

MINUTES
PUBLIC UTILITIES BOARD

Monday, September 11, 2017

9:00a.m.

City Council Work Session Room

After determining that a quorum of the Public Utilities Board of the City of Denton, Texas is present, the Chair of the Public Utilities Board will thereafter convene into an open meeting on Monday, September 11, 2017 at 9:00a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas.

Present: Chair Randy Robinson, Vice Chair Susan Parker, Charles Jackson, Brendan Carroll, Lilia Bynum, Allen Bishop and Deb Armintor

Ex Officio

Members: Todd Hileman, CM and Mario Canizares, ACM

OPEN MEETING

WORK SESSION

A. PUB17-179 – Receive a report, hold a discussion, and give staff direction regarding the Resource Planning and Power Supply Strategy for Denton Municipal Electric being conducted by Enterprise Risk Consulting.

Bryan Langley introduced the consultants and stated this is the first of two phases, hope to be complete by mid-October. The second part is the contract to present for consideration.

Larry Lawrence, President and Neil McAndrews, Senior Principal, of the Enterprise Risk Consulting (ERC) was present and gave the presentation. Lawrence talked about the scope of work, what was expected and additional analysis that will be completed. He spoke about Enterprise Risk Consulting which is a consulting firm specializing in energy trading and risk management. The three consultants that is working on this project has over 90 years of combined experience in the energy industry. Substantial experience in energy consulting for many public power entities, commercial utilities, and power and natural gas marketers.

Lawrence talked about ERC and how the City of Georgetown is a good benchmark. McAndrews spoke of The City of Georgetown's supply goals and how they ended up being 100 percent renewable.

Lawrence then talked about the ERC Project for the City of Denton and the expected essential findings. DME will need to develop forecasting and congesting management processes to fully integrate renewables into the supply portfolio.

McAndrews spoke about the first principles in designing and managing a portfolio of renewable resources. ERCOT is an 'energy only' market. Both talked about the supply outcome and showed graphs for illustration.

McAndrews spoke about the Denton Energy Center and how it may be used. Initial models of the price suggest that the DEC is likely to have excess capacity for most of the year. Under some prospective coal retirement schedules, the DEC capacity factor may be higher, but this is very uncertain. In either case it may be an opportunity to sell excess DEC potential production on a seasonal basis to capture additional revenue to pay debt service. Because most 70 percent to 100 percent renewables portfolios produce too much renewable production during the spring and fall

season, it may be beneficial to sell excess renewable power during these periods using the DEC to firm the transaction. Another way of enhancing the DEC is to sell options on some of its excess production.

There was discussion and questions by the Board Members.

The path to least cost and maximum renewables was detailed that included the least cost, diversification, renewable goal and a Monte Carlo simulation models scenarios and distribution of outcomes with different portfolio mixes.

The anticipated recommendations for the Renewable Plan has a delivery date of October 16.

Those recommendations are:

- Purchase additional wind with lower correlation to current wind supplies to better complete the supply hedge and achieve greater diversification.
- Purchase solar at two or more additional locations to improve aggregate reliability.
- Thirty percent of the load purchased with sort to intermediate term solar and wind contracts (two to five years).
- Avoid known congestion areas, emphasize 345 kV interconnections.
- Expected prices for renewables in the mid \$20s per MWh.
- We will propose variety of alternatives for maximizing the value of the DEC, including how to dispose of prospective excess production potential.

ERC Project, Phase II scope of work will assist Denton in revising an RFP for renewable energy resources, and in drafting an additional RFP if necessary, and will assist in analyzing the responses to renewable energy RFPs. The time line is October 2017 to the first quarter of 2018.

There was discussion and questions by the Board Members.

B. PUB17-188 – Receive a report, hold a discussion, and give staff direction regarding the Energy Management Organizational Financial Review conducted by Deloitte.

Bryan Langley introduced Steve Engler and Tim Mets from Deloitte Consulting. This group will perform a financial review regarding the DME EMO Cost Savings.

Engler talked about the background of DME EMO and reported there are cost savings. There was a high level assessment that was performed. The model validation and savings calculation re-performance was shown on a table.

The heat rate was defined and explained how calculations vary depending on the heat rate used. They showed benchmark cost analysis on graphs and tables to demonstrate the calculations.

