

# Vista Ridge Water Transmission & Purchase Agreement

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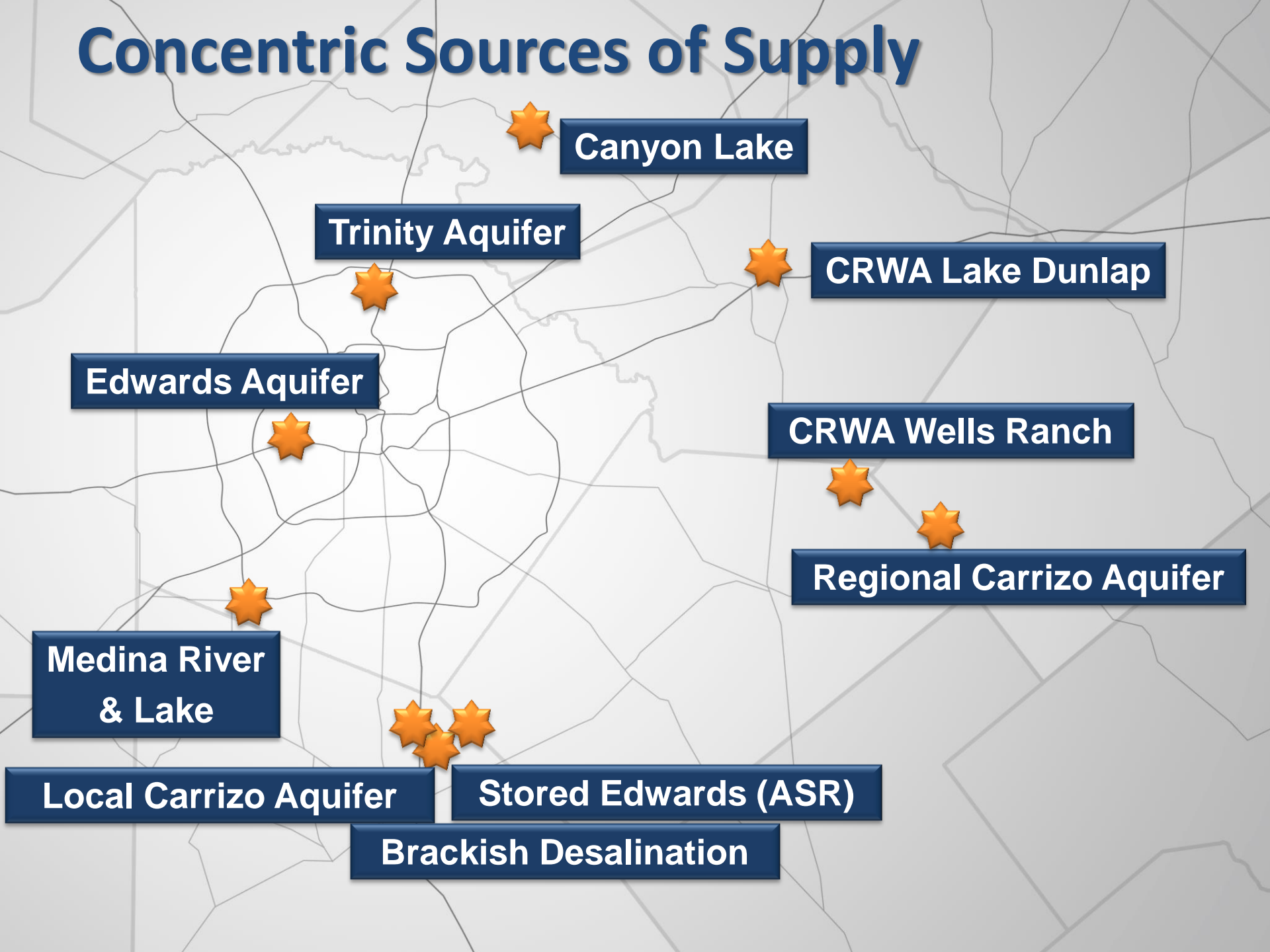
Senior Vice President/Chief Financial Officer

November 18, 2014

Rates Advisory Committee



# Concentric Sources of Supply



Canyon Lake

Trinity Aquifer

CRWA Lake Dunlap

Edwards Aquifer

CRWA Wells Ranch

Medina River  
& Lake

Regional Carrizo Aquifer

Local Carrizo Aquifer

Stored Edwards (ASR)

