TEXAS MUNICIPAL POWER AGENCY
PLANNING & OPERATING COMMITTEE

VIA VIDEO CONFERENCE CALL

VIDEOCONFERENCE LINK TO THE VIDEOCONFERENCE CALL:

https://us02web.zoom.us/j/89524865310?pwd=MHYwVTBiUC9aWm9HM0hyTHd5Mk9iZz09

Wednesday, April 27, 2022

10:00 AM

(NA) No Attachment

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

April 27, 2022

AGENDA ITEM NO. 1A

SUBJECT: Review Proposed FY23 Budget Package

DISCUSSION: Staff has prepared the FY23 Budget Package for the P&O Committee's review and comment. Please refer to the attached FY23 Budget Package for further information. The package was reviewed with the Financial Working Group on 4/13. The only change made since that meeting is an update to the Mine Strategy & Assumptions regarding the Moody's bond release.

Staff is requesting a recommendation from the P&O Committee to take the FY23 Budget Package forward to the Audit & Budget Committee for review and the Board for approval.

BACKUP MATERIAL: FY23 Budget Package

ACTION REQUESTED: Review and approval to take the FY23 Budget forward to the ABC & Board.

Lyndi Birkhead
4/20/22

TEXAS MUNICIPAL POWER AGENCY

FY23 BUDGET PACKAGE

For Years FY23-32

Prepared by

TMPA Staff

April 2022

TEXAS MUNICIPAL POWER AGENCY
FY23 BUDGET PACKAGE

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TEXAS MUNICIPAL POWER AGENCY
FY23 BUDGET PACKAGE

EXECUTIVE SUMMARY & KEY BUDGET ASSUMPTIONS

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

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

Below is more detail on each business unit of TMPA:

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

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

- Mine – The majority of the mine land was sold in December 2021. The final request for bond release (with the exception of the acid seeps) will be submitted in Spring 2022. Continued work on the acid seep area will be handled by the Agency's Compliance, Land & Mine Manager in FY23 and beyond, in coordination with consulting by Jan Horbaczewski as needed.

- A&G – It is assumed that the General Manager will be retained until December 2023, to align with the scheduled completion of remediation activities by GCERG. The AP/Document Control Specialist plans to retire by the end of FY24. At that time, her duties will shift to the HR/Administrative Specialist. Remaining A&G employees will be retained until TMPA "dissolves" (CFO/Director of Finance & Support Services, Senior Accountant, HR/Administrative Specialist, IT Specialist, and Executive Assistant).

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

	TMPA Headcount			
RA	**Department**	**FY23**	**FY24**	**FY25-32**
A&G				
1B	General Manager	2	2*	1
2C	Finance & Document Control	3	3	2
3B	IT	1	1	1
3E	HR & Administrative	1	1	1
Generation & Mine				
6D	Compliance	1	1	1
		8	**8***	**6**
**Headcount reduces by one in January 2024.*				

Included in the budgets are estimates for employee retention bonuses and severance packages, as applicable. The details of these incentives are discussed below. Under TMPA's current circumstances, there is concern that employees will seek employment elsewhere. However, these incentives, as applied in FY17-21, proved effective in retaining staff. It is management's belief that continuing with these incentives will preserve the knowledge and skills necessary for the Agency to function with a much reduced staff. The General Manager is excluded from both the retention bonus and severance package.

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

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

GENERATION

GENERATION STRATEGY & KEY BUDGET ASSUMPTIONS

The Generation business unit consists of a single responsibility area under the administration of the Compliance, Land & Mine Manager. The primary function of this department is to oversee matters related to the regulatory closure of Gibbons Creek Steam Electric Station (GCSES) in accordance with the Asset Purchase Agreement (APA) with GCERG and the subsequent post-closure requirements from the Texas Commission on Environmental Quality (TCEQ). This department also handles other environmental compliance matters, excluding mine and transmission. This department will be maintained as TMPA's sole technical resource.

Key Budget Assumptions

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

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

3) The APA related to the sale of GCSES 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. At the time of the FY23 budget development, there is a significant disagreement between TMPA and GCERG which may require legal and consulting expenses to resolve. Due to the revised remediation completion date in mid-FY23, a majority of these costs are expected in FY23.

   The amount or timeline related to the return of funds to TMPA for Site F Closure Costs under $13.6 million will likely not be known until late FY23 or early FY24. No revenue projection is included in the FY23 budget.

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

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - Generation

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	202,079	103,808	(98,271)	-48.6%	1
L01 Retention Bonuses	30,246	33,271	3,025	10.0%	
R51 Contractor Maintenance	3,200	-	(3,200)	-100.0%	
S02 Consulting Services	173,200	140,000	(33,200)	-19.2%	
S04 Legal Services	118,000	520,000	402,000	340.7%	2
Other Fixed Costs	9,733	8,439	(1,294)	-13.3%	
Allocation of A&G	217,800	326,566	108,766	49.9%	3
TOTAL FIXED COSTS	**$ 754,258**	**$ 1,132,084**	**$ 377,826**	**50.1%**	
OTHER REVENUES					
Interest Income	(5,100)	(5,450)	(350)	-6.9%	
TOTAL OTHER REVENUES	**$ (5,100)**	**$ (5,450)**	**$ (350)**	**-6.9%**	
TOTAL COSTS	**$ 749,158**	**$ 1,126,634**	**$ 377,476**	**50.4%**	

* Explanations are provided for changes over $50K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – Generation

Fixed Costs

1) Labor & Benefits decreased as the budget for Daniel Meadows, Compliance, Land & Mine Manager, is now allocated among the three divisions, with 60% being allocated to Generation.

2) Legal Services increased as a result of the significant disagreement between TMPA and GCERG regarding Site F Landfill costs which may require legal expenses to resolve.

