

TAX EXEMPTION SETTLEMENT AGREEMENT

This Tax Exemption Settlement Agreement (this "**Agreement**"), dated as of [REDACTED], 2025, is entered into by and among the City of Laredo, Texas (the "**City**"), Webb County, Texas ("**Webb County**"), Laredo College ("**Laredo College**"), United Independent School District ("**United ISD**"), which are collectively referred to herein as the "**Taxing Authorities**," and the City of San Antonio, Texas ("**COSA**"), acting by and through the City Public Service Board of San Antonio, Texas (so acting, "**CPS Energy**").

WITNESSETH:

WHEREAS, CPS Energy owns the principal assets which make up the Laredo Energy Center (including all transmission lines, pipelines, ancillary and associated facilities and equipment now or hereafter related thereto or used in connection therewith and located on the Plant Site referred to below, the "**Plant**") located at 7300 CPL Road on the real property described on Exhibit A hereto (the "**Plant Site**"), which is within the City, Webb County, United ISD, and the Webb County Appraisal District (the "**Appraisal District**"), and an interconnect power transmission line (the "**Interconnect**", and collectively with the Plant, the Plant Site, the real property on which the Interconnect is located, and all past, present, and future improvements, additions, building structures, fixtures and tangible personal property located in, on or under such real property or the Plant Site, the "**Subject Property**") located on the fee strips or easements described in Exhibit A hereto and, in whole or in part, within such Taxing Authorities and the Appraisal District;

WHEREAS, prior to being acquired by CPS Energy, the Subject Property was subject to ad valorem taxes imposed by the Taxing Authorities; property of CPS Energy that is used for public purpose is exempt from ad valorem taxes imposed or to be imposed by the Taxing Authorities; and the Taxing Authorities will lose substantial amount of annual ad valorem tax revenue due to the Subject Property becoming exempt from ad valorem taxes; and

WHEREAS, the parties hereto are willing and desire to settle on the amounts of certain payments to be made by CPS Energy in lieu of the annual ad valorem taxes the Taxing Authorities would have otherwise received with respect to the Subject Property had it not been acquired by CPS Energy;

NOW, THEREFORE, in consideration of the mutual covenants and releases of the parties herein contained, the parties hereto agree and bind themselves as follows:

1. **Settlement.** This Agreement is made for the sole purpose of settling on certain payment amounts and terminating any and all claims, rulings, adjudications, assessments, levies, or other determinations made or that may be made by or on behalf of the Taxing Authorities or any of them, or any successor governmental authority to any of them, under current law that the Subject Property or any part thereof is not or will not be exempt from ad valorem taxes or that they are entitled to impose ad valorem taxes thereon or that CPS Energy or COSA is liable for the payment of any such taxes in respect of any "tax year" (as defined in Section 1.04(13) of the Texas Tax Code) from and including tax year 2024 through and including the tax year coinciding with the last year of the term of this Agreement (any such tax year being referred to herein as a "**tax year**"), and prior to the transfer of the title to the Subject Property or such part, as applicable, to a person or entity which does not hold the same for the sole benefit for CPS Energy or COSA (herein referred to as the "**Exemption Period**"), whether or not the Plant is actually producing energy or power and regardless to whom or how any energy or power produced by the Plant may be sold (herein referred to collectively as the "**Claims**").

Each of the Taxing Authorities acknowledges and agrees that the respective sums to be paid by CPS Energy to the Taxing Authorities in accordance with this Agreement in settlement of the Claims could be

substantially greater than the sums that they might recover should they seek to tax the Subject Property in each year during the term of this Agreement and should the Subject Property be determined to be fully exempt from ad valorem taxes. CPS Energy acknowledges and agrees that the respective sums to be paid by CPS Energy to the Taxing Authorities in accordance with this Agreement in settlement of the Claims could be substantially less than the sums that the Taxing Authorities might recover should they seek to tax the Subject Property in each year during the term of this Agreement and should the Subject Property be determined to be fully subject to ad valorem taxes. Each of the parties hereto acknowledges and agrees that the sums agreed to be paid by CPS Energy to the Taxing Authorities pursuant to this Agreement represent a fair compromise and settlement of any Claims, and that this Agreement is in the best interest of the parties and their respective residents, customers, taxpayers, and ratepayers.

