

AN ORDINANCE **2014-12-11-1032**

**AUTHORIZING AN E-16 RIDER PROGRAM AGREEMENT WITH SKYONIC CORPORATION (“SKYONIC”) AND RECOMMENDING SKYONIC FOR PARTICIPATION IN CPS ENERGY’S E-16 ECONOMIC INCENTIVE RATE RIDER PROGRAM.**

\* \* \* \* \*

**WHEREAS**, the City has approved a program administered by CPS Energy that provides reduced electrical rates for super-user customers meeting the criteria set out in the E-16 Economic Incentive Rider Program (the “Program”) set out in **ATTACHMENT I**; and

**WHEREAS**, the Program requires the super-user customer to agree on terms with the City in regards to a minimum full-time employment target and minimum level of purchases of parts, supplies, and/or services from businesses located within the Greater San Antonio Metropolitan Area; and

**WHEREAS**, the City and Skyonic have agreed on such terms, including the provision of 35 full-time jobs and a Small Business Program to be implemented by the company; **NOW THEREFORE:**

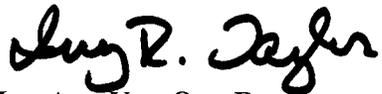
**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:**

**SECTION 1.** The City Council recommends to the CPS Energy Board of Trustees that Skyonic Corporation be approved for participation in CPS Energy’s E-16 Economic Incentive Rate Rider Program in accordance with the terms and conditions of the E-16 Rider Program Agreement (the “Agreement”) between the City and Skyonic Corporation.

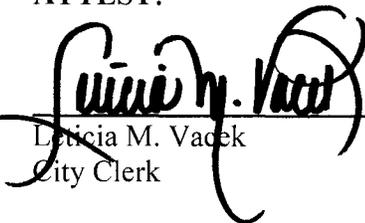
**SECTION 2.** The City Manager, or her designee, is authorized to execute said Agreement, a copy of which, in substantially final form, is set out in **ATTACHMENT II** and made a part of this Ordinance. A final copy of the Agreement shall be attached when executed.

**SECTION 3.** This Ordinance shall become effective immediately upon its passage by eight (8) votes or more and upon ten (10) days following its passage if approved by fewer than eight (8) votes.

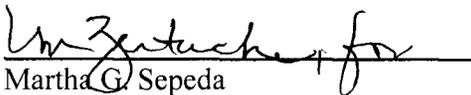
PASSED AND APPROVED this 11<sup>th</sup> day of DECEMBER 2014.

  
M A Y O R  
Ivy R. Taylor

ATTEST:

  
Leticia M. Vacek  
City Clerk

APPROVED AS TO FORM:

  
Martha G. Sepeda  
Acting City Attorney

<b>Agenda Item:</b>	35 ( in consent vote: 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20A, 20B, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36A, 36B, 37A, 37B, 38A, 38B, 39A, 39B, 41 )						
<b>Date:</b>	12/11/2014						
<b>Time:</b>	02:45:24 PM						
<b>Vote Type:</b>	Motion to Approve						
<b>Description:</b>	An Ordinance authorizing an E-16 Rider Program Agreement with Skyonic Corporation and recommending Skyonic Corporation for participation in CPS Energy's E-16 Economic Incentive Rate Rider Program. [Carlos Contreras, Assistant City Manager; Rene Dominguez, Director, Economic Development]						
<b>Result:</b>	Passed						
<b>Voter</b>	<b>Group</b>	<b>Not Present</b>	<b>Yea</b>	<b>Nay</b>	<b>Abstain</b>	<b>Motion</b>	<b>Second</b>
Ivy R. Taylor	Mayor		x				
Roberto C. Trevino	District 1	x					
Keith Toney	District 2		x				x
Rebecca Viagran	District 3		x				
Rey Saldaña	District 4		x				
Shirley Gonzales	District 5		x				
Ray Lopez	District 6		x				
Cris Medina	District 7	x					
Ron Nirenberg	District 8		x				
Joe Krier	District 9		x				
Michael Gallagher	District 10		x			x	

# **Attachment I**

# CPS Energy

## RIDER E16

### ECONOMIC INCENTIVE RIDER

**AVAILABILITY**

This rider is available only in conjunction with existing customers served under SUPER LARGE POWER SERVICE ELECTRIC RATE (SLP) or new customers eligible for service under the SLP rate or the High Load Factor (HLF) rate. The following requirements must be met:

1. The Customer must demonstrate, to the satisfaction of CPS Energy, that new load or additional load must have a minimum build out capacity of 10,000 KW at each point of delivery.
2. The Customer’s new plant or plant expansion must meet a minimum permanent full-time employment target or other workforce-related performance metric as agreed with the City of San Antonio, as applicable.
3. The Customer must demonstrate a minimum level of purchases in parts, supplies, and/or services from businesses located within the Greater San Antonio Metropolitan Area, as agreed with the City of San Antonio, as applicable.
4. Service supplied under this rider is subject to the same terms and conditions of the SLP rate or the HLF rate, except as specifically indicated in this rider, and the Customer’s Application and Agreement for Electric Service.
5. CPS Energy or the City of San Antonio may require the Customer to locate to an economic targeted area defined by the City of San Antonio.