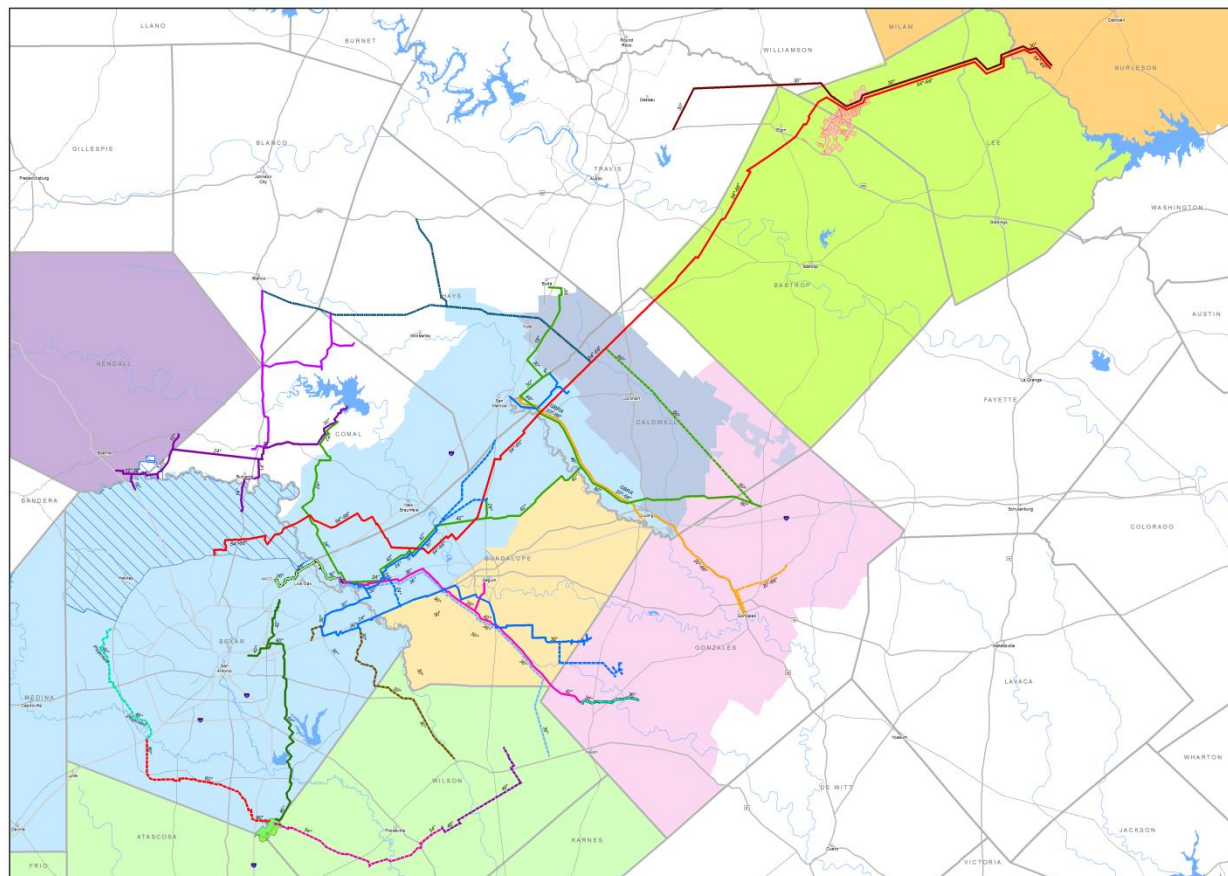
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# Vista Ridge Project Highlights

- Represents Largest Non-Edwards Supply in San Antonio History
  - 50,000 AF is ~ 20% of San Antonio annual demand
  - Allows for additional storage in ASR
- Will provide San Antonio Water Security for Decades
- Pipeline to Traverse High Growth Area
  - Partnership opportunities
- Tomorrow's Water at Today's Price
  - Price largely fixed for term of agreement & then likely to decrease
- Take and Pay Contract Limits Risk to SAWS
  - Only required to pay for water made available
  - O&M Expense of SAWS
- Potential rate increases still leave SAWS rates competitive

