



VISTA RIDGE WATER SUPPLY AGREEMENT

**City Council Meeting
OCTOBER 30, 2014**

**Presented by Ben Gorzell,
Chief Financial Officer**

Background Information

Project Summary

Water Source	Carrizo-Wilcox and Simsboro Aquifers
Location	Burleson County
Project Scope	SAWS will receive 50,000 ac-ft/yr of water by 2020. Initial contract term is 30 years with an option for an additional 30 year term. SAWS only pays for water that is made available and which meets Federal and State drinking water standards.

Key 2014 Dates



July 1st – SAWS Board accepts proposal from the Vista Ridge Consortium

July through September – SAWS holds seven public negotiation sessions with the Vista Ridge Consortium

September 29th – SAWS Board authorizes execution & approval of the Vista Ridge Agreement

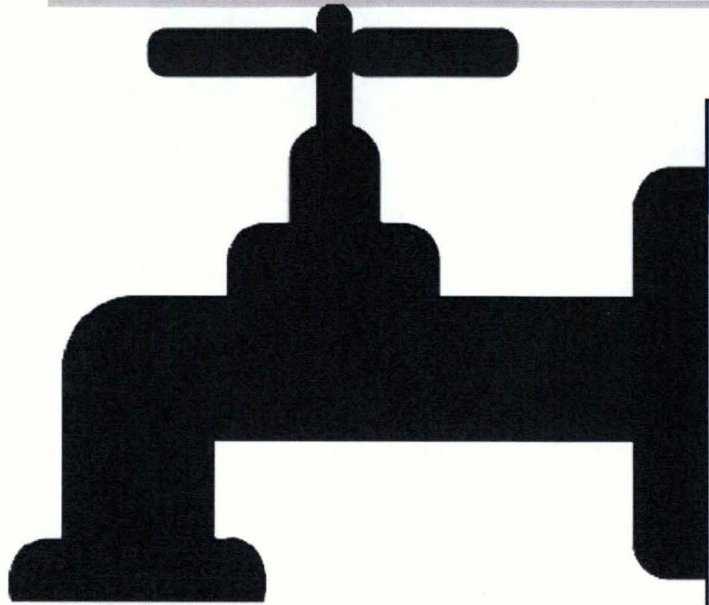
October 8th – Public Hearing held to receive comments on the proposed agreement

October 15th – SAWS briefing to City Council on the project scope and projected cost

