



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric

GM: Antonio Puente, Jr.

DATE: April 1, 2025

SUBJECT

Consider adoption of an ordinance of the City of Denton repealing ordinance No. 24-2027; approving the 2025 Denton Municipal Electric - Energy Risk Management Policy (the "2025 ERMP"); delegating authority as provided in the 2025 ERMP; authorizing and approving the subsequent execution of such other ancillary and related documents, including, without limitation, contracts, nominations, certificates, assignments, licenses, directions, instruments, confirmations, orders, and statements as are authorized by the 2025 ERMP, which are incident to or related thereto; confirming that the city of Denton, its mayor, its city council members, its city manager, its city attorney, and its city secretary are authorized to perform such acts and obligations as are reasonably required to consummate those future transactions which are provided for and authorized by the 2025 ERMP; finding that the purchase of electricity, natural gas, and related commodities and instruments are exempt from the requirements of competitive bidding; finding that the purchase of electric energy, natural gas, and related commodities and instruments made by the city under the terms of the 2025 ERMP are in the public welfare of the citizens and electric ratepayers of the city; authorizing the expenditure of funds therefor; and, providing an effective date. The Public Utilities Board recommends approval [6-0].

INFORMATION/BACKGROUND

The current DME Energy Risk Management Policy ("Policy"), approved by the City Council on October 22, 2024 by City Ordinance 24-2027, provided an updated framework under which DME's Energy Management Organization (EMO) manages DME's energy portfolio on a day to day basis, including control structures and protocols that provide for 1) segregation of duties and delegation of authority, 2) governance and oversight processes, 3) rigorous management reporting and 4) strict adherence to authorized hedging products and transaction limits.

The proposed updates to the 2024 Policy address changes to DME's portfolio and associated execution risk associated with the new Core Scientific HPC load and updates to the Denton Renewable Resource Plan.

The DME Risk Committee met on December 5, 2024 to deliberate on changes to the policy. In the forthcoming proposed update, DME and the Risk Committee recommend the Policy updates as described below:

- Increasing the authorization levels for power and natural gas transactions.
- Adding tolling agreements and structured transactions as permitted vehicles for hedging.
- Deleting references to Assistant General Manager.

RECOMMENDATION

The DME Risk Committee's proposed updates to the 2024 Policy can be characterized as minor changes to address changes to DME's portfolio and associated execution risk associated with the new Core Scientific HPC load. Staff recommends approval of these changes to the 2024 version of the DME Energy Risk Management Policy.

EXHIBITS

1. Exhibit 1 - Agenda Information Sheet
2. Exhibit 2 - Ordinance
3. Exhibit 3 - Risk Policy CLEAN
4. Exhibit 4 - Risk Policy REDLINE

Respectfully submitted:
Chris Lutrick
Executive Manager of Operations