



Texas Coalition of Affordable Power

November 13, 2023

Background

- Texas Coalition of Affordable Power (TCAP) was formed because of LGC: Title 9, Subtitle C, Chapter 304
 - This chapter defines a political subdivision and its ability to purchase electricity by ordinance or resolution in the manner that is best fit for the agency
- By resolution, the city has selected Texas Coalition of Affordable Power (TCAP) to negotiate its energy contract since 2002.
- Chapter 252.022 (a)(15) of the local government code exempt electricity from competitive bidding procedures
- This contract supports 122 of the 147 meters in the City. The remainder city meters are operated by United Cooperative Services (UCS)
 - TCAP Average 77% of the City's annual consumption

Five-Year History

Year	kWh Rate	Energy Charges	TDSP	Total Cost
2022	7.19	\$306,472.32	\$ 550,997.10	\$ 857,469.42
2021	3.684	\$291,014.66	\$ 524,694.07	\$ 815,708.73
2020	3.684	\$294,054.58	\$ 493,854.27	\$ 787,908.85
2019	3.684	\$274,584.51	\$ 480,667.40	\$ 755,251.91
2018	3.684	\$282,539.86	\$ 472,864.16	\$ 755,404.02
2017	7.4*	\$579,488.27	\$ 472,816.00	\$ 1,052,304.27

- Average 58% of current and future rates are contributed to Transmission/Distribution Service Provider (TDSP) (Oncor)
- Rates prior to 2018 were 7.4 kWh
- There are other fees and taxes that make up the grand total not shown in this slide.

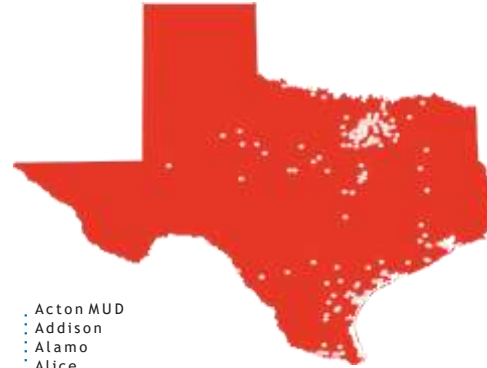
* previous contract rates

Peer Cities



Texas Coalition for Affordable Power

160 Members Across Texas



- Acton MUD
- Addison
- Alamo
- Alice
- Allen
- Anna
- Aquila Water Supply
- Aransas County MUD
- Argyle
- Aubrey
- Austwell
- Bangs
- Bay City
- Beeville
- Bellmead
- Belton
- Benbrook
- Benbrook Library District
- Benbrook Water Authority
- Bishop
- Brownwood
- Burkburnett
- Burleson
- Calhoun Port Authority
- Carrizo Springs
- Cedar Hill
- Celina
- Chandler
- Clute
- Colleyville
- Commerce
- Corinth
- Corpus Christi
- Corpus Christi Housing Authority
- Corpus Christi Regional Transit Authority
- Dalworthington Gardens
- Decatur
- Denison
- DeSoto
- Dickinson
- Dilley
- Dublin
- Duncanville
- Eagle Pass
- Eastland
- Edgecliff Village
- Edna
- Eules
- Everman
- Falfurrias
- Farmersville
- Fate
- Flower Mound
- Forest Hill
- Forney
- Frisco
- Fulton
- George West
- Godley
- Grand Prairie
- Grapevine
- Halton City
- Hamilton
- Harker Heights
- Harlingen
- Harlingen Housing Authority
- Henrietta
- Hidalgo County
- Highland Park
- Howe
- Hurst
- Ingleside
- Ingleside on the Bay
- Iowa Colony
- Iowa Park
- Jackson County Emergency Services District #3
- Johnson County SUD
- Kaufman
- Keller
- Kemah
- Kenedy
- Kennedale
- Kingsville
- Lacy Lakeview
- La Feria
- La Marque
- Laguna Vista
- Lake Jackson
- Lancaster
- Lewisville
- Lorena
- Lovelady
- Lyford
- Manvel
- McAllen
- McAllen Housing Authority
- Mercedes
- Merkel
- Midlothian
- Mission
- Mission Housing Authority
- Montgomery County ESD #8
- Murphy
- North Richland Hills
- Oak Point
- Odem
- Odessa
- Orange Grove
- Ovilla
- Palestine
- Palmer
- Palm Valley
- Pantego
- Parker
- Paris
- Pleasanton
- Point Comfort
- Port Aransas
- Port Lavaca
- Portland
- Premont
- Prosper
- Refugio
- Richland Hills
- Roanoke
- Robinson
- Rockport
- Rockwall
- Rotan
- Rowlett
- Royse City
- Sachse
- Saginaw
- San Angelo
- San Juan
- San Patricio CAD
- Seadrift
- Sherman
- Sinton
- Snyder
- South Padre Island
- South Texas Water Authority
- Spring Valley Village
- Springtown
- Sugar Land
- Sunnyvale
- Sweetwater
- Taft
- Terrell
- The Colony
- Tomball
- Trophy Club
- Tuscola
- University Park
- Upper Leon River MWD
- Venus
- Vernon
- Victoria
- Walnut Creek SUD
- Watauga
- Webster
- White Settlement
- Wichita Falls
- Wilmer
- Willow Park
- Woodsboro
- Woodway
- Wylie