# Regional Backbone of Water

## Opportunities for Cost-Sharing – Ongoing Discussions



Local and Regional Water Supply Projects



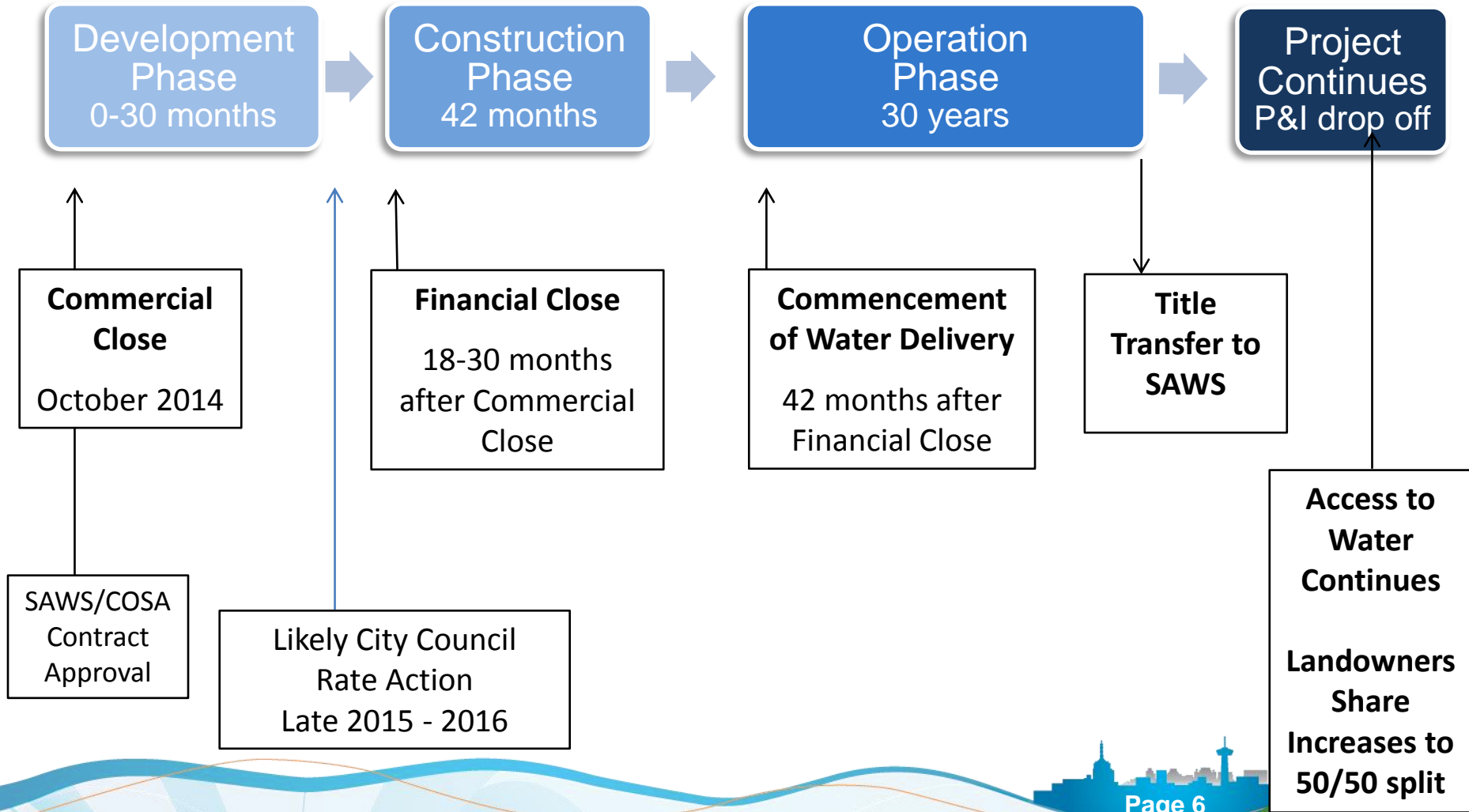
# Final Agreement

- Vista Ridge 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 development, construction and financing ~\$844 M
- SAWS builds interconnection infrastructure
  - est. cost ~\$100 M



# Timeline for Vista Ridge Project

Initial Water Deliveries Anticipated in 2019/2020



# Development Phase

## 0 – 30 Months

- Vista Ridge
  - Basic engineering, surveys and additional aquifer studies
  - Easement reservation/acquisition
  - Financing
- SAWS
  - Basic engineering & revenue studies
- Either party can terminate prior to Financial Close
  - Reimburse actual development expenditures up to a maximum
    - Vista Ridge – \$40.1 M
    - SAWS – \$2.0 M
- Development Phase ends when Financial Close occurs
  - Permanent financing required for Financial Close

# Financial Close

## Marks the End of Development Phase and Beginning of Construction Phase

- Capital charge to be fixed for term of contract
  1. At financial close if less than 18 months from contract date or if SAWS does not exercise its option in “2” below
  2. At SAWS option if financial close is more than 18 months after contract date
  3. Interest rate capped at 6.04%

