

# San Antonio Water System Update

**Robert R. Puente**

President / Chief Executive Officer

June 1, 2016

San Antonio City Council



# Customer Service Successes

# Customer Service Improvements

## Continuous Improvement Focus

### 2016

#### **Continue to Stabilize the Department**

- Locate and Read All Meters
- Replace all Faulty or “Sick” Meters
- Meter Reading Route Optimization
- Review of Existing Processes
- Dedicated Additional Resources

### 2017 and Beyond

#### **Continuous Process Improvements**

#### **Evaluation & Implementation of Technological Aids**



# Meter Reading Challenges

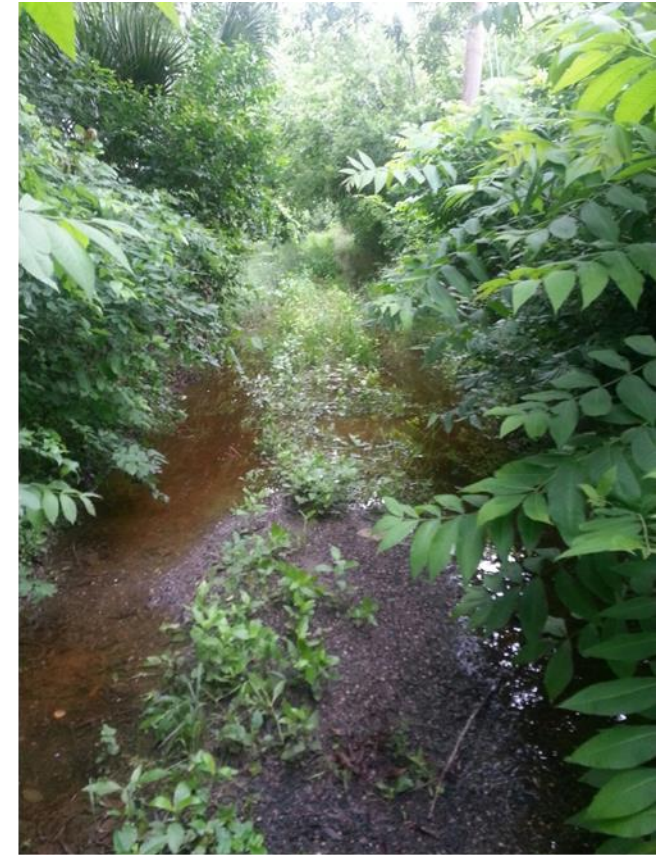
## Reasons for Meter Estimations





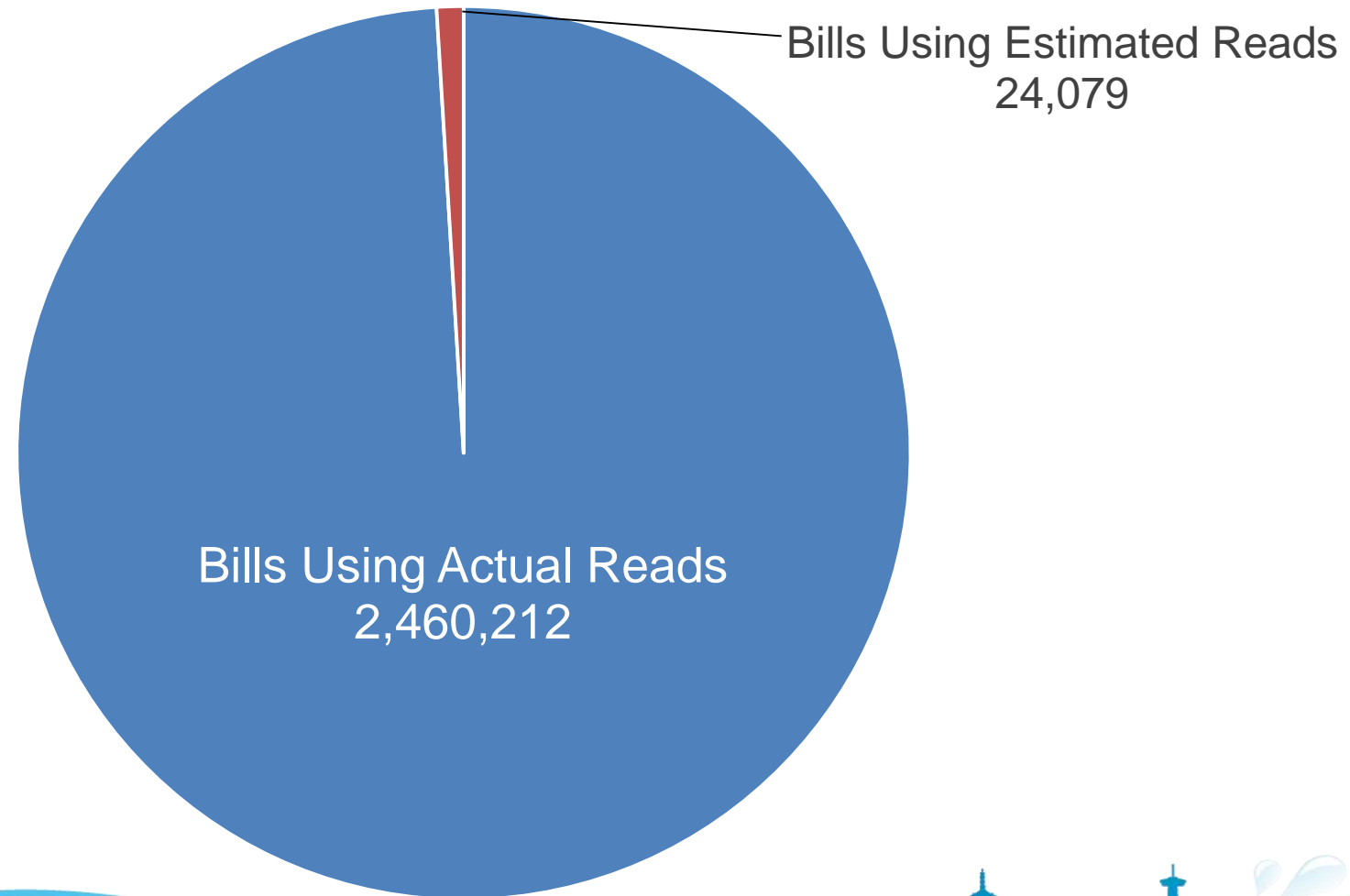
# Meter Reading Challenges

## Meter Access in Alleys



# Reading More than 99% of All Meters Monthly

2016 Year to Date Meter Reading Performance