3) Allocation of A&G increased primarily due to the impending Site F Landfill litigation.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Generation Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	103,808	67,266	69,284	71,363	73,504	75,709	77,980	80,319	82,729	85,211	787,172
L01 Retention Bonuses	33,271	34,269	35,297	36,356	37,447	38,570	39,727	40,919	42,147	43,411	381,415
S02 Consulting Services	140,000	56,650	31,828	32,782	33,766	34,778	35,821	36,896	38,003	39,143	479,667
S04 Legal Services	520,000	113,300	26,523	27,319	28,138	28,981	29,851	30,746	31,669	32,619	869,146
Other Fixed Costs	8,439	8,693	8,953	9,222	9,499	9,783	10,078	10,379	10,690	11,012	96,748
Allocation of A&G	326,566	111,790	58,956	60,503	62,547	64,186	66,355	68,095	70,395	72,243	961,636
TOTAL FIXED COSTS	**$ 1,132,084**	**$ 391,969**	**$ 230,841**	**$ 237,544**	**$ 244,900**	**$ 252,007**	**$ 259,812**	**$ 267,355**	**$ 275,633**	**$ 283,639**	**$ 3,575,784**
OTHER REVENUES											
Interest Income	(5,450)	(3,325)	(2,616)	(3,399)	(4,182)	(4,965)	(5,749)	(6,532)	(7,315)	(8,098)	(51,631)
TOTAL OTHER REVENUES	**$ (5,450)**	**$ (3,325)**	**$ (2,616)**	**$ (3,399)**	**$ (4,182)**	**$ (4,965)**	**$ (5,749)**	**$ (6,532)**	**$ (7,315)**	**$ (8,098)**	**$ (51,631)**
TOTAL COSTS	**$ 1,126,634**	**$ 388,644**	**$ 228,225**	**$ 234,145**	**$ 240,718**	**$ 247,042**	**$ 254,064**	**$ 260,823**	**$ 268,318**	**$ 275,540**	**$ 3,524,153**
Monthly Charge	**$ 93,886**	**$ 32,387**	**$ 19,019**	**$ 19,512**	**$ 20,060**	**$ 20,587**	**$ 21,172**	**$ 21,735**	**$ 22,360**	**$ 22,962**	**$ 293,679**

TRANSMISSION

TRANSMISSION STRATEGY & KEY BUDGET ASSUMPTIONS

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

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

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

The Member Cities can decide to acquire the transmission assets at any time. The Cities currently wish to have the assets remain with TMPA for the foreseeable future.

Key Budget Assumptions

1) Identified the Transmission Capital Plan needed for safe, compliant, reliable operations.
2) In July 2021, TMPA issued $192,510,000 of Transmission Refunding Bonds, Series 2021. These Bonds become callable in 2026. Proceeds from this issuance were used to refund the Series 2010 and 2017 Bonds and $30M of the Series "A" Notes. This transaction resulted in significant savings to the Agency due to very low interest rates.
3) The current Series "A" Notes with Bank of America have $60M in capacity ($14.4M currently outstanding) and expire on November 23, 2022. At that time, a new, similar agreement will be entered into.
4) For budgeting purposes, fix-outs of portions of the Notes into long-term bonds are assumed in FY23 and FY24. Fix-outs become necessary when a significant amount of short-term Note funded assets are placed in service and/or when the Agency is nearing capacity of the Notes.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - Transmission

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	614,717	732,866	118,149	19.2%	1
R06 Bank Charges	301,350	319,500	18,150	6.0%	
R41 Insurance Premiums	341,186	389,172	47,986	14.1%	
R51 Contractor Maintenance	1,917,000	1,835,172	(81,828)	-4.3%	
S04 Legal Services	132,000	195,000	63,000	47.7%	2
Other Fixed Costs	1,263,109	1,444,765	181,656	14.4%	3
Allocation of A&G	1,965,994	2,079,066	113,072	5.8%	4
Subtotal Fixed Costs - Non-Debt	**$ 6,535,356**	**$ 6,995,541**	**$ 460,185**	7.0%	
R57-R58 Debt Service - Bonds	13,623,267	13,169,709	(453,558)	-3.3%	
R55 Interest on Short-term Notes	706,181	815,299	109,118	15.5%	5
I62 Debt Coverage Payment (DCP)	3,542,049	3,424,124	(117,925)	-3.3%	
Subtotal Fixed Costs - Debt	**$ 17,871,497**	**$ 17,409,132**	**$ (462,365)**	-2.6%	
TOTAL FIXED COSTS	**$ 24,406,853**	**$ 24,404,674**	**$ (2,179)**	**0.0%**	
OTHER REVENUES					
I50 Transmission System Revenue	(30,890,630)	$ (32,040,872)	(1,150,242)	-3.7%	
Interest Income	(134,651)	$ (60,959)	73,692	54.7%	6
Other Revenue	(82,300)	(89,490)	(7,190)	-8.7%	
TOTAL OTHER REVENUES	**$ (31,107,581)**	**$ (32,191,321)**	**$ (1,083,740)**	**-3.5%**	
TOTAL COSTS / (REVENUE)	**$ (6,700,728)**	**$ (7,786,648)**	**$ (1,085,920)**	**-16.2%**	

* Explanations are provided for changes over $50K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – Transmission

<u>Fixed Costs – Non-Debt</u>

1) Labor & Benefits increased because of (a) reduced charge-outs to capital projects and (b) 20% of the budget for Daniel Meadows, Compliance, Land & Mine Manager, now being allocated to Transmission.

2) Legal Services increased primarily because of anticipated legal fees related to the new Note Program to be entered into in November 2022 and the planned fix-out of a portion of the Notes into long-term bonds.

3) Other Fixed Costs increased primarily because of the purchase of two replacement trucks and the purchase of a skid steer forklift and trailer needed for job-site clean-up, grading repairs, and ROW repairs.

4) Allocation of A&G increased due to increased fixed costs within the Transmission budget.

<u>Fixed Costs – Non-Debt</u>

5) Interest on Short-term Notes increased because there are a significant amount of upcoming Transmission projects to be funded.

