

Agenda Information Sheet

DEPARTMENT: **Denton Municipal Electric**

CM/ ACM: **Howard Martin**

Date: **February 27, 2017**

SUBJECT

..Title

Receive a report, hold a discussion, and give staff direction regarding the FY 2018 electric customer and megawatt-hour forecast of Denton Municipal Electric, which is utilized in preparing the FY 2018 Annual Budget and Capital Improvement Program.

..Body

BACKGROUND

Each year, in preparation for budget, DME staff prepares a forecast of customers and megawatt-hour (MWh) sales for each rate class. This forecast serves as the basis for expected revenue for the upcoming years. In preparing the forecast, staff reviews historical peak loads, average number of customers, actual MWh sales, and growth forecast data.

The total number of customers has shown a 1.9% average increase over the past ten years and for FY 2018 a 1.8% increase is expected. The average MWh sales have shown a 1.13% average increase over the past ten years, with a roughly 1.25% average overall load growth increase expected per year in the future.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

City Council action is not required.

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

1. FY 2018 Electric Volume Forecast

Respectfully submitted:

Phil Williams

General Manager

Prepared by:

Lisa Collaud

Business Analyst – Energy Services

Electric Volume Forecast FY 2018





Topics for Discussion

- **Customers by Class**
- **MWh Sales**
- **DME Peak Load**
- **Average Annual MWh by Rate Class**
- **Reserves**