Why TCAP?

- Strength of numbers:
 - They have the ability negotiate better electricity contracts than would be available to any agency alone by leveraging economies of scale
 - Staff and consultants have over 200 years of combined experience in the energy industry, successfully negotiating favorable electric contracts for members since the market was deregulated
 - Energy Audits - GEXA Energy Solutions, a partner with TCAP will conduct an energy audit of facilities and provide feedback on possible energy conservation measures at no cost
 - Since 2010 TCAP has returned over \$73,000 of surplus funds back to the City.
 - TCAP is a non-profit created by and for Texas municipalities that has 160 partners that is able to go directly to the wholesale market

Energy Options

- Since TCAP's beginnings, the only option for contracting has been multi-year fixed contracts until the Strategic Hedging Program (SHP) was developed in 2020.
- Benefits of fixed price contracts:
 - Sustainable
 - Future price certainty for budgetary purposes

Drawbacks on fixed price contract:

- The longer into the future a buyer makes a decision to fix their energy price, the decision has more risk because of the volatile market.

Contract Evaluation

- TCAP offers two different methods of procuring energy contracts:
 - Fixed price
 - Strategic Hedging Program (SHP)
 - Since the market changes daily, through the SHP program, TCAP will procure one twelfth of the annual supply each month moving into future years
 - The city has the option to opt out of SHP and secure a fixed price contract in the event pricing becomes unfavorable. Historically, the city has opted to use fixed price contracts.

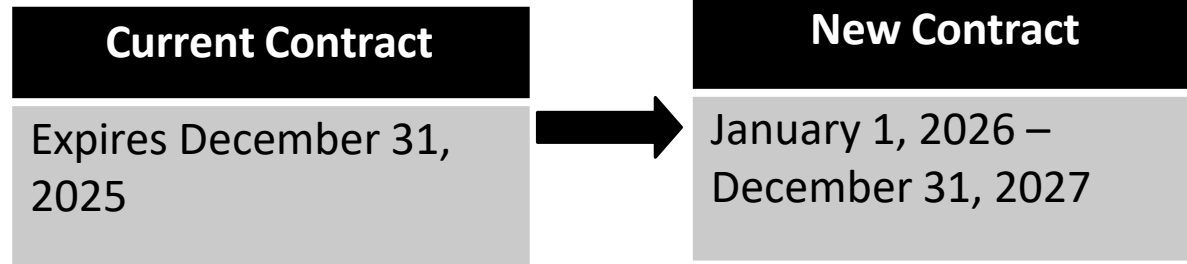
Energy Market

SHP Goals:

- Reduces risks in volatile markets
- TCAP releases monthly bids into the wholesale market to get the SHP pricing
- In the event there are rapidly rising prices, TCAP by contract would look to a fixed price contract and revert back to fixed cost. The SHP method has worked favorably based on historical data
- Of the 160 agency members, 153 are in the SHP program

Timeline

- The following timeframes are for the city's energy contract with Gexa Energy.



Options

- 1) Approve a resolution authorizing the City Manager to execute a professional services contract that would allow TCAP to enter into the market and negotiate a contract on the City's behalf through the strategic hedging program. **(Staff Recommendation)**
- 2) Enter into a fixed price contract through TCAP
- 3) Deny a resolution authorizing the City Manager to execute a professional services contract that would allow TCAP to enter into the market and negotiate a contract on the City's behalf.
- 4) Issue a competitive solicitation
 - The aggregate total would be solely the City's usage, not the collective aggregate of the members
 - No guarantee of a cheaper cost
- 5) Broker Services
 - Staff could engage a broker to canvas the market to negotiate an energy contract on the City's behalf
 - Brokers would search the retail electric provider (REP) marketplace in search of an cost plus energy contract