

**Agreement for the Delivery of Recycled Water
Between
Valero Refining – Texas, L.P. and City of Corpus Christi**

This Agreement for the Delivery of Recycled Water (the “Agreement”) is made by and between The City of Corpus Christi (the “City”) and Valero Refining – Texas, L.P. (“Valero”). Valero and the City may hereinafter be referred to as a “Party” or collectively as the “Parties”.

WHEREAS, Valero operates two petroleum refineries located near Corpus Christi, Texas;

WHEREAS, City and Valero would like to enter into an agreement for the delivery of treated wastewater effluent (“Recycled Water”) from the Greenwood Wastewater Treatment Plant (“GWWTP”);

WHEREAS, the Parties agree and acknowledge that City has received Authorization No. R10401003 issued by the Texas Commission on Environmental Quality (“TCEQ”) which approves City’s transmission of Type II reclaimed water for, among other matters, industrial use for cooling towers, in compliance with a series of conditions/restrictions and Chapter 210 of the Texas Administrative Code (Chapter 210);

WHEREAS, Valero has received and reviewed a copy of Authorization No. R10401003;

WHEREAS, the Parties acknowledge and agree that Valero will be required to make a substantial capital investment on infrastructure necessary to insure that Recycled Water supplied by the City can be used for Valero’s industrial purposes;

WHEREAS, the Parties agree and acknowledge that this Agreement and any future agreements shall require compliance with the City’s Code of Ordinances, specifically including the City’s recently adopted Ordinance for Recycled Water under Article XIX of Chapter 55 (the “Code”);

WHEREAS, the Parties acknowledge that City Ordinance No. 033742 amended Section 55-594 of the City Code to establish that the rate for recycled/reclaimed water service is the same as the City’s raw water cost adjustment rate; and

WHEREAS, the Parties further acknowledge that City Ordinance No. 033736 amended Section 55-50(b)(17) of the City Code to set the raw water cost adjustment rate and related provisions, both ordinances being effective January 1, 2026;

NOW, THEREFORE, for and in consideration of mutual covenants herein contained, and other good and valuable consideration, it is agreed by and between the Parties as follows:

I. Reserved.
II. Quantity.

A. Basic Quantity. The City agrees to deliver to Valero Recycled Water produced at the GWWTP during the 30-year term. Subject to the City’s existing irrigation demands being met, Valero shall have the exclusive right up to three (3) mgd of Recycled Water produced at the GWWTP. The term “deliver” shall mean and require all commercially reasonable efforts to assure that the quality

and quantities of Recycled Water provided for in this Agreement are available to Valero at the Delivery Point (as that term is defined in Section III.A. of this Agreement) pursuant to the terms of this Agreement. For purposes of this Agreement, the quantity of Recycled Water delivered shall be that as measured by the City at the Delivery Point. The source of the Recycled Water will be the GWWTP and may also include Recycled Water transported to GWWTP from the Oso Wastewater Treatment Plant (“Oso WWTP”); however, the City may, at its option and sole discretion, substitute or include water from sources other than the GWWTP such as the Oso Wastewater Treatment Plant in order to perform its obligations hereunder, if such water otherwise meets the quantity and quality requirements of this Agreement. Notwithstanding any other provision in this Agreement, the City has no obligation or liability whatsoever to make up for any insufficiency in the quality or quantity of Recycled Water it is able to provide to Valero when using commercially reasonable efforts and Valero has no obligation or liability whatsoever to take or pay for any Recycled Water not made available by the City and/or not meeting the quality requirements set forth in this Agreement.

B. Delivery Quantities. The Parties understand and agree that Valero may, in its sole discretion, elect not to take delivery of Recycled Water. Valero shall provide ten (10) days written notice to the City if Valero elects to not take delivery or to suspend delivery of Recycled Water. If Valero elects to take delivery of Recycled Water, then on or before the 20th day of each month, Valero shall notify the City of the amount of Recycled Water the City shall deliver to Valero the following month and the delivery schedule for such Recycled Water. The City shall deliver such amounts to Valero in accordance with the notifications. In addition to other remedies provided by this Agreement, if the City fails to provide the required quantity and quality of Recycled Water, Valero need not make the payment for that month and Valero shall have no obligation to make further payments until water is being provided in the required quality and quantity. The City acknowledges and agrees that Valero may transfer the Recycled Water to affiliated entities and/or third parties for use in Valero’s refinery operations at terms solely within Valero’s discretion. If the City knows that it will be unable to deliver the required quantities of Recycled Water or an alternate supply, then the City shall provide Valero with no less than ten (10) business days written notice; provided however, that if maintenance is required to be scheduled and conducted on less than 10 business days notice, then the City shall give Valero immediate verbal notice and written notice as soon as practicable.

C. Right to Additional Recycled Water. The Parties acknowledge that Valero intends to increase its maximum daily delivery amount to 8 mgd (“Phase II Quantity”) upon completion of necessary infrastructure. The City shall use commercially reasonable efforts to make the Phase II Quantity available within 5 years of the Effective Date. If the Phase II Quantity is not available within such five-year period, Valero shall be entitled to a monthly credit, applied to its Monthly Payments, equal to a prorated portion of Valero’s capital costs allocated over the remaining term of this Agreement (Prorated Monthly Credit = Total Capital Costs/180 months), not to exceed an aggregate total of \$5 million. Such credits shall accrue only until the earlier of (a) the date the Phase II Quantity becomes available for delivery and Valero commences taking such quantity, or (b) the date the \$5,000,000 aggregate cap is reached. Upon commencement of delivery of the Phase II Quantity, no further credits shall apply. As used in this Agreement, “available for delivery” means that (a) construction and installation of all infrastructure necessary to deliver Recycled Water under this Agreement has been completed, and (b) Recycled Water meeting the quantity

and quality specifications set forth in this Agreement can be delivered to the delivery point(s) designated herein.

