

# Vista Ridge Project Creates More Questions Than Answers

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For those who are keeping track, we are in year 4 of a statewide drought. Although some areas have received rainfall relief, the continuing drought has led many communities to ponder whether they have enough water for their future and, if not, where more water can be procured. Unfortunately, new water isn't something that can easily be bought or delivered. It's expensive, the infrastructure is lacking and the locals often don't want it exported away from their region.

Last spring, we posted a piece about a groundwater pipeline project brewing in San Antonio that touches on many of these issues. Since then, we haven't written anything because most of the project details were in active negotiations and unavailable to the public. In July, a draft of the 500 page Vista Ridge contract finally appeared, but the final draft of the ever-changing agreement wasn't made available until late September.

Despite a previously denied request for more time to review the document by two San Antonio Water Systems (SAWS) board of trustees, the SAWS board voted unanimously to approve the contract on September 29th, just one week after the contract was finalized. The approval process now shifts to San Antonio City Council. Based on the current schedule, council has approximately one month to digest the deal and vote on it. There is a lot to say about an estimated \$3.4 billion deal to move 50,000 acre-feet of water a year 142 miles across Texas and a lot of questions still need to be answered.

## Demand Projections: What Defines "Need"?

Underlying any discussion about a water purchase and transfer process is the need to demonstrate that the water is needed and, if so, when is it needed and for what uses. This project is essentially a take-or-pay contract for 50,000 acre-feet of water annually; meaning, if the water arrives, the city must pay for it. This represents roughly a 20% increase of the city's current supplies. SAWS has argued that this water is necessary to supply the predicted growth in the city. Clearly, no one wants the city to run out of water, but is that really a possibility? Not according to SAWS.

SAWS's own projections show that under normal rainfall conditions, the city will not need any additional water for many decades. This water is for drought, but it's more complex than that. SAWS has articulated that bringing this project online means we will have abundant, not just adequate, water during a drought of record. The word abundant is important here. It demonstrates that SAWS is not just preparing the city to survive a drought of record; they are

trying to avoid stage 3 and 4 drought restrictions during such a drought, should it occur. This means that the city is agreeing to commit ratepayers to a huge financial commitment for something we may only use in very limited circumstances, but will pay for it all the time. Using a power analogy, the city is building a base load power plant – one that will work 365 days a year – in order to meet limited peak needs in summer. This makes no financial sense. If you are going to build something to manage high demands over limited periods of time, you should build something that can be turned on and off and only provides resources to cover the peak needs, not provide excess water for years. A 2012 presentation by SAWS's own Chief Financial Officer explicitly states it is not a prudent business practice to purchase an ongoing water supply only for drought needs. Further it explains that if the city chose to do this, the maximum amount SAWS could spend to be fiscally responsible is \$1,400 per acre-foot and should be much less to ensure the utility doesn't lose money. Current projections for this project are \$2,220 per acre-foot.

Another problem with the demand projections is that they are based on assumptions that aren't supported by actual measured data. SAWS's projections are built on assumptions about how the city will behave under extended drought. The problem is that San Antonio is actually using less water than was predicted in the fourth year of low rainfall. If this trend continues, the point at which the city may actually need water is later than predicted; therefore, we will be paying for water we don't need for an even longer time.

Finally, there is the unknown factor of how much the increase in rates will reduce use. SAWS's board trustee Reed Williams has publically stated that higher bills will reduce usage. He's absolutely right. Water is interesting because there is a certain demand level that is static: water we need to live. But there is also an elastic portion: water we could forego using without affecting our daily lives. This includes many outdoor water needs, but could also include reductions in the commercial and industrial sectors when high prices motivate increased efficiency. This project will greatly increase bills, which will most certainly reduce demand. This reduction in demand is another reason why this is more water than the city needs.

### Who Pays and How Much

Once a utility has demonstrated that the need for the water is there, the discussion shifts to cost and who is going to pay for it. All of the SAWS messaging has been clear that the project is to provide for new growth while avoiding drought stages 3 & 4. Yet, existing ratepayers will pay for the new project in its entirety. This raises several concerns.