**APPLICABILITY**

A customer shall furnish plans that demonstrate, to the satisfaction of CPS Energy, a minimum of new or additional electric load to qualify for billing discounts, as specified in the following table. Such plans shall further demonstrate that such build-out will be completed within forty-eight months of initiation of service under this rider. The customer shall further reach agreement with the City of San Antonio on employment and local business purchase commitments. The maximum number of years that the billing demand discount will apply is ten (10) continuous years beginning from the date that the rider is first applicable to the Customer.

**MONTHLY BILL**

The monthly bill will be calculated with the SLP rate or the HLF rate for the total Customer’s load, applying the following billing discount.

Billing Discount

A customer served under this rider will be eligible for a billing discount equal to a percentage reduction of demand charges for the applicable minimum electric demand as indicated in the following table.

**BILLING DEMAND DISCOUNT**

Minimum New or Additional Load KW	Contract Year			
	1st	2nd	3rd	4th
10,000+	10%	10%	N/A	N/A
15,000+	25%	25%	25%	N/A
25,000+	50%	50%	50%	50%

For each subsequent addition of 10,000 KW, as compared to the customer's maximum demand during the forty-eight months prior to receiving service under this rider, the contract term shall be subject to an extension of one year at the original discount level, subject to a total term limit of ten years. To qualify, such additional load may occur during the original term of the contract or during any extension of the contract term.

Example

As an example, if a customer achieves 25,000 kW load, the 50% Billing Demand Discount will apply for a period of four (4) years. If at the end of the four-year term the customer has an additional 40,000 kW load for a total of 65,000 kW, then the discount will continue for an additional four (4) years. If at the end of the four (4) year extension, the customer has an additional load of 20,000 kW for a total of 85,000 kW, then the discount will continue for an additional two (2) years. This example illustrates how a ten year discount period may be achieved.

Prior to any extension, Customer shall provide a statement attesting they are in good standing with any agreed to City of San Antonio economic development requirements.

**APPLICABLE ELECTRIC DEMAND**

The billing discount will be computed for the applicable electric demand determined as follows:

1. For an existing customer, the applicable electric demand will be determined as the increase in additional electric demand, as measured from summer and non-summer period average actual demands for a consecutive twelve month base period immediately preceding the month that service is requested under this rider, or as mutually agreed upon by the customer and CPS Energy.
2. For a new customer, the billing discount will be applied to all electric demand.

**PENALTY FOR NON-COMPLIANCE**

Compliance with agreed upon load, employment, and local business purchase commitments will be subject to verification by CPS Energy and the City of San Antonio. For the purpose of determination of qualification for compliance with contracted electric load additions, a customer's load will be determined as the average of the customer's four highest monthly actual electric demands. Failure to meet build-out load within forty-eight months, and employment targets or local business purchase commitments by the end of the contract period will result in customer being rebilled and liable for payment at the rate which would otherwise have been applicable.

**TERM OF ELIGIBILITY**

A customer will be eligible for economic incentive discounts under the provisions of this rider for an initial period, of up to four years, as indicated for the amount of load to be added, and subject to the customer meeting load, employment, and local business targets at full operation. The term may be extended for six additional years if the customer demonstrates additional electric load, increased employment targets, and additional purchases of local business goods or services. For such an extension period, the billing discount will be applied to the originally agreed upon base period electric demands. In any case, a customer will be eligible for this rider for a maximum period of ten years.

**OTHER PROVISIONS**

The Customer remains eligible for any other rider(s), that are applicable to the customer's load.

# **Attachment II**

**E-16 RIDER PROGRAM AGREEMENT  
BETWEEN THE CITY OF SAN ANTONIO AND SKYONIC**

This E-16 Rider Program Agreement (hereinafter referred to as this "Agreement") is made and entered into by and among the City of San Antonio (the "City"), a municipal corporation of the State of Texas, acting by and through its City Manager or her designee, and Skyonic Corporation (hereinafter referred to as "SKYONIC"), a Delaware corporation. Together, the CITY and SKYONIC may be referred to herein as the "Parties."

**WHEREAS**, SKYONIC is engaged in an economic development project consisting of the establishment of a manufacturing facility to be located at 11503 Bulverde Road, San Antonio Texas 78217, and more specifically described in **Exhibit A** (the "Project Site"), that will result in the creation of thirty-five (35) full-time jobs (the "Project") to be located at the Project Site or within a two-mile radius of the Project Site; and

**WHEREAS**, SKYONIC has requested the endorsement of the CITY to participate in CPS Energy's E-16 Rider Program (**Exhibit B**), a program designed to provide SKYONIC with a reduced energy rate for its high consumption use of energy; and

**WHEREAS**, based upon SKYONIC complying with the terms and conditions of this Agreement, the San Antonio City Council has authorized the City Manager or her designee to enter into this Agreement with SKYONIC in accordance with City Ordinance No.2014-12-11-\_\_\_\_\_, passed and approved on December 11, 2014 and upon execution of this Agreement to endorse SKYONIC for participation in CPS Energy's E-16 Economic Incentive Rider Program; **NOW THEREFORE**:

The Parties hereto severally and collectively agree, and by the execution hereof are bound, to the mutual obligations herein contained and to the performance and accomplishment of the tasks hereinafter described:

**SECTION 1. AGREEMENT PURPOSE**

The purpose of this Agreement is to establish the terms and conditions under which SKYONIC will be endorsed by CITY to participate in CPS Energy's E-16 Economic Incentive Rider Program. It is understood by the Parties that such endorsement shall continue so long as SKYONIC is in compliance with this Agreement. Termination of this Agreement by CITY, in accordance with the terms and conditions herein, shall serve as rescindment of the endorsement which shall result in the denial by CPS Energy of a reduced energy rate to SKYONIC for activities at the Project Site and the recapture of funds as outlined in Section 14.

