TEXAS MUNICIPAL POWER AGENCY
PLANNING & OPERATING COMMITTEE

VIA VIDEO CONFERENCE CALL

VIDEOCONFERENCE LINK TO THE VIDEOCONFERENCE CALL:

https://us02web.zoom.us/j/83369933804?pwd=UFBlZ2U0cjVGa0JrRGhCZ05Yd2FnUT09

Wednesday, April 21, 2021
10:00 AM

TMPA STAFF REPORTS

(NA) No Attachment

NOTE: Staff will provide any new information or updates related to the above reports after mail-out by email or at the meeting. As you review all meeting material, please provide any questions that arise to Staff as soon as possible to better manage discussion and meeting time length.

April 21, 2021

AGENDA ITEM NO. 1A

SUBJECT: Review Proposed FY22 Budget Package

DISCUSSION: Staff has prepared the FY22 Budget Package for the P&O Committee's review and comment. Please refer to the attached FY22 Budget Package for further information. The package was reviewed with the Financial Working Group on 4/8/21, and their comments/changes have been incorporated.

Staff is requesting a recommendation from the P&O Committee to take the FY22 Budget Package forward to the Audit & Budget Committee for review and the Board for approval.

BACKUP MATERIAL: FY22 Budget Package

ACTION REQUESTED: Review and approval to take the FY22 Budget forward to the ABC & Board.

Lyndi Birkhead
4/14/21

TEXAS MUNICIPAL POWER AGENCY

FY22 BUDGET PACKAGE

For Years FY22-31

Prepared by

TMPA Staff

March 2021

CONFIDENTIAL-COMPETITIVE INFORMATION

TEXAS MUNICIPAL POWER AGENCY
FY22 BUDGET PACKAGE

TABLE OF CONTENTS

GENERATION

TRANSMISSION

MINE

SUPPLEMENTAL INFORMATION

TEXAS MUNICIPAL POWER AGENCY
FY22 BUDGET PACKAGE

EXECUTIVE SUMMARY & KEY BUDGET ASSUMPTIONS

The primary goals of the TMPA budget process continue to be reducing costs in accordance with the business plans of our Member Cities, while maintaining the reliability of the transmission system, preparing the mine land to be sold, and overseeing the decommissioning, demolition, and remediation activities in accordance with the Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group (GCERG), all while achieving a compliant and safe working environment.

Staff prepared the attached budgets based on discussions at the February P&O and Board meetings.

Below is more detail on each business unit of TMPA:

- Generation – The only Generation function remaining after the sale of the plant on February 10, 2021 is overseeing the decommissioning, demolition, and remediation activities in accordance with the APA with GCERG. The Agency's Technical Manager will oversee this activity and will also take on additional responsibilities (i.e. remaining mine functions and land matters) as headcount continues to reduce.

- Transmission – It is assumed that the transmission business will remain with TMPA for the foreseeable future, being managed as it is currently with Garland Power & Light (GP&L) and Denton Municipal Electric (DME) under Transmission Operation, Maintenance, and Construction Services Agreements.

- Mine – It is assumed that the mine land will be sold in FY22, with almost all activity ceasing at that time (except for that associated with acid seeps). In FY22, the staff consists of the Mine & Land Manager and college students as necessary.

- A&G – It is assumed that the General Manager will be retained until the end of FY22, to align with the expiration of his contract. The IT Specialist and HR Generalist will also be released at this time. A group of A&G employees will be retained until TMPA "dissolves" (Director of Finance & Support Services, Accountant, Document Control Specialist, and Executive Assistant).

On the following page is the TMPA headcount chart to illustrate the staffing needs of each department.

TEXAS MUNICIPAL POWER AGENCY
FY22 BUDGET PACKAGE

TMPA Headcount			
RA	**Department**	**FY22**	**FY23-31**
	A&G		
1B	General Manager	2	1
2C	Finance & Document Control	3	3
3B	IT	1	0
3E	HR	1	0
	Generation		
6D	Regulatory/Compliance	1	1
	Mine		
6E	Mine & Land	1	0
		9	**5**

Included in the budgets are estimates for employee retention bonuses and severance packages, as applicable. The details of these incentives are discussed below. Under TMPA's current circumstances, there is concern that employees will seek employment elsewhere. However, these incentives, as applied in FY17-20, proved effective in retaining staff. It is management's belief that continuing with these incentives will preserve the knowledge and skills necessary for the Agency to function with a much reduced staff. The General Manager is excluded from both the retention bonus and severance package.

> Retention bonus period: Annually, October 1 – September 30
> Retention bonus: 20% of actual gross wages (less prior retention payments) during the bonus period. If the employee is released by TMPA prior to September 30, the employee will receive a retention bonus for actual gross wages earned through the date of release.
>
> Severance package: Severance is budgeted for all remaining, full-time employees in the year it would be expensed. Severance packages are equal to one week of pay for every year of service up to a maximum of 15 years.

Retiree medical/dental benefits are assumed to remain in effect until TMPA "dissolves".

GENERATION

TEXAS MUNICIPAL POWER AGENCY
FY22 BUDGET PACKAGE

GENERATION STRATEGY & KEY BUDGET ASSUMPTIONS

The Generation business unit consists of a single responsibility area under the administration of Daniel Meadows, Technical Manager. The primary function of this department is to oversee the decommissioning, demolition, and remediation activities in accordance with the APA with GCERG. It is anticipated this department will be maintained for several years and evolve into TMPA's sole technical resource once the mine property is sold.

History

The Member Cities allowed the Power Sales Contract to expire in September 2018 and operated in accordance with the JOA and an annual Generation budget until such time as Gibbons Creek Steam Electric Station (GCSES) was sold or decommissioned.

GCSES was in a Forced Outage status after depleting coal inventory and coming off-line on 9/19/18 at 00:18 hours until 9/30/18 at midnight, then moved to Reserve Shutdown on 10/1/18 until 6/1/19 (the start of ERCOT's summer operation season). In January 2019, ERCOT determined that GCSES was not required to support ERCOT transmission system reliability and allowed suspension of operation indefinitely effective 6/1/19, at which time GCSES entered an Indefinite Mothball status.

At the 6/6/19 Board meeting, TMPA's Board approved Resolution No. 2019-6-14 directing cessation of power and energy from GCSES and giving authority to TMPA's General Manager to direct the filings to retire GCSES with ERCOT and other regulatory agencies as applicable and, in consultation with the P&O Committee, to terminate contracts no longer necessary for generation operations. On 10/30/19, GCSES was Retired/Decommissioned from the ERCOT system.

On 2/10/21, GCSES was sold to GCERG.

Key Budget Assumptions

1) The primary function of the Generation business unit is to ensure GCERG's performance of remediation. In accordance with the APA, a professional engineer was contracted in FY21 to serve as the Environmental Designee to monitor the progress of the remediation work, suspend payments from escrow when work falls behind schedule, review correspondence between GCERG and regulatory authorities, and report to TMPA on environmental conditions at the plant site. The remediation activities are currently scheduled to conclude in FY24 with the acceptance of post-closure plans by the Texas Commission on Environmental Quality (TCEQ). Post-closure requirements from TCEQ to GCERG will become known toward the end of closure activities, likely in FY23. TMPA's oversight of post-closure will be better understood at that time.

2) As part of GCERG's closure plans for the Coal Combustion Residuals (CCR) units, it is anticipated that TCEQ will challenge the CCR groundwater monitoring Alternate Source Demonstration (ASD) prepared for TMPA by Wood Group in April 2019. It is probable that TMPA, with the assistance of consultants, will be required to participate in or defend the assertions made in the ASD.

3) Permits and regulatory responsibility related to GCSES, Gibbons Creek Reservoir, and the ash landfills will have been fully transferred to GCERG by the end of FY21. Due to

TMPA's ownership of GCSES for a portion of CY21, some regulatory reporting will be required in FY22.

4) The Environmental Designee has the authority to deny escrow payments if the remaining closure costs are more than the total security available (remaining Escrow and Regulatory Closure Bonds), if there are environmental issues with GCERG's performance, or if GCERG falls behind schedule. If a situation such as this arises, engineering or legal consulting may be required to resolve.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget - Generation

	FY21 Amended Budget	FY22 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	434,055	202,079	(231,976)	-53.4%	1
L01 Retention Bonuses	43,000	30,246	(12,754)	-29.7%	
L01 Severance Packages	135,000	-	(135,000)	-100.0%	1
M02 Direct Purchases	8,896	2,225	(6,671)	-75.0%	
R27 Maintenance Agreements	2,500	-	(2,500)	-100.0%	
R51 Contractor Maintenance	244,858	3,200	(241,658)	-98.7%	1
S02 Consulting Services	169,625	173,200	3,575	2.1%	
S04 Legal Services	632,269	118,000	(514,269)	-81.3%	1
Other Fixed Costs	40,179	7,508	(32,671)	-81.3%	
Allocation of A&G	1,188,408	230,133	(958,275)	-80.6%	2
Subtotal Fixed Costs	**$ 2,898,790**	**$ 766,591**	**$ (2,132,199)**	-73.6%	
C02 Sale of Plant Fund	28,146,238	-	(28,146,238)	-100.0%	1
Subtotal Decommissioning Project	**$ 28,146,238**	**$ -**	**$ (28,146,238)**	-100.0%	
TOTAL FIXED COSTS	**$ 31,045,028**	**$ 766,591**	**$ (30,278,437)**	**-97.5%**	
OTHER REVENUES					
Interest Income	(59,068)	(5,388)	53,680	90.9%	
Other Revenue	(38,642)	-	38,642	100.0%	
TOTAL OTHER REVENUES	**$ (97,710)**	**$ (5,388)**	**$ 92,322**	**94.5%**	
TOTAL COSTS	**$ 30,947,318**	**$ 761,203**	**$ (30,186,115)**	**-97.5%**	

* Explanations are provided for changes over $100K AND 5%.

