

MINUTES
PUBLIC UTILITIES BOARD
December 14, 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, December 14, 2015 at 9:04 a.m. in the Council Chambers at the City of Denton City Hall, 215 E. McKinney Street, Denton, Texas.

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

Ex Officio Members: George Campbell, City Manager and Howard Martin, ACM Utilities

PUBLIC HEARINGS

- A. PUB15-039 Hold a public hearing and consider recommending that the City Council adopt a resolution regarding the proposed sites for construction, expansion, and use of an electric power transmission /distribution substation located along both the east and west sides of South Mayhill Road between Spencer Road to the north and Quailcreek and Old Edwards Road to the south, in the City of Denton, Texas, as part of Denton Municipal Electric's service territory. [Pockrus to Mayhill]

Attachments: Exhibit 1 - Project Information Sheet for Pockrus to Spencer R2_POWER Review
Exhibit 2 - Transmission Line Locations Requiring Land Action
Exhibit 3 - DME Substation Locations Map
Exhibit 4 - Mayhill to Pockrus Options Map 10-22-15
Exhibit 5 - Mayhill - MH-PK TM Line - location map

Brent heath made the overview presentation which included the executive summary and the problem of growth and aging infrastructure. DME has a responsibility to respond to the issues. The Public Involvement Process allows citizen feedback opportunity where all the practical options are considered.

The approved DME Capital Improvement Plan includes projects to reconstruct the Pockrus to Spencer transmission line and to construct Mayhill Substation. In accordance with the analysis of FERC 715 Studies. The City of Denton owned BEPC TM Line is rated at 69kV, DME will rebuild it to 138kV requirements. The substation will be built to 138kV requirements. Rebuilding on the existing transmission line route is feasible, and several alternative routes were evaluated from public input that was received at and subsequent to the Open House.

Maps of the areas were shown.

Staff recommends: The City of Denton landfill site for the Mayhill Substation and the Yellow Transmission Line Route Option.

Robinson asked about the existing transmission line (blue line). Heath answered that is a two pole structure that would be removed and the easement abandoned.

The public hearing was opened to speakers:

1. Frances Sharp – 2601 S. Mayhill – in favor would like more information on where the line would be in regards to the mobile home park. Heath answered it would be east and north of the fence on the mobile home park. Will not be on the mobile home park at all.
2. Diego DeAnda - 5001 Pelican Court - asked about construction traffic and where entrance for maintenance would be. Heath answered there would only be one galvanized pole, the existing wood structure would be removed.
3. Carol Beckham for Kevin Nelms – 2100 S. Mayhill –in favor of the yellow line. Asked when the easement is abandoned would it still be a utility easement. Heath answered no.

Carroll asked how many poles would be removed from the trailer park. Heath answered two.

Russell – suggested putting info in the paper so that residents can read what will happen.

A motion was made to approve the Denton landfill site for the Mayhill Substation and The Yellow Transmission Line Route Option by Board Member Jackson, second by Board Member Bynum. Vote 7-0 approved.

- B.** PUB15-072 Hold a public hearing and consider public input regarding the proposed Renewable Denton Plan for future power supply as part of Denton Municipal Electric's service territory; discuss, deliberate, provide staff with direction, and; consider recommending approval of a resolution in support of the Denton Municipal Electric Renewable Denton Plan.

Attachments: Exhibit 1 - Resolution RD_PH

Phil William made the presentation. Executive summary included Council direction is to increase renewables, maintain competitive rates, and maintain reliability. DME response is the Renewable Denton Plan.

The Renewable Denton Plan would include:

70 percent renewable energy, replaces coal generation

Rate decreases beginning in 2020

75 percent portfolio emission reduction

Two Energy Centers

Quick-start units

Space for R&D testing for new and improved renewable technology 2019 projected natural gas usage comparison

Currently DME has 41 percent renewable energy that was announced in 2009. Denton is a leader in wind energy.

Now DME is talking about taking advantage of wind energy in Texas and the solar projects for Texas. DME would purchase 17 percent from the grid, 13 percent would be quick start plant and 70 percent would be renewables (wind and solar).

Renewable Denton Components include 70 percent renewables that would lock in favorable pricing for the next 20 years. The reasoning for staying at 70 percent and not going to 100

percent would be wind and solar are intermittent and non-dispatchable. During those times wind and solar are not available, DME would look at market purchases and quick start generation. This plan will decrease emission by 75 percent.

Williams then showed a graph of what the quick start generation would look like regarding air quality.

Following are questions asked by citizens.

Can we keep everything about the plan except the gas plants.

- Renewable Denton is a system with interdependent parts

- Allows favorably priced renewable energy

- Protects rate payers from volatility of the market

- Our renewable energy would be backed by gas under any scenario

Wouldn't it be cheaper to buy all renewable energy? The "fuel" is free, after all.

