluation. The actuarial accrued liability for benefits was \$23,077,640, and the actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$23,077,640. The covered payroll (annual payroll of active employees covered by the plan) was \$5,436,700 and the ratio of the UAAL to the covered payroll was 424.48%. Refer to Required Supplementary Information.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. Additional information as of the latest actuarial valuation follows:

Valuation date	August 31, 2015	August 31, 2014
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar amortization	Level dollar amortization
Remaining amortization period	30 years - open amortization	30 years - open amortization
Asset valuation	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.50%	4.50%
Salary scale	3.0%	3.0%
Health care cost trend rate	7% initial 4.25% ultimate	7% initial 4.25% ultimate
General inflation rate	3.00%	3.00%

### Long-term Liabilities

Outstanding long-term liabilities consist of the following (in thousands):

	Date of Issue	Date of Maturity	Interest Rates	Original Amount	Outstanding Balance 08/31/14	Added	Retired	Outstanding Balance 08/31/15	Current Portion
Facilities:									
TWDB Loans:									
Series 1964	1964	2034	6.54%	15,000	\$ 21,661	\$ -	\$ 929	\$ 20,733	\$ 175
Compensated Absences:									
Vacation pay	-	-	-	-	634	450	433	651	163
Subtotal long-term liabilities					22,295	450	1,361	21,384	338
Less:									
Current portion					318	19	-	338	-
Net long-term liabilities					\$ 21,977	\$ -	\$ -	\$ 21,046	\$ -

The Texas Water Development Board Series 1964 total amount outstanding at August 31, 2015, of \$20,732,925 includes \$6,165,000 of principal and \$14,567,925 of deferred interest.

Future debt service requirements are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 175,000	\$ 1,171,731	\$ 1,346,731
2017	185,000	1,160,286	1,345,286
2018	195,000	1,148,187	1,343,187
2019	210,000	1,135,434	1,345,434
2020	225,000	1,121,700	1,346,700
2021-2025	1,350,000	5,369,463	6,719,463
2026-2030	1,855,000	4,866,537	6,721,537
2031-2034	<u>1,970,000</u>	<u>3,372,711</u>	<u>5,342,711</u>
Total	<u>\$ 6,165,000</u>	<u>\$ 19,346,049</u>	<u>\$ 25,511,049</u>

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service. The required accounts have been established on the books of the Authority and are reported as restricted assets in the financial statements.

#### **Texas Water Development Board Loan**

On December 2, 1994, the Authority entered into a revised agreement with the Texas Water Development Board (TWDB) regarding the state's ownership rights at the Toledo Bend Reservoir. The Authority made a principal payment of \$6,430,186 on December 28, 1994, and received a revised interest rate of 3.6% from April 16, 1964 through December 28, 1994. This reduction in the interest rate resulted in a reduction of \$11,683,809 of interest payable to TWDB. The reduction of accrued interest was a noncash transaction. The interest rate is 6.54% on the remaining \$6,165,000 in principal.

The Authority owes \$6,165,000 of principal and \$14,567,925 of interest at August 31, 2015, related to the state's 21.6075% ownership of the water storage rights at the Toledo Bend Reservoir. The following recaps the payments made on the debt:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
November 8, 1974	\$ 475,000	\$ -
November 21, 1975	94,815	-
August 20, 1987	500,000	-
March 17, 1988	500,000	-
December 28, 1994	6,430,186	-
July 11, 1996	-	217,000
July 11, 1997	-	217,000
July 1, 1998	-	217,000
June 7, 1999	-	217,000
June 29, 2000	-	217,000
June 18, 2001	-	217,000
June 26, 2002	-	217,000
June 25, 2003	-	217,000
June 24, 2004	-	217,000
June 27, 2005	-	217,000
June 27, 2006	-	217,000
June 25, 2007	-	217,000
June 25, 2008	-	217,000
June 25, 2009	-	217,000
June 25, 2010	120,000	1,226,340
June 25, 2011	125,000	1,218,492
June 25, 2012	135,000	1,210,317
June 25, 2013	150,000	1,201,488
June 25, 2014	150,000	1,192,005
June 25, 2015	160,000	1,182,195

### Commitments and Contingencies

On October 9, 2014, the SRA Board of Directors (the “Board”) set a rate for the next 40-year renewal term for the Lake Fork Water Supply Contract and Conveyance (the “Contract”) between the Authority and the City of Dallas (“City”), dated October 1, 1981, after the parties failed to agree upon a rate during negotiations in accordance with Section 6.02 of the Contract. The rate set by the Board in addition to the City’s pro rata share of the Service Charge was \$0.5613/kgal, adjusted annually by the Consumer Price Index.

On October 30, 2014, the City filed a petition with the Public Utility Commission of Texas (“PUC”) complaining of the Board’s decision to set a rate. The PUC abated the matter upon request by the Authority, and ordered the City to pay the Authority’s rates into an escrow account pending a final determination of the rate dispute. The interim rate set by the PUC was \$0.5613/kgal without an annual adjustment, which totals approximately \$24,117,216 per year.

On January 30, 2015, the City filed a petition for declaratory judgment in Travis County district court, seeking a declaration that the Authority’s rates were not set pursuant to a written contract. The district court granted the Authority’s plea to the jurisdiction on the grounds of governmental immunity, and dismissed the case. The City appealed to the Third Court of Appeals in Travis County. Briefs will be filed before the end of the year. No date for oral argument has been set.

On February 13, 2015, the City filed a petition for declaratory judgment in Orange County, Texas, against the members of the Board of Directors of the Authority in their official capacities, alleging the Authority’s rate order setting rates was unlawful. The Board members filed pleas to the jurisdiction, and the Authority filed an Original Plea in Intervention asserting that the City was in breach of its obligation to pay the Authority’s lawful rate. Several pretrial hearings have been held, and mediation has been ordered by the presiding judge.

The Authority is vigorously defending its action taken to establish fair and reasonable rates for its water, and vigorously asserting its claim to payment from the City pursuant to those rates. Although a trial date has not been established for the Orange County action, it is expected that a trial will be held in the latter part of 2016, if the matter is not settled. While litigation is inherently uncertain, if this matter is not settled prior to trial, the Authority expects that the rates it has set for water contracted to the City will be found to be just and reasonable, and that the City will be ordered to pay all past-due amounts.

### Pollution Control Bonds

In conformity with the State of Texas Auditors' Report dated October 6, 1986, Pollution Control Bonds have been removed from the statement of net position and are disclosed instead in the notes to financial statements. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount Authorized and Issued</u>	<u>Cumulative Amount Retired</u>	<u>Balance August 31, 2015</u>
Texas Utilities Electric Company:						
Series 2000A - Construction of solid waste disposal facility at the Martin Lake Station in Rusk County	2000	2021	6.45%	\$ 51,000,000	\$ -	\$ 51,000,000
Series 2001A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2022	15.0%	91,460,000	-	91,460,000
Series 2001B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2030	15.0%	106,900,000	-	106,900,000
Series 2001C - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2001	2028	5.20%	70,000,000	-	70,000,000
Series 2003A - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	5.80%	12,390,000	-	12,390,000
Series 2003B - Construction and improvement of a solid waste disposal facility and air and water pollution control at the Martin Lake and Monticello stations in Rusk and Titus Counties, Texas	2003	2022	6.15% (variable)	44,615,000	-	44,615,000
American Electric Power:						
Series 2006 - Construction and improvements of air and water pollution control including solid waste disposal facilities at the generating plant in Harrison County, Texas	2006	2018	4.95%	81,700,000	-	81,700,000
Totals				<u>\$ 458,065,000</u>	<u>\$ -</u>	<u>\$ 458,065,000</u>

### Concentrations

During the years ended August 31, 2015 and 2014, respectively, approximately 43% and 45% of water sales were to Dallas Water Utilities. The agreement for water sales for Lake Tawakoni is in perpetuity while the Lake Fork agreement remains in effect until 2014.



### Joint Operations

The Authority has a 50% interest in the Toledo Bend Project Joint Operation (TBPJO). The TBPJO is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority in 1955. TBPJO was formed for the purpose of constructing the dam, reservoir, structures, and hydroelectric generating station at Toledo Bend Reservoir. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority. Sabine River Authority of Texas is responsible for administration of the reservoir and the Texas shoreline. Sabine River Authority of Louisiana is responsible for engineering aspects and the Louisiana shoreline.

The Authority's investment in the net position of the TBPJO is reflected on the Authority's financial statements as capital assets and investments. Capital contributions are made by the Authority to TBPJO to cover operating costs; the contributions are reflected on the Authority's financial statements as operating expenses.

