

Water pipeline construction likely to begin early next year

SAWS forgoes 365-day sprinkler restrictions

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Workers at the Mercantile Building on Loop 410 take down a sign for Spanish company Abengoa and replace it with a sign for Garney Construction. Garney took over a controlling interest in a massive water pipeline for the San Antonio Water System after Abengoa found itself facing serious financial problems.

Construction could begin as soon as January or February on a 142-mile pipeline to deliver water to San Antonio as the company in charge prepares to hit a key financial milestone this week.

On Tuesday, the San Antonio Water System's board of trustees voted to allow SAWS President and CEO Robert Puente to give Garney Construction clearance to begin work on the pipeline, which would deliver up to 16.3 billion gallons of water per year from aquifers below Burleson County. SAWS hopes

the pipeline will make up 20 percent of its supply when water begins flowing in 2020.

Also, the utility is not recommending a year-round, once-a-week outdoor watering limit. At the meeting, Donovan Burton, SAWS' vice president of water resources, said SAWS staff studied the idea this summer and concluded that the effect on the Edwards Aquifer would be minimal while customers would have to pay slightly higher bills.

The board approved **four changes to the water supply contract** with Garney that made it easier for the company to reach the deadline, known as financial close. One of those changes would give a credit of up to \$50 million to SAWS if Garney does not extend water transportation permits for the life of the 30-year deal.

The vote marks a victory for SAWS, which has tried for years to find additional water supplies besides the highly regulated Edwards Aquifer below the city. SAWS Chairman Heriberto "Berto" Guerra Jr. said other proposed water projects have faltered before construction began.

"Project after project has been worked on and fallen through in the development phase," Guerra said. Moving into the next phase of the project means "Garney and the banks and SAWS together are comfortable that we are ready to move forward."

To accomplish this, Garney must take out a nearly \$850 million loan from four international banks: Sumitomo Mitsui Banking Corp., Société Générale, Royal Bank of Canada and Santander. The company, which builds pipeline and water projects all over the U.S., recorded \$600 million in revenue in 2015, according to SAWS documents.

Garney also plans to commit \$52 million in equity, according to SAWS documents. A subsidiary of Spain-based conglomerate Abengoa, which signed a pipeline contract with SAWS in 2014, put \$21 million before a financial implosion forced it to **sell most of its stake in the project to Garney** in June.

According to the contract and financial model, Garney, Abengoa and the banks would make their money back over 30 years via SAWS payments for the water. At an estimated total cost of \$2,000 per acre-foot, the water would be the most expensive of SAWS' supplies.

An acre-foot is 325,851 gallons, an amount that covers an acre of ground 1 foot deep. It's enough water to to meet the annual needs of two average families of four.

After the vote, Garney officials and a spokesman would not answer questions about the project. In a statement, the company said it was "authorized to close on the loan and will begin constructing the project."

Garney officials did not respond to emailed follow-up questions.

During the public comment period, eight SAWS customers, most of them Sierra Club members, blasted the pipeline project, saying it would create a false image of the semi-arid city as brimming with abundant water that residents and businesses can afford to waste.

They also pointed to inconsistencies in SAWS' statements on the project over the years. Alamo Sierra Club member Wendell Fuqua recalled **when SAWS officials assured the public late last year that Abengoa's troubles would not affect the pipeline.**

“Despite assurances from SAWS officials that all was well, it wasn’t,” he said, also mentioning a **\$120 million bridge loan** taken out by Abengoa that at one point threatened to derail the deal.

In an interview Monday, SAWS officials said Abengoa’s stumblings caused delays that allowed them to lock in the price of water at a lower rate than expected, saving SAWS customers up to \$592 million.

“We actually benefited from Abengoa’s hardship,” Puente said.

In response to concerns about the influx of new water affecting SAWS’ efforts to conserve, Burton described what the utility’s staff found when they looked at how much water could be saved if they moved to year-round, once-a-week restrictions on outdoor watering with sprinkler systems.

The issue came up earlier last year when it was proposed by **District 8 Councilman Ron Nirenberg**, who sparred over the issue with **District 9 Councilman Joe Krier**, who opposed the idea, in opinion pieces in the San Antonio Express-News.

In May, Austin’s City Council voted to restrict watering by irrigation systems to once a week, though Austin customers can still water as much as they want using a hose or bucket.

City ordinances already require SAWS to implement once-a-week watering restrictions when the Edwards Aquifer drops below 660 feet above mean sea level and to restrict the time people can water on their weekly dates when it drops below 650 feet.

SAWS looked at 36 years of data to see if its customers use more or less during drought restrictions, Burton said. Rainfall and temperature were the factors

most strongly tied to water use, so SAWS staff looked at periods with comparable weather, he said.

They found that sometimes SAWS customers use less water during drought restrictions. Sometimes they used more.

“Sometimes during restrictions people rush to use water to irrigate on their particular day, whereas if there are not restrictions and they see a rainfall coming three or four days down the road, they can wait,” Burton said.

On average, the utility estimated that it used 2,188 acre-feet less in years with drought restrictions. Puente said if SAWS does not use it, others Edwards users would, or the water would flow out of the aquifer through its many springs.

“You could have not used it and the aquifer doesn’t just stay level,” he said. “The aquifer’s still going to drop during drought conditions.”

Not selling that water would also cause SAWS to raise customers’ bills, officials said. Not selling 2,188 acre-feet each year would mean customers would have a 1.1 percent higher bill today, they said.

Puente said restricting the use of water in non-drought times could also bring the utility in conflict with customers would see such an idea as a “nanny state” proposal.

“You have the mindset of ‘there’s a product that you sell and I have the resources to buy it, and in my world I need it,’” Puente said.

SAWS will continue its efforts to encourage voluntary conservation, they said. At the meeting, SAWS conservation director Karen Guz outlined a plan to sell

subsidized rain barrels for \$40 each to SAWS customers, with the first distribution in January.

SAWS board members are not set to vote on any new watering restrictions. That kind of proposal would have to come from the San Antonio City Council, Burton said.

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