OBJECTIVES & TAKEAWAYS

- PROVIDE AN UPDATE ON THE JBSA UTILITIES PRIVATIZATION PROJECT AWARDED IN 2017
- PRESENT TRANSITION PERIOD OUTCOME
- DELIVER AMENDED CONTRACT VALUE BASED ON OUR DUE DILIGENCE
- OBTAIN BOARD APPROVAL
AGENDA

• BACKGROUND
• CONTRACT
  o TIMELINE
  o SIGNIFICANCE
  o SUMMARY
  o STRUCTURE
  o FINANCIALS
• TRANSITION PERIOD
• NEXT STEPS
• REQUEST FOR APPROVAL
BACKGROUND

• The Department of Defense (DoD) offered industry the opportunity to modernize their infrastructure
  o Evaluate US bases & issue solicitations for open competition
  o Provide mechanism to recover all costs to operate & maintain the system along with any system improvements
• We proposed a direct award as JBSA’s current provider
  o DoD declined the proposal citing their competition policy
• With Board consent, we elected to pursue this opportunity
  o Fosters CoSA’s strategic relationship with JBSA
  o Maintains our sole provider status within service territory
  o Strengthens position as an industry leader in innovation
  o No exchange of cash to transfer assets
We become owners 21 months after the contract was awarded & 7 years after the Request for Proposal.
CONTRACT SIGNIFICANCE

• Largest Joint Base in DoD
  o Employs nearly 75,000 personnel
  o Supports 566,000 personnel
• Strengthens vibrant strategic partnership locally & nationally
• JBSA could have selected any utility of their choosing
• Enables JBSA to focus on core competency
• Enhances JBSA mission effectiveness & military strength
• Increases military value for JBSA installations in “Military City USA”
• Improves JBSA reliability & grid resiliency

12th Flying Training Wing HQ, JBSA Randolph
CONTRACT SUMMARY

- Privatize electric & gas infrastructure
  - We will own, operate & maintain (O&M) electric/gas distribution
    - JBSA-Randolph, Lackland & Lackland Training Annex (aka Medina)
  - We will continue to provide electric/gas services
- 50-year contract
  - Fixed price with economic adjustments
  - Our operational performance is graded annually
- Amended purchase price & recovery after our due diligence efforts
  - Virtual “paper” transaction with no cash exchange

We have experience with privatized military infrastructure since 2003.
### CONTRACT FINANCIALS

<table>
<thead>
<tr>
<th>Electric &amp; Gas Systems</th>
<th>Amended Contract Award</th>
<th>Contract Award</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Value</td>
<td>$289.72M</td>
<td>$248.45M</td>
<td>$41.27M</td>
</tr>
<tr>
<td>Utility Service Charge</td>
<td>$270.52M</td>
<td>$242.62M</td>
<td>$27.90M</td>
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<tr>
<td>Corrections/Upgrades</td>
<td>$13.14M</td>
<td>$1.25M</td>
<td>$11.89M</td>
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<tr>
<td>Transition Period</td>
<td>$6.06M</td>
<td>$4.58M</td>
<td>$1.48M</td>
</tr>
</tbody>
</table>

Our Due Diligence resulted in an increase in the contract value.
CONTRACT STRUCTURE

Transition Period (2017-2019)
- Validate Inventory\(^1\)
- Invoice as Tasks are completed

Transfer Ownership
- Purchase of Assets
- Recover Capital Costs

Operations (50-Year Contract)
- Monthly Payments include:
  - Operations & Maintenance
  - Renewals & Replacements
  - Debt Service
- Annual/Monthly Payment Changes:
  - Inventory adjustments
  - CPI adjustments

We recover all costs to own, operate & maintain these assets, with no impact to our other customers.

\(^1\) Process included validation of quantity, type, condition, estimated installation date, & system surveys.
TRANSITION PERIOD

DURING THE DUE DILIGENCE PROCESS, WE:

- Validated JBSA inventory accuracy
  - The Request for Proposal was over 7 yrs old
- Identified 7 system improvements
  - 4 – Electric ($7.55M)
  - 3 – Gas ($5.59M)
- Offered a service delivery solution that presents savings to JBSA
  - Provides same protection & more efficient design
  - Reduces projected costs to $750K vs $7.5M
- Increased our confidence in the condition of the system
- Identified a plan for maintaining compliance on previously unregulated systems

East Switching Station, JBSA Randolph

Pressure Monitor Installation, JBSA Lackland TA
TRANSITION PERIOD
ASSESSMENT OUTCOMES

Confirming Switchgear De-energized Before Inspection, JBSA Randolph

Gas System Inspection Preparation, JBSA Lackland Training Annex
NEXT STEPS

• Complete remaining transition activities
• Obtain Board approval to finalize transaction
• Sign Bill of Sale formalizing the change of ownership
  o Performance start date (G&E) – 7/1/19
REQUEST FOR APPROVAL

“We are requesting that the Board of Trustees authorize our President & CEO, Paula Gold-Williams, to finalize and execute the Bill of Sale with the Defense Logistics Agency.”
Thank You