Vista Ridge – Project Update

December 9, 2015

Tim Skoglund, P.E.
Senior Director – Vista Ridge

Andrea Beymer, P.E.
Interim Director – Water Supply Engineering

CIAC Meeting
Background on Water Supply Efforts

• Earlier attempts to secure large water supply
  × Alcoa Wells
  × Lower Guadalupe
  × Applewhite Reservoir
  × LCRA
  × Canyon Lake

• Cost Escalation

• Availability
Path Toward Public-Private Partnership

• Informal proposals for water projects in 2000’s
• RFCSP issued in 2011 with Addendum in 2013
• Vista Ridge Consortium selected

• P3 Contracts signed November 2014
• 50,000 AFY starting Day 1

ABENGOA

Global Experience: Water and Power
P3 Framework: Risk Transfer
Financing: Equity + Bonds

BlueWater Systems

Owns Groundwater Leases
Infrastructure

- 18 Wells
- 140 Miles
- 3 Pump Stations
- 10 MG Terminal Storage
- $840 million Capital Cost
Vista Ridge Contracts

Water Transmission and Purchase Agreement

- Abengoa Vista Ridge (AVR)
- AVR → Develops, Finances, Designs, Builds, Operates
- 30-year Term
- Asset Transfer to SAWS at end of term
- SAWS pays **only** for water delivered:
  - Fixed Price up to $1,959/AF cap (tied to bond index at Financial Close)
  - O&M Costs ~$350/AF
Vista Ridge Contracts (Cont’d)

Groundwater Supply Agreement

• Blue Water Vista Ridge, LLC – owner of leases

• 30-year term after expiration of AVR contract

• SAWS pays:
  – O&M Costs
  – Average Edwards lease rate (currently $100 to $150/AF)

• Investment in future generations
Water Source and Reliability

70% Simsboro
2700’ Depth

30% Carrizo
1200’ Depth

170 million AF
Stored Water

60 Years Pumping
< 2% of Storage

Local Control of Permitting

50,000 acres
Leased Rights

Carrizo-Wilcox Formation
Groundwater Leases

- Leases acquired starting in 1999
  - Metropolitan Water purchased leases
  - Sold in 2002 to Layne Christensen
  - Sold in 2004 to Blue Water Systems

- Permits originally issued in 2004
Contract Protections

• Risk Transfer to AVR
  – Pumping Permit Cutbacks
  – Permitting
  – Regulation Change
  – Easement Acquisition
  – Water Quality Deterioration
  – Force Majeure Events

• Convenience Termination
  – SAWS: Reimbursement to AVR up to $40.1 million
  – AVR: Reimburses to SAWS up to $2 million

• Buyout & Project Assumption

• AVR Default after Financial Close: Discount Purchase
  – No Abengoa equity or profits to pay
  – Bondholders willing to deal
Presentation Outline

- Background and Description
- Phases & Timeline
- Progress to Date
- SAWS’ Involvement
Project Timeline

**DEVELOPMENT PHASE**
< 30 months

**COMMERCIAL CLOSE**
November 4, 2014

**CONSTRUCTION PHASE**
< 54 months

**FINANCIAL CLOSE**
~ Mid 2016

**OPERATION PHASE**
30 years

**WATER DELIVERY BEGINS**
~ 2019-2020

**ASSET TRANSFER TO SAWS**
~ 2050

**DEBT SERVICE DROPS OFF**
SAWS pays lower price

**PROJECT CONTINUES**
30+ years
Project Phases

Development and Financing

- Easements
- Hydrogeology
- Permits
- Environmental
- Governmental
- Surveys
- Geotechnical
- Basic Engineering
- Sell Bonds
Project Phases

**Construction**
- Detailed Design
- Construction
- Commissioning
- Performance Testing

**Commercial Operation**
- Maintenance, Repair, Replacement
- Annual Budget Review
  - Budget Panel
- Asset Transfer
AVR Progress to Date

Easements & WSC
- Easements needed within ~ 477 parcels
- Central Texas Regional WSC – eminent domain

Test & Pilot Wells
- 4 Test Wells sampled for water quality
- 2 Pilot Well pump tests – 1 completed, 1 underway
## AVR Progress to Date

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easements &amp; WSC</td>
<td>• Easements needed within ~ 477 parcels</td>
</tr>
<tr>
<td></td>
<td>• Central Texas Regional WSC – eminent domain</td>
</tr>
<tr>
<td>Test &amp; Pilot Wells</td>
<td>• 4 Test Wells sampled for water quality</td>
</tr>
<tr>
<td></td>
<td>• 2 Pilot Well pump tests – 1 completed, 1 underway</td>
</tr>
<tr>
<td>Permitting &amp; Design</td>
<td>• Draft Hydraulic Report</td>
</tr>
<tr>
<td></td>
<td>• Pipe Selection</td>
</tr>
<tr>
<td>Financial Development</td>
<td>• Tax-free Bonds</td>
</tr>
<tr>
<td></td>
<td>• Bank Financing</td>
</tr>
<tr>
<td>Cumulative Expenditures</td>
<td>• ~ $30 million to date</td>
</tr>
</tbody>
</table>
Presentation Outline

- Background and Description
- Phases & Timeline
- Progress to Date
- SAWS’ Involvement
Ownership & Interests

Need Water
Minimize O&M
Inherit Quality

Design Review  Construction Observation  Operations Monitoring

Project Company
SAWS Responsibilities

- Budget and Approve Rates for SAWS’ Costs
- Establish Electrical Power Service
- Wholesale Water
- Integration Infrastructure within San Antonio
Vista Ridge Integration

Integrating in the Distribution System
Infrastructure Requirements

- Treatment facilities
  - Calcium Treatment, possibly iron
- New Pump Station
- Ground Storage Tanks
- Valves, Pumps, Controls
  - Upgrades at existing pump stations
- Pipelines
  - Condition assessment
  - Rehab/replace
  - New construction
Integration Next Steps

• Procure owner’s representative contract
• Study phase
  – Pipe condition assessment
  – Route analysis
  – Phasing plan
• Hire Design-Build firm after financial close
• Aggressive design-construction schedule