Overview of Presentation

Updates on:

• Edwards Acquisitions / ASR storage
• Filling the gaps
  – 2009 WMP
  – Existing supplies
  – New drought scenario (2010)
• 2009 drought experience
• Regional Carrizo
• Brackish Groundwater Desal
• Current risks to projects
Successful Edwards Acquisitions (Acre-Feet)

Brief History

By Year and Type

<table>
<thead>
<tr>
<th>Year</th>
<th>Leases</th>
<th>Purchases</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>597</td>
<td>433</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>8,991</td>
<td>2,331</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>11,323</td>
<td>9,482</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>15,537</td>
<td>10,662</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>36,448</td>
<td>22,908</td>
<td>2,672</td>
</tr>
</tbody>
</table>
Filling the Gaps
Permitted Supply Gaps Identified in 2009 WMP

Permitted Supply Gaps

Acre-Feet

High (126 GPCD)
Normal (116 GPCD)
Low (106 GPCD)

Edwards Supply Owned (DS)
Edwards Supply Leased (DS)
Trinity Project
Western Canyon
ASR Project

May 19, 2010

Water Management Plan Update
Filling the Gaps
Impact of Added Edwards Supplies and Increased ASR

Based on Total Accessible Inventory by 2009 Year-End

- High (126 GPCD)
- Normal (116 GPCD)
- Low (106 GPCD)

Edwards Supply Owned (DS)
Edwards Supply Leased (DS)
Trinity Project
Western Canyon
ASR Project

Permitted Supply Gaps

May 19, 2010
Water Management Plan Update
Filling the Gaps
Impact of Added Edwards Supplies and Increased ASR

Drought of Record Starting in 2010

Acre-Feet


High (126 GPCD) Normal (116 GPCD) Low (106 GPCD)

Edwards Supply Owned (DS) Edwards Supply Leased (DS) Trinity Project
Local Carrizo Western Canyon ASR Project

May 19, 2010
Water Management Plan Update
### Filling the Permitted Supply Gap*

<table>
<thead>
<tr>
<th>Permitted Supply Gap</th>
<th>Short Range Program (thru 2014)</th>
<th>Planned Firm Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
<td><strong>37,000 ac-ft</strong></td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>Maintain Current Edwards Inventory (Lease Quantity = 26,000 ac-ft)</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>Acquire Edwards Permits (2,000 ac-ft/yr thru 2014)</td>
<td>7,000</td>
</tr>
<tr>
<td></td>
<td>Brackish Desalination</td>
<td>11,800</td>
</tr>
<tr>
<td></td>
<td>Current Aquifer Storage &amp; Recovery</td>
<td>3,800</td>
</tr>
<tr>
<td></td>
<td>Integration Pipeline</td>
<td></td>
</tr>
</tbody>
</table>

| **2034** | **81,000 ac-ft** | 37,600 |
| | Mid Range Program (2015-2034) | |
| | Maintain Current Edwards Inventory (Lease Quantity = 11,000 ac-ft) | 6,400 |
| | Recharge Enhancement | 13,451 |
| | Regional Carrizo, Acquire Edwards permits, or Expanded Brackish Desal | 11,687 |
| | Current Aquifer Storage & Recovery | 16,000 |
| | Recharge and Recirculation | TBD |

| **2060** | **141,000 ac-ft** | 47,538 |
| | Long Range Program (2035-2060) | |
| | Future Aquifer Storage & Recovery | |
| | Ocean Desalination | 75,600 |
| | LCRA | |

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*Assuming the Single Worst Year of the Drought of Record

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May 19, 2010

Water Management Plan Update

National Leader in Recycled Water and Conservation
Edwards Activity

• Over $118.1 million has been spent on Edwards purchases since 2006

• Program has been a success
  – Exceeded short-term goals (WMP)
  – Provided the additional supply for storage at ASR which is now at approximately 66,000 acre-feet of storage

• Looking forward
  – Continue to convert leases to permanent
  – Continue to purchase Edwards water
  – Hold on execution of new leases
  – Stay engaged in various groundwater regulatory efforts
2009 Drought Experience

- Direction from SAWS Board of Trustees provided sound policy and management to allow for effective proactive drought responses
- Internal teams key to recommendations on ASR and resourcing needs
- External Communications managed numerous media requests and maintained a positive image through education
2009 Drought Experience

• SAWS customers responded to the call for additional management of demand, saving approximately 30,000 af

• Our overall financial position remains strong despite drought followed by unusual rainfall

• No adverse impacts to business activities due to drought
Regional Carrizo Project

- Water Management Plan Description
  - Permit applications to produce and transport 11,687 AF per year are now pending at GCUWCD
  - Anticipate decision from GCUWCD in June 2010
  - If decision is favorable to SAWS and not appealed to District Court, water delivery to San Antonio by 2015
  - If decision is appealed, schedule could be impacted by several years
  - New pipeline to southern Bexar County (Twin Oaks – ASR)
  - Decision point for pipeline estimated in 2010
  - Project is “preferred choice” to fill portion of mid-term supply gap
Regional Carrizo Project – SSLGC/CRWA

• Continue to work on possible agreement with SSLGC
  – Share pipeline and treatment plant