**SECTION 2. PROJECT REQUIREMENTS**

A. Project Site. SKYONIC will own, hold an interest in or otherwise control the Project Site for the Term of this Agreement, as further defined in Section 3 below. Notwithstanding the foregoing, should SKYONIC fail to own, hold an interest in or otherwise control the Project Site prior to January 1, 2015, this Agreement shall be terminated and neither Party shall be held to any of the terms or conditions herein.

B. Investment. Prior to the first (1st) anniversary of this Agreement, SKYONIC shall invest at least ONE HUNDRED MILLION AND NO/100 DOLLARS (\$100,000,000.00) in new real and personal property improvements at the Project Site. SKYONIC shall retain pertinent records evidencing SKYONIC's real and personal property expenditures for the Term of this Agreement.

C. Business Activities. Provided that Capital Aggregates supply a sufficient amount of flue gas to support the Project, SKYONIC shall conduct carbon capture operations at the Project Site (such activities hereinafter referred to as the "Business Activities") prior to February 1, 2015, and thereafter operate same at the Project Site for the Term of this Agreement, except to the extent said Project Site may be rendered unsuitable for such use due to a Force Majeure Event (as defined in Section 17 of this Agreement). Except as provided herein, SKYONIC covenants and agrees that the Business Activities will not be changed without the written consent of CITY, such consent not to be unreasonably withheld, conditioned or delayed. However, such consent shall not be necessary if a Related Organization (being defined as a parent, subsidiary or affiliate organization of SKYONIC or any entity which succeeds to or receives an assignment of SKYONIC's interest under this Agreement as a result of a merger, acquisition, or other corporate restructure or reorganization of SKYONIC, or any parent, subsidiary or affiliate of such entity) occupies the Project Site and continues to use the premises for the Business Activities consistent with the terms and conditions of this Agreement. To be eligible for the benefits of this Agreement, the Related Organization must agree in writing, to comply with all applicable terms herein from and after the date it succeeds to SKYONIC's interest in this Agreement, and if requested by CITY, the Related Organization must enter into an amendment to this Agreement evidencing such agreement. In the event of any such transfer to a Related Organization, SKYONIC must notify CITY in writing of same no later than the thirtieth (30<sup>th</sup>) calendar day following the effective date of such transfer. SKYONIC acknowledges that any change in the principal use of the Project Site from that contemplated herein without prior written approval of CITY, to the extent same is required under this Agreement, may result in a loss or recapture of the economic development incentive value to be provided to SKYONIC under this Agreement.

D. Full-Time Jobs. SKYONIC shall create THIRTY-FIVE (35) Full-Time Jobs, as defined below, at the Project Site or within a two mile radius of the Project Site prior to the third (3rd) anniversary of the Effective Date of this Agreement.

1. For the purposes of this Agreement, a Full-Time Job shall be a full-time job at the Project Site or within a two-mile radius of the Project Site that:

(i) is a permanent job;

(ii) will provide at least 2,084 hours of employment a year to a single employee;  
and

(iii) pays at least FIFTY-THOUSAND AND NO/100 DOLLARS (\$50,000) annually excluding benefits.

2. Additionally, to qualify as a "Full-Time Job employee" for purposes of this Agreement, each such employee will be offered an opportunity to participate in the employee benefits program of its respective employer which shall be substantially similar to employee benefits offered to similarly situated employees of such employer in other locations. In addition, in order to qualify as a "Full-Time Job employee", said employee shall be offered a health plan which provides coverage for their eligible dependents on terms substantially similar to the coverage provided to the eligible dependents generally of its respective employer's non-temporary full-time employees at other locations.

E. Certification. Within thirty (30) calendar days of the end of each calendar year during the Term of this Agreement, SKYONIC will provide CITY's Director of Economic Development Department with an annual certification from an officer or representative of SKYONIC attesting to the number of Full-

Time Jobs created at the Project Site or within a two mile radius of the Project Site during the preceding year, as well as wages paid, the annual average salary for all such employees and SKYONIC's current investment in real and personal property.

F. Job Retention. Upon the creation of 35 Full-Time Jobs at the Project Site or within a two mile radius of the Project Site, SKYONIC must retain 35 Full-Time Jobs at the Project Site or within a two-mile radius of the Project Site for the remaining Term of this Agreement.

G. Small Business Contracting. Following one of year of operation, SKYONIC agrees to develop, in collaboration with the City of San Antonio's Economic Development Department and in accordance with the parameters established in Exhibit C (the "Small Business Program Parameters"), small business contracting requirements for the Project and to implement such requirements throughout the Term of this Agreement. Compliance with this provision requires annual certification from the City's Economic Development Department of SKYONIC'S efforts in meeting its small business contracting requirements.

