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:

CITY OF GARLAND CITY HALL
THE COUNCIL CHAMBER
WILLIAM E. DOLLAR MUNICIPAL BUILDING
200 NORTH 5TH STREET
GARLAND, TX 75040

Thursday, February 9, 2023
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 8, 2022 Board of Directors meeting.

2. Planning & Operating Committee report relating to results of the Planning & Operating Committee meeting of February 9, 2023.

3. Status report relating to mine reclamation and land matters, including the marketing of surplus mine property.

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

5. FY23 First Quarter Budget Status Report.

6. FY24 Budget Plan.

7. Bryan Office Lease.

8. Resolution No. 2023-2-1, relating to the annual review of the Agency's Investment Policy; and resolving matters incidental and related thereto.

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

10. 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).

B. Substation Security (security issues under Section 551.076, Government Code).

C. TMPA v. Gibbons Creek Environmental Redevelopment Group, LLC, Cause No. D-1-GN-22-004434, in the 126th District Court of Travis County, Texas (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.

11. Future Meeting Dates.

12. Adjourn.

February 9, 2023

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 8, 2022 Board of Directors meeting.

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

TEXAS MUNICIPAL POWER AGENCY

BOARD OF DIRECTORS MEETING MINUTES

VIA VIDEO CONFERENCE CALL

LOCATION AT WHICH MEMBERS OF THE PUBLIC WERE INVITED TO ATTEND:

DENTON MUNICIPAL ELECTRIC
1659 SPENCER ROAD
DENTON, TX 76205

Thursday, December 8, 2022
10:30 AM

President Cheek called the meeting to order at 10:38 AM.

The following people were present at the meeting.

Board Members:

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

Staff:

Bob Kahn, 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, Tom Hancock and Steve Martin – Garland Power & Light
Alicia Hooks and Cathy Rosson – GEUS
Jan Horbaczewski
Linda Ames

Public Comments:

Mr. Cheek asked for comments, there were none.

1. **Committee Reports**

   A. **Audit and Budget Committee report relating to the results of the December 8, 2022 Committee meeting.**
   - Mr. Jefferies reported that the Audit and Budget Committee held a meeting on December 8, 2022 and in addition to routine business:

- Considered Appointment of a Vice Chair.
- Reviewed the Agency's Financial Statements.
- Considered Approval of the External Auditors for the 2023 Fiscal Year and an amendment to the FY23 Mine Budget.
- Received a report on the City of Garland's transmission expense billing audit, and an update on the Annual Audit Plan and the Annual Ethics Program.

2. Consent Agenda Items:

A. Consider approval of meeting minutes of the September 8, 2022 Board of Directors meeting.

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

Motion carried; voting as follows:

Cheek – Aye	Jefferies – Aye
Simank – Aye	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 6, 2022.

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. FY22 Year-end Budget Status Report.

An update was provided by Mrs. Birkhead.

7. Resolution No. 2022-12-1, receiving the audited financial statements of the Agency for the fiscal year ended September 30, 2022; and resolving matters incidental and related thereto.

Mr. Jefferies moved, seconded by Ms. Harting, approval of resolution no. 2022-12-1.

Motion carried; voting as follows:

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

8. Resolution No. 2022-12-2, amending the fiscal year 2023 budget for the Mine Business; appropriating funds therefore; providing for said budget administration; providing for severability; and resolving matters incidental and related thereto.

Mr. Jefferies moved, seconded by Mr. Simank, approval of resolution no. 2022-12-2.

Motion carried; voting as follows:

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

9. Resolution No. 2022-12-3, amending charges for the Mine Business; designating an effective date for the charges; authorizing and directing that written notice be mailed to the Member Cities setting forth the charges; and resolving matters incidental and related thereto.

Mr. Ratliff moved, seconded by Ms. Harting, approval of resolution no. 2022-12-3.

Motion carried; voting as follows:

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

10. Resolution No. 2022-12-4, authorizing a distribution of transmission funds to the Member Cities; and resolving matters incidental and related thereto.

Mr. Simank moved, seconded by Mr. Ratliff, approval of resolution no. 2022-12-4.

Motion carried; voting as follows:

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

11. Resolution No. 2022-12-5, 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. Ratliff, approval of resolution no. 2022-12-5.

Motion carried; voting as follows:

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

Harting – Aye   Davis – Aye

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

An update was provided by Mr. Martin.

13. Executive Session.

Mr.Cheek announced that the Board would convene in executive session pursuant to sections 551.071 and 551.072 Government Code.

The open session was recessed, and the executive session was called to order by Mr. Register at 10:57 AM.

The open session resumed at approximately 11:03 AM

14. Future meeting dates and subjects.

By general consensus of the Board, the next Board meeting is tentatively set for February 9, 2023.

15. Adjourn.

By general consensus of the Board, the meeting adjourned at approximately 11:05 AM.

Tracy Stracener
Assistant Secretary
TMPA Board of Directors

February 9, 2023

AGENDA ITEM NO. 2

SUBJECT: Planning & Operating Committee report relating to results of the Planning & Operating Committee meeting of February 9, 2023.

DISCUSSION: The P&O Committee Chair will present major discussion topics and action items taken at the February 9, 2023 P&O Committee meeting.

BACKUP MATERIAL: None.

ACTION REQUESTED: Discussion.

February 9, 2023

AGENDA ITEM NO. 3

SUBJECT: Status report relating to mine reclamation and land matters, including the marketing of surplus mine property.