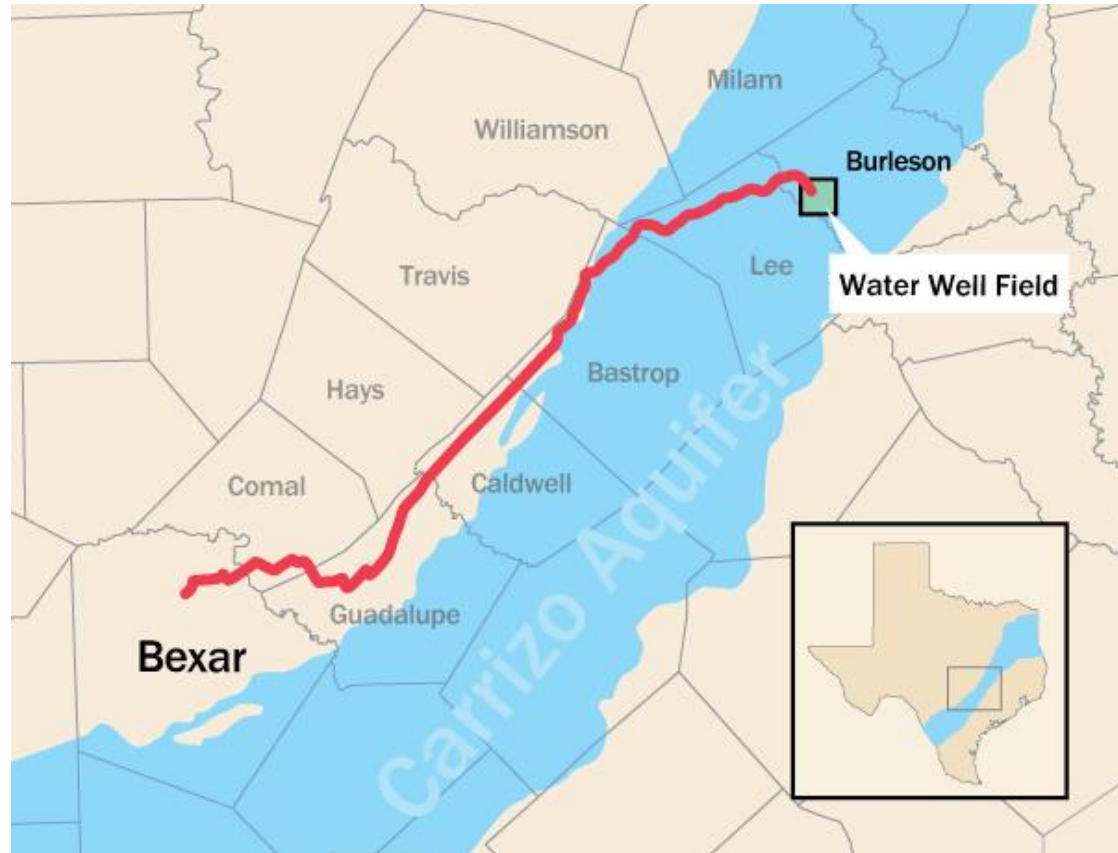
Interest Rate	Capital Charge \$/AF
4.54%	\$1,234
4.79%	\$1,272
5.04%	\$1,311
5.29%	\$1,351
5.54%	\$1,392
5.79%	\$1,445
6.04%	\$1,499



# Construction Phase – Vista Ridge

Minimum of 42 Months from Financial Close

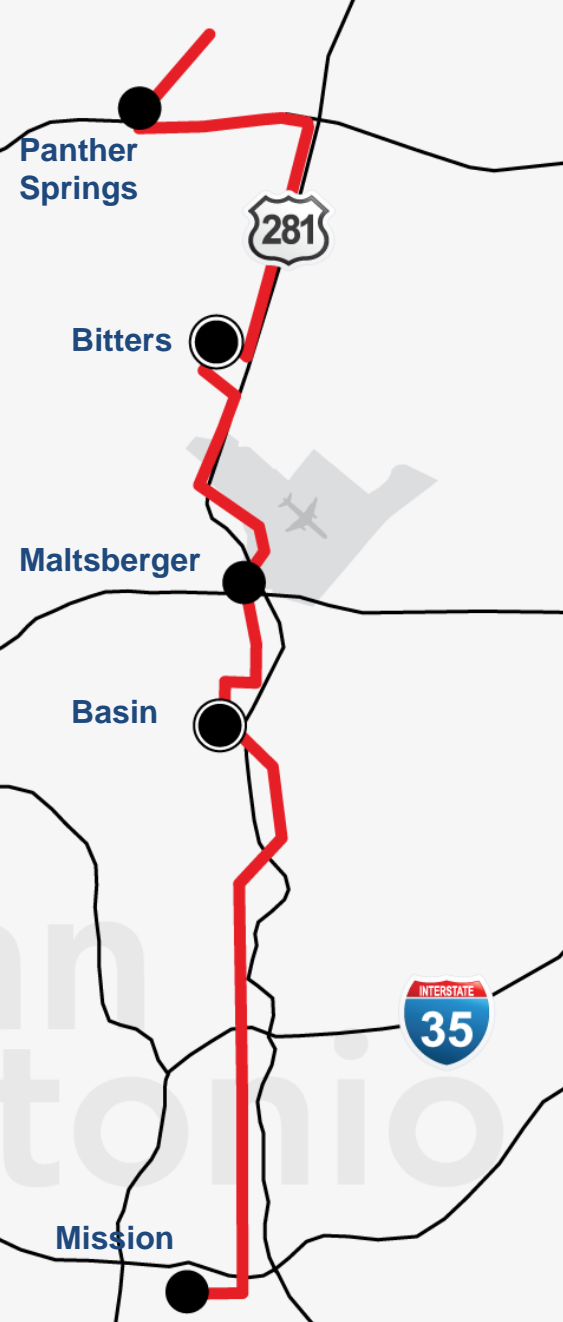
- Build well-fields, pipeline, and transfer facilities



# Construction Phase - SAWS

~ \$100M for SAWS Integration Requirements

- 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
  - ~ 82,000 feet of pipe up to 54-inch diameter
- Control Valves, Pumps, SCADA
  - Upgrades at existing pump stations



# Operations Phase

## 30 Years from Commencement of Water Delivery

- Vista Ridge
  - Delivers up to 50,000 AF of water per year to agreed terminus point
    - Daily limit of 137 AF Nov – Feb, 149.2 AF Mar – Oct
  - Must meet Federal & State drinking water standards
- SAWS
  - Pays for water made available as O&M expense
    - Capital and water charge fixed
    - O&M Charge established annually by budget panel
    - Electricity costs paid directly by SAWS

