

Vista Ridge Deal Dominates UTSA Water Symposium

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[San Antonio Water System](#) President and CEO Robert Puente offered a vigorous defense of the [Vista Ridge project](#) meeting the city's long-term water needs at the same time he reaffirmed SAWS continuing commitment to conservation, which has won the water utility national acclaim.

Puente made his remarks Wednesday during the Texas Water Symposium at University of Texas at San Antonio (UTSA) sponsored by the [Hill Country Alliance](#), the first of two major water policy panels scheduled for late October.

Puente's fellow panelists and some of the 100-plus audience members had plenty of questions about the \$3.4 billion project that will deliver 50,000 acre-feet of water annually to the city's supply from the Burleson County/Carrizo Aquifer starting in 2020. The water would be delivered via a 142-mile pipeline. After 30 years, the pipeline would become SAWS property, along with the water rights for another 30 years, assuring that supply through 2080.

SAWS' demographic projections predict a city population of 2.6 million by 2040.

City Council is scheduled to consider new water rate adjustments and a restructuring of rates to pay for the Vista Ridge project and other major water and wastewater improvement projects in November. The matter was originally slated for a vote on Oct. 29. [Councilmember Ron Nirenberg \(D8\) led a successful effort to delay](#) the vote to give the City and the public more time to review a City-commissioned water report by researchers at Texas A&M University's [Institute of Renewable Natural Resources](#) (IRNR).

The draft report, which analyzes San Antonio's long-term water supply and management outlook, is critical of Vista Ridge and classified it as a "high risk" project, although the report acknowledges that if the City does not pursue the Vista Ridge deal it would have to find a comparable quantity of water from another source, which the report's authors were unable to identify.

Calvin Finch, formerly SAWS' conservation director, was the lead author of the draft report when he worked with IRNR. He recently retired from the latter organization. SAWS officials, including Puente, said the report contained significant errors that misrepresented the risk in the Vista Ridge project.

As a panelist Wednesday night, Finch told Puente there is rising concern in the community that SAWS is lessening its commitment to conservation because of the Vista Ridge deal. Critics of the Vista Ridge project say SAWS should redouble its conservation efforts, and reduce the size and scope of the pipeline project or stop it altogether. Others in water management here contend there is no way for San Antonio's future water needs to be met simply through conservation.

“SAWS looks like it’s stopping conservation at 2020, which is the same time when we’re supposed to start receiving water from Vista Ridge,” Finch said. He did not cite any specific evidence to suggest conservation programs in place would be altered.

“It’s just not true,” Puente shot back. SAWS has been a nationally recognized leader in water conservation for two decades, Puente noted, and is not relaxing its conservation efforts now. Puente said SAWS is now focusing on big commercial clients.

The focus on big water users, is, SAWS officials say, key to the new rate structure, which adds more price and consumption tiers. Puente praised Finch’s conservation work, but also defended the record of current SAWS Conservation Director Karen Guz, who enjoys a strong reputation in water conservation circles.



SAWS President and CEO Robert Puente defends the Vista Ridge water pipeline project during the forum. Photo by Edmond Ortiz.

“Our business model is water conservation. If we had not conserved the way we have, we would’ve needed three Vista Ridge projects,” Puente said in response to criticism of its conservation record.

Panelist Annalisa Peace, executive director of the [Greater Edwards Aquifer Alliance](#), said she has long felt that SAWS and the City are not being proactive enough to ensure that newer developments stress water conservation efforts. The widespread prevalence in the suburbs of automatic irrigation systems used to keep non-native residential turf lawns green, is a particular sticking point with conservationists who say the City and SAWS could significantly reduce water usage by banning such systems and mandating drought-tolerant native landscape plantings.

Puente said SAWS has worked with the City on ordinances reducing lawn watering, such as a requirement that lawns in new subdivisions must have four inches of top soil to support sod installations.

Finch agreed these and other conservation efforts are not the catch-all solution to help San Antonio’s water supply management.

“Water conservation won’t meet our future needs forever,” he acknowledged.



Director of Ceres' Sustainable Water Infrastructure Program Sharlene Leurig

Panelist Sharlene Leurig, director of the sustainable water infrastructure program at [Ceres](#), a national nonprofit, said SAWS is working to diversify its water supply. People are right to express concern over rising rates, Leurig said, because the new water SAWS will bring into San Antonio will be more expensive than Edwards Aquifer water, which is no longer sufficient to meet market demand.

