TEXAS MUNICIPAL POWER AGENCY
PLANNING & OPERATING COMMITTEE

VIA VIDEO CONFERENCE CALL

VIDEOCONFERENCE LINK TO THE VIDEOCONFERENCE CALL:

https://us02web.zoom.us/j/89430743238?pwd=ZUNFMFdEUmROUllTVEpHbkxVMndtZz09

Wednesday, May 10, 2023
10:00 AM

1. **Finance:**
   A. Review Proposed FY24 Budget Package – Lyndi Birkhead.....1-1

2. **Administrative Business:**
   A. Future Meeting Dates for P&O Committee..... 2-1

(NA) No Attachment

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

May 10, 2023

AGENDA ITEM NO. 1A

SUBJECT: Review Proposed FY24 Budget Package

DISCUSSION: Staff has prepared the FY24 Budget Package for the P&O Committee's review and comment. Please refer to the attached FY24 Budget Package for further information. The package was reviewed with the Financial Working Group on 4/26. The only change made since that meeting is a $32,700 increase (related to vehicles) to the Transmission O&M budget. This change also slightly impacted the allocation of A&G and interest income for each business unit.

Staff is requesting a recommendation from the P&O Committee to take the FY24 Budget Package forward to the Audit & Budget Committee for review and the Board for approval.

BACKUP MATERIAL: FY24 Budget Package

ACTION REQUESTED: Review and approval to take the FY24 Budget forward to the ABC & Board.

Lyndi Birkhead
5/3/23

TEXAS MUNICIPAL POWER AGENCY

FY24 BUDGET PACKAGE

For Years FY24-33

Prepared by

TMPA Staff

May 2023

TEXAS MUNICIPAL POWER AGENCY
FY24 BUDGET PACKAGE

TABLE OF CONTENTS

Executive Summary & Key Budget Assumptions 1

GENERATION

Generation Strategy & Key Budget Assumptions 4

Comparison to FY23's Approved Budget – Generation 5

FY24-33 Generation Budget Pro Forma 7

TRANSMISSION

Transmission Strategy & Key Budget Assumptions 9

Comparison to FY23's Approved Budget – Transmission 10

FY24-33 Transmission Budget Pro Forma 12

FY24-33 Transmission Capital Plan 13

MINE

Mine Strategy & Key Budget Assumptions 15

Comparison to FY23's Amended Budget – Mine 19

FY24-33 Mine Budget Pro Forma 21

SUPPLEMENTAL INFORMATION

Comparison to FY23's Approved Budget – A&G 23

FY24-33 A&G Budget Pro Forma 25

TEXAS MUNICIPAL POWER AGENCY
FY24 BUDGET PACKAGE

EXECUTIVE SUMMARY & KEY BUDGET ASSUMPTIONS

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

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

Below is more detail on each business unit of TMPA:

- Generation – The only Generation function remaining, after the sale of the plant in February 2021, is overseeing the demolition and remediation activities in accordance with the APA with GCERG. The Agency's Compliance, Land & Mine Manager will oversee this activity, as well any additional environmental and compliance issues related to the prior plant site.

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

- Mine – The majority of the mine land was sold in December 2021. All mine areas, with the exception of the acid seeps and the mine reclamation shop area (73 acres), have received full bond release from the Railroad Commission of Texas. Continued work on the acid seep area will be handled by the Agency's Compliance, Land & Mine Manager in FY23 and beyond, in coordination with consulting by Jan Horbaczewski as needed.

- A&G – The AP/Document Control Specialist plans to retire by the end of FY24. At that time, her duties will shift to the HR/Administrative Specialist. It is assumed that the General Manager will be retained until December 2024. Remaining A&G employees will be retained until TMPA "dissolves" (CFO/Director of Finance & Support Services, Senior Accountant, HR/Administrative Specialist, IT Specialist, and Executive Assistant).

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

	TMPA Headcount			
RA	**Department**	**FY24**	**FY25**	**FY26-33**
A&G				
1B	General Manager	2	2*	1
2C	Finance & Document Control	3	2	2
3B	IT	1	1	1
3E	HR & Administrative	1	1	1
Generation & Mine				
6D	Compliance, Land & Mine Mgr	1	1	1
		8	**7***	**6**
**Headcount reduces by one in January 2025.*				

Included in the budgets are estimates for employee retention bonuses and severance packages, as applicable. The details of these incentives are discussed below. Under TMPA's current circumstances, there is concern that employees will seek employment elsewhere. However, these incentives, as applied in FY17-22, proved effective in retaining staff. It is management's belief that continuing with these incentives will preserve the knowledge and skills necessary for the Agency to function with a much reduced staff. The General Manager is excluded from both the retention bonus and severance package.

Retention bonus period: Annually, October 1 – September 30
Retention bonus: 20% of actual gross wages (less prior retention payments) during the bonus period. If the employee is released by TMPA prior to September 30, the employee will receive a retention bonus for actual gross wages earned through the date of release.