D. Metering.

1. The Parties agree that metering facilities are necessary to measure the quantities of the flow of all Recycled Water delivered to Valero.
2. Valero shall install a flow meter at the Delivery Point (the “Delivery Point Meter”). The flow meter at the Delivery Point shall be owned solely by Valero. The City shall install a meter at the GWWTP at the point at which the Recycled Water enters the pipeline delivery system for delivery to the Valero refineries (the “GWWTP Delivery Meter”). The City shall install a meter for the GWWTP discharge to measure the City’s discharge (the “GWWTP Discharge Meter”). The City shall be responsible for the maintenance and repair of all City metering facilities required by this Agreement. The City shall permit Valero’s employees or agents to enter upon the City’s premises at reasonable times for the purpose of reading, inspecting or testing the accuracy of the metering equipment.
3. The City shall inspect, test, and calibrate the metering facilities at least once a year and any inaccuracy discovered by such test shall be promptly corrected by the City. Valero shall provide the City access to the Delivery Point at reasonable times to conduct the necessary inspections, testing, and calibrations of the metering facilities. Either Party shall have the right to have any meter tested at any time at its expense. An authorized representative of each Party shall be afforded a reasonable opportunity to be present at all meter inspections and tests. If at any time a meter is found inaccurate by more than 2%, an adjustment shall be made to compensate for the effect of such inaccuracy back to the last meter calibration. For example, if the meter is determined to be reading high by 5%, then the metered amount shall be adjusted down by 5% back to the last meter calibration, unless the Parties agree on a different period based on available data evidencing when the meter’s accuracy changed.
4. If at any time a meter should fail to register or its registration should be so erratic as to be meaningless, the quantities such meter was intended to record shall be determined first by difference or balance, if possible, or if not, based on the previous representative monthly average usage per day for the pertinent meter. The Parties may also make metering and measurement adjustments based on a mutually agreed upon methodology.

III. Delivery and Warranty of Title

A. Delivery. The City shall deliver to Valero the Recycled Water sold by the City under this Agreement, at the meter to be located at one of the Valero Corpus Christi Refineries (the “Delivery Point”). See Exhibit 1 hereto for the location of the metering station. Title to such Recycled Water shall pass to Valero at the Delivery Point.

B. Warranty of Title. The City warrants full, clear and complete title to all Recycled Water delivered and conveyed by the City hereunder. In the event that (a) the pendency of any unresolved

proceeding involving issues of title significantly impairs Valero's use of Recycled Water under this Agreement, or (b) there is a nonappealable Order or Judgment that the City does not have full, clear and complete title, then, in addition to any other remedies Valero may have under this Agreement, at law or in equity, Valero need make no further payments under this Agreement.

IV. Cost.

A. Monthly Payments. Except to the extent limited or provided elsewhere in this Agreement, Valero shall make payments to the City for Recycled Water as follows: (i) Valero shall make a payment each month ("Monthly Payment") to the City for Valero's metered usage of Recycled Water, as measured at the Delivery Point. For Recycled Water as measured at the Delivery Point, Valero will pay at the City's then-current raw water cost adjustment rate established by City ordinance pursuant to Section 55-50(b)(17) of the City Code, as amended from time to time, together with any applicable changes required by law, together with any applicable raw water supply development fee and other charges required by law, as such rates and fees may be amended from time to time and incorporated into the approved rate base for residential and industrial users. The parties acknowledge and agree that these rates and fees are established by ordinance and apply uniformly to all customers except as expressly exempted by ordinance. In addition to the applicable water rate, Valero shall reimburse the City for (i) the actual cost of coagulant and bleach used at GWWTP and at Oso WWTP in connection with the Recycled Water delivered to Valero, and (ii) the actual costs of any mutually agreed upon treatment processes (including chemicals) or equipment utilized at GWWTP and at Oso WWTP in connection with such delivery and (iii) the actual electricity costs incurred to pump the Recycled Water to the Delivery Point. In the event of a line break or major leak, the Parties will negotiate an adjustment to the Monthly Payment expeditiously and in good faith. (ii) Prior to the availability of the Phase II Quantity (as defined below), if Valero, in its sole discretion, elects to take delivery of less than 3 mgd of Recycled Water, and provided that Recycled Water meeting the quality standards set forth in this Agreement is available for delivery, then it will pay the City at the rate described above for undelivered Recycled Water actually produced at the GWWTP, up to 3 mgd (the "Minimum Daily Delivery Amount" or the "take-or-pay quantity"). Upon the Phase II Quantity becoming available for delivery and Valero commencing receipt of such quantity, the Minimum Daily Delivery Amount and "take-or-pay quantity" shall automatically increase to 8 mgd, and Valero shall pay the City at the rate described above for any shortfall below 8 mgd, subject to the same quality requirements. (iii) Valero shall become obligated for these payments beginning on the Delivery Commencement Date. (iv) Valero shall make the Monthly Payment to the City within forty-five (45) days of the end of each month. The "Delivery Commencement Date" means the date that delivery of Recycled Water to Valero begins.

B. Reservation Fee Waiver. The Parties acknowledge that the standard reservation fee, equal to fifty percent (50%) of the take-or-pay quantity, for securing Recycled Water capacity is waived for three (3) years in full in consideration of Valero's commitment to upsize the pipeline to 24 inches, construct the 10,000,000 gallon storage tank at GWWTP, and dedicate the pipeline, tank, and associated right-of-way to the City. If the Parties mutually agree in writing to extend the construction completion deadline under Section X, the waiver period shall be extended for the same duration. The requirement to pay the standard reservation fee ceases upon construction completion of the upsized pipeline, tank, and formal dedication to the City, regardless of whether

such completion occurs after the original three-year period, provided the delay is due to circumstances permitted under Section X or agreed extensions.