Leurig highlighted another point of contention for Vista Ridge critics: The structure of the contract that SAWS has engaged regarding a consortium between Spanish company [Abengoa](#) and BlueWater Systems, which has assembled 3,400 leases for water rights with local landowners in Burleson and Milam counties. An Abengoa subsidiary, Abengoa Water USA, represents the parent firm in the consortium.

Abengoa pledges to finance debt and bring equity to the Vista Ridge deal. The consortium hopes to complete financial closure on the deal by spring 2017, after which construction on the pipeline and other infrastructure would start. Under the contractual terms, San Antonio would not pay for any water not made available for delivery. Once pumping starts, water not used by SAWS would be offered to sell to communities along the I-35 corridor. Vista Ridge water would be used in San Antonio's system while Edwards water, at that point, would be put into SAWS' [Aquifer Storage and Recovery \(ASR\) system](#).

"Ultimately, taxpayers will pay for it. And you look at the contract, it has been constructed as a take-or-pay contract, meaning San Antonio must pay for the water it takes on, no matter if needs all of it or not. That's why questions are being raised," she added.

Because Vista Ridge is such a large, unique project, Leurig said, SAWS could be entering the water brokering business, an "unusual" move for a water utility the size of SAWS. The City-owned energy utility, CPS Energy, routinely engages in energy brokering and hedging.

She also warned that Abengoa, the parent company, may have overburdened itself with all of the projects it has financed around the world over the years. And now that parent firm is facing a [class action lawsuit](#), filed by a shareholder who accuses the company of misleading investors when its CEO claimed Abengoa had no plans to tap capital markets, then announced a plan to raise \$600 million Euros.

Leurig asked Puente what the impact on the Vista Ridge project would be if Abengoa defaults. SAWS trustees and City Council members have known about Abengoa's low credit rating since the outset, he said. Major water projects are high risk, high debt endeavors. The credit rating of SAWS, however, which underlies the project, is solid. Language in the contract protects SAWS.

"If SAWS takes over, rates will be the same. Water itself is relatively inexpensive. It's the infrastructure that costs a lot," Puente added.



GEAA Executive Director Annalisa Peace

Peace agreed with Leurig that a major metropolitan area should diversify its water supply. She argues that Vista Ridge "is not the right kind of project" because it will encourage high-density development along I-35 and on the sensitive Edwards recharge zone.

“Where’s the equity in that when most of the existing ratepayers are paying for that?” Peace asked.

Questions about how Vista Ridge could impact water levels in communities east of Austin, from where the water would be pumped, were brought up by Peace and fellow panelist Alan Dutton, geology professor at UTSA. He said it is difficult for modeling of future water conditions in the areas where pumping will happen to include more precise figures.



UTSA Geology Professor Alan Dutton, Ph.D.

“It’s hard specifying how much water is being pumped from somewhere. Those details matter,” Dutton said. He added that such details would help to determine what drawdown levels east of Austin might exist years after pumping starts. The farther we look into the future, the foggier it gets on what impact Vista Ridge will have concerning other proposed projects in the area.”

One audience member, who said she was a Carrizo well owner but not in an area immediately affected by the pumping, asked what could she do if her well level were to drastically drop off.

Puente said that’s where local groundwater conservation districts (GCDs) come into play.

“There may be a concern, but the concern will be with the individual conservation districts,” he said. “Collectively, they decide what desired groundwater conditions will be. If they decide to reduce pumping levels, that’s fine. We pay only for water that’s available.”

Some people seem opposed to water transfers from one water basin to another, regardless of the supply-demand equation, although everything from energy to food routinely moves from one locale to the next. The notion of all water consumption coming from local water supplies seems dated, given the abundant water supply in low population areas and the growing demand in high population communities.

As for the new rate structure and adjustments that SAWS customers could face, Puente said SAWS understands how some low-income residents struggle to pay monthly bills and obtain

desired conservation benchmarks. He said the water utility is preparing for that by putting a new focus on its various [affordability programs](#).