The audited financial statements of TBPJO are on file at the administrative offices of Sabine River Authority of Texas.

**SABINE RIVER AUTHORITY OF TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST-EMPLOYMENT BENEFITS**  
**AUGUST 31, 2015**

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
August 31, 2009	\$ -	\$ 21,743,485	\$ 21,743,485	- %	\$ 5,604,136	387.99%
August 31, 2010	-	21,743,485	21,743,485	- %	5,585,890	389.26%
August 31, 2011	-	20,289,694	20,289,694	- %	5,679,542	357.24%
August 31, 2012	-	20,289,694	20,289,694	- %	5,202,016	390.04%
August 31, 2013	-	20,289,694	20,289,694	- %	5,141,494	394.63%
August 31, 2014	-	23,077,640	23,077,640	- %	5,013,830	460.28%
August 31, 2015	-	23,077,640	23,077,640	- %	5,436,700	424.48%

GASB 45 was implemented prospectively in fiscal year August 31, 2009. Actuarial information and annual OPEB costs are not available prior to that time. See Note 3 for frequency of actuarial valuations and other conditions.

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF AMORTIZATION OF  
TEXAS WATER DEVELOPMENT BOARD LOAN**

**AUGUST 31, 2015**

Principal Balance Financed \$7,000,000

<u>Fiscal Year</u>	<u>Interest Receivable</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>	<u>Total Debt Service</u>	<u>Deferred</u>	<u>Adjusted Payment</u>
2016	\$ 631,690	\$ 175,000	\$ 403,191	\$ 578,191	\$ 1,209,881	\$ 136,850	\$ 1,346,731
2017	631,690	185,000	391,746	576,746	1,208,436	136,850	1,345,286
2018	631,690	195,000	379,647	574,647	1,206,337	136,850	1,343,187
2019	631,690	210,000	366,894	576,894	1,208,584	136,850	1,345,434
2020	631,690	225,000	353,160	578,160	1,209,850	136,850	1,346,700
2021	631,690	235,000	338,445	573,445	1,205,135	136,850	1,341,985
2022	631,690	255,000	323,076	578,076	1,209,766	136,850	1,346,616
2023	631,690	270,000	306,399	576,399	1,208,089	136,850	1,344,939
2024	631,690	285,000	288,741	573,741	1,205,431	136,850	1,342,281
2025	631,690	305,000	270,102	575,102	1,206,792	136,850	1,343,642
2026	631,690	325,000	250,155	575,155	1,206,845	136,850	1,343,695
2027	631,690	345,000	228,900	573,900	1,205,590	136,850	1,342,440
2028	631,690	370,000	206,337	576,337	1,208,027	136,850	1,344,877
2029	631,690	395,000	182,139	577,139	1,208,829	136,850	1,345,679
2030	631,690	420,000	156,306	576,306	1,207,996	136,850	1,344,846
2031	631,690	445,000	128,838	573,838	1,205,528	136,850	1,342,378
2032	631,690	475,000	99,735	574,735	1,206,425	136,850	1,343,275
2033	631,690	505,000	68,670	573,670	1,205,360	136,850	1,342,210
2034	631,690	545,000	35,643	580,643	1,212,333	102,515	1,314,848
	<u>\$ 12,002,110</u>	<u>\$ 6,165,000</u>	<u>\$ 4,778,124</u>	<u>\$ 10,943,124</u>	<u>\$ 22,945,234</u>	<u>\$ 2,565,815</u>	<u>\$ 25,511,049</u>

**SABINE RIVER AUTHORITY OF TEXAS**

**SCHEDULE OF INSURANCE IN FORCE**

**AUGUST 31, 2015**

(UNAUDITED)

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	General liability	\$ 1,000,000	\$ 20,739
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Automobile liability	1,000,000	27,317
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Auto physical damage	Scheduled	13,515
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Property	10,729,187	20,695
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Errors and omissions	1,000,000	20,640
Texas Water Conservation Association Risk Management Fund	022	07/01/15 - 07/01/16	Excess liability	9,000,000	15,842
Zurich American Insurance Company	GTU6548008	07/01/15 - 07/01/16	Travel accident	500,000	1,058
Travelers Casualty Insurance Company	105815971	07/01/15 - 07/01/18	Crime/employee dishonesty	1,000,000	1,750
Travelers Casualty & Surety Co.	105648039	07/01/15 - 07/01/16	Blanket public official bond	1,000	100
Liberty Mutual National 50% Ace American 25% National Union Fire Insurance (Chartis) 25%	3LA106680014 EUTN09171976 2071551	07/01/15 - 07/01/16	Commercial property All property policies Includes terrorism 6/30/14 - 6/30/15	Scheduled	11,067
Travelers Lloyd's Insurance Company	QT660272D7866	07/01/15 - 07/01/16	Lake Fork dam, watercraft, radio tower, and base station, and Kilgore/Henderson Weir	Scheduled	175,558
Deep East Texas Worker's Compensation Insurance Fund	76-134	07/01/97 - (Until Canceled)	Worker's compensation	500,000	<u>34,687</u>
					\$ <u><u>342,968</u></u>

**STATISTICAL SECTION**  
**(Unaudited)**

This part of the Authority’s comprehensive annual financial report presents multiple years of data to provide a historical perspective for understanding the information available in the financial statements, note disclosures, and required supplementary information.

**Contents**

Financial Trends .....65

These schedules provide trend information to outline the Authority’s change in financial performance over time.

Debt Service .....71

These schedules provide information regarding levels of outstanding debt including principal and interest components of debt service over time.

Demographic and Economic Information .....73

These schedules present demographic and economic indicators representing the environment in which the Authority’s financial activities occur over time.

Operating Information .....75

These schedules supply information associated with the Authority’s operations and resources in order to show the relationship between the services the Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

SABINE RIVER AUTHORITY OF TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary government:										
Net investment in capital assets	\$ 123,150,281	\$ 122,749,783	\$ 122,623,992	\$ 121,806,366	\$ 121,968,213	\$ 144,580,865	\$ 143,503,128	\$ 143,540,306	\$ 143,052,238	\$ 141,541,440
Restricted	1,539,861	1,772,417	1,367,308	847,680	847,586	846,350	825,016	825,016	800,017	800,079
Unrestricted	29,385,590	30,496,191	33,779,454	33,823,504	34,879,808	31,880,623	29,326,965	27,390,431	27,494,552	31,632,384
Total primary government net assets	\$ 154,075,732	\$ 155,018,391	\$ 157,770,754	\$ 156,477,550	\$ 157,695,607	\$ 177,307,838	\$ 173,655,109	\$ 171,755,753	\$ 171,346,807	\$ 173,973,903

TABLE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues (Expenses)	Income (Loss) Before Capital Contributions	Extraordinary Items/ Capital Contributions	Change in Net Position
2006	\$ 14,217,919	\$ 15,706,297	\$( 1,488,378)	\$ 233,302	\$( 1,255,076)	\$ 642	\$( 1,254,434)
2007	17,343,853	17,224,675	119,178	814,105	933,283	9,376	942,659
2008	18,645,877	17,643,179	1,002,698	1,669,945	2,672,643	79,720	2,752,363
2009	18,931,509	20,264,696	\$( 1,333,187)	39,983	\$( 1,293,204)	-	\$( 1,293,204)
2010	21,874,597	20,575,593	1,299,004	\$( 80,947)	1,218,057	-	1,218,057
2011	18,271,927	21,802,675	\$( 3,530,748)	\$( 1,328,653)	\$( 4,859,401)	24,471,632	19,612,231
2012	17,493,956	20,958,358	\$( 3,464,402)	\$( 188,327)	\$( 3,652,729)	-	\$( 3,652,729)
2013	19,371,952	20,864,854	\$( 1,492,902)	\$( 406,454)	\$( 1,899,356)	-	\$( 1,899,356)
2014	20,500,460	20,704,342	\$( 203,882)	\$( 205,064)	\$( 408,946)	-	\$( 408,946)
2015	24,127,984	21,241,917	2,886,067	\$( 258,971)	2,627,096	-	2,627,096

