



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

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

Monday, December 11, 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, December 11, 2017 at 9:00a.m. in the Council Work Session Room at City Hall, 215 E. McKinney Street, Denton, Texas

Board Members: Vice Chair Susan Parker, Brendan Carroll, Allen Bishop and Deb Armintor

Ex Officio Members: Bryan Langley, Deputy City Manager and Mario Canizares, Assistant City Manager

**Absent: Todd Hileman, City Manager
Chair Randy Robinson, Charles Jackson and Lilia Bynum**

WORK SESSION

A. PUB17-182 – Receive a report, hold a discussion, and give staff direction regarding the Energy Management Organization Review being conducted by Deloitte.

Bryan Langley introduced the consultants and stated they have been hired and will talk about the benchmarking work for FY 2016-2017 and the review of the Energy Management Organization, procedures and policies that are associated.

Stephen Engler, Managing Director of Energy & Resources, and Timothy Metts, Senior Manager of Energy & Resources, of Deloitte gave the presentation.

Engler begin with what they would speak about that includes the objective, risks, uncertainty and capabilities, DME risk assessment work, benchmark and alternatives and recommended next steps.

Engler stated the following is what The City asked of them to answer:

- Identify risks that existed before the creation of the EMO and what risks may exist for DME since go-live.
- Based on the risks identified, assess DME's risk management program and make recommendations for improvement.
- Analyze different approaches for establishing the FY17 benchmark and make recommendations for how to proceed.

Engler defined risk. Possibility of suffering adverse outcomes such as higher rates, lower revenues, or higher costs. Uncertainty refers to unknown events where the probability of occurrence is difficult to quantify.

Engler then talked about the Key Risk Areas – Understanding Key Risks Areas – There are no new risks. Prior to EMO those risks were managed by a third party, now the risks that were already known are now being actively managed in-house by DME.

DME Risk Assessment – Objectives and Scope included understanding DME’s existing energy and risk management program. Collecting and evaluating data, developing findings and making recommendations to help DME understand areas for development. Preparing an executive summary of observations and recommendations for DME’s consideration. The scope of work and approach was discussed.

Engler talked about the Capability Maturity Model (CMM) and how is it used. The maturity staging of trading and risk management capabilities was discussed. The developing, prevalent and leading items were also talked about.

Metts then took over the presentation and talked about recommendations and selected risks using a table for that explanation.

Board Member Armintor asked of the (4) categories (Governance, Process, People and Technology) are the biggest weakness and strength for DME. Metts answered he doesn’t believe it is a weakness but a handful of changes in governance would be beneficial. On the strengths, the processes are very strong and very well thought out. Engler added that a strength is the people with good experience that understands the market and risks.

Metts talked about the biggest impact and started with governance. There were several items that could be strengthened. The presentation was quite detailed in the items identified as high priority. There was an extensive list of items that are high priority.

Parker added that the list of governance looks long but is a lot of small items that can be taken care of pretty quickly and easily. Engler agreed and talked about the items.

Metts continued with the Engagement Summary. It is their observation that while DME is lacking certain risk infrastructure to support the energy and risk management program, the organization is generally structured, staffed and capable of managing the utility’s risks. With some enhancements to the technology infrastructure and a more consistent focus on reporting and communication, DME would be comparable to other similarly sized municipal utilities.

Metts then talked about the FY17 Benchmark Analysis. The two alternative benchmarks that they considered was explained to the Board. These alternatives both had advantages and disadvantages. The benchmark impact cost and savings was explained on a spreadsheet.

Metts described changing the focus from cost savings to risk mitigation and the value-added and what this would look like. Clearly defined, quantifiable, and market compatible objectives allow for simple measurement of performance and effectiveness. The rate risk objective: Manage the Energy Cost adjustment so the cost to serve customers do not increase by more than a percentage at a 97.5 percent confidence interval. Hedge loss objective: Manage fixed price transactions so that customer rates are not more than a percentage above market-based rates at a 97.5 percent confidence interval. Option Budget: Set aside an amount in options budget to manage the tension between the first two options so that hedge strategy is market-compatible.

Metts lastly talked about the recommended next steps. Consider quantifying the risk of DME’s evolving portfolio of resources, obligation to provide power to customers, and the impact of supply uncertainty on end-user electricity rates. This should include the evaluation of different forward, financial hedge strategies designed to accomplish DME’s mission to provide stable and competitive electric rates.

Bryan Langley stated there will be items brought back and will come back yearly for reporting.

Board Member Armintor asked what would be a good ‘take away’ to communicate to citizens. Engler answered the assessment of capabilities and benchmark discussion will come together as an organization to define the objective goals. Metts added there is a lot of individual effort and with the governance efforts it will be more of an organization effort which will streamline and make the process easier and more transparent.

CLOSED MEETING

- A. PUB17-234** - Deliberations Regarding Certain Public Power Utilities: Competitive Matters – Under Texas Government Code Section 551.086; Consultation with Attorneys - Under Texas Government Code Section 551.071.

Receive a presentation from staff regarding public power competitive and financial matters pertaining to the natural gas fuel supply for the Denton Energy Center (“DEC”); discuss and deliberate strategies and opportunities for the City to acquire natural gas for the DEC and enter into agreements regarding the same. Consultation with the City’s attorneys regarding legal issues associated with the agreements described above where discussion of these legal matters in an open meeting would conflict with the duty of the City’s attorneys to the City of Denton and the Denton City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas. Make a recommendation to City Council on a Contract for Sale and Purchase of Natural Gas with Enterprise Products Operating, LLC, a Texas limited liability company.