For the EMO Cost, D&T reviewed the costs associated with running the EMO and focused on assessing the existence and/or absence of particular elements that are typically present in prevalent utility risk management programs.

In summary the model validation and calculation re-performance identified only small differences in the cost savings as reports by DME and re-performed independently by Deloitte & Touche LLP.

Recommended next steps include FY2017 benchmark analysis, risk profile and hedge strategy assessment and EMO risk assessment.

Board Members asked questions and there was discussion.

Susan Parker left the meeting at 10:30am at the end of this item.

CONSENT AGENDA

- A. PUB17-168 – Consider recommending adoption of an ordinance of the City of Denton authorizing the City Manager, or designee, to execute generation credit rate agreements with electric utility customers owning renewable energy generating systems larger than 50 kW as needed; and providing an effective date.**

Board Member Carroll pulled this item for questions. Jessica Rogers energy services manager was available for questions. Carroll asked if this item is for the larger commercial installations. Also this is for a new ordinance, since we didn't have one.

Rogers answered during her presentation at the last meeting she stated she would bring an item back for larger commercial installations. This enables DME to enter into a rate agreement and it will be the same as residential installations.

Amintor verified that this is for large installations and will be handled case by case. Rogers agreed.

Chair Robinson stated this is authorizing the City Manager to sign the agreement. Armintor is not in favor of City Manager signing only.

Robinson likes the ability to have a quicker answer for customers and that standards are set.

Board Member Carroll motioned approval with a second by Board Member Bishop. Vote 5-1 approved.

- B. PUB17-172 – Consider recommending an ordinance authorizing the City Manager of the City of Denton, Texas (“City”) to execute, for and on behalf of the City, an Easement Grant and Abandonment Agreement (“Agreement”), as attached thereto and made a part thereof as Exhibit “A”, by and between the City and JNJ Prominence Square, LP (“Landowner”), providing for (I) the grant to the City of three (3) Sanitary Sewer Easements, encumbering a 0.545 acre tract, a 0.414 acre tract and a 0.132 acre tract being more particularly described in the Sanitary Sewer Easements, being attached to and made a part of the Agreement; and (II) two (2) Temporary Construction Easements encumbering a 0.570 acre tract of land and a 0.417 acre tract of land being more particularly described in the Temporary Construction Easements, being attached to and made a part of the Agreement; and (III) the Abandonment and Release by the City of that certain Sanitary Sewer Easement, dated on November 9, 1972, from 288 Junction to the City, recorded in Volume 659, Page 569, Deed Records, Denton County, Texas, and the Abandonment and Release of a portion of that certain Public Utility Easement, dated November 6, 1997 from 288 Junction to the City, recorded as Document Number 97-082593, Real Property Records, Denton County, Texas, all tracts of real property being situated in the William Lloyd Survey, Abstract No. 774 and the M.E.P. & P.R.R. Survey, Abstract 1469, generally located in the 1400 block of North Loop 288; and (IV) the construction by the City of Denton of approximately 383 linear feet of 15-inch sanitary sewer line valued at \$58,000 for the benefit of the Landowner; providing a savings clause; and providing an effective date.**

(Cooper Creek I Sanitary Sewer Interceptor project – Parcel 3 - JNJ Prominence Square)

Board Member Bynum motioned approval with a second by Board Member Jackson. Vote 6-0 approved.

C. PUB17-186 – Consider recommending adoption of an ordinance of the City of Denton authorizing the City Manager, or designee, to execute Agreements for Interconnection and Parallel Operation of Distributed Generation as needed; authorizing the expenditure of funds therefor; and providing an effective date.

Board Member Carroll pulled this item and asked if this process is to make it more fluid. Jessica Rogers also answered staff is working to get a solar designation. There were 45 applications this year, if all are brought to this Board and Council there is a burden with schedules and the number continues to grow. This would be detrimental to customers in getting their interconnection agreement. Staff wants to be customer friendly.

Board Member Armintor likes City Manager authorization but does not like some of the language in the agreement.

Board Member Bishop motioned to approve this item. There was a second by Board Member Bynum. Vote 5-1 approved.