<u>Other Revenues</u>

6) Interest Income decreased primarily due to lower budgeted interest rates resulting from the continued impact of the COVID pandemic.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Transmission Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	732,866	768,071	791,113	814,847	839,292	864,471	890,405	917,117	944,631	972,970	8,535,783
R06 Bank Charges	319,500	329,085	338,957	349,126	359,600	370,388	381,500	392,945	404,733	416,875	3,662,709
R41 Insurance Premiums	389,172	400,847	412,872	425,258	438,016	451,158	464,692	478,633	492,992	507,782	4,461,422
R51 Contractor Maintenance	1,835,172	1,890,227	1,946,934	2,005,342	2,065,503	2,127,467	2,191,291	2,257,030	2,324,741	2,394,483	21,038,190
S04 Legal Services	195,000	149,350	153,831	158,445	163,198	168,095	173,137	178,332	183,682	189,192	1,712,262
Other Fixed Costs	1,444,765	1,488,108	1,532,752	1,578,734	1,626,096	1,674,879	1,725,125	1,776,879	1,830,185	1,885,091	16,562,615
Allocation of A&G	2,079,066	2,284,676	2,234,328	2,292,945	2,370,404	2,432,596	2,514,761	2,580,735	2,667,909	2,737,903	24,195,322
Subtotal Fixed Costs - Non-Debt	**$ 6,995,541**	**$ 7,310,364**	**$ 7,410,787**	**$ 7,624,697**	**$ 7,862,109**	**$ 8,089,054**	**$ 8,340,912**	**$ 8,581,672**	**$ 8,848,873**	**$ 9,104,295**	**$ 80,168,304**
R57-R58 Debt Service - Bonds	13,169,709	14,365,294	14,572,290	14,572,782	14,572,377	14,574,665	14,571,035	14,570,632	14,573,151	14,577,882	144,119,817
R55 Interest on Short-term Notes	815,299	1,056,145	1,352,384	1,816,177	2,226,680	2,496,908	2,767,136	3,037,365	3,307,593	3,577,821	22,453,508
I62 Debt Coverage Payment (DCP)	3,424,124	3,734,976	3,788,795	3,788,923	3,788,818	3,789,413	3,788,469	3,788,364	3,789,019	3,790,249	37,471,150
Subtotal Fixed Costs - Debt	**$ 17,409,132**	**$ 19,156,415**	**$ 19,713,469**	**$ 20,177,882**	**$ 20,587,875**	**$ 20,860,986**	**$ 21,126,640**	**$ 21,396,361**	**$ 21,669,763**	**$ 21,945,952**	**$ 204,044,475**
TOTAL FIXED COSTS	**$ 24,404,674**	**$ 26,466,779**	**$ 27,124,256**	**$ 27,802,579**	**$ 28,449,984**	**$ 28,950,040**	**$ 29,467,552**	**$ 29,978,033**	**$ 30,518,636**	**$ 31,050,247**	**$ 284,212,779**
OTHER REVENUES											
Transmission System Revenue	(32,040,872)	(32,681,690)	(33,335,324)	(34,002,030)	(34,682,071)	(35,375,712)	(36,083,226)	(36,804,891)	(37,540,989)	(38,291,808)	(350,838,613)
Interest Income	(60,959)	(117,243)	(169,285)	(219,818)	(270,351)	(320,885)	(371,418)	(421,951)	(472,484)	(523,018)	(2,947,413)
Other Revenue	(89,490)	(92,174)	(94,940)	(97,788)	(100,722)	(103,743)	(106,856)	(110,061)	(113,362)	(116,764)	(1,025,900)
TOTAL OTHER REVENUES	**$ (32,191,321)**	**$ (32,891,107)**	**$ (33,599,549)**	**$ (34,319,636)**	**$ (35,053,144)**	**$ (35,800,340)**	**$ (36,561,500)**	**$ (37,336,903)**	**$ (38,126,835)**	**$ (38,931,590)**	**$ (354,811,926)**
TOTAL COSTS / (REVENUE)	**$ (7,786,648)**	**$ (6,424,327)**	**$ (6,475,293)**	**$ (6,517,057)**	**$ (6,603,161)**	**$ (6,850,300)**	**$ (7,093,948)**	**$ (7,358,871)**	**$ (7,608,199)**	**$ (7,881,343)**	**$ (70,599,146)**
Monthly Charge	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Transmission Capital Plan

NEW DEBT FUNDED TRANSMISSION PROJECTS	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	10-YEAR TOTALS
BTU											
T13002 Dansby - replace relay panel including Pulsar	255,319										255,319
DME											
T21004 Masch Branch-North Denton TxDOT I35 Road Widening	2,600,000										2,600,000
T22001 Spencer Interchange to Industrial TML Reconductor	1,722,803										1,722,803
Underwood Substation - transmission tie-in		**1,350,000**	**150,000**								**1,500,000**
West Denton - erosion on south side of station		**200,000**									**200,000**
West Denton - construct two new 138kV terminals to serve two new Brazos TM lines			**1,250,000**	**1,050,000**							**2,300,000**
West Denton - install new 600 MVA Autotransformer	**2,900,000**	**3,100,000**									**6,000,000**
West Loop 288 - West Denton to Fort Worth TM line relocation for new ROW			**1,300,000**	**2,600,000**							**3,900,000**
West Loop 288 - Masch Branch to North Denton TM line relocation for new ROW			**1,300,000**	**2,600,000**							**3,900,000**
Spencer Interchange to Pockrus TM line reconductor to provide additional capacity			**900,000**	**500,000**							**1,400,000**
GP&L											
T11009 Substation Security	105,210										105,210
T13001 Breaker Replacement Project	255,319										255,319
T17007 Brand Rd. Pole Reroute		148,598									148,598
T19004 McCree- install 2-345kv/2-138kv breakers/switches	279,084										279,084
T20004 Ben Davis- 345kV breaker Replacement and Elevating Equipment	3,790,000										3,790,000
T21003 Ben Davis - Royse Transmission Line Tower Replacement 2/5)	1,800,000										1,800,000
T21005 Pruitt 138kV Terminal Addition (Pink Solar termination & Line)	2,700,000										2,700,000
T21006 Gibbons Creek Decommission Transmission Project Phase 2	760,000										760,000
T21007 Shelby to Nevada New Line & Station (Hathor Solar)	2,300,000	10,200,000									12,500,000
T22002 Steep Hollow to Dansby - Rebuild Transmission Structures Leaning	11,000,000	8,500,000									19,500,000
T22003 Gibbons Creek POI with BEPC (Data Center)	2,000,000										2,000,000
Misc. capital projects, failed equipment, modifications, instrument transformer replacements	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**							**4,000,000**
TOTAL DEBT FUNDING REQUIREMENT	**$ 33,467,735**	**$ 24,498,598**	**$ 5,900,000**	**$ 7,750,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$71,616,333**