C. Full and Fair Compensation. Except as otherwise expressly provided herein, all costs of operating and maintaining the GWWTP, and any treatment facilities, including chemicals and additives, required to achieve the minimum quality standards set forth in Section IX.A. of this Agreement shall be borne solely by the City. The Parties acknowledge and agree that the rates agreed to in Section IV.A., together with any future cost adjustments to the raw water cost adjustment rate as established by City ordinance, constitute full and fair compensation for Recycled Water that meets the quality requirements set forth in Section IX.A. of this Agreement. No additional charges shall be imposed on Valero for the City's compliance with its obligations under Section IX.A, except as specifically provided in Section IV.A.

D. Shared O&M Costs. Valero shall pay its pro rata share of the costs for operation and maintenance of the shared delivery infrastructure, including but not limited to the pipeline, pumps, electrical systems, and cathodic protection ("O&M Costs"). Valero's share shall be calculated based on the ratio of the volume of Recycled Water delivered to Valero through the shared infrastructure to the total volume of Recycled Water delivered through such infrastructure to all users during the applicable billing period. The City shall provide Valero with an annual itemized statement detailing total O&M costs, total volume delivered, and Valero's calculated share. Valero shall have audit rights to verify the accuracy of such calculations.

E. Reserved.

F. Valero Remedies for Non-Delivery Due to Force Majeure. If the City is unable to deliver Recycled Water, in whole or in part, due to Force Majeure, the City shall provide Valero with an alternate water supply in the same quantity and at the same quality, including potable or raw water, at the City's then-current rate for the type of water provided until Recycled Water delivery resumes.

G. Valero Remedies for Non-Delivery Due to Reasons Other Than Force Majeure. The Parties acknowledge that delivery of Recycled Water at the City's then current raw water cost adjustment rate is a material obligation of this Agreement, given Valero's substantial capital investment in infrastructure constructed for and conveyed to the City. Monetary damages alone would be inadequate to compensate Valero for the City's failure to perform. Accordingly, Valero shall be entitled to seek and obtain specific performance of the City's delivery obligations and recover all damages allowed under law resulting from such failure, without limitation to the pursuit of specific performance, after notice and opportunity to cure.

V. Effective Date and Term.

A. Effective Date. The Effective Date of this Agreement is the date upon which it is approved by the City.

B. Term. This term of this Agreement shall commence on the Effective Date and shall continue for thirty (30) years after the Delivery Commencement Date. Valero and the City shall mutually

agree in writing on the Delivery Commencement Date, which shall be the date that all facilities necessary for delivery are operational and delivery has commenced. .

C. Five Year Compliance Review. This Agreement will be reviewed by the Parties every five years after the Delivery Commencement Date and revised to be fully compliant with all TCEQ permits and regulatory requirements.

D. Mutual Extension. The Parties may mutually agree in writing to extend the term of this Agreement beyond the initial term. Any such extension shall be on terms and conditions agreed to by the Parties in good faith, including but not limited to delivery volumes, pricing, and infrastructure responsibilities.

E. Right of First Refusal. At the end of the initial term of this Agreement, and provided that the Parties have not reached agreement on an extension, if the City has received a more favorable offer for the same volume of Recycled Water from a third party, then the City shall provide Valero written notice of such third-party terms. Said notice shall be provided no less than forty-five (45) days before the expiration of the term of the Agreement. Valero shall have thirty (30) days to provide written notice to the City that it will exercise a right of first refusal. If Valero will meet the Recycled Water price terms of the third-party offer, then the Parties shall negotiate the terms of a new Recycled Water delivery agreement in good faith.

VI. Compliance with the Law.

A. Valero. Valero agrees to use Recycled Water as authorized by applicable laws. Valero further agrees that Recycled Water shall not be used for potable water purposes, including drinking, food preparation, and human consumption.

B. The City. The City shall comply with all laws and regulations applicable to its performance under this Agreement, including those governing the delivery of the Recycled Water.

C. Cooperation. Each Party will cooperate and use reasonable diligence to assist the other in meeting the requirements and obligations of the respective Parties under water and other permits necessary to perform this Agreement, including regulatory and reporting requirements. The Parties shall determine what modifications, if any, are necessary under existing permits or prior adjudications in order to carry out this Agreement.

D. Permits. The City agrees that it will take all necessary and appropriate action to the extent the same is within its control, to fulfill the requirements and obligations of the City's water permits. The City shall be responsible for obtaining all permits and approvals necessary to the performance of its obligations under this Agreement. The City shall assist and support Valero in connection with any approvals or permits sought by Valero which are not inconsistent with the City's own interests. Valero shall assist and support the City in connection with any approvals or permits sought by the City which are not inconsistent with Valero's own interests.

VII. Priority of Rights

It is understood and agreed by the parties that this Section VII does not conflict with Section 55-570, of the Code. It is understood and agreed by both Parties to this Agreement that the delivery of Recycled Water pursuant to this Agreement is of vital importance to the Corpus Christi area because the Valero Corpus Christi Refineries represents a significant economic engine for the community and its residents. Additionally, Valero is bearing a significant share of the cost for the infrastructure to deliver the Recycled Water. The City recognizes that curtailment of Valero's use of the Recycled Water during the term of this Agreement would lead to substantial harm to Valero. There shall be no restrictions on Valero's exclusive rights to the quantity of Recycled Water provided for under this Agreement. If the City is unable to deliver the full quantity of Recycled Water the City is required to deliver to Valero under this Agreement, the City shall prioritize delivery to Valero over all other Recycled Water customers or users at GWWTP, except for irrigation necessary to maintain City-owned infrastructure. The City shall not initiate new deliveries to additional Recycled Water users until such time as the deficiency is cured.

The City shall notify Valero in writing of its problems or concerns as to the ability to deliver the quantities of Recycled Water to which Valero is entitled. In the event the City makes such notification, Valero shall in good faith attempt to cooperate with the City to adjust the dates and times of delivery of Recycled Water in order to accommodate the ability of the City to supply its other users, as long as such good faith attempts to cooperate with the City do not, in Valero's sole discretion, unreasonably interfere with Valero's operations or result in increased costs to Valero.

