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Environmental Groups Oppose Taxpayer Funds for Private Pipeline Scheme

AUSTIN, Tex. – April 5, 2016 – Last Friday, Clean Water Action, Environment Texas, Environmental Stewardship, and Save Our Springs Alliance filed a letter with the Texas Water Development Board objecting to two applications seeking more than a billion dollars in low-interest state loans to build a controversial 142-mile long water pipeline project. The applications were submitted by the San Antonio Water System (“SAWS”) and the Central Texas Regional Water Supply Corporation (“CTRWSC”) for so-called “SWIFT” funding. If built, the proposed Vista Ridge water pipeline would ship over 16 billion gallons of groundwater from Burleson County to San Antonio every year.

If approved by the state water board, these loans could fundamentally alter the nature of the Vista Ridge water supply agreement, a "public-private partnership" or "P3," in which the private “Project Company” (which was the financially-troubled Abengoa, but now appears to be Kansas City-based Garney Construction) is responsible for financing the construction of the pipeline. SAWS General Manager Robert Puente sold the \$3.4 billion, 30-year agreement to the San Antonio city council and San Antonio ratepayers on the basis that the financial risk would be covered by the private partner. Yet SAWS is listed a co-applicant for an \$885 million TWDB loan to build the pipeline and pumping facilities. (SAWS also submitted a second request for over \$127 million for improvements within the SAWS distribution system necessary to integrate Burleson County groundwater into San Antonio’s existing supplies.) Should SAWS receive SWIFT funding for Vista Ridge, its ratepayers would be responsible for paying back over \$1 billion in loans. Neither the SAWS Board of Directors nor the San Antonio City Council approved SAWS staff to co-sign on the SWIFT loan requests.

The coalition’s opposition letter lays out several other problems with the Vista Ridge applications for SWIFT funding. The way in which SAWS and CTRWSC characterize the proposed pipeline project as a “conservation” project would conflict with state law, potentially diverting funding from projects that reduce and reuse water instead of consume more water. “It would be the greatest insult to end up having tax money supporting a public-private deal like this and then to be taken from the conservation account,” said Steve Box, Executive Director for Environmental Stewardship, a group based in Bastrop and intimately involved in groundwater management planning in the Carrizo-Wilcox Aquifer area, the aquifer from which Vista Ridge water would pump.

Additionally, both applications make several false assertions. The applications wrongfully state that the military bases are current SAWS customers. They also claim that the project is a regional project, despite no water contracts with other entities in the region. The applications assert that the project has lined up the legal right to use the water, although the necessary production and transport permits will expire before the 30-year project term. Finally, the applications rely on supporting data to claim that the quantity of water requested will be available, but the data has not been made public.

In an effort to provide this critical, missing information, hydrologist George Rice ran the State's own groundwater availability model, which predicted that Vista Ridge pumping, when added to baseline and other approved pumping in the region, would cause the Post Oak Savannah GCD to exceed its "desired future conditions" before 2030. Even the Region L plan noted that the MAG-limit (and thus recommended size) for the Vista Ridge project is 19,442 acre-feet/year in 2020, growing to 34,894 acre-feet/year in 2070. Because the "take-and-pay" Vista Ridge agreement requires SAWS to pay for as much water as is delivered, up to 50,000 acre-feet per year, it will not limit the pumping to the recommended level. This calls into question the supporting data on which the application relies.

The public-private nature of the Vista Ridge project is the coalition's primary concern. The SWIFT fund, was created in 2013 when voters approved a constitutional amendment that transferred \$2 billion in tax dollars to provide financial assistance to "water management strategies" proposed by public entities. Private companies are not eligible for SWIFT funding. While SAWS may be eligible for SWIFT funding, it does not have Council or Board approval, and the contract requires the utility to abstain from financing construction of the pipeline. Water supply corporations may be eligible for SWIFT funding; however, the CTRWSC is simply a shell corporation, created by and wholly controlled by the private, for-profit Abengoa corporation. The letter explains:

To provide SWIFT funding to CTRWSC would violate the spirit of the TWDB's financial assistance programs, which are meant for political subdivisions of the state. . . . Allocating SWIFT funds for the Vista Ridge project would set a dangerous precedent by which any private entity could create a shell water supply corporation in an attempt to access low-interest state loans.

"The applications for SWIFT funding are the latest in the Vista Ridge project team's attempts to exploit the P3 structure by keeping information private when it suits them while taking advantage of benefits reserved only to public entities," said Lauren Ice, staff attorney with Save Our Springs Alliance. Last month, SOS filed a lawsuit against the CTRWSC alleging violations of the Texas Public Information Act because the WSC refused to disclose information related to eminent domain proceedings and meeting minutes. The CTRWSC argues it is not subject to the act.

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