



Legislation Details (With Text)

File #: PUB17-188 **Version:** 1 **Name:**

Type: Public Utilities Board

File created: 9/8/2017 **In control:** Public Utilities Board

On agenda: 9/11/2017 **Final action:**

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

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit 1 - DME Savings Model Review -Deloitte, 2. Exhibit 2 - DME Savings Model Analysis Executive Summary - Deloitte

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

AGENDA INFORMATION SHEET

DEPARTMENT: City Manager’s Office

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

DATE: September 11, 2017

SUBJECT

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

BACKGROUND

In 2014, Denton Municipal Electric (“DME”) created an in-house division called the Energy Management Organization (EMO) to manage the utility’s electric supply portfolio as well as to interface with the Electric Reliability Council of Texas (“ERCOT”) to 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.

To compare costs to the previous contracted company and calculate savings, DME developed a methodology and assumptions. A cost savings estimate for FY2015 and FY2016 was developed and presented to the Strategy Committee / Operating Committee for review in February 2017.

In order to perform an independent assessment of the estimated savings and model, staff contracted with Deloitte and Touche, LLC (“Deloitte”) to assess and analyze the reported savings of the EMO division. Deloitte, an independent audit and consulting firm, was selected based upon the depth of their team and experience with audit functions, the energy industry, and ERCOT regulations. The scope of work included a retrospective assessment to 1) assess the accuracy and completeness of the final FY2015 and FY2016 savings

calculations performed by DME, and 2) assess the model used by DME including the model's inputs, exclusions, and assumptions.

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, September 11. The presentation related to this item is currently being finalized and will be uploaded and forwarded to the board as soon as it is available.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

This item will be presented by Deloitte to the City Council on Tuesday, September 12, 2017.

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

None

Respectfully submitted:
Bryan Langley
Deputy City Manager

Prepared by:
Sarah Kuechler
Assistant to the City Manager