***Does not yet have Board approval**

MINE

TEXAS MUNICIPAL POWER AGENCY
FY23 BUDGET PACKAGE

MINE STRATEGY & KEY BUDGET ASSUMPTIONS

Bond Release

TMPA's plan for the release of reclamation bonds on the GC lignite mine property is summarized in Table 1 and depicted on the map (Figure 1). Items shown in the table in 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 3/9/22)

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 1/15/13
38D – Rev. 14 (map adjustments)	257	38	295	Released 7/31/13
26D – Rev. 21 (map adjustments)	212	42	254	Released 12/8/14
26D – Falco + Ciesielski property	0	111	111	Released 8/25/15
38D – Rail spur (Permit 38D part)	55	0	55	Released 10/20/15
38D – Rev. 35 (map adjustments)	82	29	111	Released 2/7/17
26D – Rev. 40 (map adjustments)	3	0	3	Released 2/23/18
26D – Kolbachinski property	0	7	7	Released 2/27/18
26D – Rail spur (Permit 26D part)	131	0	131	Released 6/5/18
38D – A2/A3 core area	957	14	971	Released 6/18/19
26D – "Big" application	4,045	248	4,293	Released 1/14/20
38D – A2/A3 peripheral area	544	10	554	Released 1/26/21
26D – Area B2-7 + B2-9	85	0	85	Released 10/12/21
26D – Moody property	0	453	453	Released 04/12/22
Total Released	**6,788 ac (94% of TMPA property)**	**1,608 ac (100% of leased property)**	**8,396 ac (95% of total)**	
26D – Area B2-8	146	0	146	Submitted 9/23/21
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
TOTAL (both permits)	**7,205 (TMPA property)**	**1,608 (Leased property)**	**8,813 (Total bonded)**	

Figure 1 – Plan for Final Bond Release

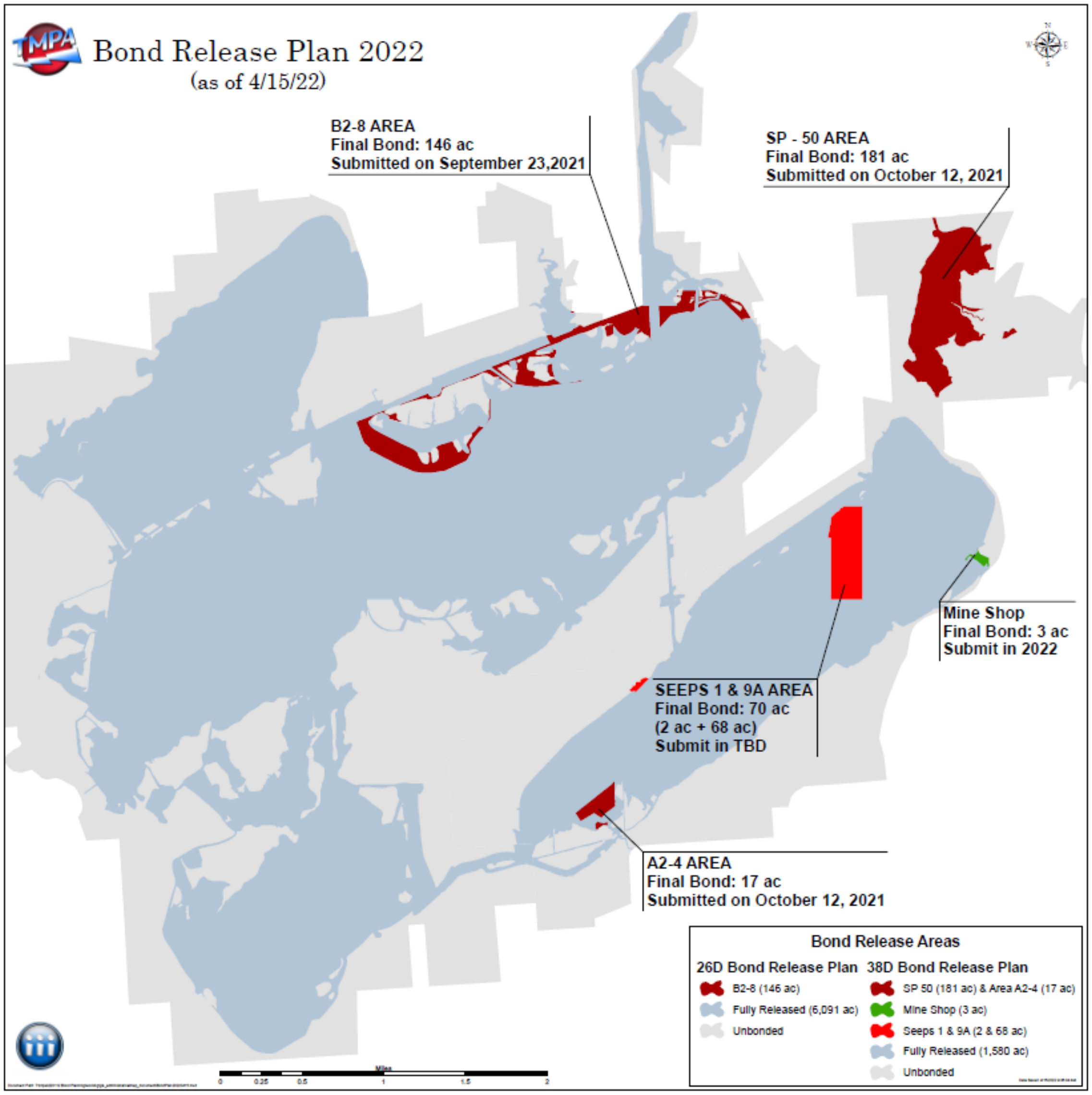


Table 1 represents the <u>plan for submittal</u> of bond release applications. The duration of the entire bond release process has typically been in the range of 9-20 months (Table 2).