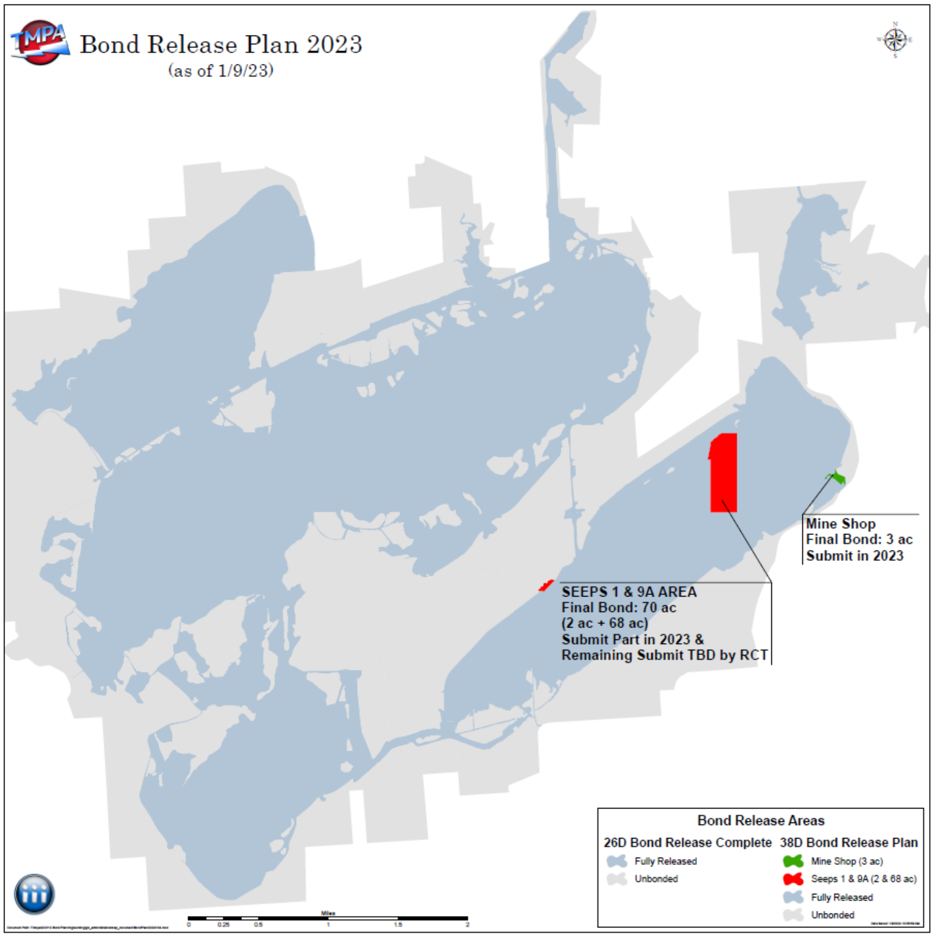
DISCUSSION:

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 red remain to be submitted.

Table 1 – Plan and Status of Final Bond Release

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
26D – Moody property	0	453	453	Released 04/12/22
38D – SP-50 + Area A2-4	198	0	198	Released 09/20/22
26D – Area B2-8	146	0	146	Released 12/13/22
Total Released	**7,132 ac (99.0% of former TMPA property)**	**1,608 ac (100% of leased property)**	**8,740 ac (99.2% of total)**	
38D – Seep 9A south half – 6 soil grids (35 ac) + Mine Shop (3 ac)	38	0	38	Submit 2023
38D – Seep 9A north half (33 ac) + Seep 1A area (2 ac).	35	0	35	Submit – TBD
TOTAL (both permits)	**7,205 (TMPA property)**	**1,608 (Leased property)**	**8,813 (Total bonded)**	

Figure 1 – Status of Bond Release



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

Following the last bond release on 12/13/22 (146.1 acres in Permit 26D), there are now only 73 acres of bonded land left on the mine property that was sold on 12/22/21 (Table 2).

Table 2 – Remaining bonded areas within the "Lakes of Gibbons Creek" Property

Bond release packets	Acres	Bond release status
38D – Seep 9A south half – 6 soil grids (35 ac) + Mine Shop (3 ac)	38	Submit 2023
38D – Seeps 1A (2 ac) and 9A north (33 ac) areas	35	Date of submittal to be determined with Railroad Commission
Total	**73**	

Cancelation of Permit 26D

Following the release on 12/13/22 of the last bonded area in Permit 26D (Area B2-8, 146.1 acres), TMPA is working toward the closure of the permit.

On 12/28/22, TMPA requested termination of the Long-Term Surface Water Monitoring Program in Permit 26D, which was approved on 01/11/23. Next, TMPA will request termination of the Long-Term Groundwater Monitoring Program in Permit 26D. Once that has been approved, TMPA will plug the 8 Long-Term Groundwater Monitoring Wells in this permit area and request cancelation of the permit (originally issued on 08/4/1980).

Sale of Pond SP-50 Property (723 acres)

As previously discussed, sale of the Pond SP-50 Property has been deferred until there is an increase in the level of interest and an improvement in the economy.

There is also a 3.33-acre sliver of land owned by TMPA nearby on the north side of State Highway 30 associated with a bridge that was built to accommodate a proposed mine haul road to the East Move mine area. The haul road was never built because the mine permanently closed in 1996. TMPA is in contact with the adjacent landowner to see if he would be interested in acquiring it.

Cash Funding of Mine Bonding Requirements.

On 12/9/21, the Board authorized the use of cash as collateral for the mine reclamation replacement bonds for the June 2023-June 2024 bonding term. TMPA estimates that the cost of cash funding as opposed to using Letters of Credit as bonding collateral will be far lower ($1,500 as opposed to $100,000). TMPA proposes to submit a cash bond of $1.6M for Permit 38D on 02/7/23 (Table 3); the deadline is 02/16/23. No bonding is needed for Permit 26D because it has been completely released from bonding.

The next bond release application for the south part of the Seep 9A area will be submitted in the summer of 2023 and, after its approval, the bonding requirement is expected to decrease from $1.6M to approximately $700K.

Table 3 – TMPA Projection of Bonding Requirements on Mine Property (as of 01/25/23)

Amount of bonding	Bond release packet	Amount projected to be released	Remaining bond requirement for permit
Permit 38D = $1.6M	Seep 9A south area (35 ac) + Mine Reclamation Shop (3 ac) (To be filed in summer 2023)	$0.9M	$0.7M
	Seep 1A (2 ac) + Seep 9A north area (33 ac) core areas (date of filing currently unknown; to be determined with Railroad Commission)	$0.7M	**$0.0**

Acid Seep 9A – construction update

The first phase of the Seep 9A mitigation plan was the permanent lowering of the water levels of the two end lakes to reduce the “head” of water driving the seeps. This was accomplished in December 2020 and appears to have had some effect because the seeps became less active in 2021 and 2022.

The lowering of the two end lakes and installation of pipes at their spillways also increased their capacity to control large storm events and thereby reduce erosion in the downstream Seep 9A drainage.

The next phase consisted of channeling the flow of the seeps through buried drains consisting of limestone rock wrapped in permeable geotextile. This, and the placement of soil over these drains to raise the floor of the Seep 9A drainage has helped to keep the seeps underground. TMPA started this construction work on 07/6/22 and was able to make very good progress in the relatively hot and dry summer period until the end of October 2022 when temperatures started falling and rainfall started increasing.

The soil that has been added to the surface will help support permanent vegetation, which will tap into the underground seep water and will also protect the surface from runoff erosion. TMPA retained as much of the already-established vegetation as possible and in mid-January 2023 planted additional Loblolly Pine. The intent is to convert the Seep 9A drainage into a wildlife corridor that would qualify for bond release.

TMPA is proposing to hold a field meeting at Seep 9A with Railroad Commission Staff in Spring 2023 (after vegetation green-up) to discuss bond release strategy. It is expected that, by that time, the southern half of the Seep 9A area (35 acres) will become eligible for partial, if not full, bond release.