# Water Rate Structure Changes

# Water Rate Structure

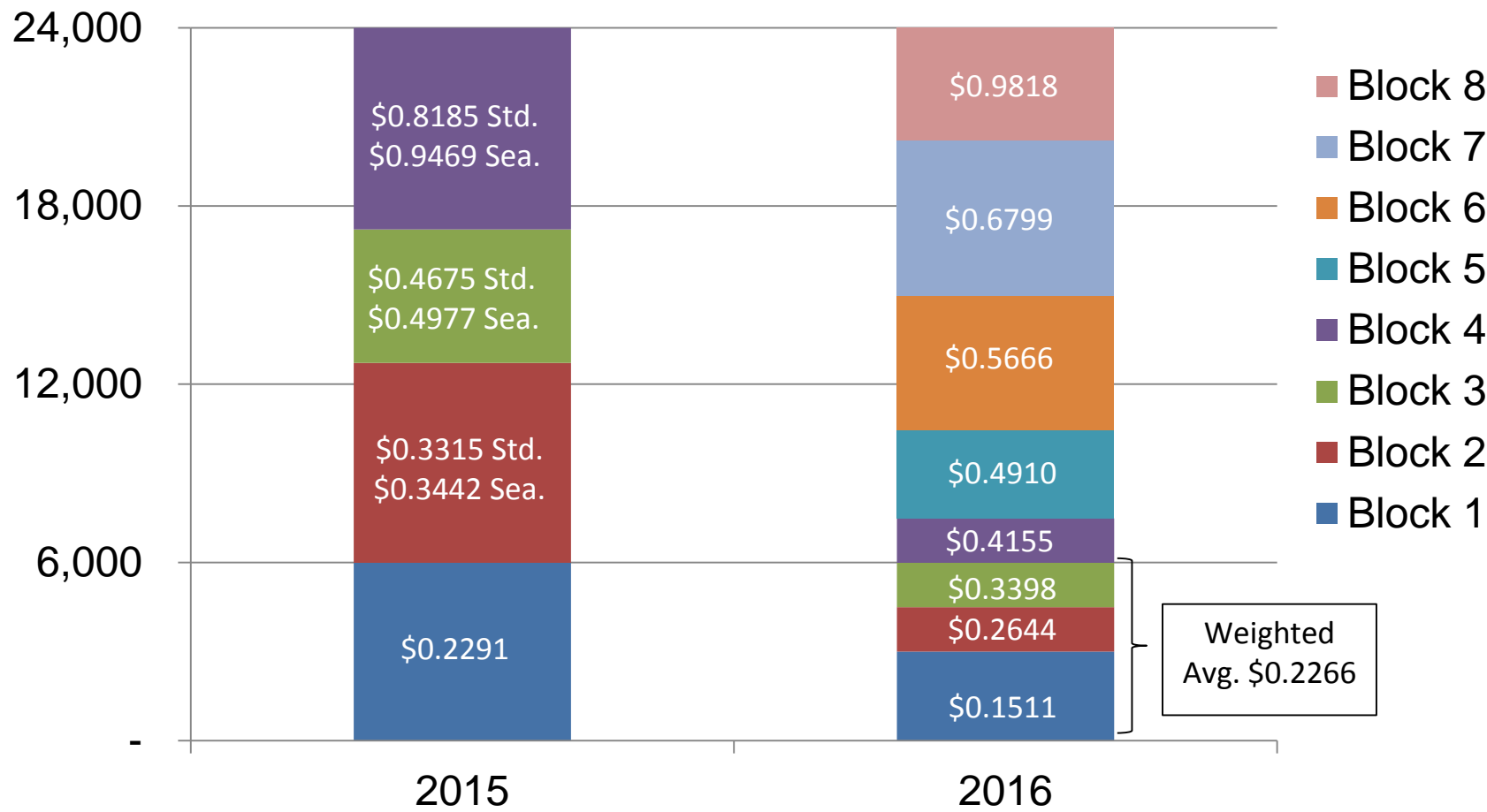
## Approved Changes

- Residential Lifeline Supply Block (~3,000 gallons)
  - Reduction in rate
  - Reduction on fixed charges
- Encourage conservation/Send price signal sooner
  - Increase number of rate blocks
    - Residential – 8 blocks instead of 4
    - Irrigation – 4 blocks instead of 3
- Eliminate seasonal rates