TABLE 3

**SABINE RIVER AUTHORITY OF TEXAS  
OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Water Sales	Power Sales	Wastewater Treatment	Permits	Water Quality Activity	Miscellaneous	Bond Issue Fees	Reservation Fee	Total
2006	\$ 10,488,136	\$ 721,340	\$ 81,273	\$ 760,795	\$ 741,983	\$ 364,190	\$ 408,500	\$ 651,702	\$ 14,217,919
2007	11,495,394	2,528,598	52,994	750,935	725,362	625,468	513,400	651,702	17,343,853
2008	11,884,812	3,772,516	58,189	794,681	747,972	736,005	-	651,702	18,645,877
2009	13,350,041	2,620,794	52,763	816,363	759,787	680,059	-	651,702	18,931,509
2010	12,924,928	6,018,152	50,411	810,474	823,269	595,661	-	651,702	21,874,597
2011	13,968,823	557,506	47,353	840,931	844,315	1,361,197	-	651,702	18,271,827
2012	12,923,569	1,215,429	39,934	867,681	756,362	1,039,279	-	651,702	17,493,956
2013	14,593,165	1,514,146	46,265	851,074	816,696	898,904	-	651,702	19,371,952
2014	14,493,602	2,599,284	70,650	986,570	834,104	864,548	-	651,702	20,500,460
2015	14,484,783	6,381,340	67,290	921,476	773,787	847,606	-	651,702	24,127,984

TABLE 4

**OPERATING EXPENSES  
LAST TEN FISCAL YEARS**

Fiscal Year	Operation and Maintenance	Depreciation	Total Operating Expenses
2006	\$ 12,835,203	\$ 2,871,094	\$ 15,706,297
2007	14,344,378	2,880,297	17,224,675
2008	14,738,525	2,904,654	17,643,179
2009	17,356,286	2,908,410	20,264,696
2010	17,626,268	2,949,325	20,575,593
2011	18,084,046	3,718,629	21,802,675
2012	17,363,254	3,595,104	20,958,358
2013	17,284,765	3,580,089	20,864,854
2014	17,036,591	3,667,751	20,704,342
2015	17,527,226	3,714,691	21,241,917

TABLE 5

**SABINE RIVER AUTHORITY OF TEXAS  
NONOPERATING REVENUES AND EXPENSES  
LAST TEN FISCAL YEARS**

Fiscal Year	Gain (Loss) on Disposal of Capital Assets	Grant Program	Capital Asset Impairment Loss	Investment Income	Interest Expense	Bad Debt Expense	Total Nonoperating Revenues (Expenses)
2006	\$ 38,622	\$( 223,626)	\$( 40,397)	\$ 1,141,571	\$ ( 682,868)	-	\$ 233,302
2007	( 11,424)	( 130,000)	( 20,146)	1,596,600	( 620,925)	-	814,105
2008	899,264	( 153,000)	-	1,468,162	( 544,481)	-	1,669,945
2009	( 29,924)	( 391,000)	-	946,269	( 485,362)	-	39,983
2010	( 12,257)	( 149,100)	-	555,499	( 475,089)	-	( 80,947)
2011	( 967,005)	( 169,533)	-	482,909	( 458,152)	( 216,872)	( 1,328,653)
2012	( 6,832)	( 120,000)	-	380,266	( 441,761)	-	( 188,327)
2013	76	( 100,000)	-	134,120	( 432,948)	( 7,702)	( 406,454)
2014	( 663)	( 77,995)	-	297,059	( 423,465)	-	( 205,064)
2015	-	( 81,000)	-	235,684	( 413,655)	-	( 258,971)

TABLE 6

**WATER SUPPLIED, POWER GENERATED AND LABORATORY TESTS PERFORMED  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Gulf Coast Division	Lake Tawakoni	Toledo Bend Division	Total Water Supplied	MWH Hours of Power Generated	Environmental Services Division Tests Performed
2006	39,75	165,92	4,62	221,81	70,370	83,066
2007	39,64	127,89	3,77	183,89	172,956	68,499
2008	42,06	80,44	3,88	132,05	196,665	65,306
2009	37,99	140,70	2,71	188,38	136,544	57,211
2010	42,74	37,20	3,32	107,96	305,027	63,225
2011	43,05	86,68	3,42	171,25	38,359	68,040
2012	43,75	70,41	4,56	141,34	60,609	60,755
2013	45,80	131,03	4,23	202,85	72,499	66,721
2014	42,11	141,32	4,18	216,02	122,716	65,322
2015	43,93	56,69	4,46	181,35	293,580	85,366

Note: Water supplied is presented in million gallons daily (MGD).



TABLE 7

**SABINE RIVER AUTHORITY OF TEXAS**  
**NUMBER OF WATER CUSTOMERS AND LABORATORY TESTS PERFORMED BY TYPE**  
**LAST TEN FISCAL YEARS**  
 (UNAUDITED)

Fiscal Year	Laboratory Tests Performed										Total Tests Performed		
	Municipal		Industrial		Irrigation		Other		Total			Watershed Monitoring Program	Quality Assurance
2006	22	11	1	3	37	8,665	7,488	40,120	26,793	83,066			
2007	22	12	1	3	38	8,412	7,490	29,341	23,256	68,499			
2008	22	11	0	4	37	8,621	8,244	24,244	24,197	65,306			
2009	22	12	1	3	38	6,419	8,186	23,143	19,463	57,211			
2010	22	12	1	3	38	5,662	9,509	23,909	24,145	63,225			
2011	22	14	1	3	40	8,081	8,851	24,486	26,622	68,040			
2012	22	14	1	3	40	7,124	7,154	23,726	22,751	60,755			
2013	23	12	1	4	40	8,327	6,428	26,600	25,366	66,721			
2014	24	12	1	4	41	8,253	6,681	24,433	25,955	65,322			
2015	24	11	1	7	43	7,742	7,241	39,692	30,691	85,366			

## SABINE RIVER AUTHORITY OF TEXAS

## FIVE LARGEST CUSTOMERS

## CURRENT YEAR AND NINE YEARS AGO

Customer	2015			2014		
	Water Revenue			Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 6,246,262	43.12%	1	\$ 6,580,627	45.40%	1
North Texas Municipal Water Dist.	1,454,722	10.04%	2	1,213,049	8.37%	2
International Paper	1,047,938	7.23%	3	1,028,505	7.10%	3
City of Greenville	952,843	6.58%	5	905,931	6.25%	4
E. I. Dupont DeNemours	954,695	6.59%	4	892,911	6.16%	5
Subtotal (5 largest)	10,656,460	73.57%		10,621,023	73.28%	
Balance from other customers	3,828,323	26.43%		3,872,579	26.72%	
Grand Totals	\$ 14,484,783	100.00%		\$ 14,493,602	100.00%	
Customer	2013			2012		
	Water Revenue			Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 6,825,000	46.77%	1	\$ 5,587,070	43.23%	1
North Texas Municipal Water Dist.	1,491,168	10.22%	2	1,056,393	8.17%	2
International Paper	915,493	6.27%	3	836,081	6.47%	5
City of Greenville	863,995	5.92%	4	839,509	6.50%	4
E. I. Dupont DeNemours	848,957	5.82%	5	868,305	6.72%	3
Subtotal (5 largest)	10,944,613	75.00%		9,187,358	71.09%	
Balance from other customers	3,648,552	25.00%		3,736,211	28.91%	
Grand Totals	\$ 14,593,165	100.00%		\$ 12,923,569	100.00%	
Customer	2011			2010		
	Water Revenue			Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,552,885	39.75%	1	\$ 5,480,438	42.40%	1
E. I. Dupont DeNemours	734,422	5.26%	5	n/a		
City of Longview	n/a			651,703	5.04%	5
International Paper	904,842	6.48%	3	871,879	6.75%	3
City of Greenville	839,509	6.01%	4	863,843	6.68%	4
North Texas Municipal Water Dist.	1,186,871	8.50%	2	961,961	7.44%	2
Subtotal (5 largest)	9,218,529	65.99%		8,829,824	68.32%	
Balance from other customers	4,750,394	34.01%		4,095,104	31.68%	
Grand Totals	\$ 13,968,923	100.00%		\$ 12,924,928	100.00%	

## SABINE RIVER AUTHORITY OF TEXAS

## FIVE LARGEST CUSTOMERS

## CURRENT YEAR AND NINE YEARS AGO

Customer	2009			2008		
	Water Revenue			Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 5,719,332	42.84%	1	\$ 5,009,554	42.15%	1
North Texas Municipal Water Dist.	1,225,524	9.18%	2	n/a		
E. I. Dupont DeNemours	n/a			656,598	5.52%	4
City of Longview	651,703	4.88%	5	651,703	5.48%	5
International Paper	767,055	5.75%	4	827,568	6.96%	3
City of Greenville	985,509	7.38%	3	985,509	8.29%	2
Subtotal (5 largest)	9,349,123	70.03%		8,130,932	68.41%	
Balance from other customers	4,000,918	29.97%		3,753,880	31.59%	
Grand Totals	\$ 13,350,041	100.00%		\$ 11,884,812	100.00%	