Severance package: Severance is budgeted for all remaining, full-time employees in the year it would be expensed. Severance packages are equal to one week of pay for every year of service up to a maximum of 15 years.

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

GENERATION

GENERATION STRATEGY & KEY BUDGET ASSUMPTIONS

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

Key Budget Assumptions

1) The primary function of the Generation business unit is to ensure GCERG's performance of the remediation. In accordance with the APA, a professional engineer was contracted in FY21 to serve as the Environmental Designee to monitor the progress of the remediation work, suspend payments from escrow when work falls behind schedule, review correspondence between GCERG and regulatory authorities, and collaborate with TMPA on project matters.

   The projected completion date of the physical remediation of Gibbons Creek is June 2023. However, it is assumed that the responsibilities of the Environmental Designee to evaluate the completion of Regulatory Closure will extend into FY24.

   The requirements of post-closure care and maintenance has not been determined by the TCEQ. TMPA assumes there will be some monitoring requirements that will be performed by the Environmental Designee.

2) The APA related to the sale of GCSES contains a provision pertaining to the cost of the Preliminary Regulatory Closure of Site F Landfill. It states that if the actual costs incurred by GCERG to close Site F Landfill are less than the $13.6 million estimate, TMPA will receive the difference at the end of the remediation project. At the time of the FY24 budget development, TMPA has filed suit against GCERG over this matter. Legal expenses were budgeted for this purpose in FY23. TMPA will retain the funds collected in FY23, as needed, to pay for these litigation costs.

   The amount or timeline related to the return of funds to TMPA for Site F Closure Costs under $13.6 million may not be known until FY24. Due to the uncertainty of resolution, no revenue projection is included in the FY24 budget.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Approved Budget - Generation

	FY23 Approved Budget	FY24 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	103,808	157,073	53,265	51.3%	1
L01 Retention Bonuses	33,271	36,598	3,327	10.0%	
S02 Consulting Services	140,000	85,000	(55,000)	-39.3%	2
S04 Legal Services	520,000	60,000	(460,000)	-88.5%	3
Other Fixed Costs	8,439	8,803	364	4.3%	
Allocation of A&G	326,566	158,743	(167,823)	-51.4%	4
TOTAL FIXED COSTS	**$ 1,132,084**	**$ 506,218**	**$ (625,866)**	**-55.3%**	
OTHER REVENUES					
Interest Income	(5,450)	(14,595)	(9,145)	-167.8%	
TOTAL OTHER REVENUES	**$ (5,450)**	**$ (14,595)**	**$ (9,145)**	**-167.8%**	
TOTAL COSTS	**$ 1,126,634**	**$ 491,623**	**$ (635,011)**	**-56.4%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Approved Budget – Generation

Fixed Costs

1) Labor & Benefits increased as the budget for Daniel Meadows, Compliance, Land & Mine Manager, is allocated among the three divisions, with 65% being allocated to Generation. More time is being allocated to Generation this year as compared to last year.

2) Consulting Services decreased as the cost of the Environmental Designee will continue to decrease over the next several years.

3) Legal Services decreased significantly as Site F Landfill litigation costs were budgeted last year. TMPA will retain the funds collected in FY23 for this purpose, as needed, to pay for these litigation costs.

4) Allocation of A&G decreased primarily due to the Site F Landfill litigation costs being budgeted last year.

TEXAS MUNICIPAL POWER AGENCY
FY24-33 Generation Budget Pro Forma

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY24-33 Total
FIXED COSTS											
L01 Labor & Benefits	157,073	161,785	166,639	171,638	176,787	182,091	187,554	193,180	198,976	204,945	1,800,668
L01 Retention Bonuses	36,598	37,696	38,827	39,992	41,192	42,427	43,700	45,011	46,361	47,752	419,557
S02 Consulting Services	85,000	46,125	47,278	26,922	27,595	28,285	28,992	29,717	30,460	31,221	381,595
S04 Legal Services	60,000	25,625	26,266	26,922	27,595	28,285	28,992	29,717	30,460	31,221	315,083
Other Fixed Costs	8,803	9,133	9,474	9,835	10,210	10,605	11,017	11,450	11,904	12,381	104,812
Allocation of A&G	158,743	111,695	112,939	107,318	113,437	117,258	120,410	125,528	128,904	133,255	1,229,488
TOTAL FIXED COSTS	**$ 506,218**	**$ 392,059**	**$ 401,423**	**$ 382,627**	**$ 396,816**	**$ 408,951**	**$ 420,664**	**$ 434,604**	**$ 447,065**	**$ 460,775**	**$ 4,251,203**
OTHER REVENUES											
Interest Income	(14,595)	(11,859)	(12,529)	(12,142)	(13,146)	(13,796)	(14,451)	(15,239)	(15,908)	(16,582)	(140,246)
TOTAL OTHER REVENUES	**$ (14,595)**	**$ (11,859)**	**$ (12,529)**	**$ (12,142)**	**$ (13,146)**	**$ (13,796)**	**$ (14,451)**	**$ (15,239)**	**$ (15,908)**	**$ (16,582)**	**$ (140,246)**
TOTAL COSTS	**$ 491,623**	**$ 380,200**	**$ 388,894**	**$ 370,485**	**$ 383,670**	**$ 395,155**	**$ 406,214**	**$ 419,365**	**$ 431,157**	**$ 444,194**	**$ 4,110,957**
Monthly Charge	**$ 40,969**	**$ 31,683**	**$ 32,408**	**$ 30,874**	**$ 31,972**	**$ 32,930**	**$ 33,851**	**$ 34,947**	**$ 35,930**	**$ 37,016**	

