

RESOLUTION NO. 2005- 157 R

A resolution endorsing the South Texas Aggregation Project, Inc.'s (STAP's) commitment to a Letter of Intent to enter into negotiations for a Capacity Contract with the owner of coal (including Texas Lignite) generation to supply the base load electric power needs (approximately 55%-60% of total energy needs) for STAP members over a 10-year period, subject to later approval by the City, endorsing STAP's proposed issuance of bonds to secure funding for said contract, and ratifying STAP's efforts to secure base load electric capacity for a 10-year period; 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 members in the competitive retail market, and said membership has resulted in average annual energy savings over 20% off of the Public Utility Commission ("PUC") approved price to beat; and

All retail power bids from various Retail Electric Providers (REPs) in the deregulated electric retail market have been directly linked to natural gas future prices; and

Natural gas prices have been extremely volatile and have caused substantial increases in the price of electricity paid by the City; and

STAP is in the process of negotiating a 10-year capacity supply contract for the city's base load electric needs (approximately 55% of the city's total electric energy needs) for a fixed price that should provide considerable economic benefit and greater price stability in comparison to traditional energy contracts with REPs; and

Coal-fired capacity in Texas available to retail load is scarce and the situation giving rise to the Letter of Intent reflects a unique opportunity for STAP members to increase savings and reduce electric price volatility; and

The owner of the coal capacity needs a letter of intent by the end of September 2005 and desires completion of a contract by December 31, 2005.

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

1.

The efforts of the STAP Board to secure coal capacity for the City of Victoria's base load electric capacity needs for a fixed price for a 10-year period commencing between the 4th quarter of 2007 and the 3rd quarter of 2008 are hereby ratified.

2.

The City of Victoria endorses the STAP Board committing to a letter of intent to contract for coal capacity with the understanding that: (1) STAP will provide proof of economic benefit of coal capacity and energy from a coal and gas mix in comparison to exclusive reliance on energy priced on 100% gas generation coupled with a conservative forecast of natural gas prices; (2) the City of Victoria will have an opportunity to review and approve or reject a 10-year contractual agreement to supply all the city's power needs; and (3) STAP will issue bonds to secure funding of amounts necessary to prepay the capacity portion of the coal supply contract.

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This resolution shall become effective immediately upon adoption.


PASSED, this the 20th day of September, 2005.

AYES: 7

NAYS: 0

ABSTENTIONS: 0

APPROVED AND ADOPTED, this the 20th day of September, 2005.


WILL ARMSTRONG, Mayor of the
City of Victoria, Texas

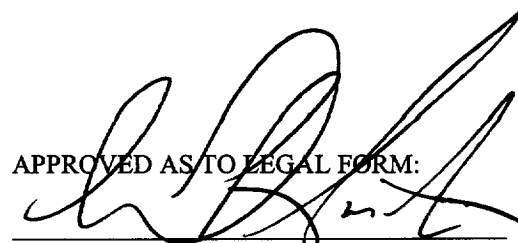
ATTEST:


SCARLET SWOBODA, City Secretary

Distribution: Legal Department



APPROVED AS TO LEGAL FORM:


DAVID ATMAR SMITH, City Attorney

Copies Sent: SEPTEMBER 26, 2005