Comparison to FY21's Amended Budget – Generation

Fixed Costs

1) Almost all of the cost elements within the Generation budget decreased as a result of the sale of the plant in February 2021.

2) Allocation of A&G decreased as a result of the sale of the plant in February 2021. More A&G is now allocated to the Transmission and Mine business units. Also, total A&G decreased as property insurance premiums for the Transmission assets are now directly budgeted in the Transmission budget. The property insurance premiums for the Generation assets, previously budgeted in A&G, reduced to zero with the sale of the plant.

TEXAS MUNICIPAL POWER AGENCY
FY22-31 Generation Budget Pro Forma

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY22-31 Total
FIXED COSTS											
I49 Postage Stamp Expense											
L01 Labor & Benefits	202,079	208,141	214,385	220,817	227,441	234,265	241,292	248,531	255,987	263,667	2,316,605
L01 Retention Bonuses	30,246	31,154	32,088	33,051	34,043	35,064	36,116	37,199	38,315	39,465	346,741
M02 Direct Purchases	2,225	510	520	531	541	552	563	574	586	598	7,200
R51 Contractor Maintenance	3,200	3,264	3,329	3,396	3,464	3,533	3,604	3,676	3,749	3,824	35,039
S02 Consulting Services	173,200	142,800	145,656	58,366	59,533	60,724	61,938	63,177	64,441	65,730	895,565
S04 Legal Services	118,000	120,360	33,293	33,958	34,638	35,331	36,037	36,758	37,493	38,243	524,111
Other Fixed Costs	7,508	7,658	7,811	7,967	8,127	8,289	8,455	8,625	8,795	8,973	82,208
Allocation of A&G	230,133	218,019	189,691	154,291	154,555	158,062	163,212	166,928	172,370	191,554	1,798,816
TOTAL FIXED COSTS	**$ 766,591**	**$ 731,906**	**$ 626,773**	**$ 512,377**	**$ 522,342**	**$ 535,820**	**$ 551,217**	**$ 565,468**	**$ 581,737**	**$ 612,054**	**$ 6,006,285**
OTHER REVENUES											
Interest Income	(5,388)	(11,587)	(14,515)	(15,364)	(19,225)	(23,124)	(27,062)	(31,039)	(35,055)	(42,493)	(224,853)
TOTAL OTHER REVENUES	**$ (5,388)**	**$ (11,587)**	**$ (14,515)**	**$ (15,364)**	**$ (19,225)**	**$ (23,124)**	**$ (27,062)**	**$ (31,039)**	**$ (35,055)**	**$ (42,493)**	**$ (224,853)**
TOTAL COSTS	**$ 761,203**	**$ 720,319**	**$ 612,258**	**$ 497,013**	**$ 503,117**	**$ 512,695**	**$ 524,155**	**$ 534,429**	**$ 546,682**	**$ 569,560**	**$ 5,781,432**
Monthly Charge	**$ 63,434**	**$ 60,027**	**$ 51,022**	**$ 41,418**	**$ 41,926**	**$ 42,725**	**$ 43,680**	**$ 44,536**	**$ 45,557**	**$ 47,463**	**$ 481,786**

TRANSMISSION

TRANSMISSION STRATEGY & KEY BUDGET ASSUMPTIONS

TMPA's transmission system will continue to be maintained for safety, reliability, and operational compliance requirements.

GP&L, in collaboration with the other Member Cities, and TMPA staff will continue to monitor for new projects required for system reliability. These will be assessed project-by-project to determine if it is better for the project to be pursued by TMPA or a Member City.

GP&L will continue to provide transmission operator, maintenance, compliance, and construction services under the agreement with TMPA. DME has a similar transmission operator agreement for the transmission assets in the Denton area. Denton only charges incremental, third-party costs under its contract.

Discussions have occurred regarding the Member Cities possibly acquiring the transmission assets, however that timeline has not yet been defined.

Key Budget Assumptions

1) Identified the Transmission Capital Plan needed for safe, compliant, reliable operations.
2) The current Series "A" bank notes have $60M in capacity (approximately half of which is outstanding) and expire on November 23, 2022. Based on the 10-year Capital Plan provided by GP&L and DME, the current note program may not be sufficient through the expiration date. Staff, Steven Adams, and the Financial Working Group are currently analyzing the options available. These include amending the current note program, fixing out the portion of current notes outstanding for assets placed in service, and fixing out the current notes as well as refunding the current Series 2010 and 2017 bonds. Current low interest rates could provide significant savings if we chose to refund the existing bonds. Therefore, to be conservative, until one of these options is chosen, the current debt structure remains in the pro forma.
3) As of 9/1/20, the Member Cities have the option to pay off the TMPA transmission debt and dispose of or acquire the transmission assets, if they choose. As the analysis mentioned above continues and transmission debt fix outs are considered, the price of a short call will be evaluated to maintain flexibility.
4) An interim rate case filing was approved by the PUCT on December 22, 2020. TMPA's return related to deferred assets was eliminated, and the corresponding reduction to revenue is reflected in the budget pro forma.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget - Transmission

	FY21 Amended Budget	FY22 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	615,738	614,717	(1,021)	-0.2%	
R06 Bank Charges	298,050	301,350	3,300	1.1%	
R41 Insurance Premiums	-	341,186	341,186	100.0%	1
R51 Contractor Maintenance	1,587,500	1,567,000	(20,500)	-1.3%	
S04 Legal Services	88,000	132,000	44,000	50.0%	
Other Fixed Costs	1,301,296	1,263,109	(38,187)	-2.9%	
Allocation of A&G	1,835,172	1,918,202	83,030	4.5%	
Subtotal Fixed Costs - Non-Debt	**$ 5,725,756**	**$ 6,137,564**	**$ 411,808**	7.2%	
R57-R58 Debt Service - Bonds	13,622,808	13,623,267	459	0.0%	
R55 Interest on Series "A" Notes	695,383	706,181	10,798	1.6%	
I62 Debt Coverage Payment (DCP)	3,541,930	3,542,049	119	0.0%	
Subtotal Fixed Costs - Debt	**$ 17,860,121**	**$ 17,871,497**	**$ 11,376**	0.1%	
TOTAL FIXED COSTS	**$ 23,585,877**	**$ 24,009,061**	**$ 423,184**	**1.8%**	
OTHER REVENUES					
I50 Transmission System Revenue	(47,079,270)	$ (30,890,630)	16,188,640	34.4%	2
Interest Income	(368,453)	$ (133,532)	234,921	63.8%	3
Other Revenue	(72,300)	(82,300)	(10,000)	-13.8%	
TOTAL OTHER REVENUES	**$ (47,520,023)**	**$ (31,106,461)**	**$ 16,413,562**	**34.5%**	
TOTAL COSTS / (REVENUE)	**$ (23,934,146)**	**$ (7,097,400)**	**$ 16,836,746**	**70.3%**	

* Explanations are provided for changes over $100K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget – Transmission

<u>Fixed Costs – Non-Debt</u>

1) Insurance Premiums increased because property insurance premiums for the Transmission assets are now directly budgeted in the Transmission budget instead of in A&G.

<u>Other Revenues</u>

2) Transmission System Revenue decreased because the Agency's interim filing was approved by the PUCT on 12/22/20, which eliminated TMPA's return related to deferred assets.

3) Interest Income decreased primarily due to lower budgeted interest rates resulting from the COVID pandemic.

TEXAS MUNICIPAL POWER AGENCY
FY22-31 Transmission Budget Pro Forma

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY22-31 Total
FIXED COSTS											
L01 Labor & Benefits	614,717	633,158	652,153	671,718	691,869	712,625	734,004	756,024	778,705	802,066	7,047,039
R06 Bank Charges	301,350	307,377	313,524	319,794	326,192	332,713	339,369	346,157	353,079	360,140	3,299,695
R41 Insurance Premiums	341,186	348,010	354,970	362,069	369,311	376,697	384,231	391,915	399,754	407,750	3,735,893
R51 Contractor Maintenance	1,567,000	1,598,340	1,630,307	1,662,913	1,696,171	1,730,095	1,764,697	1,799,990	1,835,990	1,872,710	17,158,213
S04 Legal Services	132,000	134,640	137,333	140,079	142,882	145,739	148,653	151,626	154,659	157,753	1,445,364
Other Fixed Costs	1,263,109	1,288,371	1,314,139	1,340,421	1,367,230	1,394,574	1,422,466	1,450,915	1,479,934	1,509,532	13,830,691
Allocation of A&G	1,918,202	1,946,501	2,062,001	2,134,682	2,127,300	2,164,321	2,223,266	2,262,084	2,323,715	2,568,878	21,730,950
Subtotal Fixed Costs - Non-Debt	**$ 6,137,564**	**$ 6,256,398**	**$ 6,464,426**	**$ 6,631,676**	**$ 6,720,955**	**$ 6,856,764**	**$ 7,016,686**	**$ 7,158,712**	**$ 7,325,836**	**$ 7,678,829**	**$ 68,247,845**
R57-R58 Debt Service - Bonds	13,623,267	13,618,454	13,620,975	13,620,896	13,620,004	13,619,795	13,620,026	13,619,942	13,619,094	13,619,884	136,202,337
R55 Interest on Series "A" Notes	706,181	1,122,076	1,404,401	1,690,689	1,973,413	2,256,136	2,538,860	2,821,584	3,104,308	3,387,032	21,004,680
I62 Debt Coverage Payment (DCP)	3,542,049	3,540,798	3,541,454	3,541,433	3,541,201	3,541,147	3,541,207	3,541,185	3,540,964	3,541,170	35,412,608
Subtotal Fixed Costs - Debt	**$ 17,871,497**	**$ 18,281,328**	**$ 18,566,830**	**$ 18,853,018**	**$ 19,134,618**	**$ 19,417,078**	**$ 19,700,093**	**$ 19,982,711**	**$ 20,264,366**	**$ 20,548,086**	**$ 192,619,625**
TOTAL FIXED COSTS	**$ 24,009,061**	**$ 24,537,726**	**$ 25,031,256**	**$ 25,484,694**	**$ 25,855,573**	**$ 26,273,842**	**$ 26,716,779**	**$ 27,141,423**	**$ 27,590,202**	**$ 28,226,915**	**$ 260,867,471**
OTHER REVENUES											
Transmission System Revenue	(30,890,630)	(31,508,442)	(32,138,611)	(32,781,383)	(33,437,011)	(34,105,751)	(34,787,866)	(35,483,623)	(36,193,296)	(36,917,162)	(338,243,775)
Interest Income	(133,532)	(288,727)	(432,128)	(575,988)	(717,107)	(858,205)	(999,280)	(1,140,334)	(1,281,366)	(1,467,729)	(7,894,395)
Other Revenue	(82,300)	(83,946)	(85,624)	(87,338)	(89,085)	(90,865)	(92,683)	(94,536)	(96,427)	(98,357)	(901,161)
TOTAL OTHER REVENUES	**$ (31,106,461)**	**$ (31,881,115)**	**$ (32,656,363)**	**$ (33,444,709)**	**$ (34,243,203)**	**$ (35,054,821)**	**$ (35,879,829)**	**$ (36,718,493)**	**$ (37,571,089)**	**$ (38,483,248)**	**$ (347,039,330)**
TOTAL COSTS / (REVENUE)	**$ (7,097,400)**	**$ (7,343,389)**	**$ (7,625,107)**	**$ (7,960,014)**	**$ (8,387,630)**	**$ (8,780,979)**	**$ (9,163,051)**	**$ (9,577,070)**	**$ (9,980,887)**	**$ (10,256,333)**	**$ (86,171,860)**
Monthly Charge	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

