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Subject: Important Update to the PNM Transaction

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Mr. President and Honorable Speaker,

This was sent earlier today to NTEC's Board of Directors. Speaker Bates will be following up with a request to coordinate a call with you to follow up on this report.

To NTEC Board Members,

This is an important update on our progress with PNM regarding their planned exit as a participant in the Four Corners Power Plant on January 1, 2025. Over the past six months NTEC and PNM have been working diligently to seek, find and finalize an agreement with a third party to assume PNM's power plant ownership on January 1, 2025. We initially had significant discussions with Rainbow Marketing to be that acquiror. Rainbow provides the day to day marketing of NTEC's 100MW of power sales. After several months it became apparent that Rainbow was not a party that could really understand the concepts of the deal and was not comfortable with owning an interest in the power plant despite the very low risk.

After Rainbow declined the opportunity to acquire the PNM's interest in the Four Corners Power Plant, we approached Guzman Energy (at PNM's suggestion) to see if they would be interested in acquiring the interest. NTEC continued to work very collaboratively with PNM in seeking an agreeable framework to this transaction. Unfortunately, both PNM and NTEC came to the conclusion that Guzman appeared to believe that they had a superior position with both PNM and NTEC and could extract one significant concession after another.

To put it in very simple terms, every time we thought we had an agreement, Guzman would come back with an entirely new round of issues or demands for concessions. Ultimately, with PNM's concurrence, we could no longer support continued negotiations with Guzman.

As with any plan, project or campaign, we start with a concept and a strategy that we think is the best for the current situation. As with all plans, once you are in the execution stage, events and circumstances are encountered and you must change and adapt. So, as we initially reported to the Board and the leadership of the Navajo Nation, we do not recommend that NTEC permanently acquire PNM's interest due to our limitations in voting rights. However, we do believe it is advisable for PNM and NTEC at this time to proceed with the transaction between ourselves in order to meet PNM's impending deadlines. In other words, for the time being, NTEC will agree to acquire PNM's 13% interest. I want to very firmly stress that the framework of the deal we have previously described to the board and to our Member Reps remains in place. The only change is to the timing of the final

acquisition of the interest by a suitable 3rd party. Remember that PNM is not transferring their interest in the plant until **Jan 1, 2025**. This gives us over four years within which to find the right 3rd party.

I would like to stress that this is actually the best outcome that we could have envisioned. In our initial strategy we assumed that we needed to have the third party owner in place prior to PNM seeking its approvals from the regulatory agency. But in consultation with PNM, we determined that we have the flexibility to first acquire the asset ourselves and then seek the appropriate third party on our own time frame and schedule and not be forced to accept adverse terms and conditions due to a short deadline.

So this will now be a two step process in which we acquire the interest from PNM and then sell the interest to a 3rd party prior to 2025. Everything else we have described remains the same. We will receive a total of \$75M from PNM as a negotiated resolution of all existing obligations between PNM and NTEC. PNM will remain fully liable for its percentage responsibility of future plant decommissioning liability and in 2024, an audit will be performed to ensure that PNM is fully current on funding its portion of the final mine reclamation expenses.

NTEC and PNM both remain committed to identifying a suitable 3rd party purchaser of the asset between now and 2025. But we will have ample time to conduct a search and review options and will not be negotiating terms with a 3rd party at a disadvantage. PNM has also committed to assure continued normal plant operations between now and 2025 and has agreed that it will not vote on an early shut down of the plant. Because of the notice requirements in the agreements, this immediately provides assurance that the plant cannot be closed any earlier than Jan 1, 2027. We continue to strongly recommend this transaction as being in the best interest of the company and, very specifically, our shareholder, the Navajo Nation. We will be providing a resolution to the Board for the Nov. 7th meeting to obtain final approval to proceed with this transaction as outlined.

Our plan for communication to the Nation is as follows. Following this notification to the board, we will send this same update to the Member Reps and the OPVP. We will also seek to set a call with the OPVP and our Member reps as quickly as they are available. PNM is entirely aligned with our proposed communication and stands ready to be on the call when it is scheduled. They plan to notice their shareholders and regulators of the proposed transaction on Nov. 6th (or shortly thereafter). It is unclear whether we will have formal responses from all the plant owners of their ROFR decision by that date but PNM intends to proceed with the notification regardless.

The leadership of NTEC has been engaged in this transaction almost as their sole and highest priority. We recognize that what we originally had as a strategy has now changed conceptually with this new course of action. However, we examined all aspects of this new strategy and direction and firmly believe that is the better of the two possible outcomes. We look forward to discussing this with the Board and the leadership of the Navajo Nation.

Regards,

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