



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Municipal Electric
CM/DCM/ACM: Antonio Puente, Jr., DME General Manager
DATE: March 19, 2024

SUBJECT

Consider adoption of an ordinance of the City of Denton, Texas establishing the schedule of rates for electric service; providing for a severability clause; and providing for an effective date.

BACKGROUND

Denton Municipal Electric's (DME) preliminary FY 2022-23 financials reflect a \$31.26 million net income loss for the fiscal year due to larger than anticipated energy costs during July, August, and September. Staff does not anticipate material changes to these preliminary numbers upon final review by the City's external auditors in the coming weeks. As such, staff has updated DME's FY 2023-24 budget and long-term financial forecast to ensure the utility remains in a financially sound condition.

In order to ensure financial stability of the utility, staff has recommended some changes which were discussed with the City Council on February 20th. Two of those changes included: (1) FY 24 mid-year adjustment to the Energy Cost Adjustment (ECA) rate with future year adjustments based upon purchase power costs, and (2) reinstating the Transmission Cost Recovery Factor (TCRF) rate for the balance of FY 2024 and beyond. A third change involved the financing of the \$31.26 Million loss over five years. Council gave staff direction to proceed with all three recommendations.

Although the current rate ordinance allows for quarterly updates to the ECA rate to maintain an ECA account balance within +/- \$5,000,000 of what's collected, staff has not changed the rate since October 2017. Given the continuous upward pressure on purchase power costs, staff has proposed a mid-year (April 1) increase to the ECA. The proposed increase will ensure adequate collection of purchase power costs for the remaining six months of FY24. The rate is proposed to increase from \$0.0341/kWh to \$0.0447/kWh. This will be a \$10.60 monthly impact to a 1000 kWh average residential bill.

Although the current rate ordinance still outlines the TCRF, staff hasn't billed for this recovery factor since October 2018. In order to begin collecting transmission expenses billed to DME for the remainder of FY24, staff has proposed reinstating this recovery factor on customer bills beginning April 1. The TCRF proposed is \$0.0135/kWh. This will be a \$13.50 monthly impact to a 1000 kWh Residential bill.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On March 11, 2024, the Public Utilities Board (PUB) recommended this item to the City Council for consideration.

EXHIBITS

Exhibit 1: Agenda Information Sheet

Exhibit 2: Rate Schedules (Redlines)

Exhibit 3: Ordinance

Exhibit 4: Presentation

Respectfully submitted:

Bill Shepherd

DME Executive Manager of Business Services