Table 2 – Duration of bond release approval process

Description	Date submitted	Date released	Duration
Permit 26D – Rail Spur (131 acres)	10/25/16	6/5/18	19 months
Permit 26D – Kolbachinski tract (7 acres)	5/3/17	2/27/18	10 months
Permit 38D – "Core Area" (971 acres)	10/18/17	6/18/19	20 months
Permit 26D – "Big" bond release (4,301 acres)	6/11/18	1/14/20	19 months
Permit 38D – A2/A3 "Peripheral Area" (554 acres)	5/5/20	1/26/21	9 months
Permit 26D – Areas B2-7 + B2-9 (85 acres)	09/14/20	10/12/21	13 months
Permit 26D – Moody Property (453 acres)	10/7/20	04/12/22	18 months

Recent changes in staffing in the Hearings Division at the Railroad Commission have been delaying the bond release process, but TMPA is projecting that by the end of FY22, the only areas remaining to be released will be the 51 acres of the seep buffer areas and the 22 acres of the Seep 1 and Seep 9A core areas (line items in red font in Table 1). Part of the buffer area is expected to be released in early FY23; the rest of the buffer area and the core areas are the subject of discussions with the Commission.

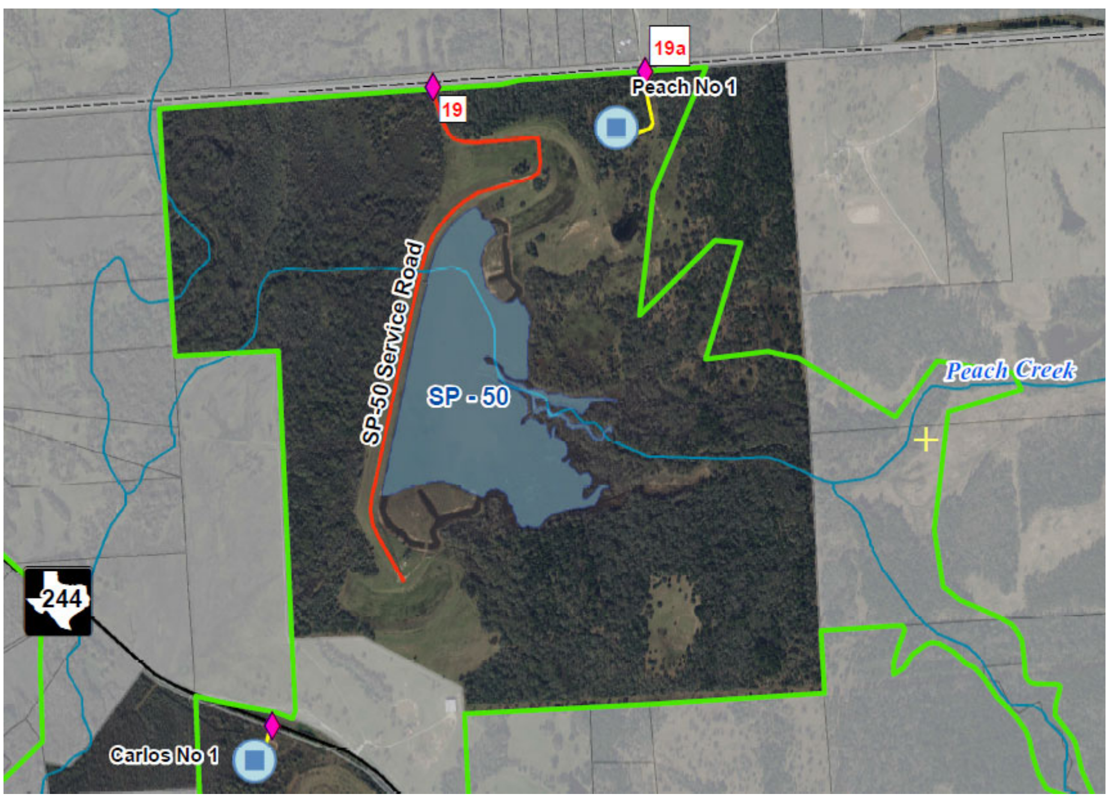
Sale of Mine Property

The mine property was sold on 12/22/21. Mine reclamation and permitting activities are therefore confined to the areas that are still bonded (line items depicted in blue and red font in Table 1).

Land Ownership

The Pond SP-50 Property (723 acres) is still owned by TMPA. It was not part of the mine sale on 12/22/21 because it is physically separate from the rest of the mine (Figure 2) and because Pond SP-50 is classified by TCEQ as a "High Hazard" structure because of its potential to cause damage downstream if it is breached.

Figure 2 – Pond SP-50 Property (723 acres)



An additional factor was the timing of reclamation of the waste piles inside the footprint of the pond. The conversion of these into wetland/wildlife islands is nearing completion. A bond release application for this area was submitted on 10/12/21 and was declared administratively complete on 1/3/22. Commission Staff are preparing their Technical Analysis. TMPA requested proposals from real estate brokers in March 2022 and plans to hire a broker in June 2022.

The Pond SP-50 property is expected to sell at a value no less than the sale price of the mine ($6,800/acre). This value is used in Table 3, but it will be updated following an appraisal in 2022 prior to putting the property up for sale.

Table 3 – Potential Sale Price of Pond SP-50 Property

Description	Acreage	$/Acre *	Projected Sale Price	Timing
Pond SP-50 property	723	$6,800	$4,916,400	FY22/FY23

Note: Does not include the cost to market and sell the land.

Budget for the Mine Business Unit

Permit 26D, which lies north of Gibbons Creek, is close to being completely released from bond. The only area that remains bonded is the B2-8 Area (146 acres). Staff recommended release of this area on 2/25/22. Once it has been released, TMPA will request termination of Permit 26D removing the whole mine property north of Gibbons Creek from the Commission's jurisdiction. This is projected to happen before the end of 2022.

Permit 38D, which lies south of Gibbons Creek, is down to 271 acres still under bond, of which 198 acres (the Pond SP-50 Area) were submitted on 10/12/21. The next submittal, scheduled for spring 2022, will be for part of the buffer area around Seep 9A. This will leave 22 acres and part of the buffer area under Railroad Commission jurisdiction. TMPA is working on a plan to achieve bond release on the rest of the buffer area and the core areas, but release of the core area (22 acres) may not happen before 2030. Permit 38D, which lies south of Gibbons Creek, will therefore continue to remain active (although it will be down-sized as much as possible) requiring all associated permitting, monitoring, inspection, and reporting activities.

