

American Water Intelligence

Market-Leading Analysis of the American Water Industry

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TRACKER STATISTICS THIS MONTH:

- 15 new projects
- 28 updates
- Biggest new project: \$375 million water reuse project in DeKalb County, GA
- 147 projects tracked

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AWI editor Emily Pickrell looks at developments in California.

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ly escalate those costs. But Ferree argues that water recycling will become not only the cheapest, but the only option for disposing of produced water.

“The writing’s pretty much on the wall,” he said. “Both evaporation and injection are cheaper, no doubt. But the production of water is growing so rapidly in the area that they’re outrunning the hydraulic capacity of the injection wells.”

Meanwhile, Red Desert is looking for ways to capitalize on the giant pools of reclaimed water it keeps near the facility. Ferree says they have been approached by researchers and environmental regulators to experiment with using recycled frac water to irrigate crops like sagebrush, which is planted on reclaimed mine sites.

While Cate Street Capital invests in a diverse array of green technologies, produced water is currently their only interest in the water sector. Senior vice president Richard Cyr expects to expand to other frac’ing hotspots in the near future.

“We may end up starting to build these things all over the place,” Cyr told AWI. “The companies that we’re talking to, the major players, they’re telling us where they want the locations.”

Cyr said most producers will only drive 30 to 40 miles to treat their produced water, and Red Desert is located within easy reach of a growing number of clients. Nondisclosure agreements prevented Cyr from naming his customers, however.

Cate Street is bullish on its prospects in the produced water market, especially in Wyoming, where frac’ing has sparked renewed interest in the energy sector.

“It’s a good place to cut your teeth and provide a good service,” commented Ferree. “All these guys want to solve the problem within the next two or three years, because the regulations are going to tighten up.”

REGULATORY

Texas could strengthen groundwater ownership

Law of the biggest pump may become law of the biggest acreage

In the latest chapter of disputes over Texas groundwater, state senator Troy Fraser has introduced a bill reaffirming landholder ownership of groundwater.

The bill reacts to the Edwards Aquifer Authority’s court case to prevent two ranchers from developing their groundwater rights to the fragile aquifer.

Not surprisingly, Texas landowner associations have lauded the bill. The thirteen supporting groups include the Texas Farm Bureau and the Texas and Southwestern Cattle Raisers Association.

For over a century, Texas water law has been governed by the Rule of Capture, colloquially known as the “law of the biggest pump”: landowners could lay claim to as much groundwater as they could pump and beneficially use. But the law presents

serious challenges to maintaining the state’s future water sustainability.

“The Rule of Capture . . . is clearly not a management strategy for groundwater,” wrote the Texas Alliance of Groundwater Districts in a position paper. “It is a non-management strategy that eventually may result in over production, faltering springs, and dry wells without legal consequence.”

The Edwards Aquifer Authority has argued that granting landowners the unconditional right to use their groundwater negates the purpose of a groundwater conservancy district, and could jeopardize the stability of crucial aquifers.

For his part, Fraser seems determined to preserve landowner rights to groundwater that he says have endured for over a century.

“Landowners recognize that locally elected groundwater conservation districts play an important role in helping manage water to ensure it is available for future generations,” Fraser said in a statement. “But there is a big difference between managing how much water is pumped and denying property owners the right to access the water beneath their land.”

FINANCIAL

Fathoming the rise of Global Water Resources

Fresh from IPO, utility and tech firm looks ahead

Phoenix-based Global Water Resources Corp. sees the aftermath of the housing collapse in Arizona as a land of opportunity in efficient water management, as it moves from its December 2010 IPO and plans its next move.

Global Water Resources (GWR), which closed its initial public offering on the Toronto Stock Exchange at a price of C\$7.50 per share, anticipates that its principle growth engine will come from its technology enhanced software for water management.

“Global Water is somewhat unique in the market in that we have regulated utilities but we also have a very interesting, potentially fast-growing technology business,” explained Trevor Hill, CEO of Global Water Resources.