TRANSMISSION

TRANSMISSION STRATEGY & KEY BUDGET ASSUMPTIONS

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

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

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

The Transmission business continues to be a profitable division for TMPA. The Member Cities can decide to acquire the transmission assets at any time. The Cities currently wish to have the assets remain with TMPA for the foreseeable future.

Key Budget Assumptions

1) Identified the Transmission Capital Plan needed for safe, compliant, reliable operations.
2) In November 2022, the previous Series "A" Notes with Bank of America expired. Concurrently, TMPA entered into a new agreement, with more favorable terms, for Notes with PNC Bank for $60M in capacity ($23.1M currently outstanding).
3) For budgeting purposes, a fix-out of a portion of the Notes into long-term bonds is assumed in FY24. Fix-outs become necessary when a significant amount of short-term Note funded assets are placed in service and/or when the Agency is nearing capacity of the Notes.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Approved Budget - Transmission

	FY23 Approved Budget	FY24 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	732,866	674,300	(58,566)	-8.0%	1
R06 Bank Charges	319,500	120,500	(199,000)	-62.3%	2
R41 Insurance Premiums	389,172	597,609	208,437	53.6%	3
R51 Contractor Maintenance	1,835,172	1,534,000	(301,172)	-16.4%	4
S04 Legal Services	195,000	190,000	(5,000)	-2.6%	
Other Fixed Costs	1,444,765	1,408,451	(36,314)	-2.5%	
Allocation of A&G	2,079,066	2,310,537	231,471	11.1%	5
Subtotal Fixed Costs - Non-Debt	**$ 6,995,541**	**$ 6,835,397**	**$ (160,144)**	-2.3%	
R57-R58 Debt Service - Bonds	13,169,709	13,439,108	269,399	2.0%	
R55 Interest on Short-term Notes	815,299	1,319,335	504,036	61.8%	6
I62 Debt Coverage Payment (DCP)	3,424,124	3,494,168	70,044	2.0%	
Subtotal Fixed Costs - Debt	**$ 17,409,132**	**$ 18,252,611**	**$ 843,479**	4.8%	
TOTAL FIXED COSTS	**$ 24,404,673**	**$ 25,088,008**	**$ 683,335**	**2.8%**	
OTHER REVENUES					
I50 Transmission System Revenue	(32,040,872)	$ (33,907,736)	(1,866,864)	-5.8%	7
Interest Income	(60,959)	$ (646,608)	(585,649)	-960.7%	8
Other Revenue	(89,490)	(94,318)	(4,828)	-5.4%	
TOTAL OTHER REVENUES	**$ (32,191,321)**	**$ (34,648,662)**	**$ (2,457,341)**	**-7.6%**	
TOTAL COSTS / (REVENUE)	**$ (7,786,648)**	**$ (9,560,654)**	**$ (1,774,006)**	**-22.8%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Approved Budget – Transmission

Fixed Costs – Non-Debt

1) Labor & Benefits decreased due to Jeremy Harrelson's move to GP&L. This is offset slightly by a charge-in of labor expenses for TMPA activities Jeremy is still involved with.

2) Bank Charges decreased due to more favorable terms on the Note agreement with PNC Bank that was entered into in November 2022.

3) Insurance Premiums increased as the property premium is expected to increase in August 2023. TMPA is currently having the transmission assets appraised, as requested by our current insurance carrier. The last appraisal was completed in 2010, and replacement values are expected to increase in the current market.

4) Contractor Maintenance decreased primarily because of reduced vegetation management expected in the Denton area.

5) Allocation of A&G increased due to reduced fixed costs for Generation and Mine as compared to last year.

Fixed Costs – Debt

6) Interest on Short-term Notes increased as interest rates have risen significantly.

Other Revenues

7) Transmission System Revenue increased because the Average 4CP increased 5.8% from the 2022 to the 2023 Matrix.

8) Interest Income increased as interest rates have risen significantly.

