



City of Denton

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

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager's Office

CM/ DCM/ ACM: Bryan Langley, Deputy City Manager

DATE: December 12, 2017

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the Energy Management Organization Review conducted by Deloitte.

BACKGROUND

Staff contracted with Deloitte and Touche LLP ("Deloitte" or "D&T") to perform an independent assessment of the estimated savings and model of the Energy Management Organization, an in-house division of Denton Municipal Electric that was created in 2014 to manage the utility's electric supply portfolio and perform all required scheduling, regulatory, and settlement activities. A goal of implementing the EMO was to achieve cost savings compared to outsourcing the function to a third party, as had been done previously.

Deloitte performed a retrospective assessment of the savings calculations and model used by the EMO for FY2015 and FY2016. Deloitte presented their findings to the Public Utilities Board on September 11, 2017 and to the City Council on September 12, 2017.

Following the retrospective assessment and presentation, next steps were proposed for Deloitte to perform a second phase of work to 1) perform an analysis of alternative benchmark calculations to be used for FY2017 and going forward and 2) perform an independent assessment of the EMO's current and future capabilities required to support the EMO's mission, energy management, and risk management activities. PUB recommended approval of an amendment to the contract for this second phase of work on September 25, 2017 and City Council approved the amendment to the contract on October 10, 2017.

Stephen Engler, Managing Director of Energy & Resources, and Timothy Metts, Senior Manager of Energy & Resources, of Deloitte will present their report and findings to the Public Utilities Board on Monday, December 11 and to City Council on Tuesday, December 12. Please find attached a copy of the report and presentation (**Exhibit 2 and 3**), as well as a letter with DME management's response (**Exhibit 4**).

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

September 11, 2017 – Deloitte presented their assessment of the cost savings model for the EMO for FY2015 and FY2016 at the September 11, 2017 Public Utilities Board meeting.

September 12, 2017 – Deloitte presented their assessment of the cost savings model for the EMO for FY2015 and FY2016 at the September 12, 2017 City Council meeting.

September 25, 2017 – An amendment to the contract with Deloitte to perform the second phase of work was considered by the PUB and recommended for approval.

October 10, 2017 – An amendment to the contract with Deloitte to perform the second phase of work was considered by the City Council and awarded.

FISCAL INFORMATION

A contract with Deloitte was approved by Purchasing staff on May 25, 2017 in the amount of \$26,000 and a First Amendment was approved by the City Manager on July 25, 2017 in the amount of \$60,000. A Second Amendment was approved by City Council on October 10, 2017 in the amount of \$145,000, for a total contract amount not-to-exceed \$231,000.

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. Agenda Information Sheet
2. Report
3. Presentation
4. Management Response

Respectfully submitted:
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