

San Antonio Boom May Dry Up as Water Ebbs and People Pour In

June 19 (Bloomberg) -- Water supplies are declining from San Antonio to Austin, the Texas capital, as a mushrooming population and drought conditions strain underground reservoirs, threatening to stall the region's growth.

``I've been in this business for 14 years, and this is by far the worst I've ever seen," said Jim Blair, owner of Bee Cave Drilling, which drills water wells in two of the Austin area's fast-growing counties. ``I'm scared because we're heading into our dry season."

San Antonio is the third-fastest-growing large city in the U.S., according to Census Bureau estimates, and Austin has the eighth-fastest growth for a metropolitan area. Expansions by companies including Dell Inc. and Toyota Motor Corp. are fueling a housing boom.

Water systems aren't keeping up with the new subdivisions, and wells used by some homeowners are drying up. Central Texas received only two-thirds of its usual rainfall last year and is running behind again this year, leaving reservoir levels below normal, according to the Lower Colorado River Authority, which regulates surface water.

If shortages go unabated, San Antonio will create 34,230 fewer jobs by 2030 than if supplies were adequate, according to a state estimate. A lack of water also will reduce the value of businesses by \$4.7 billion a year in the San Antonio area and by \$2.6 billion annually in the Austin area, state figures show.

``We're all very concerned," said Alex Broun, a geologist at the Hays Trinity Groundwater Conservation District. ``We're growing so fast that it's almost out of our hands." Broun said the water level at his home's well has fallen 65 feet (20 meters) since July.

Drought Alert

The San Antonio and Austin areas get much of their water from the Edwards-Trinity aquifer system, overlapping reservoirs that extend from southeastern Oklahoma to western Texas. The San Antonio Water System alone pumps more than 136 million gallons (515 million liters) a day from the Edwards Aquifer.

The Edwards reservoir level ``was dropping a foot a day," prompting the Edwards Aquifer Authority last month to issue a public plea for voluntary conservation, said Roland Ruiz, a spokesman for the agency.

The Edwards Aquifer is 1.5 feet away from a Stage 1 drought alert, which would trigger mandatory conservation, Ruiz said. Stage 1, the least severe of three drought stages, hasn't been reached in six years.

``We're maxed out," said Brian Hunt, a geologist with the Barton Springs-

Edwards Aquifer Conservation District, which monitors groundwater for about 60,000 residents south of Austin. The Barton Springs district last month told municipal and industrial users to cut consumption by 20 percent.

Water and Oil

Property owners outside municipal water systems face no such restrictions. Texas's "rule of capture" lets owners pump an unlimited amount of groundwater, regardless of the impact on neighbors.

The rule is similar to regulation of the Texas oil industry, which dotted the landscape with derricks in the early 20th century as drillers raced to tap deposits that extended under multiple parcels of land.

Boone Pickens, an oilman and hedge-fund manager, sees similar opportunity in the water shortage. He proposes building a \$2 billion system to transport 320,000 acre feet of water per year to the greater Dallas area from the Ogallala Aquifer, part of which sits under his ranch in the Texas panhandle. That would meet more than 20 percent of the metropolitan area's water needs. So far, he has no takers.

"If water was available, I'd take it," Pickens said. "Because how much water is available in Texas today? Practically none."

'Surplus and Stranded'

The land around the ranch isn't irrigated, so the water is "surplus and stranded," he said. Pickens paid a neighbor \$50 million for half the water rights to 200,000 acres of land.

Companies already benefiting from rising water demand and falling supplies include Aqua America Inc., based in Bryn Mawr, Pennsylvania. Its Aqua Texas unit is the largest owner of public water systems in Texas.

Aqua Texas has 13,000 customers near Austin and forecasts 6 percent to 8 percent growth for the next year, said Bob Laughman, the unit's president. The company plans to spend \$10 million on new wells and other equipment in the state during the next year.

Rising Prices

Water prices are rising in central Texas. The Lower Colorado River Authority raised its rates for municipal and industrial customers 9.5 percent last year and plans another 9.5 percent increase in 2007. In San Antonio, residents pay 88 cents per 1,000 gallons, up 7.3 percent from last year.

Aqua Texas charges its residential customers in the Austin area \$2.60 to \$2.80 per 1,000 gallons.

Prices to drill a well in the suburbs south and west of Austin have risen 20 percent or so in the past year to about \$18,000, said Blair, Bee Cave Drilling's owner. About 10 percent of his business comes from re-drilling wells that have gone dry.

The water table in parts of the Trinity Aquifer has declined about 100 feet in four months, Blair said. He said his backlog for residential wells has gone to seven weeks from two, and he's spending \$745,000 to buy a third drilling rig.

``I'm turning down half the work proposed to me," he said.

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