

SAWS to vote Wednesday on major changes to pipeline project

Pact amendments take up 400 pages

By Brendan Gibbons May 17, 2016 Updated: May 17, 2016 8:44pm

2

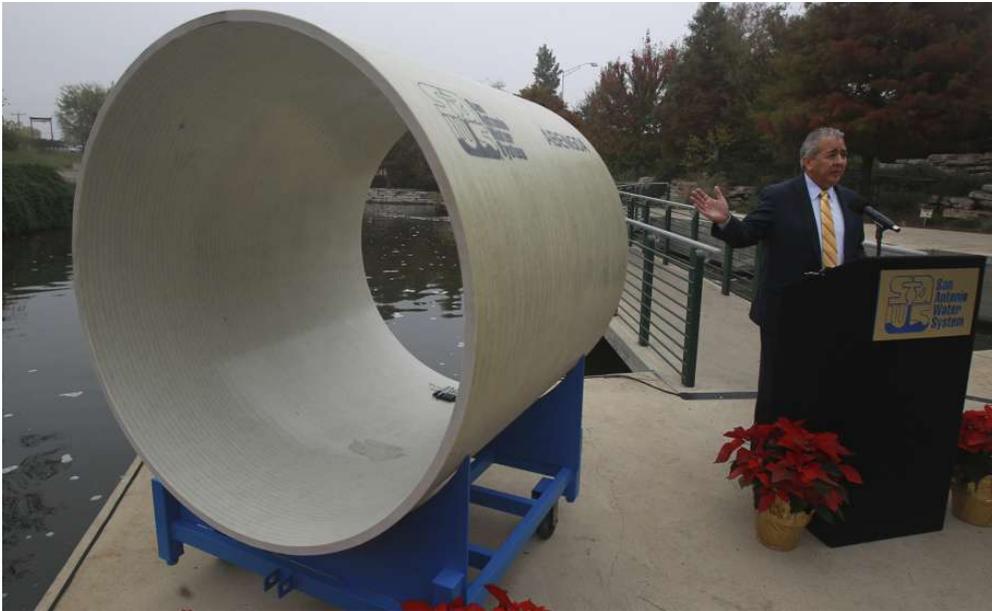


Photo: JOHN DAVENPORT, STAFF / San Antonio Express-News

San Antonio Water System president/CEO Robert R. Puente speaks next to a 54-inch diameter pipe Wednesday December 3, 2014 at an event held at the Pearl Amphitheater announcing the launch of the new Vista Ridge water project. The pipe represents the width of the actual pipe used in the first part of the 142-mile pipeline running from Burleson County to San Antonio. According to a press release supplied by SAWS, the Vista Ridge project will convey 16.3 billion gallons of new non-Edwards Aquifer water annually to San Antonio.

The San Antonio Water System's board of trustees will vote Wednesday on whether to allow a new company to take control of its Vista Ridge pipeline project.

The board will decide whether Garney Construction, originally tapped as the contractor building the pipeline, can take over the majority stake in the project and all

decision-making power from Spanish conglomerate Abengoa SA.

SAWS signed a contract with an Abengoa subsidiary in 2014 committing the utility to buy up to 16.3 billion gallons of water per year delivered via a 142-mile pipeline from Burleson County.

Abengoa has been struggling under more than \$10 billion in debt and is working through a restructuring plan to prevent full-scale bankruptcy. The company **announced in March** that it planned to sell 80 percent of its stake in the project to Garney.

On Monday, SAWS released **nearly 400 pages** of amendments to its contract with subsidiary Abengoa Vista Ridge, plus supporting documents.

Among other changes, the new contract would shorten the pipeline easement from 100 feet wide to 85 feet wide and would require Garney to have rights-of-way agreements in hand for 34 miles of the route by a key milestone known as financial close that will likely come this fall.

To reach financial close, Garney must have agreements in place to borrow nearly \$800 million to finance construction, among other requirements.

Abengoa has already spent \$22 million to study the Carrizo-Wilcox aquifer and drill test wells, among other expenses, SAWS' supporting documents state. SAWS expects Garney to spend another roughly \$50 million of its own equity.

The rest of the construction financing will likely come from a group of international banks, including Sumitomo Mitsui Banking Corp., Banco Santander SA, Royal Bank of Canada and Société Générale. That loan will likely start being disbursed by Sept. 30, according to the new contract documents.

The new language states that a **pending lawsuit** between Metropolitan Water Co. LP and Blue Water Systems LP, involved in the project as a water lease holder and water marketer, respectively, must be resolved by financial close.

But it carved out specific exemptions for “any proceeding or litigation to recover” loans related to Abengoa. These would not have to be resolved by financial close.

One is a \$62.5 million intercompany loan between Abengoa Greenbridge SAU, another subsidiary, and Abengoa Vista Ridge. Another exemption covers a \$120 million bridge loan from the four international banks.

On Tuesday, the utility exercised a provision in the contract that let it permanently set in place a specific

interest rate tied to municipal bonds. SAWS, Garney and Abengoa will use the interest rate as a variable in a formula that determines the price of water.

Because of nationwide low interest rates, SAWS will spend roughly \$492 million less on water over 30 years than if the rate had stayed where it was in 2014, when SAWS was negotiating the contract.

SAWS' Monday news release drew swift criticism from the two groups most aggressively fighting the project: Save Our Springs Alliance of Austin and the League of Independent Voters of Texas, based in Bastrop. Save Our Springs thinks the project will fuel unsustainable development in the environmentally sensitive Hill Country; the League of Independent Voters believes the project and associated water leases are unfair to Central Texas landowners.

On Tuesday, the two sent a **joint letter** arguing SAWS' meeting announcement violated the state's Open Meetings Act, which requires posting of meeting notices at least 72 hours before.

SAWS posted the notice on its website, at City Hall, at SAWS headquarters and on an online Texas Register bulletin board between 3 and 6 p.m. Friday, communications Vice President Gavino Ramos said.

The groups' letter acknowledged this but argued that SAWS did not adequately explain the content of the meeting or post supporting documents until Monday evening.

SAWS CEO Robert Puente said the notice was adequate and that Vista Ridge's opponents "will do anything they can do derail this project."

"Even if you were 300 feet below the surface in a cave, you would know what we were talking about," he said.

The SAWS board will follow its vote on its largest water supply project with votes to dedicate \$1.25 million to local groups to promote water conservation.

If approved, SAWS would pay \$237,500 to Bexar County Master Gardeners, \$175,000 to Build San Antonio Green, \$237,500 to Gardening Volunteers of South Texas, \$100,000 to Green Spaces Alliance of South Texas, \$150,000 to the National Audubon Society's Mitchell Lake Audubon Center, \$212,500 to the San Antonio Botanical Society and \$137,500 to the William R. Sinkin Eco Centro.

bgibbons@express-news.net

Twitter: @bgibbs