



Alamo Group of the Lone Star Chapter

March 10, 2015

Dear SAWS CEO Robert Puente and Board Members:

In a follow up on my comments to the SAWS Board March 3, on behalf of the Alamo Sierra Club and partner stakeholders, I respectfully request that you assure us that SAWS' partner Abengoa will meet all its Green Bond Program obligations in all phases of the development and management of the Vista Ridge project. As SAWS receives monthly updates from Abengoa, this as an opportunity to become fully informed on plans for and proof of compliance with these social and environmental criteria by Abengoa and its subcontractors. As SAWS maintains this is its most transparent project, we expect SAWS will make frequent public reports and request they begin in April.

Here I include information to show that **1)** Abengoa placed and sold Green Bonds (AKA Climate Bonds) for Vista Ridge, **2)** list criteria Abengoa's Vista Ridge work is responsible for in using the Green Bond Program, and **3)** give evidence that it will be difficult for this pipeline project to achieve these standards, and, therefore, that it is crucial that the SAWS Board perform its due diligence and assure that its Vista Ridge partners accept the risks they have taken on and perform to the highest standards—even those above and beyond legal standards, as required in accessing Green Bonds.

1) Below, is confirmation that Abengoa offered €500 million in Green Bonds, on September 25, 2014, and that Abengoa states the bond funds are, in part, for Vista Ridge:

“Water projects to benefit from Abengoa’s green bonds”

Published 25th September 2014, by Global Water Intel

<http://www.globalwaterintel.com/news/2014/39/water-projects-benefit-abengoas-green-bonds.html>

Abengoa's inaugural issue of green bonds, which priced last night, will be used to help finance water supply projects for the cities of León in Guanajuato, Mexico, and San Antonio in Texas, USA.

Approximately 20% of the €500 million dual-tranche 5-year issue will go towards the two water concessions, with the remainder earmarked for renewable energy projects, an Abengoa spokeswoman told GWI.

The \$2.6 billion 30-year San Antonio concession was awarded to Abengoa in June this year, while the Seville-based company won the \$566 million 25-year concession to part-finance, build and operate the El Zapotillo-León pipeline in 2011.

The bonds, issued in € and \$ by subsidiary Abengoa Greenfield, mark the first time a high-yield issuer in Europe has successfully placed a green bond, and were housed with a variety of accounts in Europe and the United States.

HSBC acted as global co-ordinator on both tranches.

See more at: <http://www.globalwaterintel.com/news/2014/39/water-projects-benefit-abengoas-green-bonds.html#sthash.77YJZSYO.dpuf>

2) Since social and environmental responsibility is a growing segment of the market for stocks and bonds, Green Bonds are a key tool to guide these investors (I am one, since the late 1980s). Abengoa was the first to take advantage of these instruments, new in 2014, for this project, which commits Abengoa and its partners to specific principles and criteria, which we expect to have been part of their budgeting and planning.

The Ceres Principles

1) Protection of the Biosphere We will reduce and make continual progress toward eliminating the release of any substance that may cause environmental damage to the air, water, or the earth or its inhabitants. We will safeguard all habitats affected by our operations and will protect open spaces and wilderness, while preserving biodiversity.

2) Sustainable Use of Natural Resources We will make sustainable use of renewable natural resources, such as water, soils and forests. We will conserve non-renewable natural resources through efficient use and careful planning.

3) Reduction and Disposal of Wastes We will reduce and where possible eliminate waste through source reduction and recycling. All waste will be handled and disposed of through safe and responsible methods.

4) Energy Conservation We will conserve energy and improve the energy efficiency of our internal operations and of the goods and services we sell. We will make every effort to use environmentally safe and sustainable energy sources.

5) Risk Reduction We will strive to minimize the environmental, health and safety risks to our employees and the communities in which we operate through safe technologies, facilities and operating procedures, and by being prepared for emergencies.

6) Safe Products and Services We will reduce and where possible eliminate the use, manufacture or sale of products and services that cause environmental damage or health or safety hazards. We will inform our customers of the environmental impacts of our products or services and try to correct unsafe use.

7) Environmental Restoration We will promptly and responsibly correct conditions we have caused that endanger health, safety or the environment. To the extent feasible, we will redress injuries we have caused to persons or damage we have caused to the environment and will restore the environment.

