



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

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

Monday, May 7, 2018

8:30 am

Council Chambers

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, May 7, 2018 at 8:30 a.m. in the Council Chambers at City Hall, 215 E. McKinney Street, Denton, Texas

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

Ex Officio Members: Todd Hileman, City Manager and Mario Canizares, Assistant City Manager

Absent: Charles Jackson

WORK SESSION

A. PUB18-076 - Receive a report from staff regarding the 2017 Reliability Indices for the electric distribution system and DME's actions taken to improve reliability.

George Morrow introduced this item and Jerry Fielder, he will be giving the reliability presentation.

Fielder introduced Brad Watts, Superintendent of Operations and Maintenance and Rowdy Patterson, Superintendent of Construction, Sam Bridges is Superintendent of Substations (not in attendance) as part of the reliability team.

IEEE 1366 was explained, a standard for electric liability established by the institute of electric and electronic engineers. There are several things that are looked at - SAIDI; System Average Interruption Duration Index, CAIDI; Customer Average Interruption Duration Index, SAIFI; System Average Interruption Frequency Index, ASAI; Average System Availability Index, T_{MED}; a method to identify single day events which inclusion would skew the indices such that a true evaluation of the reliability indices would be imprecise. Lastly 'Performance' which is not an IEEE 1366 calculation, it is SAIDI x SAIFI.

The study baseline included:

- Study period of January 1, 2017 to December 31, 2017
- 950 events
- Indices are calculated based on IEEE 1366 Standard for Reliability Indices after classification based on IEEE 1782 Standard by Cause Code and Equipment Code
- Reliability indices calculated on system, substation, and feeder service levels
- Top five cause and equipment codes were identified across the system, substation, and feeder service levels

The number one cause is squirrels. The APPA had an article regarding wildlife and Electric Distribution, it is a common problem.

Top 5 cause codes in 2017 were: animals, planned outages, maintenance, weather and equipment or installation/design. This was shown further with graphs.

Five year system performance was shown on a table. The heap map analysis showed that the north east area of the City of Denton has the most outage problems.

Comparison with other Electric Utilities on system performance was shown.

2017 Substation and Feeder Performance within the City of Denton was talked about worse to best. There were maps shown as well.

2017 Findings included:

- The top five cause and equipment codes were identified as factors in over 60 percent of the recorded events at every service level.
- North Lakes Substation is the worst performing substation
- Kings Row Substation has moved from the worst performing substation, but still has two of the ten worse performing feeders.

Action Plan (system) five steps consist of:

- Animal protection
- Maintenance
- Decay age of material
- Lightening
- Material and equipment failures

Video was shown of the new materials used to deter squirrels. Brad Watts explained of how this works and stated that staff will monitor the results. There was some discussion.

Jerry Fielder then stated he had good news. An RP₃ designation signifies leadership in reliability, safety, workforce development and system improvement. It shows commitment to keeping the lights on for customers. It can also indicate good financial health. For the last few years DME has been at the Gold level, in 2018 DME has been moved to the Platinum level.

There were a few questions by Board Members.

B. PUB18-085 - Receive a report, hold a discussion, and give staff direction regarding the Customer Service Fiscal Year 2018-19 Operating Budget.

Tony Puente introduced this item and Tiffany Thompson that will complete the presentation. Puente stated that Customer Service budget will be a separate fund this year. It has been within the Water budget for many years. It will continue to come to this Board for recommendation to Council.

Tiffany Thompson gave the PowerPoint Presentation. She stated that customer service assist all five utilities as well as the main operator that comes to the city. They also take care of billing for 20 other departments.

Last year there were over 627,000 bills calculated and sent out. There were over 616,000 payments received; 185,000 calls; 72,000 in lobby customers and collected over \$268,000,000 in revenue.

Objectives of this item are:

- Proposed Internal Service Fund – an internal service fund is a separate accounting fund that is used to account for services provided to other funds and services are paid at cost. Accounting for this operation separately will increase its transparency and better demonstrate the revenues and expenses

of the operation. Separating this operation from the water fund removes expenses and revenues not fully associated with providing water service to customers since the operation provides services to electric, wastewater, solid waste and general government. Reduces required reserve level of the water fund since this will reduce the overall budgeted expenses.

-Fund Assumptions – There will be no operating reserve required for this fund. Revenues and expenditures are based on the percentage of service utilized.

