



## AGENDA MEMORANDUM

First Reading for the City Council Meeting of January 23, 2024  
Second Reading for the City Council Meeting of January 30, 2024

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**DATE:** January 23, 2024

**TO:** Peter Zaroni, City Manager

**FROM:** Jeff H. Edmonds, P.E., Director of Engineering Services  
[jeffreye@cctexas.com](mailto:jeffreye@cctexas.com)  
(361) 826-3851

Drew Molly P.E, Director of Water Systems and Support Services  
[drewm@cctexas.com](mailto:drewm@cctexas.com)  
(361) 826-1853

**Ordinance authorizing the Execution of all Documents with American Electric Power Associated with the Construction of the Interconnection of the Inner Harbor Seawater Desalination Treatment Plant to the Electric Transmission Grid**

**CAPTION:**

Ordinance authorizing the execution of all documents with American Electric Power, Texas, associated with construction of the interconnection of the Inner Harbor Seawater Desalination Treatment Plant to the Electric Council of Texas electric transmission grid in the amount of \$3,062,880, and for the conveyance of property rights and/or modifications of existing contracts for the purchase of real property to transfer interest(s) in property as required by American Electric Power, Texas or its authorized related entities for the construction of said project, located in Council District 1 with FY 2024 funding available from the City's State Water Implementation Revenue Fund Texas Loan-2020.

**SUMMARY:**

This Ordinance authorizes the execution of all documents with AEP Texas associated with construction of the interconnection of the Inner Harbor Seawater Desalination Treatment Plant to the electric transmission grid in the amount of \$3,062,880 and conveyance of property rights and/or modifications of existing contracts for the purchase of real property to transfer interest(s) in property as required by AEP located in Council District 1 with FY 2024 funding available from the City's State Water Implementation Revenue Fund Texas Loan-2020.

**BACKGROUND AND FINDINGS:**

AEP Texas delivers electricity to over one million electric meters, serving homes, businesses, and industries in south and west Texas. AEP Texas provides regulated energy delivery service to consumers, regardless of which Retail Electric Provider (REP) they choose. The region headquarters is in Corpus Christi. AEP Texas also builds new powerlines, restores service

following outages and uses advanced meters to record electric use for REPs throughout its service territory.

On May 24, 2023, Council authorized a professional services agreement with AEP Texas to provide preliminary engineering and regulatory work associated with interconnection of the Inner Harbor Seawater Desalination Treatment Plant to the ERCOT electric transmission grid. The Study set forth the terms and conditions under which AEP Texas will connect the Inner Harbor Seawater Desalination Treatment Plant to the ERCOT electric transmission grid as well as preliminary engineering and design of 138 kilovolt (kV) infrastructure necessary to provide electric service. The exact conveyance and/or modifications of real property will be negotiated with AEP and to be determined.

The interconnection of the Inner Harbor Seawater Desalination Treatment Plant to the ERCOT grid will require the construction of a new 138 kV transmission line(s) and a newly constructed 138 kV substation. The study included preliminary engineering and design of 138 kV infrastructure necessary to provide electric service to the Inner Harbor Seawater Desalination Treatment Plant. The findings of the Study showed favorable conditions for the City, as the 138 kV power infrastructure would be utilized by neighboring AEP customers and would allow the City to only pay approximately one fifth of the total cost of construction. Total construction cost is \$16,719,288 to which the City will contribute \$3,062,880.

### **PROJECT TIMELINE:**

Construction of the 138 kV power infrastructure will commence once the contract is executed.

### **ALTERNATIVES:**

An alternative is to not proceed with the authorization which will delay the construction of the 138 kV power infrastructure and ultimately delay the Project.

EP Texas is the owner and operator of electric delivery infrastructure in our area, staff finds no equal measures available and is unable to recommend alternatives that are not in the best interest of public safety.

### **FISCAL IMPACT:**

This fiscal impact for FY 2024 is an amount of \$3,062,880 for preliminary design, with funding available from the City's State Water Implementation Fund Texas Loan-2020.

### **FUNDING DETAIL:**

This project is listed in the FY 2024 Capital Improvement Program.

Fund: 2020C SWIRFT Bd (Fund 4483)  
Dept: Water (045)  
Project: Seawater Desalination (Project No. E15117)  
Account: Design / Outside Consultants (550950)  
Activity: E15117-01-4483-EXP  
Amount: \$3,062,880.00

### **RECOMMENDATION:**

Staff recommends approval of the authorization to execute all documents with American Electric Power, Texas, associated with construction of the interconnection of the Inner Harbor Seawater Desalination Treatment Plant to the Electric Council of Texas electric transmission grid in the amount of \$3,062,880 and the conveyance of property rights and/or modifications of existing contracts for the purchase of real property to transfer interest(s) in property as required by AEP

or its authorized related entities.

**LIST OF SUPPORTING DOCUMENTS:**

AEP Study  
Ordinance  
Project Map