



April ---, 2024

City of Corpus Christi
1201 Leopard St
Corpus Christi, TX 78401

Re: CIAC - Direct Connect Agreement for City of Corpus Christi Desalination Plant; Nueces County, Texas

Dear Jeff Edmonds:

This letter (the “Agreement”) sets forth an agreement between City of Corpus Christi (“Customer”) and AEP Texas Inc., a Delaware corporation, (“AEP Texas”) under the terms of which AEP Texas will proceed with the engineering, design, procurement and construction work described in Exhibit A to this Agreement (the “Direct Connect Work”) in order to provide the direct connection for electric Delivery Service to Customer’s Inner Harbor Seawater Desalination Treatment Plant located in Nueces County, Texas (the “Plant”). Customer has requested AEP Texas to Direct Connect for Delivery Service to the Plant with **30MW** at transmission voltage pursuant to Section 6.1.1.1.5 of AEP Texas’ Tariff for Electric Delivery Service (the “Tariff”), and AEP Texas has agreed to provide service pursuant to this Agreement to effect the direct connection for such Delivery Service.¹ The “Effective Date” of this Agreement is the date the Agreement is fully executed by both parties and the receipt of the first CIAC payment as specified in Exhibit A of this Agreement.

AEP Texas has indicated that the estimated cost² of performing the Direct Connect Work, as outlined in Exhibit A, is Sixteen Million Seven Hundred Nineteen Thousand Two Hundred and Eighty-Eight Dollars (**\$16,719,288.00**) which Customer acknowledges is reasonable. The estimated cost of performing the Direct Connect Work is determined in accordance with AEP Texas’ standard accounting practices. In accordance with the due dates in Exhibit A, Customer

¹ All capitalized terms used in this Agreement, including the attached Exhibit A, but not defined have the meanings given to them in the Tariff, unless the context in which such terms are used clearly indicates otherwise.

² As used in this Agreement, the term “cost” means all of AEP Texas’ expenses in performing the Direct Connect Work including, but not limited to, actual attorney’s fees associated with providing the service under this Agreement and all of AEP Texas’ fully embedded costs for labor, materials, and equipment (including all applicable overheads and taxes associated with Customer’s CIAC) as determined in accordance with AEP Texas’ standard accounting practices and Tariff. CIACs are taxable and “cost” shall include an Income Tax Component of Contribution (“ITCC”) at the current applicable rates, which are revised and published by AEP annually and are available upon request.

agrees to provide a CIAC Payment equal to the total estimated cost of performing the Direct Connect Work.

1. **CIAC Payment.** Customer agrees to compensate AEP Texas as a contribution in aid of construction for Customer's share of the actual costs as determined by AEP Texas (the "CIAC Payment"). The total estimated CIAC Payment to be made by Customer to AEP Texas is Three million, three hundred eighteen thousand, six hundred thirty Dollars (**\$3,318,630.00**). The CIAC Payment and due date is more fully described in Exhibit A. The CIAC Payment is based on the estimated cost of performing the Direct Connect Work, as shown in the attached Exhibit A. Exhibit A reflects only an estimate of the scope of the Direct Connect Work and the cost of performing the Direct Connect Work (including the estimated ITCC amount).

Customer understands that the actual scope and cost of performing the Direct Connect Work may deviate from that shown in Exhibit A. Customer will retain the right to approve in writing any deviation in the scope or cost of performing the Direct Connect Work shown in Exhibit A if such deviation would result in a cost increase of ten percent (10%) or more to the Customer, which approval will not be unreasonably withheld or delayed. In the event that Customer withholds or delays its written approval for more than thirty (30) days after its receipt of written notification, AEP Texas may suspend performance of the Direct Connect Work pending receipt of such approval, and in the event such written approval is withheld or delayed for more than sixty (60) days, AEP Texas may cancel this Agreement and recover from Customer all actual costs that AEP Texas has incurred (including costs that it has committed to expend and that cannot be cancelled) through the date of cancellation.