# Other Significant Agreement Provisions

- Convenience Termination - SAWS able to terminate contract at any time for convenience
  - Development Phase - Up to \$40.1 M
  - Construction and Operations Phases – Cost of outstanding debt, return of/on equity, breakage costs, etc.
- Certain schedule and performance relief available for uncontrollable events (Force Majeure, Change in law, etc.)
  - Schedule relief up to 20 years
  - No price increase to SAWS
- SAWS maintains option to purchase project senior debt
  - Purpose to lower the capital charge paid by SAWS
- SAWS to receive 25% of refinancing savings
- SAWS reserves the right to all commercial opportunities with respect to the project

# End of Term Contract Provisions

## Enduring Water Supply

- After the Contract ends
  - Assets and infrastructure transfer automatically to SAWS
    - Pipeline to have another 30-50 years life available
- SAWS has agreement with Blue Water to continue buying water for another 30 years
  - Price to be average cost of SAWS 2-year Edwards leases over last five years of contract
  - 50% of payments (after GCD fees) go to landowners



# Rate Impacts, Texas AG Rate Requirements and Summary

# Projected Average Monthly Residential Bill

## Without Vista Ridge or any Replacement Source of Water Supply

	Proposed	Projected				
	2015	2016	2017	2018	2019	2020
Water Supply	11.04	11.48	12.49	12.56	13.37	13.65
Water Delivery	16.22	16.84	17.65	18.14	19.09	19.37
Wastewater	28.44	30.81	32.01	33.81	35.89	37.90
<b>Total SAWS</b>	<b>\$55.70</b>	<b>\$59.13</b>	<b>\$62.15</b>	<b>\$64.51</b>	<b>\$68.35</b>	<b>\$70.92</b>
Increase \$	\$2.79	\$3.43	\$3.02	\$2.36	\$3.84	\$2.57
Increase %	<b>5.3%</b>	<b>6.2%</b>	<b>5.1%</b>	<b>3.8%</b>	<b>6.0%</b>	<b>3.8%</b>
**						
EAA Fee	2.58	2.97	2.97	2.97	2.97	2.97
TCEQ Fee	0.24	0.24	0.24	0.24	0.24	0.24
<b>Total with Fees</b>	<b>\$58.52</b>	<b>\$62.34</b>	<b>\$65.36</b>	<b>\$67.72</b>	<b>\$71.56</b>	<b>\$74.13</b>
Increase % with Fees	<b>5.0%</b>	<b>6.5%</b>	<b>4.8%</b>	<b>3.6%</b>	<b>5.7%</b>	<b>3.6%</b>

•Assumes water usage = 7,788 gallons & wastewater usage = 6,178 gallons, ICL, Standard rates

# Vista Ridge Rate Impact Assumptions

## Number of Variables Makes it Difficult to Project

- Product water delivery begins July 2019
  - First full year of receipt 2020
- Price of water under WTPA

Cost Component	2019	2020
Capital Charge	\$1,392	\$1,392
Water Charge	460	460
O&M	193	197
Power	191	195
TOTAL	\$2,236	\$2,244

- SAWS integration improvements - \$115 M by 2018
- Utilization of existing rate structure
- No assumed cost sharing with DSP
- No additional water sales to other communities
- Water sales to SAWS retail customers remain unchanged

# Projected Average Monthly Residential Bill

## With Vista Ridge & No Additional Water Sales

	Proposed	Projected				
	2015	2016	2017	2018	2019	2020
Water Supply	11.04	11.49	12.58	13.94	20.42	25.49
Water Delivery	16.22	16.84	17.65	18.14	19.09	19.37
Wastewater	28.44	30.81	32.01	33.81	35.89	37.90
<b>Total SAWS</b>	<b>\$55.70</b>	<b>\$59.14</b>	<b>\$62.24</b>	<b>\$65.89</b>	<b>\$75.40</b>	<b>\$82.76</b>
Increase \$	\$2.79	\$3.44	\$3.10	\$3.65	\$9.52	\$7.36
Increase %	<b>5.3%</b>	<b>6.2%</b>	<b>5.2%</b>	<b>5.9%</b>	<b>14.4%</b>	<b>9.8%</b>
..						
EAA Fee	2.58	2.97	2.97	2.97	2.97	2.97
TCEQ Fee	0.24	0.24	0.24	0.24	0.24	0.24
<b>Total with Fees</b>	<b>\$58.52</b>	<b>\$62.35</b>	<b>\$65.45</b>	<b>\$69.10</b>	<b>\$78.61</b>	<b>\$85.97</b>
Increase % with Fees	<b>5.0%</b>	<b>6.5%</b>	<b>5.0%</b>	<b>5.6%</b>	<b>13.8%</b>	<b>9.4%</b>

•Assumes water usage = 7,788 gallons & wastewater usage = 6,178 gallons, ICL, Standard rates