Rate Adjustments

	2016	2017	2018	2019
Water Supply Fee	1.8%	3.2%	1.3%	4.5%
Water Delivery & Wastewater	5.7%	4.7%	4.9%	4.2%
Total	7.5%	7.9%	6.2%	8.7%
	Approved Rate	Rate Plan	Projected	

Expressed as a Percentage of Total Bill Prior to Pass-Through

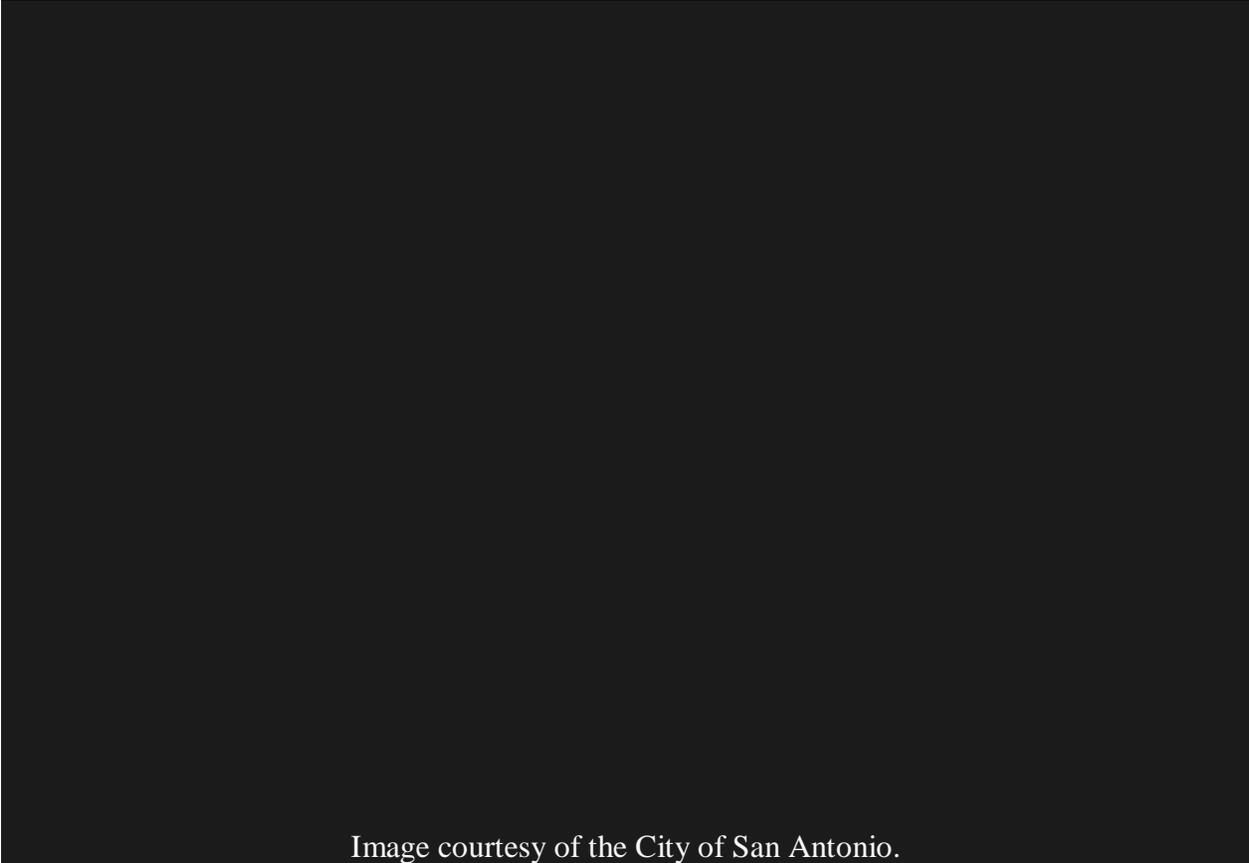


Image courtesy of the City of San Antonio.

Customers are looking at a projected average monthly rate hike of 7.5% in 2016, and 7.9% in 2017. City Chief Financial Officer Ben Gorzell briefed the Council in B session earlier Wednesday on SAWS' 2016 budget and the new rate plan.

"The rate plan demonstrates rate support for Vista Ridge," he said, who recommended that City Council approve the plan when it's scheduled to be voted on Nov. 19.

Mayor Ivy Taylor said she was "encouraged that actual rate requirements may be less than what is projected in the rate plan."

Councilmember Rebecca Viagran (D3) said she felt the new rate plan does encourage conservation.

"We have had community input on this. I think it does stress conservation of water we use in our homes," she added.

Because SAWS has more projections than definitive figures for what kind of rate adjustments might happen with water delivery and wastewater in years 2018 through 2020, Councilmember Mike Gallagher (D10) felt like a little more time was needed to review that part of SAWS' proposal.

“I’m not sure we have enough information available to approve rates for 2018, 2019 and 2020,” he added. Gorzell said SAWS will return with firmer numbers soon.

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