Customer	2007			2006		
	Water Revenue			Water Revenue		
	Amount	Percentage	Rank	Amount	Percentage	Rank
Dallas Water Utilities	\$ 4,696,527	40.86%	1	\$ 3,904,131	37.22%	1
E. I. Dupont DeNemours	632,954	5.51%	5	620,717	5.92%	5
City of Longview	651,703	5.67%	4	665,887	6.35%	3
International Paper	703,670	6.12%	3	621,930	5.93%	4
City of Greenville	985,480	8.57%	2	706,255	6.73%	2
Subtotal (5 largest)	7,670,334	66.73%		6,518,920	62.16%	
Balance from other customers	3,825,060	33.27%		3,969,216	37.84%	
Grand Totals	\$ 11,495,394	100.00%		\$ 10,488,136	100.00%	

Note: n/a indicates customer is not in the top five largest customers

TABLE 9

## SABINE RIVER AUTHORITY OF TEXAS

## RATIOS OF OUTSTANDING DEBT BY TYPE

## LAST TEN FISCAL YEARS

Fiscal Year	Revenue		Texas Water Development Board Loan		Total Amount		Personal Income <sup>b</sup>		Percentage of Outstanding Debt to Personal Income		Population <sup>a</sup>		Total Debt Per Capita
	Bonds		Board Loan		Amount		Income		Income		Population <sup>a</sup>	Per Capita	
2006	\$ 4,163,000		\$ 25,426,245		\$ 29,589,245		\$ 17,448,637,000		0%		546,767	54	
2007	2,668,000		25,667,045		28,335,045		18,534,116,000		0%		548,395	52	
2008	1,162,000		25,907,845		27,069,845		19,739,546,000		0%		553,668	49	
2009	416,000		26,148,645		26,564,645		20,449,149,000		0%		560,018	47	
2010	164,000		25,260,105		25,424,105		24,244,457,000		0%		564,591	45	
2011	-		24,397,085		24,397,085		26,041,053,000		0%		571,948	43	
2012	-		23,493,545		23,493,545		27,674,087,000		0%		574,750	41	
2013	-		22,580,005		22,580,005		24,500,368,000		0%		577,383	39	
2014	-		21,661,465		21,661,465		N/A		N/A		583,619	37	
2015	-		20,732,925		20,732,925		N/A		N/A		N/A	N/A	

## Sources:

<sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

TABLE 10

## SABINE RIVER AUTHORITY OF TEXAS

## PLEDGED REVENUE COVERAGE

## LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenues	Less: Operating Expenses (Excluding Depreciation)	Net Available Funds	Debt Service		Coverage Ratio	
				Principal	Interest		
2006	\$ 14,217,919	\$ 12,835,203	\$ 1,382,716	\$ 1,280,000	\$ 466,450	0.79	
2007	17,343,853	14,344,378	2,999,475	1,495,000	410,256	1.57	
2008	18,645,877	14,738,525	3,907,352	1,506,000	382,875	2.07	
2009	18,931,509	17,356,286	1,575,223	746,000	263,132	1.56	
2010	21,874,597	17,626,268	4,248,329	372,000	1,245,040	2.63	
2011	18,271,927	18,084,046	187,881	1,027,021	458,152	0.13	
2012	17,493,956	17,363,254	130,702	903,540	441,777	0.10	
2013	19,371,952	17,284,765	2,087,187	913,540	432,948	1.55	
2014	20,500,460	17,036,591	3,463,869	918,540	423,465	2.58	
2015	24,127,984	17,527,226	6,600,758	928,540	413,655	4.92	
Total							
				\$ 1,746,450	\$ 1,905,256		
				1,888,875	1,009,132		
				1,617,040	1,485,173		
				1,345,317	1,346,488		
				1,342,005	1,342,195		

Notes:

<sup>a</sup> Interest is on cash basis method of accounting.

TABLE 11

**SABINE RIVER AUTHORITY OF TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Calendar Year	Population <sup>a</sup>	Personal Income <sup>b</sup> (thousands of dollars)	Per Capita Personal Income	Unemployment Rate		Labor Force <sup>c</sup>	Total Housing Units <sup>e</sup>
				Basin <sup>c</sup>	State <sup>d</sup>		
2006	546,767	\$ 17,448,637	\$ 31,912	4.7%	4.6%	270,394	232,501
2007	548,395	18,534,116	33,797	4.4%	4.5%	270,724	234,912
2008	553,668	19,739,546	35,652	5.0%	4.9%	274,958	237,078
2009	560,018	20,449,149	36,515	8.1%	8.2%	277,708	239,581
2010	564,591	24,244,457	42,942	8.5%	8.2%	281,524	244,163
2011	571,948	26,041,053	45,530	8.2%	7.9%	286,940	246,284
2012	574,750	27,674,087	48,150	7.1%	6.8%	289,735	246,749
2013	577,383	24,500,368	42,433	6.8%	6.3%	289,712	247,444
2014	583,619	N/A	N/A	5.6%	5.1%	276,381	250,497
2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = not available

Note: Statistics for counties partially in the Sabine Basin have been adjusted to better reflect the geographic portion of the county within the basin.

Sources: <sup>a</sup> U. S. Census Bureau through the Labor Market & Career Information Department (LMCI) of the Texas Workforce Commission website: <http://www.tracer2.com>

<sup>b</sup> Bureau of Economic Analysis through the LMCI website: <http://www.tracer2.com>

<sup>c</sup> Local Area Unemployment Statistics through the LMCI website: <http://www.tracer2.com>

<sup>d</sup> State unemployment rate obtained from the U. S. Department of Labor Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

<sup>e</sup> U. S. Census Bureau website: <http://www.census.gov/housing>



TABLE 13

## SABINE RIVER AUTHORITY OF TEXAS

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Administration:</b>										
Management	19	18	20	20	20	19	21	20	20	20
Administrative assistant/secretary	13	13	15	15	15	16	16	14	14	14
Accounting	3	3	3	3	3	3	3	3	3	3
GIS	1	1	1	1	1	1	1	1	1	1
Engineer	1	1	1	1	1	2	1	1	1	1
MIS	1	1	1	1	1	1	1	1	1	1
Special projects	1	2	3	3	3	3	2	2	1	1
<b>Water:</b>										
Environmental agent/tech	5	4	3	3	3	3	4	4	-	-
Pumper	4	4	3	3	3	3	3	3	3	3
Equipment oiler/operator	19	21	20	20	20	17	19	19	17	16
Mechanic	1	1	1	1	1	1	1	1	1	1
M&O/field supervisor	8	6	6	6	6	7	7	7	7	8
Canal foreman/crewman	3	3	2	2	2	1	1	1	1	1
Electrician	1	1	1	1	1	1	1	1	1	1
Project inspector	1	1	1	1	1	1	1	1	1	1
Surveyor/survey tech	2	2	2	2	2	2	2	2	2	2
Maintenance tech	7	4	7	7	7	6	6	6	5	5
Water and sewer tech	1	1	1	1	1	3	1	1	1	-
<b>Laboratory:</b>										
Section leader	2	1	1	1	1	1	1	1	1	1
Laboratory analyst/tech	5	5	5	5	5	6	7	7	7	7
Biomonitoring coordinator	1	1	1	1	1	1	1	1	1	-
Field coordinator	2	2	2	2	2	2	2	2	2	2
Chemist	1	1	1	1	1	1	-	-	-	-
Quality assurance officer	1	1	1	1	1	1	1	1	-	1
Biologist	3	3	2	2	2	2	2	2	2	2
LIMS administrator	1	1	1	1	1	1	-	-	1	1
Sample Custodian	1	1	1	1	1	1	1	1	1	1
T total employees	108	103	106	106	106	106	106	103	100	97



## SABINE RIVER AUTHORITY OF TEXAS

## OPERATING AND CAPITAL INDICATORS

(UNAUDITED)

## Gulf Coast Division Canal System:

Pumping capacity	195 million gallons per day
Canal system length	75 miles
Permitted water rights	147,100 acre-feet per year

## Lake Tawakoni (Iron Bridge Dam):

Capacity	927,440 acre-feet
Surface area	36,700 acres
Elevation	437.5 feet mean sea level
Yield	238,100 acre-feet per year

## Toledo Bend Reservoir:

Capacity	4,477,000 acre-feet
Surface area	181,600 acres
Elevation	172.0 feet mean sea level
Yield	2,086,600 acre-feet per year *
Hydroelectric capacity	85 megawatt hours

\* Half of the yield is allocated to Texas and half is allocated to Louisiana.

## Lake Fork Reservoir:

Capacity	675,819 acre-feet
Surface area	27,690 acres
Elevation	403.0 feet mean sea level
Yield	188,660 acre-feet per year

Note: Canal system and reservoir information applicable to all years from 2006 through 2015.