Costs associated with these activities are included in the FY23 Mine budget pro forma. They include, but are not limited to, items such as: monthly sampling of seeps, groundwater monitoring wells, and wastewater discharges from Pond SP-20, monthly Railroad Commission inspections, annual mine reclamation bonding renewals, annual mine permit fees, and associated paperwork.

Special Issues

- Changes in leadership at RCT Commission: There have been several changes in leadership. In July 2016, Denny Kingsley replaced John Caudle as the Director of the RCT's Surface Mining and Reclamation Division. Under Director Kingsley's leadership, there was significant improvement in review times for both permitting and bond release actions. But he and Assistant Director Travis Wootton suddenly left without notice in November 2018 to be replaced by Interim Director Alex Schoch who, in turn, was replaced by Dr. Brent Elliott in February 2020.

- COVID-19: The functioning of the Commission, like all other businesses, has been disrupted since March 2020 by the COVID-19 pandemic, including the Delta and Omicron variants. As of the time of writing (2/21/22), the Commission has not returned to the pre-COVID mode of operations.

- Changes in Administrative Law Judges: Over the last year, there have been several changes in staffing in the Hearings Division. Judges Lebby, Ruberto, and Spraggins are no longer at the Commission and currently Judge Rutledge is reviewing all three of TMPA's pending bond release applications as well as applications from other permittees. One new judge has been hired recently.

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

- Cash bonding: TMPA has been exploring the option of cash bonding instead of the more expensive current process of annually procuring Letters of Credit as collateral for mine reclamation bonds. The cash bonding would be for the June 2023–June 2024 bonding term, by which time bond requirements are projected to be approximately $1.4 million. It is estimated that the cost of cash funding will be $1,500 instead of the $100,000 that would be spent on securing Letters of Credit.

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

  Options for additional remediation measures at Seep 9A were discussed with Commission Staff at a field meeting on 1/11/22. These include the construction of rock berm check dams across the Seep 9A drainage to intercept sediment and develop a series of terraces that will stabilize the soil and divert the seeps to subsurface flow. TMPA is developing a conceptual plan for Commission review and approval.

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

  > TMPA will ensure that all notes, photographs, negatives, and processed data (tables, maps, etc.) will be stored in good order and in a manner that makes them available for future study at an appropriately equipped institution that meets the standards set forth in the proposed 36 CFR Part 66 and that makes these data available to other parties for research or other appropriate purposes.

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

- Document control – hard-copy and electronic files: Critical current records and documents were moved from the power plant site with the move to the Bryan office in February 2020. Following the sale of the power plant area in February 2021, Staff relocated the Agency's remaining legacy records to long-term storage in Bryan. These are now being reviewed for consolidation, scanning where needed, and indexing for long-term storage.

Dissolution of the Mine Business Unit

Following the sale of the mine property in December 2021, the mine business unit has a reduced scope, staffing, and budget. The Land Administrator, Murphy Hawkins, retired at the end of FY21, and the Mine and Land Manager, Jan Horbaczewski, will retire at the end of June 2022 (he will consult thereafter, as needed).

Residual work (summarized below) will be managed by Daniel Meadows, Compliance, Land & Mine Manager:

- Long-term maintenance and monitoring plan for the lignite mine acid seep areas.
- Safeguarding of the regulatory records of the mine.
- Final closure / notification to regulatory authorities with jurisdiction over the mine, such as the Railroad Commission, TCEQ, the federal Office of Surface Mining and Reclamation Enforcement, the US Environmental Protection Agency, the US Army Corps of Engineers, the US Mine Safety and Health Administration, the US Fish and Wildlife Service, the Texas Parks and Wildlife Department, and the Texas Historical Commission.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - Mine

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	266,326	34,603	(231,723)	-87.0%	1
L01 Retention Bonuses	38,485	-	(38,485)	-100.0%	
L01 Severance Packages	50,790	-	(50,790)	-100.0%	2
M44 Mine Maintenance	320,000	175,000	(145,000)	-45.3%	3
R06 Bank Charges	140,000	45,000	(95,000)	-67.9%	4
R51 Contractor Maintenance	110,000	60,000	(50,000)	-45.5%	3
S02 Consulting Services	375,000	185,000	(190,000)	-50.7%	3
S04 Legal Services	160,000	50,000	(110,000)	-68.8%	4
Other Fixed Costs	84,050	20,250	(63,800)	-75.9%	3
Allocation of A&G	626,184	240,978	(385,206)	-61.5%	5
Subtotal Fixed Costs	**$ 2,170,835**	**$ 810,831**	**$ (1,360,004)**	**-62.6%**	
C03 Cash Fund Mine Bonding**	-	1,400,000	1,400,000	100.0%	6
Subtotal Cash Fund Mine Bonding	**$ -**	**$ 1,400,000**	**$ 1,400,000**	**100.0%**	
TOTAL FIXED COSTS	**$ 2,170,835**	**$ 2,210,831**	**$ 39,996**	**1.8%**	
OTHER REVENUES					
Interest Income	(14,661)	(4,022)	10,639	72.6%	
Other Revenue	(60,000)	-	60,000	100.0%	7
TOTAL OTHER REVENUES	**$ (74,661)**	**$ (4,022)**	**$ 70,639**	**94.6%**	
TOTAL COSTS	**$ 2,096,174**	**$ 2,206,809**	**$ 110,635**	**5.3%**	

* Explanations are provided for changes over $50K AND 5%.

** The Cash Fund will be collected from the Cities via one-time invoices just prior to bond renewal in early 2023.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – Mine

Fixed Costs

1) Labor & Benefits decreased because Jan Horbaczewski, Mine & Land Manager, will retire in FY22. Daniel Meadows, Compliance, Land & Mine Manager, will have 20% of his time allocated to the Mine division.

2) Severance Packages reduced to zero as Jan's severance will be paid FY22.

3) Mine Maintenance, Contractor Maintenance, Consulting Services, and Other Fixed Costs decreased drastically as a result of the sale of the mine in December 2021. Remaining costs (which continue to reduce in future years) are associated with the acid seeps, which are not expected to achieve bond release before 2030. Costs include, but are not limited to, items such as: monthly sampling of seeps, groundwater monitoring wells, wastewater discharges from Pond SP-20, monthly Railroad Commission inspections, and annual mine permit fees.