Upon completion of the Direct Connect Work, AEP Texas shall determine the actual cost incurred in performing the Direct Connect Work. In the event the actual cost of the Direct Connect Work is greater than the CIAC Payment initially made by Customer to AEP Texas, AEP Texas will invoice Customer for the amount of the deficiency, and Customer will pay such amount within thirty (30) days of receipt of that invoice. In the event the actual cost of the Direct Connect Work is less than the CIAC Payment initially made by Customer to AEP Texas, AEP Texas will refund to Customer the amount of the excess within thirty (30) days of its determination of the actual cost of the Direct Connect Work.

2. **Delivery Service.** Customer agrees to take Delivery Service from AEP Texas at the Plant pursuant to Section 6.1.1.1.5 of the Tariff (including Transmission System Charges, Distribution System Charges and Transmission Cost Recovery Factor Charges). Customer further agrees that it will request a Retail Electric Provider to commence service on or near the Target Completion Date.
3. **Cancellation Costs.** If Customer cancels this Agreement prior to completion of the Direct Connect Work or if AEP Texas cancels this Agreement in accordance with the terms of this Agreement, Customer shall pay AEP Texas for all of AEP Texas' actual costs related to the Direct Connect Work (including the costs associated with

commitments for purchases not yet delivered and/or re-stocking fees or order cancellation fees, and the cost associated with the removal of facilities already installed but rendered idled as a result of the cancellation of the Agreement) through the date this Agreement is canceled (“Cancellation Costs”).

4. **Target Completion Date for Direct Connect Facilities.** AEP Texas shall use commercially reasonable efforts to complete the Direct Connect Work within **36 months** from the Effective Date (“Target Completion Date”). However, AEP Texas does not promise to complete the Direct Connect Work by the Target Completion Date; and in no event shall AEP Texas have any liability to Customer or any third party in the event that AEP Texas is unable to complete the Direct Connect Work by the Target Completion Date. The planning, design and regulatory approval process necessary to obtain the ERCOT endorsement and/or other regulatory approvals and, if necessary, the Certificate of Convenience and Necessity from the Public Utility Commission of Texas are not included in the Target Completion Date.

AEP Texas shall commence the Direct Connect Work after any necessary regulatory approvals have been obtained for any facilities requiring regulatory approval. If this Agreement has been executed prior to ERCOT’s approval of the requisite study(s), then upon any required ERCOT approval, AEP Texas will establish a new schedule for completion of the Direct Connect Work if necessary, and the Target Completion Date and CIAC Payment shall be adjusted accordingly. AEP Texas may, by written notice to Customer, require Customer to execute an amendment to this Agreement to reflect the effect of that ERCOT approval. If Customer fails to execute such an amendment within sixty (60) days of receipt of written notice from AEP Texas, AEP Texas shall have the right to cancel this Agreement in accordance with the terms herein.

Network Upgrades. Customer understands and acknowledges that additional transmission system upgrades beyond the direct interconnection may be required (“System Upgrades”) in order to ensure that all applicable NERC, ERCOT and AEP reliability criterion are met. Further, these System Upgrades may be subject to review, modification and/or endorsement by ERCOT. To the extent additional System Upgrades are needed, these System Upgrades may impact the schedule and/or capacity available for Customer to take service.

Identified upgrades may include facilities outside AEP footprint and mitigations will likely require coordination with other transmission service providers and ERCOT. Further, these System Upgrades may be subject to review, modification and/or endorsement by ERCOT and/or Public Utilities Commission of Texas. To the extent additional System Upgrades are needed, these System Upgrades may impact the schedule and/or capacity available for Customer to take service.

Customer also acknowledges that AEP Texas will make reasonable provisions to supply steady and continuous Delivery Service but does not guarantee the Delivery Service against fluctuations or interruptions.

