

**MINUTES**  
**PUBLIC UTILITIES BOARD**  
November 9, 2015

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, November 9, 2015 at 9:03 a.m. in the Service Center Training Room at the City of Denton Service Center, 901-A Texas Street, Denton, Texas.

Present: Vice Chair Phil Gallivan, Barbara Russell, Lilia Bynum, Charles Jackson, Brendan Carroll and Susan Parker

Absent: Chair Randy Robinson and George Campbell, City Manager

Ex Officio Members: Howard Martin, ACM Utilities

**OPEN MEETING**

**CONSENT AGENDA**

**A. PUB15-044** Consider recommending a resolution to the City Council of the City of Denton, Texas authorizing the filing and acceptance of a contract with the Solid Waste & Recycling Department (SW&R) and Mill Branch, LLC, for the SW&R to purchase mitigation credits to offset impacts to the Waters of the United States in accordance with the U.S. Army Corps of Engineers Section 404 permit and the Texas Commission on Environmental Section 401 certification requirements, in the preparation, development and submittal of a permit application for lateral expansion and associated services pertaining to the City of Denton Landfill (MSW Permit #1590a); authorizing the expenditure of funds in the stated amount of \$249,690, and providing an effective date.

**Board Member Russell pulled this item and stated this Board hasn't seen anything like this before and how this works.** Kemler answered Solid Waste doesn't work with the Corp of Engineers very often but with the use of mitigation credits it isn't uncommon. In the early 1990's the rules at the Federal level and State level improved considerably to provide more protection for the environment on how landfills are designed, built and operated. The original 32 acre landfill site that was on the 200 property that solid waste owned was expanded for the landfill that operates today. Out of the 200 plus acres, 150 is the footprint for the landfill. The land use of these properties were primarily agricultural in nature. Several storm water drainage conveyances on this property drained into Pecan Creek. In the mid-section of our future landfill site was a small intermittent stream that drained into another stream segment that ultimately drained into Pecan Creek. The drainage from this area was replaced with two new drainage conveyances along the perimeter of the landfill which then drained back into the same stream segment that fed into Pecan Creek. The City received authorization in 1995 to fill the abandoned intermittent stream under Nationwide Permit number 26. That authorization had expired. Upon conducting a review of the existing site and its permit, as part of our development of a permit amendment to expand the landfill, it was discovered that not all of the stream had been removed

(1776 feet). The US Army Corps of Engineers was contacted to begin the process to obtain a new authorization to complete the work. The public notice and comment component of the process is complete. The permit will be issued upon the completion of the payment of mitigation bank credits. **Gallivan asked about the concept of mitigation credits. Is this a penalty.** Kemler answered that the requirements are such that there is a choice to acquire land and put in mitigation or make improvements to an existing watershed with the same characteristics.

**Board Member Russell motioned to approve this item with a second from Board Member Jackson. Vote 6-0.**

**B. PUB15-050** Consider a recommendation for the City of Denton to enter into a contract with Canary Construction Incorporated, Coppell, Texas, in the amount of \$114,442 for the installation of approximately 1,126 feet of 8" sanitary sewer line and 530 feet of 2" water line. (RFP 5911).

**Board Member Russell pulled this item to ask about the trench safety which seems to be at \$2.00 on the bid tab sheet, what would the liability be for the City.** Kemler answered if the company owns the equipment and does not have to rent, it would be inexpensive. Howard Martin answered the liability would be the same, it does not relieve them of the responsibility.

**Board Member Russell motioned to approve this item with a second from Board Member Parker. Vote 6-0**

**C. PUB15-051** Consider recommendation of an ordinance accepting competitive proposals and awarding a contract for fraud prevention, credit risk assessment, and debt recovery solutions, providing for the expenditure of funds therefor; and providing an effective date (RFP 5890 - awarded to ONLINE Information Services, Inc., dba the ONLINE Utility Exchange, in the three (3) year not-to-exceed amount of \$250,000).

**Board Member Parker asked if this is the first time the City has used anything like this for fraud protection.** Ethan Cox responded that the City has used this vendor since 2008 that was the first of the fraud prevention and identity theft. This is fairly new, in the back up there is a reference to the Federal Legislation that was the impetus for a lot of utilities and banks to seek out these types of solutions.