In marketing and furnishing Recycled Water to other customers at GWWTP, the City shall make provision for the protection of Valero's exclusive rights to the quantities of Recycled Water provided for under this Agreement. The City may make and include explicit provisions with subsequent users and purchasers that their rights to Recycled Water acquired from the City are subordinate and junior to Recycled Water amounts to which Valero is entitled under this Agreement. Regardless, nothing in any such subsequent agreement shall create or confer rights that are inconsistent with Valero's priority rights as set forth herein.

Should any order of a court of competent jurisdiction, any federal, state or local laws, the rules, regulations, or orders of any federal or state agency or department, the EPA, TCEQ, or the United States Department of Justice require return or environmental flows ("Required Environmental Flows") that results in a need for the City to increase return flows or reduce the amount of surface water that the City receives or uses, the City shall curtail all other Recycled Water users or customers prior to any curtailment of the Recycled Water amounts to which Valero is entitled under this Agreement. If after the City has curtailed Recycled Water deliveries to all other Recycled Water customers or users, the City determines that it cannot comply with Required Environmental Flows, the City shall work cooperatively with Valero and all of the City's customers and users, whether for potable water, raw water, or Recycled Water, to develop a waste use and return flow plan to ensure there are adequate environmental flows considering, among other things: curtailment of nonessential residential and municipal uses, return flows from industrial users, and return flows from Recycled Water from all of the City's wastewater treatment plants. All users shall participate equitably in efforts to maintain Required Environmental Flows, including through adjustments to usage, infrastructure, or discharge practices, as reasonably necessary to comply with applicable law. In order to minimize harm to the local economy and

possible curtailment of industrial production, the plan should give preference to industrial users of Recycled Water over other uses of Recycled Water, such as for irrigation and recreational purposes.

The City agrees that the discretionary authority to discontinue service under Section 55-570 of the Code shall not override the express terms of this Agreement. Any exercise of such authority must comply with the procedural and substantive safeguards set forth in Section XII(C) of this Agreement. The Parties acknowledge that this Agreement constitutes a binding contractual obligation that supersedes general discretionary provisions of the Code to the extent permitted by law.

VIII. Priority of Rights and Drought Contingency.

This Section VIII supplements and does not limit the priority provisions set forth in Section VII.

A. Priority of Valero's Rights. The City recognizes that curtailment of Valero's use of the Recycled Water during the Term would lead to substantial harm to Valero. Except as provided in this Section, there shall be no restrictions on Valero's rights to the quantity of Recycled Water provided for under this Agreement.

B. Cooperation. The City shall notify Valero in writing of its problems or concerns as to the ability to deliver the quantities of Recycled Water to which Valero is entitled. In the event the City makes such notification, Valero shall cooperate with the City to adjust the dates and times of delivery of Recycled Water; provided, however, that Valero shall not be required to take any action which it determines not to be in the best interests of the operation of the refinery.

C. Reserved.

D. Water Use Restrictions. The City recognizes that having water users opt to use Recycled Water rather than raw or potable water reduces demand for the City's raw and potable water supplies. This reduced need for raw and potable water not only increases the availability of raw and potable water for other users but substitutes a supply that will be available without regard to drought or weather conditions. In recognition of the benefits attributable to Valero's use of treated wastewater, the City agrees that should the City opt to implement treated water use restrictions pursuant to the City's drought contingency plan, or similar water use reduction plan, Valero's use of Recycled Water shall, to the fullest extent permitted by law, be exempt from any such reductions.

IX. Quality.

A. State Standards. The City shall deliver Recycled Water that meets the quality requirements specified in its then-current permits for the delivery of Recycled Water, and at no time shall such water be of less than Type II quality as defined by the TCEQ at the time of delivery. If federal, state, or local laws, regulations, or permit conditions impose more stringent contaminant limits or other quality requirements for Recycled Water after the Effective Date, the City shall comply with such requirements, and those standards shall automatically become the applicable quality

requirements under this Agreement, all subject to City receipt of an updated permit from the TCEQ imposing such requirements.

B. Additional Industrial Quality Assurances. The City agrees, through operation of the GWWTP and Oso WWTP and additional treatment for phosphates using chemicals and equipment approved by and paid for by Valero, to use commercially reasonable efforts to provide Recycled Water with concentrations of the following parameters intended not to exceed the concentration listed below in (mg/l):

Parameter	Concentration (mg/l)
Phosphate phosphorus (PO ₄ – P)	<2.0
Turbidity	<5.0
Free Chlorine	0.5-3.0

These concentrations are performance targets and do not constitute guaranteed levels. Failure to meet these targets shall not constitute a breach, provided the City continues to meet the minimum Type II quality standard. All costs of chemicals, equipment, and treatments necessary in order to meet these additional performance targets shall be paid by Valero. If the City is unable to meet these targets due to changes in influent water quality, the Parties shall cooperate in good faith to identify and implement an appropriate remedy, with all associated costs borne by Valero.

C. Sampling.

1. City. The City shall perform sampling solely as required to comply with its permit obligations and shall share all resulting sampling data with Valero. No additional sampling shall be required.
2. Valero. Valero reserves the right to conduct its own sampling of the quality of the Recycled Water. For sampling conducted to determine compliance with the quality standards set forth in this Agreement (“Compliance Sampling”), samples will be collected and preserved in a reasonable manner generally accepted in the industry. The Compliance Sample shall be analyzed by Valero at Valero’s cost. If Valero’s sampling results differ significantly from the City’s reported results under Section IX.C.1., the Parties shall promptly meet and confer in good faith to review the data, cooperate in investigating the discrepancy, and work together to develop and implement an appropriate resolution.

D. Suspension of Service. If the City is unable to provide Recycled Water that meets the quality requirements of Section IX. A. of this Agreement or an alternate supply that meets the quality requirements of Section IX. A. of this Agreement for any length of time, Valero has the right to require the City to suspend delivery of Recycled Water until such time as the City can deliver Recycled Water or an alternate supply that meets the quality requirements of Section IX. A. of this Agreement. Valero shall have no obligation to pay the Monthly Payment for the period of time that the City is unable to deliver Recycled Water or an alternate supply that meets the quality requirements set forth in Section IX. A. of this Agreement.

