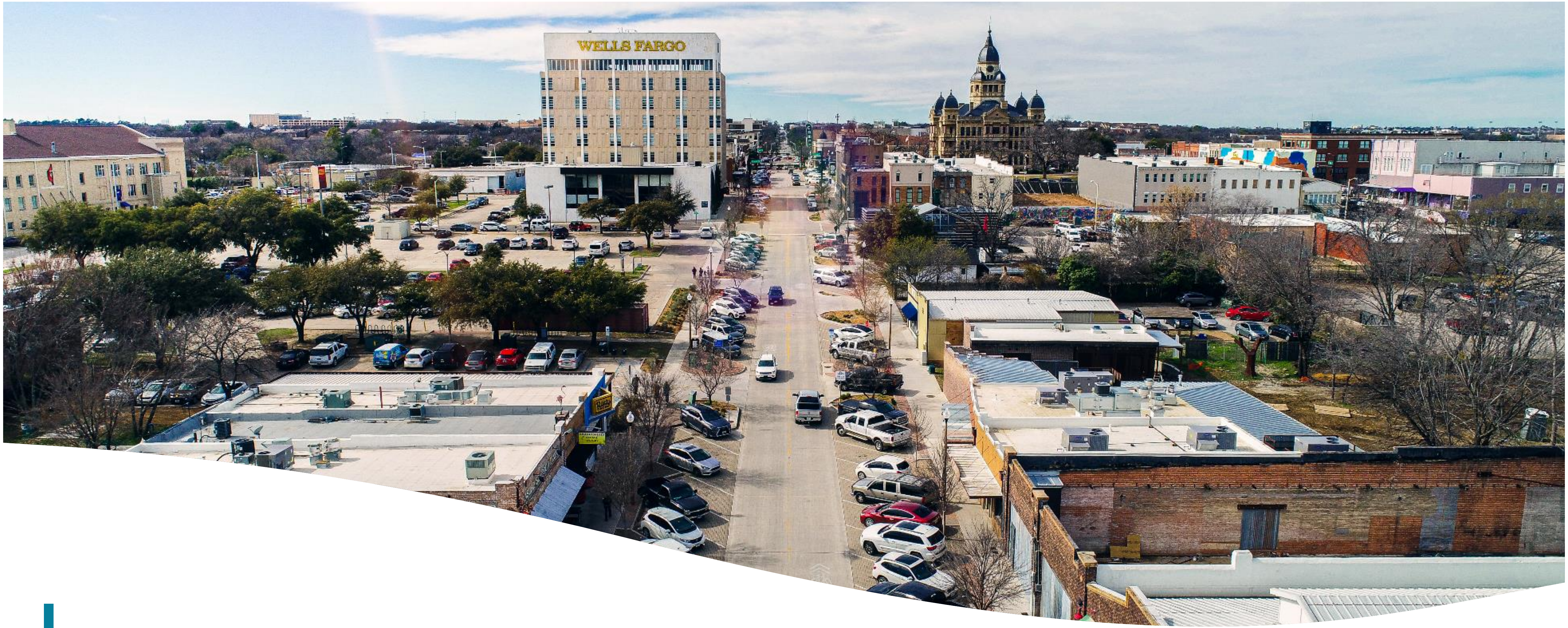

Electric Purchases

Work Session

February 19, 2021 ID21-345

Presentation Objectives

- Review Power Expense Impact of the Winter Storm Emergency

- Review Financial Impact to the Electric Fund

- Present Recommended Plan to address immediate and critical financial needs

Winter Storm 2021

- Energy demand is far exceeding the generation available
- Energy prices increasing to unprecedented levels
  - Average Price February 2020: $23.73/MWh
  - Power Prices on single day: $2,400/MWh
  - **10,000% Increase**
- DME purchases necessary power supply from ERCOT day ahead market and real time markets
- Power expenses in a single day exceeded expenses for the entirety of FY2020
- While operational the Denton Energy Center mitigated over $35 million in power expense

Purchase Power Expenses and Financial Impact

Mitigation Efforts

- Estimated Fund Balance in Electric Fund: **~$105 million**
  - Fund Balance Target: $48.5 million (75 days working capital)
- Interfund loans are allowable but would deplete the Utility and General Funds reserves to below targeted balances
- Staff analyzed all cash funding utility projects to utilize debt funds and provide immediate cash relief
  - This will be utilized, but is not near magnitude needed to provide necessary funds
- Staff did not want to reduce costs through outages in excess of ERCOT requirements. The public health and safety concerns are too high to consider this option.

Winter Storm Event

ERCOT Daily Payments 2/16/21 – 2/19/21	
Tuesday	$27,000,000
Wednesday	$75,000,000
Thursday	$60,000,000
Friday	$45,000,000
Total	**$207,000,000**

Previous Years

Purchase Power Expenses	
FY 2018	$ 76,585,910
FY 2019	$ 97,075,122
FY 2020	$ 63,764,110

Financing Option – Extendable Commercial Paper

- Financing Solutions are the only option to meet immediate cash needs.
- Staff considered multiple short term financing options, and utilizing the existing Commercial Paper program is the most prudent

Extendable Commercial Paper

- Immediate access to funds with in 1-2 days
- Lowest short-term interest rates
- City Council approved a $100m Utility System Extendable Commercial Paper Program in January
  - Previously approved $100m ECP Program for the 2019 Bond Program
- Notes with initial 90 day maturity
  - Can be rolled to another issuance of ECP, paid with available funds, or refunded with long-term bonds

Recommended Plan

- **Completed/ In Process**
  - Staff has initiated issuance of $100 million of notes through existing Utilities Extendable Commercial Paper Program
  - We anticipate funds will be available as early as today, Friday.
- **Next Steps**
  - Amend the Utility System Extendable Commercial Paper Program at the February 23rd City Council Meeting
    - Increase current program from $100 Million to $300 Million
      - Allows City to issue additional notes for current cash needs as necessary
      - Maintains appropriations benefit of ECP program for all utilities
      - In accordance with policies, Council will be notified whenever notes are issued with justification
  - Staff will present regular updates of the Electric Funds financial situation
    - Significant uncertainty remain and changes will occur over the next several months
  - **Immediate concern is meeting obligations to provide service to our residents and customers.**

Questions?