First, it contravenes a clear message given last May by the city council and ratepayers that growth should help pay for itself. That debate about impact fees involved a proposed 3% rate hike over 10 years and council voted 9-2 that new supply infrastructure costs should be borne in part by homes creating the demand. Unfortunately, due to limitations in the law, the expenses for the Vista Ridge Project can't be passed along because the city won't be paying the capital costs. Ratepayers will foot the bill.

Second, if ratepayers are going to be responsible, SAWS needs to provide a clear picture of how much more they will be paying each month. SAWS has stated that this project will require a maximum of a 16% increase, but haven't publically explained how that number was calculated. It is hard to imagine they can guarantee that number when we won't know the final cost of the project until it is built, plus integration and O&M costs are also not yet known. Further, SAWS expects several other rate increases will be needed for wastewater and other water supply needs yet they haven't released a cumulative total of all these increases and what it will mean to the average ratepayer. The median income of San Antonio is roughly \$42,000 a year. A large rate increase will greatly affect the bottom line of thousands of local households.

Understanding both the demand scenarios and the final costs of the project are critical in ensuring the city can truly afford the project. Utilities pay for projects through rates. If the citizens aren't using the water because they are conserving it or because it is raining, the city will have to find a way to pay for that water. SAWS has maintained that in the short term, the city will execute short-term contracts to sell portions of the water to other municipalities, but none of these buyers have been identified yet, which means city council needs to be sure San Antonio can pay for the water if those contracts don't come to pass.

#### What about the Water?

Even if all the above concerns are quelled, there are still significant questions about whether the water will be available over the life of the 30-year contract. Texas groundwater law isn't an easy thing to figure out, but what we do know is that groundwater is the property of the landowner, but can be regulated by groundwater conservation districts through a permitting process.

The Post Oak Savannah Groundwater Conservation District has regulatory authority over this project. Although they authorized (in 2009) the partners in the Vista Ridge project to withdraw more the 70,000 acre-feet from the aquifer, there are several questions regarding the reliability and sustainability of pumping this volume of water. First, Post Oak Savannah District has, through their groundwater management area process (completed in 2010), determined that only about 50,000 acre-feet of water can be pumped within the district. But even this of volume of pumping will result in 300 feet of drawdown from the Simsboro Aquifer.

Given that the groundwater district has already granted permits for more than 100,000 acre-feet, it is uncertain how this dilemma will be resolved. While the partners in the Vista Ridge project have agreed to assume this risk, SAWS should provide the results of their own analysis of groundwater availability to assuage concerns that this project is not sustainable and will only mine the aquifer.

#### The Need for Public Process

Finally there is the issue of process. If this project is the right project at the right time and at the right cost, it requires the education and endorsement of those who will ultimately pay for it: the ratepayers. The right project will withstand the scrutiny of review and time.

Thus far, a truly public process has been lacking. SAWS did make 5 contract negotiation sessions open to the public, but these were during the day and didn't allow any public input. People were only able to sit in the back of the room and listen to negotiators talk. The size of this deal requires more public vetting.

During the 2012 roll out of their Water Management Plan (WMP), in addition to private presentations to neighborhood and interest groups, SAWS held five public meetings over several months. Presentations were given that discussed demand projections, water supply projects and projected rate increases. These meetings also gave the public the opportunity to make statements and ask questions. The rate increase approved by city council along with the WMP was 5.1%. The Vista Ridge project alone is over three times that increase, but to date, there have been no similar meetings for this project.

Last week, one hearing was finally scheduled after a town hall demonstrated the need for public input. The hearing will take place 6:00 this Wednesday, October 8th at city council. We encourage anyone who wants more information or wishes to state their opinion to attend the meeting. You can sign in to speak on-line or in person. Please take this chance to encourage council to take a hard look at all the dimensions of this project before making a decision. It may be the only chance you get.

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