

**TO: BOARD OF DIRECTORS**

**FROM: EXECUTIVE COMMITTEE**

**STATUS: ADOPTED**

**DATE: October 23, 2014**

## **SAWS VISTA RIDGE PIPELINE PROJECT**

Water is San Antonio's most valuable resource when it comes to sustaining a growing, vibrant economy and a corresponding high quality of life for our residents. Water availability, sustainability, and quality are among the San Antonio Chamber's longest standing and highest priorities. In order to ensure a certainty and abundance of water to meet the future needs of San Antonio, the San Antonio Water System (SAWS) must diversify its water sources. The Edwards Aquifer, which is the primary source of water for San Antonio, is insufficient to address the long term growth of the city. Consequently, SAWS has worked to identify additional sources of water to address the growing number of residents and businesses. The most viable of these alternatives is the proposed Vista Ridge Water Pipeline Project, a 142-mile long fresh water pipeline that would extend from Bureson County (east of Austin) to San Antonio. This pipeline would supply up to an additional 50,000 acre-feet of water to the city. This volume of water is the equivalent of an estimated 20 percent of the city's current water use, or enough water to supply an additional 162,000 households. The cost to build this project, including infrastructure and soft costs, is expected to be \$844 million. The cost to SAWS for the water delivery, including its treatment, pipeline construction, and maintenance, would be an estimated \$2,200 per acre-foot. This cost would remain in effect for the life of the 30-year agreement. At the end of this period, the pipeline would become the property of SAWS and the price charged for the water itself would match the price for Edwards Aquifer water at that time. .

### **STATEMENT:**

The San Antonio Chamber of Commerce supports the community's investment in the Vista Ridge Pipeline Project to secure a reliable and abundant water supply to sustain economic viability and a high quality of life for San Antonio's residents and businesses. The Chamber understands that this investment will relieve demand on the Edwards Aquifer's limited supply, add to San Antonio's diversity of water sources, and provide a foundation for economic growth.

The San Antonio Chamber of Commerce recommends that the City Council authorize the Vista Ridge Pipeline Project agreement as currently proposed with the following conditions:

1. Corresponding rate requirements should be phased-in so as to mitigate impacts on ratepayers and should incorporate a rate structure sensitive to water use and income.
2. SAWS and the City of San Antonio should continue appropriate water conservation activities and education as a measure of our stewardship of this water source.
3. SAWS should continue its efforts toward further diversification of water sources by using available technologies, such as desalination, and supporting regulatory changes which promote the use of previously unavailable sources.
4. SAWS and the City of San Antonio should develop policies for the storage and potential sale of this water to other water entities which do not place San Antonio area ratepayers at risk for an inadequate supply of water.
5. The City of San Antonio and SAWS should continue efforts to protect the Edwards Aquifer Recharge Zone.

**BACKGROUND:**

Since the 1990s, San Antonio has been limited in the amount of water that may be pumped from the Edwards Aquifer. The limitations are required to protect spring flows and habitat for endangered species. Worsening drought conditions and increasing population growth have only exacerbated the situation by requiring further limitations on the availability of water and stringent enforcement of water conservation mandates. For decades, the risks of uncertain water availability have been recognized by city leaders and planners. Despite strong financial and political support for several water projects in the past, voters have denied the investments. In each of these opportunities, water was locally provided, sufficient, and affordable. These denials have placed an inordinate demand on our primary water source and resulted in questions about our economic vitality. In response to these actions and increasingly scarce availability of water, San Antonio residents and businesses have successfully adopted water conservation principles into their daily activities. This has extended the capacity of existing water supplies without significantly investing in new water sources. Despite the community employing water conservation principles and practices, the uncertainty of future water availability has adversely impacted economic growth. Major job-producing companies have made business decisions to select other locations, in part, due to the lack of water certainty. Current water sources can support existing demand given our conservation efforts, but these limited sources cannot sustain future growth. Even with new water supplies in the planning process (not including the Vista Ridge Pipeline Project) and rigorous conservation practices, water demand will exceed supply by 2020 due to population growth.

## **WATER STUDY**

A study released by this Chamber in early 2014 demonstrated that even a modest shortage of water supply could result in significant negative impacts to the local economy, costing our region thousands of jobs and potentially billions of dollars in lost productivity. For example, the study estimates that an 11 percent shortage of water would result in the loss of approximately 6,700 jobs and over \$1 billion in lost productivity and employee earnings. The results become much more drastic as the percentages increase. At a 24 percent shortage, the local economy is estimated to result in the loss of nearly 34,000 jobs and \$5.7 billion in lost productivity and employee earnings. The study clearly points out the risks of an insufficient water supply for our future. Contrary to these risks, the study also indicates that when families and businesses have an assured source of water, the certainty becomes a competitive advantage for our industries and communities. This advantage would set San Antonio apart as one of the most desirable places for economic growth, job creation, and quality of life in the nation.

## **Reasons for Contract Support**

The Chamber has closely monitored the negotiation efforts and is encouraged by the project's ability to place San Antonio in an economic position of strength with a contract that limits financial risks while maintaining water abundance at sustained costs for the foreseeable future. Based on the provisions of the draft agreement, the Chamber supports the strong negotiating position by SAWS and the City of San Antonio, including:

- The risk for construction of the pipeline and water delivery is borne by the water provider
- Only water that is provided is paid for
- SAWS will retain ownership of the pipeline at the end of the agreement period
- The cap on interest rates during the agreement period
- The cost of water will not change over the agreement period

## **Reasons for Long Term Water Supply Support**

- Long term economic certainty for new and existing businesses
- Competitive advantage for corporate relocations
- Job creation
- Quality of life for residents
- Environmental sustainability for the Edwards Aquifer
- Increased reliability of spring flows and wastewater return flows to help maintain environmental standards for rivers and bay
- Growth capacity for institutions of public education, higher education and healthcare
- Certainty of capacity for our military installations
- Continued stewardship and support for water sustainability initiatives in collaboration with economic development

As a community, we should be prepared to meet the growing demand for water by our residents and businesses. The Vista Ridge Pipeline will make it possible for us to purchase future water at today's prices. The Chamber understands and supports that this proposal locks in the price of water for decades. As a result, our families will enjoy stable water prices while most other cities will experience increases in costs.

However, we also understand that this much needed source to secure water for our future requires a significant investment by our ratepayers to plan and develop. The business community stands prepared to support necessary rate increases related to this project by providing a thorough review of rates, just as the Chamber would conduct for any capital investment. Such reviews will include a strong sensitivity to mitigate and reduce significant impacts of increases on our residents who need assistance or are in challenging economic circumstances.

As further demonstration of the Chamber's support for water certainty, we also strongly support efforts to continue diversifying our system of water supplies and conserving our water. These efforts include the implementation of new technologies in water desalination and support for modifications to regulations increasing the availability and use of brackish water. Further, the Chamber also understands that water conservation has essentially expanded the capacity of our existing supplies and strongly supports our community's continued stewardship of new and existing water sources.

**IMPLEMENTATION:** The Chamber will communicate this position to the SAWS Board of Trustees, to the Mayor and members of the City Council, the media and The Chamber membership through public testimony, letters, media releases and publication in *The Chamber Today*.