

RESOLUTION NO. 575

A RESOLUTION OF THE CITY OF TERRELL, TEXAS, ENDORSING CERTAIN LEGISLATIVE CHANGES TO ENHANCE THE COMPETITIVE ELECTRIC MARKET SUPPORTED BY CITIES AGGREGATION POWER PROJECT, INC.

WHEREAS, the City of Terrell, Texas (City) has historically been active in the process of regulation of electric utilities; and

WHEREAS, the City is a member of Cities Aggregation Power Project, Inc. (CAPP) and, as such, made a decision to join with more than 95 other cities to switch its municipal electric accounts from its incumbent provider to a retail electric provider; and

WHEREAS, CAPP's experience with the deregulated market and contracts with several different retail electric providers has indicated that the Texas electric retail market has failed to develop into a truly competitive market as envisioned by the Texas Legislature in part because congestion zones within the ERCOT market have allowed certain market players to control enough generation capacity within a given zone to exercise market power to the detriment of customers and non-affiliated retail electric providers; and

WHEREAS, retail electric price competition has not successfully reached residential customers in Texas communities with populations less than 50,000; and

WHEREAS, Texas municipalities and customers currently pay generators prices for “baseload” electric energy needs that are inflated well beyond their actual costs because the power is priced as if it were produced by high-priced natural gas-fueled plants even though it is actually produced at a much lower cost by lignite, coal and nuclear plants; and

WHEREAS, power generators are receiving windfall profits for and energy costs for Texas businesses and consumers are needlessly inflated because of a mechanism known as the “uniform-price auction,” which pays every generator the highest price ERCOT is required to accept to meet demand regardless of what portion of the purchase required that price; and

WHEREAS, CAPP recognizes the importance of diversifying its energy portfolio and is investigating opportunities to add long term power contracts to ensure more price stability, but current provisions of the Local Government Code may make the contracting process unnecessarily cumbersome; and

WHEREAS, the City endorses efforts proposed by CAPP to modify the electric deregulation legislation to enhance competition, implement the original intent of SB 7 and reduce costs to the City and its residents.

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TERRELL, TEXAS, THAT:

I.

The following legislative reforms endorsed by CAPP to limit market power, create effective citizen aggregation, and be supported by the City:

- Limit the ownership and control of generation within functional markets (ERCOT zones) and require further Commission action to mitigate market control (**SB 483 and HB 1190**).

- Authorize citizen aggregation projects that will permit cities and towns with populations less than 50,000 to aggregate the load of all of their residents that have not specifically asked to be excluded from the aggregation project to enhance the opportunities for rural residential customers to benefit from deregulation and benefit the entire state by increasing competition (**SB 1401 and HB 3498**).
- Ensure that a modest amount (15 percent of installed capacity) of low-cost baseload generation capacity is made available for sale to Competitive Retail Electric Providers at their variable cost plus ten percent (**HB 3348**).
- Declare the current "uniform pricing system" in the balancing energy market unreasonable and direct the Public Utility Commission to adopt rules that will provide for a pricing system that does not produce windfall profits for generators and needlessly inflate energy cost to Texas businesses and consumers (**HB 3349**).
- Remove unnecessary administrative obstacles in the Local Government Code that prevent cities from taking full advantage of electric competition (**SB 787 and HB 1749**).

II.

A copy of the resolution shall be sent to the elected lawmakers representing the City's interests in the Texas House and Senate and to the Chairman and legal counsel of CAPP.

PRESENTED AND PASSED on this 27th day of March, 2007.

Frances Anderson, Mayor

ATTEST:

John Rounsavall, City Secretary