TEXAS MUNICIPAL POWER AGENCY
FY22-31 Transmission Capital Plan

NEW DEBT FUNDED TRANSMISSION PROJECTS	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	10-YEAR TOTALS
DME											
Masch Branch-North Denton TxDOT I35 Road Widening	**1,800,000**										**1,800,000**
West Denton to Jim Christal - correct erosion for two transmission poles	**1,950,000**										**1,950,000**
West Denton - erosion on south side of station		**505,000**									**505,000**
West Denton - upgrade 138kV bus support	**360,000**										**360,000**
West Denton - relocate capacitor bank and arrange to connect to either 138kV bus	**150,000**	**350,000**	**700,000**								**1,200,000**
West Denton - construct two new 138kV terminals to serve two new Brazos TM lines			**650,000**	**850,000**							**1,500,000**
West Denton - install new 600 MVA Autotransformer		**350,000**	**3,650,000**	**2,100,000**							**6,100,000**
Hickory Creek Road Bridge	50,000										50,000
Underwood Substation - transmission tie-in				**530,000**							**530,000**
GP&L											
Ben Davis- 345kV breaker Replacement and Elevating Equipment	990,000										990,000
Brand Rd. Pole Reroute		159,039									159,039
McCree- install 2-345kv/2-138kv breakers/switches	1,419,321										1,419,321
Steep Hollow to Keith Switch- fiber installation	233,333										233,333
Steep Hollow to Keith Switch - Rebuild Transmission Leaning Structures	6,800,000										6,800,000
Ben Davis - Royse Transmisson Line Tower Replacement	400,000										400,000
Substation Security	125,494										125,494
Plum Creek Solar Termination & Line	**6,700,000**	**6,000,000**									**12,700,000**
Pink Solar Termination & Line	**450,000**	**5,400,000**									**5,850,000**
Misc. capital projects, failed equipment, modifications, instrument transformer replacements	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**						**5,000,000**
TOTAL DEBT FUNDING REQUIREMENT	**$ 22,428,148**	**$ 13,764,039**	**$ 6,000,000**	**$ 4,480,000**	**$ 1,000,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$47,672,187**

***Does not yet have Board approval**

MINE

MINE STRATEGY & KEY BUDGET ASSUMPTIONS

Bond Release

TMPA's plan for the release of reclamation bonds on the GC lignite mine property is summarized in Table 1 and depicted on the map (Figure 1). Items shown in the table in blue font have been completed; items in green have been submitted for bond release and are in review by the Railroad Commission of Texas (RCT) Staff; items in red are to be submitted in 2021.

Table 1 – Plan and Status of Final Bond Release (as of 2/22/21)

Packet(s)	Area (acres)	Owned by TMPA (acres)	Owned by 3rd parties (acres)	Status
26D – Mine shop facilities	71	0	71	Released 2000
26D – Gas well pads and roads	98	74	24	Released 2001-2006
26D – A1 Block	904	343	561	Released 1/15/13
38D – Rev. 14 (map adjustments)	295	257	38	Approved 7/31/13
26D – Rev. 21 (map adjustments)	254	212	42	Approved 12/8/14
26D – Falco + Ciesielski property	111	0	111	Released 8/25/15
38D – Rail spur (Permit 38D part)	55	55	0	Released 10/20/15
38D – Rev. 35 (map adjustments)	111	82	29	Approved 2/7/17
26D – Rev. 40 (map adjustments)	3	3	0	Approved 2/23/18
26D – Kolbachinski property	7	0	7	Released 2/27/18
26D – Rail spur (Permit 26D part)	131	131	0	Released 6/5/18
38D – A2/A3 Blocks (core area)	971	957	14	Approved 6/18/19
26D – "Big" application	4,293	4,045	248	Released 1/14/20
38D – A2/A3 Blocks (Peripheral Area), including Phase I and II release of Pond SP-50 area	554	544	10	Released 1/26/21
Total Released	**7,858 ac (89% of total)**	**6,703 ac (93% of TMPA land)**	**1,155 ac (72% of 3rd parties' land)**	
26D – Area B2-7 + B2-9	**85**	**85**	**0**	**Submitted 9/14/20**
26D – Moody property	**453**	**0**	**453**	**Submitted 10/7/20**
26D – Area B2-8	146	146	0	Submit Spring 2021
38D – A2/A3 Blocks – Area A2-4 (17 ac) + Mine Shop (3 ac)	20	20	0	Submit Spring 2021
38D – Pond SP-50	181	181	0	Submit Spring 2021
38D – Seep buffer areas	48	48	0	Submit Spring 2021
38D – Seeps 1 and 9A	22	22	0	Submit – TBD
Sub-Total Remaining	**955**	**502**	**453**	
TOTAL (both permits)	**8,813**	**7,205**	**1,608**	

Figure 1 – Plan for Final Bond Release

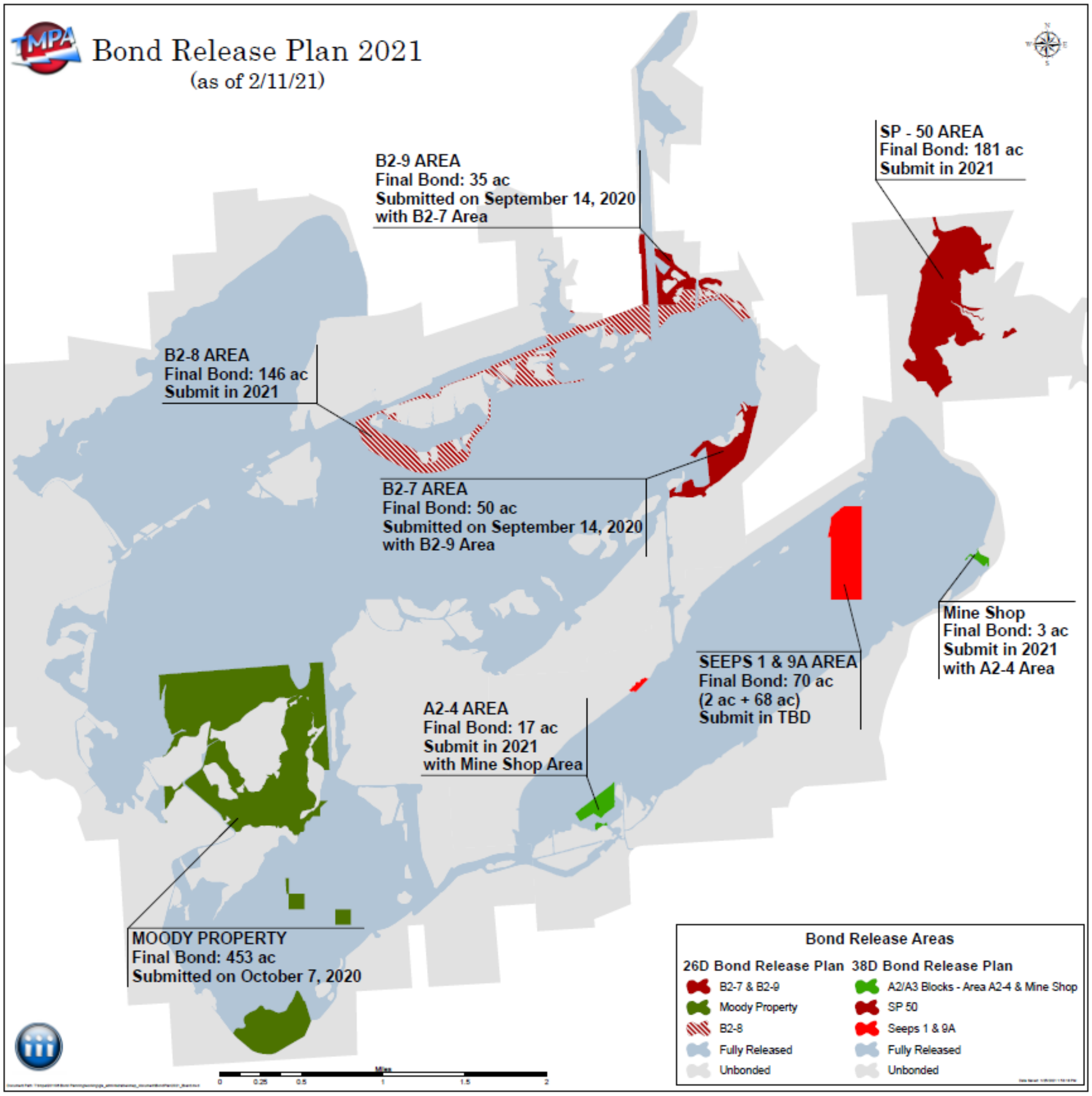


Table 1 represents the plan for submittal of bond release applications. The duration of the bond release process for TMPA's last five applications is summarized below (Table 2).