Its technology business is centered on a technology-enhanced software, Fathom, which allows utilities to manage several aspects of their business via the internet. Hill said that the development of the software grew out the company’s own Phoenix regulated business.

“For the last five years, we have driven technology into our own operations, and the results have been amazing in terms of cost-savings through efficiencies, particularly in our back office,” said Hill. “These are the process that all water utilities do and most do manually.”

Global Water Resources’ growth had once been linked to the wildfire pace of the Phoenix real estate market, but Hill explained that it was the downturn in the economy that actually spurred the company to develop its software.

INDUSTRIAL

Pulling riches from coal slurry

Potential new regulations could incentivize slurry treatment to extract rare earth minerals

A bill to make a moratorium on the underground injection of coal slurry permanent is moving through the West Virginia legislature. This will likely increase costs for coal producers. But for those who extract trace minerals from water, the ban may be a good thing.

Here's why: the primary alternative to underground injection is storing the slurry instead in above-ground impoundments, which are large lined and dammed ponds that hold the wastewater (called coal slurry) left over after rinsing non-combustibles from coal. This method of storage would also facilitate the extraction of rare earth minerals, which can be found in some coal seams.

The US currently relies on China for all of its rare earth minerals, and export quotas keep tightening.

Various bills introduced in the US Congress in 2010 have called for the development of domestic sources of rare earths, citing both economic and security concerns. "Rather than sit on our hands while China corners the market on these strategic minerals," said Alaska Senator Lisa Murkowski in June of 2010, "we can and should pursue timely production of the rare earth supplies that exist within our own borders."

"I can remember 40 years ago at conferences, people talking about how these slurry ponds would be the future resources, not only as a source of the coal bits that go into them, but also as a source of the rare earth metals that end up in the ponds too," said James Dinger, head of the Kentucky Geological Survey's Water Resources Section. "But they didn't have the technology to extract them at the time."

Rare earths are a collection of 17 elements which are essential to the production of a variety of high tech and cleantech products, from windmills to hybrid cars to iPhones. The US Department of Defense also relies on rare earth minerals for many of their weapons systems.

Water experts say that the push for extracting minerals out of wastewater is long overdue.

"We really need to be looking at waste piles that may actually have economic concentrations of some of these elements," says David Wunch, Director of Science and Technology of the National Groundwater Association.

"We kept going to Congress year after year, and try to make a little momentum on the issue, but then they find out the hard way and get a briefing from the CIA or somebody saying 'Look! We have none of these metals and we need them' and then all of a sudden they come calling on us. But they could have been listening ten years ago maybe we could've short-circuited this."

"We designed Fathom for the downturn," said Hill. "To reduce costs, we needed to leverage technology as a means of reducing costs for our own utilities. This means it has a unique competitive advantage in the marketplace in this economic downturn, in that it is proven."

Hill acknowledges that many see the Arizona regulatory climate as less attractive, but said that the company has worked to strategically locate its regulated business.

"Despite the fact that Arizona has had its share of impact from the downturn in the house market, our areas have continuously grown," said Hill. "We have strategically located our utilities in high-growth corridors around Phoenix where growth has historically occurred and continues to occur as a function of affordability. Further, we have significant fitted capacity in our systems, which makes building new homes easier in our service areas."

And the regulatory climate is viewed as a potential bridge rather than a barrier.

"Global Water has made tremendous efforts to understand the regulatory environment in Arizona," said Ian Tharp, an investment banker with CIBC involved in the IPO. "Trevor moved to Arizona at the inception of the company, because he needed to know the market and the process within Arizona."

The company raised an additional \$4 million of equity in the over-allotment option of its IPO, which finished on January 28, 2011. Its selection of the Toronto Stock Exchange (TSE) was based largely on the strong interest and support the TSE has shown for clean-tech companies such as Global Water.

"We have put a lot of emphasis on clean technology and devoted resources to it," said Robert Peterman, senior manager of Global Clean Technology for the Toronto Stock Exchange. "This is a marketplace that is good at financing companies and supporting them as they grow."

PHOENIX HOME APPRECIATION RATES



Source: Forecastcharts.com