



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: March 9, 2026

SUBJECT

Consider recommending adoption of an ordinance of the City of Denton amending Chapter 26 of the Code of Ordinances to update section 26-23(4) amending utility billing adjustment period provisions; and providing a severability clause; providing a savings clause; providing for codification; and an effective date.

BACKGROUND

As part of a task/process transition between Denton Municipal Electric (DME) and Customer Service, staff identified 218 commercial accounts that had not been adjusted per the City's adopted electric rate ordinance as it relates to electric demand charges. This error occurred over a period of 24 months. As such, and in compliance with current governing ordinances, staff issued billing adjustments that resulted in refunds/credits to 32 customers and back billings to 186 customers. In advance of billing adjustments being sent to customers, staff made phone calls and sent written communication. Unfortunately, contact information was not accurate and available for some customers, which hindered communication and in at least one instance, a customer did not receive any communication at all due to human error. The net impact of these billing adjustments resulted in the recovery of \$331,607.27 in revenue that should have been received had these commercial accounts been adjusted on a timely basis and in accordance with the adopted electric rate ordinance. When contacted, our Customer Service staff worked closely with customers to explain the billing adjustments and in some cases, payment arrangements were facilitated.

The nature of these billing adjustments relates to commercial customers only and the application of charges for power demand, also known as peak load. Demand charges are a component of base charges and do not include the Energy Cost Adjustment (ECA) or Transmission Cost Recovery Factor (TCRF). For small commercial customers with power demand below 21 kW, there are no demand charges. These customers only pay a fixed facility charge and usage charge as their base charge. For medium and large commercial customers, the base charge is comprised of a fixed facility charge, usage charge and demand charge. The use of demand charges for commercial customers is customary for electric utilities and DME has utilized them for more than 20 years. The key reason for their use is to size equipment to meet the customer's highest demand, ensure that costs are burdened effectively to customers driving the infrastructure costs, incentivize energy efficiency by encouraging customers to "flatten" their load especially during peak times, and application of a "ratchet" or lock period to further incentivize energy efficiency.

The accompanying ordinance reflects direction provided to staff by both the Public Utilities Board and the City Council. This ordinance will memorialize that direction in the City's Code of Ordinance and serve as the governing ordinance for utility billing going forward. The ordinance further provides staff the necessary authority to apply the same provision to overbilled accounts impacted by the general account audit from July 2025.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On February 17, 2026, the City Council held a work session discussion regarding the City's utility billing process for electric service and gave staff direction to: (1) adjust the underbilling from 2 years to 6 months and the overbilling period from 2 years to the Entire Period of the Overbilling; and (2) apply the revised underbilling period to accounts identified in a general service account audit from July 2025.

On February 23, 2026, the Public Utilities Board held a work session discussion regarding the City's utility billing process for electric service and agreed with the direction provided by the City Council.

RECOMMENDATION

Staff recommend that the Public Utilities Board recommend adoption of the ordinance to the City Council.

EXHIBITS

1. Agenda Information Sheet
2. Code of Ordinances Redline
3. Ordinance

Respectfully submitted:
Antonio Puente, Jr.
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DME General Manager