TEXAS MUNICIPAL POWER AGENCY
FY24-33 Transmission Budget Pro Forma

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY24-33 Total
FIXED COSTS											
L01 Labor & Benefits	674,300	694,529	715,364	736,825	758,930	781,698	805,149	829,303	854,183	879,808	7,730,089
R06 Bank Charges	120,500	123,513	126,600	129,766	133,011	136,334	139,743	143,236	146,817	150,488	1,350,008
R41 Insurance Premiums	597,609	612,549	627,863	643,559	659,649	676,139	693,043	710,370	728,128	746,331	6,695,240
R51 Contractor Maintenance	1,534,000	1,572,350	1,611,659	1,651,951	1,693,249	1,735,580	1,778,970	1,823,444	1,869,030	1,915,756	17,185,988
S04 Legal Services	190,000	194,750	199,620	204,609	209,724	214,966	220,342	225,850	231,496	237,284	2,128,641
Other Fixed Costs	1,408,451	1,443,662	1,479,754	1,516,747	1,554,666	1,593,533	1,633,371	1,674,205	1,716,061	1,758,962	15,779,412
Allocation of A&G	2,310,537	2,136,313	2,153,706	2,227,144	2,346,244	2,417,105	2,473,678	2,570,049	2,630,110	2,709,530	23,974,416
Subtotal Fixed Costs - Non-Debt	**$ 6,835,397**	**$ 6,777,665**	**$ 6,914,565**	**$ 7,110,601**	**$ 7,355,474**	**$ 7,555,354**	**$ 7,744,297**	**$ 7,976,458**	**$ 8,175,824**	**$ 8,398,159**	**$ 74,843,794**
R57-R58 Debt Service - Bonds	13,439,108	14,629,580	14,630,072	14,629,667	14,631,955	14,628,325	14,627,922	14,630,441	14,635,172	14,636,696	145,118,938
R55 Interest on Short-term Notes	1,319,335	1,063,014	1,116,325	1,227,733	1,362,490	1,466,119	1,677,487	1,935,375	2,089,524	2,211,378	15,468,778
I62 Debt Coverage Payment (DCP)	3,494,168	3,803,691	3,803,819	3,803,713	3,804,308	3,803,365	3,803,260	3,803,915	3,805,145	3,805,541	37,730,925
Subtotal Fixed Costs - Debt	**$ 18,252,611**	**$ 19,496,285**	**$ 19,550,216**	**$ 19,661,113**	**$ 19,798,753**	**$ 19,897,809**	**$ 20,108,669**	**$ 20,369,731**	**$ 20,529,841**	**$ 20,653,615**	**$ 198,318,641**
TOTAL FIXED COSTS	**$ 25,088,008**	**$ 26,273,950**	**$ 26,464,781**	**$ 26,771,714**	**$ 27,154,227**	**$ 27,453,163**	**$ 27,852,965**	**$ 28,346,188**	**$ 28,705,665**	**$ 29,051,774**	**$ 273,162,434**
OTHER REVENUES											
Transmission System Revenue	(33,907,736)	(34,585,891)	(35,277,609)	(35,983,161)	(36,702,824)	(37,436,880)	(38,185,618)	(38,949,330)	(39,728,317)	(40,522,883)	(371,280,249)
Interest Income	(646,608)	(698,493)	(735,809)	(774,079)	(819,211)	(856,913)	(894,612)	(934,954)	(972,749)	(1,010,541)	(8,343,969)
Other Revenue	(94,318)	(96,677)	(99,092)	(101,570)	(104,109)	(106,712)	(109,380)	(112,113)	(114,917)	(117,790)	(1,056,678)
TOTAL OTHER REVENUES	**$ (34,648,662)**	**$ (35,381,061)**	**$ (36,112,509)**	**$ (36,858,810)**	**$ (37,626,143)**	**$ (38,400,505)**	**$ (39,189,610)**	**$ (39,996,397)**	**$ (40,815,983)**	**$ (41,651,214)**	**$ (380,680,895)**
TOTAL COSTS / (REVENUE)	**$ (9,560,654)**	**$ (9,107,111)**	**$ (9,647,728)**	**$ (10,087,096)**	**$ (10,471,917)**	**$ (10,947,342)**	**$ (11,336,645)**	**$ (11,650,209)**	**$ (12,110,319)**	**$ (12,599,440)**	**$ (107,518,461)**
Monthly Charge	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	

