

Enterprise Risk Consulting, LLC
1000 Cordova Place, Suite 381
Santa Fe, NM 87505

Via email

December 13, 2019

Denton Municipal Electric
Terry Naulty
Assistant General Manager
1659 Spencer Road
Denton, Texas 76201
Terrance.Naulty@cityofdenton.com

Dear Terry,

We appreciate the opportunity to respond to your query about the potential renewable treatment of offtake from DME's Whitetail/Wolf Ridge contract with NextEra. We will provide a specific response to that issue later in this letter, but the treatment of a legacy contract such as Whitetail/Wolf Ridge and how it is integrated into DME's energy portfolio as part of the Renewable Resource Plan is just a part of the larger issue of how Denton can practically implement and operate the Renewable Resource Plan in a sustainable and cost effective manner.

As you are well aware, in our written Plan as well as in our presentations to the Denton Public Utilities Board and the City Council, we have always advocated prudently pursuing the twin goals of achieving renewable energy targets in a least-cost manner. Your inquiry and our subsequent discussions have highlighted the need to develop and adopt a renewable energy process to govern the metrics for determining progress and attainment of the initial implementation of the Renewable Resource Plan, as well as ongoing operation of the resulting renewable energy supply portfolio. This process should be developed and reviewed by all Denton stakeholders so that the goals of the Plan are achieved. Mismatches between renewable resource production profiles, load uncertainty and load growth, and the constraints of renewable energy supply contracts present challenges in meeting renewable resource goals while prudently managing costs to the ratepayer. A written process developed under the city's governance practices would align all responsible parties and provide clarity for DME staff to manage the supply portfolio in an environmentally as well as economically sustainable manner.

With regard to Whitetail/Wolf Ridge, upon review of your documentation we believe it may be possible to classify a portion of the offtake from the Whitetail/Wolf Ridge contract with NextEra as renewable energy, subject to a) the ability to trace the energy production from the specific renewable generation resource and the renewable energy credits ("RECs") and b) a Denton Renewable Energy formal operational process, as proposed earlier in this letter, that supports such a classification. The support would be based upon the production of physical energy that Denton purchases from a qualified renewable resource.

Please let us know if you require additional assistance with these issues.

Regards,



Larry G. Lawrence and Neil McAndrews