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Choose an item.

**DEPARTMENT:** City Manager's Office

**FROM:** Justin Scharnhorst, Assistant to the City Manager

**MEETING:** November 13, 2023

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**SUBJECT:**

Consider approval of a resolution authorizing the Texas Coalition of Affordable Power to purchase electricity through a strategic hedging program on behalf of the city of Burleson beginning January 1, 2026. (*Staff Presenter: Justin Scharnhorst, Assistant to the City Manager*)

**SUMMARY:**

Texas Coalition of Affordable Power (TCAP) has procured energy for the city of Burleson since 2003. Since that time, the city has utilized fixed price contracts to secure our energy rates. This contracting method has been stable and afforded the city competitive rates. In 2020, TCAP began a Strategic Hedging Program (SHP).

**Background.**

Texas Coalition for Affordable Power has procured electricity for its members since the beginning of retail electric deregulation in Texas in 2002. In the recent past, it has become evident that the electric market and the mix of available sources and supplies have changed dramatically. While the current electric fixed price/fixed term contract has worked well, TCAP believes that a more optimum program—called Strategic Hedging Program (SHP)—is now offered to its members in addition to the fixed price/fixed term contracts.

**What is SHP?**

Instead of buying electricity through a fixed price longer term contract, SHP will procure one twelfth of the annual supply each month, two years forward year-to-year. This provides the lowest market pricing to reduce carrying charges and risk premiums that longer term contracts must charge. Pricing will never be out of the market. SHP features an ultra-competitive monthly RFP process of 20+ vetted creditworthy suppliers. At least 4 suppliers will be in each TCAP portfolio at all times. Prices will be known to members well prior to fiscal year budgeting needs. It avoids the “all-in” guess of a single fixed price multiyear deal. It also provides members with twice a year periodic off ramps if a member desires to revert to a traditional fixed price/fixed term contract.

**What action needs to be taken and when?**

It is necessary for members to have their governmental bodies pass the enclosed resolution to approve the Commercial Electricity Service Agreement. The resolution authorizes TCAP to function as a procurer of energy in addition to serving as an agent in negotiating contracts.

In May of 2022, council authorized a fixed price contract that began in December, and will expire at the end of the 2025 calendar year. If council approves this action, we will be moved into this program in 2026. Currently, TCAP serves 160 public agencies, 153 have converted to SHP and 6 are in the process, similar to Burleson.

**OPTIONS:**

- 1) Example: Approve as presented
- 2) Example: Approve with changes
- 3) Example: Deny

**RECOMMENDATION:**

Staff recommends approving the resolution authorizing the SHP.

**PRIOR ACTION/INPUT (Council, Boards, Citizens):**

Council approved a fixed price contract in May 2022.

**FISCAL IMPACT:**

Average price for the first two years of the SHP program is \$0.5513 cents per kWh. Our current rate is \$0.719 centers per kWh.

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