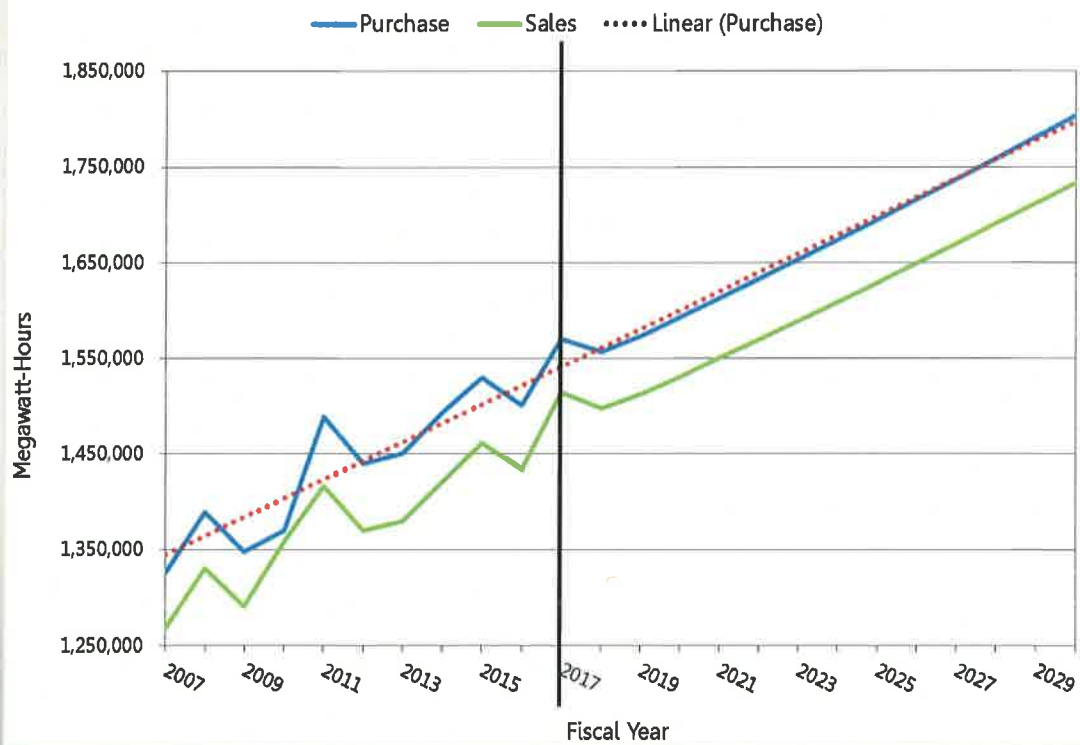
Annual Electric Customers by Class

Fiscal Year	Residential		Commercial		Industrial		Other		Total	
2010	39,819	-0.2%	4,734	1.8%	121	1.7%	499	3.5%	45,173	0.0%
2011	40,846	2.6%	4,846	2.4%	124	2.5%	426	-14.6%	46,242	2.4%
2012	42,054	3.0%	4,947	2.1%	124	0.0%	438	2.8%	47,563	2.9%
2013	43,572	3.6%	5,126	3.6%	127	2.4%	439	0.2%	49,264	3.6%
2014	44,241	1.5%	5,255	2.5%	127	0.0%	498	13.4%	50,121	1.7%
2015	44,203	-0.1%	5,130	-2.4%	124	-2.4%	602	20.9%	50,059	-0.1%
2016	45,163	2.2%	5,216	1.7%	135	8.9%	572	-5.0%	51,086	2.1%
2017	46,038	1.9%	5,343	2.4%	129	-4.4%	461	-19.4%	51,971	1.7%
2018	46,864	1.8%	5,439	1.8%	131	1.8%	469	1.8%	52,904	1.8%
2019	47,539	1.4%	5,517	1.4%	133	1.4%	476	1.4%	53,665	1.4%
2020	48,194	1.4%	5,593	1.4%	135	1.4%	483	1.4%	54,405	1.4%
2021	49,004	1.7%	5,687	1.7%	137	1.7%	491	1.7%	55,319	1.7%
2022	49,790	1.6%	5,778	1.6%	140	1.6%	499	1.6%	56,207	1.6%
2023	50,577	1.6%	5,870	1.6%	142	1.6%	506	1.6%	57,095	1.6%
2024	51,354	1.5%	5,960	1.5%	144	1.5%	514	1.5%	57,972	1.5%
2025	52,153	1.6%	6,053	1.6%	146	1.6%	522	1.6%	58,874	1.6%