- Historically favorable prices for renewable energy

- Renewable energy is not "dispatchable"

- Overbuying renewables exposes us to financial risk in the market

Will new gas wells have to be drilled in order for this plant to operate.

- These plants would not increase gas usage in Texas

- These plants would not increase fracking, locally or nation-wide

Williams then showed the 2019 projected natural gas usage comparison.

Bottom line: Renewable Denton Plan will use 1,778,253 MMBtu less than BAU, a decrease of 37.5%

Advantages of proposed facility

- Low water use

- Quick ramp up

- Efficient use of natural gas

- Total outages unlikely

Proposal considerations include:

- Emissions reductions

- Savings >\$36,000 per day

- RFP and RFQ bids

- Site control

- Air permits obtained

- Exchange rates

- Production Tax Credits

- Interest rates

Chair Robinson opened the meeting for public input.

1. Larry Beck – 915 E. Sherman Dr. – reconsider in opposition of gas plant

2. Deborah Armintor– 2003 Mistywood – support renewals – against new gas plant

3. Kent Gold – 2512 Natchez Trace - lots of questions moving too fast, does not believe all options looked at
4. Theron Palmer – 1700 Willowwood – too fast, slow down – cost of land not in favor too many new gas wells

Board Member Russell asked why he thinks there will be more wells – Palmer he would like to hear more about it, thought there were more.

5. Carol Soph – 1620 Victoria – postpone, in favor of renewal energy but not for gas fired wells.
6. Ed Soph – 1620 Victoria – has a list of questions – not in favor of gas wells, post pone vote, in favor of renewable energy

Board Member Russell asked Soph at what point do you make a judgment to move forward. Soph answered when the information is ready to make the judgment, why is there such a short window, give due process

Board Member Carroll said that Soph stated the footprint for emissions would be greatly increased. DME says decreased, where does the discrepancy comes from. Soph asked if the Board has been given the air quality information. The real information has not been turned over. On the City of Denton website under sustainable there is a place where they talk about the emission have been reduced. Soph went on to explain his information. Brendan added that DME tries to remove the political aspect and give the best solution.

Board Member Parker stated that DME has to have back up power, Soph was asked what technology he suggests.

Soph answered he doesn't know that's why we need the time

7. Jody Ismet – 819 Anna – does not believe it reduces emissions, What does it take to go to 100% renewable. She has many questions that are unanswered. It is a financial risk. To many new gas wells. Need more time to decide. Phil Williams will speak with Ismet.
8. Elida Tamez – 1700 Willowwood – put off the decision for 1 year, give citizens time to convert to Greensense. Reconsider – future of DME should not include fossil fuels
9. Did not speak – Marshall Armintor – 2003 Mistywood - opposed – gas plants not a good idea, all could sacrifice for safe and clean energy
10. Did not speak – Peter Allaart – 3621 Marianne Circle - in support of the renewable plan
11. Did not speak - James Orenstein – 1802 Rocky Creek Dr, Duncanville, TX –in support of renewal generation, not in favor of gas wells, encourages solar use

12. Carol Soph spoke again – when solid waste started with recycle it didn't work well, they formed a citizen committee they have good ideas now and it works. It would be a good idea to have a committee for this with experts and citizen involvement.

Board Member Russell stated that the City has hired people that are DME staff, they are experts in their field.

13. Deborah Armintor spoke again – fans of Greensense program. Concerned about cost for low income. In favor of citizen involvement.

14. Theron Palmer spoke again – he is installing solar panels – helping with Greensense believes it needs to be expanded, rate structure needs to be addressed

Chair Robinson closed the Public Hearing and asked for comments from the Board Members.

Board Member Gallivan stated that someone said the plant would be used heard 12 – 13 years for use of the plant. Williams answered if you go to 100% renewal, you still have to have a back-up program. These units would be useful for back up energy for Denton and other ERCOT customers for many years. The units have a life of about 30 years.

Board Member Gallivan added some questions are for research and will never be answered with certainty. He likes the 20 year contracts at a fixed price. Citizens need to put trust in our utilities and the people that have been hired. They are executives and have a great knowledge base. Denton is reducing emissions. Gallivan offered Phil Williams and his staff to answer any questions that citizens have.

Board Member Parker stated that she previously served as Chief Financial Officer for Rochester Public Utilities and understands the technical aspects. Denton staff is nationally recognized through the Public Power Association as one of the finest organizations in the Country with over 300 years of experience. The research has been accomplished. She believes it is the right thing to do.