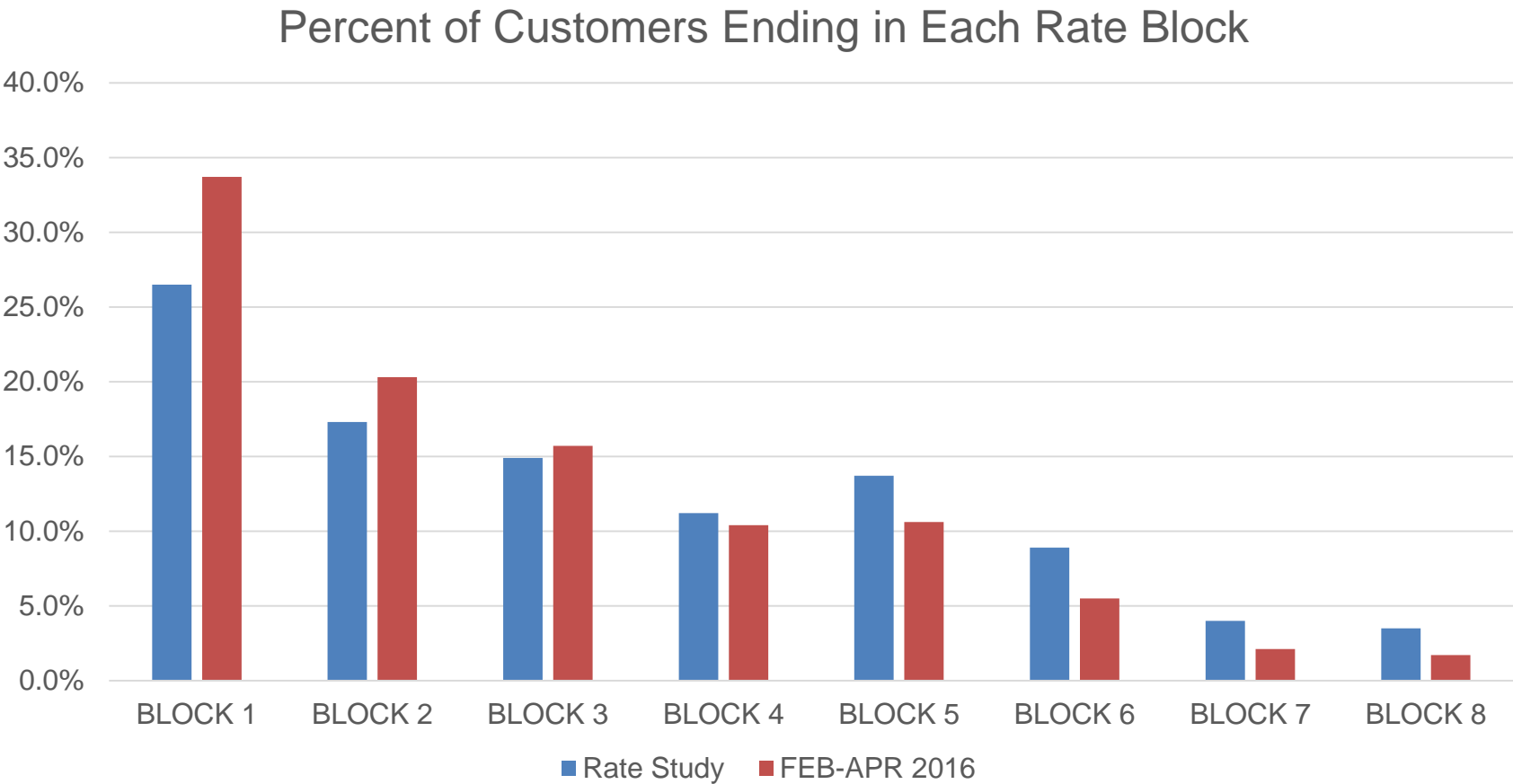
# Residential Water Rate Comparison

Restructured Rates Provide Lifeline Supply Rate With Earlier Price Signals



# Residential Water Usage

YTD 70% of customers have used less than 6,000 gallons/month



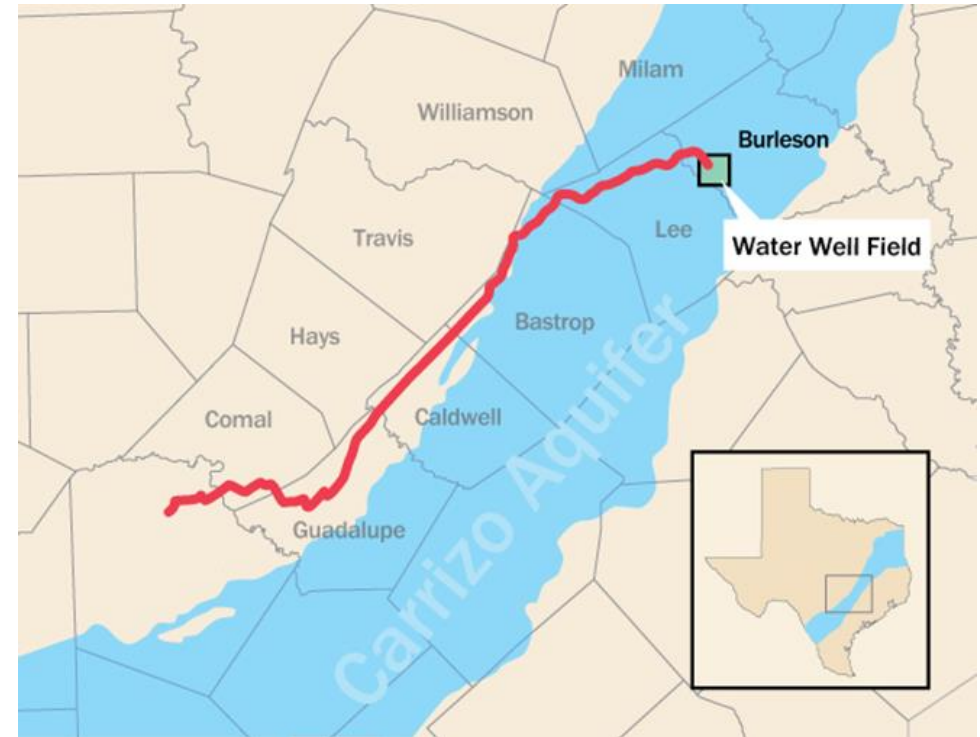
# Vista Ridge Pipeline



# Leadership Change of Vista Ridge



ADVANCING WATER



# Vista Ridge Leadership Change

## Garney to Move Project Forward

- 80% Equity / 100% of Decision Making
  - Abengoa Retains silent 20% Equity Share
    - Becomes Passive Equity Investment
- Garney may bring on Operating Service Provider
  - Part of Equity sale or solely by contract
  - Subject to SAWS Consent
  - 18 months prior to Commercial Operations



# Vista Ridge Leadership Change

## Changes Approved by SAWS

- Higher Quality Project Commitment by Garney
  - Pipe type, well standards, Tanks, etc.
- Met Water vs. Blue Water legal claims non-suited
- Easements 100' to 85'
- Rights of Way by June 2017





# Vista Ridge Leadership Change

## Financial Deal Points

- Abengoa to discharge Intercompany loans