**Board Member Parker motioned to approve this item with a second from Board Member Bynum. Vote 6-0.**

**D. PUB15-052** Consider recommending adoption of an ordinance of the City of Denton, Texas authorizing the approval of a second Amendment to a fueling service contract with Ultimate CNG, LLC for the purchase of temporary mobile compressed natural gas (CNG); providing for the expenditure of funds for up to two years in the amount of \$1,300,000, with a total contract amount not to exceed \$1,895,000; and providing an effective date. (File 5464)

- E. PUB15-053** Consider the recommendation of an ordinance of the City of Denton authorizing the City Manager or his designee to execute a contract through the Houston-Galveston Area Council of Governments (H-GAC) Cooperative Purchasing Program for the acquisition one (1) rear loader refuse body for Solid Waste Department; and providing an effective date (File 5979- Purchase of one (1) refuse body from McNeilus Manufacturing for \$78,148).
- F. PUB15-054** Consider recommending adoption of an ordinance of the City of Denton authorizing the City Manager or his designee to execute a contract through the Buy Board Cooperative Purchasing Network for the acquisition of two (2) flushing trucks for the City of Denton Wastewater Collections Department; and providing an effective date (File 5988-awarded to Rush Truck Center in the amount of \$486,061.25).
- G. PUB15-058** Consider recommending adoption of an ordinance of the City of Denton authorizing the City Manager or his designee to execute a contract through the Buy Board Cooperative Purchasing Network for the acquisition of one (1) Bobcat Model A770 Skidsteer Loader for the City of Denton Solid Waste Department; and providing an effective date (File 5983-awarded to Bobcat Company in the amount of \$82,857.53).
- H. PUB15-062** Consider the recommendation of an ordinance of the City of Denton authorizing the City Manager or his designee to execute a contract through the Houston-Galveston Area Council of Governments (H-GAC) Cooperative Purchasing Program for the acquisition six (6) refuse bodies for Solid Waste Department; and providing an effective date (File 5978- Purchase of six (6) refuse bodies from DaDee Manufacturing for \$794,156.92).

**Board Member Jackson motioned to approve items D - H with a second from Board Member Russell. Vote 6-0**

#### **ITEMS FOR INDIVIDUAL CONSIDERATION**

- A. PUB15-063** Consider recommending approval of the Public Utilities Board Meeting minutes of October 26, 2015

**Approved as circulated.**

- B. PUB15-040** Receive a report, and hold a discussion regarding the status of Denton Municipal Electric's Capital Improvement Projects.

Brent Heath, Exec Mgr of Energy Delivery DME, started the update on the Capital Projects and the program. The executive summary shows the problems as growth and aging infrastructure. DME has a responsibility to respond. The Capital Improvement Plan addresses the issues and

works up solutions to resolve the issues which includes a public involvement process. All practical options are considered.

DME has enlisted Freese and Nichols to help manage the projects in the program.

Kendall King, Vice President Energy Division Manager with Freese and Nichols talked about the Project Management processes and tracking tools used with an overview of the DME CIP leadership team.

Aaron Fricke, Project Manager with Freese and Nichols talked about process Swim Lane Diagrams, individual project schedules and the overall program schedule. The web portal was talked about as well as the E-builder program management platform and the DME weekly meetings with many key players. Lastly the current executive dashboard was talked about as well as specific CIP accomplishments.

Kendall King then talked about the status of the current contract with DME that was worth \$12 million. The first \$6 million was for project/program management assistance and the second \$6 million was for real estate support. The contract is two years old and \$3.14 million has been spent for project/program management assistance with \$750,000 for real estate support. Contract to expire September 2016. The peak of the real estate is still to come. All the land acquisitions and site selection work will more than likely not be complete by September 2016. There may need to be an extension on the contract related to time.

Heath completed the presentation by adding that the FERC 715 study is an annual requirement that is due April 1 of every year. CIP has been developed and approved including five substation upgrades completed, three new substations completed, two transmission line upgrades completed and two new transmission lines completed.

**Gallivan added that it is apparent the need for the efficiency that Freese and Nichols provides and the order.**

Phil Williams added that if any PUB Member would like to attend any of the weekly meetings with Freese and Nichols, they are welcome.

With no questions, the next item was introduced.

**C. PUB15-057 Receive a report, hold a discussion, and give staff direction on the Denton Renewable plan and activities related to the future power supply plans to meet the City's growth and needs.**

Phil Williams gave the presentation starting with the executive summary. Council's direction is renewables, rates and reliability. DME has responded with the 'Renewable Denton Plan'. That plan includes: 70% renewable energy (replaces coal generation), rate decreases beginning in 2020, 75% portfolio emission reduction and two energy centers (quick-start units and space for renewable R&D testing).

Williams then showed the 2019 load projection by resource graph.

