



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric

DCM: Cassey Ogden

DATE: June 17, 2025

SUBJECT

Receive a report, hold a discussion, and give staff direction to explore the acquisition of an existing and/or proposed dispatchable electric generation facility.

BACKGROUND

Denton Municipal Electric (DME), as both a load serving entity (LSE) and an electric wholesale market participant in ERCOT, continues to face challenges in providing affordable and reliable power to its customers. These challenges are not unique to DME and as we discussed on June 3, 2025, have been brought on by various regulatory and market changes at the State level. Additionally, various actions at the Federal level, primarily those impacting tax credits on renewable resources, have created uncertainty for future renewable developments. Combined with the unprecedented customer growth across the State, including large loads like data centers, this has created basic supply and demand imbalances that continue to increase the price of electricity. As it relates to large loads, which operate 24 hours a day with little to no fluctuation in demand, traditionally low-priced hours of the day and night when renewables are most prevalent are now projected to increase as well.

Since late 2021, DME has consistently communicated the potential need for additional generation investments during presentations on its operating and capital budgets, consideration of matters related to renewable energy power purchase agreements, approval of data center power purchase agreements, and concerns related to State legislative and regulatory matters. Over that time, DME has monitored all these developments in order to arrive at a recommendation that might garner City Council and community approval. As such, on June 3, 2025, the City Council gave staff direction to pursue the creation of an Integrated Resource Plan (IRP) with the intent to study and recommend the best possible mix of generation resources and demand side management programs to ensure that DME could continue to provide affordable and reliable power to its customers. The creation of the IRP is anticipated to take 18-24 months. However, as communicated to the City Council, a generation portfolio comprised principally of intermittent resources (wind and solar) could no longer guarantee that outcome and so staff would anticipate that a dispatchable generation resource would likely be part of the overall recommendation. While dispatchable generation resources include those fueled by natural gas, diesel, hydrogen (still being developed) and nuclear (traditional and small modular reactors), geothermal could also be a possibility as recently announced by Austin Energy in the creation of their own IRP. But, in all likelihood, a natural gas resource would be the most viable option. As such, coupled with a roughly two-year IRP creation timeline, manufacturers of engines and turbines currently project deliveries are at best 2030 or 2031 if ordered today. This would mean that a new greenfield development, if approved, would not be operational for another 5-6 years and posing continued price risk exposure to ratepayers.

Finally, and what is now Part 3 to the June 3, 2025 presentation, DME would now propose that the City Council consider the exploration of acquiring an existing and/or proposed dispatchable generation facility. The primary intent would be to expedite what is likely to be a recommendation in the IRP and reduce the price risk exposure timeframe for ratepayers. While DME does not have any leads at this time on a potential acquisition, several acquisitions such as this have already occurred in the market indicating an acquisition may be possible. Establishing acceptable acquisition criteria (geographical location, generating type, capacity, etc.) would need to be completed in order to establish a pool of candidate facilities that may be solicited. To be clear, this proposal is to explore if an acquisition is possible and not to approve an acquisition. In the event an acquisition is possible, that action would need to be formally approved by the City Council at a future date and may parallel the creation of an IRP. And to be clear, there are no proposed facilities in the city of Denton that could be candidates and no existing facility not already owned by the City of Denton would be candidate either.

Staff looks forward to discussing this matter with the City Council and would assure the City Council and the community that we remain committed to our stated mission to provide sustainable, safe, reliable and affordable electric power regardless of the direction given.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On May 19, 2025, the Public Utilities Board gave unanimous direction to recommend that the City Council approve staff's recommendations with consideration to give the public an opportunity to provide input on the City Renewable Energy Policy.

On June 3, 2025, the City Council received a report, held a discussion and gave staff direction to proceed with the creation of a City Renewable Energy Policy and an Integrated Resource Plan.

EXHIBITS

1. Agenda Information Sheet
2. List of Power Stations in Texas
3. Presentation

Respectfully submitted:
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DME General Manager