- a. If Customer requests AEP Texas to delay performance of the Direct Connect Work, and AEP Texas agrees to such a delay, the Target Completion Date shall be extended to account for the effects of the requested delay. Customer will also pay AEP Texas an additional CIAC Payment for any increase in estimated cost of performing the Direct Connect Work resulting from such delay, including demobilization and remobilization costs and suspension, termination or cancellation costs payable to third parties. If, after initiation of a requested delay, Customer does not authorize AEP Texas to recommence the Direct Connect Work within 60 days from the start of the delay then AEP Texas may, at its option, cancel this Agreement.
 - b. Customer recognizes that events beyond the reasonable control of AEP Texas may make it necessary to extend the Target Completion Date. If AEP Texas reasonably determines that it will not be able to complete the Direct Connect Work by the Target Completion Date, AEP Texas will notify Customer, and the Target Completion Date will be adjusted to reflect the earliest date that AEP Texas reasonably determines that it can complete the Direct Connect Work.
5. **Easements.** Customer agrees to assist AEP Texas in obtaining, at no cost to AEP Texas, easements and rights-of-way (the “Easements”) to the extent required for AEP Texas’ performance of the Direct Connect Work, on terms reasonably acceptable to AEP Texas. All costs incurred by either Customer or AEP Texas related to obtaining the Easements (including the actual ITCC amount resulting from Customer’s reimbursement of AEP Texas for these costs) shall be borne by Customer and paid as part of the CIAC Payment. AEP Texas and Customer recognize that an estimate of the cost of acquiring the Easements (including the estimated ITCC amount) has been included in the estimated cost of performing the Direct Connect Work. AEP Texas agrees to commence commercially reasonable efforts to acquire the Easements upon the Effective Date. However, if the Easements have not been acquired within sixty (60) days after the Effective Date on terms reasonably acceptable to AEP Texas, AEP Texas may suspend performance of the Direct Connect Work until the Easements have been acquired. If after the expiration of the sixty-day period, AEP Texas reasonably determines that it cannot obtain the Easements on reasonably acceptable terms, notwithstanding its commercially reasonable efforts to do so, and that such inability to obtain the Easements will prevent AEP Texas from timely performing the Direct Connect Work, then AEP Texas may, at its option, cancel this Agreement.
6. **Cooperation.** Customer agrees to meet with AEP Texas and to provide AEP Texas with information that is reasonably necessary to perform the Direct Connect Work. AEP Texas agrees to meet and provide progress updates and share information and study results with the Customer concerning the Direct Connect Work.
7. **Ownership/Use of Work.** All of the facilities installed by AEP Texas in performing the Direct Connect Work shall be owned, maintained and controlled solely by AEP Texas. Customer understands that it receives no ownership or control of those facilities by virtue

of the payment of the CIAC. AEP Texas expressly retains the right to use those facilities for any purpose that AEP Texas deems appropriate under good utility practices, including the distribution of electric service to other customers.