H. Workforce Contribution. Should SKYONIC choose to not participate in the Small Business Program established in Section 2(G) above and in accordance with Exhibit C of this Agreement, then SKYONIC shall contribute 10% of the preceding year's annual savings derived from the E-16 Rider Program towards a "Workforce & Entrepreneurship Fund." Failure to participate in the Small Business Program developed in accordance with Section 2(G) above or, in the alternative, to contribute 10% of the preceding year's annual savings as described in this Section 2(H) shall result in termination of this Agreement by City and will subject SKYONIC to the recapture of funds as described in Section 14(B)(4).

### **SECTION 3. TERM PERIOD**

The Term referenced in this Agreement shall commence upon the Effective Date and shall continue concurrently with SKYONIC's participation in the E-16 Rider Program and two years following the conclusion of Skyonic's participation in the E-16 Rider Program (the "Term"), unless terminated as otherwise provided herein.

### **SECTION 4. CITY'S OBLIGATIONS**

CITY's sole obligation under the terms and conditions of this Agreement shall be a written endorsement by its governing body to the governing board of CPS Energy providing the CITY's support of SKYONIC'S participation in CPS Energy's E-16 Rider Program. It is acknowledged by the Parties that such an endorsement is a requirement of the E-16 Rider Program and would produce monetary benefit to SKYONIC.

### **SECTION 5. RETENTION AND ACCESSIBILITY OF RECORDS**

A. Retention. SKYONIC shall maintain the records and supporting documentation (the "Records") relating to: 1) the amount of investment in real and personal property; 2) the creation and maintenance of Full-Time Jobs; and 3) salaries of Full-Time employees at the Project Site or within a two mile radius of the Project Site. SKYONIC shall retain such records and any supporting documentation through the end of the Term of this Agreement.

B. Access. SKYONIC shall, following at least five (5) business days' advance written notice from CITY, give CITY, its designee, or any of their duly authorized representatives, access to the Records at the Project Site during normal business hours. CITY's access to the Records will be limited to reviewing

information needed to verify that SKYONIC is and has been complying with the terms of this Agreement. CITY may not copy or otherwise take control of such Records. Any information that is not required by law to be made public shall be kept confidential by CITY. SKYONIC shall not be required to disclose to CITY any information that by law or by contract SKYONIC is required to keep confidential. Should any good faith dispute or question arise as to the validity of the data provided, CITY reserves the right to require SKYONIC to obtain an independent firm to verify the information. This certified statement by an independent firm shall be provided at the sole cost of SKYONIC. The rights to access the Records shall continue through the Term of this Agreement. Failure to provide reasonable access to the Records to authorized CITY representatives shall give CITY the right to suspend or terminate this Agreement as provided for herein, or any portion thereof, for reason of default.

## **SECTION 6. MONITORING**

A. CITY reserves the right to confirm SKYONIC's compliance with the terms and conditions of this Agreement. CITY shall consult with SKYONIC and create a monitoring report noting its findings related to SKYONIC'S compliance with the terms and conditions of this Agreement. CITY will provide SKYONIC with a written report of the monitor's findings within ninety (90) calendar days following completion of the particular report. If the monitoring report notes deficiencies in SKYONIC's performances under the terms of this Agreement, the monitoring report shall include a listing of requirements for the correction of such deficiencies by SKYONIC and a reasonable amount of time in which to attain compliance. Failure by SKYONIC to take action specified in the monitoring report, and failure to cure any deficiency in the applicable Cure Period in accordance with Section 15(A) herein, may be cause for suspension or termination of this Agreement, in accordance with Sections 15 and 16 herein.

B. SKYONIC shall provide to CITY an annual certification with reasonable supporting information evidencing the investment in real and personal property at the Project Site, the creation of and filling of the number of jobs at the Project Site or within a two mile radius of the Project Site; and compliance with the wage requirements as specified in this Agreement.

## **SECTION 7. CONFLICT OF INTEREST**

If applicable, SKYONIC shall ensure that no employee, officer, or individual agent of CITY shall participate on behalf of SKYONIC in the selection, award or administration of a subcontract supported by funds provided hereunder if a conflict of interest would be involved. Such conflict of interest would arise when: (1) the employee, officer, or individual agent; (2) any member of his or her immediate family; (3) his or her partner; or, (4) any organization which employs, or is about to employ any of the above, has a financial or other interest in the firm or person selected to perform the subcontract and the relationship calls for payments to be made to such subcontractor on terms which are greater than those which are customary in the industry for similar services conducted on similar terms. To the extent SKYONIC hires any former or current employee or official of CITY who would be subject to the CITY's ethics policy, as same exists from time to time, SKYONIC shall take reasonable efforts to ensure that such person complies with all applicable requirements of the CITY's ethics ordinance in dealings between CITY and SKYONIC.

## **SECTION 8. SECTARIAN ACTIVITY**

Sectarian Activity. None of the performances rendered by SKYONIC under this Agreement shall involve, and no portion of the funds received by SKYONIC under this Agreement shall be used in support of, any sectarian or religious activity, nor shall any facility used in the performance of this Agreement be used for sectarian instruction or as a place of religious worship.