# SABINE RIVER AUTHORITY OF TEXAS

Historical Data through  
August 31, 2015

## SRA QUICK REFERENCE

Water Supply Schedules:

- Gulf Coast Division .....78-79
- Toledo Bend Division .....80-81
- Iron Bridge Division .....82-83
- Lake Fork Division .....84
- Laboratory Samples Analyzed .....85
- Miscellaneous Statistical Data .....86
- SRA Reservoirs Map .....87
- Sabine River Basin Map .....88

## WATER SUPPLY SCHEDULE • GULF COAST DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	E.I. DU PONT DE NEMOURS & COMPANY	HONEY- WELL	EN- TERGY	FIRE- STONE	INT'L PAPER	CHEVRON PHILLIPS	A. SCHUL- MAN INC.	LANXESS	GERDAU- AMERIS- TEEL	CITY OF ROSE CITY	NRG INTER- GEN	CRAWFISH & RICE FARMING (IRRIGATION)	MISC. USAGE
1949	43.10	8.60											34.50	
1950	54.47	9.69											44.78	
1951	66.14	10.53											55.61	
1952	48.25	12.61											35.64	
1953	41.06	10.60											30.46	
1954	41.57	0.50	.15										40.92	
1955	40.08	10.30	.30					.05					29.43	
1956	36.30	9.88	1.44		.54			.05					24.39	
1957	35.10	10.20	1.44		1.36			.05					22.10	
1958	35.09	9.48	1.44		1.03								23.14	
1959	43.86	9.28	1.44		1.11			.04					31.99	
1960	35.37	9.94	1.44		1.11			.21					22.67	
1961	43.89	10.34	1.44	.14	1.34			.21					30.42	
1962	38.95	10.39	.72	.27	1.34			.21					26.02	
1963	36.18	11.11	.37	.25	1.24			.21					23.00	
1964	36.23	11.38	.47	.25	1.45			.21					22.47	
1965	34.51	12.37	.52	.25	1.65			.21					19.51	
1966	42.95	13.00	.49	.25	1.77			.21					27.23	
1967	49.68	14.00	.38	.24	1.94	6.07		.21					26.84	
1968	49.03	12.32	.40	.25	2.00	8.85		.21					25.00	
1969	47.94	12.30	.38	.25	2.08	7.60		.21					25.12	
1970	46.62	15.17	.40	.25	1.78	9.33		.21					19.48	
1971	46.61	15.17	.40	.25	1.77	9.33		.21					19.48	
1972	49.27	16.37	.45	.25	1.58	9.80		.21					20.61	
1973	45.91	12.91	.40		2.09	11.78	.90						17.83	
1974	50.63	11.26	.25		1.77	10.64	1.36						25.35	
1975	50.15	11.95	.38		1.70	11.24	1.25						23.63	
1976	49.69	14.14	.34		1.93	8.77	1.15		.04				23.32	
1977	53.42	15.84	.39		1.68	7.44	1.17		.04				26.86	
1978	37.16	15.23	.32	.25	1.53	11.88	1.17	.09	.80				5.89	
1979	36.85	14.98	.37	.25	1.82	11.07	1.35	.10	.97				5.94	
1980	41.37	14.61	.40	3.27	1.60	12.65	1.29	.10	1.01	.01			6.14	
1981	47.76	16.65	.27	6.38	1.68	12.27	1.58	.10	1.58	.06			6.63	
1982	41.57	13.84	.42	4.49	1.33	11.09	1.58	.08	1.51	.08			7.13	
1983	36.86	12.96	.48	4.76	.16	10.31	1.74	.01	1.63	.08			4.68	
1984	40.38	15.17	.53	5.40	.26	11.76	1.63	.01	1.48	.09			4.00	
1985	40.63	16.65	.58	4.29	.27	13.37	1.78	.01	1.24	.08			2.27	
1986	39.19	15.94	.62	3.84	.27	13.12	1.83	.002	1.14	.08			2.31	
1987	45.02	18.62	.79	3.77	.32	14.45	1.80	.002	1.55	.08			3.58	
1988	50.53	19.93	.98	4.33	.30	17.09	1.99	.002	1.54	.08			4.28	
1989	52.23	19.29	.91	4.72	.34	16.34	2.04	.20	1.46	.09			6.81	
1990	50.08	20.85	.68	4.97	.35	15.18	1.78	.23	1.21	.09			4.72	

Continued on the next page

## WATER SUPPLY SCHEDULE • GULF COAST DIVISION (Cont.)

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	E. I. DU PONT DE NEMOURS & COMPANY	HONEY- WELL	EN- TERGY	FIRE- STONE	INT'L PAPER	CHEVRON PHILLIPS	A. SCHUL- MAN INC.	LANXESS	GERDAU- AMERIS- TEEL	CITY OF ROSE CITY	NRG INTER- GEN	CRAWFISH & RICE FARMING (IRRIGATION)	MISC. USAGE
1991	47.49	19.03	.57	4.49	.33	14.81	1.49	.007	1.30	1.40	.08		4.81	
1992	48.10	19.62	.61	4.12	.32	15.35	1.90	.001	1.41	1.20	.08		2.73	
1993	46.73	19.29	.69	4.02	.33	14.91	1.97	.001	1.78	1.15	.08		2.51	
1994	47.57	18.91	.71	4.47	.44	14.14	2.04	.001	1.79	1.52	.08		3.47	
1995	49.23	19.10	.78	5.44	.69	15.41	2.27	.001	1.93	1.64	.12		1.92	
1996	50.43	20.48	.76	4.56	.62	15.71	2.28	.001	2.07	1.65	.11		2.27	
1997	52.27	22.33	.73	4.77	.70	15.82	2.53	.001	2.11	1.20	.07		2.01	
1998	53.26	23.03	.73	4.26	.72	17.44	2.40	.001	2.15	1.23	.07		2.23	
1999	50.97	22.32	.55	4.34	.73	15.57	2.00	.005	2.64	.93	.07		5.82	
2000	50.79	20.29	.64	5.22	.63	16.40	2.00	.005	3.03	.95	.08		1.54	
2001	36.73	9.06	.70	4.31	.60	16.18	1.46	.004	2.89	.86	.08		1.08	.37
2002	40.21	14.61	.61	3.43	.65	13.98	1.88	.007	2.91	.71	.08		1.09	.27
2003	48.26	16.44	.71	3.25	.95	19.39	.97	.010	3.89	.76	.09	1.30	.02	.48
2004	48.03	16.38	1.03	3.65	.84	16.98	.98		3.97	.83	.15	1.98	.09	1.15
2005	41.72	16.03	1.31	2.18	1.04	14.27	.85		3.20	.72	.08	1.90	.009	.13
2006	39.75	13.51	1.25	3.31	1.17	14.39	.78		2.87	.38	.09	1.75	.21	.04
2007	39.64	13.85	.68	2.67	1.15	14.69	.94		2.70	.41	.09	2.33		.13
2008	42.06	13.54	.57	2.64	1.66	15.70	.96		2.94	.58	.07	2.99	.40	.01
2009	37.99	12.10	.70	2.50	1.00	14.90	.70		2.50	.70	.09	2.50	.20	.10
2010	42.74	11.20	.71	2.80	1.16	17.10	.82		3.60	1.00	.07	2.58	1.10	.60
2011	42.96	14.17	.55	2.67	.84	14.89	.86		3.54	.73	.07	2.84	1.12	.68
2012	43.75	15.25	.56	1.15	.56	15.38	.68		3.44	.66	.07	5.06	.94	.00
2013	45.80	14.11	.63	2.46	.64	16.63	.82		3.53	1.10	.07	4.13	1.51	.17
2014	42.11	14.09	.88	2.01	.56	15.55	.84		3.10	.49	.07	3.84	.68	.00
2015	43.93	13.69	.54	2.87	.82	15.52	.90		3.16	.65	.07	4.57	1.14	.00