E. Alternate Supply. The City will provide Recycled Water which meets the quality requirements set forth in Sections IX.A. of this Agreement; however, if necessary to perform its obligations under this Agreement, the City may substitute water from sources other than the GWWTP, if such water otherwise meets the quantity and quality requirements of this Agreement. Such alternate supply shall be provided at the City's then-current rate for the type of water delivered (potable or raw), and Valero shall have no obligation to accept water that does not meet the minimum Type II quality standard.

F. Cooperation. The Parties will cooperate with each other in the development of the contingency plan required by 30 TAC, Chapter 210 for the remedy of system failures, unauthorized discharges, or upsets. The contingency plan will include, among other things, measures to prevent the suspension of delivery of Recycled Water to Valero.

X. Construction and Maintenance of Recycled Water Delivery System

A. ROW Acquisition and Construction Period. The delivery and receipt of Recycled Water under this Agreement is pre-conditioned upon: (i) obtaining from the City and all relevant third parties real estate rights sufficient to install the new pipeline and other infrastructure, and (ii) obtaining all necessary permits to construct and operate the infrastructure necessary for the delivery of Recycled Water (“Real Estate Rights Acquisition” or “RERA”). If the RERA is not completed by the first anniversary of the Effective Date (the “Real Estate Rights Acquisition Deadline” or “RERA Deadline”), then this Agreement shall terminate as of the RERA Deadline unless the Parties have mutually agreed to extend the RERA Deadline in writing; provided, however, that if either party requests an extension of the RERA Deadline, the other party shall not unreasonably withhold, condition, or delay its consent to such extension. Construction of the pipeline and related infrastructure shall be completed no later than the later of (a) two years after the RERA Deadline or (b) three years after the Effective Date, unless the Parties have mutually agreed to extend these dates in writing. Construction of the 10,000,000 gallon storage tank shall be completed within the same timeframe applicable to pipeline and infrastructure completion, subject to any mutually agreed extensions under this Section.

B. Valero’s Acquisition of Rights. Valero will use commercially reasonable efforts to achieve the RERA before the RERA Deadline. The RERA will be at Valero’s sole cost. If Valero determines that it will not be possible to acquire the real estate rights for the new pipeline and infrastructure, it shall have the right to terminate this Agreement upon written notice to the City prior to the RERA Deadline.

C. Progress Updates, Design Commencement, and Termination Obligations. (1) Progress Updates and Design Commencement. Valero shall (a) keep the City reasonably apprised of its progress in obtaining all necessary rights-of-way, easements, and other real estate rights required for construction of the delivery infrastructure, including periodic written updates upon reasonable request by the City; and (b) commence design of the 10,000,000-gallon storage tank immediately upon execution of this Agreement, and diligently pursue completion in accordance with this Section X. (2) Termination by Valero for Convenience. If Valero elects to terminate this Agreement for any reason other than termination pursuant to Section XII.A.1–3, Valero shall: (a) pay the City a termination fee equal to \$54,750 per month for each month,

full or partial, from the Effective Date through the effective date of termination; and (b) deliver to the City, at no additional cost, all engineering work product completed as of the termination date, including but not limited to drawings, designs, and specifications for the storage tank and related infrastructure. (3) Clarification of Applicability. The obligations set forth in this subsection, including payment of the termination fee and delivery of engineering work product, shall apply only if Valero elects to terminate this Agreement for convenience or fails to acquire the permits, easement, rights of ways, or other property or facilities necessary for the construction of the facilities as contemplated in Section X.J. **These obligations shall not apply to any termination by Valero under Section XII.A.1-3 (failure to deliver, material breach, or City insolvency) or any termination by the City. However, notwithstanding the foregoing sentence, these obligations shall apply if the City terminates this Agreement pursuant to Section X.J due to construction of the infrastructure not commencing within five (5) years from the Effective Date.**

D. Permits. The City shall apply for and Valero shall assist in obtaining such permits from appropriate entities and agencies, including without limitation the Texas Commission on Environmental Quality (TCEQ), as may be necessary for construction of the delivery facilities more particularly described in Exhibit 2. The cost of permits and any applications for the delivery of Recycled Water pursuant to this Agreement, if any, shall be reimbursed by Valero. The City shall assist and support Valero in connection with any approvals or permits sought by Valero which are not inconsistent with the City's interests, including any approvals or permits required by the Texas Department of Transportation (TxDOT). Valero shall assist and support the City in connection with any approvals or permits sought by the City which are not inconsistent with Valero's own interests. All direct, out-of-pocket costs incurred by the City in connection with the foregoing shall be reimbursed by Valero, including the reasonable fees of any professional consulting services provided for the City.

E. Design and Construction of Infrastructure. Valero shall be responsible for the design and construction, in consultation with the City, of the infrastructure for delivery of Recycled Water to Valero, as more particularly described in Exhibit 2. Once constructed, the City shall own, operate and maintain the infrastructure up to the Delivery Point. The infrastructure shall be designed and constructed in accordance with any applicable laws, rules, regulations and ordinances and in a recognized and generally accepted good engineering and workmanlike manner and with the same degree of care, skill and diligence as is customary in the industry for similar jobs or projects. Once Valero completes the RERA, it will diligently pursue the construction of all infrastructure, at its sole cost and expense, and it will provide at least 30 days' notice prior to the anticipated infrastructure completion date. Valero shall provide a dedicated Recycled Water delivery main where the pipeline connects to Valero's onsite storage and/or process equipment at the Refinery. All equipment at the Refinery connecting into the pipeline will comply with all applicable laws relating to cross connections and backflow, including but not limited to 30 TAC Chapter 210. The City shall grant Valero, its employees, agents, representatives, and contractors reasonable access to all City-owned or controlled property, licenses, easements, and rights-of-way as necessary for Valero to perform its obligations under this Agreement, including but not limited to the design, construction, installation, modification of existing equipment, inspection, maintenance, and operation of delivery infrastructure. Such access shall be provided at no cost to Valero and shall include the right to enter upon such property at reasonable times and upon reasonable notice, subject to

applicable safety and security protocols. The City shall cooperate in good faith to facilitate timely access and shall not unreasonably withhold, condition, or delay such access.