TEXAS MUNICIPAL POWER AGENCY
FY24-33 Transmission Capital Plan

NEW DEBT FUNDED TRANSMISSION PROJECTS	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	10-YEAR TOTALS
DME											
Underwood Substation - Transmission Tie-in	1,350,000	150,000									1,500,000
West Denton - Erosion on South Side of Station	200,000										200,000
West Denton - Construct Two New 138kV Terminals to Serve Two New Brazos T-lines			1,250,000	1,050,000							2,300,000
West Denton - Replace Three Circuit Breakers		600,000									600,000
West Loop 288 - West Denton to Fort Worth T-line relocation for New ROW	1,300,000	2,100,000									3,400,000
West Loop 288 - Masch Branch to North Denton T-line Relocation for New ROW	1,300,000	2,100,000									3,400,000
Spencer Interchange to Pockrus T-line Reconstruction							5,690,000	1,600,000			7,290,000
I-35W - 345kV West Denton to Roanoke Relocation	1,300,000	2,100,000									3,400,000
East Loop 288 and Hwy 380 TML Reroute		1,500,000	800,000								2,300,000
West Denton - Security Wall and XFMR Physical Protection	1,400,000										1,400,000
GP&L											
T21005 Pruitt 138kV Terminal Addition (Pink Solar Termination & Line)	1,000,000										1,000,000
T22003 Steep Hollow to Dansby - Rebuild Transmission Leaning Structures	8,500,000										8,500,000
T22004 GNIN to Pruitt New Line & Station (Makalu Solar)	10,200,000										10,200,000
Gibbons Creek POI	1,000,000										1,000,000
Buffalo Prairie Storage (150 MW) ISD 4/1/2025	8,200,000	2,000,000									10,200,000
Lavon Storage (250 MW) ISD 1/15/2025	8,500,000	1,000,000									9,500,000
Misc. capital projects, failed equipment, modifications, instrument transformer replacements	1,000,000	1,000,000	1,000,000	1,000,000							4,000,000
TOTAL DEBT FUNDING REQUIREMENT	**$45,250,000**	**$12,550,000**	**$ 3,050,000**	**$ 2,050,000**	**$ -**	**$ -**	**$ 5,690,000**	**$ 1,600,000**	**$ -**	**$ -**	**$70,190,000**

***Does not yet have Board approval**
*Projects to be reimbursed by TXDOT

MINE

MINE STRATEGY & KEY BUDGET ASSUMPTIONS

Bond Release

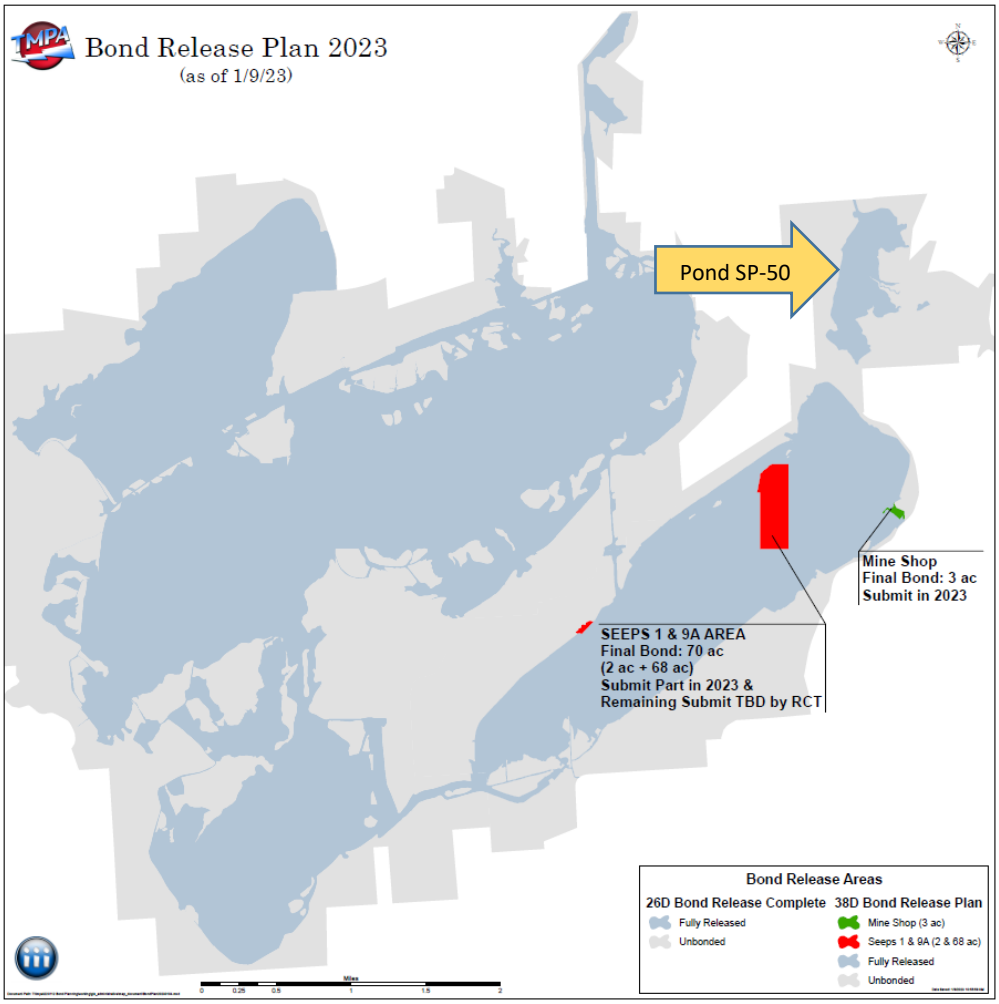
TMPA's plan for the release of reclamation bonds on the Gibbons Creek Lignite Mine property is summarized in Table 1 and depicted on the map (Figure 1). Items shown in the table in green have been completed; items in red remain to be submitted.