# 2020 Residential Class Rate Impacts

More than 75% of Residential Class Bills Have Usage Less than 10,000 Gallons/Month  
90% Have Usage Less than 15,000 Gallons/Month

Residential Monthly Charge Comparison - Non-Seasonal (5/8" Meter)

Water / Wastewater Usage (Gallons per Month)	Proposed Monthly Charge (2015)	Projected Monthly Charge (2020) Without Vista Ridge	Projected Monthly Charge (2020) With Vista Ridge	Difference (2020 vs 2015)		Diff. with 2020 w/o Vista Ridge
				\$	%	
3,500 / 3,500	\$36.42	\$46.28	\$51.10	\$14.68	40.3%	10.4%
<b>7,788 / 6,178 (Avg Bill)</b>	<b>\$58.52</b>	<b>\$74.14</b>	<b>\$85.98</b>	<b>\$27.46</b>	<b>46.9%</b>	<b>16.0%</b>
10,000 / 7,000	\$69.35	\$87.60	\$103.85	\$34.50	49.7%	18.6%
12,500 / 8,000	\$81.83	\$103.14	\$124.37	\$42.54	52.0%	20.6%
15,000 / 9,000	\$97.43	\$122.44	\$150.52	\$53.09	54.5%	22.9%
20,000 / 10,000	\$135.63	\$169.24	\$217.27	\$81.64	60.2%	28.4%
25,000 / 12,500	\$186.62	\$232.21	\$304.85	\$118.23	63.4%	31.3%
35,000 / 15,000	\$280.19	\$346.93	\$468.79	\$188.60	67.3%	35.1%



# 2020 Commercial Rate Class Impacts

More than 80% of Commercial Class Bills Have Usage Less than 50,000 Gallons/Month

Commercial / Industrial Monthly Charge Comparison \*

Water Usage (Gallons per Month)	Proposed Monthly Charge (2015)	Projected Monthly Charge (2020) Without Vista Ridge	Projected Monthly Charge (2020) With Vista Ridge	Difference (2020 vs 2015)		Diff. with 2020 w/o Vista Ridge
				\$	%	
10,000 (5/8" Meter)	\$87.33	\$110.65	\$131.84	\$44.51	51.0%	19.2%
50,000 (2" Meter)	\$426.15	\$536.69	\$642.65	\$216.50	50.8%	19.7%
250,000 (4" Meter)	\$1,957.71	\$2,472.76	\$3,002.56	\$1,044.85	53.4%	21.4%
850,000 (6" Meter)	\$6,317.55	\$8,000.53	\$9,801.84	\$3,484.29	55.2%	22.5%
1,000,000 (6" Meter)	\$7,351.06	\$9,315.06	\$11,434.25	\$4,083.19	55.5%	22.8%

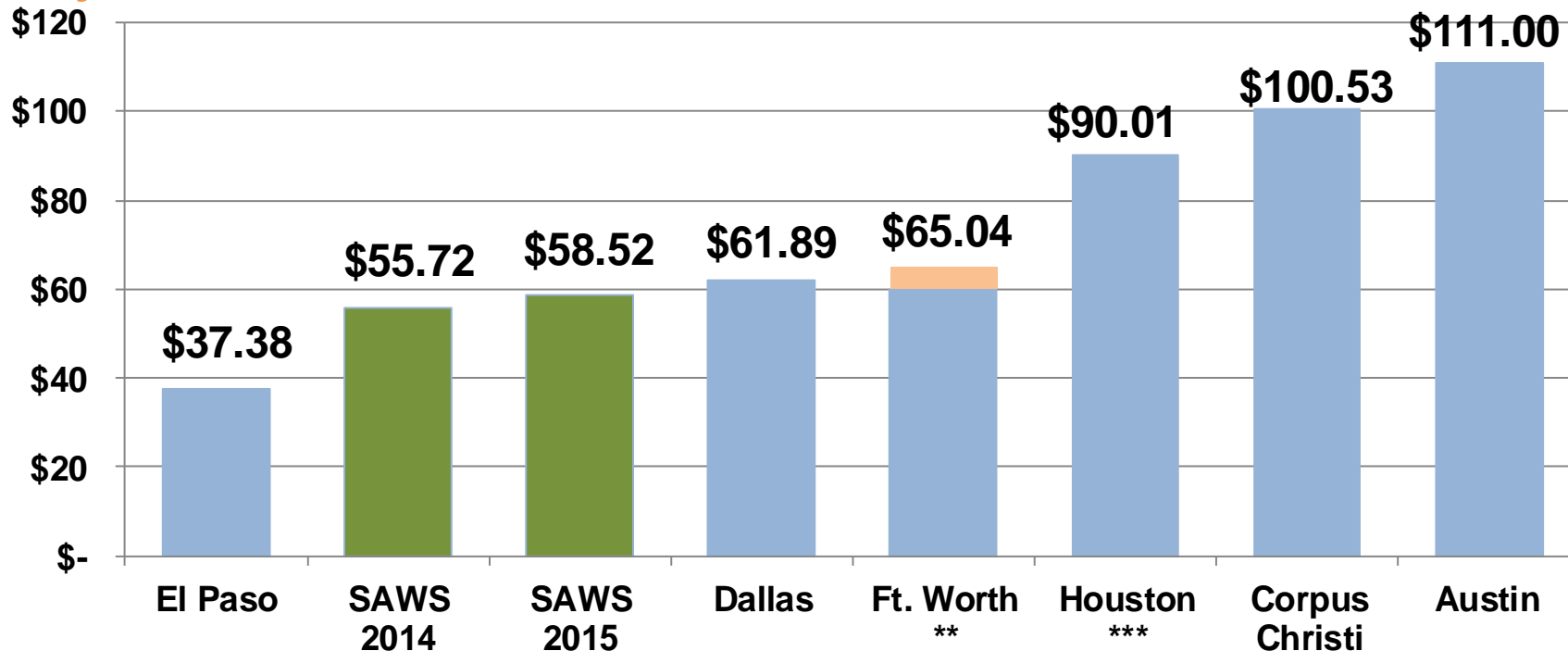
\* Includes Wastwater charges assessed based on water usage

