



**City of Denton
DRAFT MINUTES
PUBLIC UTILITIES BOARD**

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

Monday, October 23, 2017

9:00am

City Council Work Session Room

After determining that a quorum of the Public Utilities Board of the City of Denton, Texas is present, the Chair of the Public Utilities Board will thereafter convene into an open meeting on Monday, October 23, 2017 at 9:00a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

Board Members: Chair Randy Robinson, Vice Chair Susan Parker, Charles Jackson, Lilia Bynum, Brendan Carroll, Allen Bishop and Deb Armintor

Ex Officio Members: Todd Hileman, City Manager and Bryan Langley, Deputy City Manager

WORK SESSION

A. PUB17-191 – Receive a report, hold a discussion, and give staff direction regarding the Resource Planning and Power Supply Strategy prepared by Enterprise Risk Consulting for Denton Municipal Electric.

Bryan Langley introduced Larry Lawrence and Neil McAndrews that are with Enterprise Risk Consulting.

Larry Lawrence and Neil McAndrews gave the presentation that covered the planning goals, data and data sources with evaluation factors, portfolio modeling, summary analysis and the recommendations.

Lawrence went over the five objectives that are included in the planning goals. Those objectives are: least-cost supply, uncertainty (risk) reduction, sustainability, competitiveness and efficient management of a renewable resource power supply portfolio.

Lawrence continued with the data sources and inputs. They received information regarding Denton, their load, current supply resources and the DEC performance data. They also relied on ERCOT to devise this plan with their historical heat rates. Other resources were used were the US Energy Information Agency, Least-cost electric utility planning, Texas Public Utility Commission and the Texas renewables website. NY/MEX and other industry sources for forward natural gas and power price data was also used.

Lawrence then explained the ERCOT resource price stack using a couple of graphs. The takeaway from this was all the projections are very dependent on the price of gas. Lawrence added that is a theme throughout this presentation. ERCOT data was presented and they key findings include load continued to grow in ERCOT in seven of the eight scenarios. All scenarios showed a significant amount of solar generation additions and the retirement of coal and natural gas generation.

Lawrence showed other graphs that reflected the market data and the natural gas price projections. The natural price projections included ERC high and base gas cases and Brattle base and low gas cases. Board Members had questions regarding the projected graph.

Lawrence went on to talk about the evaluation factors. The two main objective factors that were used are least-cost supply, and uncertainty reduction. The ‘risk’ reduction was expounded upon. The Denton load

scenario that was used included a slightly negative growth rate, median (1.6 percent) and high (3 percent) annual growth rates.

The supply gap analysis was explained. The definition of renewable percentage is the number of annual MWhs of renewable production compared to Denton's annual MWhs of load. Denton's annual load for 2019 which is the target, is 1,550,000 MWhs. Counting Whitetail as a renewable resource leaves Denton at approximately 61 percent renewable. Without counting Whitetail as a renewable resource results in approximately 44 percent renewable resources. Depending on the classification of Whitetail, Denton needs between 9 percent and 26 percent in additional renewable resources to meet its minimum goal of 70 percent renewable or between 39 percent and 56 percent to meet the target of 100 percent renewable.

Renewable supply alternative RFP results were shown without specific vendor names which are confidential. The prices were used to estimate the costs of the supply and are further adjusted to production profiles to calculate effective costs. Examples were given and explained. Least cost comparison was then talked about with the RFP's that responded.

The production vs load profiles were shown on a graph and explained. The wind and solar profiles were shown with an example of an August day. Seasonally low wind output would necessitate market purchases during off-peak hours. The combination of solar production and DEC production could cause an excess of supply during certain on-peak hours and would necessitate market sales. Then an example of an April day was shown with the same kind of analysis given. Wind and solar for the country was shown on a map.

There were many variables taken into account for the portfolio modeling.

Lawrence talked about 'firming' and ERCOT. Using a specific power plant to firm intermittent resources is necessary in a bilateral market where a utility is responsible for its own control area. Using the DEC as a sole hedge or source for 'firming' is not the least-cost and lowest-risk option for over 75 percent of the hours in a year. The low heat rate associated with most of the hours in the DAM will allow Denton to firm intermittent renewable production with spot market purchases at a lower cost than the DEC, while avoiding congestion and price risk. The advantages of the DEC are it is a heat rate hedge. It will reduce cost risk for Denton because at certain times it will be dispatched during price spikes. It provides a long-term hedge benefit in the event of accelerated retirement of conventional fossil fuel generation resources. The disadvantages of the DEC are as a higher heat rate generator, it offers no pricing power and offers no competitive advantage. ERCOT manages the system so that heat rates don't vary much. Its value to Denton requires that natural gas prices go up substantially in the future. Lawrence also went over ways to get additional value from the DEC.