Table 1 – Plan and Status of Final Bond Release (as of 2/20/23)

Packet(s)	TMPA property (acres)	Leased property (acres)	Total (acres)	Status
26D – Mine shop facilities	0	71	71	Released 2000
26D – Gas well pads and roads	74	24	98	Released 2001-2006
26D – A1 Block	343	561	904	Released 1/15/13
38D – Rev. 14 (map adjustments)	257	38	295	Released 7/31/13
26D – Rev. 21 (map adjustments)	212	42	254	Released 12/8/14
26D – Falco + Ciesielski property	0	111	111	Released 8/25/15
38D – Rail spur (Permit 38D part)	55	0	55	Released 10/20/15
38D – Rev. 35 (map adjustments)	82	29	111	Released 2/7/17
26D – Rev. 40 (map adjustments)	3	0	3	Released 2/23/18
26D – Kolbachinski property	0	7	7	Released 2/27/18
26D – Rail spur (Permit 26D part)	131	0	131	Released 6/5/18
38D – A2/A3 core area	957	14	971	Released 6/18/19
26D – "Big" application	4,045	248	4,293	Released 1/14/20
38D – A2/A3 peripheral area	544	10	554	Released 1/26/21
26D – Area B2-7 + B2-9	85	0	85	Released 10/12/21
26D – Moody property	0	453	453	Released 04/12/22
38D – Pond 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 (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)**	

The duration of the bond release approval process for each application has been in the range of 9-20 months.

Figure 1 – Plan for Final Bond Release



Seeps 1A and 9A – Mitigation Approach

The mitigation of acid seeps (acid mine drainage) is not standard mine reclamation, and therefore bond release on such areas is handled on a case-by-case basis. The Railroad Commission of Texas is the main regulatory authority, but the federal regulatory authority (the Office of Surface Mining Reclamation and Enforcement of the U.S. Department of the Interior) has oversight over the state program and may also become involved. Both regulatory authorities want to be assured that the seeps have been permanently mitigated and that there will be no long-term issues after bond release. As always, the burden of proof that permanent mitigation has been achieved rests with the permittee.

At the national level, the acid seeps at Gibbons Creek mine, and at other Texas mines, are minor. An estimated 12,000 miles of streams in the Appalachian coal fields are affected by acid mine drainage. That is where the federal regulatory authority is concentrating its oversight efforts.

There are two basic approaches to mitigation of acid seeps. The active approach is to periodically treat the acid water with a neutralizer such as lime on an as-needed basis. This is a continual

process with long-term expenses and long-term liabilities. The other approach is to install a passive system that will modify the hydrology so that natural chemical and biological processes neutralize the acidity. This involves up-front costs to modify the hydrology of seep sites but is designed to eliminate long-term costs and facilitate bond release.

TMPA is using the passive treatment approach for Seep 9A and plans to use a similar approach for Seep 1A.

Seeps 1A and 9A – Bond Release

TMPA will file a bond release application for the south part (35 acres) of the Seep 9A area and the mine reclamation shop area (3 acres) in summer 2023. Construction work on the north part of the Seep 9A area (33 ac) should be complete by the end of FY23, allowing a bond release application to be filed in the spring of 2024.

TMPA plans to start mitigation work on the Seep 1A area (2 ac) in the summer of 2023 and monitor the results in FY24. It may be feasible to file a bond release application for this area in FY25.

Sale of Mine Property

Within the mine property sold on 12/22/21, only 73 acres remain bonded (Seep 1A, Seep 9A, and the mine reclamation shop area).

Land Ownership

The Pond SP-50 property (723 acres) is still owned by TMPA. It was not part of the mine sale on 12/22/21 because it is physically separate from the rest of the mine (Figure 1) and because Pond SP-50 is classified by TCEQ as a “High Hazard” structure because of its potential to cause damage downstream if breached. This area was released from the mine reclamation bond on 9/20/22. It is therefore now completely unencumbered by any reclamation liabilities.

TMPA received authorization from the Board to hire a real-estate broker to sell this property in June 2022 (Resolution No. 2022-6-1). However, the market has since become soft, and it was agreed at the December 2022 Board meeting to wait for an improvement in offers.

The Pond SP-50 property was appraised at $7,231,000 ($10,000/acre) (Table 2) as of 8/11/22 (the mine sold in December 2021 for $6,802/acre).

Table 2 – Potential Sale Price of Pond SP-50 Property

Description	Acreage	$/Acre *	Projected Sale Price	Timing
Pond SP-50 property	723	$10,000	$7,230,000	FY24

Note: Does not include the cost to market and sell the land. Sale proceeds are not included in the budget pro forma.

