



# City of Benbrook

## CITY COUNCIL COMMUNICATION

DATE: 03/05/2020	REFERENCE NUMBER: G-2457	SUBJECT: Adopt Resolution authorizing participation in Texas Coalition for Affordable Power (TCAP) Strategic Hedging Program (SHP)	PAGE: 1 of 2
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The City of Benbrook is a member of the Texas Coalition for Affordable Power, Inc. (TCAP), a nonprofit, political subdivision corporation, owned and controlled by its 171 political subdivision members, the vast majority of whom are cities. TCAP was formed in 2011 and is governed by a 15-member board of directors, all of whom must be city employees or elected city officials.

In addition to assisting with regulatory issues, TCAP negotiates the purchase of wholesale electricity on behalf of its member political subdivisions. The collective (and significant) electricity consumption of the coalition leverages superior pricing compared to individual political subdivisions seeking market pricing on their own.

The TCAP Board and its consultants have developed a new procurement strategy known as the Strategic Hedging Program (SHP). Under the program, TCAP will purchase power two years in advance of delivery on behalf of its members via a series of monthly competitive auctions. This creates greater flexibility and optionality in addressing market volatility and lower prices. SHP should eliminate risk premiums associated with multi-year power contracts, and therefore, result in prices that are never “out-of-market.” Also, SHP allows the opportunity on an annual basis to switch to a fixed-price, fixed-term agreement like the current contract. Power purchases will commence next January 2021 for consumption to begin January, 2023.

Even though TCAP will go out to the wholesale market for energy purchases, Texas Law requires that TCAP use a retail electric provider (REP) for billing services. Gexa Energy was chosen by the TCAP Board through an RFP process for that function. Gexa Energy has no role in the wholesale energy procurement process. This works in TCAP members favor because if TCAP is not happy with the REP (billing, customer service), it can switch REPs’ without changing the energy provider or energy rate.

### Action Requested from TCAP Members

City Council must adopt a resolution that authorizes participation in TCAP’s future procurement process. The resolution authorizes the City Manager to sign two agreements necessary for participation in SHP. The first is a Professional Services Agreement (“PSA”) which authorizes TCAP to purchase power for TCAP members and defines services provided by TCAP to members. The second is a Commercial Electric Services Agreement (“CESA”) that facilitates the SHP relationship between TCAP members and TCAP’s designated Retail Electric Provider (“REP”).

SUBMITTED BY:	DISPOSITION BY COUNCIL: <input type="checkbox"/> APPROVED <input type="checkbox"/> OTHER (DESCRIBE)	PROCESSED BY:
		CITY SECRETARY
CITY MANAGER		DATE:

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**RECOMMENDATION**

Staff recommends that City Council adopt a resolution authorizing participation in the Strategic Hedging Program by entering into TCAP's Professional Services Agreement and GEXA Energy's Commercial Electric Service Agreement for power to be provided on and after January 1, 2023.