F. City Review. The City shall be entitled to review, approve and inspect the design and construction of all infrastructure for compliance with applicable City ordinances and for the purpose of finding it acceptable for purposes of assuming the operation and maintenance of same, such approval not to be unreasonably withheld, conditioned or delayed. Valero's design and construction activities shall at all times, and upon reasonable advance notice, be available to City for inspection; provided, that City shall have no obligation to inspect except as may be its obligation according to otherwise applicable laws or permits.

G. Reimbursement by Valero for City Expenses. Valero will reimburse the City as provided in this Agreement, as and when invoiced by the City. Such payment for charges approved in invoices by Valero shall occur within thirty (30) calendar days after such invoice is received by Valero. If Valero determines that any such charges are not agreed upon, Valero shall provide to the City a reasonably detailed explanation within ten (10) calendar days of having received the related invoice as to such determination. However, Valero shall pay the portion of the invoice not in question within the agreed time. The Parties will seek to resolve all such disputes expeditiously and in good faith.

H. Transfer of Ownership. Upon completion of construction of the pipeline and all associated delivery infrastructure necessary to convey Recycled Water from the GWWTP to the Valero Corpus Christi Refineries, including but not limited to 10,000,000 gallon storage tank, pumps, flow equalization tanks, electrical systems, pipeline and cathodic protection systems, Valero shall transfer ownership of such infrastructure to the City. For purposes of this Agreement, "completion of construction" means that all infrastructure necessary to deliver Recycled Water under this Agreement has been installed and successfully passed all required commissioning activities, including piping hydrostatic tests, valve actuation tests, and motor function tests. Prior to transfer of ownership of the conveyed infrastructure to the City, Valero shall verify that the system is capable of delivering Recycled Water to the Delivery Point. The transfer shall include all associated real property interests, including easements and rights-of-way acquired by Valero for the purpose of constructing and operating the delivery infrastructure. Valero shall execute all necessary instruments of conveyance, including deeds, easement assignments, and bills of sale, in a form reasonably acceptable to the City, to effectuate the transfer of ownership and property rights. **For clarity, nothing in this Agreement shall be construed to transfer ownership, control, or any property interest in infrastructure located beyond the Delivery Point, including any facilities, pipelines, or systems located within the Valero Corpus Christi Refineries.** Upon transfer, the City shall assume full responsibility for the operation, maintenance, and repair of the infrastructure in accordance with the standards set forth in this Agreement. **Upon transfer of ownership of the pipeline, storage tank, and all other infrastructure conveyed to the City under this Agreement (collectively, the "Conveyed Infrastructure"), such Conveyed Infrastructure shall be delivered AS IS, WHERE IS, WITH ALL FAULTS, and without any representation or warranty of any kind, express or implied, including any warranty of condition, fitness for a particular purpose, or merchantability.** The City acknowledges and agrees that Valero, its parent companies, subsidiaries, affiliates, successors, assigns, and their respective officers, directors, employees, and agents (collectively, the "Valero Released

Parties") shall have no liability or obligation whatsoever for any claims, demands, damages, losses, liabilities, costs, or expenses (including attorneys' fees) arising out of or related to the ownership, operation, maintenance, repair, replacement, or failure of the Conveyed Infrastructure after the transfer of ownership. The City hereby releases, acquires, and forever discharges the Valero Released Parties from any and all such claims, whether known or unknown, contingent or fixed, in law or equity, that may arise after the transfer date, except for claims arising from fraud or intentional misconduct by Valero prior to the transfer.

- I. Operation and Maintenance Standards.* The City shall operate and maintain all delivery infrastructure, including but not limited to the pipeline, pumps, electrical systems, and cathodic protection systems, in a manner consistent with Good Utility Practice. For purposes of this Agreement, "Good Utility Practice" means any of the practices, methods, and acts engaged in or approved by a significant portion of the water utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. The City shall perform routine inspections, preventative maintenance, and timely repairs to ensure reliable delivery of Recycled Water in the quality and quantity required under this Agreement. The City shall maintain records of all maintenance activities and make such records available to Valero upon reasonable request.
- J. Termination.* If either Party is unable to obtain any of the permits, easement, rights of ways, or other property or facilities necessary for the construction of the facilities contemplated in this Agreement or to operate as required to perform the obligations of this Agreement by the RERA Deadline the Agreement may be voided by either Party upon not less than sixty (60) days written notice. Further, if for any reason construction of the infrastructure does not commence within five (5) years from the Effective Date, the Agreement may be terminated by either Party upon not less than sixty (60) days written notice.

XI. Audit

Each Party to this Agreement shall have the right at all reasonable times to examine, at its expense, the books and records of the other Party to the extent necessary to verify the accuracy of any statement, charge, computation or demand made under or pursuant to this Agreement, to verify the quality of water delivered to Valero pursuant to this Agreement, to verify the price charged to other City customers, to verify the Recycled Water production of the GWWTP, or the quantities of Recycled Water delivered or discharged under this Agreement or the amount of Recycled Water provided by the City among its customers, or with regard to the performance of any other duty or obligation of either Party related to this Agreement. Valero's and the City's books shall be retained and available for examination for as long as necessary to make any adjustments or corrections provided herein. Any statement shall be final as to both parties unless questioned within three (3) years after the statement has been provided.