Budget for the Mine Business Unit

Permit 26D, which lies north of Gibbons Creek, has been completely released from mine reclamation bonding. The last area to be released was the B2-8 Area (146 acres) on 12/13/22.

Permit 38D, which lies south of Gibbons Creek, has 73 acres under mine reclamation bond. TMPA is working on a plan to achieve bond release on the 73 acres, but parts of this area may be subject to monitoring for an extended period. The FY24 Mine budget pro forma provides a budget out to FY30 to cover potential expenses associated with sampling of seeps, groundwater monitoring wells, and wastewater discharges from Pond SP-20, monthly Railroad Commission inspections, annual mine reclamation bonding renewals, annual mine permit fees, and associated reporting.

Since there are now only 73 acres that require mine reclamation bonding, TMPA decided to start collateralizing the bonds with cash instead of Letters of Credit in FY23. This has resulted in much smaller expenses. A cash bond of $1.6 million was filed with the Commission on 02/7/23 for the June 2023–June 2024 bonding term, and will be reduced as more bonds are released.

Dissolution of the Mine Business Unit

Following the sale of the mine property in December 2021, the mine business unit has reduced its scope, staffing, and budget. The Land Administrator, Murphy Hawkins, retired at the end of FY21. The Mine and Land Manager, Jan Horbaczewski, retired at the end of June 2022 and is now providing support as a consultant.

Residual work of the Mine Business Unit (summarized below) is being managed by Daniel Meadows, Compliance, Land & Mine Manager:

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

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Amended Budget - Mine

	FY23 Amended Budget	FY24 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	34,603	36,248	1,645	4.8%	
M44 Mine Maintenance	175,000	165,000	(10,000)	-5.7%	
R06 Bank Charges	45,000	-	(45,000)	-100.0%	1
R51 Contractor Maintenance	60,000	35,000	(25,000)	-41.7%	2
S02 Consulting Services	185,000	165,000	(20,000)	-10.8%	
S04 Legal Services	50,000	65,000	15,000	30.0%	
Other Fixed Costs	20,250	20,295	45	0.2%	
Allocation of A&G	240,978	248,444	7,466	3.1%	
Subtotal Fixed Costs	**$ 810,831**	**$ 734,987**	**$ (75,844)**	**-9.4%**	
C03 Cash Fund Mine Bonding**	1,850,000	-	(1,850,000)	100.0%	3
Subtotal Cash Fund Mine Bonding	**$ 1,850,000**	**$ -**	**$ (1,850,000)**	**100.0%**	
TOTAL FIXED COSTS	**$ 2,660,831**	**$ 734,987**	**$ (1,925,844)**	**-72.4%**	
OTHER REVENUES					
Interest Income	(4,022)	(22,842)	(18,820)	-467.9%	
TOTAL OTHER REVENUES	**$ (4,022)**	**$ (22,842)**	**$ (18,820)**	**-467.9%**	
TOTAL COSTS	**$ 2,656,809**	**$ 712,145**	**$ (1,944,664)**	**-73.2%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Amended Budget – Mine

Fixed Costs

1) Bank Charges reduced to zero as the Agency began cash funding the bonding requirements with the Railroad Commission beginning in 2023.

2) Contractor Maintenance decreased as mine activities continue to decrease following the sale of the mine in December 2021.

3) Cash Fund Mine Bonding was a one-time charge in FY23. The cash funding amount, which ended up being $1.6M, was wired directly to the Railroad Commission and will be reduced and returned to the Cities as bond release is achieved over the remaining years.

TEXAS MUNICIPAL POWER AGENCY
FY24-33 Mine Budget Pro Forma

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY24-33 Total
FIXED COSTS											
L01 Labor & Benefits	36,248	37,335	38,455	39,609	40,797	42,021	43,282	44,580	45,917	47,295	415,539
M44 Mine Maintenance	165,000	169,125	173,353	177,688	99,342	101,826	104,371	55,868	57,265	58,698	1,162,536
R51 Contractor Maintenance	35,000	35,875	36,772	37,691	33,114	33,942	34,790	35,660	36,552	37,466	356,862
S02 Consulting Services	165,000	169,125	173,354	177,687	121,419	124,454	127,566	130,755	134,024	137,375	1,460,759
S04 Legal Services	65,000	66,625	68,291	69,998	55,190	56,570	57,984	59,434	60,920	62,443	622,455
Other Fixed Costs	20,295	20,803	21,322	21,856	22,403	22,962	23,537	23,719	24,314	24,921	226,132
Allocation of A&G	248,444	229,627	231,412	239,216	174,363	179,592	183,758	166,387	170,256	175,375	1,998,431
TOTAL FIXED COSTS	**$ 734,987**	**$ 728,515**	**$ 742,960**	**$ 763,745**	**$ 546,628**	**$ 561,367**	**$ 575,288**	**$ 516,404**	**$ 529,248**	**$ 543,573**	**$ 6,242,714**
OTHER REVENUES*											
Interest Income	(22,842)	(24,381)	(25,672)	(27,065)	(20,206)	(21,130)	(22,053)	(20,199)	(21,011)	(21,823)	(226,382)
TOTAL OTHER REVENUES*	**$ (22,842)**	**$ (24,381)**	**$ (25,672)**	**$ (27,065)**	**$ (20,206)**	**$ (21,130)**	**$ (22,053)**	**$ (20,199)**	**$ (21,011)**	**$ (21,823)**	**$ (226,382)**
TOTAL COSTS	**$ 712,145**	**$ 704,135**	**$ 717,288**	**$ 736,680**	**$ 526,422**	**$ 540,237**	**$ 553,234**	**$ 496,204**	**$ 508,237**	**$ 521,750**	**$ 6,016,332**
Monthly Charge	**$ 59,345**	**$ 58,678**	**$ 59,774**	**$ 61,390**	**$ 43,868**	**$ 45,020**	**$ 46,103**	**$ 41,350**	**$ 42,353**	**$ 43,479**	