The Board had questions and there was much discussion.

McAndrews went on to talk about the benefits of the Denton Renewable Portfolio. Stating that 70 percent of the goal will be reached by 2023 and additional wind and solar when purchased to reach 100 percent. Lawrence added that Denton can reach its 70 percent renewable goal with additional renewable resources from the current RFP submissions. A footnote was added that the resource plan assumes that Gibbon's Creek will be decommissioned by 2018.

The risk considerations were talked about that include potential federal solar tariff and potential alternatives. Denton accepts no tariff outcome risk. Also the risks of potential purchase accelerators were talked out.

Recommendations are to purchase approximately 30 to 40 percent of the load in 2019 with additional renewable resources. Useful portfolio diversification would be approximately 75 MW to 100 MW of

coastal wind and approximately 90 MW to 120 MW of additional solar resources to meet or exceed the 70 percent renewable goal. Some amount of North Texas wind could be substituted for coastal wind because the two resources are close in cost. This would reduce the potential regulation risk of market changes such as the introduction of marginal losses, and would reduce congestion risk and CRR hedging costs. ERC's preference is 200 MW West Texas Solar and 150 wind.

Decisions – Will Denton count Whitetail as a renewable resource? Will Denton choose to delay solar purchases because of a potential federal solar tariff? Should Denton accelerate renewable purchases, especially of wind resources? Should Denton move forward the date of the 100 percent renewable goal?

At the end, there were more discussion. Langley added that this will go to Council tomorrow night and the plan will be brought back for approval.

B. PUB17-227 – Receive a report, hold a discussion, and provide staff direction regarding the Solid Waste Department's and Watershed Protection division's community sponsorship program.

Ethan Cox gave the presentation regarding the Solid Waste and Watershed Protection sponsorships. The background includes sponsorship of \$22,000 for solid waste to promote recycling and responsible waste practices. The watershed expends approximately \$9,500 which is to promote pollution prevention, stormwater and water quality awareness and also is required for the City's MS4 Permit.

Keep Denton Beautiful is one of the sponsorships that solid waste and watershed protection uses. Other sponsorships include community events and industry organizations.

Solid waste will reduce their budget next year in this area to around \$15,000. Staff feel this is an adequate amount to help with these events.

Cox stated the proposed policy includes any sponsorship over \$2,500 will require PUB/Council approval. There is qualifying criteria that has to be met. A quarterly report will be provided to both this Board and Council.

Staff recommends to reduce the Solid Waste sponsorship budget to \$15,000. Maintain watershed sponsorships and adhere to the proposed policy and criteria.

The next step will be to take this to Council next week.

Chair Robinson stated he is in favor of the consistency.

Board Member Armintor asked why Keep Denton Beautiful needs money from solid waste and watershed protection instead of from the general fund. Cox answered his understanding is the Keep America Beautiful group which Keep Denton Beautiful is a part, can be independent or it can be private/public partnership. Years ago Keep Denton Beautiful was part of the general fund, and was transferred to Solid Waste some years ago. Solid waste supports the operations, and the Board and Foundation supports the program services. Cox added that they will take direction from this Board and Council regarding continuing. Staff feels like there are many that support the solid waste purpose.

CONSENT AGENDA

A. PUB17-207 Consider recommending adoption of an ordinance of the City of Denton authorizing the City Manager, or designee, to approve a purchase of storage expansion for the City

of Denton's Data Domain (Backup) system, Contract Number DIR-TSO-2634; providing for the expenditure of funds therefor; and providing an effective date (Awarded to Presidio Networked Solutions Group, LLC. in the amount not to exceed \$80,672.31).

**There was a motion by Board Member Parker with a second by Board Member Bynum.
Vote 7-0 approved**

- B. PUB17-221** Consider recommending approval of a resolution of the City of Denton, Texas, approving the Denton Municipal Electric Sponsorship Program guidelines and application process

This item was pulled by Board Member Armintor, no extra explanation needed.

**There was a motion by Board Member Parker with a second by Board Member Carroll.
Vote 6-1 approved.**

ITEMS FOR INDIVIDUAL CONSIDERATION

- A. PUB17-226** Receive nominations and elect a secretary for the Public Utilities Board.

**Board Member Bynum nominated Board Member Carroll, Board Member Parker seconded the nomination. Board Member Bishop motioned for nominations to cease.
Vote 7-0 approved Board Member Carroll, Secretary of the Board**

- B. PUB17-223** Consider approval of the Public Utilities Board Meeting minutes of October 9, 2017.