**WATER SUPPLY SCHEDULE • TOLEDO BEND DIVISION**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF HUXLEY	CITY OF HEMPHILL	G-M WSC	TENASKA OPERATIONS, INC.	MINING CLASSIC, XTO	MISCELLANEOUS WATER USAGE
1972	.02						.02
1973	.03						.03
1974	.04						.04
1975	.06	.02					.04
1976	.11	.05					.06
1977	.35	.06	.19				.10
1978	.37	.09	.20				.08
1979	.34	.08	.19				.07
1980	.48	.09	.27				.12
1981	.54	.11	.34				.09
1982	.62	.12	.42				.08
1983	.59	.13	.38				.08
1984	.72	.15	.56				.11
1985	.84	.16	.57				.11
1986	.95	.15	.70				.10
1987	.99	.15	.72				.12
1988	.96	.16	.70				.10
1989	.92	.17	.66				.09
1990	.97	.18	.69				.10
1991	.98	.20	.70				.09
1992	.98	.23	.67				.08
1993	1.14	.31	.70				.12
1994	1.04	.18	.72				.14
1995	1.04	.17	.72				.15
1996	1.38	.16	1.02				.20
1997	1.25	.17	.96				.13
1998	1.34	.22	.96				.16
1999	1.25	.22	.88				.15
2000	1.36	.24	.96				.16
2001	2.40	.24	.85		1.16		.15
2002	4.21	.25	1.02		2.82		.13
2003	4.41	.24	.83		3.28		.06
2004	4.07	.22	.75		3.04		.06
2005	3.95	.22	.84		2.84		.05
2006	4.62	.22	.79		3.55		.06
2007	3.77	.22	.65		2.84		.06
2008	3.88	.19	.60		3.03		.07
2009	2.70	.18	.59		1.88		.05
2010	3.32	.17	.64		2.46		.05
2011	3.42	.17	.70		2.36	.13	.06
2012	4.56	.16	.59		3.29	.47	.05
2013	4.22	.17	.59		3.14	.28	.04
2014	4.18	.20	.61		2.81	.52	.04
2015	4.46	.19	.40	0.18	3.24	.43	.02

**TOLEDO BEND RESERVOIR DATA • For the fiscal years ending August 31**

YEAR	MEGAWATT HOURS POWER GENERATED			WATER RELEASES AT DAM (1,000 AC-FT) FOR POWER THRU SPILLWAY			LAKE ELEVATION LAST DAY OF YEAR FT. M.S.L.	ANNUAL RAINFALL INCHES
	PRIME	SECONDARY	TOTAL	FOR POWER	THRU SPILLWAY	TOTAL		
1970	51,554	65,614	117,168	1,741.69	242.68	1,984.37	169.87	43.29
1971	14,804	39,158	53,962	780.35	72.64	852.99	168.94	43.22
1972	34,048	128,087	162,135	2,381.49	68.46	2,449.95	168.34	57.63
1973	156,052	183,192	339,244	5,130.22	820.21	5,950.43	170.20	72.13
1974	72,058	280,924	352,982	5,371.21	993.71	6,364.92	168.09	52.66
1975	72,781	366,032	438,813	6,559.87	726.80	7,286.67	169.56	79.44
1976	131,543	47,487	179,030	2,547.69	61.56	2,609.25	168.88	53.87
1977	75,494	118,336	193,830	2,788.76	44.03	2,832.79	168.19	44.74
1978	48,558	37,571	86,129	1,280.88	58.98	1,339.86	168.08	40.72
1979	72,249	286,500	358,749	5,339.78	779.75	6,119.53	169.86	63.79
1980	59,348	183,336	242,684	3,661.29	640.26	4,301.55	168.58	55.37
1981	63,307	10,036	73,343	1,099.35	136.72	1,236.07	168.61	40.90
1982	67,958	-0-	67,958	1,032.06	899.69	1,931.75	168.87	51.34
1983	53,149	228,286	281,435	4,312.85	1,001.45	5,314.30	168.98	75.63
1984	29,873	131,653	161,526	2,463.50	131.84	2,595.34	168.20	53.62
1985	54,561	145,226	199,787	2,904.88	129.84	3,034.72	168.30	46.64
1986	108,129	123,824	231,953	3,365.58	302.14	3,667.72	169.41	52.10
1987	48,548	235,861	284,409	4,229.98	122.64	4,352.62	166.02	61.79
1988	25,045	180,262	205,307	3,045.76	130.73	3,176.49	167.46	48.96
1989	53,044	251,347	304,391	4,637.04	1,778.49	6,415.53	170.32	60.23
1990	69,344	280,797	350,141	5,190.33	798.41	5,988.74	167.85	47.89
1991	44,110	293,719	337,829	5,115.02	1,535.43	6,650.45	169.79	64.80
1992	62,728	313,553	376,281	5,580.32	667.36	6,247.68	169.09	55.40
1993	57,949	296,233	354,182	5,333.34	351.44	5,684.78	167.87	52.72
1994	54,236	161,145	215,381	3,382.03	133.37	3,515.40	170.27	52.60
1995	80,189	405,194	485,383	5,720.85	665.16	6,386.01	167.84	54.38
1996	26,053	7,290	33,343	442.54	145.10	587.64	165.22	42.02
1997	52,491	186,648	239,139	3,438.93	1,795.45	5,234.38	170.33	58.90
1998	55,330	241,396	296,727	4,278.58	705.40	4,983.98	164.54	54.44
1999	70,156	249,573	319,729	4,719.81	882.64	5,602.45	167.98	76.83
2000	62,892	17,789	80,681	1,121.24	127.19	1,248.43	168.76	42.25
2001	66,639	248,714	315,353	4,713.73	1,862.62	6,576.35	168.20	59.91
2002	64,021	169,904	233,925	3,372.89	1,613.49	4,986.38	167.50	49.96
2003	61,690	127,106	188,796	2,653.30	1,125.52	3,778.82	167.75	61.93
2004	71,428	114,101	185,529	2,623.94	1,110.80	3,734.74	169.20	61.70
2005	65,674	210,600	276,274	4,126.21	128.78	4,254.99	164.29	52.12
2006	62,016	8,354	70,370	1,043.84	138.19	1,182.03	164.19	41.10
2007	56,762	116,194	172,956	2,629.63	306.76	2,936.39	170.98	69.82
2008	64,003	132,662	196,665	2,863.27	577.21	3,440.48	168.13	41.24
2009	52,913	83,631	136,544	1,934.87	137.63	2,072.50	168.51	51.06
2010	38,270	266,757	305,027	4,343.56	1,139.70	5,483.26	167.30	51.67
2011	8,579	29,780	38,359	589.73	153.51	743.24	161.27	28.05
2012	19,618	40,991	60,609	907.01	232.49	1,139.50	168.55	65.82
2013	19,216	53,662	72,878	1,091.95	139.63	1,231.58	167.64	39.81
2014	38,539	84,177	122,716	1,797.93	136.53	1,934.46	170.66	52.55
2015	79,272	214,308	293,580	4,299.79	1,605.82	5,905.61	169.6	55.37