XII. Termination of Service.

A. Valero.

1. **Amount and Quality of Water.** Valero may terminate this Agreement by giving the City ninety (90) days written notice of intent to terminate the Agreement based on either a failure to deliver Recycled Water or alternate supply in the amounts required by this Agreement for thirty (30) days or for the inability to deliver Recycled Water that meets the quality requirements of this Agreement for thirty (30) days.
2. **Material Breach.** Valero may terminate this Agreement for a material breach of the Agreement by the City provided Valero has provided the City with ninety (90) days written notice and an opportunity to cure the alleged breach within the 90-day notice period. Examples of a material breach include, but are not limited to: (1) the City fails to maintain the facilities as set forth in Section XI.B.1 and (2) the City fails to comply with the terms of Section VII.
3. **Insolvency.** If the City becomes insolvent, enters bankruptcy, receivership or other like proceeding (voluntarily or involuntarily), or makes an assignment for the benefit of creditors, Valero shall have the right, in addition to any other rights it may have hereunder or by law, to terminate this Agreement by giving the City written notice; whereupon Valero shall be relieved of all further obligations hereunder, except to pay the reasonable value of the City's prior performance, but not more than the Agreement price.
4. **Refinery Closure.** If Valero decides, in its sole discretion, to close either or both of its Corpus Christi refineries, then upon six months' notice, Valero shall have the right to terminate this Agreement. At the end of the six-month notice period, Valero shall have no further obligation to pay for Recycled Water.

B. City. Notwithstanding Sections 55-570(a) – (c) of the Code, the City may only terminate this Agreement or suspend delivery of Recycled Water pursuant to the terms of this Agreement. The Parties understand and agree that the items enumerated in Section 55-570(c) of the Code do not each represent material breaches of this Agreement. For example, a violation of the terms of this Agreement does not provide the City the right to terminate this Agreement or suspend delivery of Recycled Water unless the violated term is a material term. The Parties understand and agree that the following paragraphs of Section 55.570(c) constitute a material breach of this Agreement: (1) paragraph (c)(4) relating to cross-connection of Recycled Water to potable water sources and (2) paragraph (c)(2) relating to nonpayment of water bills. In the event Valero fails to timely pay for Recycled Water, the City may interrupt service under this Agreement or terminate this Agreement following sixty (60) calendar days written notice to Valero and an opportunity to cure by Valero paying uncontested amounts within the 60-day notice period. Valero has the right to dispute invoices and this Agreement may not be terminated and neither will service be interrupted for failing to pay an amount contested in good faith. In the event of any other material breach of this Agreement by Valero, the City may terminate this Agreement or interrupt service provided the City has provided Valero with ninety (90) days written notice and an opportunity to cure the alleged breach within the 90-day notice period.

C. *Limitations on City's Right to Discontinue Service.* Notwithstanding anything in Section 55-570 of the Code or any other provision of law, rule, or regulation, the City agrees that it shall not discontinue or suspend delivery of Recycled Water to Valero except as expressly permitted under this Agreement. The Parties acknowledge and agree that the discretionary authority granted to the City under Section 55-570(a) and (b) of the Code shall not apply to Valero's service under this Agreement unless and until the City has: (i) provided Valero with written notice detailing the specific legal basis for discontinuance, including citation to the applicable law, rule, regulation, or order; (ii) demonstrated that all other Recycled Water users have been curtailed or suspended prior to any curtailment of Valero's service; (iii) engaged in good faith consultation with Valero to explore alternatives to discontinuance, including adjustments to delivery schedules, alternate sources, or infrastructure modifications; (iv) provided Valero with a minimum of ninety (90) days written notice prior to any proposed discontinuance, unless immediate suspension is required by law and cannot be avoided through reasonable mitigation efforts. The City further agrees that any determination under Section 55-570(b) shall be made in consultation with Valero and supported by written findings from the City Manager, including an explanation of why continued service to Valero would compromise the City's legal compliance and why no alternative exists.

XIII. Force Majeure

Each Party shall be excused from performance (except for payment obligations), and shall incur no liability for any loss or damage due to any delay or failure to perform its obligations under this Agreement when caused by occurrences beyond the reasonable control of such Party, to include, but not be limited to, acts of governmental authority (other than those of a Party to this Agreement), acts of God (including, without limitation, unusually severe weather conditions, but excluding reasonably foreseeable weather conditions); strikes or other concerted acts of workmen; unavailability of labor or materials; failure or breakdown of equipment arising from causes beyond a Party's reasonable control (and expressly excluding breakdown caused by improper maintenance or operation); fires and explosions (except to the extent caused by the negligence of a Party or those under its control); riots; war; rebellion and sabotage (each of the foregoing, an event of "Force Majeure."

A Party seeking to be excused from performance hereunder due to the occurrence of a Force Majeure event must notify the other Party orally or by facsimile or email as soon as reasonably possible (but in all events within five business days) after the occurrence of the Force Majeure event, with a separate formal notice to follow within a reasonable time in accordance with the notice provisions hereof, specifying the nature and extent of the Force Majeure event, the anticipated duration of such Party's inability to fully perform hereunder as a result of such Force Majeure event, and the efforts such Party is undertaking to mitigate the impact of the Force Majeure event. A Party whose performance hereunder is impacted by a Force Majeure event must undertake diligent efforts to minimize the impact of such Force Majeure event on its performance.

The Parties agree that the City shall not be entitled to claim Force Majeure based on any ordinance, resolution, administrative action, or other act initiated or adopted by the City or its governing body, unless such action is mandated by a state or federal authority having jurisdiction and is not within the City's control and is not something advocated for by the City. The City further agrees that it

shall not take any legislative or administrative action that would impair its ability to perform under this Agreement without first consulting with Valero and exploring all reasonable alternatives to avoid such impairment.

XIV. Notices

Any notice provided for in this Agreement and any other notice, demand or communication which any Party may wish to send to any other Party relating to the subject matter of this Agreement shall be in writing and either delivered by recognized national overnight courier delivery service such as Federal Express, UPS or DHL, hand-delivered, or sent by regular U.S. postage prepaid, and addressed to the Party for which such notice, demand, or communication is intended at such Party's address as provided below.