Acid Seep 1A – update

Acid Seep 1A is a much smaller seep (approximately 2 acres) located about one and a half miles southwest of Seep 9A at the toe of the A2 boxcut spoil area (see Figure 2). Seep 1A appears to be driven by the hydrostatic pressure exerted by End Lake A2P-2 (Figure 2). End Lake A2P-2 operates at 236 feet above mean sea level (a.m.s.l.) and Seep 1A is at about 200 feet a.m.s.l.

Figure 2 – Seep 1A location in relation to End Lake A2P-2 and Pond SP-13

This seep was partly mitigated in 2011 with the installation of a limestone French Drain to intercept and neutralize the flow of the acid groundwater. However, the neutralization capacity of the drain is marginal, and the pH of the seep needs to be periodically corrected with lime. TMPA is evaluating alternatives to provide a permanent solution. One such option is to install a French Drain in the ditch on the upstream side of road (Figures 3 and 4) to convey the seep water to Pond SP-13.

TMPA is preparing an engineering cost estimate for the Seep 1A mitigation project to be presented at the June 2023 Board Meeting.

Figure 3 – General Cross Section at Seep 1A

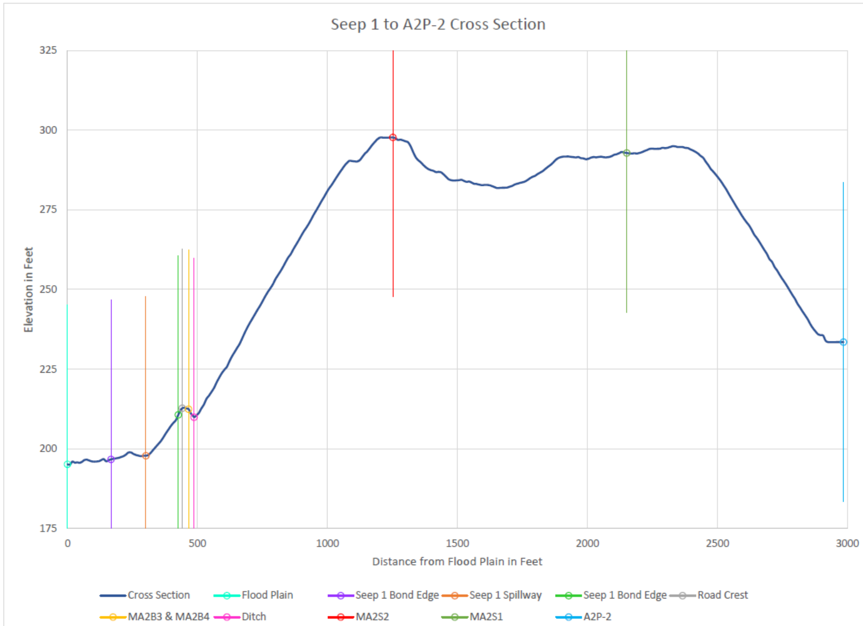
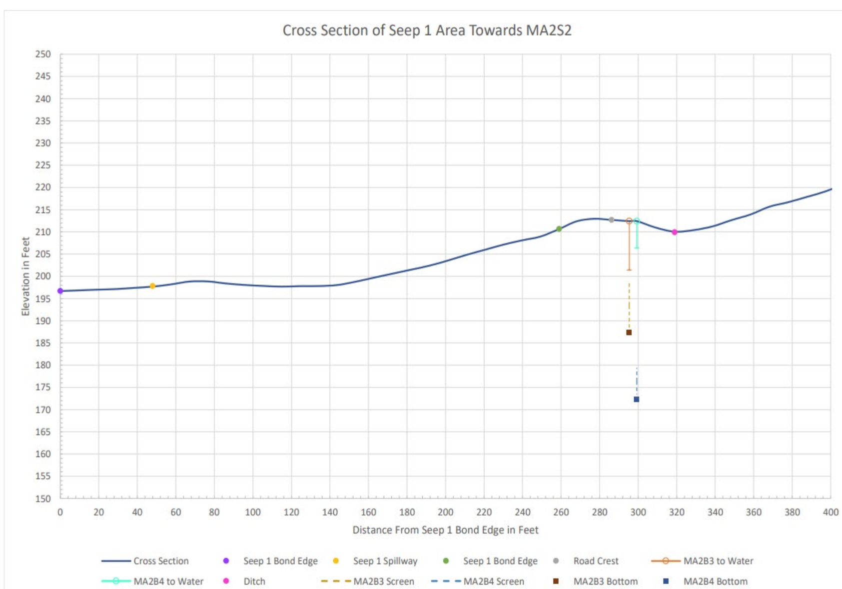


Figure 4 – Detail of Cross Section at Seep 1A



BACKUP MATERIAL: None

ACTION REQUESTED: None

Jan K. Horbaczewski
01/25/23

February 9, 2023

AGENDA ITEM NO. 4

SUBJECT: Status report relating to environmental and regulatory compliance matters.

DISCUSSION:

On February 10, 2021, the sale of GCSES and Gibbons Creek Reservoir to Gibbons Creek Environmental Redevelopment Group, LLC (GCERG) was finalized. There is one remaining staff position to manage the variety of compliance and environmental remediation oversight matters. Daniel's position, as the Compliance, Land, and Mine Manager, oversees GCERG's remediation progress, general compliance, land matters related to the mine and transmission, and has assumed various land and mine reclamation activities due to retirements.

