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Video: Hear what Abengoa told the SAWS water board.

Timeline: An interactive look at the Vista Ridge pipeline project.

Expanded coverage: Abengoa stocks plunge.

Document: Find SAWS' letter to Abengoa, online at [Express News.com](http://ExpressNews.com).

Beset by financial difficulties, the company preparing to build a water pipeline from Burleson County to San Antonio is trying to sell 80 percent of its share of the project to a new, as-yet-unknown investor.

Abengoa Vista Ridge director Pedro Almagro told the San Antonio Water System's board of trustees Tuesday that his company is behind on payments to some vendors and is soliciting proposals from potential financial backers.

Under a fall 2014 deal with SAWS, Abengoa Vista Ridge was to pay for design, engineering and construction of the a 142-mile pipeline that would draw up to 16.3 billion gallons a year from 18 wells in Burleson County. It would begin delivering water in 2020. The arrangement between SAWS and Abengoa Vista Ridge is complex. The whole project is expected to cost \$844 million. Abengoa Vista Ridge was supposed to put in \$82 million but is seeking an equity partner to pay for 80 percent, Almagro said, which works out to \$65.6 million.

Abengoa Vista Ridge would arrange for \$762 million in tax-free bonds to be issued through the Mission Economic Development Corp. to finance the rest. SAWS has signed a contract to buy the water.

Including financing costs, San Antonio ratepayers would indirectly

pay back the bondholders, Abengoa Vista Ridge and its partner a total of \$3.4 billion over 30 years. SAWS will own the pipeline by 2050.

Abengoa's decision to seek a new investor won't affect SAWS ratepayers' bills.

In late November, deeply indebted Spanish parent company Abengoa S.A. filed for creditor protection in Spain in the hopes of avoiding full-on bankruptcy. Negotiations between the company and its creditors must be complete by March 28, Almagro said. Abengoa's stock price has plunged since summer 2014 from a five-year high of \$20.27 a share to 87 cents Tuesday.

The current contract with SAWS allows Abengoa Vista Ridge to seek an outside investor for up to 49 percent of its share, meaning Abengoa Vista Ridge would keep a controlling interest in the project. Lowering its share to 20 percent will require a revision, SAWS President and CEO Robert Puente said.

The revision must be approved by the SAWS board, but not the City Council, he said.

In a Jan. 13 letter hand-delivered to Abengoa's San Antonio office, Puente wrote that Abengoa Water chairman and CEO Carlos Cosin told SAWS his company would need another month or two to reach financial close, a key milestone that was expected to come in May.

Puente asked Almagro for information about other companies that might get involved in Vista Ridge, a "comprehensive and realistic timeline" to financial close and quarterly financial statements from Abengoa Vista Ridge.

At Tuesday's board meeting, SAWS Chairman Heriberto "Berto" Guerra Jr. publicly reminded Almagro that the contract allows SAWS to take over the project.

"We would prefer you do it," Guerra said. "But, guess what, SAWS has built 50-plus-mile pipelines before, and we're very, very good at it."

SAWS officials previously have explained why they wanted a private company to build the pipeline instead of going it alone. The utility's most recent pipeline project now delivering groundwater pumped from the Carrizo-Wilcox Aquifer below Gonzales County via the Schertz-Seguin pipeline, gave the utility plenty of headaches — from shifting regulations in the Gonzales County Underground Water Conservation District to the expense of outreach to the people of the rural county.

At one point, SAWS had spent upwards of \$30 million over 10 years before it had even obtained water permits from the district, Puente said in a November interview.

"We didn't want to have to go through that again," Puente said then. "So when we negotiated this contract, we told the respondents that all those kinds of risks, we wanted them to take." Asked Tuesday whether SAWS taking over the Vista Ridge looks more attractive in light of Abengoa's difficulties, Puente said it does.

"As it progresses, yes, but we're not there yet," he said. "There's still a whole lot to do before we get to that point."

Six companies are in the process of submitting proposals to Abengoa Vista Ridge, company public relations manager Sapna Mulki said. She would not disclose them but described them as

“developers” and “pure equity investors.”

“The project remains feasible and very interesting for many people,” Almagro told the SAWS board.

Guerra told Almagro that SAWS needs access to any proposals Abengoa Vista Ridge receives as soon as possible.

“Any company or group that would become an equity partner would have to agree with all the things we outlined to Abengoa Vista Ridge on that project,” Guerra said. “As long as they agree to everything that’s on there, then we, since we’re the customer, we would be more than happy to look at that particular company to see if they’re acceptable to us.”

Vista Ridge is a “critical” project for Abengoa, Almagro told the board — the kind of project that will move the company forward as it sells other assets all over the world. The company is selling its U.S. ethanol operation and solar projects in the Middle East, among others.

“The future is much more focused on engineering and construction,” Almagro said.

Asked by SAWS Trustee David McGee whether Abengoa Vista Ridge has paid all of its design, engineering and construction vendors on time, Almagro said: “There are some vendors that are not up to date.”

Almagro did not identify which vendors were not being paid, though he said San Antonio-based Pape-Dawson Engineers, the lead engineering consultant on the project, had voluntarily agreed to move to the back of the line.

“It has not been easy to get all the funds we need,” Almagro said. Puente said he did not know specifically which vendors are not being paid.

“I know there are water well drillers that are complaining a lot,” he said.

Guerra also expressed concern about the idea of using fiberglass to build the 54-inch-diameter pipeline that SAWS is set to take over in 2050.

“At the end of 30 years ... we take over the project for the next 30 years, and we want the quality of pipe we’re comfortable with,” he said. “The use of fiberglass pipe material is not acceptable to us.” Almagro said his company understands and is discussing this with potential investors.

In November, the City Council voted for a water rate increase that would in part pay for the pipeline. The new rates raised the average residential bill from \$51.75 to \$55.65 and took effect Jan. 1. SAWS expects bills will rise to an average of \$81.73 in 2020. The rate increases will also pay for sewer upgrades required by the U.S. Environmental Protection agency and a plant to treat salty groundwater below South Bexar County. [bgibbons@express-news.net](mailto:bgibbons@express-news.net)