Historic Opportunity

“Pipeline deal a necessity for our future.”

August 8, 2014

Express-News
Historic Opportunity

“Time for Courage on Water Supply Project”

Berto Guerra
September 19, 2014
Planning our Water Future Today

Long Term Non-Edwards Supply for San Antonio

• Water security for decades
• Lock in tomorrow’s water at today’s price
• Support vibrant local & regional economy
• Abundance vs Adequacy
• Alleviate need for deepest restrictions
Vista Ridge – Need to Act Now

Tomorrow’s Needed Water at Today’s Prices

Vista Ridge – Cost of water largely fixed
(excluding O&M and Electricity)

Canyon Lake
operating cost/ac-ft

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<th>1960s</th>
<th>1976*</th>
<th>2014</th>
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<td>$4,518</td>
<td>$33,02</td>
<td>$1,030</td>
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* City Council voted in 1976 against purchase of 30,000 - 50,000 ac-ft
Vista Ridge Pipeline Project

Why This Water is Needed

• Meet water needs while protecting the Edwards Aquifer with diversified supply

• Prepare for Drought with firm supply

• Support Future Economic Prosperity and Jobs
  – Serving 20,000 new people every year
  – Providing for our children and grandchildren
Request for Competitive Sealed Proposal

Long Term Non-Edwards Supply for San Antonio

• Issued in 2011

• Nine Respondents to Public Bid

• 3 Finalists were interviewed in 2013

• Vista Ridge Consortium (Abengoa & BlueWater)
    – Long Term Production & Export Permits
      • Localized Support in Burleson County with over 3,400 leases with landowners – 85,000 acres
Contract Negotiations

• Unprecedented Level of Transparency
  – Posted meetings with public, media and elected officials in attendance

• Contract Commercial Terms Agreed
  – Contract DRAFT today
Not The Same Deal Proposed Earlier

Significant Concessions by Vista Ridge

• Vista Ridge accepts regulatory risk
  – Only paid for water made available

• No more automatic price increases

• No more Reservation Fee

• Optimized Delivery Point

• Capped Interest Rate Exposure
Summary of Transaction Entities

City Council  
Governing Body

SAWS  
Water Purchaser

Vista Ridge  
Project Company

Water Supply Corporation

Blue Water  
Groundwater Lease and Permit Holder

Engineering Procurement Contractor (EPC)

Operating Service Provider

Burleson Property Owners

Post Oak Savannah Groundwater District
Contract Provisions

• Vista Ridge (VR) delivers up to 50,000 ac-ft of water per year for 30 years beginning as early as 2019

• SAWS pays only for water made available
  – Risk of water delivery borne by Vista Ridge, including groundwater district cutbacks

• Vista Ridge builds well-field infrastructure, pipeline and transfer facilities
  – est. cost of Financing ~$844 M
  – $81 M Equity Investment by Vista Ridge

• SAWS builds interconnection infrastructure
  – est. cost ~$100 M
Vista Ridge Consortium
Infrastructure Requirements

Approximately $100M for integration

- **Treatment**
  - Possible Calcium treatment, addition of chlorine and fluoride

- **Pump Station**

- **Ground Storage Tanks**
  - 10 MG @ Terminus, 5 MG @ Bitters, 5 MG @ Basin

- **Pipe Construction**
  - Approx 82,000 ft of pipe up to 54-inch diameter

- **Control Valves, Pumps, SCADA**
  - Upgrades at existing pump stations
Key Timeline Terms

• **Commercial Close** – Contract Execution after SAWS Board and City Council approval

• **Financial Close** – Vista Ridge achieves permanent third party project financing
  
  – Estimated 18-30 months from Commercial Close
  
  – Failure to reach Financial Close by deadline, SAWS can terminate and Vista Ridge to pay SAWS reimbursable costs up to $2 Million
Timeline for Vista Ridge Contract

Development Phase 0-30 months

Construction Phase 42 months

Operation Phase 30 years

Project Continues P&I drop off

Commercial Close October 2014

Financial Close 18-30 months after Commercial Closure

Commencement of Water Delivery 42 months after Financial Closure

Title Transfer to SAWS

SAWS/COSA Contract Approval

City Council Rate Action Late 2015 - 2016

Access to Water Continues

Landowners Share Increases to 50/50 split
Financial Issues – Cost of Project

• Cost of Project
  – Fixed Cost \( \text{est.} \) $1,852 - $1,959 \ (Dependent on Interest Rates)
  – SAWS exposure to Interest Rate increases capped at .50% above Clarification Price
    – No more than 6.04%
    – SAWS able to lock in rate after 18 months
  – O&M Budgets to be developed annually and paid by SAWS – (Vista Ridge estimate $175 per ac-ft in 2014, escalating with inflation)
  – Electrical Costs – Paid directly by SAWS \ (Vista Ridge estimate $173 per ac-ft in 2014, escalating with inflation)
Financial Issues – Rate Impacts

• Potential Rate Impact 16%

• Mitigation of Rate impacts dependent on:
  – New rate structure - Rates Advisory Committee
  – Lifeline Rate
  – Stair-step rates vs. single rate increase
  – Opportunities for new wholesale customers
    • Ongoing discussions with other utilities

