TEXAS MUNICIPAL POWER AGENCY

BOARD OF DIRECTORS MEETING

VIA VIDEO CONFERENCE CALL

THE PRESIDING OFFICER WILL BE IN ATTENDANCE AT, AND MEMBERS OF THE PUBLIC MAY ATTEND, THE FOLLOWING LOCATION:

BTU
205 E 28th STREET
BRYAN, TX 77803

Thursday, February 10, 2022
10:30 AM

Preliminary matters:

- Call to order
- Public comments

The following matters are scheduled for discussion and for possible action:

1. Consent Agenda Items:

   A. Consider approval of meeting minutes of the December 9, 2021 and December 17, 2021 Board of Directors meetings.

2. Planning & Operating Committee report relating to results of the Planning & Operating Committee meeting of February 10, 2022.

3. Status report relating to mine reclamation and land matters.

4. Status report relating to environmental and regulatory compliance matters including remediation of former Gibbons Creek plant site.

5. FY22 First Quarter Budget Status Report.

6. FY23 Budget Plan.

7. Resolution No. 2022-2-1, relating to the annual review of the Agency's Investment Policy; and resolving matters incidental and related thereto.

8. Status report relating to the TMPA transmission operations and five-year transmission capital project plan.

9. Resolution No. 2022-2-2, amending the FY2022 Annual Transmission System Capital Budget by appropriating funds for the Dansby to Steep Hollow Rebuild Project; and resolving matters incidental and related thereto.

10. Resolution No. 2022-2-3, amending the FY2022 Annual Transmission System Capital Budget by appropriating funds for the Gibbons Creek Data Center Terminal Additions Project; and resolving matters incidental and related thereto.

11. Executive session will be held pursuant to the Open Meetings Act (Chapter 551, Government Code) for the following items:

    A. Amendment to General Manager Agreement (personnel matter under Section 551.074, Government Code, and legal advice under Section 551.071, Government Code).

In the Board's discretion, the Board may discuss and/or take action on one or more of the above executive session items in open meeting. In regard to items scheduled on this agenda for discussion and/or action in the open portion of the meeting, the Board may, in its discretion, address one or more of such items in executive session if and to the extent permitted by the Texas Open Meetings Act.

12. Future Meeting Dates.

13. Adjourn.

February 10,2022

AGENDA ITEM NO. 1

SUBJECT: Consent Agenda Items

DISCUSSION: These items, since they deal with routine business, have been grouped together as consent items so that they can be approved with a single vote of the Board.

If a Board Member desires to discuss any of these items, the Board Member may so request at the meeting, and the matter will be discussed and voted on separately from the remaining consent items.

It is expected that the use of a consent agenda will streamline the decision-making process and allow the Board time to focus on more important items.

BACKUP MATERIAL:

Consent Agenda Item(s):

A. Consider approval of meeting minutes of the December 9, 2021 and December 17, 2021 Board of Directors meetings.

ACTION REQUESTED: Consideration and action on the Consent Agenda Item(s).

TEXAS MUNICIPAL POWER AGENCY

BOARD OF DIRECTORS MEETING MINUTES

CAMBRIA HOTEL RICHARDSON
3605 SHIRE BLVD.
RICHARDSON, TEXAS

THURSDAY, December 9, 2021
9:30 AM

Vice President Cheek called the meeting to order at 9:40 AM.

The following people were present at the meeting.

Board Members:

James Ratliff and Tom Jefferies – City of Garland
Sue Ann Harting and Summer Spurlock – City of Greenville
Bill Cheek and Jesse Davis – City of Denton
Buppy Simank and Kean Register - Absent

Staff:

Bob Kahn, Jan Horbaczewski, Daniel Meadows, Lyndi Birkhead, and Tracy Stracener

Others:

Carl Shahady – Tiemann, Shahady & Hamala, P.C.
Gary Miller – BTU
Terry Naulty, Jerry Fielder, and Antonio Puente – Denton Municipal Electric
Darrell Cline, Steve Martin and Tom Hancock – Garland Power & Light
Alicia Hooks and Erica Contreras – GEUS
Dan Culver

Public Comments:

Mr. Cheek asked for comments, there were none.

1. **Committee reports:**

    - **Audit and Budget Committee report relating to the results of the December 9, 2021 Committee meeting.**

        - Mr. Cheek reported that the Audit and Budget Committee held a meeting on December 9, 2021 and in addition to routine business:

            - Receive report on the City of Garland transmission expense billing audit, an update on the Annual Audit Plan, and the Annual Ethics Program update.
            - Consider approval of the external auditors for the audit relating to the 2022 Fiscal

Year.

- Discuss Cash Funding of the Mine Bonding Requirements.

2. Consent Agenda Items:

A. Consider approval of meeting minutes of the September 9, 2021 and October 28, 2021 Board of Directors meetings.

Mr. Jefferies moved, seconded by Ms. Harting, approval of all consent agenda items.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

3. Planning & Operating Committee report relating to results of the Planning & Operating Committee meeting of December 8, 2021.

An update was provided by Mr. Puente.

4. Status report relating to mine reclamation and land matters.

An update was provided by Mr. Horbaczewski.

5. Status report relating to environmental and regulatory compliance matters.

An update was provided by Mr. Meadows.

6. FY21 Year-end Budget Status Report.

An update was provided by Mrs. Birkhead.

7. Resolution No. 2021-12-8, receiving the audited financial statements of the Agency for the fiscal year ended September 30, 2021; and resolving matters incidental and related thereto.

Mr. Ratliff moved, seconded by Mr. Jefferies, approval of resolution no. 2021-12-8.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

8. Resolution No. 2021-12-1, authorizing a refund of transmission revenues to the Member Cities; and resolving matters incidental and related thereto.

Mr. Jefferies moved, seconded by Mr. Davis, approval of resolution no. 2021-12-1.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

9. Resolution No. 2021-12-2, authorizing a refund of certain excess funds to the Member Cities; and resolving matters incidental and related thereto.

Mr. Jefferies moved, seconded by Mr. Ratliff, approval of resolution no. 2021-12-2.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

10. Resolution No. 2021-12-3, declaring that the purposes of the Decommissioning Reserve Account have been accomplished and therefore approving a reduction of the required balance of the Decommissioning Reserve Account; and resolving matters incidental and related thereto.

The Board was not able to vote on this item due to lack of quorum for a Super-Majority Vote.

11. Resolution No. 2021-12-6, approving the annual proportional share calculation of Member City ownership interests in Agency assets; and resolving matters incidental and related thereto.

Ms. Harting moved, seconded by Mr. Jefferies, approval of resolution no. 2021-12-6.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

12. Resolution No. 2021-12-4, Relating to the authorization and issuance of Texas Municipal Power Agency Mine Reclamation Notes, Taxable Series; providing the terms, conditions, and specifications for such notes; providing for the notes to be issued in one or more series; authorizing the execution of one or more note purchase agreements for the notes; declaring such notes to constitute mine reclamation bonds of the agency; providing for the notes to evidence the payment obligations of the agency with respect to one or more letters of credit to be delivered to the Texas Railroad Commission on behalf of the agency by Wells Fargo Bank, National Association, pledging certain revenues of the agency in payment of such obligations and interest thereon; approving the form, and authorizing the execution and delivery,

of a paying agent/registrar agreement and other documents and agreements as required by and associated with such notes; approving and authorizing certain authorized officers and employees to act on behalf of the agency in delivering such notes within the limitations and procedures specified herein, and resolving other matters incident and related thereto.

Ms. Harting moved, seconded by Mr. Ratliff, approval of resolution no. 2021-12-4.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

13. Status report relating to the TMPA transmission operations and five-year transmission capital project plan.

An update was provided by Mr. Martin.

14. Resolution No. 2021-12-7, amending the FY2022 Annual Transmission System Capital Budget by increasing the amount that is authorized to be expended on the Denton West to Jim Christal Pole Erosion Project; and resolving matters incidental and related thereto.

Mr. Ratliff moved, seconded by Ms. Harting, approval of resolution no. 2021-12-7.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

15. Executive Session.

Mr. Cheek announced that the Board would convene in executive session pursuant to Sections 551.071, 551.072, and 551.086 of the Government Code.

The open session was recessed, and the executive session was called to order by Mr. Cheek at 10:07 AM.

The open session resumed at approximately 10:14 AM.

16. Resolution No. 2021-12-5, authorizing an amendment to the agreement for general counsel services; and resolving matters incidental and related thereto.

Mr. Jefferies moved, seconded by Mr. Davis, approval of resolution no. 2021-12-5.

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Absent	Ratliff – Aye
Spurlock - Aye	Register – Absent
Harting – Aye	Davis – Aye

22. Future meeting dates and subjects.

By general consensus of the Board, the next Board meeting is tentatively set for December 17, 2021 at 10:00 AM.

23. Adjourn.

By general consensus of the Board, the meeting adjourned at approximately 10:31 AM.

Tracy Stracener
Assistant Secretary
TMPA Board of Directors

TEXAS MUNICIPAL POWER AGENCY

BOARD OF DIRECTORS MEETING MINUTES

VIA VIDEO CONFERENCE CALL

THE PRESIDING OFFICER WILL BE IN ATTENDANCE AT, AND MEMBERS OF THE PUBLIC MAY ATTEND, THE FOLLOWING LOCATION:

BTU
205 E 28th STREET
BRYAN, TX 77803

Friday, December 17, 2021
10:00 AM

President Register called the meeting to order at 10:00 AM.

The following people were present at the meeting.

Board Members:

Kean Register and Buppy Simank – City of Bryan
James Ratliff and Tom Jefferies – City of Garland
Sue Ann Harting and Summer Spurlock – City of Greenville
Jesse Davis – City of Denton
Bill Cheek - Absent

Staff:

Bob Kahn, Lyndi Birkhead, and Tracy Stracener

Others:

Carl Shahady – Tiemann, Shahady & Hamala, P.C.
Will Smith – BTU
Terry Naulty – Denton Municipal Electric
Darrell Cline and Tom Hancock – Garland Power & Light
Alicia Hooks and Erica Contreras – GEUS

Public Comments:

Mr. Register asked for comments, there were none.

1. **Resolution No. 2021-12-3, declaring that the purposes of the Decommissioning Reserve Account have been accomplished and therefore approving a reduction of the required account balance of the Decommissioning Reserve Account; and resolving matters incidental and related thereto.**

Mr. Register moved, seconded by Mr. Ratliff, approval of resolution no. 2021-12-3.

Motion carried; voting as follows:

Cheek – Absent	Jefferies – Aye
Simank – Aye	Ratliff – Aye
Spurlock - Aye	Register – Aye
Harting – Aye	Davis – Aye

2. **Future meeting dates and subjects.**

The next scheduled board meeting will be held on February 10, 2022 by video conference.

3. **Adjourn.**

By general consensus of the Board, the meeting adjourned at approximately 10:07 AM.

Tracy Stracener
Assistant Secretary
TMPA Board of Directors

February 10, 2022

AGENDA ITEM NO. 2

SUBJECT: Planning & Operating Committee report relating to results of the Planning & Operating Committee meeting of February 10, 2022.

DISCUSSION: The P&O Committee Chair will present major discussion topics and action items taken at the February 10, 2022 P&O Committee meeting.

BACKUP MATERIAL: None.

ACTION REQUESTED: Discussion.

February 10, 2022

AGENDA ITEM NO. 3

SUBJECT: Status report relating to mine reclamation and land matters.

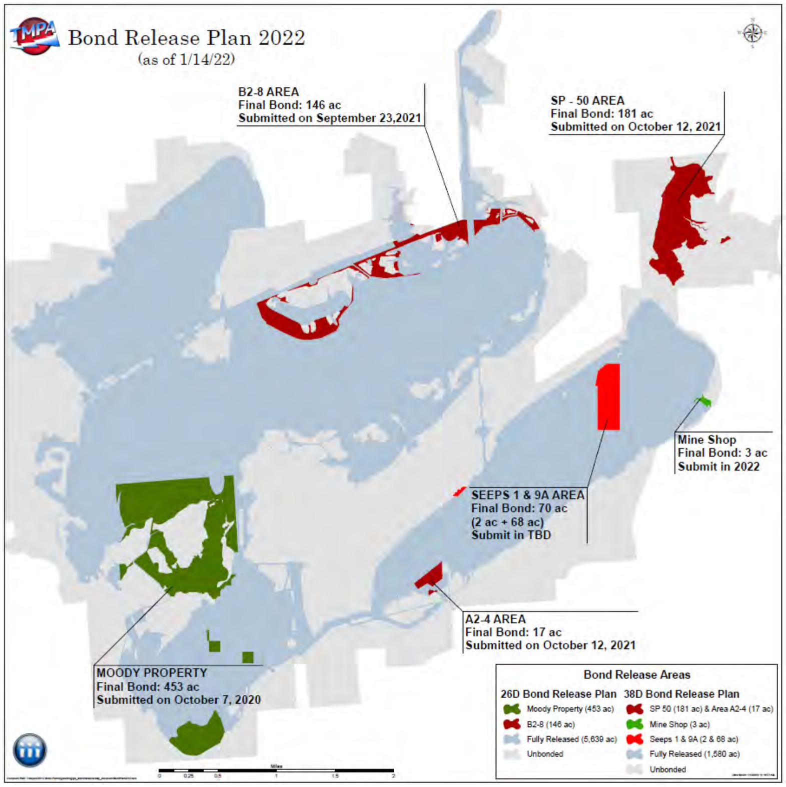
DISCUSSION:

The status of bond release is summarized in Table 1 and depicted in Figure 1. Items shown in the table in green font have been completed: items in blue have been submitted to the Railroad Commission and are in review; items in red remain to be submitted.