ITEMS FOR INDIVIDUAL CONSIDERATION

A. PUB17-184- Consider recommending approval of the Public Utilities Board Meeting minutes of August 14, 2017.

Approved as circulated

B. PUB17-185 - Receive a report, hold a discussion, and provide a recommendation regarding the Solid Waste Department’s landfill mining operation.

Ethan Cox gave this PowerPoint presentation. He started with the potential benefits that include airspace recovery, reducing environmental risks and recovering material revenue. The assumptions and risk factors are processing capacity, landfill composition, material condition and material price volatility.

Cox then showed the benefit analysis from the original to current on a spreadsheet. The current assumptions are:

- Airspace value is a function of material diverted and airspace revenue potential
- Land value is applicable if a land purchase is avoided
- Closure/post-closure costs are only avoided if landfill never closes

The material sales analysis was explained by Cox. The current assumptions are:

- UTA landfill composition research is reliable.
- Market wants clean material; 30-50 percent of material will be degraded
- Tetra Pak and bulky materials are complete unknowns

- Original pro forma revenue = \$44/ton; actual FY 15/16 revenue = \$22/ton

The final proforma was shown on a table with explanation.

Additional Risks & Challenges include:

- Equipment Failure/Replacement
- Environmental Risk
- Health & Safety
- Workforce Loss
- Material Testing and Storage
- Inventory and Logistics

Options & Recommendations

Option 1 is to eliminate landfill mining

Option 2 is to proceed with landfill mining

Board Member Jackson asked when the previous pro forma put together and who did it. Cox unsure who. There were many pro forms the one used for this was March 2017.

Jackson asked if there is environmental monitoring on the clay liner. David Dugger answered there are ground water wells located all the way around the site. There are also methane monitors.

Board Member Bynum if we don't do the landfill mining will we have to do later. Cox stated that there could be a better approach later in a different manner, just not as it has been and the timeline. It would also be a different design.

Board Member Carroll asked if we do nothing can we close the cell per the permit. Cox answered yes we can put waste on top, we would have to add another liner.

Board Member Armintor asked about mining other cells. Cox stated that this one is really the best candidate. Armintor then asked about UTA and the reliability of the information given. Cox does not want to assume they gave bad data just unsure if they there asked to look at it. City Manager Hileman added that the UTA Professor believed the assumptions were too aggressive.

The Board Members like the idea of landfill mining but not worth the money at this point.

There was more discussion on this item.

Board Member Armintor motioned to approve option 1, there was a second by Board Member Jackson. Vote 6-0 approved

C. PUB17-175 – Receive a report, hold a discussion and provide staff direction regarding the Denton Municipal Electric community sponsorship program.

Bryan Langley talked about this item stating that DME currently has \$100,000 budgeted for sponsorships. These funds are typically used for non-profit organizations, and sometimes other city department events. Over the past few years, DME has spent between \$42,000 and \$64,000 on such sponsorships. Other sponsorships for the City require City Council approval. These sponsorships also have an application process, selection criteria and formal agreement that is entered into by the City and other parties. Staff presented information on sponsorships to PUB and Council in August.

The proposed sponsorship policy is to reduce the budget from \$100,000 to \$50,000. No funding given internally to other City Departments. Specific criteria will be required to be met before sponsorships are approved.

There are some industry related organizations such as Texas Lineman Rodeo, Municipal Safety Exchange, etc that will be allowed. Staff recommends any sponsorships over \$2,500 will be presented to PUB and Council for individual review and approval. A list of organizations that receive sponsorships from DME will be given to the PUB and Council on a quarterly basis.

Chair Robinson asked if the amount is set from past uses. Langley answered it is. If more is necessary it can be brought back.

Board Member Carroll stated this is different from residential assistance. Langley agreed.

Board Member Armintor asked if this item has been approved this is just for procedures. Robinson agreed. Hileman added that PUB and Council wanted to continue this sponsorship but wanted procedures set up.

Board Member Bynum motioned to approve this item. There was a second by Board Member Carroll. Vote 5-1 approved.

D. PUB17-169 – Receive a report, hold a discussion, and consider recommending adoption of a resolution approving the FY 2017-18 GreenSense Incentive Program, the GreenSense Incentive Program Manual, and Distributed Generation Manual.