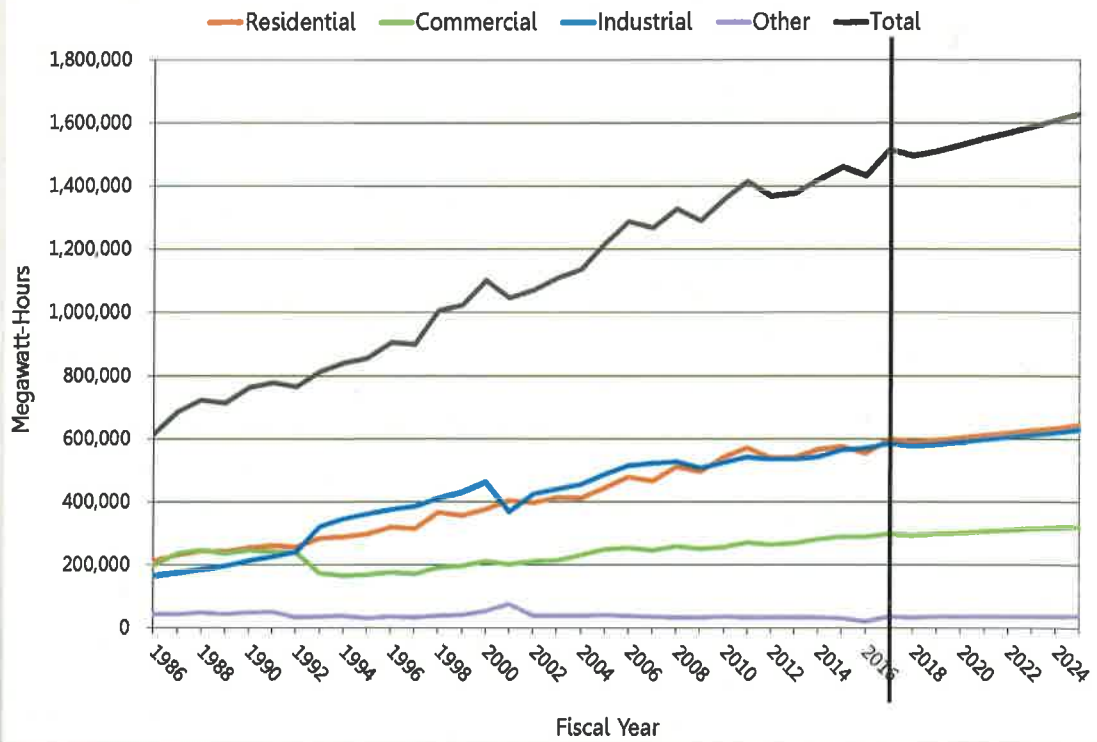
Annual MWh Sales

Fiscal Year	Peak MW	Residential	Commercial	Industrial	Other	Total
2010	339 7%	541,324 9%	256,435 2%	525,479 3%	35,167 6%	1,358,405 5.25%
2011	350 3%	569,711 5%	269,986 5%	544,448 4%	32,133 -9%	1,416,278 4.26%
2012	341 -3%	537,631 -6%	263,474 -2%	535,160 -2%	33,418 4%	1,369,683 -3.29%
2013	342 0%	541,109 1%	268,237 2%	535,984 0%	34,078 2%	1,379,407 0.71%
2014	336 -2%	565,587 5%	279,720 4%	542,806 1%	32,945 -3%	1,421,058 3.02%
2015	347 3%	576,810 2%	287,468 3%	565,632 4%	31,496 -4%	1,461,406 2.84%
2016	349 1%	552,695 -4%	289,030 1%	570,668 1%	20,924 -34%	1,433,317 -1.92%
2017	376 8%	597,904 8%	297,980 3%	586,317 3%	34,721 66%	1,516,922 5.83%
2018	368 -2%	590,207 -1%	294,144 -1%	578,769 -1%	34,274 -1%	1,497,394 -1.29%
2019	377 2%	596,039 1%	297,050 1%	584,488 1%	34,613 1%	1,512,189 0.99%
2020	387 3%	603,489 1%	300,763 1%	591,794 1%	35,045 1%	1,531,091 1.25%
2021	397 3%	611,033 1%	304,523 1%	599,191 1%	35,483 1%	1,550,230 1.25%
2022	408 3%	618,671 1%	308,329 1%	606,681 1%	35,927 1%	1,569,608 1.25%
2023	419 3%	626,404 1%	312,184 1%	614,265 1%	36,376 1%	1,589,228 1.25%
2024	430 3%	634,234 1%	316,086 1%	621,943 1%	36,831 1%	1,609,093 1.25%
2025	441 3%	642,162 1%	320,037 1%	629,717 1%	37,291 1%	1,629,207 1.25%

