

MEMORANDUM

TO: Cities Involved In PUC Rate Matters

FROM: Geoffrey M. Gay

DATE: February 6, 2001

RE: Potential Cities Aggregation Efforts

Request For Load Data

This memo is directed to client cities (or others that learn of this project and wish to participate) interested in evaluating the prospects of a statewide aggregation project for the electrical load of municipal facilities. Pursuant to the approval of the Steering Committee of Cities Served by TXU, I am soliciting city load data for use in preliminary discussions with independent power producers. The non-bypassable charges that retail electric providers must pay to transmission and distribution (T&D) utilities will not be known until the Public Utility Commission (PUC) sets T&D rates at the end of March or early April. However, if Cities are going to react to emerging markets for electricity in a prudent manner it is necessary to maximize knowledge of potential opportunities as quickly as possible. My goal is to gather as much load data from as many municipalities as possible by February 16, one week from this Friday. That information will be turned over to several independent power producers or marketers who have the potential to serve a statewide municipal facilities electric load market. By the end of February I would like for the selected entities to be able to discuss with me and a committee of city representatives:

1. Market structure;
2. Opportunities and constraints regarding a statewide aggregation project and regional city aggregation projects;
3. Whether city load is sufficiently diverse to provide cost savings without the involvement of potentially higher load factor political subdivisions;
4. What additional information from cities will be necessary before structuring a bid;

5. Timing, structure and procedure related to potential requests for proposals;
6. The administrative role that would need to be assumed by aggregating cities;
7. Other items of interest to Cities.

I encourage your prompt participation in this effort. The time devoted to gathering the load data I am requesting will be necessary at some point prior to your city's meaningful involvement in the deregulated electric market. I am not asking you to hire consultants or pay any fees regarding this effort, at this point in time. The cities that participate will be updated regarding opportunities and conclusions reached. **THIS IS A REQUEST FOR AVAILABLE INFORMATION FROM CITY FILES.** Please provide for calendar years 1999 and 2000 electric energy consumption (and demand data, if known) and cost by account on a monthly basis. A suggested format is attached. Responses in electronic format are preferred, but information that is faxed or mailed will be acceptable. My email address is ggay@lglawfirm.com My fax number is 512-472-0532. Also, if possible, please mail a copy of actual bills for each account during the calendar year 2000.

The cities in North Texas have authorized the creation of a political subdivision non-profit corporation to be known as Cities Aggregation Power Project, Inc. Cities from around the state will be welcome to join. Additional information will be provided in future communication. The purpose of this request is to explore the viability of and potential cost savings associated with a statewide effort to aggregate cities' electric load.

**HYPOTHETICAL ILLUSTRATION OF
LOAD DATA FORMAT**

Month

Accounts
(by function
if known)

Consumption

Demand
(if known)

Bill

Water/Wastewater

Acct. No. 67541

Acct. No. 0007

Acct. No. 11112

Outdoor Lighting

Acct. No. 2223

Acct. No. 5566

Acct. No. 2224

Office Buildings

Acct. No. 33433

Acct. No. 99976

NOTE:

The functional grouping of accounts is illustrative. Use your best judgment as to appropriate groupings.

If accounts have demand meters or if you have demand estimates, please provide that information. However, it is recognized that most Cities will not have that information.