- Garney to pay unpaid contractors
- Short and Long-term financing agreements
- Resolving existing Bridge Loan
- No change to SAWS customers' fixed cost



# Significant Cost Reduction

Will Save \$529 M from Maximum Approved Rate

Date/Contractual	Determined Rate	Capital & Raw Groundwater Unit Price	Annual Cost for 50,000 AF
Maximum	6.04%	\$1,959	\$97,950,000
Contract	5.54%	\$1,852	\$92,600,000
7/22/2015	4.97%	\$1,760	\$88,000,000
3/7/2016	4.59%	\$1,702	\$85,100,000
5/17/2016	3.92%	\$1,606	\$80,300,000

## Significant Savings Realized

- \$17.65 M Annually from Maximum
- \$12.30 M Annually from Contract

# 30 Year Fixed Price for Water & Infrastructure

## Take Advantage of Historically Low Interest Rates

- **New Fixed Price** (Capital & Raw Groundwater Unit Price)

**\$529 Million lower cost**

**18% Reduction**



# Vista Ridge Moving Forward

## Lowered Risk Profile

- Contract continues to protect San Antonio
- Confident of Garney's ability to lead project
- Project Risks reduced under Garney
  - Improvements for SAWS
- Higher Quality project at much lower Price
- Water for our future