THIS ITEM WAS PULLED.

REGULAR MEETING

1. CONSENT AGENDA

- A. PUB17-254** - Consider recommending that City Council adopt a Resolution directing and authorizing the City Attorney of the City of Denton to intervene in Staff’s Application to Set 2018 Wholesale Transmission Service Charges for the Electric Reliability Council of Texas pending before the Public Utility Commission of Texas under Docket No. 47777 and to use, if needed, the Austin law firm of Lloyd Gosselink Rochelle & Townsend, P.C. to represent the City in the same; and providing an effective date.

**There was a motion by Board Member Armintor with a second by Board Member Bishop.
Vote 4-0 approved.**

- B. PUB17-255** - Consider recommending adoption of an ordinance authorizing the City Manager to execute a Professional Services Agreement for engineering design services relating to the design, bid phase, and construction services for the PEC-4 Phases 3 and 4 Drainage Improvements project which includes approximately 2,700 linear feet of reinforced concrete box, 2,300 linear feet of waterline relocation and lowering, 1,700 linear feet of sanitary sewer line relocation and adjustment, and pavement repair from West Prairie Street to the beginning of the open channel near the intersection of West Mulberry Street and Bernard Street; providing for the expenditure of funds therefor; and providing an effective date (File 6625 awarded to Freese and Nichols, Inc. in the not-to-exceed amount of \$1,200,000).

Pulled for individual consideration.

Todd Estes, City Engineer gave the presentation with Lee Perry, Senior Engineer.

The project scope was talked about and a map was shown. This project will improve the downtown drainage problem. The limits extend along the upper portion of the Tributary of Pecan Creek between Prairie and Mulberry. Approximately 2,700 feet of underground storm drain box culvert will be installed. This will remove the surrounding properties from the 100 year floodplain.

The cost and timeline was shown.

Estimated costs include: Design - \$1.2m
Acquisition of property \$300k
Construction \$9.3m

Timeline: Design and Acquisition - January 2018 to December 2018
Construction - Include in 2020 Bond Package
Allows for Phase 1 and 2 to complete construction - March 2020

This is one item that has been identified in the City's Capital Improvement Plan.

The selected consultant is Freese and Nichols. In the past they have demonstrated their expertise in Streets, Drainage, Water and Sewer type projects. Currently, FNI is the design consultant for the PEC 4, Phase 1 and 2. FNI has worked closely with Staff to define the limits and scope of this project.

Recommendation by staff is that City Council approve the award of a professional services contract. In an amount not to exceed \$1,200,000.00. For the design, bid, and construction phase services for the PEC 4, Phase 3 and 4 Downtown Drainage Improvement Project.

Board Member Bishop stated by doing this it will remove floodplain and the property can be developed. There are many benefits to this project. Estes agreed.

Board Member Carroll asked when staff knew phase 1 and 2 was not going to take care of the problem. Estes was unsure, he has only been with the city for a few months.

Board Member Armintor stated this will help with flood preparedness for the City of Denton. It is a big expense but very important. How is this plan connected to a larger plan for the City. Estes answered staff is working on the plan and it is currently developing. The City of Denton goes through an auditing program with FEMA every five years. After the 2007 flood this area was at the top of the priority list.

There was a motion by Board Member Armintor to approve this item with a second by Board Member Carroll. Vote 4-0 approved.

2. ITEMS FOR INDIVIDUAL CONSIDERATION

- A. **PUB17-235** Consider approval of the Public Utilities Board Meeting minutes of November 13, 2017.

Minutes – approved

- B. **PUB17-215** Receive a report, hold a discussion, and provide staff with direction concerning the

approval of a public works contract as awarded by the State of Texas Department of Information Resources (DIR) through the Go DIRect Program, Contract Number DIR-SDD-2678 for radio network design and installation services including tower construction at Lake Ray Roberts Water Treatment Plant, the installation of new transmission lines, and the linking of radio communications between seven facilities in relation to the upgrade of the City of Denton Water Production Department's Radio Communication System; providing for the expenditure of funds therefor and providing an effective date. (File 6518-awarded to Johnston Technical Services, Inc. in the not-to-exceed amount of \$260,000)

Tim Fisher gave this presentation starting with the background.

Background included: Water Production uses microwave radios for communication, including Supervisory Control and Data Acquisition (SCADA), Cameras, and Access Control. The existing system uses the Northwest Water Tower as a communications hub. Northwest Tower was the highest tower (in elevation) in our system until recently. Northwest Water Tower pictures were shown.

2012 Master Plan - Arcadis Engineering reviewed SCADA and radio communication systems and developed a Master Plan. Capital Improvement Project was developed based on the Master Plan recommendation for \$220,000.

The objective is to eliminate the single source of failure for radio network. This will create a looping radio network by adding four new radio links and relocating three existing radio links.

Financials – This is a turnkey project by Johnston Technical Services (JTS). JTS performs radio and radio network services throughout the Dallas/Fort Worth Metropolitan area, including Denton County, DISD, and other City of Denton departments. The project budget was \$220,000. JTS lump sum cost for project using the State of Texas Department of Information Resources (DIR) contract pricing is \$196,496.99.

Board Member Carroll asked if this communication was for water utilities only. Fisher agreed.

There was a motion by Board Member Carroll to approve this item, second by Board Member Bishop. Vote 4-0 approved.

- C. **PUB17-250** ACM Update:
1. Tesla Solar Roof Tiles
 2. Future Agenda Items
 3. 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

Arminton – consider grace period for financial difficulties in paying deposits

Adjournment: 10:18 am