Table 2 – Duration of bond release approval process

Description	Date submitted	Date released	Duration
Permit 26D – "Big" bond release (4,301 acres)	6/11/18	1/14/20	19 months
Permit 38D – "Core Area" (971 acres)	10/18/17	6/18/19	20 months
Permit 26D – Kolbachinski tract (7 acres)	5/3/17	2/27/18	10 months
Permit 26D – Rail Spur (131 acres)	10/25/16	6/5/18	19 months
Permit 38D – "Peripheral Area" (554 acres)	5/5/20	1/26/21	9 months

Like the last application (Permit 38D, “Peripheral Area”), the two pending applications and future submittals are expected to take 9-12 months because most of the prerequisite requirements have already been met with the larger releases in both permit areas.

It is therefore projected that by early FY22, the only areas remaining to be released will be the 22 acres representing the Seep 1 and Seep 9A areas. These will require longer-term maintenance and monitoring before becoming eligible for final bond release, perhaps by the end of 2030.

Timing of sale of mine property

For budgeting purposes, it is assumed that the mine land will be sold by the end of FY22. Permitting and reclamation activities are therefore shown as ending after FY22. (If the sale of the mine is delayed beyond FY22, there will be continuing costs associated with the routine permitting and maintenance of the mine, estimated at $405K per year until the land is sold).

Long-term budget for the mine

Regardless of when the mine is sold, the Seep1 and Seep 9A areas (22 acres) will remain under RCT jurisdiction until bond release. TMPA is trying to find a way to achieve bond release on these areas but this is not expected to happen before 2030. Permit 38D, which lies south of Gibbons Creek, will therefore continue to remain active requiring all the associated permitting, monitoring, inspection, and reporting activities. Permit 26D, which lies north of Gibbons Creek, is not affected by any seeps, and is expected to be terminated by the end of FY22.

Costs associated with these activities are included in the FY22 Mine budget pro forma. They include, but are not limited to, items such as: mine reclamation bonding renewals, annual mine permit fees, monthly sampling of the seeps, laboratory analysis of seep waters, monthly RCT inspections, and associated paperwork.

At one time it was thought that oil and gas revenues would help to offset these expenses. However, this revenue steam has shrunk to $59K per year and even this could be lost if TMPA’s mineral interests are sold with the mine property.

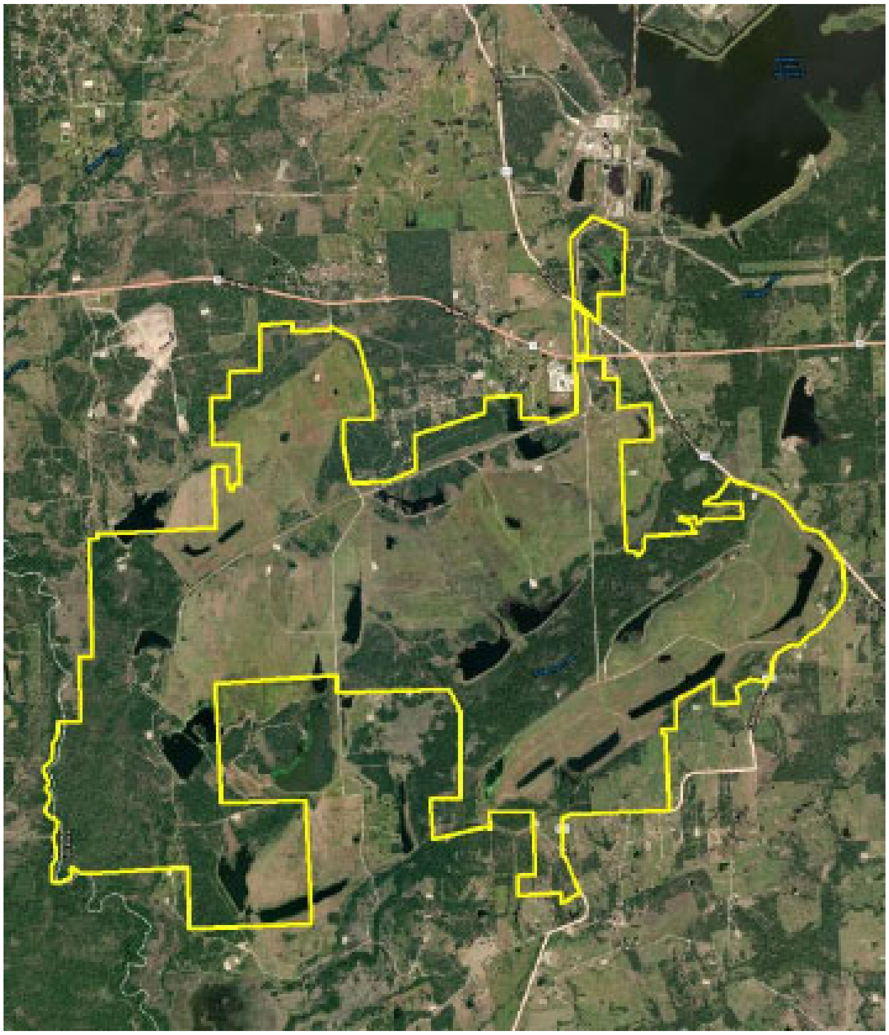
Land Ownership

TMPA owns the following land associated with the mine property (Figure 2):

Area between FM 244 and the power plant:	185.0 acres
Area between FM 244 and SH 30:	23.5 acres
Main mine area south of SH 30:	10,402.5 acres
	10,611.0 acres

This entire area was appraised by Valbridge at $4,750 per acre as of 11/6/19.

Figure 2 – TMPA property (10,611 acres) appraised by Valbridge in November 2019



In addition, TMPA owns the separate Pond SP-50 tract (723 acres) east of FM 244, which is not included for sale at present because it is non-contiguous and is on a separate reclamation timeline.

Special Issues

- <u>Changes in leadership at RCT Commission:</u> There have been two recent changes in leadership at the RCT's Surface Mining and Reclamation Division. In November 2018, Director Denny Kingsley and Assistant Director Travis Wootton suddenly left without notice. Under Director Kingsley's leadership, there had been considerable improvement in review times for both permitting and bond release actions. Director Kingsley was replaced by Interim Director Alex Schoch who also acted as General Counsel for the Commission. On 2/3/20, Interim Director Schoch was replaced by Dr. Brent Elliott as the new Director. In March 2020, the functioning of the Commission, like all other businesses, was disrupted by the COVID-19 pandemic.

- Bonding renewals: TMPA is projecting that after FY22, the only areas that will require bonding will be Acid Seeps 1 and 9A. These currently total 70 acres but will decrease to 22 acres after TMPA has achieved bond release on the "buffer areas" around the seeps. This is expected to occur by 2024.

  TMPA's strategy is to investigate the feasibility of cash bonding these small areas instead of using bonds collateralized with letters of credit. The bonding requirement for 70 acres at the full "mined" disturbance rate ($22K/acre) will be approximately $1.5M; for 22 acres it will be less than $500K. Cash bonding would avoid the costs associated with letters of credit, including bank commitment fees, bank bond counsel fees, TMPA bond counsel fees, rating fees, and fees associated with obtaining Attorney General approval. All of these fees totaled approximately $175K for the letters of credit recently closed on in February 2021.

- Remediation plans for Acid Seeps 1 and 9A: A remediation structure for Seep 1 was installed in 2011 and is being monitored. A phased remediation plan for Seep 9A was implemented in December 2020. End lake A3P-1 was permanently lowered by 4.5 feet and End Lake A3P-2 by 3.0 feet. It is expected that these lower water levels will lower the spoil water table and thereby reduce the hydrostatic pressure driving the Seep 9A system.

- Reclamation of Pond SP-50 waste piles: Construction of the islands was completed on 11/17/17, grasses were planted in January 2018, and planting of trees was performed in March 2018, with supplemental planting in December 2018 and 2019. Bond release on the 181 acres currently bonded on this tract (total of 723 acres, much of which was undisturbed by mining activities) will depend on the performance of the trees. A survey conducted in July 2020 recorded 950 live trees (the standard for bond release is 360 trees).

Preparation for Sale of Mine Property

Several activities are under way in preparation for the sale of the mine property:

- Sale of property: TMPA received proposals from five brokers in the summer of 2019. Three were short-listed and interviewed for a better evaluation in September and October 2019. Staff made a recommendation to hire Republic Ranches as the broker. This was approved by the Board at the February 2021 meeting (Resolution 2021-2-3), and a Listing Agreement was signed with Republic Ranches, LLC on 3/4/21.

- Tax valuation: TMPA obtained an agricultural land valuation for its mine property effective 1/1/17. Tax payments have been: $14.5K (2017), $15.4K (2018), and $15.4K (2019). The mine property can therefore be offered for sale with an established agricultural tax exemption.

