



**City of Denton
MINUTES
PUBLIC UTILITIES BOARD**

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

Monday, April 9, 2018

9:00am

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, April 9, 2018 at 9:00a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

Board Members: Chair Randy Robinson, Vice Chair Susan Parker, Brendan Carroll, Lilia Bynum, Allen Bishop and Deb Armintor

Ex Officio Members: Bryan Langley, Deputy City Manager and Mario Canizares, Assistant City Manager

Absent: Board Member Charles Jackson and Todd Hileman City Manager

WORK SESSION

A. PUB18-010 - Receive a report, hold a discussion, and give staff direction regarding the location of the Denton Municipal Electric Mayhill Substation Easement.

Ethan Cox stated that DME went through a public input process in the 2013-2015 time frame and a site was selected for a substation that serves the Mayhill area. The site was on the landfill and was approved by this Board and Council at the time. The current staff has located some problems with that site that will be presented and would like direction from this Board

Ethan Cox started the PowerPoint presentation beginning with an overview of the land that is out at the landfill that will be affected by the substation. Solid Waste is currently going through an expansion permit through TCEQ. Public comment is up in spring of this year, approval will be summer of this year. The goal of this permit is to expand the waste capacity for the community for another 50 plus years.

Cox showed an aerial map of the area and explained the impact. Solid Waste would lose two cells and the effects would be felt in three to four others. The land price was \$774,682. Airspace Lost would be 3,340,000 CY which is about \$53 million in financial value. Operational Impact would be an entrance road \$1.7 Million and displace Home Chemical Collection operation. Solid Waste staff recommendation is to explore an alternative substation site.

Cox thanked DME for looking at this.

Chair Robinson clarified that it would impact many of the other cells. Cox agreed and even though those cells wouldn't be affected for about 30 years down the road, it would not be the best decision going forward.

Board Member Carroll asked if in the future the landfill will be one mound. Cox answered the cells are developed one at a time and as the slopes are developed it does become mound like. There was discussion regarding the landfill and height and cells. Carroll stated that if the land was to be used why would we plan on putting a substation there in the beginning.

Bryan Langley stated that staff believes it should not be on the landfill site at all, we are bringing the best analysis at this point forward. There wasn't a good analysis of the site back in 2013 when the initial site was chosen.

Board Member Armintor added that she appreciates staff trying to be transparent, and mitigate past mistakes. She would like to see comparison costs of pulling out of building the road and completing the entrance road.

Brent Heath then gave a presentation regarding the substation background and selection. This was a while ago but no reason to continue this path if it isn't a good one.

The project purpose is to provide needed transmission line diversity and to provide flexibility to enhance distribution system reliability.

The alternate project is based on the value of the Mayhill Substation site to Solid Waste, alternate substation sites were investigated. Five alternate substation site options were reviewed and none were determined to be viable from cost and performance standpoint. As a result a transmission line only option was judged to be preferred to mitigate high transmission loading between Pockrus and Brinker Substations. The estimated CIP cost savings of the transmission only option is approximately \$10 million due to elimination of the substation site.

Heath showed a map of the DME system map. The primary Denton area transmission challenge is to move electric power from the southwest corner of the system to the northeast corner of the system. Heath then showed two more maps of the Mayhill Substation area.

Next steps would be to complete design and easement acquisition for the new transmission only solution. Future considerations would be to perform a study for a future transmission line between Arco and Pockrus substations. Research alternate substation sites southeast and east of the landfill to serve future customer electrical needs in the area.

Armintor is not clear why a substation is necessary in this area. Heath answered the substation allows for additional growth in that areas that are not developed currently.

Robinson asked if this area is dual or single certified. Heath answered in the immediate area it is DME only, on the fringe there are dual certifications with other utilities.

Carroll stated to move forward with the new plan easement acquisition would be needed, was that the same in the previous plan. Heath answered all easement acquisitions are complete with the exception of one property. There was a discussion regarding the transmission lines.

Bishop asked if the alternate plan solves the Mayhill landfill problem. Heath answered the alternate plan removes the Mayhill substation which is in question for cell development. Cox also answered if the substation site is removed they will move on with the permit as is. A long term plan for solid waste is upcoming.

Armintor asked if the funds would be returned to DME for the land purchase. Heath answered it would be transferred back. Langley answered it would come back to PUB and Council for approval.

Robinson asked if a gas insulated substation was looked at. Heath answered it was, of course it is about two and a half the cost would still would need another site.

Carroll asked if we could add the transmission only analysis to the study when looking at new substations. Heath stated at the time in 2013 they were very far behind in substations for the DME system. They did look at future plans that is why that substation was identified. At the time it looked like a good site.

George Morrow added that DME is looking at the entire expansion list of substations. Nothing on the list has been found to not be needed. The timeframes may be adjusted.

DME will come back with a work session regarding the full plan.

Direction is to move forward with the new plan of transmission only.

B. PUB18-022 - Receive a report, hold a discussion, and provide staff direction regarding an update to the existing Denton Municipal Electric - Energy Risk Management Policy.

George Morrow gave the presentation. The Energy Risk Management Policy that DME works under today was adopted by Ordinance in 2014. This was approved by Council March 2014. It describes governance and oversight framework for EMO. The organization has changed, the market has changed and there has been some lessons learned. Deloitte made some recommendations on updating the policy, most of which were agreed upon.