## SECTION 9. LEGAL AUTHORITY

- A. Legal Authority. Each party assures and guarantees to the other that they possess the legal authority to enter into this Agreement, to receive/deliver the funds authorized by this Agreement, and to perform their obligations hereunder.
- B. Signatories. Each party represents and warrants to the other that the person or persons signing and executing this Agreement on behalf of such party has been duly authorized to execute this Agreement on behalf of that party and to validly and legally bind that party to all terms, performances and provisions herein set forth.

## SECTION 10. GOVERNING LAW AND VENUE

- A. Notice to CITY. SKYONIC shall give CITY notice in writing of any (i) OSHA complaint filed by an employee of SKYONIC concerning the Project Site, or (ii) notice of any bankruptcy of SKYONIC, or (iii) any notice given by SKYONIC to its employees at the Project Site required under any applicable laws pertaining to contemplated job reductions at such premises. SKYONIC shall submit a copy of each such notice required hereunder to CITY within thirty (30) calendar days after receipt or issuance, as applicable, unless such notice has been rescinded prior to the expiration of such 30-day period.
- B. Texas Torts Claims Act. SKYONIC acknowledges that CITY is a political subdivision of the State of Texas and is subject to, and complies with, the applicable provisions of the Texas Tort Claims Act, as set out in the Civil Practice and Remedies Code, Section 101.001 et. seq., and the remedies authorized therein regarding claims and causes of action that may be asserted by third parties for accident, injury or death.
- C. Venue. This Agreement shall be interpreted according to the Constitution and the laws of the State of Texas. Venue of any court action brought directly or indirectly by reason of this Agreement shall be in Bexar County, Texas.

## SECTION 11. ATTORNEY'S FEES

In the event SKYONIC or CITY should default under any of the provisions of this Agreement and the other should employ attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees to pay to the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party so ordered by a court having jurisdiction over the Parties.

## SECTION 12. CHANGES AND AMENDMENTS

- A. Amendments in Writing. Except as provided below, any alterations, additions, or deletions to the terms of this Agreement shall be by amendment hereto in writing and executed by the Parties to this Agreement.
- B. E-16 Program. It is understood and agreed by the Parties hereto that performances under this Agreement shall be rendered in accordance with the laws and rules governing the E-16 Rider Program and the terms and conditions of this Agreement.

## SECTION 13. SUSPENSION

A. Notice and Cure Period. Notwithstanding the provisions of Chapter 2251 of the Texas Government Code, if applicable, or anything else in this Agreement to the contrary, in the event SKYONIC fails to comply with the terms of this Agreement, CITY shall provide SKYONIC with written notification as to the nature of the non-compliance and grant SKYONIC a sixty (60) day period following the date of SKYONIC's receipt of CITY's written notification to cure any issue of non-compliance. Should SKYONIC fail to cure any default within this period of time, or such longer period of time as may be reasonably necessary for SKYONIC to cure the default in question if same cannot reasonably be cured within such sixty (60) day period, the CITY may, upon written Notice of Suspension to SKYONIC, suspend this Agreement in whole or in part and withhold further energy costs savings to SKYONIC until the default is cured. Such Notice of Suspension shall include: (1) the reasons for such suspension; (2) the effective date of such suspension; and, (3) in the case of partial suspension, the portion of the Agreement to be suspended.

B. Lifting of Suspension. A suspension under this Section shall be lifted upon a showing by SKYONIC that the event of default has been cured or by a written waiver of CITY of the term(s) in question.

C. No Liability. CITY shall not be liable to SKYONIC or to SKYONIC's creditors for costs incurred during any term of suspension of this Agreement.

#### **SECTION 14. DEFAULT, TERMINATION AND RECAPTURE, AND OTHER REMEDIES**

A. Relocation Defined. For purposes of this section, "Relocation" "Relocated" or "Relocate" shall mean SKYONIC or a Related Organization, or any other permitted transferee of SKYONIC's rights under this Agreement, which has taken the place of SKYONIC, transferring all Business Activities from the Project Site to a location outside of CITY's extra-territorial jurisdiction.

B. Default of SKYONIC. SKYONIC shall be in default under this Agreement:

1. Relocation. If during the Term of this Agreement, SKYONIC occupies and uses the Project Site for its Business Activities and subsequently Relocates (as defined in this Section 14(A)) during the Term, then CITY shall have the right to terminate this Agreement. Said termination shall be effective for the calendar year during which the Relocation is completed. Unless SKYONIC presents credible evidence to clearly indicate a date of Relocation, CITY's determination shall be final and conclusive. Upon termination, CITY shall have the right to recapture from SKYONIC funds in the amount equivalent to the economic benefit SKYONIC realizes during the Term of this Agreement as calculated by CPS Energynot previously recaptured by CPS Energy from Capitol SkyMine L.L.C. The formula to determine the economic benefit shall be the projected energy rate that would be paid by a consumer not participating in the E-16 Rider Program minus the amount actually paid by SKYONIC during its utilization of the E-16 Program. CITY shall be entitled to the payment of the amounts to which it is entitled within sixty (60) calendar days from the date it notifies SKYONIC in writing of termination and its election to recapture such amounts.
2. Ceasing. If, after the conditions set forth in Section 2 of this Agreement are met, SKYONIC occupies and uses the Project Site for its Business Activities and subsequently ceases conducting Business Activities at the Project Site for a continuous period of three (3) months during the Term of this Agreement for any reason, except if such cessation is caused by a Force Majeure Event, then CITY shall have the right to terminate this Agreement. Said termination shall be effective for the calendar year during which the cessation occurred.