-Customer Service Financial Forecast was shown on a table. Budget Highlights – Revenue and expenses was also shown.

Customer Service Position Summary shows 41 regular employees and 1.5 temporary/seasonal employees.

Customer Service Goals and Accomplishments

FY17-18 Accomplishment

- New online payment portal
- Increased electronic billing adoption by 55.8 percent
- After call customer satisfaction survey
- Reduced AMI disconnect meter reconnection time by 49.2 percent
- Pilot pre-paid program
- Implemented new credit and collection guidelines
- Executed a homeless deposit waiver
- Enhanced P.L.U.S. one program criteria and funding

FY18-19 Goals

- Report and proactively respond to assistance results
- Reduce reconnection charge
- Increase adoption of self service options
- Automated payment arrangement option
- Launch self-service connect/transfer

The Customer Service budget emphasis is to maximize value while containing costs. Performance metrics were shared with the Board. Customer Service Cost Containment Strategies include reducing volume and improving efficiency.

There were a few questions by Board Members.

The Board was in favor of making Customer Service its own fund.

C. PUB18-086 - Receive a report, hold a discussion, and give staff direction regarding the Water Fiscal Year 2018-19 Operating and Capital Budget.

Tony Puente presented this item.

Puente introduced the water volume forecast along with a graph showing historical and projected peak day finished water production.

Water Assumptions include:

- All rates are based on cost of service
- Maintain debt coverage ratio of 1.25 or higher
- Distribution system replacement funding target is 100 percent revenue funded

- Treatment plant infrastructure funding target is 25 percent revenue funded 75 percent debt funded
- Reserves maintained within 120-180 day range
- Use multi-year financial planning to minimize rate increases
- Rate revenue forecast based on 125 GPCD

Cost containment strategies include:

- Improved debt service efficiency by balancing CIP projects and cash flow schedules
- Budgeted salary savings of \$175,000
- Reduced revenue funded capital in FY19 by \$2 million to level out the five year contributions
- Removed customer service from water budget to better reflect actual operating days of reserves

Water future risks and mitigation:

- Raw water transmission line costs
- Lewisville dam repair
- Ray Roberts 30 MGD expansion
- Other transmission line replacement funding
- Age and condition of Lake Lewisville pump station
- Declining per capita water usage

Water Options

- Option 1 - two percent rate decrease
- Option 2 - no rate changes FY2019 to FY2023

Water budget highlights and expenditures were shown on a table.

Rate comparison for residential and commercial with other cities was displayed.

Board Member Parker asked what the personal services differences are in budget Lori Hewell answered there are vacancies and turn-over of employees. The budget shows if all positions were fully staffed.

Chair Robinson pointed out the difference in option 1 and option 2.

City Manager Hileman added with the decrease they are trying not to add to the debt burden. It is obvious in 2023-2024 time frame the next expansion needs funding room created.

Board Member Armintor asked if there are any complaints from commercial customers paying more. Puente answered not to their knowledge.

Kenneth Banks went over the departmental presentation.

Water accomplishments for 2017-2018 include:

- Started five year update of Water/Wastewater impact fees
- Started 25 year Water Distribution Mater Plan
- Completed preliminary design for soils handling system for Lewisville WTP and moved into final design
- Completed Lake Lewisville Buoy Installation Project
- Completed a chloramination boosting facility at the southwest elevated tower to maintain water quality at Robson Ranch
- Completed water distribution replacement projects in advance of planned bond funded street reconstruction work

Water goals

- Complete five year update of Water/Wastewater impact fees

- Complete 25 year Water Distribution Mater Plan
- Begin construction of Lake Lewisville water treatment plant phase II rehabilitation and solids handing projects
- Complete Ray Robert water treatment plant and equipment assessment and move into final design for plant rehabilitation
- Implement water infomaster to assist decision making for water line infrastructure replacements

Water budget emphasis contains water system reliability and sustainability. Planning and implementing replacements for aging infrastructure. Planning and implementing capital improvements to support community growth.

Water process improvements include converting from paper map books to portable laptops for water distribution. More effectively used GIS and CMM software to plan and prioritize water distribution line replacements and coordinate with street department paving operations. Future process improvements include improving efficiency and cost effectiveness on water main line replacement installations. Development a permanent system for handling and disposing of solids produced from the Lewisville Water Treatment Plant to replace the proposed temporary system. Improving work order system in water metering using CityWorks software. Continue to improve asset management program.