Project Timeline



Proposal Costs



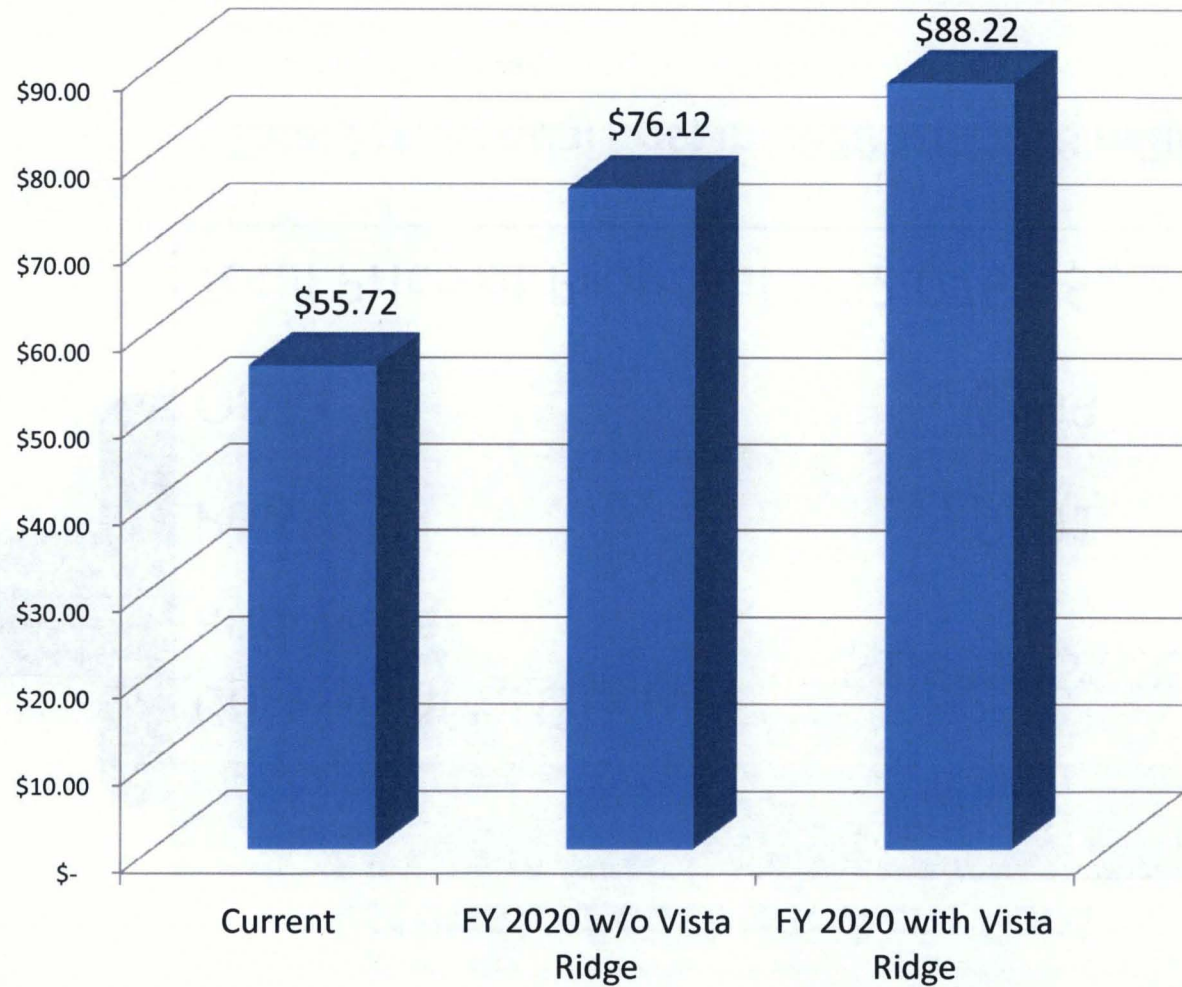
Estimated cost per Acre Foot

Price Components	2020
Cost of Infrastructure and Water	\$1,692 - \$1,959
Power	\$191
O&M	\$193
Total Price of Proposal	\$2,076 - \$2,343

Total Est. Annual Cost in 2020 = \$111.8 million to \$117.2 million

Potential Rate Impact

Projected system-wide rate increase of approximately 18% to 19% expected in 2020.



Projections assume no water sales to other parties

Key Contract Terms

	SAWS	Vista Ridge
Infrastructure	<ul style="list-style-type: none"> • \$100 M in infrastructure • Pipeline, tanks, treatment facilities 	<ul style="list-style-type: none"> • \$844M in infrastructure • 18 Wells • 142 miles of water main • \$762M in bond financing/\$82M in equity contribution
Termination	<ul style="list-style-type: none"> • Termination for convenience – commercial close to financial closing date • Must reimburse Vista Ridge up to \$40.1M • \$10M assumption fee if SAWS enters into a similar deal within 5 yrs • May terminate after financial closing longstop date with no obligation to reimburse Vista Ridge 	<ul style="list-style-type: none"> • Must reimburse SAWS up to \$2M if unable to proceed with financial closing

Key Contract Terms

- 5 member Operations & Maintenance (O&M) Budget Panel to determine annual O&M expense budget
- Establish Small, Minority, & Women-Owned Business goal of 15%
- SAWS takes ownership of the pipeline built by Vista Ridge at the end of the initial contract
- SAWS receives exclusive right to purchase water for another 30 years after initial contract term:
 - Purchase price equal to rolling 5-year avg. of 2-year Edwards leases for which SAWS was a party
- Interest Rate capped at 6.04%
- SAWS receives 25% of refinancing gains
- SAWS has the option to purchase Vista Ridge bonds



Recommendations



- Professional recommendation is to approve the Vista Ridge Agreement
- Continue Rate Advisory Committee's review of rate structures
- Continue to pursue appropriate wholesale opportunities



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Residential Monthly Charge Comparison