- Cultural resources (archeological and historical): On 4/30/81, a Memorandum of Agreement was executed among TMPA, the Advisory Council on Historic Preservation, the EPA, and the Texas State Historic Preservation Officer. This Agreement stipulates (Paragraph I.I) that:

  > TMPA will ensure that all notes, photographs, negatives, and processed data (tables, maps, etc.) will be stored in good order and in a manner that makes them available for future study at an appropriately equipped institution that meets the standards set forth in the proposed 36

CFR Part 66 and that makes these data available to other parties for research or other appropriate purposes.

TMPA has completed the scanning of all relevant documents for future availability.

- <u>Document control – hard-copy and electronic files:</u> Critical current records and documents were moved from the power plant site with the move to the Bryan office in February 2020. Following the sale of the power plant area in February 2021, Staff relocated the Agency's remaining legacy records to long-term storage in Bryan.

Dissolution of the Mine Business Unit

It is expected that with the sale of the mine property in FY22, the mine business unit will have a much-diminished scope, staffing, and budget. The strategy is to release the Land Administrator, Murphy Hawkins, at the end of FY21, and the Mine and Land Manager, Jan Horbaczewski, in FY22. Residual work (summarized below) will be managed by the Technical Manager (Daniel Meadows) hired on 2/8/21:

- Long-term maintenance and monitoring plan for the lignite mine acid seep areas.

- Safeguarding of the regulatory records of the mine.

- Safeguarding of information on the long-term assets associated with the mine property, such as the existing lignite reserves and the private (non-state) water in the end lakes, on both of which the Agency retains 50% of the royalty.

- Disposal of the southern rail spur and other remaining properties.

- Final closure / notification to regulatory authorities with jurisdiction over the mine, such as the RCT, the TCEQ, the federal Office of Surface Mining and Reclamation Enforcement (OSMRE), the US Environmental Protection Agency (EPA), the US Army Corps of Engineers, the US Mine Safety and Health Administration, the US Fish and Wildlife Service, the Texas Parks and Wildlife Department (TPWD), and the Texas Historical Commission (THC).

Other Key Budget Assumptions

- The mine acid seeps will be fully released from bond by the end of 2030. This assumption is based on finding a mitigation solution that will be approved by the RCT. Director Kingsley, who started work at the Surface Mining Division in May 2016, had a keen interest in this matter and took the initiative with the federal Office of Surface Mining to find a way to achieve bond release on mitigated mine acid seeps. However, he left the RCT in November 2018, and it remains to be seen whether the initiative will be continued by the new leadership.

- The five-year Extended Responsibility Period (ERP) for all areas will be completed no later than 2021. The last ERP area, Area B2-8 (about 146 acres), was delayed by a year because it narrowly failed to meet the vegetation productivity standard in 2019. However, it was re-tested in 2020 and was approved by the Railroad Commission as having completed ERP requirements in February 2021. No other areas are expected to require ERP monitoring.

- Bond release on the Pond SP-50 wetland/wildlife habitat islands (12 acres) will be obtained in 2021. The concept of the islands was approved by the RCT in February 2017, and construction work was completed in the fall of 2017. Vegetation (trees, wetland species, and grasses) was planted in the spring and winter of 2018. The RCT's performance standard for trees on the islands is 30 stems per acre x 12 acres = 360 trees total. A survey in 2020 showed 950 live trees. Another survey is planned for spring 2021.

- The mine property is expected to sell at a value no less than the most recent appraisal (Valbridge appraisal – $4,750/acre as of 11/6/19). This value is also used in Table 3 for the Stephens property (originally reserved as a potential lay-down area for the Union Pacific Rail Spur project).

- The southern rail spur, and other remaining properties, will be sold in separate actions and are not included in the proposed budget.

Table 3 – Potential Sale Prices of Mine and Other Property

Description	Acreage	$/Acre *	Projected Sale Price	Timing
GC lignite mine property	10,611	$4,750	$50,402,250	No later than 2022
Pond SP-50 property	723	$4,750	$3,434,250	TBD
Stephens property (reserved for rail spur construction lay-down area)	81	$4,750	$384,750	TBD
Total	**11,415**		**$54,221,250**	

**Value as of 11/6/19 (Valbridge appraisal, dated 1/17/20).*
Note: Does not include the cost to market and sell the land.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget - Mine

	FY21 Amended Budget	FY22 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	436,759	266,326	(170,433)	-39.0%	1
L01 Retention Bonuses	66,773	38,485	(28,288)	-42.4%	
L01 Severance Packages	85,632	50,790	(34,842)	-40.7%	
M02 Direct Purchases	1,500	1,500	-	0.0%	
M44 Mine Maintenance	320,000	320,000	-	0.0%	
R06 Bank Charges	221,000	140,000	(81,000)	-36.7%	
R51 Contractor Maintenance	110,000	110,000	-	0.0%	
S02 Consulting Services	555,000	375,000	(180,000)	-32.4%	2
S04 Legal Services	200,000	160,000	(40,000)	-20.0%	
Other Fixed Costs	100,650	82,550	(18,100)	-18.0%	
Allocation of A&G	771,791	661,642	(110,149)	-14.3%	3
TOTAL FIXED COSTS	**$ 2,869,105**	**$ 2,206,293**	**$ (662,812)**	**-23.1%**	
OTHER REVENUES					
Interest Income	(74,939)	(15,492)	59,447	79.3%	
Other Revenue	(46,000)	(60,000)	(14,000)	-30.4%	
TOTAL OTHER REVENUES	**$ (120,939)**	**$ (75,492)**	**$ 45,447**	**37.6%**	
TOTAL COSTS	**$ 2,748,166**	**$ 2,130,802**	**$ (617,364)**	**-22.5%**	

* Explanations are provided for changes over $100K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget – Mine

<u>Fixed Costs</u>

1) Labor & Benefits decreased because Murphy Hawkins, Land Administrator, will retire at the end of FY21. Jan Horbaczewski, Mine & Land Manager, will remain with the Agency until the mine land is sold in FY22.

2) Consulting Services decreased because most of the mine land will have been released by the RCT, who requires services such as soil sampling, etc. The Agency is still bound by two permits which necessitate the work of consultants for work such as ground water and surface water sampling, monitoring, and submittals.

3) Allocation of A&G decreased because property insurance premiums for the Transmission assets are now directly budgeted in the Transmission budget. Also, the property insurance premiums for the Generation assets, previously budgeted in A&G, reduced to zero with the sale of the plant in February 2021.

TEXAS MUNICIPAL POWER AGENCY
FY22-31 Mine Budget Pro Forma

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY22-31 Total
FIXED COSTS											
L01 Labor & Benefits	266,326	-	-	-	-	-	-	-	-	-	266,326
L01 Retention Bonuses	38,485	-	-	-	-	-	-	-	-	-	38,485
L01 Severance Packages	50,790	-	-	-	-	-	-	-	-	-	50,790
M02 Direct Purchases	1,500	255	260	265	271	276	282	287	293	-	3,689
M44 Mine Maintenance	320,000	51,000	52,020	53,060	54,122	55,204	56,308	57,434	58,583	-	757,731
R06 Bank Charges	140,000	51,000	10,404	10,612	10,824	11,041	11,262	11,487	11,717	-	268,347
R51 Contractor Maintenance	110,000	33,150	33,813	34,489	35,179	35,882	36,600	37,333	38,079	-	394,525
S02 Consulting Services	375,000	204,000	208,080	212,240	216,488	220,817	225,232	229,738	234,332	-	2,125,927
S04 Legal Services	160,000	96,900	88,434	90,202	92,006	93,846	95,723	97,638	99,591	-	914,340
Other Fixed Costs	82,550	35,241	20,339	20,747	21,161	21,585	22,017	22,456	22,907	-	269,003
Allocation of A&G	661,642	212,967	193,604	200,137	199,155	202,321	207,523	210,830	216,247	-	2,304,425
TOTAL FIXED COSTS	**$ 2,206,293**	**$ 684,513**	**$ 606,954**	**$ 621,752**	**$ 629,206**	**$ 640,972**	**$ 654,947**	**$ 667,203**	**$ 681,749**	**$ -**	**$ 7,393,588**
OTHER REVENUES*											
Interest Income	(15,492)	(11,319)	(14,814)	(19,929)	(24,773)	(29,599)	(34,409)	(39,202)	(43,978)	-	(233,516)
Other Revenue	(60,000)	-	-	-	-	-	-	-	-	-	(60,000)
TOTAL OTHER REVENUES*	**$ (75,492)**	**$ (11,319)**	**$ (14,814)**	**$ (19,929)**	**$ (24,773)**	**$ (29,599)**	**$ (34,409)**	**$ (39,202)**	**$ (43,978)**	**$ -**	**$ (293,516)**
TOTAL COSTS	**$ 2,130,802**	**$ 673,194**	**$ 592,140**	**$ 601,823**	**$ 604,433**	**$ 611,373**	**$ 620,537**	**$ 628,000**	**$ 637,771**	**$ -**	**$ 7,100,072**
Monthly Charge	**$ 177,567**	**$ 56,099**	**$ 49,345**	**$ 50,152**	**$ 50,369**	**$ 50,948**	**$ 51,711**	**$ 52,333**	**$ 53,148**	**$ -**	**$ 591,673**

**It is assumed the mine property will be sold in FY22 (estimated in total as $50.4M for 10,611 acres ($4,750/acre) based on the Valbridge appraisal, dated 1/17/20). This revenue is NOT reflected above.*

SUPPLEMENTAL INFORMATION

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget - A&G

	FY21 Amended Budget	FY22 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	1,102,785	1,120,840	18,055	1.6%	
L01 Retention Bonuses	127,917	130,991	3,074	2.4%	
L01 Severance Packages	33,497	33,926	429	1.3%	
R06 Bank Charges	12,000	10,000	(2,000)	-16.7%	
R27 Maintenance Agreements	43,861	45,883	2,022	4.6%	
R41 Insurance Premiums	1,645,851	624,768	(1,021,083)	-62.0%	1
R51 Contractor Maintenance	-	10,000	10,000	100.0%	
S02 Consulting Services	216,180	237,530	21,350	9.9%	
S04 Legal Services	179,400	143,375	(36,025)	-20.1%	
Other Fixed Costs	433,881	452,665	18,784	4.3%	
TOTAL FIXED COSTS	**$ 3,795,372**	**$ 2,809,978**	**$ (985,394)**	**-26.0%**	
TOTAL COSTS	**$ 3,795,372**	**$ 2,809,978**	**$ (985,394)**	**-26.0%**	

