

Vista Ridge Water Supply Contract

Robert R. Puente

President – CEO

September 22, 2014

SAWS Board of Trustees



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

Express-News

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

<u>1960s</u>	<u>1976*</u>	<u>2014</u>
\$5.18	\$33.02	\$1,030

* 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

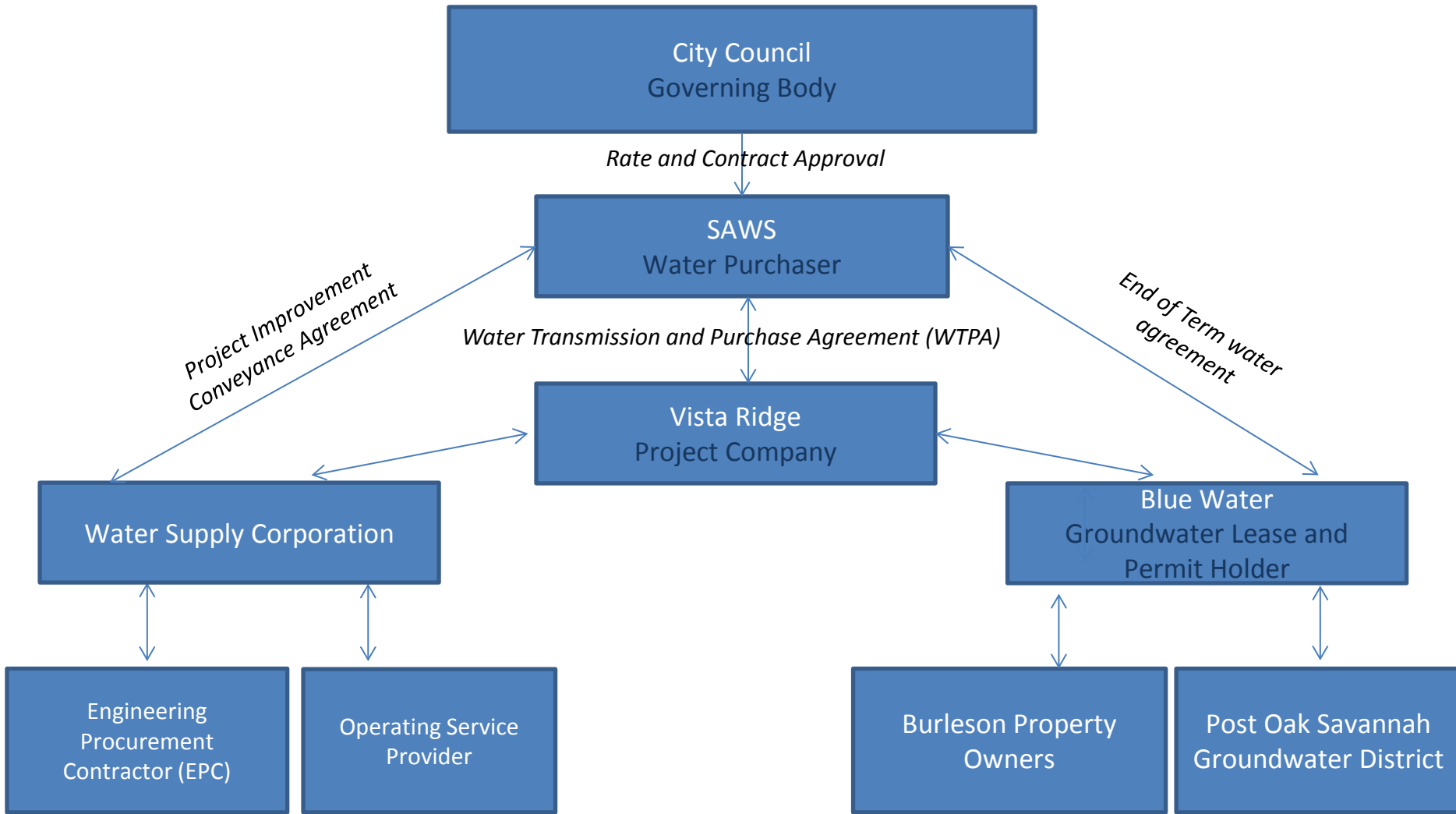
- Unprecedented Level of Transparency
 - Posted meetings with public, media and elected officials in attendance
- Contract Commercial Terms Agreed
 - Contract DRAFT today

