

RESOLUTION NO. 2004- 138 R

A resolution authorizing the South Texas Aggregation Project, Inc. (STAP) to negotiate an electric supply agreement for deliveries of electricity effective January 1, 2005, authorizing the City Manager to execute a contract with STAP for the City of Victoria's 2005 electricity needs, and committing to budget for energy purchases in 2005 to honor the City of Victoria's commitments to purchase power for its electrical needs in 2005 through South Texas Aggregation Project, Inc. (STAP); and declaring an effective date.

The City of Victoria, Texas (City) is a member of South Texas Aggregation Project, Inc. (STAP), a nonprofit political subdivision corporation dedicated to securing electric power for its 45 members in the competitive retail market; and

STAP negotiated favorable contract terms and a reasonable commodity price for delivered electricity in 2002, 2003 and 2004 resulting in significant savings off of the Price to Beat (PTB) rate for its members; and

Preliminary information provided to the STAP Board indicates that entering into a wholesale power contract, as distinct from a retail contract, effective January 1, 2005, may provide the greatest potential for savings for STAP members over the regulated PTB rate; and

Potential wholesale power providers desire to execute a contract with one, and only one, entity rather than have unique contracts for each STAP member, and

STAP believes that the pricing opportunity window for favorable 2005 deliveries under either a wholesale or retail agreement will be short-lived (in the September to mid-November time period) and that STAP members must be able to commit contractually to prices within a 24-hour period in order to lock-in favorable prices regardless of whether STAP continues its historic practice of retail agreements or enters the wholesale market; and

Experiences in contracting for 2002-2004 demonstrated that Retail Electric Providers demand immediate response to an offer and may penalize delay with higher prices; and

It is necessary for the City to contract for a supply of electricity in 2005 or at least partially revert to Price to Beat rates (PTB); and

STAP's current delivered energy prices provide savings when measured against the PTB rate, and PTB rates likely will continue to remain higher than prices STAP can achieve on behalf of the City;

Wholesale suppliers demand assurance that STAP will pay for all contracted load; and

The City of Victoria's needs to assure STAP that it will budget for energy purchases in 2005 and honor its commitments to purchase power for its electrical needs in 2005 through STAP.

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

1.

The STAP Board and its consultants and advisors will evaluate for the City wholesale power supply contract options for 2005 as compared to a retail electric delivery contract for 2005 and, if feasible, 2006.

2.

The City Manager or his designee is authorized to execute a contract with STAP that permits the STAP Board and its consultants and advisors to negotiate and sign the 2005 electric power agreement for the City's electricity needs as a member of STAP and commits its 2005 load pursuant to the contract recommended and approved by the STAP Board of Directors.

3.

The City of Victoria will commit to purchase power to meet all of its electricity needs eligible for competition pursuant to the STAP approved supply agreement and approve funds necessary to pay electricity costs proportionate to the City's load under the supply agreement (whether wholesale or retail) arranged by STAP.

4.

A copy of this resolution shall be sent to Geoffrey Gay with Lloyd, Gosselink, Blevins, Rochelle, Baldwin & Townsend, at 111 Congress Avenue, Suite 1800, Austin, Texas 78701.

5.

This resolution shall become effective immediately upon adoption.

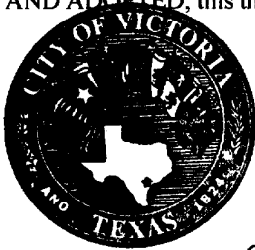
PASSED, this the 31st day of August, 2004.

AYES: 6

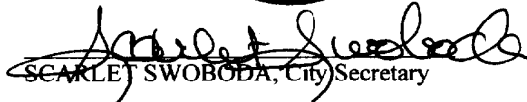
NAYS: 0

ABSTENTIONS: 0


APPROVED AND ADOPTED, this the 31st day of August, 2004.



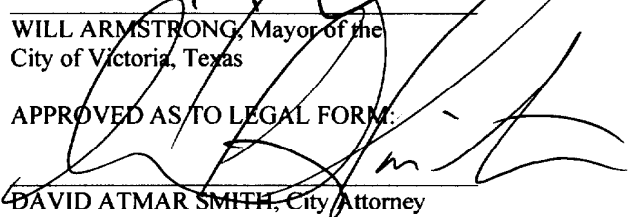
ATTEST:


SCARLET SWOBODA, City Secretary

Distribution: Legal Department



WILL ARMSTRONG, Mayor of the
City of Victoria, Texas



APPROVED AS TO LEGAL FORM:
DAVID ATMAR SMITH, City Attorney

Copies Sent: SEPTEMBER 1, 2004