Notwithstanding anything in this Agreement to the contrary, with respect to tax year 2024, (a) the Subject Property became exempt from ad valorem taxes effective immediately on and including the date on which CPS Energy indirectly acquired all of the ownership interests in and to the prior owner of the Subject Property, Laredo, LLC, a Delaware limited liability company (the "**Operating Entity**"), such date being April 30, 2024 (the "**Closing Date**"), and (b) Section 26.11 of the Texas Tax Code shall apply with respect to tax year 2024, and a prorated portion of the ad valorem taxes imposed on the Subject Property for the tax year 2024 shall be (i) payable by or on behalf of the Operating Entity to the Taxing Authorities for the period from January 1, 2024, through and including the day before the Closing Date, and (ii) calculated by the Taxing Authorities in the manner provided in Section 26.11 of the Texas Tax Code.

2. **Release of Claims.** By the execution of this Agreement and in consideration of the payments and other obligations of CPS Energy hereunder, each of the Taxing Authorities hereby releases in full, and covenants not to sue, CPS Energy or COSA from or for any and all Claims that it may bring during the Exemption Period or, in respect of the exemption of the Subject Property, from ad valorem taxes, or the liability of COSA or CPS Energy for ad valorem taxes in respect of the Subject Property for any tax year or years during the Exemption Period, and agrees that it is and shall be completely barred from making any Claim during the Exemption Period or a claim denying the exemption of the Subject Property from ad valorem taxes, or asserting liability of COSA or CPS Energy for ad valorem taxes in respect of the Subject Property, during the Exemption Period, whether or not such Claim or claims could have been asserted, or are unknown or known, to the extent the Claims or claims arise during the Exemption Period. For the avoidance of doubt, if title to a portion, but less than all, of the Subject Property is transferred to a person or entity which does not hold the same for the sole benefit of CPS Energy, then such portion of the Subject Property shall no longer be held during the Exemption Period, and the release and agreement contained in *Section 2* hereof shall not be effective for such portion for the remainder of the tax year in which such transfer occurs or any subsequent tax year.

3. **Consideration for Releases.** In consideration for the releases and other agreements made by the Taxing Authorities in *Section 2* hereof and the acknowledgement made by the Appraisal District at the end of this Agreement, only with respect to each calendar year set forth on *Exhibit B* hereto, CPS Energy shall pay to each Taxing Authority the sum specified opposite its name in *Exhibit B* hereto, such payments to be made by March 31 of the year following each tax year on *Exhibit B* hereto.

4. **Credit for Payments.** If, notwithstanding the release made in *Section 2* hereof, CPS Energy or COSA nevertheless becomes subject to ad valorem taxes imposed by any Taxing Authority in respect of the Subject Property or any part thereof for any tax year during the term of this Agreement, whether due to action or inaction by any party hereto or any other cause (other than a cause described in the immediately succeeding sentence), then (subject to the next to last sentence of this *Section 4*) such Taxing Authority shall credit against ad valorem taxes on the Subject Property or such part, as applicable, due in such or any succeeding tax year (in favor of CPS Energy and its successors and assigns) the sums paid to it by CPS Energy pursuant to *Section 3* hereof in respect of the Subject Property or such part, as applicable, as