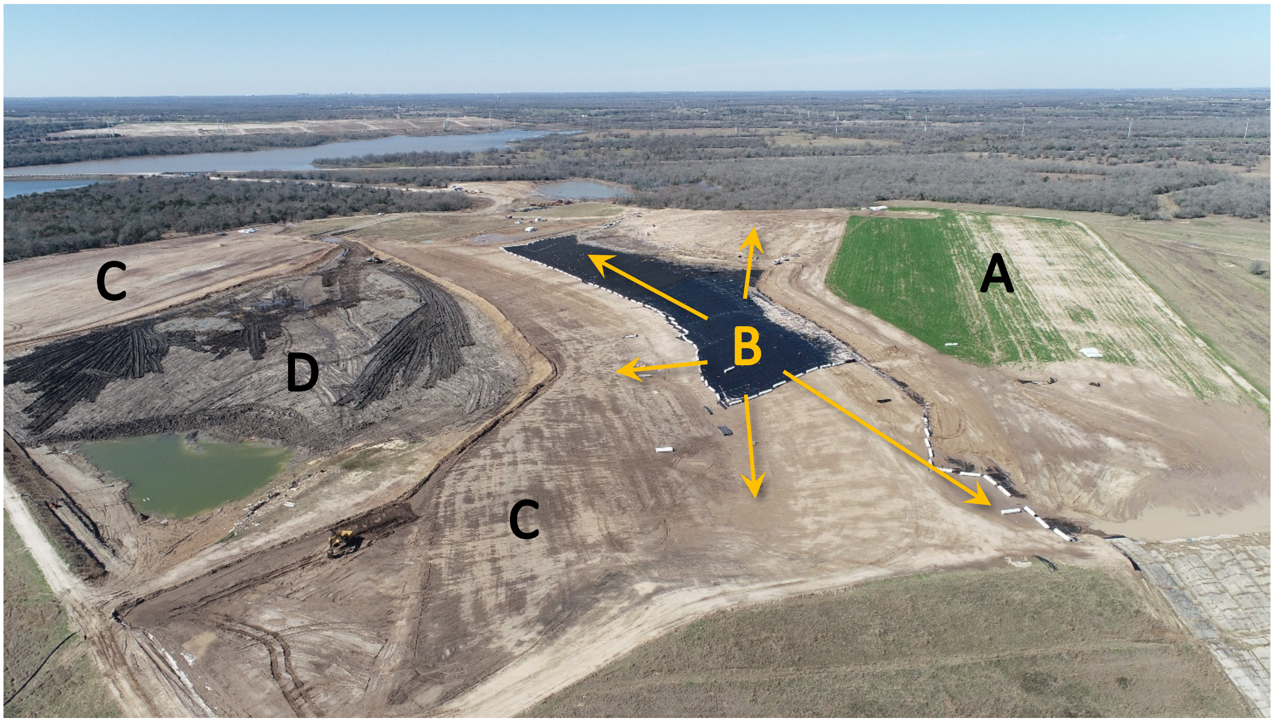
Remediation and Demolition of Gibbons Creek

The total demolition and remediation project, including the closure of Site A and F landfills, is now projected by GCERG to be physically complete at the **end of May 2023** which would be ahead of the APA schedule by a few months. The final APA due date (excluding post-closure activities) is August 1, 2023.

Update by Area

- The demolition and removal of the boiler and related structures is 100% complete.
- The excavation and hauling of the coal combustion residual (CCR) material from the scrubber sludge pond and ash ponds to Site F Landfill is 100% complete. Vegetation is currently being established in both areas.
- Site A Landfill closure is about 85% complete. The remaining work includes cleaning out Leachate Ponds 1 – 4 and hauling the material to Site F Landfill. Recent rainfall revealed some design issues with the new stormwater control structures. GCERG is redesigning and reconstructing some of these structures, repairing erosion damage, and will need to revegetate a large portion of the landfill. Work is expected to be complete in March/April 2023.
- Site F Landfill closure is about 33% complete. Work is expected to be complete in May 2023. The photo below shows the current progress of the Site F closure. The rightmost section (A) has been graded, lined, covered, and vegetated. The section immediately to the left (B) has been graded. Synthetic liner is currently being installed in this section and 18" of soil placed on the liner. Sections C are being compacted and graded and will be the next sections to receive liner. The active area (D) continues to receive waste material from the Site A landfill leachate pond cleanout. Once all material has been placed, this final section will be graded, compacted, lined, covered, and vegetated.

Site F Landfill (1/26/2023)



Performance to Schedule and Escrow Payments

As discussed in previous Board updates, 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 scheduled 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.

The APA also contains a provision that allows GCERG to receive an additional, advance payment if the Environmental Designee determines that GCERG has substantially completed the work for the current month and the next month. On three occasions in 2022 (June, July, and September), GCERG received the additional, advance payment. When an advance payment is released to GCERG, the project schedule is accelerated accordingly. Due to the three extra payments, the APA schedule was accelerated by three months.

Due to weather delays, delays related to TCEQ, setbacks with Site A Landfill erosion, and year-end holidays, GCERG did not make much progress the last 6 weeks of the year. Consequently for the January 2023 progress evaluation, the Environmental Designee analyzed GCERG performance and determined that GCERG had fallen behind the current schedule. The Environmental Designee objected to the release of the 1/10/2023 Escrow payment and GCERG did not receive their monthly payment. The APA stipulates that the next payment will be released upon agreement between TMPA and GCERG.

GCERG is determined to complete the remaining work and continues to make progress as the weather allows. They plan to submit a revised progress report on 2/3/2023. TMPA does not currently have concerns that GCERG will fail to complete the project.

Regulatory Closure Update and Post-Closure

With much of the physical work winding down, the focus has shifted heavily to obtaining Regulatory Closure. GCERG has been in constant communication with the Texas Commission on Environmental Quality (TCEQ) in the effort to obtain closure on the Scrubber Sludge Pond, Ash Ponds, Plant Collection Pond, and Site A Landfill and related ponds. The process of closing these units with TCEQ has not been accomplished as quickly as GCERG had hoped or planned.

To date, GCERG has not received an official determination from TCEQ that these units are considered closed. Until TCEQ makes a closure declaration in writing, along with requirements for post-closure care, the Regulatory Closure Bonds will remain at their original amount. The annual bond renewal occurs in early February 2023. A line item summary of each area is provided below:

- Scrubber Sludge Pond and Ash Ponds - GCERG has petitioned TCEQ to declare these CCR units closed. GCERG was not expecting TCEQ to impose post-closure monitoring requirements. However, TCEQ has verbally indicated to GCERG that a conditional 30-year post-closure requirement may be imposed. If so, a post-closure bond from GCERG will be required.
- Plant Demolition – GCERG is processing the cleanup of the plant site and related areas through the TCEQ's Voluntary Cleanup Program (VCP) and was expected to be complete by the end of calendar year 2022. However, TCEQ has communicated to GCERG that a one-year monitoring period will be required before a certificate of completion will be issued. Because of the monitoring period, GCERG plans to withdraw from the VCP program and will need to close the power plant site through the Corrective Action Program. GCERG has recently performed a Phase II environmental assessment. TMPA and the Environmental Designee requested an amendment to the Phase II environmental assessment that would accurately reflect the underground site conditions which were omitted from the original report. GCERG is in the process of incorporating this information.
- Site A Landfill – TCEQ is evaluating GCERG's request to close leachate ponds 5-12 at Site A. GCERG has indicated that TCEQ has verbally declared the landfill to be closed. TMPA does not accept this self-determination and requires a written declaration directly from TCEQ.

- Site F Landfill – It is expected that TCEQ will require a 30-year post-closure monitoring period. The closure request from GCERG to TCEQ will be submitted upon completion of the Site F closure work.

TMPA has also initiated discussions with GCERG regarding transition of site oversight, maintenance, and compliance for the post-closure period.

