City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
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AGENDA INFORMATION SHEET

DEPARTMENT: **City Manager's Office**

CM/ DCM/ ACM: **Bryan Langley, Deputy City Manager**

DATE: **September 12, 2017**

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the Energy Management Organization Financial Review conducted by Deloitte.

BACKGROUND

In 2014, Denton Municipal Electric ("DME") created an in-house division called the Energy Management Organization (EMO) to manage the utility's electric supply portfolio as well as to interface with the Electric Reliability Council of Texas ("ERCOT") to perform all required scheduling, regulatory, and settlement activities. A goal of implementing the EMO was to achieve cost savings compared to outsourcing the function to a third party, as had been done previously.

To compare costs to the previous contracted company and calculate savings, DME developed a methodology and assumptions. A cost savings estimate for FY2015 and FY2016 was developed and presented to the Strategy Committee / Operating Committee for review in February 2017.

In order to perform an independent assessment of the estimated savings and model, staff contracted with Deloitte and Touche, LLC ("Deloitte") to assess and analyze the reported savings of the EMO division. Deloitte, an independent audit and consulting firm, was selected based upon the depth of their team and experience with audit functions, the energy industry, and ERCOT regulations. The scope of work included a retrospective assessment to 1) assess the accuracy and completeness of the final FY2015 and FY2016 savings calculations performed by DME, and 2) assess the model used by DME including the model's inputs, exclusions, and assumptions.

Stephen Engler, Managing Director of Energy & Resources, and Timothy Metts, Senior Manager of Energy & Resources, of Deloitte will present their report and findings to the City Council on September 12. The project deliverables are attached (Exhibit 2 and 3).

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

This item will be presented by Deloitte to the Public Utilities Board (PUB) on Monday, September 11, 2017.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and

Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: **Public Infrastructure**
Related Goal: **2.3 Promote superior utility services and facilities**

EXHIBITS
Exhibit 1 – Agenda Information Sheet (AIS)
Exhibit 2 – Report
Exhibit 3 – Presentation

Respectfully submitted:
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