

Resiliency Initiative

Steven M. Clouse

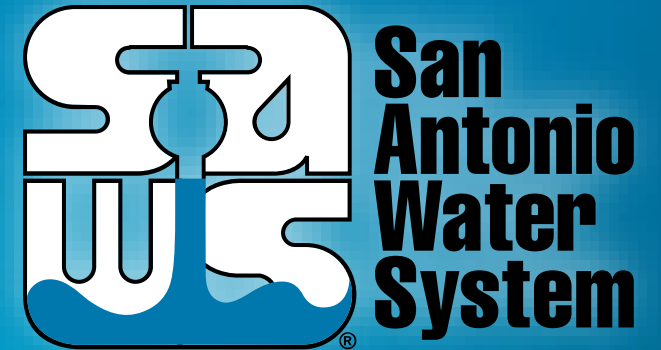
Senior Vice President & Chief Operating Officer

Jonathan Tijerina

Vice President – Enterprise Risk & Development

Joint Board Meeting – CPSE and SAWS

September 21, 2022



MAKING SAN ANTONIO
WATERFUL



SB3 Implementation

- In response to Winter Storm Uri, the legislature passed SB3 which requires retail water utilities to submit and Emergency Power Plan (EPP) to the TCEQ.
- The EPP requires SAWWS to provide at least 20 psi across their service areas after a 24-hour power outage.
- SB3 provided several options that utilities could use to achieve compliance
- The specific information within the plan represents significant security risks and is therefore not made publicly available.

SAWS Emergency Power Plan

- Identified back-up generators for water production and transmission facilities
- Total EPP cost currently estimated at ~\$202M
- The plan allows for certain facilities to be capable of distributed generation
- Distributed generation can provide benefits to CPS Energy and SAWS

CPS Energy and SAWS Collaboration

CPS Energy provided input to assist SAWS in establishing specifications and site designs

SAWS will procure and install the generators

- Anticipated total capital cost for the acquisition and installation is ~\$97M

CPS Energy will operate and maintain the generators

- Providing SAWS resiliency service - electricity when there is an CPSE system outage
- Allows CPSE to operate the generators at any other time that CPSE deems beneficial

Term and Schedule

- 20-year term for each facility once it comes on-line
 - At the end of the term, the parties will cooperate to transfer any agreements to SAWS that it needs to continue to maintain and operate the generators
- SAWS and CPS Energy will develop a mutually acceptable milestone schedule so that SAWS can comply with SB3
 - SAWS already issued procurement for generators
 - included 20-year maintenance contract from OEM
 - 10-year “bumper to bumper” warranty
 - generator purchase contract will be assigned to the construction contractor
- Production station designs are currently underway

Benefits and Responsibilities

SAWS

- Generator purchase and all SAWS' Site construction
- Obtain Air, Spill Prevention and other permits
- Upgrade CPSE's electric extensions
- Shared fiber extension costs
- Shared O&M and administrative costs
- Pay Capital Replacements >\$50,000
- Receive Capacity Payment

BENEFITS AND COMMUNITY VALUE



- Assists SAWS in meeting its compliance obligations while mitigating the economic impact to our joint customers
- Increases power resiliency to mitigate risk of loss of water to community during adverse event
- Increased water resiliency mitigates risk of operational disruption at power plants in adverse events
- Adds distributed generation capacity

The partnership between the two utilities leverages community assets to provide added power and water resiliency and reliability for our community.

Collaboration

- Operating Committee will be formed to develop procedures for a committee to facilitate administration of the duties and obligations of the parties

Win – Win Arrangement

- Greatest public benefit for rarely used resiliency obligation
- Keeps CPS Energy in electrical business and SAWS in water business
- Keep it beneficial for community by leveraging both utilities
- CPS Energy gets: added generation capacity
- SAWS gets: satisfaction of compliance obligation at lowest cost to shared customers
- San Antonio gets: utilities that are working together to avoid service disruptions and minimize overall costs

Recommendation

- SAWS staff recommends approval of the Resiliency (Tolling) Agreement with CPS Energy

REQUEST FOR APPROVAL



We request your approval of the following:

- **Resolution of support for the strategic partnership with SAWS via a tolling agreement to support resiliency, reliability and community value.**

This partnership is a win for our community.

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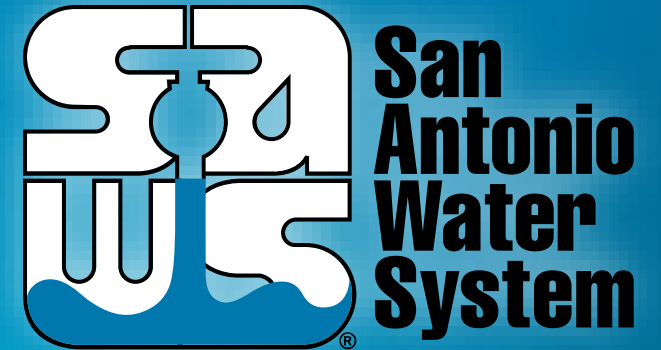
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