Financial Assessment – Total Security Available

Each month, TMPA evaluates the balance of the Escrow Fund and the Regulatory Closure Bonds (collectively known as the Total Security Available) as compared to the Remaining Closure Cost Estimate.

Refer to Figure 1 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.

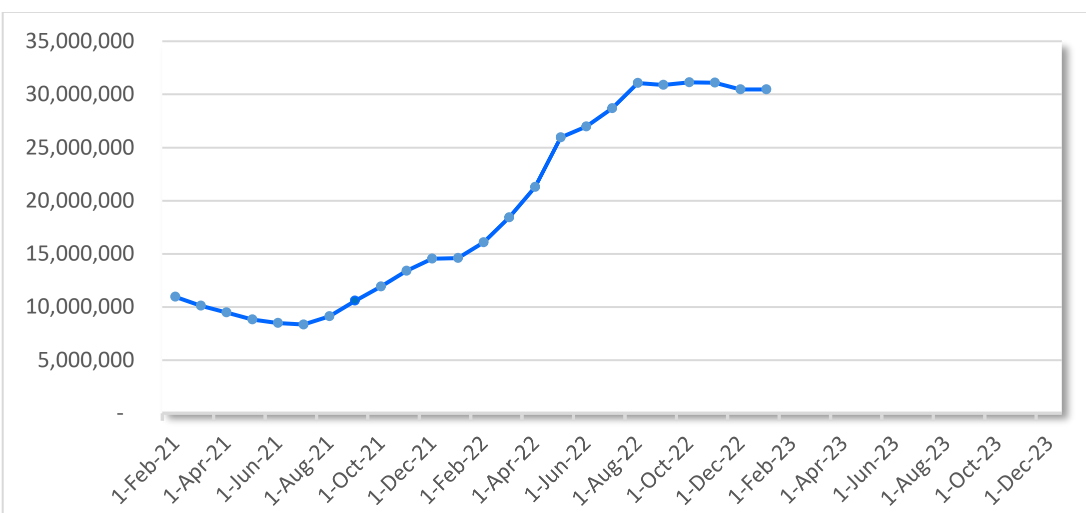
To date, the Remaining Closure Cost Estimate has been calculated by TMPA as the product of the Regulatory Closure Bond Amount and a detailed calculation of the percent completion, as determined by TMPA. As of the end of December 2022 (Period Ending 10-Jan-23; column F in Figure 1), TMPA *conservatively* calculates the current amount to be about **$13.6 million**.

The current determination is that the Total Security Available is **$30.5 million** greater than the Remaining Closure Costs (Column G).

Figure 1 - Total Security Available and Remaining Closure Cost Estimate

A	B	C	D	E	F	G
Month	Period Ending	Escrow Amount Balance	Regulatory Closure Bond Amount	**Total Security Available**	**Remaining Closure Cost Estimate** (based on Regulatory Closure Bond; est by TMPA)	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	19,309,706	36,500,000	**55,809,706**	**41,200,000**	14,609,706
12	10-Feb-22	18,468,784	36,500,000	**54,968,784**	**38,900,000**	16,068,784
13	10-Mar-22	17,629,339	36,500,000	**54,129,339**	**35,700,000**	18,429,339
14	10-Apr-22	16,789,903	36,500,000	**53,289,903**	**32,000,000**	21,289,903
15	10-May-22	15,950,455	36,500,000	**52,450,455**	**26,500,000**	25,950,455
16	10-Jun-22	14,271,416	36,500,000	**50,771,416**	**23,800,000**	26,971,416
17	10-Jul-22	12,592,361	36,500,000	**49,092,361**	**20,400,000**	28,692,361
18	10-Aug-22	11,752,884	36,500,000	**48,252,884**	**17,200,000**	31,052,884
19	10-Sep-22	10,073,810	36,500,000	**46,573,810**	**15,700,000**	30,873,810
20	10-Oct-22	9,234,309	36,500,000	**45,734,309**	**14,600,000**	31,134,309
21	10-Nov-22	8,394,721	36,500,000	**44,894,721**	**13,800,000**	31,094,721
22	10-Dec-22	7,555,204	36,500,000	**44,055,204**	**13,600,000**	30,455,204
23	10-Jan-23	7,555,204	36,500,000	**44,055,204**	**13,600,000**	30,455,204
24	10-Feb-23	-	-	**-**	**-**	

Figure 2 - Difference (Total Security minus Remaining Closure Costs)



BACKUP MATERIAL:

- None

ACTION REQUESTED:

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

Daniel Meadows

01/30/2023

February 9, 2023

AGENDA ITEM NO. 5

SUBJECT: FY23 First Quarter Budget Status Report

DISCUSSION: This report, along with the attachments, provides a comparison of actual cost performance to budgets (approved 6/9/22; Mine budget amended 12/8/22) for each business unit of TMPA as of the end of Q1, as well as year-end projections. The year-end projections are summarized as follows:

GENERATION – Projection to Year-end (in thousands)				
Cost Type	**Approved Budget**	**Projection**	**(Under) / Over**	**Percentage Change**
Fixed Costs - Non-Debt	$1,132	$1,158	$26	2.3%
Other Revenues Excluding City Billings	($5)	($25)	($20)	(358.7%)
Total Budget Variance			**$7**	**0.6%**

MINE – Projection to Year-end (in thousands)				
Cost Type	**Approved Budget**	**Projection**	**(Under) / Over**	**Percentage Change**
Fixed Costs - Non-Debt	$811	$712	($99)	(12.2%)
Cash Fund Mine Bonding	$1,850	$1,600	($250)	(13.5%)
Other Revenues Excluding City Billings	($4)	($40)	($36)	(894.6%)
Total Budget Variance			**($385)**	**(14.5%)**

TRANSMISSION – Projection to Year-end (in thousands)				
Cost Type	**Approved Budget**	**Projection**	**(Under) / Over**	**Percentage Change**
Fixed Costs - Non-Debt	$6,996	$6,755	($241)	(3.4%)
Fixed Costs - Debt	$17,409	$16,185	($1,224)	(7.0%)
Other Revenues	($32,191)	($33,611)	($1,420)	(4.4%)
Total Budget Variance			**($2,884)**	**(37.0%)**
Debt Service Coverage	1.25X	2.10X		Exceeds requirement

A&G costs are projected to be lower ($26K) primarily due to reduced general legal services.

Generation - Total Costs are projected to be over budget by $7K in FY23. This is primarily due to more of Daniel's labor being charged to Generation than the other business units.

Mine - Total Costs are projected to be under budget by $385K in FY23.

1. Mine Maintenance is $85K lower as this amount will be transferred to the Acid Seep Project as permitted in Resolution 2022-9-1.
2. Cash Fund Mine Bonding is $250K lower as a result of B2-8 being released from bonding on 12/13/22.
3. Interest Income is $36K higher as interest rates have risen significantly over the last year.