## WATER SUPPLY SCHEDULE • IRON BRIDGE DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	DALLAS	GREEN-VILLE	POINT	WILLS POINT	EMORY	CASH	NTMWD/TERRELL	WEST TAWA-KONI	COM-MERCE	MAC BEE W.S.C.	EDGE-WOOD	COMBINED CONSUMER SUD	SOUTH TAWAKON I W.S.C.	ABLE SPRINGS W.S.C.	LONE OAK DEV.	MISC. USAGE
1964	42.33	42.20		0.03													0.10
1965	32.38	30.86	1.29	0.03	0.06												0.14
1966	30.11	26.71	3.01	0.03	0.20												0.16
1967	33.44	30.54	2.38	0.03	0.24												0.25
1968	35.77	35.17	0.17	0.03	0.30												0.10
1969	43.63	42.96	0.21	0.03	0.27												0.16
1970	43.81	41.99	1.29	0.05	0.30												0.18
1971	57.10	53.00	3.39	0.06	0.33		0.10										0.22
1972	48.87	45.39	2.24	0.07	0.41	0.06	0.42										0.28
1973	47.01	43.79	1.73	0.07	0.41	0.24	0.46		0.03								0.28
1974	39.08	37.55	- 0 -	0.07	0.48	0.27	0.47		0.07								0.17
1975	18.84	17.13	- 0 -	0.06	0.52	0.30	0.61		0.07								0.15
1976	26.72	21.36	3.69	0.07	0.50	0.31	0.52		0.14								0.13
1977	29.25	25.59	1.75	0.07	0.60	0.38	0.57		0.17								0.12
1978	50.97	45.55	2.73	0.09	0.63	0.37	0.71		0.23	0.59							0.07
1979	64.13	59.35	1.88	0.09	0.55	0.37	0.68		0.36	0.73							0.12
1980	45.55	38.88	3.43	0.08	0.58	0.47	0.79		0.35	0.84							0.13
1981	52.15	45.23	3.85	0.08	0.65	0.51	0.74		0.31	0.65							0.13
1982	23.41	19.02	1.34	0.09	0.61	0.45	0.71		0.19	0.82							0.18
1983	39.18	35.01	1.44	0.09	0.68	0.49	0.71		0.23	0.30							0.23
1984	67.93	59.33	2.80	0.12	0.77	0.49	1.12	0.002	0.27	0.89							0.41
1985	53.32	48.31	1.06	0.13	0.83	0.55	0.73	- 0 -	0.24	1.16							0.31
1986	98.41	94.00	1.30	0.20	0.78	0.48	0.59	- 0 -	0.22	0.57							0.27
1987	82.80	78.81	0.53	0.17	0.83	0.44	0.61	- 0 -	0.47	0.69							0.25
1988	118.35	109.93	2.90	0.15	0.96	0.61	0.67	- 0 -	0.22	0.80							0.34
1989	103.52	98.52	1.45	0.16	0.94	0.65	0.57	- 0 -	0.19	0.77							0.27
1990	102.11	96.02	2.22	0.17	0.99	0.59	0.67	0.003	0.18	0.97							0.30
1991	99.56	93.38	2.02	0.14	0.95	0.54	0.70	0.005	0.25	1.25							0.28
1992	82.38	77.18	1.34	0.15	0.91	0.47	0.66	- 0 -	0.23	1.18							0.26
1993	108.49	102.40	1.98	0.17	0.95	0.52	0.66	0.009	0.23	1.22							0.35
1994	83.41	77.00	2.18	0.14	0.86	0.51	0.63	- 0 -	0.30	1.15	0.18				0.004		0.46
1995	47.06	40.65	1.05	0.14	0.82	0.59	0.73	0.003	0.30	1.34	0.36		0.12		0.19		0.46
1996	132.56	118.77	7.47	0.11	0.85	0.63	0.82	0.55	0.26	1.10	0.36	0.27	0.41		0.18		0.19
1997	86.75	77.86	2.68	0.12	0.77	0.64	0.74	0.59	0.31	1.05	0.45	0.003	0.56		0.15		0.12
1998	129.63	119.35	3.99	0.16	0.65	0.82	0.92	0.007	0.33	1.39	0.52	0.003	0.85	0.30	0.19		0.15
1999	127.18	119.09	2.10	0.14	0.61	0.77	0.92	0.003	0.31	1.42	0.51	<0.001	0.72	0.28	0.20		0.11
2000	121.88	111.05	4.40	0.15	0.66	0.75	1.11	0.005	0.31	1.47	0.53	0.008	0.63	0.28	0.30		0.11
2001	161.31	152.95	1.84	0.18	0.69	0.92	1.02	0.003	0.34	1.50	0.46	- 0 -	0.69	0.32	0.28		0.11
2002	126.17	118.91	1.05	0.18	0.56	0.72	0.92	0.002	0.57	1.58	0.40	- 0 -	0.60	0.32	0.26		0.09
2003	76.26	67.15	3.02	0.21	0.57	0.87	0.97	- 0 -	0.41	1.35	0.44	- 0 -	0.66	0.30	0.26		0.05
2004	38.44	28.51	3.71	0.20	0.56	0.79	1.01	0.002	0.40	1.55	0.44	- 0 -	0.61	0.32	0.25		0.08
2005	131.65	119.74	2.82	0.24	0.52	0.94	1.10	2.55	0.38	1.41	0.52	0.03	0.64	0.35	0.27	0.02	0.12

Continued on the next page

**WATER SUPPLY SCHEDULE • IRON BRIDGE DIVISION (Cont.)**

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	DALLAS	GREEN-VILLE	POINT	WILLS POINT	EMORY	CASH	NTMWD/TERRELL	WEST TAWA-KONI	COM-MERCE	MAC BEE W.S.C.	EDGE-WOOD	COMBINED CONSUMER SUD	SOUTH TAWAKON I W.S.C.	ABLE SPRINGS W.S.C.	LONE OAK DEV.	MISC. USAGE
2006	165.92	146.49	7.31	0.19	0.59	0.94	1.37	5.21	0.39	1.20	0.57	0.17	0.69	0.37	0.26	0.04	0.13
2007	127.89	117.05	3.73	0.17	0.48	0.79	1.06	1.34	0.72	0.88	0.47	0.04	0.54	0.28	0.21	0.06	0.07
2008	80.44	68.12	4.59	0.15	0.23	0.76	1.13	2.04	0.23	1.21	0.52	0.003	0.64	0.32	0.23	0.13	0.14
2009	140.70	81.15	5.88	0.15	0.46	0.83	1.12	47.70	0.21	1.28	0.50	0.003	0.63	0.31	0.23	0.12	0.12
2010	37.20	4.65	1.85	0.19	0.64	0.80	1.27	24.17	0.22	1.37	0.58	<0.001	0.65	0.39	0.26	0.06	0.11
2011	86.68	42.13	6.00	0.16	0.75	0.91	1.32	30.96	0.22	1.83	0.66	0.30	0.68	0.41	0.20	0.02	0.13
2012	70.41	31.59	5.41	0.18	0.62	0.81	1.28	26.94	0.22	1.22	0.84	0.20	0.60	0.36	- 0 -	0.005	0.13
2013	131.03	84.19	5.42	0.16	0.59	0.82	1.07	36.00	0.23	0.84	0.62	0.03	0.64	0.30	- 0 -	- 0 -	0.12
2014	141.32	104.90	3.77	0.16	0.60	0.90	1.12	27.12	0.22	0.75	0.56	0.19	0.66	0.29	- 0 -	- 0 -	0.08
2015	56.69	26.23	3.32	0.17	0.49	0.90	1.32	21.88	0.20	0.43	0.54	0.14	0.70	0.31	- 0 -	- 0 -	0.06



## WATER SUPPLY SCHEDULE • LAKE FORK DIVISION

For the fiscal years ending August 31. Supplied in Million Gallons Daily (MGD)

YEAR	TOTAL	CITY OF DALLAS	CITY OF LONGVIEW	CITY OF KILGORE	CITY OF HENDERSON	CITY OF QUITMAN	TEXAS EASTMAN	MISC. USAGE
1986	6.65		6.65			- 0 -		
1987	6.02		6.02			- 0 -		
1988	6.66		6.66			- 0 -		
1989	6.13		6.13			- 0 -		
1990	11.46		8.13			0.21	3.12	
1991	3.25		2.96			0.29	- 0 -	
1992	4.29		4.00			0.29	- 0 -	
1993	4.08		3.77			0.31	- 0 -	
1994	4.44		4.12			0.32	- 0 -	
1995	6.57		5.45	0.79		0.33	- 0 -	
1996	11.95		9.66	2.00		0.29	- 0 -	
1997	9.72		7.41	2.00		0.31	- 0 -	
1998	7.24		4.93	2.00		0.31	- 0 -	
1999	8.39		6.03	2.00		0.36	- 0 -	
2000	13.40		10.84	2.00	0.19	0.37	- 0 -	
2001	15.52		12.14	2.00	1.04	0.34	- 0 -	
2002	16.83		13.00	2.00	1.50	0.33	- 0 -	
2003	18.01		14.68	2.00	1.00	0.33	- 0 -	
2004	18.07		14.74	2.00	1.00	0.33	- 0 -	
2005	18.35		15.00	2.00	1.00	0.35	- 0 -	
2006	11.52		7.69	2.00	1.10	0.40	0.33	
2007	12.59		6.50	2.00	1.01	0.31	2.77	
2008	5.67		2.51	2.00	0.86	0.30	- 0 -	
2009	6.98	0.22	3.51	2.00	0.96	0.29	- 0 -	
2010	24.70	18.80	2.50	2.00	1.00	0.30	- 0 -	
2011	33.50	26.50	3.80	2.00	0.90	0.30	- 0 -	
2012	30.39	20.03	7.09	2.00	0.99	0.28	- 0 -	
2013	21.79	12.53	5.68	2.00	1.15	0.26	- 0 -	0.17
2014	28.41	19.06	4.65	2.00	1.21	0.24	- 0 -	0.02
2015	76.27	68.91	4.14	2.00	0.88	0.26	- 0 -	0.00

**LABORATORY SAMPLES ANALYZED • For the fiscal years ending August 31**

YEAR	INDUSTRIAL	MUNICIPAL	GULF COAST DIVISION	IRON BRIDGE DIVISION	LAKE FORK DIVISION	TOLEDO BEND DIVISION	OTHER	TOTAL	NUMBER OF TESTS
1973	457	204	194	45		17	28	945	
1974	790	233	201	53		28	76	1,381	
1975	856	303	182	61	48	21	411	1,882	11,525
1976	1,063	344	236	58	84	31	774	2,590	16,603
1977	1,455	392	456	28	84	40	931	3,386	20,700
1978	1,582	303	475	29	131	79	982	3,581	21,977
1979	3,211	248	472	66	154	106	670	3,345	22,324
1980	1,590	328	473	60	151	91	762	3,455	24,381
1981	1,909	266	483	55	126	53	938	3,830	24,685
1982	1,414	336	451	57	94	89	851	3,292	19,936
1983	1,622	271	477	104	98	100	644	3,300	19,775
1984	1,230	285	436	81	122	85	752	2,991	18,483
1985	992	331	249	58	87	125	737	2,579	16,914
1986	774	465	239	87	118	140	93	1,916	14,391
1987	1,126	245	263	90	100	205	96	3,125	14,645
1988	1,519	2,412	205	115	114	120	93	4,578	17,835
1989	1,325	2,665	220	113	84	119	652	5,178	17,451
1990	2,426	2,463	211	97	113	120	820	6,278	19,934

