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DATE: September 11, 2023
TO: Public Utilities Board
FROM: Tony Puente, DME General Manager
SUBJECT: Gibbons Creek Steam Electric Station Update

At the July 24, 2023 meeting of the PUB, Board Member Barbara Russell requested an update on the Gibbons Creek Steam Electric Station (“Gibbons Creek”).

On January 26, 2021, the City Council of Denton, concurrently with the cities of Garland, Greenville and Bryan, approved an ordinance that allowed TMPA (Texas Municipal Power Agency) to execute an Asset Purchase Agreement (APA) for the sale of the Gibbons Creek and related assets in Grimes County, Texas. Gibbons Creek was a 470 MW coal-fired power plant situated on 6,200 acres which included the 2,200-acre Gibbons Creek Reservoir. Gibbons Creek began operation in 1983 and was retired in 2018 due to its uneconomic operating costs as compared to market based alternative supplies of wholesale electric. Gibbons Creek was sold to the Gibbons Creek Environmental Redevelopment Group (GCERG), a Texas LLC wholly owned by Charah Solutions, Inc. This sale did not include the adjacent 10,600-acre lignite mine nor the TMPA transmission system.

Since the shutdown and sale of Gibbons Creek, TMPA has been focused on monitoring the demolition of the station and the remediation/closure of the coal combustion residual (CCR) units and landfill sites. Under the APA, GCERG was required to decommission the existing plant structures, remove all oils/chemicals from the plant site, and demolish the plant structures and associated equipment. Additionally, GCERG was required to remediate the CCR units which included Site A landfill, Site F landfill, the ash ponds and the scrubber sludge pond. Figure 1 below provides a bird’s eye view of the site:

Figure 1



Decommissioning, demolition, and remediation activities were anticipated to take up to three (3) years to complete. The completion of all regulator closure activities is currently projected to be by the end of 2024.

Asset Purchase Agreement Major Terms and Conditions – The APA contains the following major provisions:

Obligations of the Buyer

- Decommissioning – decommission and demolish the power plant and associated structures
- Remediation – remediate all CCR units and any other environmental contamination discovered to levels and specifications deemed compliant with applicable TCEQ regulations.
- Indemnify TMPA and the member cities against all environmental claims for past, present and future site activities
 - Buyer must provide and maintain a \$25 million pollution liability environmental

- insurance naming TMPA and the member cites as additional insured
 - Assume all environmental liabilities (past/present/future)
- Provision of Performance Bond – Buyer must provide a performance bond in the amount of \$36.5 million to securitize performance of all remediation requirements. The amount of the bond will be reduced as remediation activities are completed.
- Post Closure – Buyer must meet the post closure bonding requirements imposed by TCEQ and must operate and maintain any post closure treatment and monitoring equipment.
- Provide perpetual deed restrictions on land use for CCR containing real estate parcels.

Obligations of TMPA as Seller

- Convey to Buyer ~6,200 acres of real estate including all improvements and equipment present at closing
 - Ten separate deeds describing the parcels of real estate conveyed to Buyer
- Pay Buyer an initial amount of \$6.354 million
- Deposit into an Environmental Escrow \$28.546 million which shall be used by Buyer to remediate the CCR units and will be drawn down during the remediation activities.
 - The balance in the escrow shall not drop below \$2.854 million until the post-closure performance bond is issued, to ensure delivery of post-closure bonding.
- Pay Buyer 50% of the initial \$36.5 million performance bond premium at the time of closing

Figure 2 below shows what the plant looked like as demolition activity began.

Figure 2



The Plant and associated equipment have been demolished and hauled off as reflected in Figure 3 below.

Figure 3



Site A Landfill (3/37/23) is completely capped, see Figure 4 below.

Figure 4



The capping of Site F landfill is currently on hold waiting for final waste placement from Site A Landfill Leachate Ponds. Figure 5 shows the current status of Site F. Approximately 65 acres have been capped and revegetated and the remaining 20 acres will be finished in the fall.

Figure 5



The CCR material in all ash ponds have been completely removed. Figure 6 below shows the ash ponds.

Figure 6



TMPA, and the member cities, continue to monitor remediation activities at the site as contemplated in the APA. At this time, the work continues to progress in compliance with the APA.

If you have any questions, please do not hesitate to let me know.