

**SOLICITATION NO: R-12-011-MR**  
**REVOLVING CREDIT AGREEMENT FOR TAX-EXEMPT COMMERCIAL PAPER PROGRAM**  
**Questions and Answers**

1. With the rate increases what is the current average residential bill for SAWS customers?

Response – The average residential bill for a SAWS customer who uses 7,788 gallons of water and 6,179 gallon of wastewater is \$49.72, which includes pass through fees from both the Edwards Aquifer Authority and the Texas Commission on Environmental Quality.

2. Per the CAFR, rates need to increase by 6-9.8% over 2013-2016 to support the CIP. Has City Council approved any increases for 2013-2014?

Response – While City Council did approve the 2012 rate increase which averaged 7.9%, no future rate increases have been approved by City Council. It is currently anticipated that SAWS will request rate increases for fiscal year 2013 prior to yearend 2012; however, the formal 2013 budget process has not yet been undertaken.

3. If BexarMet is unable to meet debt service on its bonds, can SAWS's reserves/revenues be transferred to meet BexarMet debt service payments?

Response – No, SAWS reserves/revenues may not be pledged or transferred to make BexarMet debt service payments (the former BexarMet is now called the District Special Project or DSP).

4. Information on collection rates.

Response – During the last five years, SAWS' collection rate has ranged from 99% to 99.3%.

5. Update on discussion with the EPA/DOJ on sanitary sewer overflows.

Response – Please see below for a summary of the EPA Clean Water Act Matter as outlined in the official statement for City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2012 (NO RESERVE FUND) dated March 13, 2012.

*EPA Clean Water Act Matter:*

In March 2007, SAWS was orally notified by Region 6 of the EPA of alleged failures to comply with the Clean Water Act (33 U.S.C. 1251, et seq.) due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for an enforcement action. In October 2007 EPA/DOJ and SAWS entered into a tolling agreement that precludes the running of any applicable statutes of limitation that might otherwise bar a claim in anticipation that the parties would engage in settlement negotiations. The tolling agreement has been extended on eight occasions, with the Ninth Tolling Agreement currently set to expire on April 30, 2012. Since 2007, SAWS has engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. SAWS last met with EPA/DOJ representatives in February 2012 to discuss resolution of the enforcement action. Negotiations with the EPA/DOJ are ongoing and may conclude in calendar year 2012. While these negotiations are ongoing, SAWS expects that any settlement, consent decree, or enforcement action will result in the imposition of a civil penalty and in required capital improvements and increased annual maintenance and operating expenses that will be phased in over the term of any settlement agreement or consent decree between SAWS and EPA/DOJ. SAWS' very preliminary estimates of the cost of capital improvements and other actions that may be required to settle this matter range from approximately \$250 million to approximately \$1.0 billion; however, the total final costs may significantly exceed SAWS preliminary estimates, and will depend on the course of action ultimately agreed upon between SAWS

and EPA/DOJ or ordered by a Federal District Court if the parties are unable to settle the matter. SAWS currently expects that negotiations with the EPA and DOJ may conclude during calendar year 2012. Since 2007, SAWS has expended more than \$173 million on the replacement of sewer mains. Additionally, \$40 million has been spent repairing and maintaining these mains, including approximately \$26 million for line cleaning and televising activities.

Since the date of this disclosure the tolling agreement was extended again, with the Tenth Tolling Agreement set to expire on July 9, 2012. SAWS last met with EPA/DOJ representatives earlier this month. Negotiations are ongoing and may conclude in calendar year 2012.

6. Please provide an update on any synergies or unexpected costs related to the merger with Bexar Metropolitan Water District.

Response – SAWS has identified a number of potential synergies for the DSP which may be realized as integration with SAWS occurs. Some of these projected synergies may include the restructuring of certain water supply contracts of the DSP; consolidation of personnel; improved contract pricing for commodities such as fuel and chemicals; elimination of certain contracts; consolidated billing; and the refunding of certain Bexar Metropolitan Water District or Bexar Metropolitan Development Corporation debt obligations. These synergies may be realized over a period of time.

No significant unexpected costs related to the merger have been identified.

7. How was the integration process experience?

Response – Integration is currently ongoing. SB 341 provides for up to five years for full integration, which is defined as rate parity among SAWS and DSP customers and the refunding of all outstanding DSP debt. It is currently anticipated that full integration will take between three and five years to complete.

8. Will there be any changes in management as a result of the merger?

Response – There has been no change and there are no changes anticipated to the executive management team of SAWS as a result of the DSP becoming a component unit of SAWS. Of the eight Key Personnel listed in the most recent Bexar Metropolitan Water District Financial Report for the fiscal year ended April 30, 2011, three remain employees of the DSP. These employees are not currently part of the SAWS executive management team.