



Texas Public Power Association

TPPA Update

TPPA Marketing & Customer Service
Conference

March 6, 2018

Walt Baum, Executive Director, TPPA

**Public power DELIVERS an essential service.
Public power PRODUCES community value.**



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72 MOUs provide power to 4.1 million Texans. Many have been serving their communities for over 50 years.

MOUs are infrastructure based “full service” electric utilities that own poles and wires and often power plants.

Local authorities set MOU rates and policies that are responsive to community priorities. Our proceeds stay in the community helping to keep taxes lower.

TPPA is also proud to represent certain Joint Actions Agencies, River Authorities and Co-ops



72 MOUs in Texas



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<u>Municipally Owned Electric Utilities</u>		
Bartlett	Floydada	Lubbock
Bastrop	Fredericksburg	Luling
Bellville	Garland	Mason
Boerne	Georgetown	Moulton
Bowie	Giddings	New Braunfels Utilities
Brady	Goldsmith	Newton
Brenham	Goldthwaite	Robstown
Bridgeport	Gonzales	San Antonio CPS
Brownfield	Granbury	San Augustine
Brownsville PUB	Greenville (GEUS)	San Marcos
Bryan Texas Utilities	Hallettsville	San Saba
Burnet	Hearne	Sanger
City of Austin Energy	Hemphill	Schulenburg
Caldwell	Hempstead	Seguin
Castroville	Hondo	Seymour
Coleman	Jasper	Shiner
College Station	Kerrville PUB	Smithville
Cuero	Kirbyville	Timpson
Denton	La Grange	Tulia
Electra	Lampasas	Waelder
Farmersville	Lexington	Weatherford
Flatonia	Liberty	Weimar
Floresville	Livingston	Whitesboro
	Llano	Yoakum
	Lockhart	

Community Owned and Locally Driven



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The public power business model is locally governed, serves the interests of its customers and is dedicated to delivering the highest quality of service to its community.

- **MISSION:** Reasonable rates and community value. Utility policies that are responsive to community priorities.
- **GOVERNANCE:**
 - Local governance by elected city councils and also citizen boards, both accountable to citizen/ratepayers.
 - Extensive public participation in the local utility governance process.
 - Limited PUC regulation (for transmission costs, appeals, statewide market and reliability matters via ERCOT)
- **INFRASTRUCTURE-BASED:** MOUs own and operate utility infrastructure, including power plants and/or electric lines.
- **RATES:** Set locally, stable and more predictable due to diverse fuel sources (gas, coal, nuclear, wind, solar)
- **SERVICE QUALITY:** Reliable, local, and consumer-friendly
- **FINANCE:** Funded by utility revenues, not taxes.
- **UTILITY PROCEEDS:** Proceeds stay in the community. A portion of MOU revenues support general municipal services like public safety, roads, parks, and libraries community services.

Interim Charge on Competition



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Senate Business and Commerce—Hearing May 1st

Free Market Electricity—Examine the competitive nature of the Texas retail electric system and what government competitive intrusions in the free energy markets may have in distorting those markets. Review the impact of competitive versus noncompetitive retail electricity markets across the state in terms of price and reliability. Consider the projected impact of establishing competitive electric retail markets statewide.

Impacts Co-ops, Munis

Members of Committee: Sen. Kelly Hancock, Sen. Brandon Creighton, *Sen. Donna Campbell, Sen. Craig Estes, Sen. Robert Nichols, Sen. Charles Schwertner, Sen. Larry Taylor, Sen. John Whitmire, Sen. Judith Zaffirini*

ERCOT Reserve Margins dropping



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**Will Texans see sky-high electric bills this summer? Grid operator sends dire warning—
San Antonio Express News, others 5/3**

ERCOT braces for summer of lower power reserves—Houston Chronicle 5/1

Grid operator predicts record-breaking peak demand this summer—ERCOT 5/1

Coal plant retirements leading to tighter generation margins

Legislators are nervous about reliability, chances of high power prices

Senate Business And Commerce Committee also hearing testimony from ERCOT, PUC, others on May 1.

MOU's play an important role in Texas Wholesale Power Markets



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MOUs are essential in providing stability and reliability to the Texas electricity market.

- MOUs provide reliability because they can enter into long term contracts that enable them to develop generation resources.
- MOUs provide stability to the ERCOT market due to its known customer base and resulting long term purchase power with generators.
- MOU rates have been, and continue to be, among the most stable in the industry.