* Explanations are provided for changes over $100K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY21's Amended Budget – A&G

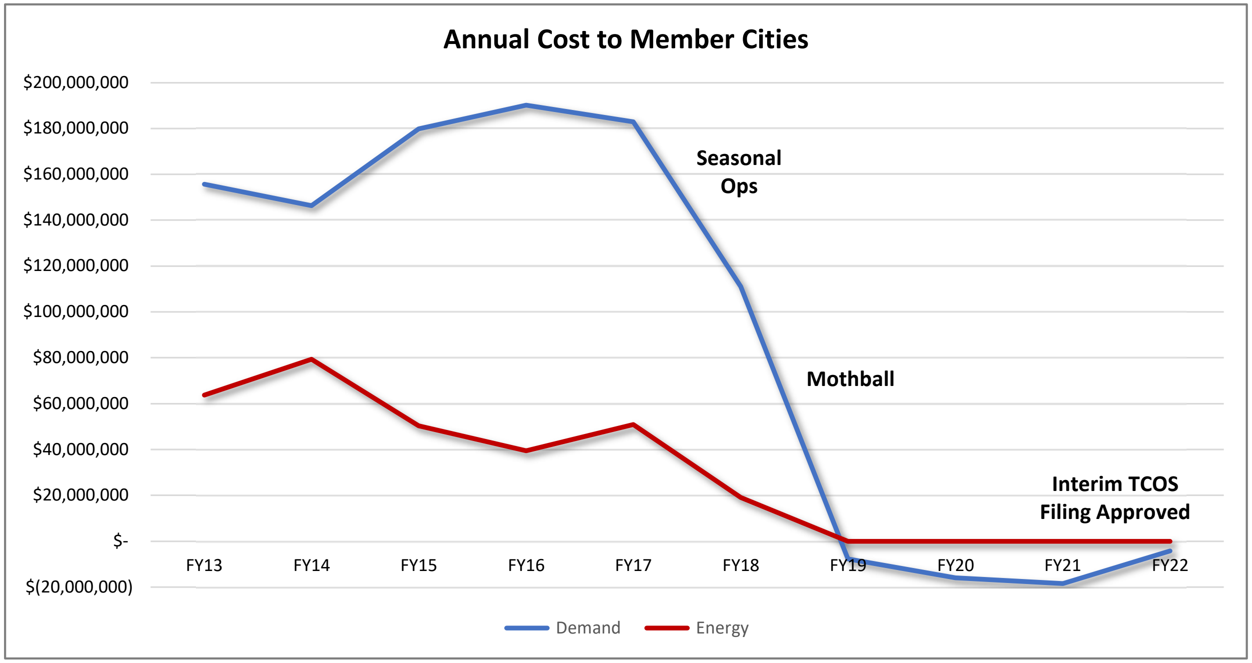
Fixed Costs

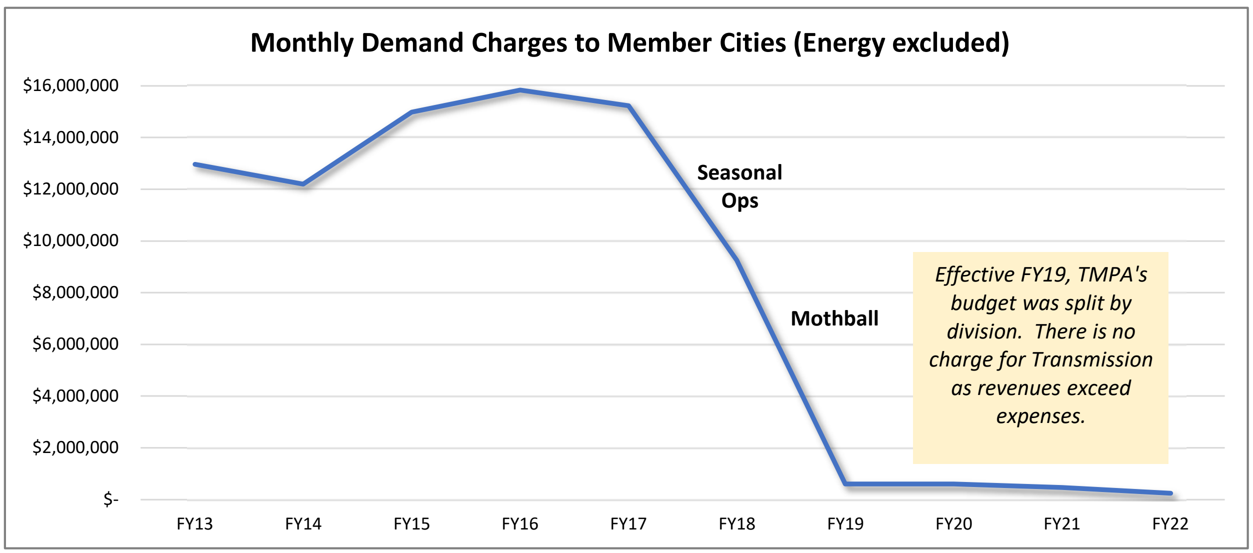
1) Insurance Premiums decreased because property insurance premiums for the Transmission assets are now directly budgeted in the Transmission budget. Also, the property insurance premiums for the Generation assets, previously budgeted in A&G, reduced to zero with the sale of the plant in February 2021.

TEXAS MUNICIPAL POWER AGENCY
FY22-31 A&G Budget Pro Forma

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY22-31 Total
FIXED COSTS											
L01 Labor & Benefits	1,120,840	548,505	564,960	581,909	599,366	617,347	635,867	654,943	674,592	694,829	6,693,158
L01 Retention Bonuses	130,991	90,997	93,726	96,538	22,860	23,545	24,252	24,979	25,729	26,501	560,117
L01 Severance Packages	33,926	-	-	-	-	-	-	-	-	-	33,926
R06 Bank Charges	10,000	10,200	10,404	10,612	10,824	11,041	11,261	11,487	11,717	11,951	109,497
R27 Maintenance Agreements	45,883	46,801	47,737	48,691	49,666	50,659	51,671	52,705	53,759	54,835	502,407
R41 Insurance Premiums	624,768	637,263	650,010	663,008	676,269	689,793	703,590	717,662	732,014	746,656	6,841,033
R51 Contractor Maintenance	10,000	10,200	10,404	10,612	10,824	11,041	11,262	11,487	11,717	11,951	109,498
S02 Consulting Services	237,530	447,286	470,094	467,823	489,087	486,721	508,846	506,386	529,403	526,844	4,670,020
S04 Legal Services	143,375	146,243	149,168	152,150	155,193	158,297	161,464	164,692	167,987	171,345	1,569,914
Other Fixed Costs	452,665	439,993	448,792	457,767	466,921	476,260	485,788	495,500	505,415	515,520	4,744,621
TOTAL FIXED COSTS	**$ 2,809,978**	**$ 2,377,487**	**$ 2,445,295**	**$ 2,489,110**	**$ 2,481,010**	**$ 2,524,704**	**$ 2,594,001**	**$ 2,639,842**	**$ 2,712,332**	**$ 2,760,432**	**$ 25,834,192**
TOTAL COSTS	**$ 2,809,978**	**$ 2,377,487**	**$ 2,445,295**	**$ 2,489,110**	**$ 2,481,010**	**$ 2,524,704**	**$ 2,594,001**	**$ 2,639,842**	**$ 2,712,332**	**$ 2,760,432**	**$ 25,834,192**

TEXAS MUNICIPAL POWER AGENCY
10-Year History of TMPA's Costs & Charges to Member Cities





April 21, 2021

AGENDA ITEM NO. 1B

SUBJECT: Takeout of a Portion of the 2020 Revolving Note Program & Refunding the Series 2010 & Series 2017 Bonds

DISCUSSION: After reviewing the Transmission Capital Plan, as presented in the FY22 Budget Package, it became clear that the current capacity of the Revolving Note Program would not be sufficient over the next two years (31.1M of the $60M in capacity is currently outstanding, with $39M in additions projected in FY21 and FY22). To take advantage of low interest rates, a take-out of a portion of the outstanding Notes, combined with a refunding of the Series 2010 and Series 2017 bonds, was presented to the Financial Working Group for consideration. After careful evaluation of multiple scenarios, the FWG arrived at a mutual agreement (30-year fixed rate bond; 5-year par call with 2-3.5% coupons; in the approximate amount of $200 million).

The Revolving Notes Program will remain in place to fund future Transmission capital projects.

BACKUP MATERIAL: Summary of Takeout of a Portion of the 2020 Revolving Note Program & Estimated Savings from Refunding the Series 2010 & Series 2017 Bonds

Draft Email from TMPA General Manager to TMPA Board of Directors

ACTION REQUESTED: Recommendation to present this financing plan, as structured, to the Board

Lyndi Birkhead
4/14/21

Texas Municipal Power Agency

Summary of

Takeout of a Portion of the 2020 Revolving Note Program

&

Estimated Savings from Refunding the
Series 2010 & Series 2017 Bonds

April 21, 2021

SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES

Overview of the Plan of Finance

- On November 24, 2020, TMPA entered into a Revolving Note with Bank of America and currently has outstanding $30 million on the Note for assets placed into service.
    - Total Note Capacity: $60 million
    - Amount Currently Outstanding: $31.1 million ($30 million is for assets in service)
    - Future Projected Note Draws: $39 million ($16m in FY21 & $23m in FY22)
- In addition, TMPA's existing bonds (Series 2010 & 2017) are currently callable at par.
- The proposed bonds will:
    - Takeout of a portion of the BofA Note ($30 million) representing the assets placed into service. The Notes would be financed into a long-term 30-year fixed rate bond.
    - Refund the outstanding Bonds for a lower interest rate and total savings of $76,050,024. The net present value savings are estimated to be $42,305,667 (or 23% of the refunded par amount).
    - At current interest rates, plus 25 basis points, the proposed bonds have an interest rate of 2.81% and will hold an optional redemption feature for the bonds to be prepaid/refinanced, at the option of TMPA, without penalty in 2026.