Unless SKYONIC presents credible evidence to clearly indicate a date of cessation, CITY's determination of a date of cessation shall be final and conclusive. Upon termination, CITY shall have the right to recapture from SKYONIC funds in the amount equivalent to the economic benefit SKYONIC realizes during the Term of this Agreement as calculated by CPS Energy not previously recaptured by CPS Energy from Capitol SkyMine L.L.C. The formula to determine the economic benefit shall be the projected energy rate that would be paid by a consumer not participating in the E-16 Rider Program minus the amount actually paid by SKYONIC during its utilization of the E-16 Program. CITY shall be entitled to the payment of the amounts to which it is entitled within sixty (60) calendar days from the date it notifies SKYONIC in writing of termination and its election to recapture such amounts.

3. Number of Jobs. If SKYONIC, its affiliates and/or subsidiaries, any Related Organization, and/or other CITY-approved assignee permitted under this Agreement fails to, for any reason other than a Force Majeure Event, maintain at the Project Site at least thirty-five (35) Full-Time Jobs, or having done so thereafter fails to maintain at the Project Site at least thirty-five (35) throughout the Term of this Agreement, CITY may terminate this Agreement. Upon such termination, CITY shall have the right to recapture from SKYONIC funds in the amount equivalent to the economic benefit SKYONIC realizes during the Term of this Agreement as calculated by CPS Energy for periods during which SKYONIC did not have at least thirty-five (35) Full-Time Jobs at the Project Site or within a two mile radius of the Project Site. The formula to determine the economic benefit shall be the projected energy rate that would be paid by a consumer not participating in the E-16 Rider Program minus the amount actually paid by SKYONIC during its utilization of the E-16 Program.
4. Small Business/Workforce Contribution. If SKYONIC, its affiliates and/or subsidiaries, any Related Organization, and/or other CITY-approved assignee permitted under this Agreement fails to, for any reason other than a Force Majeure Event, establish and abide by a Small Business Program developed in accordance with Section 2(G) above or, in the alternative, to contribute 10% of the preceding year's annual savings as described in Section 2(H), throughout the Term of this Agreement, CITY may terminate this Agreement. Upon such termination, CITY shall have the right to recapture from SKYONIC funds in the amount equivalent to the economic benefit SKYONIC realizes during the Term of this Agreement as calculated by CPS Energy. The formula to determine the economic benefit shall be the projected energy rate that would be paid by a consumer not participating in the E-16 Rider Program minus the amount actually paid by SKYONIC during its utilization of the E-16 Program.

D. Limitation on Recapture. Notwithstanding the foregoing, any such recapture shall be subject to any and all lawful offsets, settlements, deductions or credits to which SKYONIC may be entitled at law or under this Agreement. The termination and/or recapture of grant funds provided in this Section 14 are not applicable to situations involving minor changes to the description of the Project Site, or CITY-approved changes in ownership or in management thereof, so long as SKYONIC, its parent, subsidiary, affiliate or any successor or assignee allowed under the terms of this Agreement, continues conducting Business Activities or other authorized activities thereon as provided hereinabove.

E. Limitation on Remedies. The foregoing termination and recapture rights shall be CITY's sole and exclusive remedies in the event SKYONIC shall default under this Agreement.

## **SECTION 15. AUTHORIZED RELIEF FROM PERFORMANCE (Force Majeure)**

In addition to relief expressly granted in this Agreement, SKYONIC shall be granted relief from performance of this Agreement to the extent SKYONIC is prevented and/or impaired from compliance and performance by any Force Majeure Event. In addition to the events mentioned in Section 16 above, a "Force Majeure Event" shall also include, but not be limited to, an act of war, order of legal authority, act of God, terrorism, social unrest, strike, natural disaster, supply shortage, or other unavoidable cause not attributed to the fault or negligence of the SKYONIC. It also includes an explosion or other casualty or accident, which is not the result of negligence, intentional act or misconduct on the part of SKYONIC. The burden of proof for the need for such relief shall rest upon SKYONIC. To obtain relief based upon this Section 17, SKYONIC must file a written notice with the CITY's Economic Development Department specifying the Force Majeure Event and the performance under this Agreement that such event is impairing.

#### **SECTION 16. NO WAIVER**

Failure by either party to exercise any right or remedy hereunder available to it shall not constitute a waiver of the right to exercise that or any other right or remedy at any time in the future, absent a written agreement to the contrary.