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

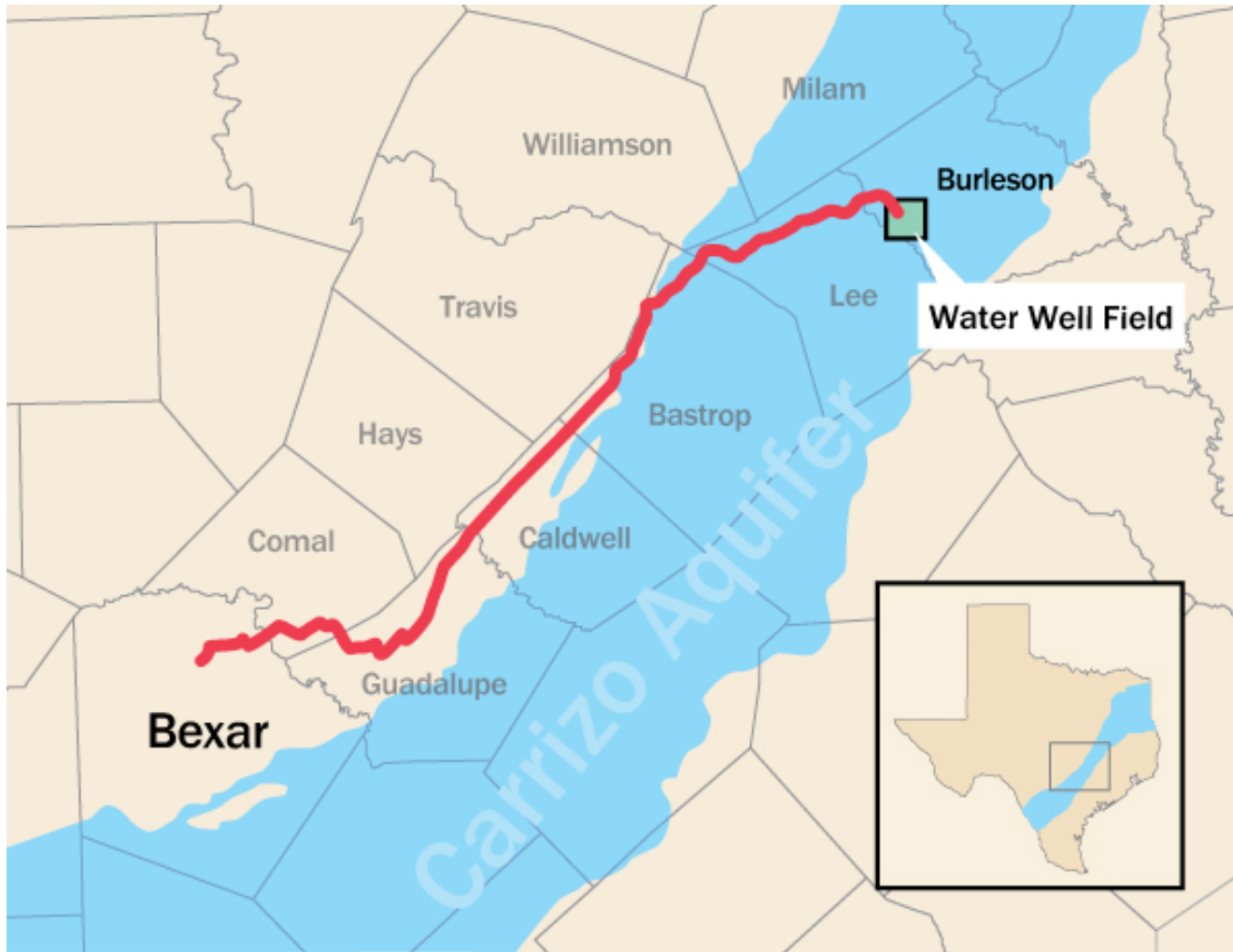
Summary of Transaction Entities



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

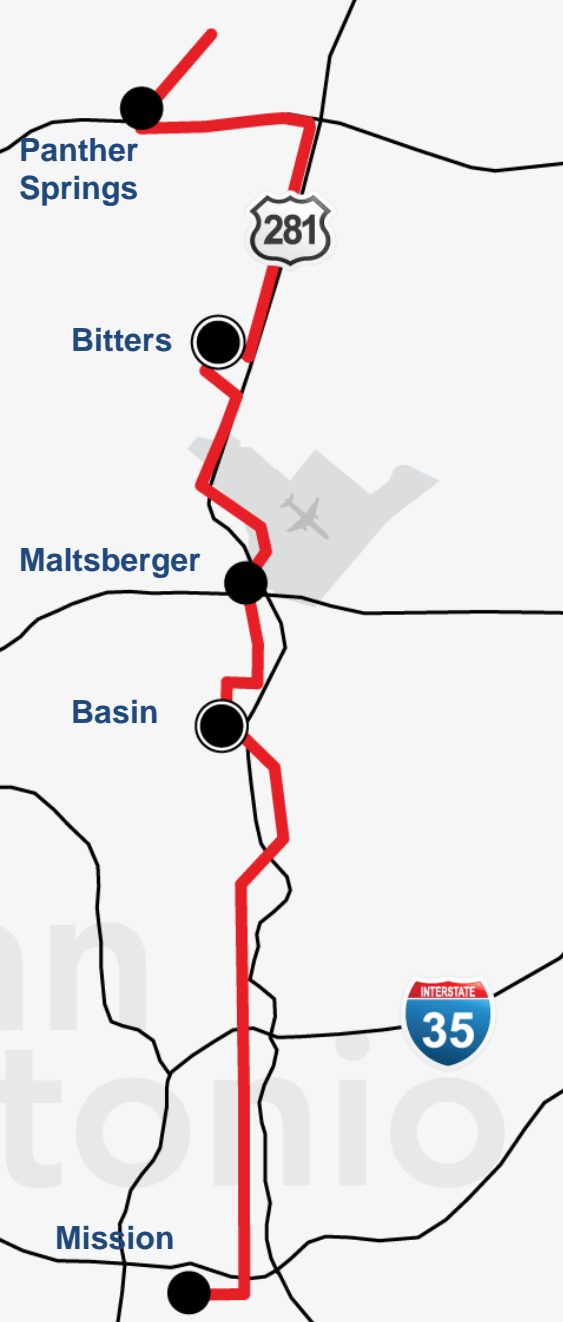
Vista Ridge Consortium



Infrastructure Requirements

Approximately \$100M for integration