SUPPLEMENTAL INFORMATION

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Approved Budget - A&G

	FY23 Approved Budget	FY24 Projection	(Under) Over Budget	% Change	Explanation Reference*
FIXED COSTS					
L01 Labor & Benefits	1,074,511	1,123,094	48,583	4.5%	
L01 Retention Bonuses	137,267	142,933	5,666	4.1%	
L01 Severance Packages	-	20,393	20,393	100.0%	
R06 Bank Charges	10,500	5,500	(5,000)	-47.6%	
R27 Maintenance Agreements	48,570	25,650	(22,920)	-47.2%	
R41 Insurance Premiums	631,277	764,439	133,162	21.1%	1
S02 Consulting Services	232,315	222,145	(10,170)	-4.4%	
S04 Legal Services	78,375	32,375	(46,000)	-58.7%	2
Other Fixed Costs	433,795	381,196	(52,599)	-12.1%	3
TOTAL FIXED COSTS	**$ 2,646,610**	**$ 2,717,725**	**$ 71,115**	**2.7%**	
TOTAL COSTS	**$ 2,646,610**	**$ 2,717,725**	**$ 71,115**	**2.7%**	

* Explanations are provided for changes over $25K AND 5%.

TEXAS MUNICIPAL POWER AGENCY
Comparison to FY23's Approved Budget – A&G

Fixed Costs

1) Insurance Premiums increased primarily due to the anticipated addition of cyber coverage. Staff is currently working with our broker on coverage terms.

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

3) Other Fixed Costs decreased as staff continues to make every effort to reduce support costs where possible.

TEXAS MUNICIPAL POWER AGENCY
FY24-33 A&G Budget Pro Forma

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY24-33 Total
FIXED COSTS											
L01 Labor & Benefits	1,123,094	870,840	858,973	884,743	911,285	938,623	966,782	995,785	1,025,659	1,056,429	9,632,214
L01 Retention Bonuses	142,933	131,769	135,722	139,793	143,987	148,307	152,756	157,339	162,059	166,921	1,481,585
L01 Severance Packages	20,393	-	-	-	-	-	-	-	-	-	20,393
R06 Bank Charges	5,500	5,638	5,778	5,922	6,071	6,223	6,378	6,537	6,701	6,868	61,616
R27 Maintenance Agreements	25,650	26,291	26,948	27,623	28,313	29,020	29,746	30,490	31,252	32,034	287,367
R41 Insurance Premiums	764,439	783,551	803,140	823,217	843,797	864,894	886,514	908,677	931,395	954,681	8,564,305
S02 Consulting Services	222,145	235,900	233,391	247,841	245,206	260,389	257,621	273,571	270,662	287,420	2,534,146
S04 Legal Services	32,375	33,184	34,014	34,864	35,736	36,629	37,544	38,483	39,446	40,432	362,707
Other Fixed Costs	381,196	390,462	400,091	409,675	419,649	429,870	440,505	451,083	462,095	473,376	4,258,002
TOTAL FIXED COSTS	**$ 2,717,725**	**$ 2,477,635**	**$ 2,498,057**	**$ 2,573,678**	**$ 2,634,044**	**$ 2,713,955**	**$ 2,777,846**	**$ 2,861,965**	**$ 2,929,269**	**$ 3,018,160**	**$ 27,202,335**
TOTAL COSTS	**$ 2,717,725**	**$ 2,477,635**	**$ 2,498,057**	**$ 2,573,678**	**$ 2,634,044**	**$ 2,713,955**	**$ 2,777,846**	**$ 2,861,965**	**$ 2,929,269**	**$ 3,018,160**	**$ 27,202,335**

May 5, 2023

AGENDA ITEM NO. 2A

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

DISCUSSION: The date for the next regularly scheduled P&O Committee meeting is **June 8, 2023**.

TENTATIVE MEETING DATES FOR 2023 and 2024:

September 14, 2023
December 13, 2023

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