#### **SECTION 17. NON-ASSIGNMENT**

This Agreement is not assignable by any Party without the written consent of the non-assigning party. CITY shall not unreasonably withhold, condition, or delay its consent to any such assignment by SKYONIC. Notwithstanding the foregoing, SKYONIC may assign this Agreement to a Related Organization, without the written consent of the CITY. If SKYONIC so assigns this Agreement to a Related Organization, it will provide notice of such assignment to CITY on or before the ninetieth (90<sup>th</sup>) calendar day following the date of assignment. Any assignment of this Agreement in violation of this Section shall enable CITY to terminate this Agreement and exercise its rights under this Agreement, subject to Section 15 of this Agreement. Any assignment of this Agreement by SKYONIC shall relieve SKYONIC of all obligations and liabilities under this Agreement. Notwithstanding the foregoing, SKYONIC and/or any successor to SKYONIC's interest in the this Agreement may collaterally assign and/or grant a security interest in the payments to be received by SKYONIC hereunder without CITY's consent if required by any lender providing financing to any such entity or any parent, subsidiary, or affiliated company of such entity.

#### **SECTION 18. ORAL AND WRITTEN AGREEMENTS**

All oral and written agreements between the Parties to this Agreement relating to the subject matter of this Agreement that were made prior to the execution of this Agreement have been reduced to writing and are contained in this Agreement.

#### **SECTION 19. NOTICE**

Any notice required or permitted to be given hereunder by one party to the other shall be in writing and the same shall be given and shall be deemed to have been served and given if: (a) delivered in person to the address set forth herein below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, return receipt requested, properly addressed to such party at the address hereinafter specified; or (c) deposited, with fees prepaid, into the custody of a nationally recognized overnight delivery service such as FedEx, addressed to such party at the address hereinafter specified. Any notice mailed in the above manner shall be effective two (2) business days following its deposit into the custody of the United States Postal Service or one (1) business day following its deposit into the custody of such nationally recognized delivery service, as applicable; all other notices shall be

effective upon receipt. From time to time, either party may designate another address for all purposes under this Agreement by giving the other party no less than ten (10) calendar days advance written notice of such change of address in accordance with the provisions hereof.

**TO CITY:**

**TO SKYONIC:**

(Whether personally delivered or mailed):

City of San Antonio  
Attn: Economic Development  
P.O. Box 839966  
San Antonio, Texas 78283-3966

Skyonic  
Attn: Legal Dept.  
900. S. Capital of TX Hwy., Ste. 475  
Austin, TX 78746  
email: legal@skyonic.com

- If by personal or overnight delivery:

Economic Development  
Attn: Director  
19th Floor  
100 Houston St.  
San Antonio, Texas 78205

## SECTION 20. INCORPORATION OF EXHIBITS

Each of the Exhibits and Attachments listed below is an essential part of the Agreement, which governs the rights and duties of the parties, and shall be interpreted in the order of priority as appears below:

- Exhibit A- Project Site Description
- Exhibit B – CPS Energy E-16 Rider Program Guidelines
- Exhibit C – Small Business Program Parameters

*Signatures appear on next page.*

**WITNESS OUR HANDS, EFFECTIVE** as of December 11, 2014 (the "Effective Date"):

Accepted and executed in triplicate originals on behalf of the City of San Antonio pursuant to the attached Ordinance Number 2014-12-11-\_\_\_\_\_ and SKYONIC pursuant to its authority.

**CITY OF SAN ANTONIO,**  
a Texas Municipal Corporation

**SKYONIC CORPORATION**  
a Delaware corporation

\_\_\_\_\_  
Sheryl L. Sculley  
CITY MANAGER

\_\_\_\_\_  
*Scott Gardner*  
Name: Scott Gardner  
Title: CFO

ATTEST:

\_\_\_\_\_  
Leticia Vacek  
CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY ATTORNEY

**EXHIBIT A: Project Site Description**

**EXHIBIT B: CPS ENERGY E-16 Rider Program Guidelines**

# CPS Energy

---

## RIDER E16

### ECONOMIC INCENTIVE RIDER

**AVAILABILITY**

This rider is available only in conjunction with existing customers served under SUPER LARGE POWER SERVICE ELECTRIC RATE (SLP) or new customers eligible for service under the SLP rate or the High Load Factor (HLF) rate. The following requirements must be met:

1. The Customer must demonstrate, to the satisfaction of CPS Energy, that new load or additional load must have a minimum build out capacity of 10,000 KW at each point of delivery.
2. The Customer’s new plant or plant expansion must meet a minimum permanent full-time employment target or other workforce-related performance metric as agreed with the City of San Antonio, as applicable.
3. The Customer must demonstrate a minimum level of purchases in parts, supplies, and/or services from businesses located within the Greater San Antonio Metropolitan Area, as agreed with the City of San Antonio, as applicable.
4. Service supplied under this rider is subject to the same terms and conditions of the SLP rate or the HLF rate, except as specifically indicated in this rider, and the Customer’s Application and Agreement for Electric Service.
5. CPS Energy or the City of San Antonio may require the Customer to locate to an economic targeted area defined by the City of San Antonio.

**APPLICABILITY**

A customer shall furnish plans that demonstrate, to the satisfaction of CPS Energy, a minimum of new or additional electric load to qualify for billing discounts, as specified in the following table. Such plans shall further demonstrate that such build-out will be completed within forty-eight months of initiation of service under this rider. The customer shall further reach agreement with the City of San Antonio on employment and local business purchase commitments. The maximum number of years that the billing demand discount will apply is ten (10) continuous years beginning from the date that the rider is first applicable to the Customer.