Table 1 – Plan and Status of Final Bond Release (as of 01/26/22)

Packet(s)	TMPA property (acres)	Leased property (acres)	Total (acres)	Status
26D – Mine shop facilities	0	71	71	Released 2000
26D – Gas well pads and roads	74	24	98	Released 2001-2006
26D – A1 Block	343	561	904	Released 01/15/13
38D – Rev. 14 (map adjustments)	257	38	295	Released 07/31/13
26D – Rev. 21 (map adjustments)	212	42	254	Released 12/8/14
26D – Falco + Ciesielski property	0	111	111	Released 08/25/15
38D – Rail spur (Permit 38D part)	55	0	55	Released 10/20/15
38D – Rev. 35 (map adjustments)	82	29	111	Released 02/7/17
26D – Rev. 40 (map adjustments)	3	0	3	Released 02/23/18
26D – Kolbachinski property	0	7	7	Released 02/27/18
26D – Rail spur (Permit 26D part)	131	0	131	Released 06/5/18
38D – A2/A3 core area	957	14	971	Released 06/18/19
26D – "Big" application	4,045	248	4,293	Released 01/14/20
38D – A2/A3 peripheral area	544	10	554	Released 01/26/21
26D – Area B2-7 + B2-9	85	0	85	Released 10/12/21
Total Released	**6,788 ac (94% of TMPA property)**	**1,155 ac (72% of leased property)**	**7,943 ac (90% of total)**	
26D – Moody property	**0**	**453**	**453**	**Submitted 10/7/20**
26D – Area B2-8	**146**	**0**	**146**	**Submitted 09/23/21**
38D – A2/A3 Blocks (198 ac) – Pond SP-50 (181 ac) + Area A2-4 (17 ac)	**198**	**0**	**198**	**Submitted 10/12/21**
38D – Seep buffer areas (48 ac) + Mine Shop (3 ac)	51	0	51	Submit Spring 2022
38D – Seeps 1 and 9A	22	0	22	Submit – TBD
Sub-Total (to be released)	**417**	**453**	**870**	
TOTAL (both permits)	**7,205 (TMPA property)**	**1,608 (Leased property)**	**8,813 (Total bonded)**	

Figure 1 – Status of Bond Release (as of 01/14/22)



Status of bond release on mine property sold on December 22, 2021

As of 01/19/22, the remaining bonded acreage on the mine property sold on 12/22/21 (the "Lakes of Gibbons Creek," approximately 11,000 acres) is down to 236 acres, of which 163 acres (first two rows of Table 2) have been submitted for bond release and are in the final stages of review at the Railroad Commission.

Table 2 – Remaining bonded areas within the "Lakes of Gibbons Creek" Property
(As of 01/26/22)

Bond release packets	Acres	Bond release status
26D – Area B2-8	146	Submitted 09/23/21
38D – A2/A3 Blocks – Area A2-4 (17 ac)	17	Submitted 10/12/21
38D – Seep buffer areas + Mine Shop (3 ac)	51	Submit Spring 2022
38D – Seeps 1 and 9A core areas	22	Date of submittal to be determined with Railroad Commission
Total	**236**	

Permit 26D, Moody Property (452.8 acres) Bond Release Application

The Moody Property (453 acres) is the last leased area on the mine property that is still bonded (shown in dark green on Figure 1). TMPA submitted a bond release application for this area on 10/7/20. The application was declared Administratively Complete on 07/20/21 and Railroad

Commission Staff issued their Technical Analysis recommending approval on 10/25/21. The Administrative Law Judge is preparing a draft Order for consideration by the Commissioners.

Permit 26D, Area B2-8 (146 acres) Bond Release Application

TMPA submitted a bond release application for this area on 09/23/21. The application was declared Administratively Complete on 01/7/22 and Commission Staff are finalizing their Technical Analysis.

Cancelation of Permit 26D

After bonding has been released for the Moody Property and Area B2-8 (projected to occur in mid-2022), there will be no bonded land left in the Permit 26D area (i.e., the mine area north of Gibbons Creek). At that time, TMPA will apply to the Railroad Commission for the cancelation of Permit 26D (originally issued in 1981 as Permit 6).

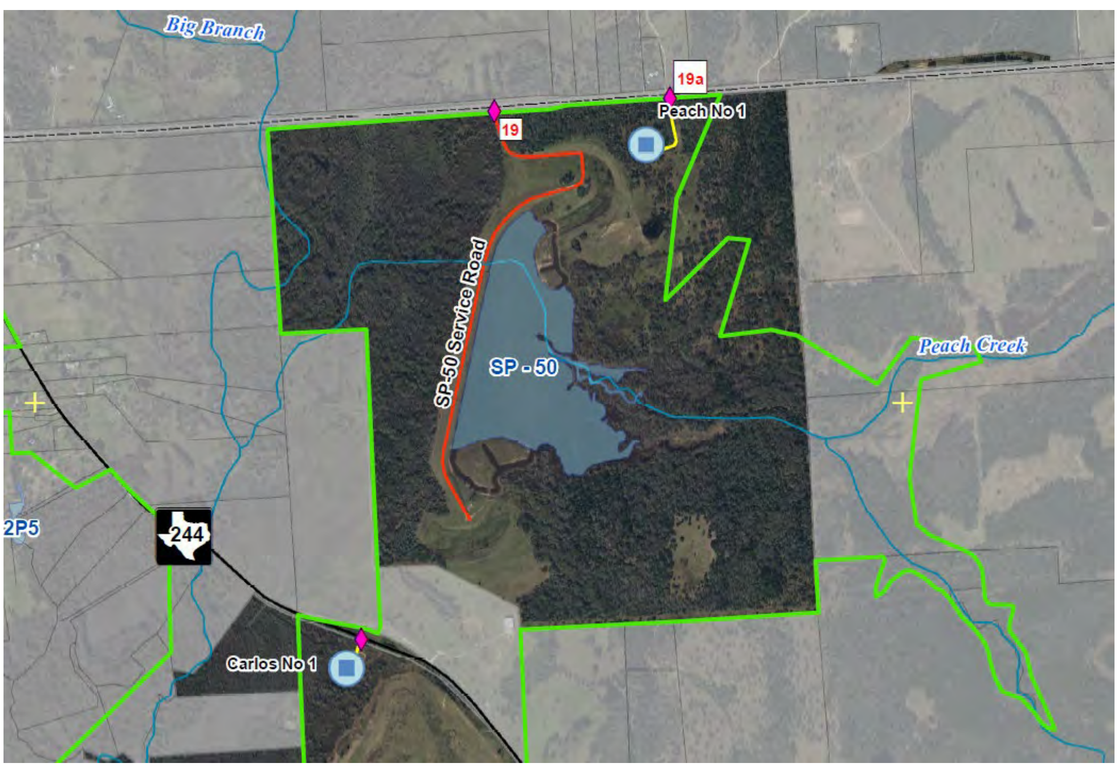
Permit 38D, Pond SP-50 and Area A2-4 (198 acres) Bond Release Application

On 10/12/21, TMPA filed a bond release application for 198 acres in Permit 38D including Pond SP-50 (181 acres) and the A2-4 Area (17 acres). The application was declared Administratively Complete on 01/3/22 and Staff are preparing their Technical Analysis.

Sale of Pond SP-50 Property (726 acres)

TMPA is preparing to start the process for the sale of the Pond SP-50 Property consisting of 726 acres east of Farm to Market (FM) Road 244 (Figure 2). This property is physically separate from the rest of the mine and was not included in the Lakes of Gibbons Creek property sold on 12/22/21.

Figure 2 – Pond SP-50 Property (726 acres)



Note: Green line depicts the Permit 38D boundary; red numbers in the white boxes show gates with access from a public road (Gates 19 and 19a are on State Highway 30).

The only mine-related disturbance on this tract was the construction of Pond SP-50 originally intended to control wastewater from proposed mining operations to the east. The early closure of the mine in 1996 meant that the "East Move" of the mine did not occur, and the pond was therefore never activated as a wastewater treatment facility. TMPA obtained approvals from the Mine Safety and Health Administration (MSHA), the Texas Commission on Environmental Quality (TCEQ), and the Railroad Commission to leave the pond as a permanent structure. The only work needed was the reclamation of "waste piles" created from the excavation of the pond's two emergency spillways. This work consisted of modifying the waste piles into islands supporting wetlands and wildlife enhancement features by planting trees and other appropriate vegetation. This work is nearing completion (Figure 3).

Figure 3 – Pond SP-50 south islands (view northeast, 11/11/21)

As indicated previously, the bond release application for this area was declared Administratively Complete on 01/3/22 and Commission Staff are preparing their Technical Analysis. TMPA projects that final bond release will be approved before the end of June 2022. In line with this date, TMPA plans to request proposals from real estate brokers in March 2022 and seek board approval to hire a broker in June.

Acid Seep Buffer Area (48 acres) and Mine Reclamation Shop Area (3 acres)

The Seep 9A drainage "core" area (22 acres) has a rectangular "buffer" area of approximately 48 acres that is still bonded (Figure 4). TMPA proposes to reduce the "buffer" area as much as possible and apply for bond release in Spring 2022 (together with 3 acres around the Mine Reclamation Shop area).

Figure 4 – Seep 9A Area showing rectangular bonding boundary (01/4/22)

Acid Seep Areas 1A and 9A (22 acres)

The "core" areas of Seeps 1A and 9A (total 22 acres) will be the very last areas to remain bonded. The Railroad Commission does not have an established process for bond release on such areas and TMPA has been working through a plan to resolve this:

- The first step was to lower the operating levels of End Lakes A3P-1 and A3P-2 to reduce the hydrostatic pressure driving Seep 9A. TMPA permanently lowered the two end lakes in December 2020 by modifying the spillways and thereby reduced the hydraulic head from 17 to 13 feet.
- The second step was to apply additional lime to the soils in the rectangular "buffer" area surrounding the Seep 9A drainage. TMPA applied approximately 2,700 tons of "Superfine" lime to the soil over FY21 (approximate cost $80K) to improve the vegetation on the side-slopes and to provide a reserve of acid neutralizer for Seep 9A.
- The third step was the field meeting held with the Director of the Railroad Commission Mining Division, Dr. Brent Elliott, and his Staff on 01/11/22 to discuss findings and progress to date and a path forward for bond release. The meeting provided an opportunity to evaluate field conditions (Figure 5).

Figure 5 – Seep 9A drainage – Soil profile at toe of side-slope (view east, 01/4/22)

- The next step will be to prepare a mitigation plan. TMPA's engineer, is considering designs for rock check dams that could be constructed across the Seep 9A drainage to trap sediment in run-off and encourage the formation of a stepped series of terraces. One of the challenges will be dealing with the saturated and unconsolidated "quicksand" visible in Figure 5. If the rock dams can be built, it is expected that they would help stabilize the soil for vegetation, which is already colonizing the area (Figure 6), to become better established, create back-pressure on the seeps, and divert their flow underground.

Figure 6 – Seep 9A drainage (view north, 09/14/21)
(Yellow pipe is a piezometer monitoring well)

Geophysical logs relating to mine property

TMPA is preparing its geophysical logs (52 archive boxes) for shipment to the Bureau of Economic Geology in Austin.

Cash Funding of the Mine Bonding Requirements.

On 01/19/22, TMPA sent a letter to the Commission requesting confirmation of the process envisaged for cash funding to be used as collateral for mine reclamation bonds. This follows the Board decision on 12/9/21 to use cash bonding instead of the more costly and time-consuming process of obtaining Letters of Credit as collateral.

The cash bonding would be for the June 2023-June 2024 bonding term, by which time bond requirements are projected to be approximately $1.5 million. It is estimated that the cost of cash funding would be $1,500 instead of the current $100,000 that is spent on securing Letters of Credit.

BACKUP MATERIAL: None

ACTION REQUESTED: None

Jan K. Horbaczewski
01/26/22

Jan K. Horbaczewski

February 10, 2022

AGENDA ITEM NO. 4

SUBJECT: Status report relating to environmental and regulatory compliance matters including remediation of former Gibbons Creek plant site.

DISCUSSION:

On February 10, 2021, the sale of GCSES and Gibbons Creek Reservoir to Gibbons Creek Environmental Redevelopment Group, LLC (GCERG) was finalized. At the time of the sale, the makeup of the Power Production department and regulatory compliance changed significantly. The former Agenda Items covering Plant Decommissioning and Environmental and Regulatory Compliance have been combined.

