



CITY OF
CORPUS CHRISTI

AGENDA MEMORANDUM

Action Item for the City Council Meeting January 27, 2026

DATE: January 27, 2026

TO: Peter Zaroni, City Manager

FROM: Nicholas J. Winkelmann, P.E. Interim Chief Operating Officer
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**Service Agreement for the Backup Power and Energy Management at
O.N. Stevens Water Treatment Plant**

CAPTION:

Motion authorizing execution of a 10-year service agreement with an option to purchase and a license agreement for Backup Generator Power and Energy Management Services at the O.N. Stevens Water Treatment Plant with Exergy Energy, LLC (Contractor No. 1), and EE ON Stevens, LLC (Contractor No. 2), both of Berkeley, California, in an amount not to exceed approximately \$27,700,000.00, of which no funding in FY 2026 is required, with monthly payments of \$230,833.33 to Contractor No.2 once the generators are operational, subject to sufficient future appropriations: providing an option to extend power management services with Contractor No. 1 for an additional 10-year term, with payment of \$100.00 per month; authorizing participation in Ancillary Electric Grid Services managed by Contract No. 1 with participation payments to the City in the amount of 85% of the net revenue during the initial 10-year term and 100% during the optional term.

SUMMARY:

This motion authorizes a ten-year service agreement including new backup generators, preventative maintenance, and energy management and savings programs for the O. N. Stevens Water Treatment Plant.

BACKGROUND AND FINDINGS:

The O. N. Stevens Water Treatment Plant currently operates four on-site backup generators capable of supplying up to 8 Megawatts (MW) of electrical power. These generators play a critical role during emergencies or power outages, ensuring uninterrupted operation of electrical systems and high-service pumps to maintain a continuous flow of drinking water to the community.

Three of the four generators have been upgraded to comply with air quality standards, qualifying them for participation in ERCOT's Demand Response program, an energy rebate initiative. The fourth generator, however, is not eligible for such upgrades. Despite utilizing only one of several available energy programs, the plant has generated over \$200,000 in rebates over the past four years through Demand Response participation.

To support upcoming infrastructure enhancements and additional equipment, expanded on-site backup power is essential. Moreover, the aging generators have incurred substantial maintenance costs, totaling approximately \$485,000 in repairs since 2020.

To address these needs, Exergy Energy, through its separate entity EE ON Stevens LLC ("Contractor"), will replace all four existing units with new natural gas-powered Cummins generators, delivering a combined backup capacity of 10 MW, expandable to 12 MW to accommodate future growth. The agreement grants a license to the Contractor for the use of premises at O.N. Stevens for the installation and operation of the generators. The Contractor will own and maintain the generators and supporting equipment. These units will be configured to support partial load operations during a single utility outage on the AEP side, preserving system redundancy, or to power the entire plant during severe weather events or full outages. The new generators will meet current air quality standards, enabling broader participation in energy savings and rebate programs. Contractor will oversee all aspects of program management and provide comprehensive preventative and corrective maintenance for the new units.

The backup power system is to be fully operational to deliver the minimum starting capacity of 10 megawatts with 564 days of execution. The agreement provides for 120 monthly payments of \$230,833.33 due each month to begin the first month that the backup power system is fully operational. The City has the option to purchase the equipment anytime upon payment of the Equipment Retention Fee identified in the agreement. At the completion of 120 months of payments, the City may elect to purchase the system for \$1.00. The parties may extend the agreement for 10 additional years to receive continued services.

PROCUREMENT DETAIL:

Finance & Procurement conducted a Request for Proposal process to obtain qualified firms to assist with a backup power and energy management program. The City received three proposals which were reviewed by a five-member evaluation committee. The Request for Proposal committee evaluated all aspects of the company's current capabilities, which accounted for 100 possible points, 40 for technical qualifications, 10 possible for interview, 40 possible for pricing, and 10 possible points for local preference. Final scores were tabulated for each firm to determine the highest-ranking firm offering the best value to the City for backup power and energy management services.

The City recommends the award to Exergy Energy LLC, of Berkeley, California. They are the vendor that submitted the most competitive proposal and received the highest overall score of 78.8 out of 100 points. As standard practice with its project finance, Exergy Energy LLC has formed a limited liability company, EE ON Stevens LLC to be the contracting entity for this agreement. EE ON Stevens LLC is wholly owned by Exergy Energy LLC.

ALTERNATIVES:

The alternative would be to replace the generators directly through a CIP project requiring full up-front cost.

FISCAL IMPACT:

There is no fiscal impact to Corpus Christi Water in FY26 associated with this service agreement, as no payments are required until the backup power system becomes fully operational—an event anticipated to occur 564 days after contract execution. Beginning in FY27, once the system is fully operational, monthly payments of \$230,833.33 will commence, and funding for this expense will be incorporated into the annual budget. The new generators will be eligible to participate in ERCOT's ancillary grid services, which is projected to generate approximately \$2–3 million in annual revenue. These proceeds will partially or fully offset the annual lease costs, significantly reducing the net financial impact to Corpus Christi Water.

FUNDING DETAIL:

Fund: N/A

Organization/Activity: N/A

Department: N/A

Project # (**CIP Only**): N/A

Account: N/A

Year 2-11 (FY2027-2036): \$ 2,700,000.00 per year

Total: \$ 27,700,000.00

RECOMMENDATION:

Staff recommend approval of this motion authorizing a ten-year service agreement, with a one ten-year option, with Exergy Energy LLC as presented.

LIST OF SUPPORTING DOCUMENTS:

Matrix Evaluation

Service Agreement