Transmission - Total Costs are projected to be under budget by $2.9M in FY23.

1. Contractor Maintenance is $297K lower as vegetation management is projected to be under budget in the Denton area.
2. Consulting Services are $75K higher due to fees related to the new Note Program established in November, as well as SPCC work.
3. Debt Service - Bonds is $1.4M lower as the budget anticipated a bond issuance in FY23 that should not be needed until at least FY24. Capital spending and the remaining capacity of the Note Program continue to be monitored closely.
4. Revolving Notes Interest is $185K higher as interest rates have risen significantly over the last year.
5. Transmission System Revenue is $906K higher as it is projected that the 2022 Average 4CP will be higher than estimated.
6. Interest Income is $512K higher as interest rates have risen significantly over the last year.

NOTE: There is no FY23 charge to the Member Cities for the Transmission division since revenues exceeded expenses.

BACKUP
MATERIAL: **Attachment A:** Generation FY23 Q1 Key Budget Driver Rate Sheet
Attachment B: Mine FY23 Q1 Key Budget Driver Rate Sheet
Attachment C: Transmission FY23 Q1 Key Budget Driver Rate Sheet

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

Lyndi Birkhead
2/1/23

ATTACHMENT A

Generation

FY23 Q1 Key Budget Driver Rate Sheet

FY23 Approved Budget Compared to YTD December Actual and to Year-end Projection

	FY23 Budget Approved 6-9-22 YTD December	FY23 Actual YTD December	(Under) Over Budget	Percentage Change	FY23 Budget Approved 6-9-22	FY23 Year-end Projection as of December	(Under) Over Budget	Percentage Change
Fixed Costs								
L01 Labor & Benefits	27,948	46,142	18,193	65.1%	103,808	121,000	17,192	16.6%
L01 Retention Bonuses	-	-	-	0.0%	33,271	33,271	-	0.0%
S02 Consulting Services	35,000	21,491	(13,509)	-38.6%	140,000	140,000	-	0.0%
S04 Legal Services	130,000	17,116	(112,884)	-86.8%	520,000	520,000	-	0.0%
Other Fixed Costs - Non-Debt	3,610	1,347	(2,263)	-62.7%	8,439	8,439	-	0.0%
Allocation of A&G	80,948	72,000	(8,948)	-11.1%	326,566	335,438	8,872	2.7%
TOTAL FIXED COSTS	**$ 277,507**	**$ 158,096**	**$ (119,410)**	**-43.0%**	**$ 1,132,085**	**$ 1,158,148**	**$ 26,064**	**2.3%**
Other Revenues								
I73 Interest Income	(2,228)	(7,178)	(4,950)	-222.1%	(5,450)	(25,000)	(19,550)	-358.7%
TOTAL OTHER REVENUES	**$ (2,228)**	**$ (7,178)**	**$ (4,950)**	**-222.1%**	**$ (5,450)**	**$ (25,000)**	**$ (19,550)**	**-358.7%**
TOTAL COSTS	**$ 275,278**	**$ 150,918**	**$ (124,360)**	**-45.2%**	**$ 1,126,635**	**$ 1,133,148**	**$ 6,514**	**0.6%**

Mine

FY23 Q1 Key Budget Driver Rate Sheet

FY23 Amended Budget Compared to YTD December Actual and to Year-end Projection

	FY23 Budget Amended 12-8-22 YTD December	FY23 Actual YTD December	(Under) Over Budget	Percentage Change	FY23 Budget Amended 12-8-22	FY23 Year-end Projection as of December	(Under) Over Budget	Percentage Change
Fixed Costs								
L01 Labor & Benefits	9,316	6,270	(3,046)	-32.7%	34,603	26,000	(8,603)	-24.9%
M44 Mine Maintenance	43,750	39,175	(4,575)	-10.5%	175,000	90,000	(85,000)	-48.6%
R06 Bank Charges	15,000	15,125	125	0.8%	45,000	45,000	-	0.0%
R51 Contractor Maintenance	15,000	-	(15,000)	-100.0%	60,000	60,000	-	0.0%
S02 Consulting Services	46,250	29,711	(16,539)	-35.8%	185,000	185,000	-	0.0%
S04 Legal Services	12,500	10,492	(2,008)	-16.1%	50,000	50,000	-	0.0%
Other Fixed Costs - Non-Debt	10,313	22,023	11,711	113.6%	20,250	20,250	-	0.0%
Allocation of A&G	59,733	106,535	46,802	78.4%	240,978	235,855	(5,123)	-2.1%
Subtotal Fixed Costs	**$ 211,862**	**$ 229,331**	**$ 17,469**	**8.2%**	**$ 810,831**	**$ 712,105**	**$ (98,726)**	**-12.2%**
C03 Cash Fund Mine Bonding	-	-	-	-100.0%	1,850,000	1,600,000	(250,000)	-13.5%
Subtotal Cash Fund Mine Bonding	**$ -**	**$ -**	**$ -**	**0.0%**	**$ 1,850,000**	**$ 1,600,000**	**$ (250,000)**	**-13.5%**
TOTAL FIXED COSTS	**$ 211,862**	**$ 229,331**	**$ 17,469**	**8.2%**	**$ 2,660,831**	**$ 2,312,105**	**$ (348,726)**	**-13.1%**
Other Revenues								
I76 Interest Income	(1,644)	(10,622)	(8,977)	-545.9%	(4,022)	(40,000)	(35,978)	-894.6%
TOTAL OTHER REVENUES	**$ (1,644)**	**$ (10,622)**	**$ (8,977)**	**-545.9%**	**$ (4,022)**	**$ (40,000)**	**$ (35,978)**	**-894.6%**
TOTAL COSTS	**$ 210,217**	**$ 218,709**	**$ 8,492**	**4.0%**	**$ 2,656,809**	**$ 2,272,105**	**$ (384,704)**	**-14.5%**

	Project Balance as of 9/30/22	Transfer of FY23 O&M Budgeted Funds**	Actual Spent in FY23 as of 12/31/22	Project Balance as of 12/31/22
Acid Seep Project*	242,596	85,000	158,752	168,844