8) Informing the Public We will inform in a timely manner everyone who may be affected by conditions caused by our company that might endanger health, safety or the environment. We will regularly seek advice and counsel through dialogue with persons in communities near our facilities. We will not take any action against employees for reporting dangerous incidents or conditions to management or to appropriate authorities.

9) Management Commitment We will implement these Principles and sustain a process that ensures that the Board of Directors and Chief Executive Officer are fully informed about pertinent environmental issues and are fully responsible for environmental policy. In selecting our Board of Directors, we will consider demonstrated environmental commitment as a factor.

10) Audits and Reports We will conduct an annual self-evaluation of our progress in implementing these Principles. We will support the timely creation of generally accepted environmental audit procedures. We will annually complete the Ceres Report, which will be made available to the public.

Disclaimer These Principles establish an environmental ethic with criteria by which investors and others can assess the environmental performance of companies. Companies that endorse these Principles pledge to go voluntarily beyond the requirements of the law. The terms "may" and "might" in Principles one and eight are not meant to encompass every imaginable consequence, no matter

how remote. Rather, these Principles obligate endorsers to behave as prudent persons who are not governed by conflicting interests and who possess a strong commitment to environmental excellence and to human health and safety. These Principles are not intended to create new legal liabilities, expand existing rights or obligations, waive legal defenses, or otherwise affect the legal position of any endorsing company, and are not intended to be used against an endorser in any legal proceeding for any purpose.

For this and more information on Ceres go to <http://www.ceres.org/about-us/our-history/ceres-principles> [accessed 10-13-14]

For more detail on Green Bond Principles

<http://www.ceres.org/resources/reports/green-bond-principles-2014-voluntary-process-guidelines-for-issuing-green-bonds/view>

3) Green bonds are to be used with fully vetted and approved standards, but standards for water projects do not exist yet. Ceres, the Green Bond parent organization, is currently developing these standards, due out in 2015. In consultation with Sharlene Leurig, a Texan, Ceres staff and member of the water standards task force, she wrote me on 1-28-2015, "Ceres does not consider Abengoa's groundwater mining projects in Texas and Mexico to be projects that should be eligible for green labeling."

Also alternative stocks advisors caution about water pipeline projects, as you can see from the excerpt below from "Is Clean Water Always Green? Why I <3 NY" *By Bridget Boulle and Sean Kidney*, June 25, 2014, ALT Energy Stocks. See full article at <http://www.altenergystocks.com/archives/2014/06/>

Water is a complex area for green bonds as projects can have conflicting environmental and social outcomes. For example, the provision of clean water has obvious social benefits, but there are lots of good and bad choices that can be made towards that end. Water-provision investments can range from building a new reservoir and long aqueducts for transporting water, to reducing pipeline leaks (which can be vast in old and leaky city systems) and introducing better demand management measures.

The wrong decisions can end up over-using limited water resources in areas beginning to suffer decreased or more volatile rainfall as a result of climate change - and can lead to spikes in energy consumption just as we need to cut back to reduce emissions. Water infrastructure is a huge consumer of electricity - for example 17% of California's electricity is used to shift water around the State. Yes, that's right, 17%!

Water investments that don't take into account climate and energy issues can end up being positively harmful, even as they deliver nice clean water.

From a creditworthiness perspective, as our friends at Ceres have shown, the level of climate-preparedness in water utility and water-dependent companies should be seen as a key risk signal.

That means it would be foolish to see water projects as green by default. At minimum investors should be asking for evidence that asset management and capital expenditure plans have robust climate adaptation and mitigation thinking behind them.

The good news is that we know New York has done this! It makes me love New York. For EFC's next bond we would ask that relevant plans be specifically linked to the projects in the bond.

On the broader issue of being able to better recognize good and not so good water investments from a climate change perspective, we're working with Ceres, the World Resources Institute and CDP to make it easier for investors by developing clear criteria for water related investments. They will become part of the Climate Bonds Standard.

--Bridget Boule is Program Manager and Sean Kidney is Chair of the Climate Bonds Initiative, an "investor-focused" not-for-profit promoting long-term debt models to fund a rapid, global transition to a low-carbon economy.

In conclusion, I would like to request a meeting at SAWS to receive a response to this petition and to clarify a few other concerns we have about SAWS information on Vista Ridge.

Thanks for your time and attention to this request.

My best to you all.

Sincerely,

Margaret Day
Executive Committee Co-Chair