Compliance Staffing:

There is one remaining staff position to manage the variety of compliance and environmental remediation oversight matters. Daniel's position as a Technical Manager oversees GCERG's remediation progress, general compliance, land matters related to the mine and transmission, and will assume remaining mine reclamation activities with the retirement of the Mine Manager in 2022.

Remediation and Demolition of Gibbons Creek

As of 2021 year end, the demolition and removal of the boiler and related structures is about 65% complete and all structures and debris are scheduled to be removed at the end of March 2022. The photos below show the changes to the boiler and related structures from the beginning of the demolition in May 2021 to January 2022.

The excavation and hauling of the coal combustion residual (CCR) material from the scrubber sludge pond and ash ponds to Site F Landfill is about 60% complete and is projected to conclude in May 2022.

The total demolition and remediation project, including the closure of Site A and F landfills, is currently projected by GCERG to be complete in October 2023.

Demolition of Gibbons Creek Steam Electric Station

TMPA and the Environmental Designee (Schultz Engineering) regularly monitor the progress of GCERG's work as follows:

Environmental Designee Monthly Oversight Process:

- TMPA and Schultz Engineering each visit Gibbons Creek at least once per week to observe and document the activities and discuss upcoming work.
- TMPA, Schultz, and GCERG conduct weekly meetings to discuss upcoming work and performance to the APA schedule.
- GCERG submits a monthly progress report five business days prior to the schedule Escrow Payment date on the 10th of the month. The monthly Escrow payment amount is $839,588.
- Schultz and TMPA review the monthly report and compare the contents to our internal notes and assessments. Schultz performs an independent calculation of the completion percentage compared to the APA schedule. TMPA performs an independent calculation of the value of work complete as compared to the remaining estimate of work to be completed (Remaining Closure Costs).
- Schultz communicates and discusses discrepancies, if any, to GCERG.
- Schultz submits a "no objection" letter to the Escrow Agent if the overall progress is on schedule.
- The Escrow Agent releases payment.

On 2/11/21, TMPA executed a purchase order for the Environmental Designee to Schultz Engineering LLC for remediation action oversight of GCERG (Gibbons Creek Environmental Redevelopment Group) as stipulated in the APA. The Environmental Designee will generally be responsible to 1. Monitor CGERG's progress to the Project Schedule, 2. Review GCERG's monthly reports and object to the escrow payment, if necessary, and 3. Assess the sufficiency of the Performance Bond. The Environmental Designee will document and communicate progress and areas of concern and communicate to both TMPA and the plant buyer, as required. This work will commence upon close of the Asset Purchase Agreement (APA) and will be managed by Daniel Meadows.

Financial Assessment – Total Security Available

Each month, TMPA is evaluating the balance of the Escrow Fund and the Regulatory Closure Bonds (collectively known as the Total Security Available) as compared to the Remaining Closure Costs. Refer to the table below for a summary of the monthly calculation. The importance of this evaluation is to ensure that Total Security Available is higher than the Remaining Closure Costs in the unlikely event that GCERG ceased work at any moment.

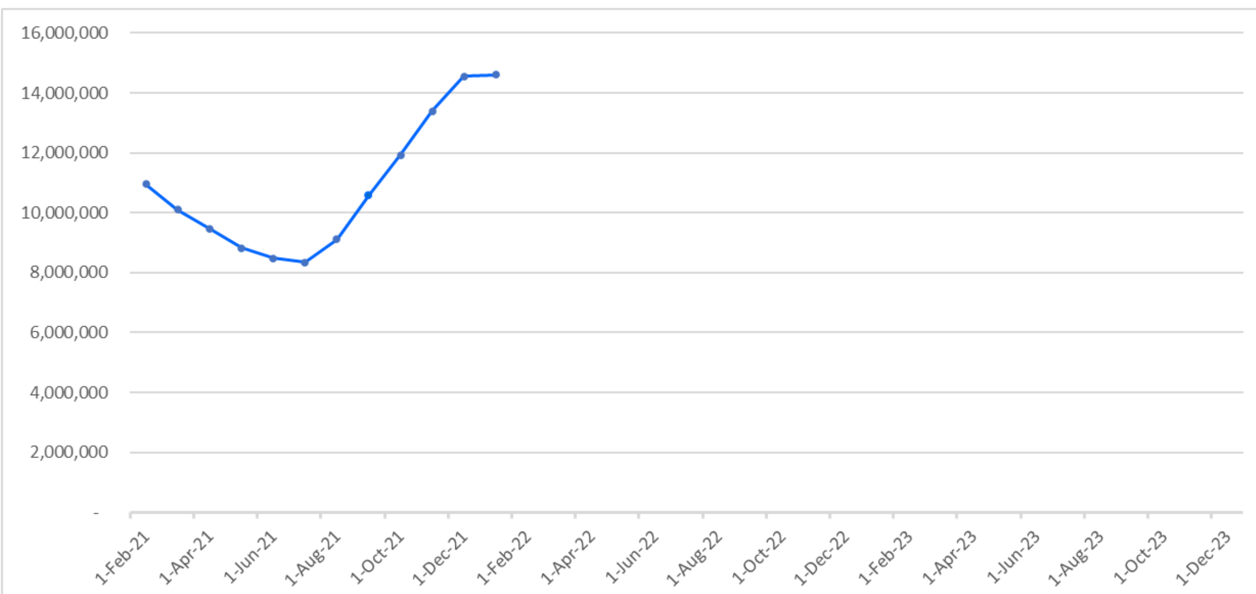
The December 2021 Board Report stated that we had expected GCERG to request a reduction in the Regulatory Closure Bond amount prior to the renewal of the bond in February 2022. However, as stipulated by the APA, a reduction in the Regulatory Closure Bond is only allowed with the completion of a remediation project(s), which has yet to occur. Thus, the Regulatory Closure Bond is currently at its original amount of $36.5 million. It is anticipated that the first bond reduction will happen in late 2022 coinciding with the closure of the Scrubber Sludge Pond, Ash Ponds, and Plant Decommissioning.

The current determination is that the Total Security Available is **$14.6 million** greater than the Remaining Closure Costs.

Total Security Available and Remaining Closure Cost Estimate

Month	Period Ending	Escrow Amount Balance	Regulatory Closure Bond Amount	**Total Security Available**	**Remaining Closure Cost Estimate** (estimate by TMPA/Schultz)	Difference (Total Security - Remaining Closure Costs)
0	10-Feb-21	28,546,000	36,500,000	**65,046,000**	**54,100,000**	10,946,000
1	10-Mar-21	27,703,560	36,500,000	**64,203,560**	**54,100,000**	10,103,560
2	10-Apr-21	26,864,209	36,500,000	**63,364,209**	**53,900,000**	9,464,209
3	10-May-21	26,024,845	36,500,000	**62,524,845**	**53,700,000**	8,824,845
4	10-Jun-21	25,185,479	36,500,000	**61,685,479**	**53,200,000**	8,485,479
5	10-Jul-21	24,346,100	36,500,000	**60,846,100**	**52,500,000**	8,346,100
6	10-Aug-21	23,506,721	36,500,000	**60,006,721**	**50,900,000**	9,106,721
7	10-Sep-21	22,667,335	36,500,000	**59,167,335**	**48,600,000**	10,567,335
8	10-Oct-21	21,827,935	36,500,000	**58,327,935**	**46,400,000**	11,927,935
9	10-Nov-21	20,988,535	36,500,000	**57,488,535**	**44,100,000**	13,388,535
10	10-Dec-21	20,149,121	36,500,000	**56,649,121**	**42,100,000**	14,549,121
11	10-Jan-22	19,309,533	36,500,000	**55,809,533**	**41,200,000**	14,609,533

Difference (Total Security minus Remaining Closure Costs)



Site F Cost

The Asset Purchase Agreement (APA) related to the sale of the Gibbons Creek power plant contains a provision pertaining to the cost of the Preliminary Regulatory Closure of Site F Landfill. It states that if the actual costs incurred by GCERG to close Site F Landfill are less than the $13.6 million estimate, TMPA would receive the difference at the end of the remediation project which will likely occur in late 2023. The APA also specifies that GCERG must provide documentation monthly to demonstrate the applicability of the costs.

After some delay in receiving the required documentation, TMPA was provided the records in early January for the costs applied to date. Staff and the Environmental Designee are currently reviewing these records to validate that the costs are applicable.

Resale of Gibbons Creek Property

GCERG began marketing the power plant property shortly after acquiring the property from TMPA. In December 2021, GCERG executed an agreement with a local investor group, Gibbons Lake and Land, LLC., to sell about 5,700 acres, including the reservoir and the land containing the two ash landfills. The title to the property does not transfer until regulatory closure has been met by GCERG.

BACKUP MATERIAL:

- None

ACTION REQUESTED:

- Review, discuss, and provide guidance, as necessary.

Daniel Meadows

2/2/2022

February 10, 2022

AGENDA ITEM NO. 5

SUBJECT: FY22 First Quarter Budget Status Report

DISCUSSION: This report, along with the attachments, provides a comparison of actual cost performance to approved budgets (approved at the Board meeting held on 6/10/21) for each business unit through the first quarter of FY22, as well as year-end projections. The year-end projections are summarized as follows:

GENERATION – Projection to Year-end				
Cost Type	**Approved Budget**	**Projection**	**(Under) / Over**	**Percentage Change**
Fixed Costs - Non-Debt	$754	$692	($62)	(8.2%)
Other Revenues Excluding City Billings	($5)	$0	$5	93.1%
Total Budget Variance			**($57)**	**(7.6%)**

MINE – Projection to Year-end				
Cost Type	**Approved Budget**	**Projection**	**(Under) / Over**	**Percentage Change**
Fixed Costs - Non-Debt	$2,171	$2,364	$193	8.9%
Other Revenues Excluding City Billings	($75)	($33)	$42	56.4%
Total Budget Variance			**$235**	**11.2%**

TRANSMISSION – Projection to Year-end				
Cost Type	**Approved Budget**	**Projection**	**(Under) / Over**	**Percentage Change**
Fixed Costs - Non-Debt	$6,535	$6,317	($218)	(3.3%)
Fixed Costs - Debt	$17,871	$15,614	($2,258)	(12.6%)
Other Revenues	($31,108)	($31,496)	($389)	(1.2%)
Total Budget Variance			**($2,865)**	**(42.8%)**
Debt Service Coverage	1.25X	2.24X		Exceeds requirement

A&G costs are projected to be higher ($86K) primarily due to unbudgeted staff bonuses related to the sale of the mine (recommended and approved by the Board at the September Board meeting).

Generation Division - Total Costs are projected to be under budget by $57K in FY22. These savings are the result of more A&G costs being allocated to the Mine division.

Mine Division - Total Costs are projected to be over budget by $235K in FY22. The bulk of this is increased A&G as the other divisions are projecting to be under budget at year-end.

1. Interest Income is $13K lower due to interest rates remaining lower than budgeted.
2. Other Revenue is $29K lower due to reduced oil and gas revenue as a result of selling the mine land in December 2021.

Transmission Division - Total Costs are projected to be under budget by $2.9M in FY22.

1. Contractor Maintenance is $200K lower as vegetation management is projected to be under budget in the Denton area.
2. Debt Service - Bonds is $1.9M lower due to the issuance of the Series 2021 bonds in July 2021. The approved budget reflects the previously outstanding Series 2010 and Series 2017 bonds that were both refunded by Series 2021.
3. Revolving Notes Interest is $406K lower due to (a) interest rates remaining lower than budgeted and (b) reduced Notes outstanding as $30M of the Notes were fixed out as part of the Series 2021 bonds discussed above.
4. Transmission System Revenue is $508K higher due to the 2021 Average 4CP being higher than projected.
5. Interest Income is $126K lower due to interest rates remaining lower than budgeted.

NOTE: There is no FY22 charge to the Member Cities for the Transmission division since revenues exceeded expenses.

BACKUP MATERIAL: **Attachment A:** Generation FY22 Q1 Key Budget Driver Rate Sheet
Attachment B: Mine FY22 Q1 Key Budget Driver Rate Sheet
Attachment C: Transmission FY22 Q1 Key Budget Driver Rate Sheet

ACTION REQUESTED: None. This item is presented for the Board's information.