**MONTHLY BILL**

The monthly bill will be calculated with the SLP rate or the HLF rate for the total Customer’s load, applying the following billing discount.

Billing Discount

A customer served under this rider will be eligible for a billing discount equal to a percentage reduction of demand charges for the applicable minimum electric demand as indicated in the following table.

**BILLING DEMAND DISCOUNT**

Minimum New or Additional Load KW	Contract Year			
	1st	2nd	3rd	4th
10,000+	10%	10%	N/A	N/A
15,000+	25%	25%	25%	N/A
25,000+	50%	50%	50%	50%

For each subsequent addition of 10,000 KW, as compared to the customer's maximum demand during the forty-eight months prior to receiving service under this rider, the contract term shall be subject to an extension of one year at the original discount level, subject to a total term limit of ten years. To qualify, such additional load may occur during the original term of the contract or during any extension of the contract term.

Example

As an example, if a customer achieves 25,000 kW load, the 50% Billing Demand Discount will apply for a period of four (4) years. If at the end of the four-year term the customer has an additional 40,000 kW load for a total of 65,000 kW, then the discount will continue for an additional four (4) years. If at the end of the four (4) year extension, the customer has an additional load of 20,000 kW for a total of 85,000 kW, then the discount will continue for an additional two (2) years. This example illustrates how a ten year discount period may be achieved.

Prior to any extension, Customer shall provide a statement attesting they are in good standing with any agreed to City of San Antonio economic development requirements.

**APPLICABLE ELECTRIC DEMAND**

The billing discount will be computed for the applicable electric demand determined as follows:

1. For an existing customer, the applicable electric demand will be determined as the increase in additional electric demand, as measured from summer and non-summer period average actual demands for a consecutive twelve month base period immediately preceding the month that service is requested under this rider, or as mutually agreed upon by the customer and CPS Energy.
2. For a new customer, the billing discount will be applied to all electric demand.

**PENALTY FOR NON-COMPLIANCE**

Compliance with agreed upon load, employment, and local business purchase commitments will be subject to verification by CPS Energy and the City of San Antonio. For the purpose of determination of qualification for compliance with contracted electric load additions, a customer's load will be determined as the average of the customer's four highest monthly actual electric demands. Failure to meet build-out load within forty-eight months, and employment targets or local business purchase commitments by the end of the contract period will result in customer being rebilled and liable for payment at the rate which would otherwise have been applicable.

**TERM OF ELIGIBILITY**

A customer will be eligible for economic incentive discounts under the provisions of this rider for an initial period, of up to four years, as indicated for the amount of load to be added, and subject to the customer meeting load, employment, and local business targets at full operation. The term may be extended for six additional years if the customer demonstrates additional electric load, increased employment targets, and additional purchases of local business goods or services. For such an extension period, the billing discount will be applied to the originally agreed upon base period electric demands. In any case, a customer will be eligible for this rider for a maximum period of ten years.

**OTHER PROVISIONS**

The Customer remains eligible for any other rider(s), that are applicable to the customer's load.

## **EXHIBIT C: Small Business Program Parameters**

- One year after Effective Date of E-16 Rider SKYONIC must submit an “Annual Operating Spend Summary” within 30 calendar days to the Economic Development Department (EDD).
- After submission of the Annual Operating Summary, EDD’s Monitoring staff will work with the Small Business Office (SBO) to arrive at a utilization goal for the coming year, based on the availability of firms with headquarters within the San Antonio Metropolitan Statistical Area, as well as the reported spend amounts associated with the “Annual Operating Spend Summary.” Availability will be determined by utilizing NAICS or NIGP code classifications in databases such as, but not limited to, the City’s Central Vendor Registry and Census Bureau data on businesses.
- No later than 30 days after submission of the “Annual Operating Spend Summary,” EDD will respond with the local business utilization goal based on the analysis performed in conjunction with SBO. Goal may not exceed 30% of the Annual Operating Spending Summary.
- SKYONIC will then be obligated to submit annual reports demonstrating its efforts to achieve the local business utilization levels established by EDD/SBO.
- The initial annual report will be due no later than one year after the date on which EDD provided the local business utilization goal.
- Future reports will also be due on an annual basis, no later than the anniversary date on which EDD provided the local business utilization goal.
- SKYONIC must attest, by signature, to payment of those companies they list on their annual report, and City maintains the ability to audit said report.
- Failure to submit a report and/or failure to achieve the defined local business utilization goal will result in SKYONIC being required to pay an amount equivalent to 10% of the previous year’s annual energy savings garnered through the E-16 Rider to CITY.
- After two years, SKYONIC and/or EDD have the option to revisit the “Annual Operating Spend Summary” in order for EDD to update the local business utilization goal.
- If SKYONIC and EDD do not exercise the option to revisit the initially established local business utilization, goals and requirements continue until an option to revisit is activated, or until the end of the E-16 Rider Agreement.
- To encourage utilization of local firms during construction and development phases, E16 Rider recipients may count utilization of local firms toward their local business utilization goal in the year following the construction period.