

Agenda Report

August 19, 2002

To: City Council
Through: Municipal Services Committee

From: City Manager

Subject: Amend Contract No. 16,949 with Henwood Energy Services, Inc. for Additional Software and Implementation Services

RECOMMENDATION:

It is recommended that the City Council:

- 1) Authorize the amendment of Contract No. 16,949 with Henwood Energy Services, Inc. ("HESI") by \$121,300 for a new not to exceed amount of \$468,300, in order to obtain and implement additional software program modules;
- 2) Authorize payment of annual license renewal and maintenance fees in addition to the above amount for the use of the software in amounts as established by HESI. These fees will be established by contract at \$67,115 in FY2003, \$77,940 in FY2004 and 2005, and shall escalate at rates not to exceed 5% per year thereafter.
- 3) Approve a journal voucher transferring \$67,115 from budget account 401-8222-841910-0555 to account 401-8114-841500-0557 to fund the FY2003 annual renewal and license fees.

BACKGROUND:

On April 26, 1999, the City Council authorized the General Manager to enter into a contract with HESI to provide energy scheduling, accounting, portfolio management and load forecasting software, including implementation services, for an amount not to exceed \$347,000. In addition, the Fiscal Impact section of the Agenda Report stated "The annual software license agreement for maintenance and support is \$37,000 per year, which will be charged starting the second license year" however, spending authority to fund the annual license fee under the contract was not specifically requested in the Recommendation.

To date, PWP has paid HESI \$260,435 for the initial license fee and implementation costs, plus \$80,013 in annual software maintenance and renewal fees (for the contract years ending August 2001 and 2002). Since a separate authorization was not specifically requested for the annual renewal invoices, the annual fees have also been charged against the not to exceed amount of \$347,000. Thus, as of June 30, 2002, the remaining spending authority is insufficient to fund the annual renewal fee payment due September 2002 under the terms of the current contract.

Item 1) Authorization Requested for Additional Software Products

PWP is seeking authorization to increase the contract not to exceed amount by \$121,300 in order to acquire additional program modules that are part of HESI's integrated suite of energy business management software. These modules will help PWP meet its strategic goal of improving energy portfolio risk management, scheduling effectiveness, and reporting capabilities. PWP desires to add new modules to its current license that include automated data extraction from the ISO and other internet data sources, powerful spreadsheet integration tools for pro-forma and ad-hoc reports and queries, and a short-term simulation engine that will help optimize energy resource usage and thereby reduce power procurement costs. Since these tools are integrated with the scheduling database, they will greatly reduce duplicative, manual data entry tasks and increase PWP's operational efficiency and effectiveness at meeting continuously evolving business requirements for energy trading and scheduling.

Item 2) Authorization Requested for Annual Renewal Payments

In addition to the one-time capital expenses associated with perpetual software license fees and implementation fees, HESI charges annual software maintenance and renewal fees that provide PWP with on-going user support and access to the latest software updates. PWP is seeking specific authority to pay the annual license renewal and maintenance fees pursuant to this contract in addition to the not to exceed amount authorized for one-time services and license fees. PWP will request budgetary appropriation each year for these on-going expenses as part of the operating budget approval process.

Item 3) Journal Voucher Transfer of Budget Funds

Annual renewal fees will be charged to PWP's operating budget account number 401-8114-841500-0557. Insufficient funds were budgeted to this account in FY2003 for the full annual fee amount due this year. Authorization of a journal voucher transferring \$67,115 from budget account 401-8222-841910-0555 to this account will avoid exceeding the budget without increasing the total budget for the Power Supply Business Unit or PWP budget.


FISCAL IMPACT

This recommendation will result in a maximum of \$121,300 additional capital expenditures for the initial software License fee and related consulting services for software configuration and implementation. Funding is available in the approved Electric System Capital Improvement Program Budget Number 3136, "Scheduling and Portfolio Management."

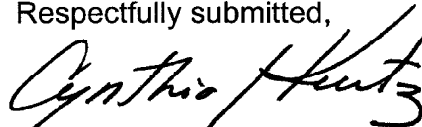
The annual software license renewal agreement for maintenance and support of \$67,115 (\$62,000 plus tax) in FY2003, \$77,940 (\$72,000 plus tax) in FY2004 and FY2005, and escalated thereafter, will be funded from the Power Supply Business Unit operating budget account 401-8114-841500-0557, which is recovered in the Energy Charge. As a result of licensing additional software modules, annual expenditures for the software will increase by approximately \$27,062 in FY2003 and \$37,888 per year thereafter.

Due to a reduction in purchased power costs, there will be no net increase in the FY2003 operating budget. It is anticipated these efficiencies will continue to offset the additional annual fees, thereby avoiding adverse rate impacts.

Prepared by:


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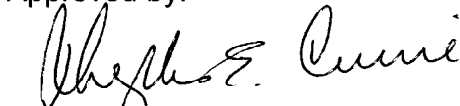
Respectfully submitted,


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