

RESOLUTION NO. 26-2005

APPROVAL OF CITIES AGGREGATION POWER PROJECT'S  
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 CAPP MEMBERS OVER A 10-YEAR PERIOD

WHEREAS, the City of Abilene ("City") is a member of Cities Aggregation Power Project, Inc. ("CAPP") and said membership has resulted in average annual energy savings over 20% off of the Public Utility Commission ("PUC") approved price to beat; and

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

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

WHEREAS, CAPP 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

WHEREAS, 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 CAPP members to increase savings and reduce electric price volatility; and

WHEREAS, 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; now therefore

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ABILENE THAT:

1. The efforts of the CAPP Board to secure coal capacity for the City of Abilene's base load electric capacity needs for a fixed price for a 10-year period commencing in the 4<sup>th</sup> quarter of 2007 are hereby ratified.

2. The City of Abilene endorses the CAPP Board committing to a letter of intent to contract for coal capacity with the understanding that: (1) CAPP 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 Abilene 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) CAPP will issue bonds to secure funding of amounts necessary to prepay the capacity portion of the coal supply contract.

Signed and effective this 22nd day of September, 2005.

ATTEST:

  
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City Secretary

  
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Mayor

APPROVED:

  
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City Attorney