• Rate Impacts are in addition to other SAWS needs
Regional Backbone of Water

Opportunities for Cost-Sharing – Ongoing Discussions
Project O&M Partnership

• O&M Budget developed annually by Vista Ridge
• Budget evaluated, modified and approved by O&M Budget Panel of five:
  – 2 “Appointees” by SAWS/Vista Ridge
  – 2 “Selectees” (Industry), selected by appointees
  – 1 Additional Selectee (Industry) - chosen by 2 Selectees

• Approved Budget paid by SAWS

• Major Maintenance Reserve Fund accrued and held by SAWS, but paid by SAWS in year performed
Electricity for Project

• SAWS to set up electrical accounts with providers and pay bills directly to utility
  – Working with utilities to find lower cost alternatives and partnerships

• Vista Ridge to guarantee electrical maximum usage and pay any amount over maximum
Contract Provisions – End of Term

• Assets and Infrastructure transfer to SAWS at end of contract term

• SAWS right to continue purchasing water at avg cost of SAWS 2-year Edwards leases over last five years of contract

• 50% of payments (after fees/taxes) go to landowners

• Agreement with BlueWater and SAWS still under Draft
Discussions with Burleson/Milam Cty Judges

Local Support for Project in Burleson/Milam Counties

- Judge Sutherland “…appreciate the board’s concern and stance when it comes to property owners in our district. Increasing their participation percentage goes a long way in demonstrating SAWS Board’s character and intent”

- Reed Williams “…continue to fight for your citizens…protect your aquifer as I do mine”
League of independent Voters of Texas
PO Bo 651 • Bastrop, Texas 78602
email: info@IndependentLeagueTX.org •
www.StopWaterGrab.org
Contract Provisions

• Convenience Termination - SAWS able to terminate contract at any time at a cost
  – Up to $40.1 M during Development Phase - (actual costs only)
  – After Financial Close – Cost of outstanding debt, return of/on equity, breakage costs, etc.
  – $10 M Project Assumption Fee paid to Abengoa if SAWS does same project with other party

• Certain schedule and performance relief available for uncontrollable events *(ie. Force Majeure, Change in law, etc...)*
Example of Risk Mitigation

• **Uncontrollable events** (GCD cutbacks, Force Majeure, etc)
  
  – If less than 50K ac-ft made available, SAWS only pays for water made available
  
  – Contract Extensions available up to 20 years to make up
Water Quality Arrangements

• Vista Ridge treat to State & Federal Drinking Water Standards and some additional SAWS requirements for temperature, iron, etc.

• SAWS to provide calcium addition if necessary

• Rigorous testing requirements to ensure quality water being delivered
  – No obligation to take unacceptable water
Vista Ridge Pipeline Project

Our Commitments for Success

• Protect the Edwards Aquifer and the Environment
  – Diversified water we don’t have to pump from the Edwards
  – 90% of EARZ in Bexar County is already developed, Master-Planned or set aside for easements

• Continued Water Conservation
  – 16,500 ac-ft/yr water savings planned by 2020

• Ensure Lifeline Supply of Water for Ratepayers
  – Minimize rate impacts
Vista Ridge Environmental Benefits

Protecting Endangered Species in the Edwards Aquifer Springs

• Project allows for more ASR storage
  – Helps San Antonio meet its commitment to the Edwards Aquifer Habitat Conservation Plan (HCP)
  – Potential ASR Storage over 200,000 ac-ft

• More reliability for spring flows in New Braunfels/San Marcos
Next Steps

**Bold Action Necessary**

- **SAWS consideration of Vista Ridge Contract**
  - September 29, 2014

- **SA City Council consideration of Contract**
  - October 2014

- **City Council first rate consideration planned in Fall 2015 or early 2016 to ensure rates in place by Financial Close**
Recognition of SAWS Team

• Chairman Berto Guerra and Trustee W. Reed Williams

• SAWS Staff led by Nancy Belinsky, Steve Clouse, Doug Evanson, Kelley Neumann, Donovan Burton

• SAWS external help
  – Eric Petersen & Angela Jin – Hawkins, Delafield & Wood LLP
  – Clay Binford & Jeff Kuhn - Norton Rose Fulbright Law
  – Financial Advisors
    • Dan Hartman - PFM, Don Gonzales – Estrada Hinojosa & Co.
  – Ruben Barrera & Erica Valladares – Langley & Banack, Inc.
Win – Win – Win for Community

To Take Advantage of....

- 50,000 ac-ft of water at fixed cost for 30 years
- Tomorrow’s Water at Today’s Price
- Cap on Interest Rate
- Transfer of Risk away from SAWS ratepayers
- Biggest Diversified Supply in SAWS History
- Regional Pipeline
- Operational Efficiency and Flexibility across entire City
- Environmental Benefits and firm supply
- Abundant Supply for Children & Grandchildren
- Water Continues after first 30 years and Price drastically reduced
Win – Win – Win for Community

We Need to do ...

• Protect the Edwards Aquifer

• Continue Nationwide Leadership in Conservation

• Ensure Lifeline Supply of Water for Ratepayers
Vista Ridge Water Supply Contract

Robert R. Puente
President - CEO

September 22, 2014

SAWS Board of Trustees