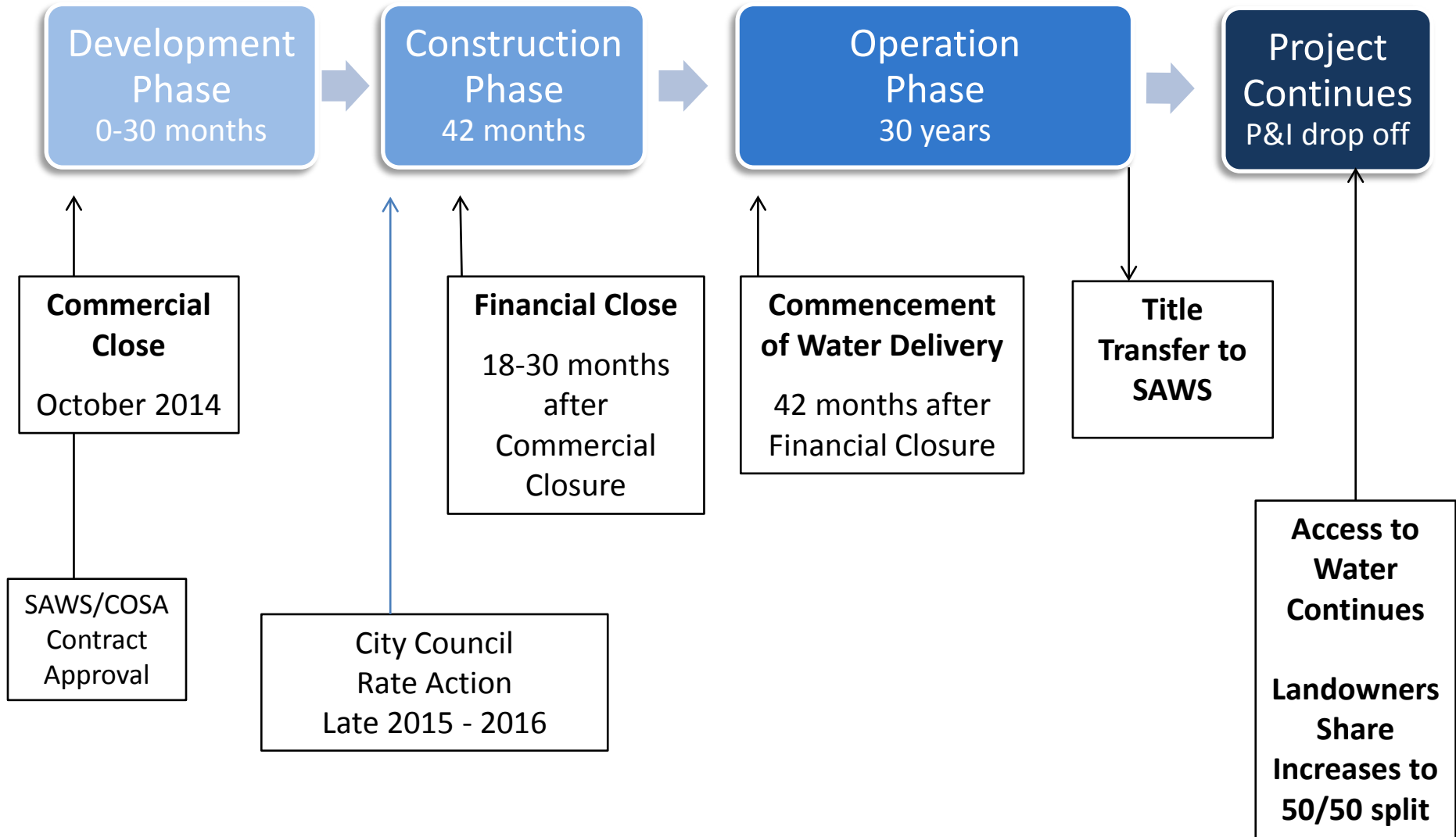
- Treatment
 - Possible Calcium treatment, addition of chlorine and fluoride
- Pump Station
- Ground Storage Tanks
 - 10 MG @ Terminus, 5 MG @ Bitters, 5 MG @ Basin
- Pipe Construction
 - Approx 82,000 ft of pipe up to 54-inch diameter
- Control Valves, Pumps, SCADA
 - Upgrades at existing pump stations