Proposed Series 2021 Bonds:
5-Year Par Call with 2.0%-3.5% Coupons

Projected Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Net New D/S
09/30/2021	2,075,000.00	2.000%	495,982.08	2,570,982.08	2,569,882.20
09/30/2022	7,170,000.00	2.000%	5,210,075.00	12,380,075.00	12,380,075.00
09/30/2023	7,300,000.00	2.000%	5,066,675.00	12,366,675.00	12,366,675.00
09/30/2024	7,450,000.00	2.000%	4,920,675.00	12,370,675.00	12,370,675.00
09/30/2025	7,600,000.00	2.000%	4,771,675.00	12,371,675.00	12,371,675.00
09/30/2026	7,755,000.00	2.000%	4,619,675.00	12,374,675.00	12,374,675.00
09/30/2027	7,910,000.00	2.000%	4,464,575.00	12,374,575.00	12,374,575.00
09/30/2028	8,065,000.00	2.000%	4,306,375.00	12,371,375.00	12,371,375.00
09/30/2029	8,225,000.00	2.000%	4,145,075.00	12,370,075.00	12,370,075.00
09/30/2030	8,390,000.00	2.100%	3,980,575.00	12,370,575.00	12,370,575.00
09/30/2031	8,570,000.00	2.250%	3,804,385.00	12,374,385.00	12,374,385.00
09/30/2032	8,760,000.00	2.400%	3,611,560.00	12,371,560.00	12,371,560.00
09/30/2033	8,975,000.00	2.500%	3,401,320.00	12,376,320.00	12,376,320.00
09/30/2034	9,195,000.00	2.650%	3,176,945.00	12,371,945.00	12,371,945.00
09/30/2035	9,440,000.00	2.750%	2,933,277.50	12,373,277.50	12,373,277.50
09/30/2036	9,695,000.00	2.850%	2,673,677.50	12,368,677.50	12,368,677.50
09/30/2037	9,970,000.00	3.000%	2,397,370.00	12,367,370.00	12,367,370.00
09/30/2038	10,270,000.00	3.100%	2,098,270.00	12,368,270.00	12,368,270.00
09/30/2039	10,590,000.00	3.150%	1,779,900.00	12,369,900.00	12,369,900.00
09/30/2040	10,930,000.00	3.250%	1,446,315.00	12,376,315.00	12,376,315.00
09/30/2041	3,290,000.00	3.350%	1,091,090.00	4,381,090.00	4,381,090.00
09/30/2042	3,395,000.00	3.500%	980,875.00	4,375,875.00	4,375,875.00
09/30/2043	3,520,000.00	3.500%	862,050.00	4,382,050.00	4,382,050.00
09/30/2044	3,640,000.00	3.500%	738,850.00	4,378,850.00	4,378,850.00
09/30/2045	3,775,000.00	3.500%	611,450.00	4,386,450.00	4,386,450.00
09/30/2046	3,900,000.00	3.500%	479,325.00	4,379,325.00	4,379,325.00
09/30/2047	4,035,000.00	3.500%	342,825.00	4,377,825.00	4,377,825.00
09/30/2048	1,365,000.00	3.500%	201,600.00	1,566,600.00	1,566,600.00
09/30/2049	1,415,000.00	3.500%	153,825.00	1,568,825.00	1,568,825.00
09/30/2050	1,465,000.00	3.500%	104,300.00	1,569,300.00	1,569,300.00
09/30/2051	1,515,000.00	3.500%	53,025.00	1,568,025.00	1,568,025.00
Total	**$199,650,000.00**	**-**	**$74,923,592.08**	**$274,573,592.08**	**$274,572,492.20**

Estimated TIC: 2.81%

Specialized Public Finance Inc.
Financial Advisory Services

1B-4

Proposed Series 2021 Bonds (Aggregate Proposed Debt Service) (1)*: 5-Year Par Call with 2.0%-3.5% Coupons*

		Less:	*Plus* (2) *:*	*Aggregate Proposed Series 2021 D/S*				*Aggregate*
Year	Total Existing Debt Service	Refunded Debt Service	Refunded Accrued Interest	Principal	Coupon	TIC: 2.81% Interest	Total D/S	Total Projected Debt Service
2021	$13,622,725	($9,101,363)	$3,800,000	$ 2,075,000	2.00%	$495,982	$2,570,982	$10,892,345
2022	13,623,725	(13,623,725)	-	7,170,000	2.00%	5,210,075	12,380,075	12,380,075
2023	13,618,225	(13,618,225)	-	7,300,000	2.00%	5,066,675	12,366,675	12,366,675
2024	13,620,975	(13,620,975)	-	7,450,000	2.00%	4,920,675	12,370,675	12,370,675
2025	13,620,975	(13,620,975)	-	7,600,000	2.00%	4,771,675	12,371,675	12,371,675
2026	13,620,025	(13,620,025)	-	7,755,000	2.00%	4,619,675	12,374,675	12,374,675
2027	13,619,775	(13,619,775)	-	7,910,000	2.00%	4,464,575	12,374,575	12,374,575
2028	13,620,025	(13,620,025)	-	8,065,000	2.00%	4,306,375	12,371,375	12,371,375
2029	13,620,025	(13,620,025)	-	8,225,000	2.00%	4,145,075	12,370,075	12,370,075
2030	13,619,025	(13,619,025)	-	8,390,000	2.10%	3,980,575	12,370,575	12,370,575
2031	13,619,850	(13,619,850)	-	8,570,000	2.25%	3,804,385	12,374,385	12,374,385
2032	13,620,250	(13,620,250)	-	8,760,000	2.40%	3,611,560	12,371,560	12,371,560
2033	13,623,750	(13,623,750)	-	8,975,000	2.50%	3,401,320	12,376,320	12,376,320
2034	13,622,750	(13,622,750)	-	9,195,000	2.65%	3,176,945	12,371,945	12,371,945
2035	13,621,500	(13,621,500)	-	9,440,000	2.75%	2,933,278	12,373,278	12,373,278
2036	13,619,000	(13,619,000)	-	9,695,000	2.85%	2,673,678	12,368,678	12,368,678
2037	13,619,250	(13,619,250)	-	9,970,000	3.00%	2,397,370	12,367,370	12,367,370
2038	13,616,000	(13,616,000)	-	10,270,000	3.10%	2,098,270	12,368,270	12,368,270
2039	13,618,250	(13,618,250)	-	10,590,000	3.15%	1,779,900	12,369,900	12,369,900
2040	13,619,500	(13,619,500)	-	10,930,000	3.25%	1,446,315	12,376,315	12,376,315
2041	5,628,500	(5,628,500)	-	3,290,000	3.35%	1,091,090	4,381,090	4,381,090
2042	5,628,500	(5,628,500)	-	3,395,000	3.50%	980,875	4,375,875	4,375,875
2043	5,628,500	(5,628,500)	-	3,520,000	3.50%	862,050	4,382,050	4,382,050
2044	5,628,000	(5,628,000)	-	3,640,000	3.50%	738,850	4,378,850	4,378,850
2045	5,631,500	(5,631,500)	-	3,775,000	3.50%	611,450	4,386,450	4,386,450
2046	5,628,250	(5,628,250)	-	3,900,000	3.50%	479,325	4,379,325	4,379,325
2047	5,628,000	(5,628,000)	-	4,035,000	3.50%	342,825	4,377,825	4,377,825
2048	-	-	-	1,365,000	3.50%	201,600	1,566,600	1,566,600
2049	-	-	-	1,415,000	3.50%	153,825	1,568,825	1,568,825
2050	-	-	-	1,465,000	3.50%	104,300	1,569,300	1,569,300
2051	-	-	-	1,515,000	3.50%	53,025	1,568,025	1,568,025
Total	$311,806,850	($307,285,488)	$3,800,000	$ 199,650,000		$ 74,923,592	$ 274,573,592	$282,894,955

Assumptions:

(1) Current interest rates at market **plus 25bps** as of April 12, 2021.

Denotes callable maturities.

(2) Represents accrued interest on the Refunded Bonds from the 3/1/2021 payment to July 2021 closing.

SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES

1B-5

Proposed Series 2021 Bonds (Refunding Portion Only): Estimated Savings from the Refunding

Texas Municipal Power Agency

Refunded Obligations

Issue	Maturities	Interest Rate	Amount	Callable
2010 Bonds	2021-2040	4.00%-5.00%	$100,130,000	Currently Callable
2017 Bonds	2021-2047	5.000%	$82,435,000	Currently Callable

Summary of Results

Par Amount of Refunding Bonds	$169,675,000
Est. True Interest Cost (TIC)	2.73%
Total Debt Service Savings	***$ 76,050,024***
Net Present Value Savings ($)	***$ 42,305,667***
Net Present Value Savings (%)	***23.173%***

Note: Interest Rates as of April 12, 2021, plus 25 basis points.
Includes estimated $12,240,710.71 release from Prior DSRF.
Reserve Requirement on the Proposed Bonds funded with a Surety.

(1) Represents accrued interest on the Refunded Bonds from the 3/1/2021 payment to July 2021 closing.