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# Conforming Amendment to WTPA

## Summary of Changes

- Changes to definitions and financing plan
- Election to use Water Supply Corporation
- Fixed Capital and Raw Groundwater Unit Price
- Updated Representations and Warranties
  - Project Company carries all risk related to insolvency and litigation
- Higher standards for construction



# Conforming Amendment to WTPA

## Summary of Changes

- Easements
  - Financial close can occur with ~25% of easements acquired
  - Easement width modified to 85'
- Changes for selection of the Operating Service Provider
- Changes related to Creditors Remedies Agreement with lenders
- New Guaranty from Garney parent
  - Release of Guaranty from Abengoa Parent

# Projected Sources and Uses

## No Impact on Price of Water

	Current	Previous
Sources of Funds		
Debt - Senior Bank Debt/Private Activity Bonds	\$ 838,294	\$ 762,072
Equity	72,895	81,935
TOTAL	\$ 911,189	\$ 844,007
Uses of Funds		
Construction Costs	\$ 540,001	\$ 530,955
Repayment of Equity Bridge Loan	120,000	-
Interest During Construction	79,102	145,834
Financing and Financial Related Costs	43,872	46,370
Development & Transfer Costs - Engineering, Right of Way, Aquifer Studies, Legal etc.	128,214	120,848
TOTAL	\$ 911,189	\$ 844,007

# Project Company Ability to Absorb Equity Bridge Loan

## No Impact on Price of Water

- Reduced Cost of Financing
  - Less Interest Carry
  - Likely Lower Cost of Borrowing
  - Lower Percentage of Equity Contribution
- Reduced Equity Return
  - Garney
  - BlueWater

# 20 Year BAA MMD Index

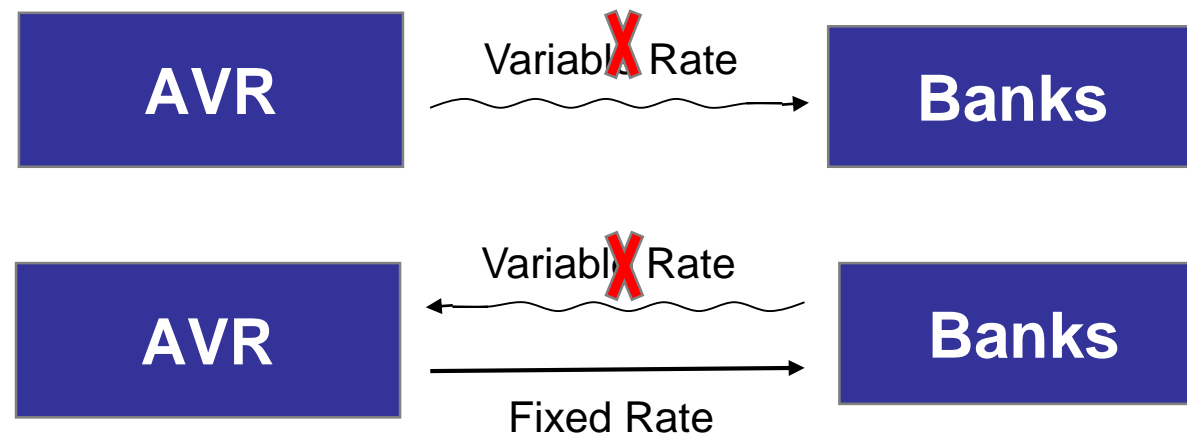
Index Used to Lock SAWS rates Set An All Time Low on Date of Rate Lock