Lyndi Birkhead
2/2/22

Generation

FY22 Q1 Key Budget Driver Rate Sheet

FY22 Approved Budget Compared to YTD December Actual and to Year-end Projection

	FY22 Budget Approved 6-10-21 YTD December	FY22 Actual YTD December	(Under) Over Budget	Percentage Change	FY22 Budget Approved 6-10-21	FY22 Year-end Projection as of December	(Under) Over Budget	Percentage Change
Fixed Costs								
L01 Labor & Benefits	54,406	42,509	(11,897)	-21.9%	202,079	202,079	0	0.0%
L01 Retention Bonuses	-	-	-	0.0%	30,246	30,246	-	0.0%
R51 Contractor Maintenance	800	-	(800)	-100.0%	3,200	3,200	-	0.0%
S02 Consulting Services	33,750	19,033	(14,718)	-43.6%	173,200	173,200	-	0.0%
S04 Legal Services	29,500	8,376	(21,124)	-71.6%	118,000	118,000	-	0.0%
Other Fixed Costs - Non-Debt	3,864	2,238	(1,626)	-42.1%	9,733	11,733	2,000	20.5%
Allocation of A&G	53,065	38,929	(14,136)	-26.6%	217,800	153,825	(63,975)	-29.4%
TOTAL FIXED COSTS	**$ 175,385**	**$ 111,084**	**$ (64,301)**	**-36.7%**	**$ 754,258**	**$ 692,284**	**$ (61,974)**	**-8.2%**
Other Revenues								
I73 Interest Income	(1,899)	(80)	1,819	95.8%	(5,100)	(350)	4,750	93.1%
TOTAL OTHER REVENUES	**$ (1,899)**	**$ (80)**	**$ 1,819**	**95.8%**	**$ (5,100)**	**$ (350)**	**$ 4,750**	**93.1%**
TOTAL COSTS	**$ 173,486**	**$ 111,005**	**$ (62,481)**	**-36.0%**	**$ 749,158**	**$ 691,934**	**$ (57,225)**	**-7.6%**

Mine

ATTACHMENT B

FY22 Q1 Key Budget Driver Rate Sheet
FY22 Approved Budget Compared to YTD December Actual and to Year-end Projection

	FY22 Budget Approved 6-10-21 YTD December	FY22 Actual YTD December	(Under) Over Budget	Percentage Change	FY22 Budget Approved 6-10-21	FY22 Year-end Projection as of December	(Under) Over Budget	Percentage Change
Fixed Costs								
L01 Labor & Benefits	71,703	80,324	8,621	12.0%	266,326	266,326	-	0.0%
L01 Retention Bonuses	-	845	845	100.0%	38,485	38,485	-	0.0%
L01 Severance Packages	-	(1,483)	(1,483)	-100.0%	50,790	50,790	-	0.0%
M44 Mine Maintenance	80,000	123,823	43,823	54.8%	320,000	320,000	-	0.0%
R06 Bank Charges	35,000	24,750	(10,250)	-29.3%	140,000	140,000	-	0.0%
R51 Contractor Maintenance	27,500	19,567	(7,933)	-28.8%	110,000	110,000	-	0.0%
S02 Consulting Services	93,750	51,266	(42,484)	-45.3%	375,000	375,000	-	0.0%
S04 Legal Services	40,000	52,229	12,229	30.6%	160,000	160,000	-	0.0%
Other Fixed Costs - Non-Debt	21,013	28,788	7,775	37.0%	84,050	84,050	-	0.0%
Allocation of A&G	152,564	207,301	54,737	35.9%	626,184	819,142	192,958	30.8%
TOTAL FIXED COSTS	**$ 521,529**	**$ 587,409**	**$ 65,880**	**12.6%**	**$ 2,170,835**	**$ 2,363,794**	**$ 192,958**	**8.9%**
Other Revenues								
I76 Interest Income	(5,460)	(424)	5,036	92.2%	(14,661)	(2,000)	12,661	86.4%
Other Revenue	(14,750)	(24,137)	(9,387)	-63.6%	(60,000)	(30,545)	29,455	49.1%
TOTAL OTHER REVENUES	**$ (20,210)**	**$ (24,560)**	**$ (4,351)**	**-21.5%**	**$ (74,661)**	**$ (32,545)**	**$ 42,116**	**56.4%**
TOTAL COSTS	**$ 501,320**	**$ 562,849**	**$ 61,529**	**12.3%**	**$ 2,096,174**	**$ 2,331,249**	**$ 235,075**	**11.2%**

Transmission

ATTACHMENT C

FY22 Q1 Key Budget Driver Rate Sheet

FY22 Approved Budget Compared to YTD December Actual and to Year-end Projection

	FY22 Budget Approved 6-10-21 YTD December	FY22 Actual YTD December	(Under) Over Budget	Percentage Change	FY22 Budget Approved 6-10-21	FY22 Year-end Projection as of December	(Under) Over Budget	Percentage Change
Fixed Costs								
L01 Labor & Benefits	144,538	186,045	41,507	28.7%	614,717	639,717	25,000	4.1%
R06 Bank Charges	105,350	80,729	(24,622)	-23.4%	301,350	301,350	-	0.0%
R41 Property Insurance	72,797	84,793	11,996	16.5%	341,186	341,186	-	0.0%
R51 Contractor Maintenance	243,976	547,404	303,428	124.4%	1,917,000	1,717,000	(200,000)	-10.4%
S04 Legal Services	25,000	14,172	(10,828)	-43.3%	132,000	132,000	-	0.0%
Other Fixed Costs - Non-Debt	202,078	415,908	213,829	105.8%	1,263,109	1,263,109	-	0.0%
Allocation of A&G	478,995	486,592	7,596	1.6%	1,965,994	1,922,748	(43,246)	-2.2%
Subtotal Fixed Costs - Non-Debt	**$ 1,272,735**	**$ 1,815,642**	**$ 542,907**	**42.7%**	**$ 6,535,356**	**$ 6,317,110**	**$ (218,246)**	**-3.3%**
R57-R58 Debt Service - Bonds	3,405,933	2,943,135	(462,798)	-13.6%	13,623,267	11,771,564	(1,851,704)	-13.6%
R55 Revolving Notes Interest	172,824	36,451	(136,373)	-78.9%	706,181	300,000	(406,181)	-57.5%
R62 Debt Coverage Payment	885,512	885,512	-	0.0%	3,542,049	3,542,049	-	0.0%
Subtotal Fixed Costs - Debt	**$ 4,464,269**	**$ 3,865,099**	**$ (599,170)**	**-13.4%**	**$ 17,871,497**	**$ 15,613,613**	**$ (2,257,884)**	**-12.6%**
TOTAL FIXED COSTS	**$ 5,737,004**	**$ 5,680,741**	**$ (56,264)**	**-1.0%**	**$ 24,406,853**	**$ 21,930,723**	**$ (2,476,130)**	**-10.1%**
Other Revenues								
I50 Transmission System Revenue	(7,722,657)	(7,722,657)	0	0.0%	(30,890,630)	(31,398,179)	(507,549)	-1.6%
I70-I75 Interest Income	(37,093)	(1,902)	35,191	94.9%	(134,650)	(8,730)	125,920	93.5%
Other Revenue	20,200	(21,625)	(41,825)	207.1%	(82,300)	(89,235)	(6,935)	-8.4%
TOTAL OTHER REVENUES	**$ (7,739,551)**	**$ (7,746,184)**	**$ (6,634)**	**-0.1%**	**$ (31,107,581)**	**$ (31,496,144)**	**$ (388,564)**	**-1.2%**
TOTAL COSTS / (REVENUES)	**$ (2,002,546)**	**$ (2,065,444)**	**$ (62,897)**	**3.1%**	**$ (6,700,728)**	**$ (9,565,421)**	**$ (2,864,694)**	**-42.8%**

February 10, 2022

AGENDA ITEM NO. 6

SUBJECT: FY23 Budget Plan

DISCUSSION: The FY23 budget cycle has already kicked off and will be further defined following this meeting as we obtain direction from the P&O Committee and Board. Staff proposes the following assumptions:

- Like last year, a 10-year pro forma will be provided for all three business units – Generation, Mine, and Transmission.
- Generation activities, namely environmental and compliance, will continue until the dissolution of TMPA. The Generation staff will consist of one employee, the Technical Manager.
- Mine activities will reduce to maintenance of the remaining bonded acreage, namely the acid seeps. There will no longer be a Mine staff. The Technical Manager will oversee all remaining Mine activities.
- Transmission will remain with TMPA for the foreseeable future. The Cities may opt to make decisions regarding the Transmission business at any time.
- The General Manager's contract expires at the end of FY22, and therefore he will not be budgeted in FY23.
- Remaining A&G staff (5) will be retained until the dissolution of TMPA. This includes the Director of Finance & Support Services, General Accountant, Document Control/HR Specialist, IT Specialist, and Executive Administrative Assistant.

Staff proposes the attached FY23 budget schedule.

Once the budget review process begins, like last year, the review sequence will be: Financial Working Group, P&O Committee, Audit and Budget Committee, Board of Directors.

BACKUP
MATERIAL: FY23 Budget Schedule

ACTION
REQUESTED: Guidance on the FY23 budget schedule and proposed assumptions.

Lyndi Birkhead
2/2/22

FY23 BUDGET SCHEDULE

FY23 Budget Kick-off Meeting	2/02/22
RA Managers Finalize Budgets	2/23/22
Email DRAFT ONE to Senior Managers	3/09/22
Senior Manager Review Meeting	3/16/22
Email DRAFT TWO to Senior Managers	3/23/22
Senior Manager Review Meeting	3/30/22
Release to FWG	4/06/22
FWG Web Meeting	4/13/22
Proposed P&O Meeting (video conference)	4/27/22
Proposed ABC Meeting (video conference)	5/11/22
Board Meeting – Approve FY23 Budget	6/09/22

February 10, 2022

AGENDA ITEM NO. 7

SUBJECT: Resolution No. 2022-2-1, relating to the annual review of the Agency's Investment Policy; and resolving matters incidental and related thereto.

DISCUSSION: The Public Funds Investment Act (the "Act") requires the Agency to review its Investment Policy and investment strategies each year, adopt a resolution each year stating that the Policy and strategies have been reviewed, and, if changes to the Investment Policy and investment strategies are needed, to record the changes in the Resolution. The purpose of this Resolution is to satisfy these requirements.

Staff engaged Hilltop Securities to perform a review of the Agency's Investment Policy to ensure compliance with the Act. Since there have been no changes to the Act subsequent to the last review of the Investment Policy, the Policy remains in compliance with the Act, and no changes to the Policy are recommended at this time.

BACKUP MATERIAL: Exhibit A to Resolution 2022-2-1

ACTION REQUESTED: Consideration and action on Resolution No. 2022-2-1.

Lyndi Birkhead
2/2/22

Lydi Bil

RESOLUTION NO. 2022-2-1

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY ("AGENCY") RELATING TO THE ANNUAL REVIEW OF THE AGENCY'S INVESTMENT POLICY; AND RESOLVING MATTERS INCIDENTAL AND RELATED THERETO.

WHEREAS, the Public Funds Investment Act requires the Board (i) to conduct an annual review of the Agency's Investment Policy, (ii) to state, through formal action, that the Board has conducted its annual review of the Agency's Investment Policy, and (iii) if changes are needed, to record changes to the Investment Policy;

WHEREAS, the Board desires to comply with the Public Funds Investment Act through adoption of this Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY:

1. That the above recitals are true and correct;

2. That the Board has conducted the annual review of the Investment Policy, attached as Exhibit "A", including the investment strategies contained therein, and has determined that no changes are needed;

3. That it is officially found and determined that notice of this meeting of the Board of Directors of the Agency was given as required by law.

PASSED AND APPROVED THIS 10TH DAY OF FEBRUARY 2022.

____
Kean Register, President
Board of Directors
Texas Municipal Power Agency

ATTEST: ______________________________
Tom Jefferies, Secretary
Board of Directors
Texas Municipal Power Agency

TEXAS MUNICIPAL POWER AGENCY

INVESTMENT POLICY

Reviewed and Adopted:

February 8, 2018

EXHIBIT “A”
RESOLUTION NO. 2022-2-1

PREFACE

It is the policy of Texas Municipal Power Agency (the "Agency") that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and the adopted Investment Policy including the Investment Strategy Statement. The purpose of this Investment Policy is to establish cash management and investment guidelines for the transfer and investment of Agency funds with emphasis on safety and liquidity.

Effective cash management is recognized as essential to good fiscal management. Aggressive cash management and effective investment strategy development will be pursued to take advantage of interest earnings as viable and material revenue to all Agency funds. The Agency's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with this Investment Policy.

Investment shall be made with the primary objectives of:

- Preservation of capital
- Safety of Agency funds
- Maintenance of sufficient liquidity
- Maximization of return within acceptable risk constraints
- Diversification of investments

INVESTMENT POLICY

TABLE OF CONTENTS

I. PURPOSE

A. Formal Adoption

This Investment Policy is authorized by the Texas Municipal Power Agency Board of Directors in accordance with Chapter 2256, Texas Government Code, the Public Funds Investment Act.

B. Scope

This Investment Policy applies to the investment activities of all funds of the Agency, except those monies held in the TMPA Employees Pension Plan Fund which are directed by the Pension Plan Trustee Committee and except any monies held in a Section 457 deferred compensation plan. The management of proceeds from the sale of bonds to establish the Agency's Self-Insurance and Risk Management Program are also exempted from this policy because investment directives are provided elsewhere in specific policies relative to those funds. If an investment is donated to the Agency for a particular purpose or under terms of use specified by the donor, the donated investment is exempt from provisions of this Investment Policy.

All financial assets of the funds listed below and all financial assets of any new funds not specifically exempted, shall be administrated in accordance with the provisions of this Investment Policy:

Bond Fund
Construction Fund
Contingency Fund
Reserve Fund
Revenue Fund

C. Review and Amendment

This Investment Policy, including the Investment Strategy Statement, shall be reviewed annually by the Board of Directors. At that time, the Board of Directors shall adopt a resolution which (1) states it has reviewed the Investment Policy and the Investment Strategy Statement and (2) describes what, if any, changes were made to the Investment Policy or the Investment Strategy Statement.