a prepayment of such taxes, until such credit is fully exhausted. In the event that, in any tax year to and including tax year 2035, (a) CPS Energy shall transfer ownership of the real property comprising the Subject Property, or any part thereof, to any person or entity which is not exempt from ad valorem taxation by any Taxing Authority due to a change in law or regulation, or a judicial decision, opinion of the Attorney General of Texas, or other legal action, that in any case was not requested or advocated by such or any other Taxing Authority or Appraisal District, then (subject to the next to last sentence of this *Section 4*) each Taxing Authority shall credit against ad valorem taxes on the Subject Property or such part, as applicable, in such tax year and each subsequent tax year (in favor of CPS Energy and its successors and assigns) the payment made by CPS Energy to such Taxing Authority pursuant to *Section 3* hereof in respect of the Subject Property or such part, as applicable, up to an amount in the aggregate for such and all subsequent tax years combined equal to the product of such amount and a fraction, the numerator of which is equal to the number of such subsequent tax years to and including tax year 2035 and the denominator of which is 15. For purposes of the foregoing, the amount of the payment made by CPS Energy to the Taxing Authority pursuant to *Section 3* hereof in respect of any part of the Subject Property shall be determined by multiplying such payment by a fraction, the numerator of which is the total market value of such part of the Subject Property and the denominator of which is the total market value of all of the Subject Property, including such part and all other parts, if any, that have therefore become subject to ad valorem tax or transferred, in each case as of January 1 of the tax year in which such part becomes subject to taxation or is transferred. For the avoidance of doubt, if the Appraisal District, the Chief Appraiser or Appraisal Review Board of the Appraisal District, any Taxing Authority, or any court, arbitrator, tribunal, commission, board, agency, or other judicial, administrative or regulatory body or authority of competent jurisdiction shall take any action which causes the Subject Property or any part thereof to become subject to ad valorem taxation in any tax year, then each Taxing Authority shall be obligated to permit the applicable credit required by this *Section 4*, as determined by the nature of the action resulting in taxation of the Subject Property or such part, and CPS Energy and COSA shall have the unilateral right to give effect to such credit should any such Taxing Authority fail to do so for any reason whatsoever or no reason. Except to the extent provided in the immediately following sentence of this *Section 4*, nothing in this Agreement shall require any Taxing Authority to rebate or otherwise reimburse to CPS Energy or its successors and assigns any payment made by CPS Energy to it pursuant to *Section 3* hereof, but rather each Taxing Authority shall be required merely to accept such payment as prepayment of and credit against any future tax liability of CPS Energy and its successors and assigns in respect of the Subject Property as and to the extent herein provided. It is expressly acknowledged and agreed by the parties hereto that CPS Energy and COSA shall have the unilateral right to give effect to this *Section 4* should any Taxing Authority fail to do so any reason whatsoever or no reason.

5. **Remedies for Default.** No right or remedy herein conferred upon any party hereto is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or hereafter existing at law or in equity or otherwise. Assertion or employment of any right or remedy hereunder or otherwise shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission by any party hereto to exercise any right or remedy accruing upon a default herein shall impair any such right or remedy or constitute a waiver of any such default or acquiescence therein. Every right and remedy given hereunder or by law to any party hereto may be exercised from time to time, and as often as may be deemed expedient, by such party.

Each party hereto shall be responsible for the fees and expenses of its counsel in connection with the claims and the negotiation, preparation, authorization, execution and delivery of this Agreement.

6. **Notices.** Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document by or from any party hereto provided or permitted by this Agreement to be made upon, given or furnished to, or filed with any other party hereto

shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with such party via mail, first-class postage prepaid, to and received by such party to which it is addressed at the address to the attention stated for such party in *Exhibit C* hereto, or if given to such party by telecopy to the number stated for such party in *Exhibit C* hereto, receipt confirmed, or at such other address or attention or to such other number furnished in writing to the other parties hereto by such party.

7. **Severability.** In case any provision in this Agreement or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

8. **Construction.** This Agreement reflects the combined efforts of the parties and their attorneys and shall not be construed against any party on account of the preparation hereof by such party or its attorneys. The Section and subsection headings herein are for convenience only and shall not affect the construction or terms hereof.

9. **Benefits of this Agreement; Binding Effect.** Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Agreement, and it is not the intention of any party hereto to confer third-party beneficiary rights upon any other person or entity, including, without limitation, any taxpayer or customer thereof. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

10. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Texas and the federal laws of the United States of America.

11. **Limited Obligations.** The Taxing Authorities acknowledge and agree that, in accordance with applicable law, (a) the obligations of CPS Energy under this Agreement are payable solely from and to the extent of revenues of its gas and electric utility systems, (b) the obligations of CPS Energy hereunder shall never constitute a pledge of COSA's taxing powers or be payable from funds raised or to be raised by taxation, and (c) recovery of any claims arising out of the failure of CPS Energy to observe or perform any of duty or obligation imposed upon it hereby, or the breach of any representation made by it herein, shall be limited solely to the revenues CPS Energy's gas and electric utility systems.

12. **Venue of Actions.** Any action at law, suit in equity, or other judicial proceeding for the enforcement of this Agreement or any provision hereof shall be instituted only in the state district courts sitting in the County of Bexar, Texas.

13. **Entire Agreement.** This Agreement embodies the entire agreement of the parties in respect of the subject matter hereof. There are no promises, terms, conditions, or obligations of the parties in respect of the subject matter hereof except for those contained in this Agreement. This Agreement supersedes all previous communications, representations, and agreements, either verbal or written, between or among the parties in respect of the subject matter hereof. Each party acknowledges and represents that no representation or opinion of fact or law was made by or on behalf of any other party hereto to induce it, and it relied on no such representation or opinion in determining, to enter into this Agreement.