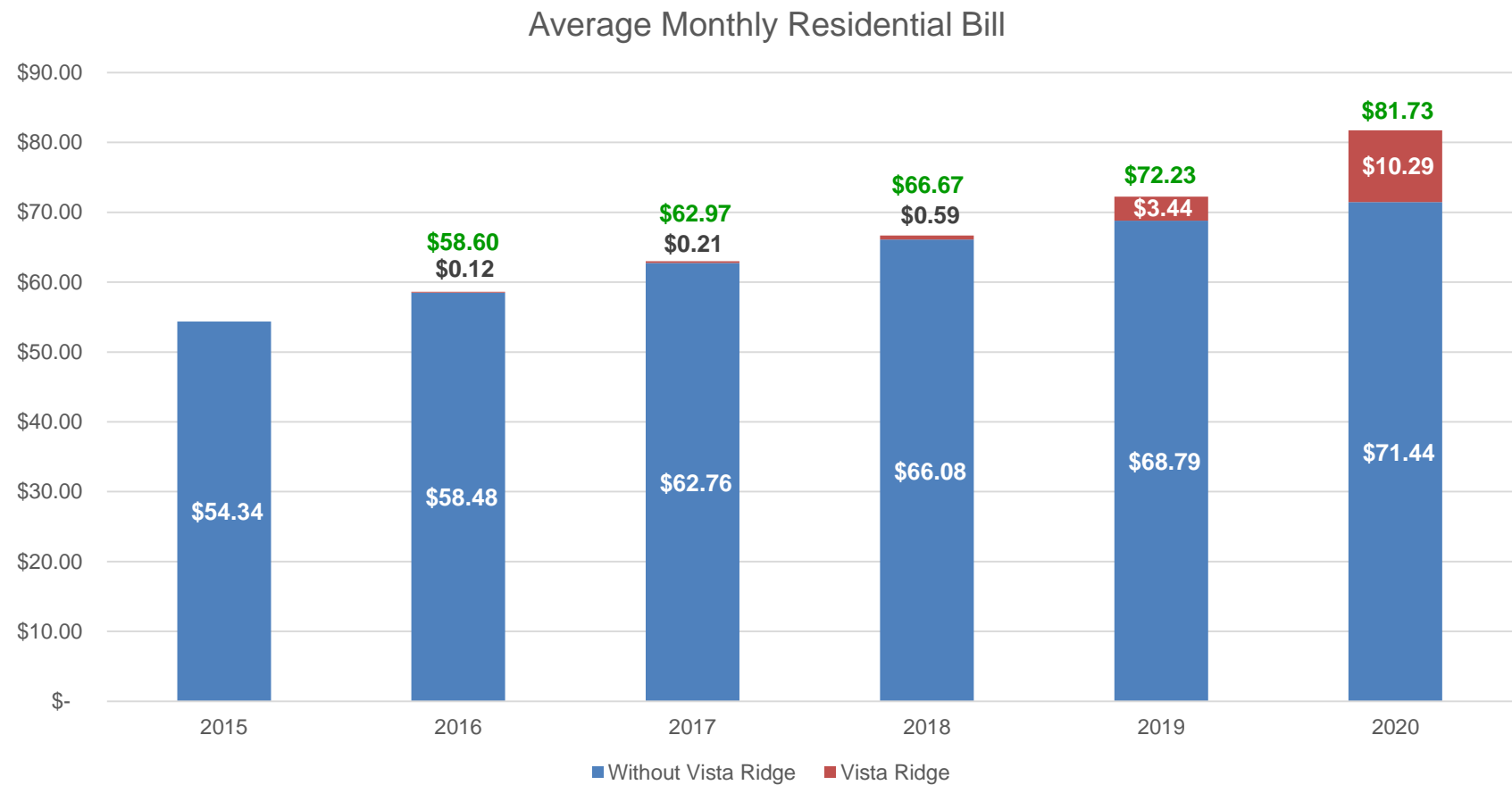
# Floating to Fixed Rate Hedge

- At loan close, AVR enters a floating to fixed rate hedge agreement.