# Texas AG's Rate Test (Bond Allowable)

- Financial test to confirm issuers have adopted rates sufficient to cover future obligations
  - Performed each time that SAWS desires to issue bonds
- In order to pass test in the future, City Council will be required to adopt rates prior to the time the Vista Ridge financial obligation becomes firm (Financial Close)
  - Rates don't have to go into effect until payment obligation begins (Operations Phase)
- Independent third party consultant required to project SAWS revenue and O&M costs

# Water & Sewer Residential Bills

## Major Texas Cities



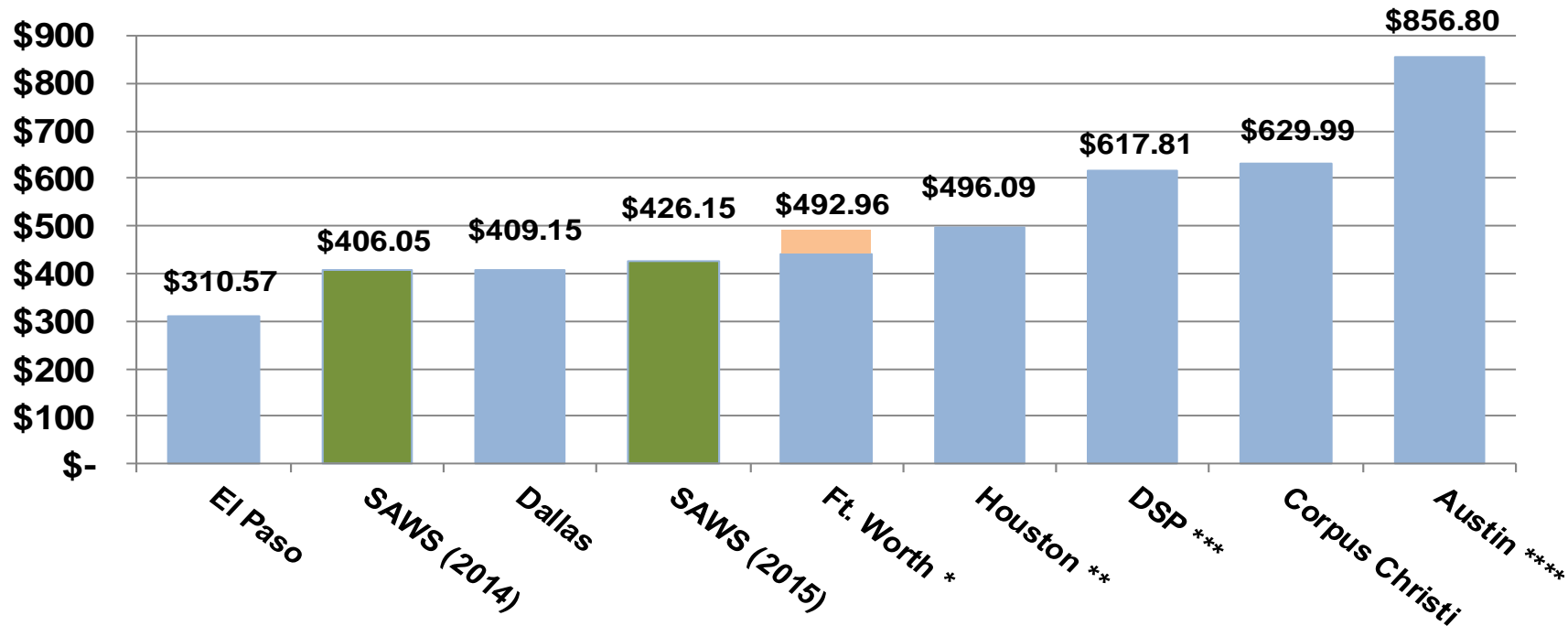
\*\* Fort Worth's current charge is \$60.15. Amount shown reflects adopted 8.1% increase effective January 1, 2015.