4) Bank Charges and Legal Services decreased as the Agency will be cash funding the bonding requirements with the Railroad Commission beginning in 2023.

5) Allocation of A&G decreased due to decreased fixed costs within the Mine budget primarily resulting from the sale of the mine in December 2021.

6) Cash Fund Mine Bonding is a new line item for FY23 and will be collected from the Cities via one-time invoices just prior to bond renewal in early 2023. The current letters of credit with Wells Fargo that satisfy the bonding requirements of the Railroad Commission expire in June 2023. They will be replaced with a cash deposit directly with the Railroad Commission that will be reduced and returned to the Cities as bond release is achieved over the remaining years.

Other Revenues

7) Other Revenue reduced to zero as oil and gas income ceased with the sale of the mine in December 2021.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 Mine Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	34,603	62,079	63,941	65,859	67,835	69,870	71,966	74,125	76,349	78,639	665,265
M44 Mine Maintenance	175,000	118,450	116,700	120,201	123,806	127,519	131,347	135,285	139,345	143,525	1,331,178
R06 Bank Charges	45,000	-	-	-	-	-	-	-	-	-	45,000
R51 Contractor Maintenance	60,000	61,800	63,654	65,563	67,530	69,557	71,644	73,793	76,007	78,287	687,835
S02 Consulting Services	185,000	92,700	84,872	87,418	90,040	92,742	95,526	98,390	101,342	104,382	1,032,412
S04 Legal Services	50,000	51,500	53,046	54,636	56,276	57,964	59,702	61,494	63,338	65,238	573,194
Other Fixed Costs	20,250	20,189	20,793	21,417	22,061	22,723	23,403	24,105	24,828	25,572	225,341
Allocation of A&G	240,978	184,894	173,950	178,513	184,544	189,386	195,784	200,918	207,706	213,154	1,969,827
Subtotal Fixed Costs	**$ 810,831**	**$ 591,611**	**$ 576,956**	**$ 593,607**	**$ 612,092**	**$ 629,761**	**$ 649,372**	**$ 668,110**	**$ 688,914**	**$ 708,797**	**$ 6,530,052**
C03 Cash Fund Mine Bonding*	1,400,000	-	-	-	-	-	-	-	-	-	1,400,000
Subtotal Cash Fund Mine Bonding	**$ 1,400,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,400,000**
TOTAL FIXED COSTS	**$ 2,210,831**	**$ 591,611**	**$ 576,956**	**$ 593,607**	**$ 612,092**	**$ 629,761**	**$ 649,372**	**$ 668,110**	**$ 688,914**	**$ 708,797**	**$ 7,930,052**
OTHER REVENUES*											
Interest Income	(4,022)	(5,638)	(8,023)	(10,425)	(12,827)	(15,229)	(17,632)	(20,034)	(22,436)	(24,838)	(141,103)
TOTAL OTHER REVENUES*	**$ (4,022)**	**$ (5,638)**	**$ (8,023)**	**$ (10,425)**	**$ (12,827)**	**$ (15,229)**	**$ (17,632)**	**$ (20,034)**	**$ (22,436)**	**$ (24,838)**	**$ (141,103)**
TOTAL COSTS	**$ 2,206,809**	**$ 585,973**	**$ 568,933**	**$ 583,182**	**$ 599,265**	**$ 614,532**	**$ 631,740**	**$ 648,077**	**$ 666,479**	**$ 683,960**	**$ 7,788,949**
Monthly Charge	**$ 67,234**	**$ 48,831**	**$ 47,411**	**$ 48,599**	**$ 49,939**	**$ 51,211**	**$ 52,645**	**$ 54,006**	**$ 55,540**	**$ 56,997**	**$ 532,412**

** The Cash Fund will be collected from the Cities via one-time invoices just prior to bond renewal in early 2023. This amount is NOT included in the monthly charge calculated above.

SUPPLEMENTAL INFORMATION

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget - A&G

	FY22 Approved Budget	FY23 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	1,120,840	1,074,511	(46,329)	-4.1%	
L01 Retention Bonuses	130,991	137,267	6,276	4.8%	
L01 Severance Packages	33,926	-	(33,926)	-100.0%	
R06 Bank Charges	10,000	10,500	500	5.0%	
R27 Maintenance Agreements	45,883	48,570	2,687	5.9%	
R41 Insurance Premiums	624,768	631,277	6,509	1.0%	
R51 Contractor Maintenance	10,000	-	(10,000)	-100.0%	
S02 Consulting Services	237,530	232,315	(5,215)	-2.2%	
S04 Legal Services	143,375	78,375	(65,000)	-45.3%	1
Other Fixed Costs	452,665	433,795	(18,870)	-4.2%	
TOTAL FIXED COSTS	**$ 2,809,978**	**$ 2,646,609**	**$ (163,369)**	**-5.8%**	
TOTAL COSTS	**$ 2,809,978**	**$ 2,646,609**	**$ (163,369)**	**-5.8%**	

* Explanations are provided for changes over $50K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY22's Approved Budget – A&G