Water / Wastewater Usage (Gallons per Month)	Proposed Monthly Charge (2015)	Projected Monthly Charge (2020) Without Vista Ridge	Projected Monthly Charge (2020) With Vista Ridge	Increase in 2020 with Vista Ridge
3,500 / 3,500	\$36.42	\$46.28	\$51.10	10.4%
7,788 / 6,178 (Avg Bill)	\$58.52	\$74.14	\$85.98	16.0%
10,000 / 7,000	\$69.35	\$87.60	\$103.85	18.6%
12,500 / 8,000	\$81.83	\$103.14	\$124.37	20.6%
15,000 / 9,000	\$97.43	\$122.44	\$150.52	22.9%
20,000 / 10,000	\$135.63	\$169.24	\$217.27	28.4%
25,000 / 12,500	\$186.62	\$232.21	\$304.85	31.3%
35,000 / 15,000	\$280.19	\$346.93	\$468.79	35.1%

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Commercial/Industrial Monthly Charge Comparison

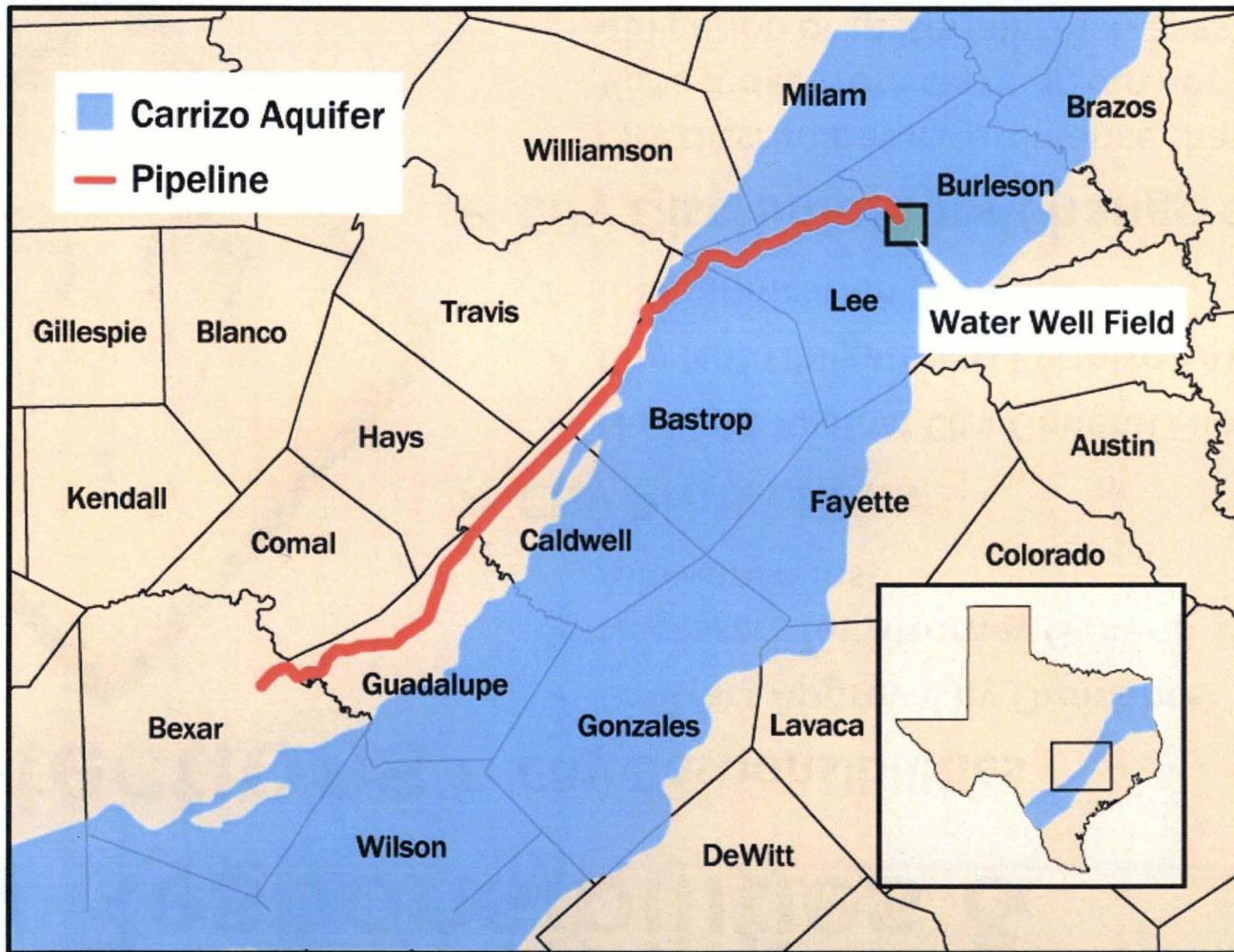
Includes wastewater charges assessed based on water usage