Board Member Carroll stated that several citizen talked about the timing of this project. Williams answered there was a public announcement on October 6, there have been two open houses in October, presentations to this Board and City Council, Public Hearing today and on December 15 at City Council. There have also been group meeting that were held by Council Members. In 2009 Denton became a leader in the nation with renewable energy. Many proposals have been looked at and researched since that time. Wind energy and solar have come down in price that leads up to where we are today so that our rates can stay competitive.

Board Member Parker asked why we can't slow down the gas well portion. Williams answered if we buy solar or wind without a back-up and depend on the market to back up, the market price could be very high. When we depend on wind and it doesn't show, we have to purchase power which shoots up the price.

Chair Robinson asked if you could go 70 percent renewal without backup capabilities. Williams answered he wouldn't recommend it. There was some discussion regarding price of purchased power.

Board Member Russell asked Williams to speak about the gas wells that have to be drilled. Williams answered the air permits were filed for the first site to have twelve units at that one site, and for the second site there were seven units filed. The plant only calls for a total of twelve units. The air permits were filed that way for flexibility. The calculations were based on 19 units running a maximum of the time (70 percent) which is not what is intended. They are intended to run under 40 percent. They will run less and be more efficient than other plants that run in Texas.

Board Member Bynum asked how much cleaner are the units looked at as opposed to the grid. Williams answered the units that DME is looking at is at an 8.4 heat rate the average in ERCOT is 10 heat rate. They are more efficient because they burn less gas. Most gas units have to run for a minimum of four hours with higher start-up cost. These units can go up to full load in five minutes and down in five minutes as well. They have a 20 percentage better efficiency rating.

Board Member Carroll asked regarding the community involvement, how many invitations were sent out. Daskam answered 45,000 postcards were sent out and at both open houses there were about 112 people that attended. The website has had about 73 comments. Carroll asked how the public was notified for this meeting. Daskam answered it was in the paper, on the events section of the DME Webpage and we Denton do it, a local website, and twitter. Parker asked if the website is monitored and how many hits there were. Daskam answered about 2,000. Carroll added that he would like more citizen involvement and they are invited.

Board Member Parker asked if the gas plants are delayed of what will that do to the timeline. Williams answered if the plant is delayed the emissions are business as usual. Savings would be delayed as well. Bids that are in have an expiration date and would have to be refiled pricing could change. Site control has an expiration date as well. Interest rate change would greatly impact the project. Leadtime on the equipment is 18 months.

Chair Robinson stated that 70 percent renewals is what is being looked at. We can do something in a reasonable time frame and is a great goal. There is a responsibility with rates, reliability and renewability. Also stated that the units use twelve and a half gallons of water a week, which is huge.

Board Member Parker asked what will happen with Gibbons Creek. Williams answered there are four member cities, it is a joint decision.

Board Member Gallivan motioned to approve, second by Board Member Bynum. Vote 6-1 approved.

OPEN MEETING

CONSENT AGENDA

- A. PUB15-069 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 South Forks Trinity River Mitigation Group 1, LP, for the SW&R to purchase mitigation credits to offset impacts to the Waters of the United States in providing wetland mitigation, 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 \$66,888, and providing an effective date.

Attachments: Exhibit- 1 US Army Corp of Engineers Public Notice
Exhibit- 2 South Forks Trinity River Sales Agreement

- B.** PUB15-070 Consider recommending approval of a Professional Services Agreement between Parkhill Smith & Cooper (PSC) and the City of Denton Solid Waste & Recycling Department for PSC to provide annual professional and engineering services for fiscal years 2015-16 through fiscal year 2017-18, in an annual amount of \$150,000, with a three year total not to exceed amount of \$450,000. (PSA 6014)

Attachments: Exhibit 1- Municipal Solid Waste Engineering Services Proposal
Exhibit 2- PSC Hourly Rate Schedule

- C.** PUB15-073 Consider a recommendation that the City Council approve an annually renewable, unit price purchase agreement with Techline, Inc. for purchase of tapered tubular, galvanized, steel structures for substations in an amount not to exceed \$1,840,000. (RFP #5841)

Attachments: Exhibit 1 - Evaluation Summary for RFP #5841
Exhibit 2 - Typical Substation Layout and Steel Drawings

Board Member Gallivan asked regarding items B and C, would like 'expenditures to date' added to the back-up information. Vance Kemler answered that item B is a new contract and nothing has been paid to them at this point. Staff will add that information to future back up.

Board Member Gallivan motioned to approve items B and C, second by Board Member Parker. Vote 7-0 approved.

- D.** PUB15-074 Consider recommending approval for the adoption of an ordinance of the City Council of Denton, Texas authorizing the City Manager to execute a Water and Sewer Main Pro-Rata Reimbursement Agreement between the City of Denton, Texas and THX Properties, LLC for reimbursement of the costs of building a water and sewer main, through pro-rata charges paid to the City; authorizing the transfer of funds pursuant to the agreement; and providing an effective date.