Projected Annual Savings

	A	B	C	D
FYE 9/30	Existing D/S	Less: Existing D/S Funds Contributed at Closing [1]	Post-Ref. Net D/S	Savings
2021	$ 13,622,725	$ (3,800,000)	$ 7,003,874	**$ 2,818,851**
2022	13,623,725	-	10,809,740	**2,813,985**
2023	13,618,225	-	10,800,040	**2,818,185**
2024	13,620,975	-	10,802,940	**2,818,035**
2025	13,620,975	-	10,803,140	**2,817,835**
2026	13,620,025	-	10,805,640	**2,814,385**
2027	13,619,775	-	10,805,340	**2,814,435**
2028	13,620,025	-	10,802,240	**2,817,785**
2029	13,620,025	-	10,801,340	**2,818,685**
2030	13,619,025	-	10,802,540	**2,816,485**
2031	13,619,850	-	10,803,150	**2,816,700**
2032	13,620,250	-	10,803,775	**2,816,475**
2033	13,623,750	-	10,808,575	**2,815,175**
2034	13,622,750	-	10,805,575	**2,817,175**
2035	13,621,500	-	10,805,095	**2,816,405**
2036	13,619,000	-	10,800,245	**2,818,755**
2037	13,619,250	-	10,800,300	**2,818,950**
2038	13,616,000	-	10,799,700	**2,816,300**
2039	13,618,250	-	10,801,710	**2,816,540**
2040	13,619,500	-	10,804,940	**2,814,560**
2041	5,628,500	-	2,813,678	**2,814,823**
2042	5,628,500	-	2,809,475	**2,819,025**
2043	5,628,500	-	2,814,500	**2,814,000**
2044	5,628,000	-	2,811,550	**2,816,450**
2045	5,631,500	-	2,815,800	**2,815,700**
2046	5,628,250	-	2,811,900	**2,816,350**
2047	5,628,000	-	2,810,025	**2,817,975**
	$ 311,806,850	$ (3,800,000)	$ 231,956,826	**$ 76,050,024**

SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES

1B-6

Proposed Series 2021 Bonds (CP Takeout Portion Only): Estimated – Subject to Change

TMPA

Estimated Net Debt Service (Portion Related to the CP Takeout Only)

Date	Principal	Coupon	Interest	Total P+I	Net New D/S
09/30/2021	-	-	83,614.97	83,614.97	83,614.97
09/30/2022	685,000.00	2.000%	885,335.00	1,570,335.00	1,570,335.00
09/30/2023	695,000.00	2.000%	871,635.00	1,566,635.00	1,566,635.00
09/30/2024	710,000.00	2.000%	857,735.00	1,567,735.00	1,567,735.00
09/30/2025	725,000.00	2.000%	843,535.00	1,568,535.00	1,568,535.00
09/30/2026	740,000.00	2.000%	829,035.00	1,569,035.00	1,569,035.00
09/30/2027	755,000.00	2.000%	814,235.00	1,569,235.00	1,569,235.00
09/30/2028	770,000.00	2.000%	799,135.00	1,569,135.00	1,569,135.00
09/30/2029	785,000.00	2.000%	783,735.00	1,568,735.00	1,568,735.00
09/30/2030	800,000.00	2.100%	768,035.00	1,568,035.00	1,568,035.00
09/30/2031	820,000.00	2.250%	751,235.00	1,571,235.00	1,571,235.00
09/30/2032	835,000.00	2.400%	732,785.00	1,567,785.00	1,567,785.00
09/30/2033	855,000.00	2.500%	712,745.00	1,567,745.00	1,567,745.00
09/30/2034	875,000.00	2.650%	691,370.00	1,566,370.00	1,566,370.00
09/30/2035	900,000.00	2.750%	668,182.50	1,568,182.50	1,568,182.50
09/30/2036	925,000.00	2.850%	643,432.50	1,568,432.50	1,568,432.50
09/30/2037	950,000.00	3.000%	617,070.00	1,567,070.00	1,567,070.00
09/30/2038	980,000.00	3.100%	588,570.00	1,568,570.00	1,568,570.00
09/30/2039	1,010,000.00	3.150%	558,190.00	1,568,190.00	1,568,190.00
09/30/2040	1,045,000.00	3.250%	526,375.00	1,571,375.00	1,571,375.00
09/30/2041	1,075,000.00	3.350%	492,412.50	1,567,412.50	1,567,412.50
09/30/2042	1,110,000.00	3.500%	456,400.00	1,566,400.00	1,566,400.00
09/30/2043	1,150,000.00	3.500%	417,550.00	1,567,550.00	1,567,550.00
09/30/2044	1,190,000.00	3.500%	377,300.00	1,567,300.00	1,567,300.00
09/30/2045	1,235,000.00	3.500%	335,650.00	1,570,650.00	1,570,650.00
09/30/2046	1,275,000.00	3.500%	292,425.00	1,567,425.00	1,567,425.00
09/30/2047	1,320,000.00	3.500%	247,800.00	1,567,800.00	1,567,800.00
09/30/2048	1,365,000.00	3.500%	201,600.00	1,566,600.00	1,566,600.00
09/30/2049	1,415,000.00	3.500%	153,825.00	1,568,825.00	1,568,825.00
09/30/2050	1,465,000.00	3.500%	104,300.00	1,569,300.00	1,569,300.00
09/30/2051	1,515,000.00	3.500%	53,025.00	1,568,025.00	1,568,025.00
Total	**$29,975,000.00**	**-**	**$17,158,272.47**	**$47,133,272.47**	**$47,133,272.47**

Estimated TIC: 3.15%

Proposed Series 2021 Bonds: Sources and Uses of Funds

Total Sources of Funds	
Par Amount of Bonds	$199,650,000
Reoffering Premium	3,037,500
Transfers from Prior Issue Bond Funds (1)	3,800,000
Transfers from Prior Issue DSR Funds (2)	12,240,711
Total Sources	**$218,728,211**

Total Uses of Funds	
Est. Underwriter's Discount	$1,397,550
Est. Issuance Costs	650,000
Surety Bond	296,521
Takeout of BofA Note	30,000,000
Deposit to Current Refunding Fund	186,383,039
Miscellaneous / Rounding	1,100
Total Uses	**$218,728,211**

Footnotes:

(1) Represents accrued interest on the Refunded Bonds from the 3/1/2021 payment to July 2021 closing.

(2) Existing Debt Service Reserve Fund Balance on the Series 2010 & Series 2017 Bonds. As of 3/31/21, Series 2010 reserve had $8,228,996.02 and the Series 2017 reserve had $4,011,714.69.

Proposed Series 2021 Bonds: Financing Timeline

April						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Denotes TMPA P&O and TMPA Board Meeting Date

Denotes Closing Date

Date:	Event:
Wednesday, April 21, 2021	**TMPA P&O Meeting** – Specialized Public Finance Inc. ("SPFI") to provide an overview of the proposed plan of finance.
Week of: Monday, May 24, 2021	Distribute the Preliminary Official Statement ("POS") for comments. SPFI requests ratings from S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch"). SPFI will solicit insurance premium quotes for bond insurance on the transaction.
Friday, June 4, 2021	Distribute second draft of the bond documents and POS.
Week of: Monday, June 7, 2021	Rating call with S&P and Fitch.
Thursday, June 10, 2021	***Board Meeting - Parameters Sale*** The Board will consider an Order authorizing a Parameters Sale of the Bonds.
Monday, June 21, 2021	Receive credit ratings from S&P and Fitch. Receive insurance and surety bond bids from bond insurance companies, if any. SPFI posts the POS for review by potential investors.
Tuesday, June 29, 2021	***Negotiate Bond Pricing** - Interest Rates on the Bonds are negotiated between SPFI and the Underwriters.*
Tuesday, July 27, 2021	***Closing*** – Bond proceeds are deposited to the escrow fund.

Draft Email from TMPA General Manager to TMPA Board of Directors:

TMPA staff and Steven Adams are recommending the issuance of long-term transmission bonds to replace a portion of the Series "A" short-term transmission notes and to refund the Series 2010 and 2017 long-term transmission bonds.

After evaluating the structure for several months, the Financial Working Group (FWG), consisting of the Member City financial officers and TMPA staff, arrived at a mutual agreement on the recommended structure (30-year fixed rate bond; 5-year par call with 2-3.5% coupons, in the approximate amount of $200 million). The attached PowerPoint Presentation made to the P&O Committee provides more details on this financing.

Since meeting the parameters of the structure is interest rate sensitive, the FWG believes it is in TMPA's best interest to present the item to the TMPA Board for consideration and action at the next scheduled Board meeting on June 10. This proposed refinancing will take advantage of lower interest rates and provide annual savings. It will also free up additional capacity in the Series "A" Note Program for future transmission capital financing. On April 21, the P&O Committee also recommended the above-described financing.

Under the Joint Operating Agreement, TMPA may not incur transmission debt without first providing at least 60 days written notice to the Member Cities. I propose to send the 60-day notice to the Member Cities on April 28, 2021. Thereafter, a transmission bond resolution would be posted on the agenda for the June 10, 2021 Board Meeting. If the Board approves the transmission bond resolution on June 10, no agreement to issue and sell the bonds would be made effective until after expiration of the original 60-day notice period.

If any of you prefer that I **not** send the 60-day notice until the Board has had a meeting to discuss this financing, please send me an email requesting a meeting to discuss the financing. Please send me the email by no later than 5:00PM on April 27, 2021. In the email, please refrain from discussing the merits of the financing, and please do not reply to all. The email should simply request a meeting to discuss the financing. If I receive an email requesting a meeting, I will not send the notice to the Member Cities until after the Board has had an opportunity to receive a briefing, either at the June 10 Board Meeting, or at a special Board Meeting to be held prior to that date.

Please note that the notice to the Member Cities, if sent, does not obligate TMPA to issue any debt, or obligate the Board to approve any bond resolution. Thank you for your attention to this matter.