DME has had many previous discussions with the Board and Council regarding renewable and backup generation. Since 40 percent renewables were achieved in May 2009, numerous options and possibilities have been explored and discussed.

Brian Daskam, Key Accts Energy Eff & Sus Mgr., talked about the public outreach and involvement and what has been heard from the community.

Daskam went over the information that has been received from the website ([www.RenewableDenton.com](http://www.RenewableDenton.com)).

**Board Member Jackson ask how many inputs were received.** Daskam answers when the presentation was put together there was 69.

**Board Member Bynum asked for Daskam to list the questions and all the answers under each question.** Daskam will generate and e-mail out.

Daskam then talked about the two Open House events. There was a total of 112 attendees. **Gallivan asked if the 44,928 invitations included all customers,** Daskam agreed.

Phil Williams briefed on the Renewable Denton Project. Staff is trying to increase the wind and solar component to make DME 70 percent renewable by backing it up with a quick start plant and buying off the market. What staff is looking for is a reduction in emissions. Williams talked about the current energy portfolio mix.

Board Member Carroll asked about the market emissions. Is the rate all our market purchases or the market generally. Williams answered it is according to the ERCOT report.

There were many Alternative Technologies talked about. Other investigated strategies included: 100% renewable without quick-start backup, 83% renewable without quick-start backup, 70% renewable without quick-start backup, 70% renewable with backup by counterparty contract, Conservation/efficiency and wait and see.

The Projected Annual Energy Expenses for 2019-2038 were charted on a graph.

**Board Member Parker stated a question was asked how can staff project out that far.**

Williams explained the gas forward market was used. If the gas market goes up, Renewal Denton would be even better off. Being able to lock in the renewal contracts (20 year) now based on wholesale prices are very good.

**Board Member Bynum stated that prices are important, but so is the environment.**

William explained the 2020 Expected Emissions Portfolio scenarios.

**Bynum then stated the justification for going with Renewal Denton is that the City has more control over the kind of back-up systems that we have.** Staff agreed.

**Parker added that with quick start it only runs when needed.** Mike Grim interjected that the whole goal is total renewals when possible, otherwise there is a cleaner quick plan that is over 70 percent less emissions than business as usual. **Bynum added that the less cost is being marketed well, the cleaner portion needs to be talked about more.**

Williams continued and talked about assumptions beginning with 'Business as Usual'. The Renewable Denton Plan; 100, 83, and 70 percent Renewables without Quick-start Backups; and 70 percent Renewable Backed by Counterparty Contracts were also discussed. The 'wait and see' option was introduced as well.

Timeline considerations for the future power supply.

**Board Member Carroll stated that the scenarios mention sales of excess energy that is purchased. Is there an intention of running the quick start plants to produce energy to sell to the market.** Williams answered yes, that is a market requirement. The plants will run about one third of the time and one half will be for the market.

If DME goes forward with the Renewal Denton Plan, there is an approval process. The first process would be financial. Chuck Springer, Director of Finance, first talked the three potential options for financing the quick start facility. The first option would be revenue bonds. Next would be Certificates of Obligation, this is the same as the utilities capital program. Lastly would be general obligation bonds, which is a pledge of property taxes.

**Board Member Parker asked what is the City's bond rating.** Springer answered the City's is AA+. **Parker then asked if utilities has a separate rate and if so, what it is.** Springer answered it is separate A+ and AA- from two different rating agencies.

**Gallivan asked if there are any other encumbrances on our property tax in terms of obligation.** Springer answered most of the outstanding utility debt has a property tax pledge either through certificates of obligation or general obligation refunding.

Williams concluded by stating more details will be talked about in closed session.

**D. PUB15-065 Receive a report, hold a discussion, and give staff guidance regarding potential utilization of Gas Insulated technology within DME electric utility substations.**

Phil Williams gave the presentation on this item. The background for this item included:  
Eagle Substation challenge with the site caused a discussion of creative solutions  
PUB and City Council have asked for more info on GIS  
Projects are to replace aging infrastructure or serve growth  
Our mission is to serve electricity reliably at competitive cost  
GIS is one possible solution

Why consider using GIS Technology:  
Smaller substation site – room for expansion

Enclosed equipment

Protection from wildlife/weather

Possible extended equipment operating life

Aesthetics

Innovative approach, two to three percent of substations across the United States.

GIS would be an option for a substation at the following locations:

Possibly at the Eagle Substation site, Hickory Substation, Tight - urban areas, and areas where future expansion is a concern.