Water position summary shows 103.5 regular employees and two temporary seasonal employees.

Water 5 year capital plan was presented with a detailed table. Banks let the Board Members know there would be even more detail when they receive the completed budget book.

Major CIP Projects were listed, with FY2019 to include North South Water Main Phase 3, Allred to John Paine Road Transmission Line, LLWTP Solids handling and Performance & Regulatory Upgrade of RRWTP. A map was shown of all CIP projects.

Parker asked if there is a rate decrease will there have to be a major increase in the out years. Banks answered staff is looked at that.

Robinson added revenue funded projects is heavy in the near future as opposed to debt funded. Banks agreed.

There was some further discussion.

CLOSED MEETING

A. PUB18-088 - 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.

Discuss and deliberate strategies and opportunities for the City to acquire solar energy and enter into agreements regarding the same including a Power Purchase Agreement with Bluebell Solar II, LLC.; receive a presentation from staff regarding public power competitive and financial matters pertaining to the purchase of solar energy; consultation with the City's attorneys regarding legal issues associated with the agreement 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

The following item was moved to the end.

B. PUB18-092 - Consultation with Attorneys - Under Texas Government Code, Section 551.071.

Receive information from, consult with, deliberate, and provide recommendations to the City Council for direction to the City's attorneys regarding monies paid by the City to the University of Texas at Arlington ("UTA") related to (i) UTA's Solid Waste Institute for Sustainability; and (ii) UTA's research related to and/or at the City's ECO-W.E.R.C.S. Resource Recovery Park. A public discussion of these legal matters 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, or would jeopardize the City's legal position in any administrative proceeding or potential litigation

REGULAR MEETING

1. ITEMS FOR INDIVIDUAL CONSIDERATION

A. PUB18-078 - Consider approval of the Public Utilities Board Meeting minutes of April 23, 2018.

Amend to add a sentence that Board Member Armintor voted against PUB 18-074 because of the redacted agreement.

Approve with correction.

B. PUB18-089 - Consider recommending adoption of an ordinance of the City Council of the City of Denton, a Texas home-rule municipal corporation, providing for, authorizing, and approving the execution by the Mayor of a Power Purchase Agreement ("PPA") between the City of Denton, a Texas home-rule municipal corporation ("Denton"), and Bluebell Solar II, LLC, a Delaware limited liability company ("Bluebell Solar II"); approving and authorizing the acceptance and approval by the City Manager, or his respective designee, of guaranties and letters of credit issued by Bluebell Solar II and NextEra Energy Capital Holdings, Inc., a Delaware corporation ("NextEra Holdings"), further securing the obligations of Bluebell Solar II to the City for the benefit of the City; approving the execution of such other and further related documents deemed necessary to effectuate this transaction by the City Manager, or his designee, which are incident or related to the PPA; finding that the PPA, as redacted, pertains to a "competitive electric matter" as set forth under the provisions of §§551.086 and 552.133 of the Texas Government Code, as amended; finding and determining that the Texas Government Code §252.022(a)(15) applies to said Purchase Power Agreement, exempting the procurement of electricity from the requirements of competitive bidding; finding that the purchase of capacity and energy made by Denton under the terms of the PPA are in the public welfare; authorizing the expenditure of funds; providing an effective date.

George Morrow gave the presentation with the recommendation for the purchase power agreement.

Background is comprised of:

City issued an RFP for solar and/or wind energy on June 22, 2017 with bids due on October 4, 2017. The bid summary was detailed as well as what the proposals were evaluated on. Multi-disciplinary team from DME, purchasing and legal with an outside consultant had input.

Recommended Project was the highest ranked, Bluebell Solar II project proposed by NextEra Energy. Key power purchase agreement terms were discussed. This project is adjacent to Bluebell Solar I scheduled to begin operation later this year.

Staff requests that the PUB consider recommending adoption of an ordinance approving the Bluebell Solar II contract.

Board Member Carroll asked about evaluating building our own solar program. Morrow answered these types of operations require a lot of expertise and specific use. NextEra is probably the largest wind powered producer.

A motion was given by Board Member Carroll with a second by Board Member Parker. Vote 6-0 approved.

C. PUB18-087 - ACM Update:

1. Employee Ethics Policy
2. Water Leak Adjustment Memo
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 – Explore why DME rates are not structured like water rates: commercial more, residential less.

Adjournment: 11:28am