This Policy may be amended from time-to-time as directed by the Board of Directors or as mandated by State law. Amendments must be approved and adopted by the Board of Directors.

D. Investment Strategy Statement

The Investment Strategy Statement must describe the investment objectives for each particular fund according to the following priorities:

1. Investment suitability,
2. Preservation and safety of principal,
3. Liquidity,
4. Marketability prior to maturity of each investment,
5. Diversification, and
6. Yield.

II. INVESTMENT OBJECTIVES

A. Safety of Principal

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they be from securities defaults or erosion of market value.

B. Maintenance of Adequate Liquidity

The investment portfolio shall remain sufficiently liquid to meet the cash flow requirements of the Agency. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification.

III. INVESTMENT POLICY

A. Authorized Investments

The investments described below are authorized by the Public Funds Investment Act as eligible securities for the Agency. The purchase of specific securities shall be restricted or prohibited by the Agency's Bond Resolution definition of "Investment Securities" (Appendix B).

Direct obligations of the State of Texas, or its agencies and instrumentalities.

Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities. The Agency expressly prohibits, both as direct investments and collateral, all types of Collateralized Mortgage Obligations (CMOs), including IO's, PO's and Inverse Floaters.

Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated not less than "A" or its equivalent by a nationally recognized investment rating firm.

Fully Collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas, and secured by a combination of cash and obligations of the United States or its agencies and instrumentalities which are eligible investments under the Public Funds Investment Act, pledged with a third party approved by the Agency, and having a market value equal to or greater than the principal amount of the funds disbursed plus all accrued interest. The term includes reverse repurchase agreements only obtained in connection with investment by the Agency in an eligible Investment Pool or Money Market Mutual Fund. All Agency repurchase agreement transactions shall be governed by a signed Master Repurchase Agreement or form compliant with the Master Repurchase Agreement.

Certificates of deposit issued by state and national banks and savings banks doing business in Texas that are:

a. Guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, secured by obligations that are described by paragraph 1-4 above, which are intended to include all direct Federal Agency or instrumentality issued mortgage backed securities, but excluding those mortgage backed securities of the nature described in Section 2256.009(b) of the Texas Government Code, that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the Agency;

b. Governed by a Depository Contract, as described in B.4. of this section, that complies with Federal and state regulation to properly secure a pledged security interest; and

c. Solicited for bid orally, in writing, electronically, or any combination of those methods.

Banker’s acceptances that:

a. Have stated maturities of 270 days or fewer;

b. Will be liquidated in full at maturity;

c. Are eligible for collateral borrowing from a Federal Reserve Bank; and

d. Are accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of the bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Commercial Paper with a stated maturity of 270 days or less from the date of issuance that either:

a. Is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or

b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

Money Market mutual funds registered with the Securities & Exchange Commission, with a dollar-weighted average portfolio maturity of 60 days or less; that fully invest dollar-for-dollar all Agency funds without sales commissions or loads; and whose investment objectives include seeking to maintain a stable net asset value of $1 per share. Additionally, the money market mutual fund must provide the Agency with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940. The Agency may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund.

Eligible Investment Pools organized and operating in compliance with the Public Funds Investment Act that have been authorized by the Board of Directors and whose investment philosophy and strategy are consistent with this Investment Policy and the Investment Strategy Statement of the Agency.

Guaranteed Investment Contracts are authorized investments for bond proceeds if the Guaranteed Investment Contracts have a defined termination date, are secured by obligations in the amounts and of the types required by the Public Funds Investment Act, are pledged to the Agency, are deposited with the Agency or with a third party approved by the Agency, and meet all other applicable requirements of the Act.

Bonds issued, assumed, or guaranteed by the State of Israel.

Interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.

B. Protection of Principal

1. Diversification by Investment Type

Diversification by investment type shall be established by the following maximum percentages of investment type of the total Agency investment portfolio at the time of the purchase of the investment:

a.	U.S. Treasury Bills/Notes/Bonds	100%
b.	U.S. Agencies & Instrumentalities	75%
c.	Certificates of Deposit	50%
d.	Eligible Investments Pools	50%
e.	Money Market Mutual Funds	50%
f.	Repurchase Agreements	50%
g.	Banker's Acceptances	20%
h.	Commercial Paper	20%
i.	States, Counties, Cities & Other	20%

Bond proceeds may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record-keeping and calculation. The maximum percentage specified above for eligible investment pools may be exceeded for purposes of paying debt or a debt service obligation relating to the Series 1989 or Series 1993 capital appreciation bonds.

2. Diversification by Investment Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities shall not exceed the anticipated cash flow requirements of the applicable fund. Maturity guidelines by fund are as follows:

a. Bond Fund

The Bond Fund shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officers shall invest in such a manner as not to exceed an “unfunded” debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.

b. Construction Fund

The investment maturity of the Construction Fund shall generally be limited to the anticipated cash flow requirement or the “temporary period,” as defined by Federal tax law. During the temporary period, bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the fund and market conditions to achieve compliance with the applicable regulations. The maximum maturity for construction proceeds shall be five years.

c. Contingency Fund

The maximum allowable maturity for the Contingency Fund portfolio shall be five years.

d. Reserve Fund

Market conditions, Bond Resolution constraints and Arbitrage regulation compliance will be considered when formulating Reserve Fund strategy. Maturity limitations shall generally not exceed the call provisions of the Bond Resolution and shall not exceed the final maturity of the bond issue.

e. Revenue Fund

The maximum allowable maturity for the Revenue Fund portfolio shall be two years. The anticipated cash requirements will govern the appropriate maturity mix.

3. Liquidity

Liquidity shall be achieved by anticipating cash flow requirements, by investing in securities with active secondary markets and by investing a portion of the Agency's funds in short-term investments.

A security may be liquidated to meet unanticipated cash requirements, to redeploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

4. Depository and Repurchase Agreements

Consistent with the requirements of State law, the Agency requires all bank and savings and loan association deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as Agency Depositories will be required to sign a Depository Agreement with the Agency and the Agency's safekeeping agent. The safekeeping portion of the Agreement shall define the Agency's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- the Agreement must be in writing;
- the Agreement has to be executed by the Depository and the Agency contemporaneously with the acquisition of the asset;
- the Agreement must be approved by the Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to the Agency; and
- the Agreement must be part of the Depository's "official record" continuously since its execution.

Repurchase agreements must also be secured in accordance with State law. Each counter party to a repurchase transaction is required to sign a copy of the Master Repurchase Agreement as approved by the Agency. An executed copy of this Agreement must be on file before the Agency will enter into any transactions with a counter party. All Master Repurchase Agreements must be approved by the Agency's Attorney.

a. Allowable Collateral

Collateral securities are defined by the Bond Resolution as (i) Investment Securities and (ii) obligations issued or guaranteed by any state of the United States or District of Columbia, or any political subdivision of any such state or Agency, provided such obligations are rated for investment purposes at not less than "A" or its equivalent by a nationally recognized rating service such as Moody's Investors Service, Inc. or Standard & Poor's Corporation; and (iii) repurchase agreements with solvent banking or other financial institutions with respect to any of the obligations or securities referred to herein.

(1) Collateralized Deposits

Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act, as amended, and meet the constraints of this Policy.

(2) Repurchase Agreements

Securities underlying repurchase agreements are limited to U.S. Government, Agencies and Instrumentalities obligations, which are eligible for wire transfer (i.e., book entry) to the Agency's designated safekeeping agent through the Federal Reserve System and meet the constraints of this Policy.

b. Collateral Levels

(1) Collateralized Deposits

The market value of the principal portion of collateral pledged for certificates of deposit must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the applicable level of FDIC insurance.

(2) Repurchase Agreements

A repurchase agreement's "purchased security" market value must be maintained at the following minimum levels in excess of the principal value of the transaction plus accrued interest:

Agreement Maturities Greater Than One Business Day	
U.S. Treasury Securities	102%
U.S. Agency and Instrumentalities	103%
Mortgage Backed Securities	105%

Agreement Maturities of One Business Day	
All Securities	100%

c. Monitoring Collateral Adequacy

(1) Collateralized Deposits

The Agency shall require monthly reports with market values of pledged securities from all financial institutions with which the Agency has collateralized deposits. The Investment Officers will monitor adequacy of collateralization levels to verify market values and total collateral positions.

(2) Repurchase Agreements

Monthly monitoring by the Investment Officers of market values of all underlying securities purchased for Agency repurchase transactions is required. More frequent monitoring may be necessary during periods of market volatility.

d. Additional Collateral and Securities

(1) Collateralized Deposits

If the collateral pledged for a deposit falls below the par value of the deposit, plus accrued interest less FDIC insurance, the institution holding the deposit will be notified by the Investment Officers and will be required to pledge additional securities no later than the end of the next succeeding business day.

(2) Repurchase Agreements

If the value of the securities underlying a repurchase agreement falls below the margin maintenance levels specified above, the Investment Officers will request additional securities. If the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial, then the request is not necessary.

e. Security Substitution

Collateralized deposits and repurchase agreements often require substitution of securities. The substituted security's value will be calculated and substitution will be allowable if its value is equal to or greater than the required security level. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems.

5. Safekeeping

a. Safekeeping Agreement

The Agency shall contract with a bank or banks for the safekeeping of securities either owned by the Agency as a part of its investment portfolio or as part of its depository and repurchase agreements.

b. Safekeeping of Deposit Collateral

All collateral securing bank deposits must be held by a third-party banking institution acceptable to and under contract with the Agency, or by the Federal Reserve Bank.

c. Safekeeping of Repurchase Agreement Securities

The securities purchased under repurchase agreements must be delivered to a third-party custodian with which the Agency has established a safekeeping agreement.

6. Downgrade Provision for Investment Ratings

The Agency shall monitor the credit ratings on securities that require minimum ratings. This may be accomplished through research, or with the assistance of investment advisors, broker dealers, banks or safekeeping agents. An Investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The Agency shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

C. Investment Advisors and Investment Providers

Investment Advisors shall adhere to the spirit, philosophy and specific terms of this Policy and shall invest within the same "Standard of Care." Investment Providers shall adhere to the spirit and philosophy of this Investment Policy and shall avoid recommending or suggesting transactions outside that "Standard of Care."

Selection of Investment Advisors and Investment Providers will be performed by the Investment Committee. The Investment Committee will establish criteria to evaluate Investment Advisors and Investment Providers, including:

a. Adherence to the Agency's policies and strategies;

b. Investment performance and transaction pricing within accepted risk constraints;

c. Responsiveness to the Agency's request for services, Information and open communication;

d. Understanding of public funds; and

e. Similarity in philosophy and strategy with the Agency's investment objectives.

Selected Investment Advisors and Investment Providers shall provide timely transaction confirmations and monthly transaction reports.

Investment Providers eligible to transact investment business with the Agency or offering to engage in an investment transaction with the Agency will be presented a written copy of this Investment Policy. Additionally, a qualified representative (as defined in the Public Funds Investment Act) of the business organization seeking to transact investment business shall execute a written instrument in a form acceptable to the Agency and the business organization substantially to the effect that the qualified representative has:

a. received and reviewed this Investment Policy, and

b. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment activities with the Agency that are not authorized by this Investment Policy, except to the extent this authorization is dependent on an analysis of the makeup of the Agency's entire portfolio or requires an interpretation of subjective investment standards.

The Agency shall not enter into an investment transaction with an Investment Provider prior to receiving the written instrument described above.

D. Responsibility and Controls

1. Responsibility

Except for the TMPA Employees Pension Plan, management responsibility for the investment program of the Agency is delegated to the General Manager. Daily cash management, disbursements, and portfolio investments shall be performed at the direction of the Chief Financial Officer.

For the purpose of this policy, the Chief Financial Officer is the individual having the principal duties and responsibilities to account for all funds and property of the Agency and the maintenance of books, accounts and records pertaining to the financial transactions of the Agency, independent of actual title.

2. Authority to Invest

The Chief Financial Officer is an investment officer ex-officio. The General Manager may designate additional Investment Officers of the Agency. As Investment Officers they are authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage Agency funds in accordance with this Investment Policy.

The Investment Officers will form the Investment Committee. The Investment Committee shall review the investment portfolio's status and performance, determine and implement appropriate portfolio adjustments, oversee the Agency's Investment Advisor, monitor compliance with the Investment Policy and the Investment Strategy Statement, and perform other duties as necessary to manage the Agency's funds. In addition, at least annually, the Investment Committee shall review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Agency.

Within twelve months of assuming these duties, the Investment Officers shall attend at least one training session and receive not less than ten hours of instruction that addresses investment controls, security risks, strategy risks, market risks, diversification of investment portfolios and compliance with the Public Funds Investment Act.

Additionally, the Investment Officers shall attend an investment training session not less than once in a two-year period ending August 31, and receive not less than eight hours of instruction relating to investment responsibilities from an independent source approved by the Investment Committee.

3. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and internal procedures. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the investment of all funds over which the Investment Officer had responsibility, rather than the prudence of a single investment, shall be considered. Investment Officers acting in good faith and in accordance with these policies and procedures shall be relieved of personal liability.

4. Standard of Care

The standard of care used by the Agency shall be the “prudent investor rule” and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Public Fund Investment Act states:

“In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person’s own affairs. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.”

5. Standards of Ethics

The designated Investment Officers shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, all Investment Officers shall file with the Texas Ethics Commission and the Agency a statement disclosing any personal business relationship with a business organization offering to engage in an investment transaction with the Agency or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the Agency.

An Investment Officer has a personal business relationship with a business organization if:

a. The Investment Officer owns 10 percent or more of the voting stock or shares of the business organization or owns $5,000 or more of the fair market value of the business organization;

b. Funds received by the Investment Officer from the business organization exceed 10 percent of the Investment Officer’s gross income for the previous year; or

c. The Investment Officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for his/her personal account.

6. Internal Controls

The General Manager shall establish and approve a system of written internal controls for cash management, disbursements, and investments. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent Actions of Agency employees. This Investment Policy is considered part of that written system of internal controls.

7. Market Value

The Investment Officers shall determine the market value of each investment and of all collateral pledged to secure deposits of Agency funds at least quarterly and at a time as close as practicable to the closing date of the reporting period. These values shall be included on the investment report. The following methods shall be used:

a. Certificates of deposit shall be valued at face value plus accrued but unpaid interest;

b. Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest;

c. Other investment securities may be valued in any of the following ways:

(1) The lowest of three bids obtained from securities broker/dealers for such securities;

(2) The average of the bid and ask prices for such investment securities as published in <u>The Wall Street Journal;</u>

(3) The bid price published by any nationally recognized security pricing service;

(4) The market value quote established by an independent third-party pricing agent; or

(5) The market value quoted by any other recognized industry sources.

8. Reporting

Investment performance shall be monitored and evaluated by the Investment Officers. The Investment Officers will provide to the Board of Directors a comprehensive quarterly report signed by all Investment Officers. This investment report shall:

a. Describe in detail the investment position of the Agency;

b. Contain a summary statement for each pooled fund group that states the: reporting period beginning market value; reporting period ending market value; and fully accrued interest for the reporting period.

c. State the reporting period ending market value and book value for each investment security by asset type and fund type;

d. State the maturity date of each investment security;

e. State the fund for which each investment security was purchased; and

f. State the compliance of the investment portfolio with the Agency's Investment Policy, including the Investment Strategy Statement, and the Public Funds Investment Act.

These quarterly reports shall be formally reviewed by the External Auditor at least annually, and the results of the review shall be reported to the Board of Directors.

The Agency, in conjunction with its annual financial audit, shall have the External Auditor perform a compliance audit of management controls on investments and adherence to the Agency's Investment Policy and Investment Strategy Statement.

APPENDIX A – DESCRIPTION OF FUNDS

<u>Bond Fund</u> – The Bond Fund shall be held in trust as an account of the Agency by the custodian of the Fund designated in the Bond Resolutions. The Bond Fund shall be held in trust for the benefit of the Bondholders. At any time, the Agency may remove the designated custodian for cause and designate another bank within the State of Texas as custodian of the Bond Fund.

In conjunction with the preparation of the Annual Budget, and immediately following the delivery of a Series of Bonds, a determination shall be made of the amount then on deposit in the Bond Fund for the purpose of paying interest on Outstanding Bonds to become due and the principal on Outstanding Bonds to become due, by reason of maturity or mandatory redemption. At the same time, a determination shall be made of the amount required to be deposited each month so as to provide the full amount required to pay the principal, interest, and premium, if any, on Outstanding Bonds as these payments become due. The amount of this deposit shall be made in equal monthly installments on or before the 25th day of each month by a transfer from the Revenue Fund to the Bond Fund.

In addition to the amounts provided for Bond interest and principal requirements, the Agency shall make appropriate arrangements for meeting the fees and charges of the Paying Agents.

In the event the amount on hand and available in the Revenue Fund for transfer to the Bond Fund is insufficient to permit the required deposit in full in accordance with the aforementioned provisions, the amount of any deficiency shall be transferred to the Bond Fund from other Funds as provided by the Bond Resolutions.

Construction Fund – The Construction Fund shall be held by a Depository. There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Bond Resolution and any moneys from other sources which the Board of Directors may elect to deposit therein. Amounts in the Construction Fund, except as otherwise provided herein, shall be applied to the payment of the Cost of Acquisition and Construction.

The Agency may establish within the Construction Fund a separate project account for each project of the Agency but in any event shall provide for accounting controls with respect to the expenditures of amounts from the Construction Fund as to assure application of moneys therein as required by the Bond Resolution and applicable law.

The proceeds of insurance maintained pursuant to the Bond Resolution against physical loss of or damage to the System, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof of any project shall be paid into the Construction Fund.

Notwithstanding any other provisions for the Construction Fund, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of the principal, interest and premium, if any, on Bonds when due.

The substantial completion of construction or reconstruction of each project shall be evidence by certificate of the Authorized Officer (the Engineer in case of a Project), which shall be filed with the Depository of the Construction Fund, stating (a) that such project has been completed substantially in accordance with the plans and specifications applicable thereto, (b) the date of such substantial completion, and (c) the amount, if any, required (in his opinion) for the payment of any remaining part of Cost of Acquisition and Construction of such project. Upon the filing of such certificate, the balance in the Construction Fund allocable to such project in excess of the amount, if any, stated in such certificate shall be deposited in the Bond Fund or Reserve Fund, to the extend of any deficiencies therein, and to the extent there are no such deficiencies, may be deposited in the Bond Fund or Reserve Fund, to the extent of any deficiencies there, and to the extent there are no such deficiencies, may be deposited in the Bond Fund for use in retiring Bonds in advance of their regularly scheduled maturity or used for the payment of the cost of Acquisition and Construction as the Agency may direct.

Contingency Fund – The Contingency Fund shall be held by a Depository. The initial funding of the Contingency Fund in the amount of $2,000,000 occurred prior to the date of commercial operation as specified in the Bond Resolutions. The amount to be accumulated and maintained in this Fund may be increased if the same is accomplished in the manner provided in the Power Sales Contract.

In the event the amount on hand in this Fund is less than the Contingency Fund Requirement, monthly deposits shall be made from the Revenue Fund on or before the 25th day of each month (not more than 36 equal monthly installments) until the full amount required to be on deposit in the Contingency Fund has been restored.

Any amount on deposit in the Contingency Fund which is in excess of the Contingency Fund Requirement shall be transferred to the Bond Fund or Reserve Fund to make up any deficiency therein, and if there be no such deficiency, shall be transferred to the Revenue Fund.

If the amount of money on hand in the Bond Fund and the Reserve Fund is not sufficient to pay the principal, interest, or premium, if any, on the Bonds when due, amounts on hand in the Contingency Fund shall be transferred to the Bond Fund to cure the Deficiency.

Money in the Contingency Fund may be used, if funds are not otherwise available for such purpose, for any one or more of the following purposes:

1. To pay the cost of extraordinary renewals, replacements and additions to and extensions of the System which are required for the continuing operation of the System or any part thereof;

2. To pay the cost of extraordinary operation and maintenance costs, including extraordinary costs of fuel and the cost of preventing or correcting any unusual loss or damage (including major of fuel and the cost of preventing or correcting any unusual loss or damage (including major repairs), to the System, or the retirement from service, decommissioning or disposal of facilities of the System; and

3. For the security and payment of the bonds when there is a deficiency of money available for such purpose in the Bond Fund, the Reserve Fund, either or both.

Reserve Fund – The Reserve Fund shall be held in trust as an account of the Agency by the Custodian of the Fund designated in the Bond Resolutions. The Reserve Fund shall be held in trust for the benefit of the Bondholders. At any time, the Agency may remove the designated custodian for cause and designate another bank within the State of Texas as custodian of the Reserve Fund.

The amount to be accumulated and maintained in the Reserve Fund shall be the Average Annual Debt Service of the Bonds Outstanding calculated as of the date of, and giving effect to, the last Series of Bonds delivered.

In the event moneys in the Revenue Fund are not adequate to fully make any required transfer to the Bond Fund, an amount equal to the deficiency shall be transferred to the Bond Fund from the Reserve Fund unless such amount has been transferred to the Bond Fund from the Contingency Fund.

In the event money in the Reserve Fund is transferred to the Bond Fund, monthly deposits into the Reserve Fund shall be made on or before the 25th day of each month (note more than 36 equal monthly installments) until the a mount required to be on deposit in the Reserve Fund has been restored.

Any amounts on deposit in the Reserve Fund which are in excess of the amount required to be on deposit therein shall be transferred to the Bond Fund to make up any deficiency therein, and if there be no such deficiency, may be transferred to the Revenue Fund.

<u>Revenue Fund</u> – The Revenue Fund shall be held by a Depository. The Gross Revenues of the Agency shall be deposited, as received, into the Revenue Fund. Money in the Revenue Fund shall be used in the following order of priority:

1. For the payment of Operating and Maintenance Expenses as these become due.

2. For deposits into the Bond Fund for the payment of the principal of, premium, if any, and interest on the Bonds as these become due or are required to be called for redemption, and to the purchase of Bonds for delivery to the Paying Agent as permitted by the Bond Resolutions authorizing Previously Issued Bonds which are subject to mandatory redemption.

3. For deposits into the Reserve Fund for the security and payment of the Bonds when there is a deficiency of money available for such purpose in the Bond Fund.

4. For deposits into the Contingency Fund as specified in the Bond Resolutions.

5. To cure a deficiency in the Bond Fund, the Reserve Fund, and the Contingency Fund in that order.

6. For any lawful purpose, including (a) deposits into a Fuel Reserve Account for use in paying the cost of fuel acquisition or replacement or fuel working capital, and uninvested money therein shall be applied only to the cost of acquisition, leasing, reprocessing and replacement and disposal of fuel and fuel resources, assemblies, materials, services and components; and (b) for distribution to the Member Cities on such basis as the Board of Directors may determine would be fair and equitable if the Board determines an amount of money (and investments) will not be required for the aforementioned purposes.

<u>Other Funds</u> – The Investment Strategy in Appendix C applicable to the Revenue Fund shall apply to any fund not specifically described in this Appendix A-Description of Funds.

APPENDIX B – AUTHORIZED INVESTMENT SECURITIES

“Investment Securities” (as defined in the Bond Resolutions) are any of the following securities, if and to the extent that the same are at the time legal for investment of Agency funds:

1. Direct obligations of the United States of America; obligations which in the opinion of the Attorney General of the United States are general obligations of the United States and backed by it full faith and credit; obligations guaranteed by the Untied States of America;

2. Evidences of indebtedness of the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Federal National Mortgage Association, Federal Financing Bank Participation Certificates in the Federal Assets Financing Trust, New Housing Authority Bonds and Project Notes Fully secured by contracts with the United States of America, or any other agency or instrumentality of the United States of America; bonds secured by the general credit of the State of Texas; and deposits which are fully secured (to the extent not insured by a corporation, instrumentality or agency of the United States of America) by obligations in which the Agency may invest under the provisions of this definition;

3. With respect to proceeds of any series of Bonds delivered subsequent to the Series 1982A Bonds, obligations of the Student Loan Marketing Association;

4. With respect to the proceeds of any series of Bonds delivered subsequent to the Series 1986 Bonds, any obligations issued or guaranteed by any state of the United States of America, or any political subdivision there of which are rated single A or its equivalent or higher by a nationally recognized rating agency.

5. With respect to any series of Bonds delivered subsequent to the Series 1986A Bonds, any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association or government bond dealer reporting to, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in (1), (2), or (4) above, and with the securities delivered to and held by a Depository, as custodian;

6. With respect to the proceeds of any series of Bonds delivered subsequent to the Series 1986A Bonds, Certificates of Deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association provided that such certificates of deposit shall be purchased directly from such bank, trust company or national banking association and shall be either (a) continuously and fully insured by the FDIC or (b) continuously and fully secured by such securities defined as “Collateral Securities” which shall have a market value (inclusive of the FDIC coverage) at all times at least equal to the principal amount of such certificates of deposit, and such Collateral Securities shall be delivered to and held by a Depository, as custodian; and

7. With respect to a special fund held by a Depository for the purpose of providing a self insurance fund, in addition to the foregoing, money in such fund may also be invested in (a) corporate bonds, debentures or obligations (other than common or preferred stock) of the United States corporations which, at the time of the investment are (I) rated at least “A” by a nationally recognized rating agency, or (ii) are scheduled to mature in less than one year and are of the highest rating available by a nationally recognized rating agency, and (b) guaranteed investment contracts for a period not in excess of three (3) years at any one time which investment contract has been approved by the Board of Directors as a prudent investment and is executed on behalf of an entity which has the highest rating available by a nationally recognized rating agency for either (I) its claims paying ability or (ii) its debt having a term of not longer than the investment contract.