Key Differences in GIS vs. AIR Insulated Substations:

Cost, Performance/Reliability/Operations/ Maintenance, Footprint/Real Estate and Aesthetics

**Board Member Jackson asked how many companies in the US produce this type of equipment.** Williams answered Mitsubishi and ABB are the leaders, there are four or five total.

The cost differences were discussed for both the Eagle and Hickory substation sites.

Operations/Maintenance – internal maintenance requires skilled personnel. Manufacturers would most likely be employed for major repairs and internal faults are rare, but costly and longer lasting.

Aesthetics was discussed and photographs of samples were shown.

**Gallivan clarified that the transmission has to be underground for the GIS substations.**

Williams answered it doesn't have to be but if you are making that kind of investment in a substation anyway for aesthetics then it would be good to just spend the million or so more to put the transmission and distribution lines underground.

**Board Member Parker asked if the only driver having this on Hickory Street for aesthetics or is there an operational reason.** Williams answered both. Also there is no land available for expansion.

Eagle substation public involvement steps to date include:

3/20/15 – Online Survey Forms and Project Information available to Public.

5/20/15 – Public Open House #1 held at Civic Center.

6/25/15 & 6/29/15 – PUB & CC sessions to discuss Open House results and received direction to hold another Open House with additional options.

7/23/15 – Public Open House #2 held at Calhoun Middle School.

10/12/15 – PUB Public Hearing with recommendation for Green Option.

10/20/15 – CC Public Hearing

**Board Member Bynum asked if there was a GIS substation on the Eagle Drive site, would it be a bigger unit than the AIS.** Williams answered it would have more growth capability.

There would be no more growth capabilities with the AIS unit.

Brent Heath added to keep in mind that currently there are two other substations that have two circuits each that go into UNT. If you remove that, serving UNT the new Eagle Substation less than 50% of its total capability would be used by UNT.

Gallivan stated that the recommendation is largely built mostly on cost. Williams answered that would be addressed in Closed Session.

**Board Member Carroll asked how far out the projections are for the substation, transmission and distribution lines to satisfy the population growth.** Williams answered the FERC715 study takes a look every five years. DME does a ten year projection as well. **Carroll then asked if additional sites are being looked at for other substations.** Williams answered yes, staff has been trying to catch up on aging infrastructure and get ahead for growth. There are Hills of Denton, Masch Branch and one that would serve the Cole Ranch area.

**E. PUB15-064 ACM Update**

**1) Matrix**

**No Changes to the Matrix**

**CLOSED MEETING**

- A. PUB15-030 Deliberations regarding Real Property - Under Texas Government Code Section 551.072; Consultation with Attorneys - Under Texas Government Code Section 551.071.

Receive information from staff, discuss, deliberate, and provide staff with direction regarding the potential acquisition of real property interests located in the City of Denton, Texas, for the construction, expansion and use of electric power transmission lines, beginning at the North Lakes Substation of Denton Municipal Electric and proceeding east along Riney Rd, then turning north along Nicosia St., then east along W. Hercules Lane and terminating at the Denton North Substation of Denton Municipal Electric, if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third party. Consultation with the City's attorneys regarding legal issues associated with the acquisition of the real property interests described above where a public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the City's Public Utility Board, under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas, or would jeopardize the City's legal position in any administrative proceeding or potential litigation.  
[NL to DN]

- B. PUB15-059 Deliberations regarding Real Property - Under Texas Government Code Section 551.072; Consultation with Attorneys - Under Texas Government Code Section 551.071.



Receive information from staff, discuss, deliberate, and provide staff with direction regarding the potential acquisition of real property interests located along both the east and west sides of Bernard St. between Eagle Drive to the north and Collins Street to the south, in the City of Denton, Texas, if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third party. Consultation with the City's attorneys regarding legal issues associated with the acquisition of the real property interests described above where a public discussion of these legal matters would conflict with the duty of the City's attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas, or would jeopardize the City's legal position in any administrative proceeding or potential litigation. [Eagle Substation]

C. PUB15-055 Deliberations Regarding Certain Public Power Utilities: Competitive Matters - Under Texas Government Code Section 551.086.

Receive a presentation from Denton Municipal Electric staff ("DME") regarding public power competitive and financial matters pertaining to plans, strategies, opportunities, and developments for generation improvements to the DME system; discuss and deliberate strategies regarding same; discuss and deliberate opportunities and strategies for the City to acquire purchased power and enter into agreements regarding the same, in order to meet its future energy needs. Discuss, deliberate and provide Staff with direction.

**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.

**Adjournment 12:11 p.m.**