Attachments: Exhibit 1 - Site Plan and Location Map
Exhibit 2 - Pro Rata Water and Sewer Map
Exhibit 3 - Water and Sewer Main Pro Rata Cost
Exhibit 4 - Water & Sewer Pro-Rata Agreement-2015
Exhibit 5 - Water & Sewer Main Pro-Rata Reimb-Ordinance-2015

- E.** PUB15-085 Consider recommending approval of Amendment No. 3 to the Professional Services Agreement for Architect or Engineer between the City of Denton and Malcolm Pirnie, Inc., (now known as Arcadis US, Inc.), such amendment being in the amount of \$146,873 for additional Engineering Services for the extended Construction Phase of the Lake Lewisville Water Treatment Plant Rehabilitation and Process Upgrade project.

Attachments: Exhibit 1 Location Map
Exhibit 2 PSA Amendment #3 Request 10-29-15

Board Member Parker asked if \$146,000 is above the \$175,000. Tim Fisher answered that \$175,000 is what was negotiated out of the contract from the contractor. The additional \$146,000 is what was negotiated with the consultant. This item this is the final amendment.

A motion was made by Board Member Parker to approve item E with a second by Board Member Russell, vote 7-0 approved

- F.** PUB15-086 Consider 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 three (3) dump trucks, two (2) haul trucks, and ten (10) refuse trucks for the City of Denton Wastewater Collections, Drainage, and Solid Waste Departments; and providing an effective date (File 5980-awarded to Rush Truck Center, Crane in the amount of \$2,482,577).

Attachments: Exhibit 1 - Peterbilt Comparison
Exhibit 2-Contract and Non-Contract Quotes PUB
Exhibit 3-Rush Truck Letter
Exhibit 4-Fleet Standardization Memo

A motion was made by Board Member Russell to approve items A, D and F with a second by Board Member Carroll, vote 7-0 approved.

ITEMS FOR INDIVIDUAL CONSIDERATION

- A.** PUB15-075 Consider recommending approval of the Public Utilities Board Meeting minutes of November 9, 2015

Approved as circulated

- B.** PUB15-081 ACM Update

- a** Water/Wastewater Rate Comparisons
- b** DME Rate Comparisons
- c** NCTCOG Grant Resolutions
- d** Matrix

Attachments: Exhibit 1 Water WW Rate Comparison Update Nov 2015
Exhibit 2 DME Dec 2015 Rate Comparison
Exhibit 3 NCTCOG Grant Resolutions 12 15 15
Exhibit 4 New Business Matrix

Matrix no change.

CLOSED MEETING

- A.** PUB15-029 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 east of Loop 288 and Spencer Rd. to Pockrus Page Rd. and HWY I-35E; where discussions had, deliberation, and direction given, by the Denton City Council 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; discussion of these legal matters in an open meeting 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.[PUB15-039;Mayhill Substation]

B. PUB15-077 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 and discuss, deliberate, and provide staff with direction regarding the potential acquisition of real property interests located in Lot 1, Block 2 of the Municipal Utility Addition as shown by the plat thereof recorded in Cabinet G Page 346 of the P.R.D.C.T., in the City of Denton, Denton County, Texas; where discussion had, deliberation, and direction given, by the Denton Public Utilities Board 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; discussion of these legal matters in an open meeting would conflict with the duty of the City's attorneys to the City of Denton and the Denton Public Utilities 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. [Brinker Substation]

C. PUB15-082 CONSULTATION WITH ATTORNEYS - Under Texas Government Code, Sec. 551.071.

Consult with the City's attorneys regarding the present status of settlement negotiations regarding pending litigation styled: City of Denton, Texas v. NRG Power Marketing, LLC, Cause No. 15-01404-16, now pending in the 16th Judicial District Court of Denton County, Texas, and discuss, deliberate and provide the City's attorneys with direction and any recommendations regarding such legal matter. A public discussion of this legal matter would conflict with the duty of the City's Attorneys to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas.

D. PUB15-087 CONSULTATION WITH ATTORNEYS - Under Texas Government Code, Sec. 551.071.

Consult with the City's attorneys about Verizon Southwest, Inc.'s unpaid pole attachment fees including the status of settlement negotiations, potential

litigation, and related issues. Discuss, deliberate and provide the City's attorneys with direction and any recommendations regarding such legal matter. A public discussion of this legal matter would conflict with the duty of the City's Attorneys to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas.

E. PUB15-083 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. [PUB15-072]

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.

Gallivan - Add contract information to matrix

Adjournment 12:17 p.m.