** Expenses for the Project do NOT impact the FY23 budget and are NOT included in the analysis above.*

*** As permitted in Resolution 2022-9-1, available FY23 O&M budgeted funds have been transferred to the Project.*

Transmission

FY23 Q1 Key Budget Driver Rate Sheet

FY23 Approved Budget Compared to YTD December Actual and to Year-end Projection

	FY23 Budget Approved 6-9-22 YTD December	FY23 Actual YTD December	(Under) Over Budget	Percentage Change	FY23 Budget Approved 6-9-22	FY23 Year-end Projection as of December	(Under) Over Budget	Percentage Change
Fixed Costs								
L01 Labor & Benefits	168,093	164,248	(3,845)	-2.3%	732,867	732,867	-	0.0%
R06 Bank Charges	122,500	51,310	(71,190)	-58.1%	319,500	319,500	-	0.0%
R41 Property Insurance	97,293	90,394	(6,899)	-7.1%	389,172	400,000	10,828	2.8%
R51 Contractor Maintenance	397,783	369,431	(28,352)	-7.1%	1,835,172	1,538,060	(297,112)	-16.2%
S02 Consulting Services	-	51,439	51,439	-100.0%	-	75,000	75,000	-100.0%
S04 Legal Services	76,250	105,223	28,973	38.0%	195,000	195,000	-	0.0%
Other Fixed Costs - Non-Debt	301,956	228,993	(72,963)	-24.2%	1,444,765	1,444,765	-	0.0%
Allocation of A&G	515,354	430,962	(84,393)	-16.4%	2,079,066	2,049,316	(29,750)	-1.4%
Subtotal Fixed Costs - Non-Debt	**$ 1,679,229**	**$ 1,491,999**	**$ (187,230)**	**-11.1%**	**$ 6,995,542**	**$ 6,754,508**	**$ (241,034)**	**-3.4%**
R57-R58 Debt Service - Bonds	3,072,789	2,940,173	(132,616)	-4.3%	13,169,709	11,761,333	(1,408,376)	-10.7%
R55 Revolving Notes Interest	203,825	73,766	(130,059)	-63.8%	815,299	1,000,000	184,701	22.7%
R62 Debt Coverage Payment	856,031	856,031	-	0.0%	3,424,124	3,424,124	-	0.0%
Subtotal Fixed Costs - Debt	**$ 4,132,645**	**$ 3,869,970**	**$ (262,675)**	**-6.4%**	**$ 17,409,132**	**$ 16,185,457**	**$ (1,223,675)**	**-7.0%**
TOTAL FIXED COSTS	**$ 5,811,874**	**$ 5,361,969**	**$ (449,905)**	**-7.7%**	**$ 24,404,674**	**$ 22,939,965**	**$ (1,464,709)**	**-6.0%**
Other Revenues								
I50 Transmission System Revenue	(7,891,840)	(7,891,841)	(0)	0.0%	(32,040,872)	(32,946,818)	(905,946)	-2.8%
I70-I75 Interest Income	(18,974)	(149,495)	(130,521)	-687.9%	(60,959)	(572,500)	(511,541)	-839.2%
Other Revenue	(22,633)	14,257	36,891	163.0%	(89,490)	(91,761)	(2,271)	-2.5%
TOTAL OTHER REVENUES	**$ (7,933,448)**	**$ (8,027,079)**	**$ (93,631)**	**-1.2%**	**$ (32,191,321)**	**$ (33,611,079)**	**$ (1,419,758)**	**-4.4%**
TOTAL COSTS / (REVENUES)	**$ (2,121,574)**	**$ (2,665,110)**	**$ (543,536)**	**25.6%**	**$ (7,786,647)**	**$ (10,671,114)**	**$ (2,884,467)**	**-37.0%**

February 9, 2023

AGENDA ITEM NO. 6

SUBJECT: FY24 Budget Plan

DISCUSSION: The FY24 budget cycle will kick off 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 each business unit – Generation, Mine, and Transmission.
- Generation activities, namely environmental and compliance, will continue until the dissolution of TMPA.
- Mine activities will continue related to the maintenance of the remaining bonded acreage, namely the acid seeps.
- Transmission will remain with TMPA for the foreseeable future. The Cities may opt to make decisions regarding the Transmission business at any time.
- The Compliance, Land and Mine Manager will continue to oversee all Generation and Mine activities. His time will also be partially allocated to Transmission for compliance work and easement management.
- The General Manager's contract expires on December 31, 2023 and will therefore be budgeted accordingly.
- The Document Control Specialist will retire at the end of FY24. Her position will be absorbed by the HR Specialist beginning in FY25.
- 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 FY24 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: FY24 Budget Schedule

ACTION REQUESTED: Guidance on the FY24 budget schedule and proposed assumptions.

Lyndi Birkhead
2/1/23

FY24 Budget Schedule

FY24 Budget Kick-off	2/15/23
RA Managers Finalize Budgets	3/08/23
Email DRAFT ONE to Senior Managers	3/22/23
Senior Manager Review Meeting	3/29/23
Email DRAFT TWO to Senior Managers	4/05/23
Senior Manager Review Meeting	4/12/23
Release to FWG	4/19/23
FWG Zoom Meeting	4/26/23
Proposed P&O Zoom Meeting	5/10/23
Proposed ABC Zoom Meeting	5/24/23
Board Meeting – Approve FY24 Budget	6/08/23

February 9, 2023

AGENDA ITEM NO. 7

SUBJECT: Bryan Office Lease

DISCUSSION: TMPA's lease for the Bryan office expires on December 31, 2023. As specified in the lease agreement, we must provide the lessor six months' notice if we wish to renew. Because we have reduced staff over the last couple of years, we feel it is prudent to explore other possible office locations. Therefore, Jason Bienski is currently looking into our options.

It is important to note that we have reduced the number of offsite storage units from eight to three. Staff have made significant strides in reviewing Agency documents for scanning and/or shredding. Remaining paper files have either been relocated, or will soon be relocated, to the Bryan office as staff continues to sift through them.

Staff will provide lease options at the June Board meeting and provide a recommendation to the Board.

BACKUP MATERIAL: None.

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

Lyndi Birkhead
2/1/23

February 9, 2023

AGENDA ITEM NO. 8

SUBJECT: Resolution No. 2023-2-1, 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 2023-2-1

ACTION REQUESTED: Consideration and action on Resolution No. 2023-2-1.

Lyndi Birkhead
2/1/23

RESOLUTION NO. <u>2023-2-1</u>

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 9TH DAY OF FEBRUARY 2023.

____
Tom Jefferies, Vice President
Board of Directors
Texas Municipal Power Agency

ATTEST: ______________________________
Summer Spurlock, Secretary
Board of Directors
Texas Municipal Power Agency

TEXAS MUNICIPAL POWER AGENCY

INVESTMENT POLICY

Reviewed and Adopted:

February 8, 2018

EXHIBIT "A"
RESOLUTION NO. 2023-2-1

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 The Wall Street Journal;

(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

Bond Fund – 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.

Revenue Fund – 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.

Other Funds – 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 9, 2023

AGENDA ITEM NO. 9

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
JANUARY 20, 2023

Outage Summary:

During the months of November and December 2022, TMPA had no planned outages on the 345kV system, no planned outages on the 138kV system and zero planned outages on the 69kV system. There was one forced extension on the 345kV, none 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.