14. **Amendments.** This Agreement may be amended, supplemented, or modified only by a written instrument duly executed by or on behalf of each party hereto that is affected by such amendment, supplement, or modification.

15. **Term.** The term of this Agreement shall commence on the date hereof and shall terminate on December 31, 2035.

16. **Due Authorization.** Each party hereto acknowledges, has officially found, determined, and declared, and represents to the other parties hereto that its governing body has duly authorized the execution, delivery, and performance of this Agreement, and that the meeting of its governing body at which this Agreement was so authorized was open to the public, and public notice of the time, place and subject matter of the public business to be considered at such meeting, including authorization of this Agreement, was given, all as required by Chapter 551, Texas Government Code, as amended.

17. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[The remainder of this page is intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

CITY OF LAREDO, TEXAS

Attest:

By:.....
Name:
Title:

COUNTY OF WEBB, TEXAS

.....
County Clerk

By:.....
Name:
Title:

LAREDO COMMUNITY COLLEGE

By:.....
Name:
Title:

**UNITED INDEPENDENT SCHOOL
DISTRICT**

By:.....
Name:
Title:

CITY OF SAN ANTONIO, TEXAS, acting by
and through the City Public Service Board of
San Antonio, Texas

By:.....
Name:
Title:

ACKNOWLEDGEMENT

The undersigned, the Chief Appraiser and Appraisal Review Board of the Webb County Appraisal District, at the request of the Taxing Authorities named in the foregoing Agreement, in consideration of the undertakings by CPS Energy in such Agreement, and for the benefit of CPS Energy, hereby confirm and acknowledge the following: (a) based on the representations made to the Appraisal District by CPS Energy in its letter dated [●], and the documents enclosed with such letter, the Subject Property referred to in such Agreement is exempt from ad valorem taxes for the 2024 tax year, except as described in the last paragraph of Section 1 of such Agreement; and (b) so long as CPS Energy retains ownership of such Subject Property, such Subject Property is used for one or more of the public purposes described in such letter, and Texas law is not amended to provide otherwise, the law provides that such Subject Property would remain exempt, and neither the Appraisal District nor the Appraisal Review Board would be legally authorized to include such Subject Property on the tax rolls of any such Taxing Authority, in any future tax year. Nothing in this Acknowledgement shall prevent the Appraisal Review Board from performing its quasi-judicial duty to impartially hear and determine a challenge, protest, or motion concerning the Subject Property based upon the evidence presented at a hearing on such challenge, protest, or motion.

Dated this _____ 2025.

**APPRAISAL REVIEW BOARD, WEBB
COUNTY APPRAISAL DISTRICT**

By:.....
Chairman

.....
Chief Appraiser, Webb County Appraisal District

EXHIBIT A
DESCRIPTIONS OF SITES OF SUBJECT PROPERTY

EXHIBIT B
PAYMENTS*

By Year

Taxing Authority	2024 Amount	2025 Amount	2026 Amount	2027 Amount	Total Amount
<i>City of Laredo</i>	\$105,000	\$115,000	\$75,000	\$30,000	<i>\$325,000</i>
<i>Webb County</i>	\$80,000	\$85,000	\$50,000	\$25,000	<i>\$240,000</i>
<i>Laredo College</i>	\$55,000	\$60,000	\$35,000	\$15,000	<i>\$165,000</i>
<i>Laredo United Independent School District</i>	\$160,000	\$170,000	\$110,000	\$50,000	<i>\$490,000</i>

*Each payment amount will be made by March 31st of the year following the tax year. For example, the 2024 Amount will be remitted by March 31, 2025.

EXHIBIT C

NOTICE ADDRESSES

City of Laredo Tax Office
P.O. Box 6548
Laredo, TX 78042-6548

Webb County Tax Assessor-Collector
P.O. Box 420128
Laredo, TX 78042-8128

Laredo College
West End Washington Street
Laredo, Texas 78040

United ISD Tax Office
3501 E. Saunders
Laredo, TX 78041

CPS Energy
P.O. Box 1771
San Antonio, Texas 78296
Attn: Chief Financial Officer

With a copy to:

CPS Energy
P.O. Box 1771
San Antonio, Texas 78296
Attn: Legal Notices
LegalNotices@cpsenergy.com