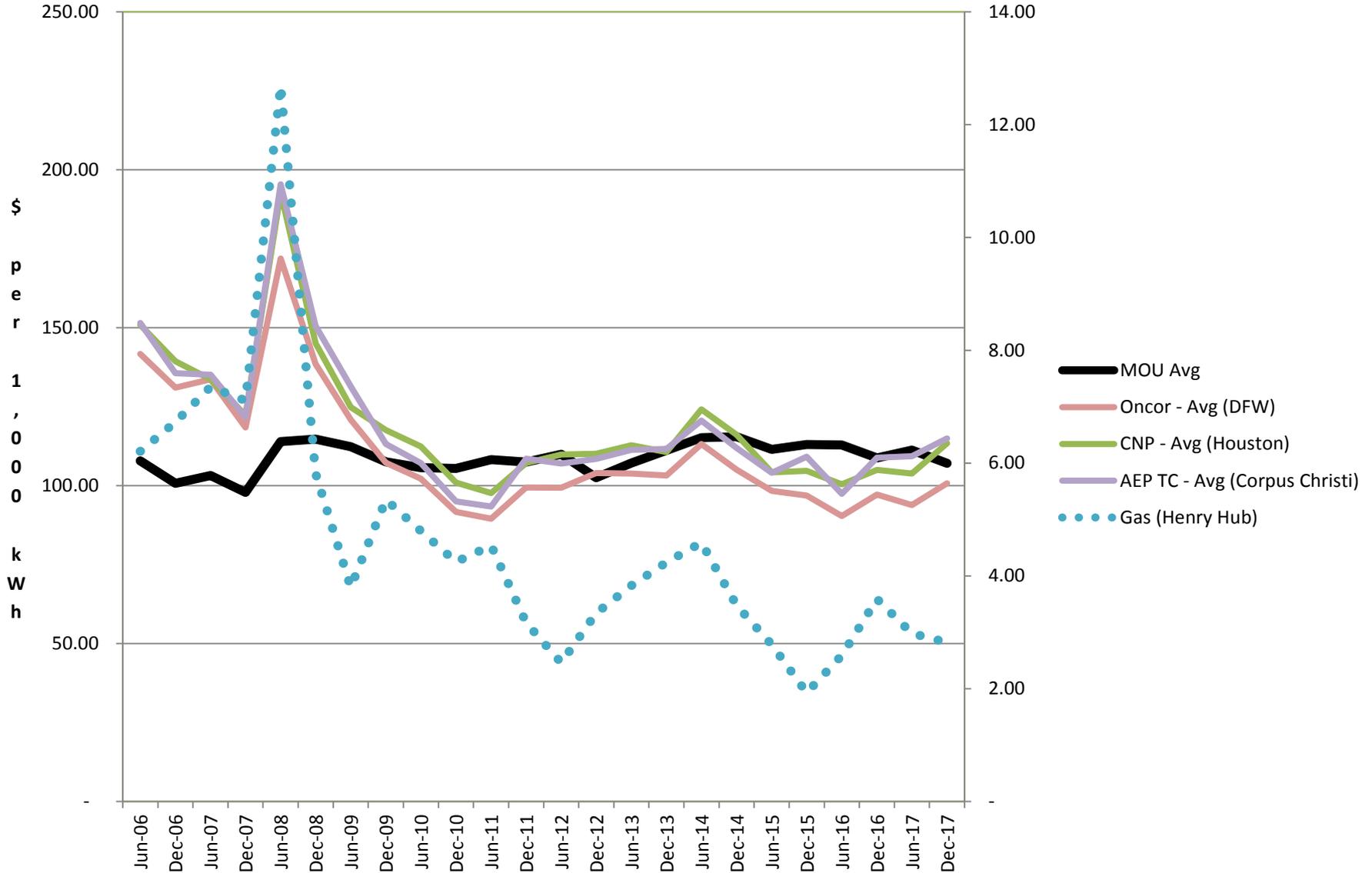
MOUs play a strong role in a competitive ERCOT Wholesale Market

- MOUs maintain an “obligation to serve all customers”
- MOUs invest in Texas, including power plants, because of known customer base and strong bond ratings.
- MOUs provide resources that assist with the reliability of the ERCOT grid



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Electric Rates Track Fuel Prices -Gas Is Key Driver-



Lubbock moving to ERCOT

Lubbock moving to Competition?



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Lubbock asking the PUC to determine that it is in their public interest to transition 70% of their load into ERCOT. Would entail building new transmission to physically connect them into ERCOT grid.

The key benefit for LP&L is access to economical and reliable wholesale power options that are not available to them in the SPP. As part of the stakeholder settlement, LP&L intends to exercise its right to opt-in to retail competition for the affected load as soon as practicable.

Lubbock is unique for several reasons—

- *History of competition in their service territory*
- *Will be entering into ERCOT with no long term power supply contracts or obligations*

We believe that the existing statute is appropriate. It allows the governing body of the MOU to transition into competition if they feel it is best for their community. Decision should be left at local level.

Interim Charges Harvey



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House State Affairs—

Evaluate the response of the electric utility industry to Hurricane Harvey. Determine whether current rules and regulations hinder effective response to natural disasters in areas within the Electric Reliability Council of Texas (ERCOT) and outside ERCOT. Evaluate policy initiatives, best practices and the effects of expanding distributed generation in order to restore power, critical services, and infrastructure in areas impacted by a natural disaster. Study the impact of expanded distributed generation and advanced technology deployment on wholesale electric power prices and their impact on ratepayers.

Senate Business and Commerce—hearing November 1st

Study infrastructure security and energy restoration post weather events. Identify ways state government entities can help utilities more effectively stage pre-hurricane mobilization crews for managing resources before an event.

Leadership Change Will Dominate House



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Speaker Straus' announcement that he is not running for reelection has set off the first wide open Speaker's race since 1992.

Republicans currently hold 95 seats and Democrats hold 55 seats. D's likely to pick up several seats in the November 2018 elections but not nearly enough for majority.

Speaker's race not expected to be decided until after November 2018.

2 Republican members (Rep. Phil King, Weatherford and Rep. John Zerwas, Richmond) have filed to run for Speaker. Several more members expected to also announce.

Chairman Byron Cook (State Affairs) has also announced he isn't running.

New Speaker will lead to all new Chairs of Committees.

Governor's involvement in House/Senate races

Senate expected to be more stable than House



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Senators up for Election in 2018:

Paul Bettencourt

Konni Burton

Donna Campbell

Craig Estes

Bob Hall

Kelly Hancock

Don Huffines

Joan Huffman

Robert Nichols

Charles Schwertner

Kel Seliger

Kirk Watson

Royce West

John Whitmire

One Open Seat: Van Taylor not running. Philip Huffines vs. Angela Paxton



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Questions?

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