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



Financial Issues – Cost of Project

- Cost of Project

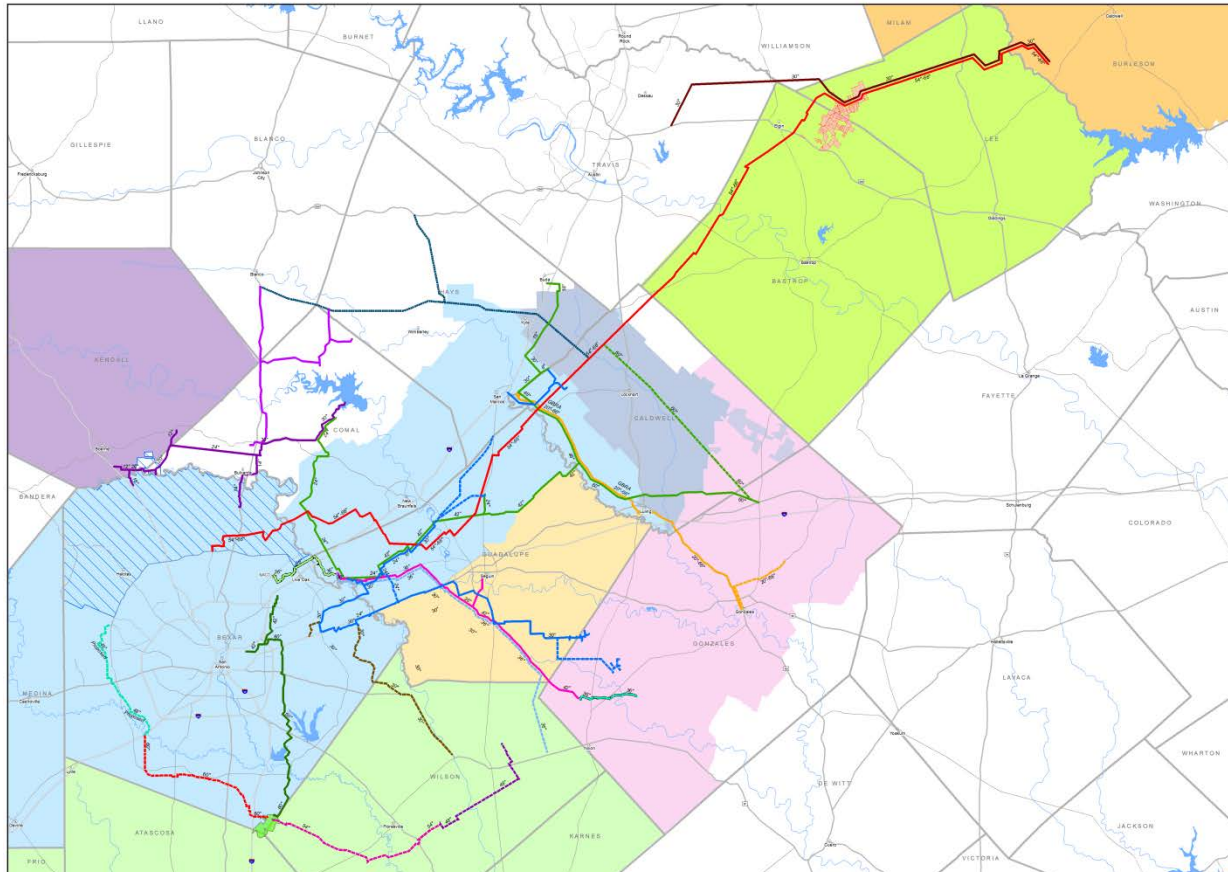
- Fixed Cost *est.* \$1,852 - \$1,959 (*Dependent on Interest Rates*)
- SAWS exposure to Interest Rate increases capped at .50% above Clarification Price
 - No more than 6.04%
 - SAWS able to lock in rate after 18 months
- O&M Budgets to be developed annually and paid by SAWS – (*Vista Ridge estimate \$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



Local and Regional Water Supply Projects



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”*

Caravan to Alamo City



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

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