8. **Performance Standards/Disclaimer of Warranties.** AEP Texas will perform the Direct Connect Work in accordance with applicable laws, rules and regulations, including ERCOT requirements and Public Utility Commission of Texas (“PUCT”) rules and orders, and subject to required regulatory consents and approvals. Except for the foregoing, **AEP TEXAS HEREBY DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR GOOD AND WORKMANLIKE PERFORMANCE.**
9. **Limitation of Liability.** NEITHER CUSTOMER NOR AEP TEXAS (AND ITS OFFICERS, EMPLOYEES AND CONTRACTORS) SHALL BE LIABLE FOR ANY ECONOMIC OR COMMERCIAL LOSSES OR OTHER SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES (INCLUDING LOSS OF PROFIT OR REVENUE, LOSS OF USE OF EQUIPMENT, COST OF CAPITAL, OR DAMAGE TO REPUTATION OR RELATIONS) RESULTING FROM THE PERFORMANCE OR FAILURE TO PERFORM THE DIRECT CONNECT WORK DESCRIBED HEREIN, WHETHER BASED IN CONTRACT, TORT, STRICT LIABILITY, STATUTORY LIABILITY OR ANY OTHER THEORY OF LIABILITY.
10. **Nature of Work.** In performing the Direct Connect Work, AEP Texas is making modifications and additions solely to its own electric system, in accordance with the Tariff, in response to Customer’s request for electric Delivery Service. AEP Texas is not performing any work on any facilities or equipment owned, or to be owned, by Customer. No provision contained in this Agreement and no action on the part of any of the parties hereto shall be construed as creating an employer/employee relationship, joint venture or any other relationship other than that of regulated electric utility and Delivery Service customer. Nothing contained herein shall be construed as a waiver or relinquishment by AEP Texas of any right it has or may hereafter have to discontinue Delivery Service for default in the payment of any bill owing or to become owing hereunder or for any reason or cause allowed by law.
11. **Amendments/Modifications.** No amendment or modification of this Agreement shall be valid and binding unless made in writing and signed by the respective authorized representatives of AEP Texas and Customer.
12. **Entire Agreement.** This Agreement, together with all applicable provisions of the Tariff, constitutes the entire understanding and commitment of the parties hereto and shall supersede all prior offers, negotiations and agreements relative to the subject matter hereof.

13. **Governmental Immunity.** This Agreement is to perform a governmental function solely for the public benefit. Nothing in this Agreement shall be construed to waive Customer's governmental immunity from lawsuit, which immunity is expressly retained to the extent it is not clearly and unambiguously waived by state law.

If the foregoing meets with your approval, please have the appropriate authorized officer or agent of your company sign the attached two (2) copies of this letter and return them both to me. I will have one copy with original signatures returned once this Agreement has been fully executed by AEP Texas.

We are looking forward to working with you on this project.

Very truly yours,

Heath VanZandt
Heath VanZandt
Key Account Manager

cc: Gricelda Calzada – AEP Texas

Agreed and accepted:

City of Corpus Christi

AEP Texas Inc.

By: _____

Jeff H. Edmonds, P.E.
Director of Engineering Services

Name: _____

Title: _____

Date: _____

Date: _____

Approved as to legal form:

Assistant City Attorney

Exhibit A to City of CC /AEP Texas Direct Connect Agreement
Dated April 19, 2024

1. Assumptions for 138 kV Direct Connect to Customer's Desalination Plant, Nueces County, Texas:

- AEP Texas does not expect the Direct Connect Work to require the issuance of a Certificate of Convenience and Necessity (CCN) by the Public Utility Commission of Texas. The cost estimates and Target Completion Date estimates are based on this expectation. If a CCN is determined to be necessary, the cost estimates and the estimated Target Completion Date will require adjustment. Customer will be responsible for reimbursing AEP Texas for all its costs in obtaining such a CCN.
- AEP Texas cannot control delivery times for the equipment necessary to complete the project. The Target Completion Date is reasonable given current procurement timelines but is subject to change.
- AEP Texas proposes to purchase the required property for the proposed 138kV station to provide transmission level electric service to the desalination plant substation.

2. Scope and Estimated Cost of Direct Connect Work:

Scope of Direct Connect Work	Customer's Share of Estimated Cost of Direct Connect Work
<ul style="list-style-type: none">• Install 138kV substation and transmission line extension to a POI structure (\$16,719,288.00)	\$3,062,880.00
<ul style="list-style-type: none">• Federal Income Tax Component of Contribution (ITCC), 8.35%	\$255,750.00
Total Estimated Cost to be Paid by Customer for Direct Connect	<hr/> \$3,318,630.00

3. CIAC Payment Schedule

Payment No.	Date of Payment	Amount
1	Upon execution and delivery of this Agreement	\$3,318,630.00
Total:		\$3,318,630.00

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