APPENDIX C - INVESTMENT STRATEGY STATEMENT

PREFACE

It is the policy of Texas Municipal Power Agency (the "Agency") that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Resolution requirements, and the adopted Investment Policy including the Investment Strategy Statement.

In accordance with the Public Funds Investment Act, Agency investment strategies shall address the following priorities in order of importance:

- Understanding the suitability of the investment to the financial requirements of the Agency
- Preservation and safety of principal
- Liquidity
- Marketability of the investment prior to maturity
- Diversification of the investment portfolio
- Yield

Each Fund has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the Fund's unique requirements.

INVESTMENT STRATEGY STATEMENT

Effective investment strategy development coordinates the primary objectives of the Agency's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. The Agency's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

The Agency shall purchase securities with the intent to hold those securities in safekeeping until maturity.

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines shall be established for each fund.

Bond Fund

Suitability – Any investment eligible in the Investment Policy and allowed by the Bond Resolution is suitable for the Bond Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur, but managing the Bond Fund's portfolio not to exceed the debt service schedule will minimize the market risk of the overall portfolio.

Liquidity – The Bond Fund has a predictable draw down schedule. Therefore, investment maturities shall not exceed the anticipated cash flow requirements of the semi-annual debt service payments.

Marketability – Securities with less active and efficient secondary markets are acceptable for the Bond Fund because of the predictable cash flow of the debt service schedule.

Diversification – Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" debt service payment date. Generally, if investment rates are trending down, it is best to lock in the investment. If interest rates are flat or trending up, concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

Construction Fund

Suitability – Any investment eligible in the Investment Policy and allowed by the Bond Resolution is suitable for the Construction Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur, but managing the Construction Fund’s portfolio not to exceed the anticipated expenditure schedule will minimize the market risk of the overall portfolio.

Liquidity – The Construction Fund has a reasonably predictable draw down schedule. Therefore, investment maturities shall generally follow the anticipated cash flow requirements of the fund. Short-term investment pools, money market mutual funds and repurchase agreements shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Diversification – Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. If investment rates exceed the applicable arbitrage yield, it is best to lock in most investments. If the arbitrage yield cannot be exceeded, concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter alternatives. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

Yield – Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. For non-bond proceed funds, attaining a competitive market yield for comparable security-types is the desired objective.

Contingency Fund

Suitability – Any investment eligible in the Investment Policy and allowed by the Bond Resolution is suitable for the Contingency Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur, but intent is to hold the investments until maturity thereby eliminating market risk. No investment maturity shall exceed the final maturity of the bond issue.

Liquidity – The Contingency Fund has no anticipated expenditures. The funds are deposited to cure any deficiency in the Bond Fund or the Reserve Fund as provided in the Bond Resolution. Investment maturities shall not exceed five years in accordance with the Investment Policy.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Diversification – Adhering to the Investment Policy’s maximum investment-type limits shall restrict the exposure of the fund to any one market sector.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling six-month Treasury bill portfolio shall be the minimum yield objective.

Reserve Fund

Suitability – Any investment eligible in the Investment Policy and allowed by the Bond Resolution is suitable for the Reserve Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur, but managing the Reserve Fund's portfolio to not exceed the call provisions of the bond issue will reduce the investment's market risk if the Agency's bonds are called and the reserve fund liquidated. No investment maturity shall exceed the final maturity of the bond issue. Annual market-to-market requirements or specific maturity and average life limitations within the bond issues' documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

Liquidity – The Reserve Fund has no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to the Agency's bond holders. The funds are "returned" to the Agency at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, it is best to lock in the investment and reduce liquidity. If the arbitrage yield cannot be exceeded, concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

Marketability – Securities with less active and efficient secondary markets are acceptable for the Reserve Fund.

Diversification – Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for the Reserve Fund. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

Yield – Achieving a positive spread to the applicable arbitrage yield is the desired objective. Negative arbitrage portfolio management shall operate to the limit of the Investment Policy's risk constraints. Positive arbitrage portfolio management will allow tighter constraints than allowed by the Investment Policy.

Revenue Fund

Suitability – Any investment eligible in the Investment Policy and allowed by the Bond Resolution is suitable for the Revenue Fund.

Safety of Principal – All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will occur, but restricting the maximum allowable maturity to two years will minimize the price volatility of the overall portfolio.

Liquidity – The Revenue Fund requires the greatest short-term liquidity of any of the fund types. Short-term investment pools, money market mutual funds and repurchase agreements shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

Marketability – Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

Diversification – Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the Agency. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through two years. Adhering to the Investment Policy’s maximum investment-type limits shall restrict the exposure of the fund to any one market sector.

Yield – Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month Treasury bill portfolio shall be the minimum yield objective.

February 10, 2022

AGENDA ITEM NO. 8

SUBJECT: Status report relating to the TMPA transmission operations and five-year transmission capital project plan.

DISCUSSION: The purpose of this agenda item is to provide two routine reports to the Board.

BACKUP MATERIAL:
1) Transmission Operations Status Reports
2) Transmission Capital Project Status Report

ACTION REQUESTED: None.

TRANSMISSION OPERATIONS STATUS REPORT
DECEMBER 31, 2021

Outage Summary:

During the months of November and December 2021, TMPA had two planned outages on the 345kV system, no planned outages on the 138kV system and two planned outages on the 69kV system. There were no forced extensions on the 345kV, two on the 138kV and none on the 69kV system. There were no unplanned outages on the 345kV system, none on the 138kV system and none on the 69kV system.

Personnel Summary:
Every TMPA operator is NERC-certified and current with all continuing education requirements.

Steve Martin
Matt Carter
1/25/22

TMPA Transmission Operations Report
2021

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021 Total
Planned Outages													
345 Kv	3	2	2	7	3	1	2	0	3	3	1	1	**28**
138 Kv	3	1	2	6	7	1	1	0	3	3	0	0	**27**
69 Kv	0	0	0	0	0	0	0	0	0	0	1	1	**2**
Devices requested													**0**
Un-Planned Outages													
345 Kv	0	1	0	0	0	0	0	0	0	0	0	0	**1**
138 Kv	1	0	0	0	1	0	0	0	0	0	0	0	**2**
69 Kv	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Forced Extension Outages													
345 Kv	0	0	1	0	0	1	0	0	0	0	0	0	**2**
138 Kv	0	0	1	0	1	0	0	0	0	0	1	1	**4**
69 Kv	0	0	0	0	0	0	0	0	0	0	0	0	**0**

Note: Outages are counted by the number of entries in the ERCOT Outage Scheduler.

TRANSMISSION FIVE-YEAR PROJECTS PLAN STATUS REPORT
December 2021

SUBJECT: Status report relating to the TMPA five-year transmission capital project plan.

DISCUSSION: The attached five-year Transmission Project Status Report incorporates the five-year period of Fiscal Year 2022 through Fiscal Year 2026. Projects reported as "Completed" in a previous report have been removed from this report.

Additional capital projects are being reviewed and discussed within the Transmission Engineering Working Group (TEWG) that could potentially affect the number of projects and capital investment on the Transmission Project Status Report.

Staff will update the Transmission Project Status Report and present to the P&O and Board as future capital projects are vetted and direction given.

Steve Martin
01/25/2022

Transmission Project Status Report
January 2022

Projects	Priority	Original Proposed Completion Date	Projected or Actual Completion Date	Original Approved Budget/Cost Estimate	Current Approved Budget/Cost Estimate	FY2022	FY2023	FY2024	FY2025	FY2026	Total Estimated Expenditures FY22-FY26	Comments
T11009 CIP Substation Security	H	Dec-11	Sep-23	$ 1,250,700	$ 1,250,700	$ 105,210	$ 105,210				$ 210,420	A new server will be installed at Gibbons Creek for the existing cameras.
T13001 Breaker Replacements	H	Sep-17	Sep-23	$ 12,201,239	$ 12,201,239		$ 255,319				$ 255,319	Project continued in the Spring 2021 with the installation of the breaker disconnect switches on the Reserve AUX transformer breakers and the replacement of the Voltage transformers on the Keith Switch line.
T13002 Relay and SCADA Upgrade	M	Sep-17	Dec-22	$ 7,552,776	$ 7,552,776		$ 200,000				$ 200,000	Relay panels at Dansby to be installed in conjunction with BTU Dansby upgrade.
T17007 Brand Rd. Pole Reroute	L	Sep-17	Sep-24	$ 192,000	$ 192,000			$ 148,598			$ 148,598	Project required for street improvements and cost will be reimbursed by City of Garland. Project on Hold.
T17009 Steep Hollow to Keith Switch fiber installation	H	May-18	May-22	$ 715,000	$ 715,000	$ 355,736					$ 355,736	Fiber installation delayed pending pole replacement project (T20002).
T19004 McCree Equipment Installation	M	Jun-21	Dec-22	$ 1,644,500	$ 1,644,500	$ 500,000	$ 279,084				$ 779,084	345kV breaker has been set. 138 kV breaker and Crist Rd. terminal to be completed in Fall 2022
T20002 Steep Hollow to Keith Switch T-line Rebuild	H	Mar-20	May-22	$ 12,800,000	$ 12,800,000	$ 12,333,354					$ 12,333,354	Construction is 95% complete.
T20003 Gibbons Creek Decommission Transmission Phase I	H	May-20	Apr-21	$ 385,000	$ 385,000						$ -	Complete. Closeout to commence.
T20004 Ben Davis Breaker Replacement Project	H	Dec-21	May-23	$ 4,290,000	$ 4,290,000	$ 500,000	$ 3,790,000				$ 4,290,000	345 kV breakers to be installed by May 2022. 138 kV breakers to be installed by May 2023.
T20006 Greenville to Olinger Airport Marker Ball	H	Dec-21	Feb-22	$ 150,000	$ 150,000	$ 125,000					$ 125,000	Material on site. Construction to be completed before summer 2022.
T21002 Shelby-Nevada elevation for SS1570	H	Jun-21	Jun-22	$ 600,000	$ 600,000	$ 500,000					$ 500,000	ONCOR is waiting for TxDOT agreement.
T21003 Ben Davis to Royse Transmission Line Tower	H	Dec-21	Apr-22	$ 2,200,000	$ 2,200,000	$ 1,800,000					$ 1,800,000	Waiting on structure. Construction to commence in April 2022.
T21004 I35 - Masch Br to Denton North TML Reroute	H	May-22	May-22	$ 5,210,000	$ 5,210,000	$ 5,210,000					$ 5,210,000	A TxDot joint use agreement will need to be executed.
T21005 Pruitt 138 kV Terminal Addition	H	Dec-22	Dec-22	$ 3,700,000	$ 3,700,000	$ 1,000,000	$ 2,700,000				$ 3,700,000	Project Kick off upon Interconnection Agreement approval.
T21006 Gibbons Creek Decommission Phase 2	H	Sep-21	Apr-23	$ 1,760,000	$ 1,760,000	$ 1,000,000	$ 760,000				$ 1,760,000	In-Progress
T21XXX Spencer Int to Industrial TML Reconstruction	H	Sep-21	Oct-22	$ 1,722,803	$ 1,722,803		$ 1,722,803				$ 1,722,803	In-Progress
Addition of New substation (Hathor)	H	Oct-21	Nov-23	$ 12,500,000	$ 12,500,000		$ 2,300,000	$ 10,200,000			$ 12,500,000	Studies being conducted.
				Totals	**$ 68,874,018**	**$ 23,429,300**	**$ 12,112,416**	**$ 10,348,598**	**$ -**	**$ -**	**$ 45,890,314**	

February 10, 2022

AGENDA ITEM NO. 9

SUBJECT: Resolution No. 2022-2-2, amending the FY2022 Annual Transmission System Capital Budget by appropriating funds for the Dansby to Steep Hollow Rebuild Project; and resolving matters incidental and related thereto.

DISCUSSION: The 138 kV Dansby to Steep Hollow transmission line needs to be redesigned and reconstructed due to leaning structures and the failure of the line to meet National Electric Safety Code wind loading requirements. This Project would replace the 17-mile line.

The Resolution appropriates $21,500,000 for this project.

BACKUP MATERIAL: Dansby to Steep Hollow Rebuild Capital Proposal

ACTION REQUESTED: Consideration and action on Resolution No. 2022-2-2.

RESOLUTION NO. 2022-2-2

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY ("AGENCY") AMENDING THE FY2022 ANNUAL TRANSMISSION SYSTEM CAPITAL BUDGET BY APPROPRIATING FUNDS FOR THE DANSBY TO STEEP HOLLOW REBUILD PROJECT; AND RESOLVING MATTERS INCIDENTAL AND RELATED THERETO.

WHEREAS, the Dansby to Steep Hollow 138 kV transmission line needs to be redesigned and reconstructed due to leaning structures and the failure of the line to meet National Electric Safety Code wind loading requirements (the "Dansby to Steep Hollow Rebuild Project" or "Project");

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY:

1. That the above recitals are true and correct;

2. That the FY2022 Annual Transmission System Capital Budget is amended by appropriating $21,500,000 for the Project;

3. That it is officially found and determined that notice of this meeting of the Board of Directors of the Agency was given as required by law.

