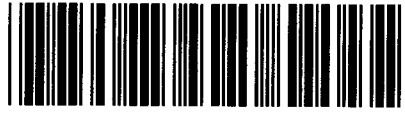


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PUC PROJECT NO. 40268

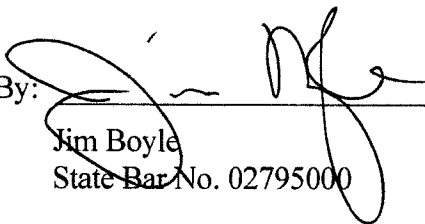
PUC RULEMAKING TO AMEND PUC SUBST. R. § 25.505, RELATING TO RESOURCE ADEQUACY IN THE ELECTRIC RELIABILITY COUNCIL OF TEXAS	§ § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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GREENVILLE ELECTRIC UTILITY SYSTEM ("GEUS")  
PREFERENCE REGARDING POLICY OPTIONS

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Respectfully submitted,

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By:   
Jim Boyle  
State Bar No. 02795000

**ATTORNEY FOR GEUS**

October 23, 2012

342

Resolution 13-05

**A RESOLUTION OF THE GREENVILLE ELECTRIC UTILITY SYSTEM  
RECOMMENDING THAT THE PUBLIC UTILITY COMMISSION OF TEXAS  
ENACT OPTION #2, A TEXAS CAPACITY MARKET OF THE BRATTLE REPORT WHICH RECOMMENDS  
ADDRESSING RESOURCE ADEQUACY REQUIREMENTS WITH CENTRALIZED FORWARD  
CAPACITY MARKET AND OFFERS THE MOST RELIABLE, EFFICIENT, AND TRANSPARENT  
SOLUTION TO LONG-TERM RESOURCE ADEQUACY**

Whereas, the City of Greenville owns a utility system that provides electricity to the customers in its certificated area; and

Whereas, the citizens of the City of Greenville approved a charter amendment which provides for the operation of the Municipally Owned Utility ("MOU") as a separate and distinct instrumentality of the City of Greenville with an autonomous Board of Trustees ("Board") appointed by the City Council; and

Whereas, the City of Greenville Electric Utility System, by and through its Board, is authorized to conduct all the business of the MOU for the City of Greenville; and

Whereas, the City of Greenville Electric Utility System (GEUS) is a market participant within the Energy Reliability Council of Texas ("ERCOT") system and functions as Load Serving Entity, Resource Owner/Operator, and Transmission Owner/Operator; and

Whereas, GEUS, as a market participant within the ERCOT system and as a Load Serving Entity, Resource Owner/Operation and Transmission Owner/Operator, has standing to participate in the proceedings of and before the Public Utility Commission of Texas ("PUC"); and

Whereas, the PUC is soliciting comments from market participants and the public in advance of a workshop in Project No. 40000, *Commission Proceeding to Ensure Resource Adequacy in Texas*; and

Whereas, GEUS has a justiciable interest in resource adequacy in the State of Texas and in any and all proceedings before the PUC in relation to Project No. 40000; and

Whereas, the GEUS Board, as the governing body for GEUS, has reviewed the policy options before the PUC; and

Whereas, the GEUS has determined that it is in the best interest of GEUS, the City of Greenville, the customers it serves in its certificated area to offer comments on Project No. 40000; and

Whereas, it is apparent from the recent history and from the conclusions of the Brattle Report that changes must be made to incentivize new generation development; and

Whereas, reliable electric service is important to the State of Texas and the City of Greenville for economic development and for health and safety of its citizens; and

Whereas, it is quite possible that ERCOT's Capacity Demand and Reserve forecast does not adequately address the likely retirements of aging generating resources due to environmental challenges and other circumstances faced by older plants; and

Whereas, GEUS is aware of a local generation development project that is "shovel ready" – having secured preliminary engineering design, land, air permits, transmission interconnection agreements, and that can be constructed and placed in service relatively quickly - but does not presently have a sufficiently reliable forward looking revenue stream to secure investment necessary for development; and

Whereas, projects like the shovel ready local generation development project in the GEUS area must be built to support forecasted load growth for new businesses that are choosing to locate and expand in Texas and to replace generating resources that are likely to be retired in the near future; and

Whereas, after review of the Composite Policy Options under consideration, it appears that Composite Option #2, A Texas Capacity Market is the option that offers the most reliable, efficient, and transparent solution to long-term resource adequacy.

Now, therefore, be it resolved by the Board of Trustees of the City of Greenville Electric Utility System:

Section 1. That the Board of Trustees of the City of Greenville Electric Utility System recommends that the PUC take expeditious action to approve and enact Composite Option #2, A Texas Capacity Market in the Brattle Report update filed on October 19, 2012 and authorize its fulfillment in all things.

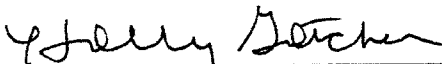
Section 2. That the opinion of the Board of Trustees of the City of Greenville Electric Utility System is that Option #1, Energy-Only with Support for DR may improve reserves going forward, but Demand Response potential is uncertain and the reserve margin will likewise be uncertain. Further, increased volatility coupled with higher market price caps increases risks to both resources and loads and may lead to significant credit risks, possible bankruptcies, and uplifts to market participants that make this option unattractive.

Section 3. It is the conclusion of the Board of Trustees of the City of Greenville Electric Utility System that it is imperative that the market design provide long term incentives for new resources and that Composite Option #2, Texas Capacity Market as set out in the Brattle Report update is the best option and that the PUC should implement this Option as soon as practicable.


SIGNED AND ENTERED this the 22<sup>ND</sup> day of October, 2012.

  
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DAVID DREILING, Chairman

ATTESTED:

  
\_\_\_\_\_  
HOLLY H. GOTCHER, Secretary

Approved as to Form:

  
\_\_\_\_\_  
David McCalla, General Manager

  
\_\_\_\_\_  
Leah A. Curtis, System Attorney