• Deliver SAWS water and any excess water from SSLGC system and/or CRWA
  – CRWA has 3,000 acre-feet of Gonzales water

• Possible additional partnership opportunities with local entities in Gonzales County
  – City of Nixon
  – City of Smiley
  – Gonzales County Water Supply Corporation
Regional Carrizo Project – Costs to Date

December 31, 2009

<table>
<thead>
<tr>
<th></th>
<th>O&amp;M Cost</th>
<th>CIP Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2009</td>
<td>$11,300,000</td>
<td>$28,000,000</td>
<td>$39,300,000</td>
</tr>
</tbody>
</table>
Regional Carrizo Project – Projected Cost Estimate

<table>
<thead>
<tr>
<th></th>
<th>Current Delivery To Twin Oaks (ASR)*</th>
<th>Delivery To Naco PS Through SSLGC*</th>
</tr>
</thead>
<tbody>
<tr>
<td>AF Delivery</td>
<td>11,138</td>
<td>11,138</td>
</tr>
<tr>
<td>Capital Supply</td>
<td>$223,993,423</td>
<td>$76,611,452</td>
</tr>
<tr>
<td>Supply Cost/Per AF</td>
<td>$1,647</td>
<td>$1,442</td>
</tr>
<tr>
<td>Integration</td>
<td>$29,410,182</td>
<td>$37,116,535</td>
</tr>
<tr>
<td>Integration Cost/AF</td>
<td>$216</td>
<td>$154</td>
</tr>
<tr>
<td>Total Capital</td>
<td>$253,403,605</td>
<td>$113,727,987</td>
</tr>
<tr>
<td>Total Cost/AF</td>
<td>$1,863</td>
<td>$1,596</td>
</tr>
</tbody>
</table>

* Includes Written off Design Costs

May 19, 2010
Brackish Groundwater Desalination

• Water Management Plan Description
  – Plant in Southern Bexar County
  – Source of water is the Wilcox aquifer
  – Phase 1 will be 11,800 AF/yr with the possibility of future expansion
  – Water delivery in 2014
Why Brackish Desalination?

- Governor Perry’s 2002 Desalination Initiative
- Un-tapped resource
- “The Carrizo-Wilcox should be considered as one of the best potential sources for brackish water in Texas” (TWDB)
  - Over 300 million acre-feet in Region L alone
- Resource located under our feet, close to San Antonio

Kay Bailey Hutchison Desalination Plant – El Paso, Texas
General Concept

- Production / Monitor Wells
- Reverse Osmosis Treatment Plant
- Brine Injection Wells
- Pipeline system
- Electrical system
What Have We Done So Far?

• Feasibility
  – Determined location of the brackish water
  – Drilled test sites
  – Determined long-term sustainability and quality
  – Investigated brine disposal options
  – Completed VSEP investigation
• Assisted in passage of new legislation for alternative procurement and streamlined permitting
• Pipeloop Testing
• Land acquisition
Recent Progress

• Secured $35 million in TWDB deferred, low interest loans
• Membrane Pilot Testing
• Identified possible sites for brine injection testing
• Successful public outreach
What Challenges Do We Face?

- Brine Disposal – finalize location and formation
- Restrictions & Regulations
- Land acquisition for various components of the project
- Location of complete well field for Phase 1
  - 8 out of 13 locations known
- Public Relations
# Projected Timeline

## What We Will Do this Year and Beyond

<table>
<thead>
<tr>
<th>High Level Project Element</th>
<th>Projected Timeline</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility, Pilot Test, Land</td>
<td>Authorized To Date</td>
<td>$15 million</td>
</tr>
<tr>
<td>Award Design Well Field Package 1</td>
<td>Feb-10</td>
<td>$1.1 million</td>
</tr>
<tr>
<td>Finalize Procurement Method</td>
<td>Mar-10</td>
<td>N/A</td>
</tr>
<tr>
<td>Design &amp; Const. New Brine Injection Test Well</td>
<td>May-10</td>
<td>$3 million</td>
</tr>
<tr>
<td>Test an Existing Injection Well</td>
<td>May-10</td>
<td>$1 million</td>
</tr>
<tr>
<td>Land Acquisition</td>
<td>Jun-10</td>
<td>$9 Million</td>
</tr>
<tr>
<td>Additional Pilot Testing</td>
<td>Jun-10</td>
<td>TBD</td>
</tr>
<tr>
<td>Engage Program Manager</td>
<td>Aug-10</td>
<td>$18 million</td>
</tr>
<tr>
<td>Construction Well Field Package 1</td>
<td>Nov-10</td>
<td>$10 million</td>
</tr>
<tr>
<td>State Permitting, pipeline system construction, plant construction</td>
<td>2011-2015</td>
<td>128 Million</td>
</tr>
<tr>
<td>Plant Opening</td>
<td>2015</td>
<td>$185 million</td>
</tr>
</tbody>
</table>

**Cost per Acre Foot** $1,924
Project Risks to be Managed

- Recovery Implementation Program (RIP)
- Groundwater district rules
- Permits
- Environmental flows
- Desired future conditions
- Future legislation
- Rate impacts
Water Management Plan Update

May 19, 2010

Capital Improvements Advisory Committee

Kelley Neumann
Senior Vice President / Strategic Resources