**NUMBER OF TESTS PERFORMED**

YEAR	INDUSTRIAL	MUNICIPAL	WATERSHED MONITORING PROGRAM	QUALITY ASSURANCE	TOTAL
1991	3,173	4,630	12,338	2,298	22,439
1992	6,360	4,276	13,919	2,512	27,067
1993	8,908	4,716	14,317	3,640	31,581
1994	9,516	4,774	21,969	8,555	44,923
1995	9,183	4,228	19,172	14,948	47,532
1996	8,225	4,819	16,023	15,333	44,400
1997	9,525	5,308	21,771	15,431	52,035
1998	7,205	5,699	24,293	11,526	48,723
1999	9,999	7,265	43,509	16,033	76,806
2000	8,159	6,019	24,094	15,504	53,776
2001	9,595	6,494	25,882	14,995	56,966
2002	9,134	6,285	22,231	16,101	53,751
2003	9,796	5,996	21,195	15,845	52,832
2004	9,052	6,977	39,269	20,396	75,714
2005	8,984	7,039	32,463	23,716	72,202
2006	8,665	7,488	40,120	26,793	83,066
2007	8,412	7,490	29,341	23,256	68,499
2008	8,621	8,244	24,244	24,197	65,306
2009	6,419	8,186	23,143	19,463	57,211
2010	5,662	9,509	23,909	24,145	63,225
2011	8,081	8,851	24,486	26,622	68,040
2012	7,124	7,154	23,726	22,751	60,755
2013	8,327	6,428	26,600	25,366	66,721
2014	8,253	6,681	24,433	25,955	65,322
2015	7,742	7,241	39,692	30,691	85,366

In 1991 the Water Quality Monitoring programs were combined into a single Watershed Monitoring Program. The charts now indicate the number of tests performed rather than the number of samples analyzed.

## MISCELLANEOUS STATISTICAL DATA

Authority Created Under .....	Vernon's Civil Statutes, Article 8280-133
Year Created .....	1949
Domicile .....	Orange, Texas
Last Revision of Enabling Act.....	1991
Population of District (2014 Est.).....	580,000
Area of District .....	7,426 sq.mi.
Average Annual Rainfall of District .....	50" for Sabine Basin
Number of Employees .....	97

### OFFICES:

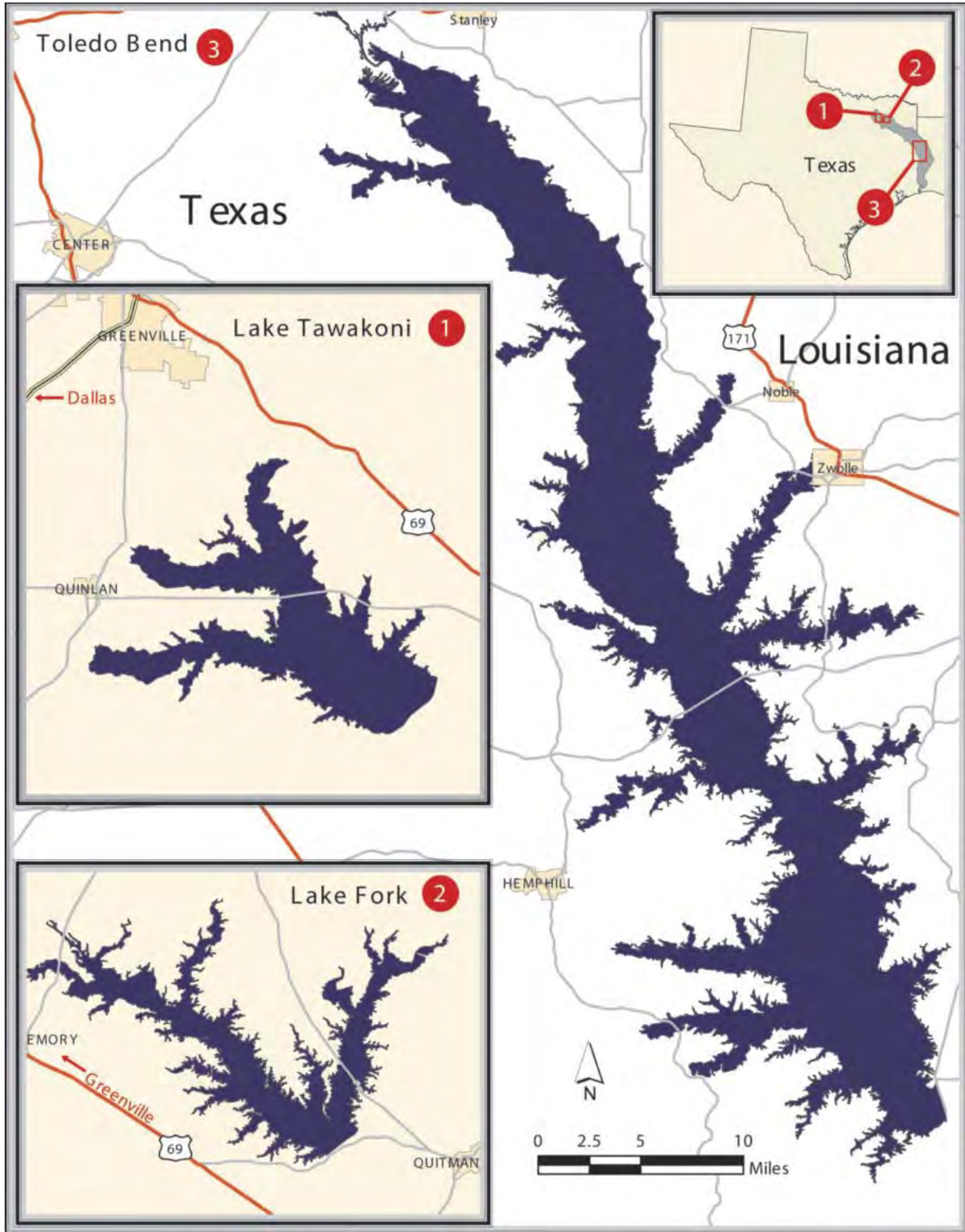
General Office .....	Orange, Texas
Gulf Coast Division (John W. Simmons Gulf Coast Canal System) .....	Orange, Texas
Toledo Bend Division & Parks and Recreation Division (Toledo Bend Reservoir) .....	Burkeville, Texas
Lake Fork Division (Lake Fork Reservoir) .....	Quitman, Texas
Iron Bridge Division (Lake Tawakoni Reservoir) .....	Point, Texas
Environmental Services Division (Basinwide Water Quality Protection) .....	Orange, Texas

### RIVERS:

Sabine	
Total River Miles .....	580
Average Annual Flow (40 years at Ruliff).....	5,611,881 acre-feet/year

### DAMS AND RESERVOIRS:

Toledo Bend Reservoir	
Conservation Pool	
Capacity .....	4,477,000 acre-feet
Surface Area.....	185,000 acres
Elevation .....	172.0 ft. (MSL)
Yield .....	2,086,600 acre-feet/year
Hydroelectric Information	
Capacity .....	85 megawatts
Average Annual Production (46 years) .....	221,690 megawatt hours
Lake Fork Reservoir	
Conservation-Pool	
Capacity .....	675,819 acre-feet
Surface Area.....	27,690 acres
Elevation .....	403.0 ft. (MSL)
Yield .....	188,660 acre-feet/year
Iron Bridge Dam (Lake Tawakoni)	
Conservation-Pool	
Capacity .....	927,440 acre-feet
Surface Area.....	36,700 acres
Elevation .....	437.5 (MSL)
Yield .....	238,100 acre-feet/year
Gulf Coast Division Canal System	
Pumping Capacity.....	195 million gallons/day
Canal System Length .....	75 miles
Permitted Water Rights .....	147,100 acre-feet/year



# Sabine River Basin





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Toledo Bend Reservoir  
450 Spur 135  
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Lake Fork Division-  
Lake Fork Reservoir  
353 PVT Rd 5183  
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(903) 878- 2416 fax

Iron Bridge Division-  
Lake Tawakoni Reservoir  
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And Field Office  
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