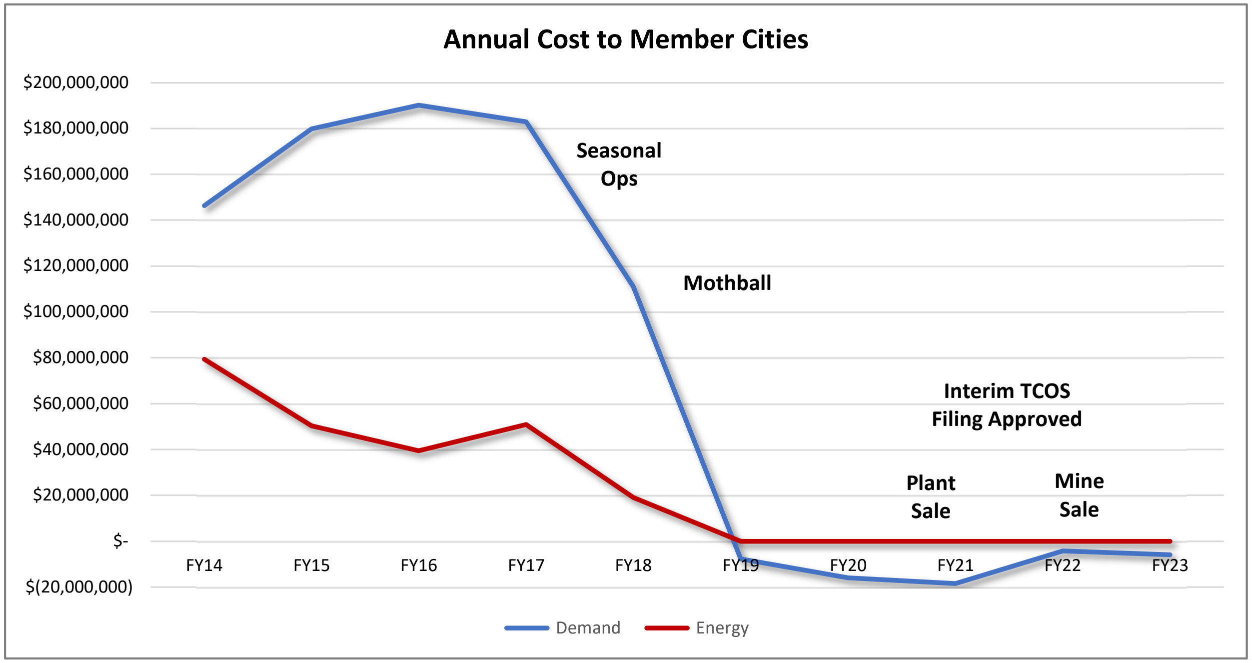
Fixed Costs

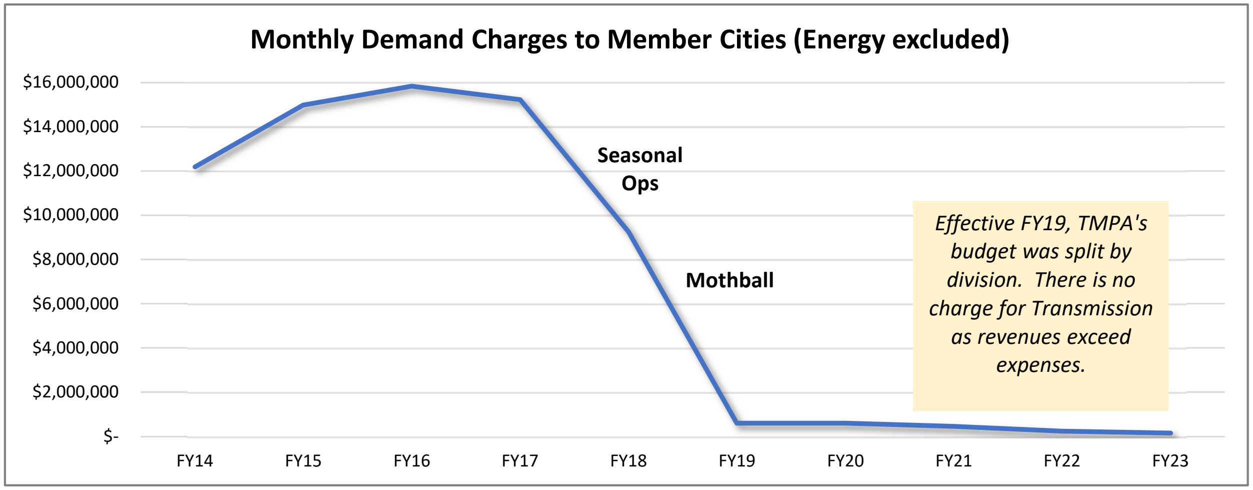
1) Legal Services decreased as it is now budgeted directly in the business unit it serves. Anticipated general legal services has decreased steadily over the last several years.

TEXAS MUNICIPAL POWER AGENCY
FY23-32 A&G Budget Pro Forma

	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY23-32 Total
FIXED COSTS											
L01 Labor & Benefits	1,074,511	966,584	835,644	860,713	886,535	913,131	940,525	968,741	997,803	1,027,737	9,471,924
L01 Retention Bonuses	137,267	141,385	126,126	129,909	133,807	137,821	141,955	146,214	150,601	155,119	1,400,202
L01 Severance Packages	-	19,796	-	-	-	-	-	-	-	-	19,796
R06 Bank Charges	10,500	10,815	11,139	11,473	11,818	12,173	12,538	12,914	13,301	13,700	120,371
R27 Maintenance Agreements	48,570	50,027	51,528	53,075	54,665	56,304	57,995	59,735	61,526	63,372	556,797
R41 Insurance Premiums	631,277	650,215	669,721	689,815	710,507	731,823	753,778	776,390	799,683	823,672	7,236,881
S02 Consulting Services	232,315	230,860	248,918	247,096	264,078	262,148	280,161	278,112	297,223	295,048	2,635,959
S04 Legal Services	78,375	80,726	83,149	85,642	88,211	90,858	93,584	96,391	99,283	102,262	898,481
Other Fixed Costs	433,795	430,951	441,010	454,237	467,874	481,910	496,363	511,252	526,591	542,390	4,786,373
TOTAL FIXED COSTS	**$ 2,646,609**	**$ 2,581,360**	**$ 2,467,235**	**$ 2,531,961**	**$ 2,617,495**	**$ 2,686,168**	**$ 2,776,899**	**$ 2,849,749**	**$ 2,946,010**	**$ 3,023,299**	**$ 27,126,785**
TOTAL COSTS	**$ 2,646,609**	**$ 2,581,360**	**$ 2,467,235**	**$ 2,531,961**	**$ 2,617,495**	**$ 2,686,168**	**$ 2,776,899**	**$ 2,849,749**	**$ 2,946,010**	**$ 3,023,299**	**$ 27,126,785**

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





April 27, 2022

AGENDA ITEM NO. 2A

SUBJECT: Future meeting dates for P&O Committee Meetings.

DISCUSSION: The date for the next regularly scheduled P&O Committee meeting is **June 8, 2022**.

TENTATIVE MEETING DATES FOR 2022:

September 7, 2022
December 8, 2022

February 9, 2023
June 8, 2023
September 13, 2023
December 14, 2023