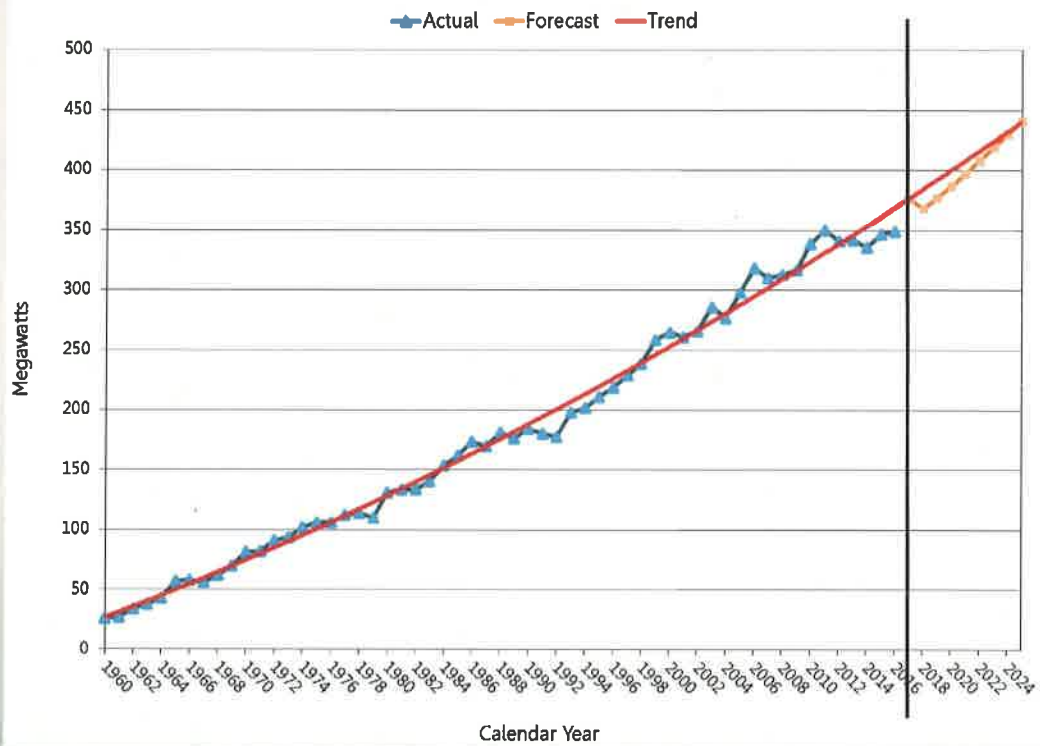
Annual MWh Purchases vs Sales



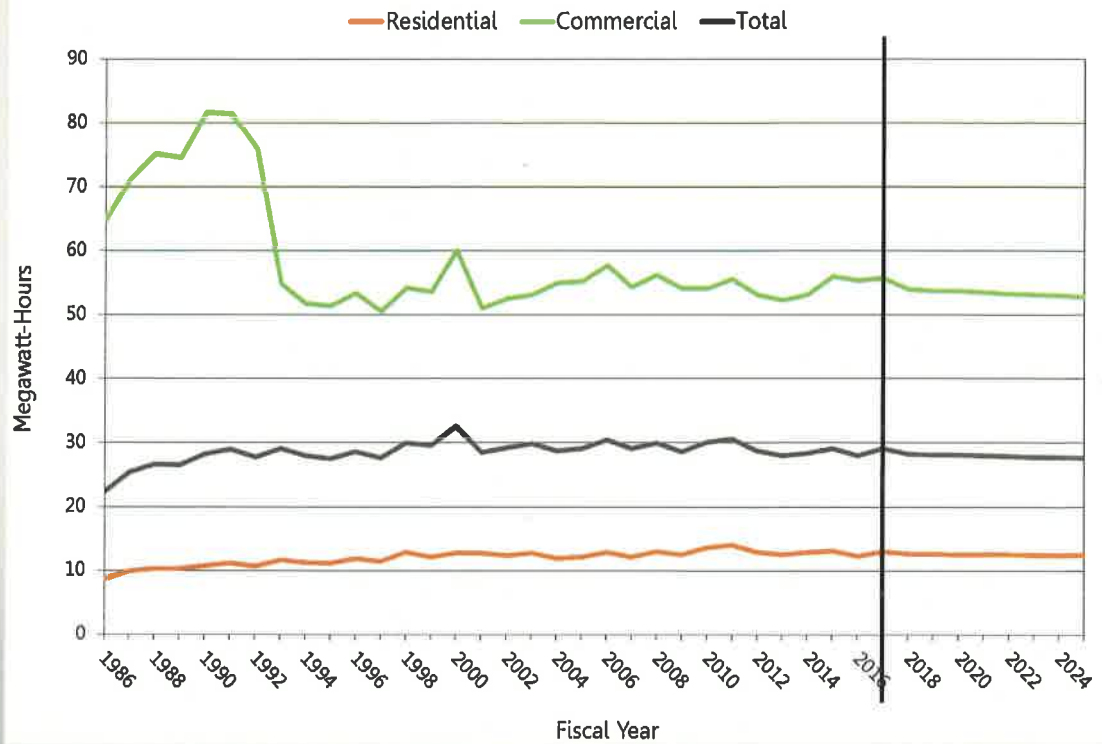
Annual MWh Sales



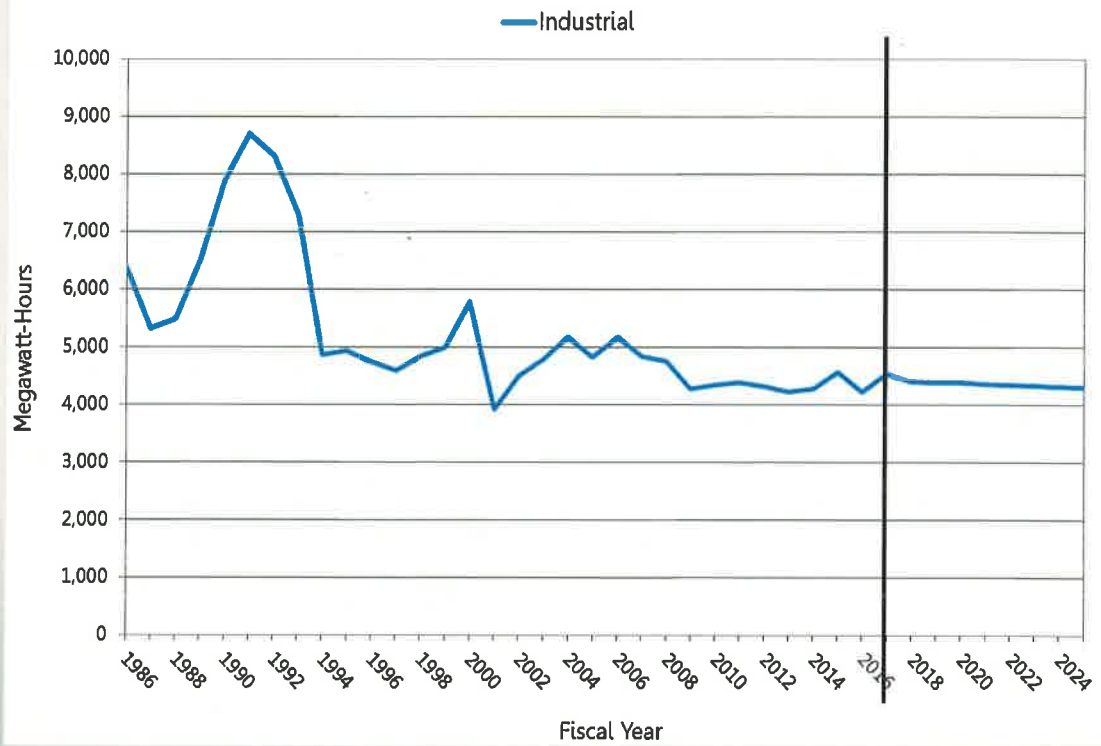
DME Peak Loads and Trend



Average Annual MWh Sales



Average Annual MWh Sales



Reserves

	Electric*
Working Capital	8%
Operating Reserves	8-12%
Total	16-20%
Operating Days	(60-75 days)

*does not include Texas Municipal Power Agency (TMPA) Debt payments

- Working capital ("WC") provides liquidity for payables and payment cycles. Funds above this level are applied to the operating reserve.
- Operating reserves ("OR") help managing expense and demand volatility, cover emergencies, and improve overall resiliency. In general, Funds with more stable revenue collection can consider lower OR targets.
- As outlined in the Utilities Financial Strategies, Funds above operating reserves may be used for debt reduction payments, one-time capital expenses, capital funding using cash, or various rate increase mitigation strategies.