There was a request to add the abstained vote language to the last meeting. There was a motion to approve with changes.

- C. PUB17-206** Receive a report, hold a discussion, and provide staff with direction concerning the approval of contract for the supply of water treatment chemicals for the City of Denton Water Production and Water Reclamation departments; providing for the expenditure of funds therefor; and providing an effective date (IFB 6530-awarded to the lowest responsible bidder for each item in the four (4) year not-to-exceed amount of \$7,026,100).

Tim Fisher gave a short overview presentation regarding the chemicals for the water treatment plants and the water reclamation plants beginning with the background. These chemicals are budgeted for each year.

Water production uses 70 percent of the total purchases. They have to be NSF 60 certified. The purchases are competitively bid lastly in 2015. There were 19 vendors that sent in bids.

Staff recommends approval of the bid.

Purchase orders are sent out yearly by estimates. If the chemicals are used they aren't ordered. Prices do fluctuate.

**There was a motion by Board Member Jackson with a second by Board Member Armintor.
Vote 7-0 approved.**

D. PUB17-230 Receive a report, hold a discussion, and provide staff with direction concerning the approval of a public works contract for Directional Boring Services for Denton Municipal Electric and other utility departments which includes labor, equipment, tools, supervision, as well as all administrative and insurance costs incurred by the contractor, necessary to complete installations of underground directional bores; providing for the expenditure of funds therefor; and providing an effective date (RFP 6516-awarded to C&C Directional Boring, LLC, in the three (5) year not-to-exceed amount of \$3,000,000).

Rowdy Patterson gave the presentation starting with the background. This bid is for five years, there was a typo in the caption. DME is not the only department that uses the boring contract, but are the largest user. A contractor has been used since 2000.

The RFP includes labor, equipment, tools, supervision, as well as all administrative and insurance cost incurred by the contractor. City staff also supervises the contractors. The RFP was sent to 464 prospective suppliers, three proposals were received back. This is common for this contract.

Active projects include: UNT Mulberry Street, Locust Substation Feeder Exit Conduits, and FM1515 I-35W & KCS RR Conversion. There were several others listed.

An explanation of directional boring was defined with a photograph of the machine.

Recommendation is to award the five year contract to C & C Directional Boring LLC for an amount not to excel \$3,000,000.

Board Member Carroll asked if this is the same contractor as before. Patterson answered no they are not.

There was a motion by Board Member Parker with a second by Board Member Bynum. Vote 7-0 approved.

Board Member Carroll asked if this has been evaluated to do in-house. Patterson answered we did 25 years ago, but it is not cost effective.

E. PUB17-231 Receive a report, hold a discussion, and provide staff with direction concerning the approval of RFP #6518 and recommend award of a contract for the purchase of Underground Electric Installation Services for Denton Municipal Electric (DME); providing for the expenditure of funds therefore; and providing for an effective date (RFP #6518- three year Contract for Underground Electric Installation Services to FX5 Construction & Excavation, Inc., in a contracted amount not to exceed \$6,000,000).

Rowdy Patterson also gave this presentation beginning with the background. There are times that boring does not work and you have to open trench for lines.

The RFP includes labor, equipment, tools, supervision, as well as all administrative and insurance cost incurred by the contractor. City staff also supervises the contractors. The RFP was sent to 325 prospective suppliers, three proposals were received back. Staff went back for best and final offers and clarified a few line items.

Example photos were shown of the type of work they would be accomplishing at Winco and the new Loves Truck stop. Forecasted projects were shown on a list.

Recommendation is to approve FX5 Construction & Excavation for three years not to exceed \$6,000,000.

Parker asked how much of our lines are underground, Patterson answered 57 percent. There are 800 miles of distribution lines with 459 miles underground.

**There was a motion by Board Member Jackson with a second by Board Member Parker.
Vote 7-0 approved.**

- F. PUB17-224** ACM Update:
1. Texas WET Magazine Article
 2. Utility Dive Article
 3. Future Agenda Items
 4. Matrix

CONCLUDING ITEMS

Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the Public Utilities Board or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda

Armintor –

- discussion on holding the PUB meeting in the evening
- If DME lineman have interest in helping in Puerto Rico. Langley will check on this.
- DME billing issue – Can the bill date be changed, is there a policy on this
- Wastewater billing rule would not exceed water usage, how the wastewater bill is determined

Langley will bring all the billing uses back at one time.

Adjournment: 11:54am