Water Usage (Gallons per Month)	Proposed Monthly Charge (2015)	Projected Monthly Charge (2020) Without Vista Ridge	Projected Monthly Charge (2020) With Vista Ridge	% Increase in 2020 with Vista Ridge
10,000 (5/8" Meter)	\$87.33	\$110.65	\$131.84	19.2%
50,000 (2" Meter)	\$426.15	\$536.69	\$642.65	19.7%
250,000 (4" Meter)	\$1,957.71	\$2,472.76	\$3,002.56	21.4%
850,000 (6" Meter)	\$6,317.55	\$8,000.53	\$9,801.84	22.5%
1,000,000 (6" Meter)	\$7,351.06	\$9,315.06	\$11,434.25	22.8%

Projections assume no water sales to other parties

Background Information

142-mile Pipeline from Burleson County



City Responsibilities & Protections



➤ City Responsibilities

- Contract Approval by Ordinance
- Necessary for Attorney General Bond Allowance Test

➤ City Protections

- No Right Against City General Fund
- City Not Obligated to Perform SAWS Duties
- Indemnification Protection

➤ City Discriminatory Change of Law

- City discriminatory ordinance that prevents Vista Ridge from carrying out contract obligation or materially increases cost
- Considered SAWS fault for which Vista Ridge is entitled to compensation from SAWS

Risk Allocation



- **Development Phase (0 – 30 Months) – Duty of Vista Ridge**
 - Demonstrate Project Viability
 - Financial Close – Issue Project Bonds
- **No Liability to SAWS**
 - Failure to reach Financial Close is breach of contract with no obligation to SAWS
 - Vista Ridge reimburse SAWS expenses up to \$2M for breach of contract or termination for convenience
 - Parent company guarantee
- **SAWS Convenience Termination**
 - If Vista Ridge meets Financial Close, SAWS must reimburse expenses up to \$40.1 M
 - SAWS receives ownership of development documents (engineering, financial, hydrology)
 - Pay \$10M project assumption fee if SAWS pursues similar project within 5 years

Dispute Resolution



➤ Jurisdiction in Bexar County

- State and federal courts of Bexar County have jurisdiction over contractual disputes
- Legal dispute over parent company guarantee also subject to jurisdiction in Bexar County

➤ Waiver of Jury Trial

- SAWS and Vista Ridge agreed to waive jury trial

➤ Non-Binding Mediation

- Legal disputes over contractual provisions subject to non-binding mediation
- Legal dispute over parent company guarantee subject to mediation

Vista Ridge Water Supply Project

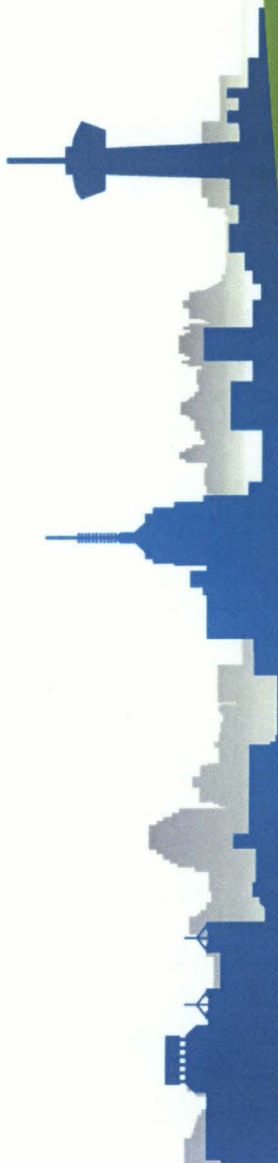
Robert R. Puente

President – CEO

October 30, 2014



San Antonio City Council A Session



Three Uncompromising Tenets

We Need to ...