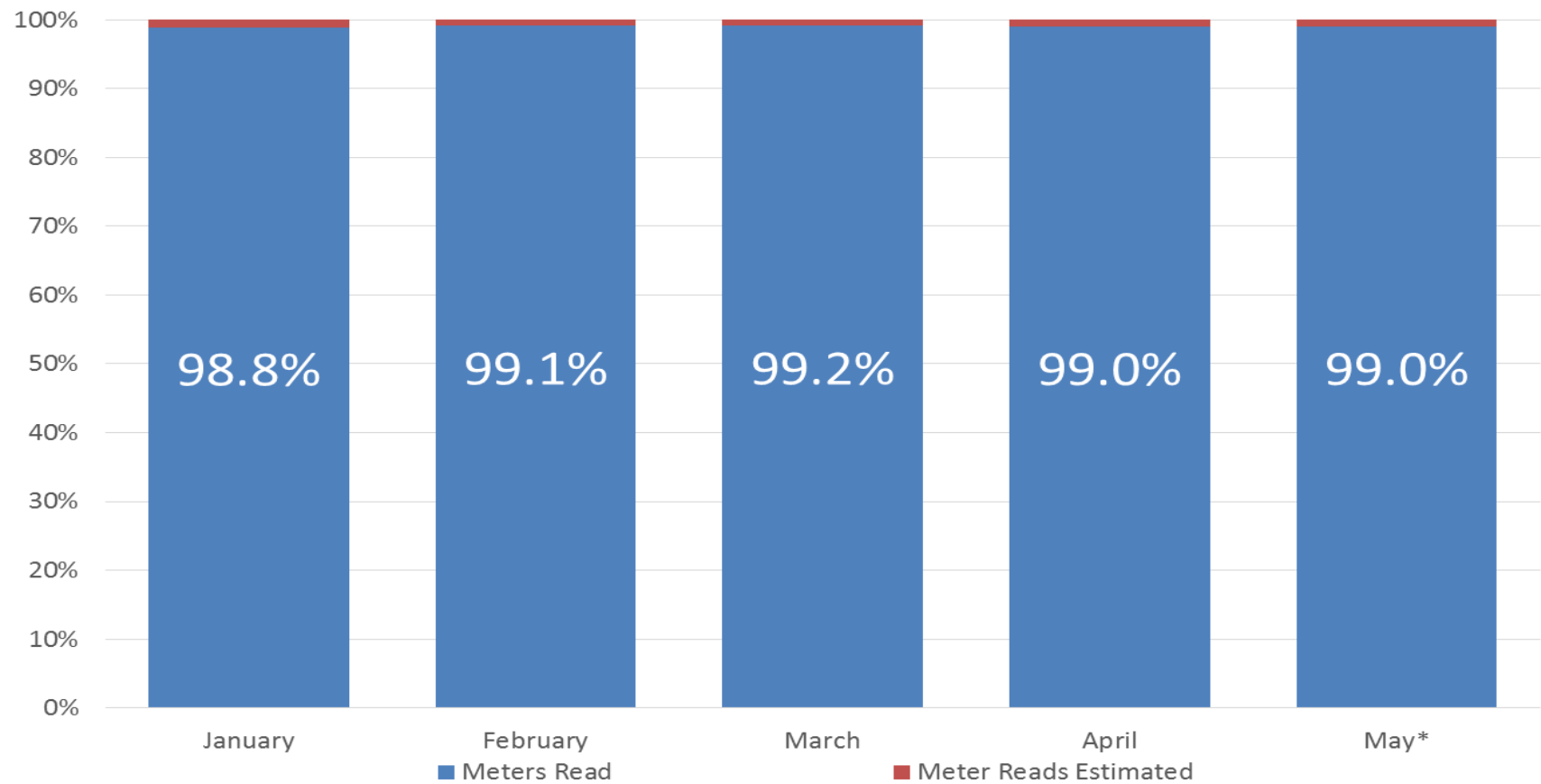
# Impact of Vista Ridge

2020 Average Bill will be 14.4% higher with Vista Ridge



# Reading 99% of All Meters Monthly

## Year to Date Meter Reading Rates



\*Partial Month