PASSED AND APPROVED THIS 10TH DAY OF FEBRUARY 2022.

____
Kean Register, President
Board of Directors
Texas Municipal Power Agency

ATTEST: ______________________________
Tom Jefferies, Secretary
Board of Directors
Texas Municipal Power Agency

TEXAS MUNICIPAL POWER AGENCY
CAPITAL PROPOSAL

PROJECT TITLE: Dansby to Steep Hollow Rebuild		PROJECT MANAGER: Robert Cerrato		DATE: January 10, 2022
PROJECT NO.	RISK LEVEL:	RISK TYPE:	FERC ACCOUNT:	FUNDING: ☐ Rate ☑ Debt

SCHEDULE DATES	
START DATE: February 2022	**ESTIMATED IN-SERVICE DATE:** April 2024

☑ **Capital**	☐ **Annual Need** ☑ **One Time Need** ☐ **Cyclical Need**	Capital Plan Year: 2022

Total Cost:	FY22:	FY23:	FY24:	FY25:	FY26:
$21,500,000	$ 2,000,000	$ 11,000,000	$ 8,500,000		

DESCRIPTION OF PROJECT:

The project is to rebuild the 17 miles of Dansby to Steep Hollow due to the leaning structures and identified structural capacity shortfalls on certain structures along the line segment. The line starts at 1/1 at Dansby to 17/2 before Steep Hollow (156 structures). BTU has requested 1.3 miles of the line be designed for distribution underbuild.

PROJECT BENEFITS & JUSTIFICATION (OUTCOME):

The benefits of rebuilding the line are the threat of possible failure and to meet current design standards.

TEXAS MUNICIPAL POWER AGENCY
CAPITAL PROPOSAL

BACKGROUND:

The Steep Hollow to Keith Switch line was rebuilt in 2021 to facilitate the addition of the Optical Ground Wire.

A Black and Veatch report on the leaning structures on April 26, 2019 found that the current structures are overloaded when analyzed to meet wind loading requirements of NESC 2017.

ALTERNATIVES:

1. Pole straightening remediation of 91 structures - $6.3 MM, but not meeting NESC 2017 standard.

2. Do nothing and accept the risk

3.

COST/BENEFIT WORKSHEET

ECONOMIC ASSESSMENT:

Costs: Current Year Only			Benefits:$/Year
TMPA Labor Hours =			
TMPA Labor	**$**		**Reliability -**
Materials	**$**	10,000,000	**Capability -**
Contract Services	**$**	10,000,000	**Labor Savings -**
Engineering Consultant	**$**	1,500,000	**Heat Rate Improvement -**
Misc. Expenses	**$**		**Non Labor O&M Savings -**
Labor Loadings (50%)	**$**		**Total Benefit $**
TOTAL	**$**	21,500,000	**Cost / Benefit =**

Estimation Levels:
P1 = Budget/Preliminary
P2 = Conceptual
P3 = Detail Design

Estimated life of asset: 40

Staff will measure improvement of completed project: ☐ Yes ☑ No

Level of Estimate: P1 ☑ P2 ☐ P3 ☐

Over $100K in professional services: ☑ Yes ☐ No

Is land acquisition or right of ways procurement required: ☐ Yes ☑ No

TEXAS MUNICIPAL POWER AGENCY
CAPITAL PROPOSAL

ASSUMPTIONS:

All 17 miles of 1033 Curlew will be replaced.
All tangent structures will be replaced.
All insulators will need to be replaced
All Optical Ground Wires will need to be replaced.
Deadend structures will be added to fortify the line.

Design has been updated to meet NESC 2017 Standards.

Pole costs are adjusted to meet concrete spun design and 2019 prices at BTU's request.

Engineering	$1,500,000
Material	$10,000,000
Construction	$10,000,000
Total	$21,500,000

SIGNATURES			
Project Manager:		**Date:**	01/31/22
Supervisor:		**Date:**	01/31/22
Division Manager:		**Date:**	1-31-2022
General Manager:		**Date:**	1/31/22

February 10, 2022

AGENDA ITEM NO. 10

SUBJECT: Resolution No. 2022-2-3, amending the FY2022 Annual Transmission System Capital Budget by appropriating funds for the Gibbons Creek Data Center Terminal Additions Project; and resolving matters incidental and related thereto.

DISCUSSION: A data center to mine cryptocurrency is planned for a portion of the former plant site, near to the Gibbons Creek Substation. Mid-South Electric Cooperative will be the provider of retail electric service to the data center. Transmission service to Mid-South will be provided by TMPA and Brazos Electric Power Cooperative ("BEPC").

The Project will require a new point of interconnection between TMPA and BEPC, which will require improvements and equipment rearrangements to be made to the Gibbons Creek Substation. The Project will involve, among other things, the relocation of terminals within the Substation, the conversion of a transformer protection panel to a line protection panel, the construction of 3 transmission line towers, and the installation of new fiber optic equipment.

The Resolution appropriates $3 million for this Project.

BACKUP MATERIAL: Gibbons Creek Data Center Terminal Additions Capital Proposal

ACTION REQUESTED: Consideration and action on Resolution No. 2022-2-3.

RESOLUTION NO. 2022-2-3

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY ("AGENCY") AMENDING THE FY2022 ANNUAL TRANSMISSION SYSTEM CAPITAL BUDGET BY APPROPRIATING FUNDS FOR THE GIBBONS CREEK DATA CENTER TERMINAL ADDITIONS PROJECT; AND RESOLVING MATTERS INCIDENTAL AND RELATED THERETO.

WHEREAS, in order to enable Mid-South Electric Cooperative to provide retail service to a data center to be located near the Gibbons Creek Substation, it will be necessary to create a new point of interconnection with the Brazos Electric Power Cooperative and to make additions to and equipment rearrangements within the Gibbons Creek Substation (the "Gibbons Creek Data Center Terminal Additions Project" or "Project");

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS MUNICIPAL POWER AGENCY:

1. That the above recitals are true and correct;

2. That the FY2022 Annual Transmission System Capital Budget is amended by appropriating $3,000,000 for the Project;

3. That the General Manager, or person acting at his direction, may enter into an interconnection agreement, or amend the existing interconnection agreement, with Brazos Electric Power Cooperative in order to make provision for the new point of interconnection;

4. That it is officially found and determined that notice of this meeting of the Board of Directors of the Agency was given as required by law.

PASSED AND APPROVED THIS 10TH DAY OF FEBRUARY 2022.

____
Kean Register, President
Board of Directors
Texas Municipal Power Agency

ATTEST: ____________________________
Tom Jefferies, Secretary
Board of Directors
Texas Municipal Power Agency

TEXAS MUNICIPAL POWER AGENCY
CAPITAL PROPOSAL

PROJECT TITLE: Gibbons Creek Data Center Terminal Additions		**PROJECT MANAGER:** Paul Ricciardi		**DATE:** December 22, 2021
PROJECT NO.	**RISK LEVEL:**	**RISK TYPE:**	**FERC ACCOUNT:**	**FUNDING:** ☐ **Rate** ☑ **Debt**

SCHEDULE DATES	
START DATE: January 2022	**ESTIMATED IN-SERVICE DATE:** December 2022

☑ **Capital**	☐ **Annual Need** ☑ **One Time Need** ☐ **Cyclical Need**	Capital Plan Year: 2022

Total Cost: $3,000,000	FY22: $ 1,000,000	FY23: $ 2,000,000	FY24:	FY25:	FY26:

DESCRIPTION OF PROJECT:

Brazos Electric Power Cooperative/Midsouth Electric Cooperative have been approached by a customer that would like to develop a large Data Center operation near Gibbons Creek substation. TMPA has been approached by Brazos/Midsouth to provide an interconnection to serve this load.

For Brazos/Midsouth to provide retail electricity to this project, TMPA will need to make improvements and rearrangements to the Gibbons Creek substation. Brazos/Midsouth will initially be fed 250 MW out of the old reserve auxiliary transformer 138 kV terminal, which is ready with the exception of the conversion of the transformer protection panel to a line protection panel. As load grows, a second feed of 250 MW will be required. TMPA will use the existing Crutchfield terminal for a double circuit exit off the south bus. This will require the relocation of the Crutchfield and the Greens Prairie terminals. Autotransformer #3 will be deenergized and serve as a system spare for all Member Cities.

Three transmission line structures will be built to allow for a northern exit out of the substation.

PROJECT BENEFITS & JUSTIFICATION (OUTCOME):

The Data Center is planned to be operational by the summer of 2022. The primary function of this facility is cryptocurrency mining. Miners aggregate specialized computers that consume massive amounts of electricity to mine the cryptocurrency. For this project, the estimated energy consumption is 500 MW. Moreover, due to the nature of this technology this load will have little diversity and remain running 24 X 7.

TEXAS MUNICIPAL POWER AGENCY
CAPITAL PROPOSAL

BACKGROUND:

A company has approached Gibbons Creek Environmental Redevelopment Group about building a Data Center near the Gibbons Creek power plant site approximately 0.5 miles south of the Gibbons Creek substation. This facility is in the Midsouth retail electric service territory. Brazos/Midsouth have requested two 138 kV terminals from the south bus at the Gibbons Creek substation. Transmission planning studies have indicated that there is enough capacity to handle the potential 500 MW load. A Summer 2022 in-service date has been requested.

ALTERNATIVES:

1. Brazos/Midsouth will find alternative service from another Transmission Service Provider.
2. TMPA could build a new 0.5-mile transmission line and new substation. This option is only viable if Brazos requests, which they have not
3. Build the Transmission line to exit south. This would not allow for future 138 kV expansion.

COST/BENEFIT WORKSHEET

ECONOMIC ASSESSMENT:

Costs: Current Year Only

TMPA Labor Hours =			**Benefits:$/Year**
TMPA Labor	**$**		**Reliability -**
Materials	**$**	1,125,000	**Capability -**
Contract Services	**$**	1,125,000	**Labor Savings -**
Engineering Consultant	**$**	750,000	**Heat Rate Improvement -**
Misc. Expenses	**$**		**Non Labor O&M Savings -**
Labor Loadings (50%)	**$**		**Total Benefit $**
TOTAL	**$**	3,000,000	**Cost / Benefit =**

Estimation Levels:
P1 = Budget/Preliminary
P2 = Conceptual
P3 = Detail Design

Estimated life of asset: 40

Staff will measure improvement of completed project: ☐ Yes ☑ No

Level of Estimate: P1 ☑ P2 ☐ P3 ☐

Over $100K in professional services: ☑ Yes ☐ No

Is land acquisition or right of ways procurement required: ☑ Yes ☐ No

TEXAS MUNICIPAL POWER AGENCY
CAPITAL PROPOSAL

ASSUMPTIONS:

Gibbons Creek Terminal Relocations - $3,000,000
1 A frame structure
1 disconnect switch
1 tangent structure within the Gibbons Creek substation
2 Dead end structures
Relay panel modification from transformer protection to line differential protection
Installation of new fiber equipment.

Total: $3,000,000
Assumptions:
Easement will can be obtained from CGERG for expanded ROW paralleling the Bryan East line.
Site is in good condition and does not require heavy excavation or fill.
A summer 2022 in-service date is highly unlikely given material lead times.
All construction work will be contract.
The Crutchfield line exit will relocate to the Greens Prairie dead end structure 15/9.

SIGNATURES			
Project Manager:	Paul [signature]	**Date:**	1-24-2022
Supervisor:	Steve Martin	**Date:**	1-24-2022
Division Manager:		**Date:**	
General Manager:	[signature]	**Date:**	1/31/22

February 10, 2022

AGENDA ITEM NO. 11

SUBJECT: Executive Session

Executive session will be held pursuant to the Open Meetings Act (Chapter 551, Government Code) for the following items:

A. Amendment to General Manager Agreement (personnel matter under Section 551.074, Government Code, and legal advice under Section 551.071, Government Code).

In the Board's discretion, the Board may discuss and/or take action on one or more of the above executive session items in open meeting. In regard to items scheduled on this Agenda for discussion and/or action in the open portion of the meeting, the Board may, in its discretion, address one or more of such items in executive session if and to the extent permitted by the Texas Open Meetings Act.

February 10, 2022

AGENDA ITEM NO. 11A

SUBJECT: Amendment to General Manager Agreement.

DISCUSSION: The General Manager's annual performance review was conducted by the Board of Directors at the meeting of September 9, 2021. However, a decision on whether or not to extend the General Manager Agreement beyond September 1, 2022, was not made at that time. The purpose of this agenda item is to resume the discussion on that issue and on any other matter the Board desires to discuss relating to the General Manager Agreement.

BACKUP MATERIAL: None

ACTION REQUESTED: An amendment to the General Manager Agreement may be voted on by motion in open session.

February 10, 2022

AGENDA ITEM NO. 12

SUBJECT: Future meeting dates and subjects

DISCUSSION: The date for the next scheduled Board meeting is **June 9, 2022**.

TENTATIVE MEETING DATES FOR 2022:

September 8, 2022
December 8, 2022

February 9, 2023
June 8, 2023
September 14, 2023
December 14, 2023