



**Response to City of Socorro's Request for Information  
for  
Wholesale Electric Supply**

**Buyer:** City of Socorro, ("Socorro")

**Seller:** Guzman Energy LLC ("GE")

"Guzman Energy is a diversified energy market participant with a focus on providing an array of energy services to our clients and counterparties. We actively participate in the wholesale energy and environmental commodity marketplace to create customized solutions to our customers. The Guzman Energy platform is designed to leverage leading academic minds in combination with our seasoned commercial team, to provide real value creation for our customers."

For over 30 years the principals of Guzman Energy have served more than 15,000 mw's of load in Colorado, New Mexico and Texas. In addition, they have executed both Full and Partial requirements contracts with nine cities in Colorado and New Mexico since 2012, negotiated Network Integration Transmission Agreements (NITSA) including Ancillary Services, negotiated Balancing Service Agreements with Control Areas, and have managed WAPA allocations under an Agency Agreement for Raton Public Service (RPS) and Arkansas River Power Authority (ARPA)

Guzman Energy has contracted for and is the process of contracting for generation capacity in New Mexico, Colorado and Wyoming. For the purposes of this Agreement Guzman Energy will draw from a pool of generation off-take agreements to serve the load of Socorro. In addition, Guzman Energy will have the sole responsibility to have each resource designated as a Network Resource under NITS Agreements between Socorro and/or Public Service Company of New Mexico (PNM) and Tri State Generation & Transmission (TSGT).

**Load:** Under this proposed Term Sheet Guzman Energy will serve the loads of Socorro as described in Section 3.3 (a) Load 3: Total City Load



**Delivery Point:** Primary delivery point will be the San Juan 345kV, Four Corners 345kV, or TSGT 230kV. If energy is not delivered to the San Juan 345kV, Four Corners 345kV or TSGT 230kV, then Guzman Energy will absorb any and all scheduling fees for delivery to another delivery point acceptable under the Socorro's PNM/TSGT NITSA. Guzman Energy will have the sole responsibility to have any and all resources designated as a Network Resources under the Network Integration Transmission Services Agreement ("NITSA") executed between the Socorro and PNM and/or TSGT. Socorro must maintain a contract for Network Integration Transmission Service (NITS) for the term of this agreement. Any and all third party transmission costs not addressed in the Request for Information or addressed in the NITS Agreement will be the responsibility of the Seller.

**Pricing: Energy**

Five Years:  
October 1, 2016 through September 30, 2021 \$39.57 per MWh

Seven Years:  
October 1, 2016 through September 30, 2023 \$43.00 per MWh

Ten Years:  
October 1, 2016 through September 30, 2026 \$50.45 per MWh

**Ancillary Services:**

PNM Open Access Transmission Tariff Schedule 1 – Scheduling	Responsibility of Seller.
PNM Open Access Transmission Tariff Schedule 2 – Reactive Supply	Responsibility of Seller.
PNM Open Access Transmission Tariff Schedule 3 – Regulation	Responsibility of Seller.
PNM Open Access Transmission Tariff Schedule 4 – Energy Imbalance	Responsibility of Seller.
PNM Open Access Transmission Tariff Schedule 5 – Spinning Reserves	Responsibility of Seller.
PNM Open Access Transmission Tariff Schedule 6 – Supplemental Reserves	Responsibility of Seller.
PNM Open Access Transmission Tariff Schedule 7 – Energy Losses	Responsibility of Seller.



**Ancillary Info:** Guzman Energy will procure any and all Ancillary Services required for delivery of Capacity and Energy to load.

**OF NOTE:** Seller will assume all Energy Imbalance costs, which shall consist of the difference in what is delivered to SOCORRO at any and all points under the PNM/TSGT NITS Agreement and what the actual load is net of WAPA Allocations.

Further, Guzman Energy believes that it is possible in the future that the Western Interconnection will may eventually become an RTO very similar to that of CAISO, PJM and MISO. In that event, if the ancillary services is part of the energy component of the PPA stated in \$\$ per MWh, then the SOCORRO will have the responsibility to pay that cost for the Term of the Agreement. Under this proposal, the cost of traditional ancillary services would be removed from the Agreement and the new costs of the RTO will then be passed on to the SOCORRO.

Guzman Energy is active in MISO, PJM, ERCOT, SPP and CAISO. If the Western Interconnection and the loads of the SOCORRO become part of an RTO, the transition will be seamless and the costs transparent.



**INDICATIVE TERM SHEET ("Term Sheet") Proposer Authorization**

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Per the Guzman Energy Risk Policy dated and approved December 8, 2015 the below signature is signed and dated by a person authorized to transact.

Jeffrey Heit

Below is the contact information and the primary point of contact for this Term Sheet.

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## ADDITIONAL INFORMATION

- Valuation:** Prices quoted herein are INDICATIVE only.
- Credit:** Both parties will transact with adequate assurance protections such that either party may call for collateral if they have grounds for insecurity. In addition, each party will offer an Officers Certificate that they are operating within the terms of our respective loan covenants. It is not contemplated that adequate assurance is required from Socorro under their existing financial condition.
- Taxes:** Any taxes or regulatory fees associated with the delivery of power are the sole responsibility of the Buyer.
- Regulatory:** Any costs associated with regulatory compliance including without limitations, RPS Compliance, Greenhouse Gas Standards or Carbon taxes are the sole responsibility of the Buyer.
- Confidentiality:** Except as otherwise required by law, Seller and Buyer each agree to keep confidential the terms of the Term Sheet and any information or documentation obtained by either party from the other party in connection with the transaction proposed hereunder, and if such transaction is not consummated, to return to the other party any documents received by such party in connection with such proposed transaction.
- Non-Binding:** *Except for the preceding confidentiality obligation, which is intended to be binding, the parties agree that this Term Sheet is not intended to be a binding agreement but merely an expression of interest with regard to the transaction described herein, and no binding agreement with respect to such transaction shall exist between Seller and Buyer unless and until a written agreement is duly executed and delivered by the parties, and each party hereto covenants and agrees to never contend, assert or argue to the contrary .*