The forced extensions were the maintenance and repair of the Ben Davis Auto XFMR #1

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

Steve Martin
Matt Carter
1/20/23

TMPA Transmission Operations Report
2022

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022 Total
Planned Outages													
345 Kv	1	1	3	7	9	1	0	0	2	0	0	0	**24**
138 Kv	2	2	2	4	2	0	0	0	1	4	0	0	**17**
69 Kv	0	0	0	0	1	0	0	0	0	0	0	0	**1**
Devices requested													
Un-Planned Outages													
345 Kv	2	2	0	1	0	0	0	0	0	0	0	0	**5**
138 Kv	0	0	0	0	0	0	0	0	0	0	0	0	**0**
69 Kv	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Forced Extension Outages													
345 Kv	0	0	0	0	0	0	0	0	1	1	1	1	**4**
138 Kv	1	1	1	0	0	0	0	0	1	1	0	0	**5**
69 Kv	1	1	1	1	1	1	1	0	0	0	0	0	**7**

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

TRANSMISSION FIVE-YEAR PROJECTS PLAN STATUS REPORT
January 2023

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

DISCUSSION: The attached five-year Transmission Project Status Report incorporates the forecasted expenditures for Fiscal Years 2023 through 2027. Projects reported as “Completed” in previous reports 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
1/25/2023

Transmission Project Status Report
January 2023

Projects	Priority	Original Proposed Completion Date	Projected or Actual Completion Date	Original Approved Budget/Cost Estimate	Current Approved Budget/Cost Estimate	FY2023	FY2024	FY2025	FY2026	FY2027	Total Estimated Expenditures FY23-FY27	Comments
T11009 CIP Substation Security	H	Dec-11	Sep-23	$ 1,250,700	$ 1,250,700	$ 200,000					$ 200,000	
T13001 Breaker Replacements	H	Sep-17	Sep-23	$ 12,201,239	$ 12,201,239	$ 253,000					$ 253,000	Project to install 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	May-23	$ 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-23	$ 192,000	$ 192,000	$ 138,598					$ 138,598	Project required for street improvements and cost will be reimbursed by City of Garland.
T20004 Ben Davis Breaker Replacement Project	H	Dec-21	May-23	$ 4,290,000	$ 4,290,000	$ 2,700,000					$ 2,700,000	345 kV breakers to be installed by May 2022. 138 kV breakers to be installed by May 2023.
T21002 Shelby-Nevada elevation for SS1570	H	Jun-21	Jun-23	$ 600,000	$ 600,000	$ 500,000					$ 500,000	TxDOT has canceled project; request reimbursement
T21004 I35 - Masch Br to Denton North TML Reroute	H	May-22	May-25	$ 5,210,000	$ 5,210,000	$ 1,250,000	$ 1,000,000	$ 2,900,000			$ 5,150,000	
T21005 Pruitt 138 kV Terminal Addition (Pink Solar)	H	Dec-22	Sep-23	$ 3,700,000	$ 3,700,000	$ 2,700,000					$ 2,700,000	Project Kick off upon Interconnection Agreement approval.
T21006 Gibbons Creek Decommission Phase 2	H	Sep-21	Apr-23	$ 1,760,000	$ 1,760,000	$ 760,000					$ 760,000	In-Progress
T22002 Brazos 138kV POI at Gibbons Creek	H	Dec-22	Sep-23	$ 3,000,000	$ 3,000,000						$ -	Project CANCELED
T22003 Dansby to Steep Hollow T-Line Rebuild	H	Apr-24	Apr-24	$ 21,500,000	$ 21,500,000	$ 11,000,000	$ 8,500,000				$ 19,500,000	Evaluating Material Bids
T22004 Greenville Intch to Pruitt New Line and Station (Makalu Solar)	H	Oct-23	Oct-23	$ 12,500,000	$ 12,500,000	$ 10,200,000					$ 10,200,000	In-Progress
				Totals	**$ 73,756,715**	**$ 29,901,598**	**$ 9,500,000**	**$ 2,900,000**	**$ -**		**$ 42,301,598**	

February 9, 2023

AGENDA ITEM NO. 10

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).

B. Substation Security (security issues under Section 551.076, Government Code).

C. TMPA v. Gibbons Creek Environmental Redevelopment Group, LLC, Cause No. D-1-GN-22-004434, in the 126th District Court of Travis County, Texas (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 9, 2023

AGENDA ITEM NO. 10A

SUBJECT: Amendment to General Manager Agreement.

DISCUSSION: The General Manager Agreement is set to expire on December 31, 2023. The purpose of this agenda item is to discuss extending the Agreement for one year and other amendments to the Agreement.

ACTION REQUESTED: If the Board desires to amend the Agreement, then, in open session, adoption of a motion authorizing amendments to the General Manager Agreement within the parameters discussed in executive session.

February 9, 2023

AGENDA ITEM NO. 10B

SUBJECT: Substation Security.

DISCUSSION: In December 2022, two electrical substations in North Carolina were taken out of service due to gun fire. The outages affected approximately 40,000 retail customers. Similar incidents occurred in other areas of the country, and incidents of this type are increasing in frequency.

The purpose of this agenda item is to report to the Board the current status on physical security at TMPA's substations, including current security strategies, devices, and practices. In addition, options will be presented to the Board for additional security measures, and the installation of devices that can be utilized in an effort to prevent similar style attacks.

ACTION REQUESTED: None.

February 9, 2023

AGENDA ITEM NO. 10C

SUBJECT: TMPA v. Gibbons Creek Environmental Redevelopment Group, LLC, Cause No. D-1-GN-22-004434, in the 126th District Court of Travis County, Texas.

DISCUSSION: As explained in the General Counsel's memorandum to the Board, dated January 9, 2023, TMPA, on January 7, amended its pleadings to add the Charah entities as defendants, and to seek injunctive relief, to prevent the Charah entities from diverting funds from GCERG's bank account, for the purpose of applying those funds to uses unrelated to the Gibbons Creek project.

While, following the filing of the amended pleadings, Charah, through several statements, signaled a willingness to agree to injunctive relief through an agreed order, Charah has not, as of the date of this writing, followed through on those statements.

At the Board meeting, additional information will be provided relating to this lawsuit, including the status of the effort to obtain injunctive relief.

ACTION REQUESTED: None.

February 9, 2023

AGENDA ITEM NO. 11

SUBJECT: Future meeting dates and subjects

DISCUSSION: The date for the next scheduled Board meeting is **June 8, 2023**.

TENTATIVE MEETING DATES FOR 2023 and 2024:

September 14, 2023
December 14, 2023

February 8, 2024
June 13, 2024
September 12, 2024
December 12, 2024