

SAWS drops plan to secure state loan for Vista Ridge pipeline Utility wants control issue settled

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Photo: John Davenport, Staff / San Antonio Express-News

This is Donovan Burton (left, standing at lectern), Vice President, Water Resources and Governmental Relations for San Antonio Water System Tuesday April 5, 2016 at San Antonio Water System during a Board of Trustees meeting regarding Garney Construction's plan to buy 80 percent of Abengoa's stake in the Vista Ridge pipeline.

The San Antonio Water System has decided not to apply for a low-interest state loan to finance part of its work on the Vista Ridge pipeline project.

Many people following the proposed 142-mile water pipeline from Burleson County expected SAWS to file a full application for a \$127 million loan from the Texas Water Development Board through the State Water Implementation Fund for Texas, or SWIFT, program.

The loan would have financed construction and equipment to integrate the pipeline into SAWS' main system, supplying up to 16.3 billion gallons of water per year.

SAWS chose not to apply because a key financial milestone was pushed back from spring to this fall, Donovan Burton, SAWS' vice president of governmental relations and water resources, said in an email.

SAWS officials have repeatedly said the utility will not spend serious money on Vista Ridge until the companies involved in the pipeline deal reach that milestone, known as financial close. "We will consider SWIFT funding for the next round of funding," Burton said.

The delay is an outcome of ongoing negotiations between the companies haggling over control of the project. A subsidiary of the international Spanish conglomerate Abengoa S.A., which signed an agreement to sell water to SAWS in 2014, wants to sell 80 percent of its stake in Vista Ridge to Garney Construction, the Kansas City company that Abengoa originally wanted to do the construction work.

Struggling under \$10.2 billion in debt, Abengoa filed for pre-insolvency in Spain in late November and is working on a restructuring plan to avoid bankruptcy.

Though the TWDB had several financing programs in place before SWIFT, the Legislature created the program during the last legislative session to finance water projects across the state. The TWDB issued its first round of loans under the program totaling more than \$3.9 billion in 2015.

Average interest rates vary from 2 percent for a 20-year loan to 2.89 percent for a 30-year loan, according to the TWDB.

In April, SAWS was one of 27 entities that made it onto a TWDB shortlist to be eligible for funding. SAWS and eight other entities on that list did not meet a Wednesday deadline to submit full applications, agency spokeswoman Merry Klonower said in an email.

Activists with the League of Independent Voters in Bastrop and Save Our Springs Alliance in Austin, along with Central Texas residents opposed to the pipeline deal, led a campaign against the use of state loan money for Vista Ridge. They drew support from a few elected officials in that part of the state.

State Rep. John Cyrier, R-Lockhart, Lee County Judge Paul Fischer and Giddings Mayor John Dowell sent letters to the TWDB expressing concern over use of SWIFT funds for Vista Ridge.

Wednesday marked the second time a plan to secure this round of SWIFT funding for Vista Ridge was abandoned. The TWDB's staff did not recommend funding an \$885 million loan request from a nonprofit entity created by Abengoa.

That entity, Central Texas Regional Water Supply Corp., did not respond to the TWDB's requests for more information to decide whether it was eligible for SWIFT funding.

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