If to Valero: Valero Refining – Texas, L.P.
1147 Cantwell Lane
Corpus Christi, TX 78407-1001
Attn: Health Safety & Environmental Director
Telephone: 361-289-3328
Facsimile: 361-289-3126

If to the City: City of Corpus Christi
P.O. Box 9277
Corpus Christi, TX 78469-9277
Attn. Director of Wastewater Operations
Telephone: (361) 857-1800

Any Party may change its address for notice hereunder to any other address by giving written notice of such new address to the other Party in accordance with this Section. Any notice, demand, or other communication shall be in English, and shall be deemed given and effective as of the date of delivery. The inability to deliver because of a changed address of which proper notice was not given, or rejection or other refusal to accept any notice, demand or other communication, shall be deemed to be the receipt of the applicable notice, demand or other communication as of the date of such inability to deliver or rejection or refusal to accept.

The effective date of the notice shall be the date it is received by the addressee or the office of the addressee, whichever is earlier.

XV. Miscellaneous Provisions

A. Complete Agreement. This Agreement embodies the entire agreement between the Parties hereto relating to the subject matter hereof, and supersedes and replaces in their entirety all prior understandings and agreements relating to the subject matter hereof.

B. Severability. Should any provision of this Agreement or portion hereof be declared invalid, void or unenforceable, it shall not affect the validity or enforcement of the remaining provisions or portion hereof which shall remain in full force and effect as if the Agreement had been executed without such invalid, void or unenforceable provision or portion hereof having been included.

C. Assignment. The City may not assign the Agreement without the written consent of Valero. Valero may assign the Agreement to any party that is acquiring all or substantially all of either or both of the Valero Corpus Christi Refineries. In the event that the City outsources or privatizes operation of its wastewater treatment facilities, the City shall advise, in writing, to such proposed third-party operator or owner of the facilities of the existence of this Agreement and the City shall require any such operator or owner to agree to assume all of the City's rights and obligations under this Agreement.

D. Modification and Waiver. This Agreement may not be modified or amended except by an instrument in writing duly executed by both Parties. Either Party hereto may, by an instrument in writing, waive compliance with or breach of any term or provision of the Agreement by the other Party. The waiver by any Party hereto of compliance with or breach of any term or provision of the Agreement shall not be construed as a waiver of subsequent compliance or of any subsequent breach.

E. Authority. Each person executing the Agreement represents that he or she has been duly authorized to do so by the Party on whose behalf he or she is signing, and that in so doing he or she shall bind such Party to all of the terms hereof.

F. Counterparts. The Parties may execute this Agreement in identical multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but a single instrument.

G. Review. Each Party hereto acknowledges that it had ample opportunity to review this Agreement with an attorney of its choice prior to execution, and that it fully understands all of the terms and provisions hereof. Accordingly, both Parties waive the application of any rule or principle of law which would require any provision of this Agreement to be interpreted in the light most favorable to the non-drafting Party or in the light least favorable to the drafting Party.

H. Choice of Law; Dispute Resolution. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas (excluding any conflicts of law principles thereof) and applicable federal laws. Prior to initiating any lawsuit, legal action, or other formal proceeding arising out of or relating to this Agreement (each, a "Dispute"), excluding actions seeking injunctive or other equitable relief, the Parties shall first attempt to resolve the Dispute through good faith discussions between senior executives of each Party. Such meeting shall occur within thirty (30) days after written notice of the Dispute is provided by one Party to the other, unless otherwise agreed. The meeting may be held in person or by video conference. If the Dispute is not resolved through executive discussions, then the Parties agree that the Dispute shall be exclusively brought in a business court that is nearest in geographical proximity to Corpus Christi, Texas (the "Business Court"), if the Dispute meets the jurisdictional requirements of such Business Court and that Business Court is accepting new case filings. If the Dispute does not meet the jurisdictional requirements of that Business Court or the Business Court is not accepting new case filings, then the Dispute must be brought in a Texas state district court or federal district court of Nueces County, Texas. If only some claims of the Parties giving rise to a Dispute are subject to the jurisdiction of the Business Court, the Parties agree that any other claims that form part of the same

case or controversy shall also be brought in the Business Court under the Business Court's authority to exercise supplemental jurisdiction over such claims.

[Signatures of the Parties on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective upon signature by the City's authorized representative identified below.

VALERO:

VALERO REFINING – TEXAS, L.P., BY
VALERO TEJAS COMPANY LLC, ITS
GENERAL PARTNER

By: _____

Name: R. Lane Riggs

Title: CEO and President

Date: _____

CITY:

CITY OF CORPUS CHRISTI

By: _____

Name: Peter Zanoni

Title: City Manager

Date: _____

EXHIBIT 1

Planned Delivery Flow Meter Location



EXHIBIT 2

Greenwood Wastewater Treatment Plant Infrastructure

- Coagulant storage and injection system for Phosphate phosphorus ($\text{PO}_4 - \text{P}$) precipitation targeting $< 2 \text{ mg/l}$ residual in the effluent
- Flocculant injection ahead of existing WWTP filters to improve suspended solids removal (under evaluation)
- Repair/revamp of existing WWTP effluent filters as needed
- Bleach storage and injection system for supplemental disinfection and NH_3 removal
- 10,000,000 gallon storage tank
- Sump pumps (size To Be Determined (TBD)) from effluent sump (new or existing modified as needed)
- Piping (size TBD) from sump pumps to new 10,000,000 gallon storage tank
- Pipeline pump station (size TBD) from storage tank to pipeline
- Electrical system upgrades as needed to supply electric power to sump and pipeline pump stations

Pipeline between Greenwood WWTP and the Valero Corpus Christi Refinery West Plant

- Approximately 9-mile buried pipeline sized at 24 inches diameter to convey up to 18,000,000 gallons per day of effluent to the Valero Corpus Christi Refinery West Plant property line. The preliminary pipeline routing is provided below.
- 24-inch tie point outside but in proximity to the Valero property line for future connections
- Custody metering facility at the Valero refinery