The risk policy is needed to provide clear program objectives and guidelines for how the EMO manages DME's energy portfolio. Provides program governance and oversight for the EMO and provides performance evaluation framework. This also gives a reporting structure for this Board as well as Council.

Energy Management Activities include real time buying and selling of power, balancing the resources to match the load. Long term items include managing auction to acquire new renewable resources. Integrating supply side resources with demand side programs.

Energy Management Organization changes include segregation of duties. The EMO Organizational Chart was included in the presentation. Morrow talked about an employee Phil DiPastena. DiPastena has over 35 years' experience of Risk Management for Electric Utilities. He set up an Enterprise Risk Management Program at ERCOT and managed for many years.

Phil DiPastena talked about the draft risk policy that is being presented today. He went over the highlights.

Section 1 is the program overview. This has the introduction and objectives as well as program goals that have been clarified. Also included is the annual reauthorization of the policy.

Section 2 is the organizational structure. This includes the oversight committees that have been consolidated into the Risk Management Committee. The responsibilities between front and middle office have been clarified.

Section 3 is the risk protocols and exposure control. Diversify credit risk and obtain competitive pricing by establishing relationships with many counterparties.

Section 4 is risk reporting. This is increased communication with PUB/Council.

Appendix A – Risk Exposure and Transaction Limits include greater specificity and key indicators used to control risk.

Appendix C is the Organization Structure that has been updated.

Appendix D is Approved Transaction Types.

DiPastena showed the Deloitte recommendations and described the implementation. There are high, medium and low priorities that were recommended. Some have been implemented already.

Carroll stated sometimes when policies are written they may be shelved and not followed, what is being put into place to make sure this is tracked. Morrow answered this is a living document that has to be signed off by employees. There is daily communication between the front, middle and back office on these policies.

Armintor enquired about the Risk Management Committee. Morrow answered he would chair that committee, the deputy City Manager would also be on that Committee and well as the Director of Finance the Chair of this Board and Legal representation.

Parker added that all the correct people are on that Committee.

Langley stated that staff has done a great job with this and will make sure this is brought back to this Board and Council annually.

Robinson believes this will provide better communication to this Board and Council.

REGULAR MEETING

1. CONSENT AGENDA

- A. PUB18-060** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a Professional Services Agreement with Coleman & Associates Land Surveying, for Landfill Surveying Services as set forth in the contract; providing for the expenditure of funds therefor; and providing an effective date (RFQ 6585- Professional Services Agreement for Landfill Surveying Services awarded to Coleman & Associates Land Surveying, in the three (3) year not-to-exceed amount of \$300,000).
- B. PUB18-061** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a contract through the Buy Board Cooperative Purchasing Network Contract# 515-16 for the purchase of two (2) replacement 2018 model Trench Rollers for the City of Denton Wastewater Collection Department; providing for the expenditure of funds therefor; and providing an effective date (File 6774- awarded to Kirby-Smith Machinery Inc., in the amount of \$63,250).
- C. PUB18-062** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the City Manager to execute a public works contract for the construction of the Denton West lift station and yard piping installation; providing for the expenditure of funds therefore; and providing an effective date (IFB 6720- awarded to WillCo Underground, in the not-to-exceed amount of \$239,500).
- D. PUB18-063** - Consider recommending adoption of an ordinance authorizing the City Manager to surrender to Bloomfield Homes, L.P. that certain irrevocable standby letter of credit dated November 12, 2013, drawn on Texas Capital Bank, N.A. in the amount of \$176,143.93 in which Bloomfield Homes, L.P. is the applicant and the City of Denton, Texas is the beneficiary and further partially releasing Bloomfield Homes, L.P. from financial obligations concerning the construction of water and

wastewater lines included in that certain letter agreement dated December 29, 2000 by and between the City of Denton and Wynne/Jackson Lakes Development, L.P. as a successor in interest; and providing severability and an effective date.

This item was pulled by Board Member Armintor. Armintor would like more information on this item. Fisher explained that this item originated about 16 years ago, Fresh Water Supply District. This was water and wastewater extensions to the development. There were financial guarantees from the original owner and later from the second owner. After the bond period the City no longer needed to maintain the letter of credit. This is a closure of the financial responsibilities.

There was a motion by Board Member Armintor with a second by Board Member Carroll to approve this item. Vote 6-0 approved.

- E. PUB18-064** - Consider recommending adoption of an ordinance of the City of Denton, Texas, a Texas home-rule municipal corporation, authorizing the approval of Change Orders No. 2 and 3 to the contract between the City of Denton and Jagoe-Public Company; providing for the expenditure of funds therefor; and providing an effective date (RFP 6218- Change Orders No. 2 and 3 in the amount of \$99,573.78 for a total contract award aggregating to \$1,571,294.78).

There was a motion by Board Member Parker with a second by Board Member Bynum to approve the consent agenda items A, B, C and E. Vote 6-0 approved.

2. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. PUB18-048** - Consider approval of the Public Utilities Board Meeting minutes of March 26, 2018.

Approved

- B. PUB18-049** - ACM Update:
1. Future Agenda Items
 2. Matrix

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 – Timeline on projects, DME and Solid Waste with information and costs.

Armintor – Water presentation on what they need to keep up with growth and the timeline.
– Staff report on sponsorship procedure where the funds come from

Adjournment: 10:00a.m.

Approved: April 23, 2018