Jessica Rogers presented this item stating the topics for discussion are:

- Sustainable Denton Update

Katheryn Barnett stated the shows the rebates that were handed out last year. There were 461 rebates with most in HVAC.

Board Member Carroll asked how many rebates were received that did not get funding. Barnett answered they had advertised that money was running out so people were not applying as much.

- GreenSense Incentive Program

Rogers stated in 2018 this program will celebrate 20 years. In 1998 it began with EnergySave Program, 2009 GreenSense Rebate Program, 2016 DME Partnered with Sustainability and 2017 GreenSense Incentive Program.

The program consist of free in-home energy audits, energy efficiency rebates, standard offer incentive, engineering audit and services for ERCOT's Emergency Response Service Program.

Rogers stated there was about \$90,000 in solar they were not able to rebate and about \$10,000 in energy efficiency programs that we were not able to rebate. Staff is asking to increase the budget by \$100,000 to add \$90,000 for solar and \$10,000 for energy efficiency programs. Staff is repurposing funds from an existing project so that there will not be an additional funding.

Proposed updates were explained by Rogers and include HVAC rebate change, electric vehicle rebate addition and four coincident peak and spot price curtailment removed.

- Distributed Generation

The definition is any electrical generating facility or asset installed on the customer's side of the meter. The DG process was shown in a flow chart. Staff wants this process to be one stop in one department, which should speed up the process. There will be a DG manual to follow. This is important for the SolSmart Designation.

Board Member Carroll asked if this would cover roof top solar. Rogers agreed it would. Brent Heath added that staff is ready for the new process.

Board Member Armintor asked about the change proposed in the DG Manual regarding the move from DG under 50 kW from a net metering to a tariff system. Rogers added that is not a change, it is the rule today and will not change. That is part of the rate ordinance.

Board Member Carroll motioned to approve this item. There was a second by Board Member Bishop. Vote 6-0 approved.

E. PUB17-178 – Consider recommending approval of the FY 2017-2018 Energy Cost Adjustment (ECA), Renewable Cost Adjustment (RCA), and Transmission Cost Recovery Factor (TCRF).

Jessica Rogers talked about this item stating this has been discussed, just the formal item to pass on to Council.

The purpose and process include the:
Energy Cost Adjustment (ECA)
Renewable Cost Adjustment (RCA)
Transmission Cost Recovery Factor (TCRF)

The current and proposed rates were explained.

Next steps include September 19 – City Council vote on rate ordinance and ECA, RCA & TCRF rate adjustments. The first quarter of FY2018 will return to PUB to discuss.

Board Member Bishop motioned to approve this item. There was a second by Board Member Carroll. Vote 6-0 approved.

F. PUB17-187 – Consider recommending adoption of an ordinance of the City of Denton approving a uniform emergency aid agreement for the provisions of aid by Denton Municipal Electric to other electric utilities in times of weather or natural disaster related emergencies; authorizing the city manager, or designee to execute the aid

agreement as needed and provide notification to Council and Public Utilities Board; authorizing the expenditure of funds therefor; and providing an effective date.

Bryan Langley talked about this stating in the past staff has been dispatched to help in hurricanes or other disasters. Two DME crews have been dispatched to go to Florida to help repair infrastructure. Staff realized there were no set agreements in place that can be signed by the City Manager or designee in these cases. This item is to rectify that.

Board Member Bynum asked if these agreements are reciprocal. Langley answered not on these agreements. Typically a request is made and the cities work out an arrangement.

Board Member Jackson motioned to approve this item. There was a second by Board Member Armintor. Vote 6-0 approved.

G. PUB17-183 - ACM Update

1. News Article
2. Wireless Node Electric Rates
3. Update Fiscal Year 2017-2018 Proposed Budget
4. 3rd Quarter Finance Report
5. Matrix

Matrix no changes

CONCLUDING ITEMS

Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the Public Utilities Board or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.

Carroll - cost regarding DEC – Todd Hileman answered consultant will have report

Armintor - staff presentation 2010-292 Ordinance Right of entry clause prepaid account information

Armintor - why are rates for DME that have discounts go to bigger users and why residential pay higher rate.

Adjournment 12:30 p.m.

Approved on 9/25/17