- Protect the Edwards Aquifer
- Continue Nationwide Leadership in Conservation
- Ensure Lifeline Supply of Water for Ratepayers

Planning our Water Future Today

Long Term Non-Edwards Supply for San Antonio

- Planning for increasing historic droughts
 - Edwards currently under Stage 4 reduction of 40%
- Jobs for Children & Grandchildren
 - Support vibrant local & regional economy
- Water security for decades
- Tomorrow's needed water at today's price

Win – Win for Community

Abundant Supply for our Children & Grandchildren

- Up to 50,000 acre-feet of water at fixed cost for 30 years
- Biggest non-Edwards Supply in San Antonio History
- Environmental Benefits and Vast Water Supply
- Additional ASR Storage
- Transfer of Regulatory Risk from SAWS ratepayers
- Transfer all infrastructure & assets to SAWS
- Operational Efficiency and Flexibility across entire City
- Regional Pipeline

Financial Impacts

- Fixed Cost *est.* \$1,694 - \$1,959 (*interest rate dependent*)
 - Further delay likely to increase costs within range
- Potential rate impact to the average residential bill
 - 16% by 2020
- Mitigation of Rate impacts dependent on:
 - Rates Advisory Committee
 - Stair-step rates vs. single rate increase
 - Opportunities for new wholesale customers
 - Lifeline Rate and Affordability Programs

Enhanced Affordability

Low Income and Low Water Use Customers

- Create focused SAWS Affordability Team
 - Outreach
 - Proactively working on Census Tracts & Neighborhoods
 - Direct mail, Door-to-Door, Phone, ReNewSA, etc
 - Water Conservation
 - Target neighborhoods for leaks, and above-average usage to reduce bills
 - Customer Care
 - Guide customers to programs
 - Administer and Evaluate Affordability Programs

Bill Payment and Program Assistance

Over 100,000 customers served through 10 separate programs

Affordability Programs	Assistance/Benefit
Affordability Discount Program (ADP)	Monthly bill discount of 10% – 25% per month
Project Agua (Payment Assistance)	One time credit every 12 months for \$115, flexibility for extenuating circumstances
Senior Citizen Billing	Waives late fees and additional 10 days to pay for all seniors
Disability Billing	Additional 10 days to pay for customers receiving Supplemental Security Income (SSI).
Plumbers to People	Home water leak repairs
Laterals to People	Plumbing assistance outside the property line
Sewer Laterals Reimbursement	Provides reimbursement of plumbing charges related to electronically locating the problem.
Payment Arrangements	Extends terms of payment and can reduce/waive late fees
Conservation Makeover	Provide water efficient toilet and home fixtures
Leak Adjustments	Bill adjustments resulting from leaks

Enhanced Affordability

Low Income and Low Water Use Customers

- Increase Affordability Budget by more than 20% over next 5 years
 - Additional participants and/or larger discounts
 - Budget increased 75% since 2011
 - Increase in one-time hardship discounts
- Lifeline Supply Rate
 - Significantly reduce rate impact on qualifying customers
 - Rates Advisory Committee with Council-appointed members
 - New structure will be in place before any rate increase for project

San Antonio's Innovative Success



- **Largest** Recycled System in the Nation
- **First** in Nation conversion from gas to energy
- **Largest** storage of groundwater in nation
- **Largest** inland desalination plant under construction
- International recognition for water conservation

What are Local Environmental Benefits

- Supports Edwards Aquifer Habitat Conservation Plan
- Allows for more ASR storage
 - Effectively creates new water supply project
- More reliability for spring flows

Should Council delay?

- RFCSP has been 3-5 Year Process
- Part 2012 Water Management Plan
- Cost of Project may increase with delay
- No identified goal for delay
- Potential of losing project
- Exit Ramps built into contract

Is Project too Expensive and Risky?

- Not the same proposal as earlier this year
- SAWS **only** pays for water made available
- Cheaper Water already developed or unreliable
- Ability in Contract to purchase Vista Ridge Bonds
- Interest Rate exposure is capped

Is This Too Much Water?

- 2012 Water Management Plan:
 - Large 50,000 ac-ft Project, AND
 - Conservation, AND
 - Several other water supply projects
- Population growth
- Ability to develop regional wholesale customers

Is Abengoa a solid company with good credit rating?

- Vista Ridge contract debt issued based on contract and SAWS, not on Abengoa credit rating
- TX Attorney General to approve bond issuance
- Publically traded on Nasdaq
- 26,000 employees
- Scrutinized by Securities and Exchange Commission

Is this adverse to our regional neighbors?

- Allows Local Groundwater District to protect local aquifer
- Permits already issued by local District
- Local landowner support through 3,400 leases
- Royalty Payment increased to 50% at end of term

Vista Ridge Water Supply Project

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