

Agenda Report

April 26, 1999

To: City Council

From: City Manager

Subject: Authorization to Enter into a Contract with Henwood Energy Services, Inc. for Energy Scheduling, Accounting, Portfolio Management and Load Forecasting Software, Including Implementation Services

RECOMMENDATION:

It is recommended that the City Council authorize the General Manager to enter into a contract without competitive bidding pursuant to City Charter Subsection 1002(f), professional or unique services, with Henwood Energy Services, Inc. ("HESI"), a California corporation, for energy scheduling, accounting, portfolio management and load forecasting software, including implementation services, for an amount not to exceed \$347,000.

BACKGROUND:

On December 1, 1998, Water and Power Department ("Department") staff issued a Request for Proposals ("RFP") for Dispatch Center Systems Replacement Project. The RFP sought the services of a highly qualified vendor (or vendors) to deliver, install, and assist in integrating, implementing, and maintaining a suite of software and hardware products for the following electric power systems:

- ❑ **Supervisory Control and Data Acquisition System (SCADA):** Mission-critical hardware and software, which is necessary for real time control of the electrical distribution system;
- ❑ **Energy Scheduling, Trading and Accounting ("Scheduling")** software; and,
- ❑ **Energy Portfolio/Risk Management ("Portfolio")** software.

On February 22, 1999, the City Council authorized the General Manager to enter into a contract with Advanced Control Systems for the SCADA system hardware and software implementation. Staff has completed a detailed evaluation of the proposals for the remaining components of the RFP.

The current Scheduling application, which was installed in the mid-1980's, must be replaced due a number of factors. Although it has served the Department well for over a decade, the proprietary software code is no longer commercially available and cannot be upgraded or maintained to meet the demands of today's increasingly complex wholesale energy business environment. Furthermore, it has been identified as not being Year 2000 compliant.

The specific objectives of the Scheduling system replacement are to select an application that can meet today's business requirements including:

- ISO scheduling coordinator functionality and data interface;
- User-configurable database and interface to update the system without vendor involvement;
- Industry standard database connectivity and communication protocols; and
- Compliance with National Electric Reliability Council (NERC) Scheduling Protocols.

In addition to the Scheduling application, the Portfolio application is needed to optimize the Department's diverse resource mix, manage the increased price volatility of the deregulated energy market, and manage the trades generated by the Department's trading alliance.

Key objectives of the Portfolio application include:

- Facilitating management of separate books for generation, transmission, wholesale energy transactions, and retail load;
- Providing staff with analytical tools for energy portfolio risk management;
- Integration of Portfolio, Scheduling and long-term load/sales forecast and budgeting tools.

Upgrading the existing Scheduling application to meet these objectives was considered and determined not to be a viable alternative. Upgrades are no longer commercially available, and the Department does not have access to the software code, nor the "in-house" expertise to upgrade the code to produce the necessary Scheduling or Portfolio application.

The RFP was issued for this project because of the specialized professional services required to configure the software to model the Department's resources and transactions, incorporate wholesale energy workflows, and integrate the application with other software applications. The RFP was distributed to a total of 19 potential vendors. For the Scheduling application, three proposals were received representing only two different products. A total of four proposals were received for the Portfolio application, two of which were offered as part of an integrated application suite.

Selection Process:

While the proposed contract is exempt from competitive bidding pursuant to Subsection 1002(f) of the City Charter, Professional or Unique Services, a competitive selection process was utilized based on the proposal evaluation criteria stated in the RFP.

Three potentially viable alternative proposals remained to be considered:

1. **Henwood Energy “Power Suite”** of Scheduling, Portfolio, economic dispatch optimization, budgeting, meter management, and load forecasting applications;
2. **Unified Information “ACES”** for Scheduling and related functions; and
3. **Advanced Control Systems (ACS)** integrated offering including **ACES** for Scheduling and **“Contango”** for the Portfolio application.

The results of the evaluation of the proposals received are as follows:

Short Listed Proposals for Energy Scheduling and Portfolio Management

Proposer (Product)	Scheduling & Actg Base Price¹	Add Portfolio Management²
HESI (ETRM / Power Suite)	\$298,500	\$298,500
Unified Information (ACES)	\$325,727	See Below
ACS (ACES + Contango) ³	N/A	\$572,614

¹ Base Price excludes optional items, taxes, and contingency amounts. Includes staff estimates for additional hardware costs and actual costs for a limited number of items proposed by vendors on a time and materials basis.

² ACS and Unified both proposed Contango risk management software. HESI’s scheduling and accounting software includes portfolio management functionality.

³ ACS proposed a fully-integrated “turn-key” suite of all three EMAS applications by partnering with Unified and Contango. Prices shown exclude SCADA related costs.

The HESI proposal was the lowest cost offering that met all of the requirements of the RFP for Scheduling and Portfolio functions. They also had the highest evaluated score as shown on the attached matrix.

The application suite proposed by HESI is an integrated “off-the-shelf” software product, configured to meet the Department’s specific needs. The applications are built around industry standard databases and interfaces that may readily be configured and modified by staff. The HESI product will require some development and customization to meet certain functional requirements related to ancillary service bidding, settlements, and associated resource management.

The proposed contract price of \$347,000 includes a Base Contract Price of \$203,000 plus up to \$70,000 for professional services, \$17,000 for taxes, and up an additional \$57,000 for optional application modules, reports, and change orders as may be necessary to support Pasadena-specific customization and integration with SCADA.

HESI has completed the required affirmative action forms. The proposed contract complies with the Affirmative Action in Contracting Ordinance, P.M.C.4.09, and the Rules and Regulations promulgated thereunder.

FISCAL IMPACT

Initial funding is from the Electric System Capital Improvement Program, and will be from three previously appropriated capital projects as follows:

Budget No.	Budget Description	Amount
3136	Scheduling and Portfolio Management	\$300,000
3109	Customer Load Research Program	\$35,000
3073	Dispatch Center SCADA replacement	\$12,000
Total		\$347,000

The annual software license agreement for maintenance and support is \$37,000 per year, which will be charged starting the second license year. HESI has agreed not to increase this annual fee for the first five years. The annual fee is included in the proposed Power Supply Business Unit operating budget. However, the net increase to the operating budget is \$26,000 per year because the PROSYM product has been licensed by Pasadena for the last five years at \$11,000 per year, and it is now included in the \$37,000 annual fee.

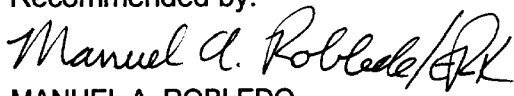
Prepared by:


ERIC R. KLINKNER
Principal Engineer

Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

Recommended by:


MANUEL A. ROBLEDO
Business Unit Director

Approved by:


RUFUS HIGHTOWER
General Manager