\*\*\* Houston wastewater charges based solely on water usage

Monthly charges as of November 2014, Based on 7,788 Gal. Water (Standard)/6,178 Gal. Wastewater. Includes EAA and TCEQ Fees.

# 2014 Commercial Water & Sewer Bills

## Major Texas Cities – 2" meter, 50,000 gallons per month



\* Fort Worth's current charge is \$441.85. Amount shown reflects adopted 11.6% increase effective January 1, 2015

\*\* Houston's wastewater charges based solely on water usage

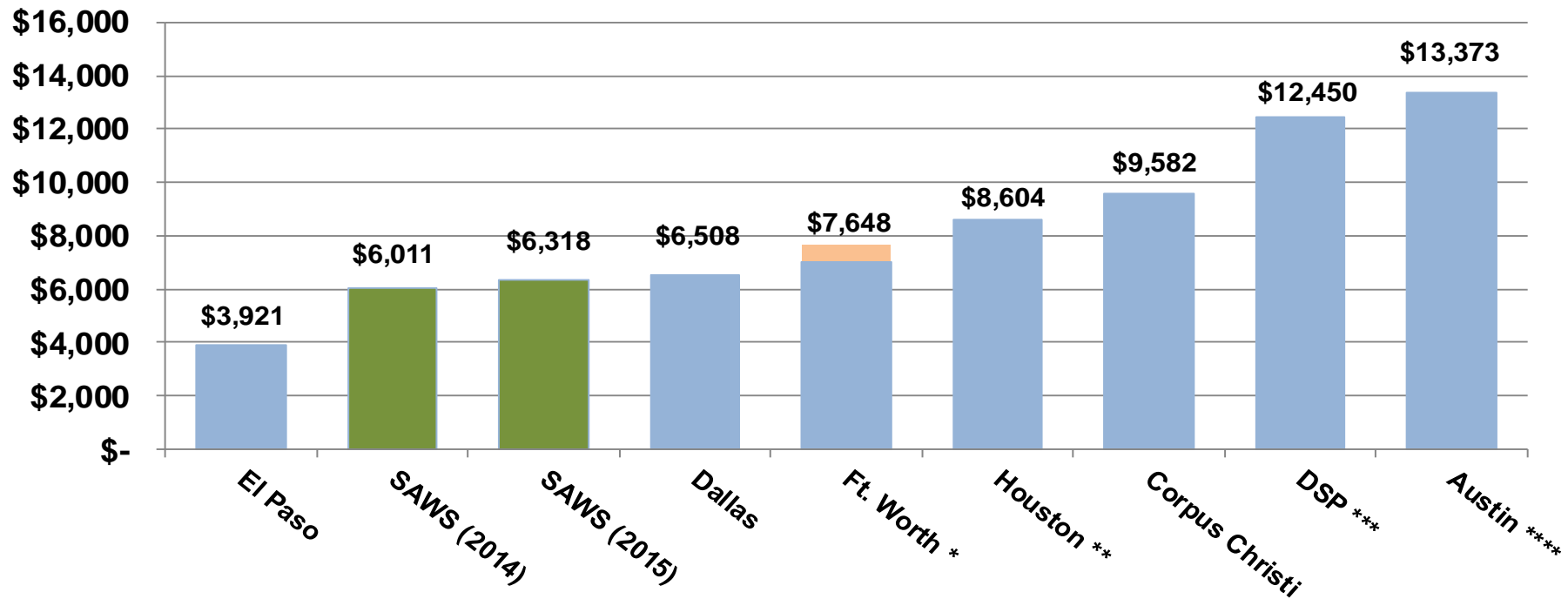
\*\*\* DSP monthly charge total includes \$452.40 in DSP water charges and \$165.41 in 2014 SAWS sewer charges

\*\*\*\* Austin Off-Peak Rates assessed November 1 through June 30.

Monthly charges as of October 2014. Includes EAA and TCEQ Fees.

# 2014 Industrial Water & Sewer Bills

## Major Texas Cities – 6" meter, 850,000 gallons per month



\* Fort Worth's current charge is \$7,021. Amount shown reflects adopted 8.9% increase effective January 1, 2015.

\*\* Houston's wastewater charges based solely on water usage.

\*\*\* DSP monthly charge total includes \$9,754 in DSP water charges and \$2,696 in SAWS sewer charges

\*\*\*\* Austin Off-Peak Rates assessed November 1 through June 30.

Monthly charges as of October 2014. Includes EAA and TCEQ Fees.



# Vista Ridge Project Summary

## Largest Non-Edwards Supply in San Antonio History

- Provides San Antonio Water Security for Decades
- Environmental Benefits and Firm Supply
  - Drought-proof supply that is not pumped from the Edwards Aquifer
  - Allows for additional storage in ASR
- Majority of Costs Fixed for 30 years
  - Subsequent 30-year agreement likely to bear lower cost
- Significant Reduction in Risk to SAWS
  - Only required to pay for water made available
  - Cap on interest rates of no more than 6.04%
- Rate Increases Manageable & Leave SAWS Rates Competitive

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