

Agenda Report

February 6, 2006

To: CITY COUNCIL

From: CITY MANAGER

Subject: AUTHORIZATION TO ENTER INTO CONTRACTS TO PURCHASE AND IMPLEMENT A CALIFORNIA ENERGY MARKET SOFTWARE SYSTEM

RECOMMENDATION:

It is recommended that the City Council Authorize the City Manager to:

1. Enter into contracts with the Structure Group (Structure) for:
 - A. purchase of the nMarket software system and implementation services for an amount not to exceed \$225,000.
 - B. provide annual maintenance fees in addition to the above payment for the use of the software in amounts as established by Structure. These fees will be established by contract at \$35,000 for the current year and shall escalate at rates not to exceed 10% per year.
 - C. provide hosting service for a one-time initial setup fee of \$15,000 and an additional monthly maintenance fee for the hardware and software hosting in amounts as established by Structure. These fees will be established by contract at \$2,500 per month and shall escalate at rates not to exceed 10% per year;
2. Enter into an addendum to the existing contract (#16,949-2) with Global Energy Decisions (Global Energy) for interfacing services to the nMarket system at a cost of \$40,000 and amending contract #16,949 to a not to exceed amount of \$508,300 (increased by \$40,000) and to increase the maintenance fee by \$4,000 per year (subject to CPI escalation) bringing the total annual maintenance fee to Global Energy for all products to \$54,053 (increased by \$4,000); and
3. Enter into a contract with EnergyCon, Inc. for implementation, report development, process improvement consulting, and project management for an amount not to exceed \$90,000. The implementation timeframe is estimated to be 3 – 6 months.

Competitive Bidding is not required pursuant to the City Charter Section 1002(F) contracts for professional or unique services.

BACKGROUND:

Pasadena Water and Power (PWP) schedules approximately \$75M in energy through the California Independent System Operator (CAISO). The nMarket system recommended above provides three primary functions for PWP:

1. Automates the submission of energy and ancillary service schedules to the CAISO;
2. Estimates CAISO charges for scheduling services; and
3. Consolidates CAISO market information into a single database.

These functions will increase the effectiveness of PWP operations by decreasing the time required:

1. To submit information to the CAISO; and
2. To resolve billing charges with the CAISO

The system will interface to PWP's current energy transaction system and a series of reports will be created during the project to better manage these energy transactions.

PWP has transacted with the CAISO since 1999 and turned over the scheduling of PWP's transmission assets in January 2005. The CAISO billing process is complex and requires data collection from several sources. This data is then required to determine if the CAISO correctly calculated charges incurred and revenue generated through the California marketplace. The nMarket system provides estimated calculations using data collected from multiple sources and stored in the nMarket database.

The CAISO is undertaking a Market Redesign and Technology Upgrade that will have a significant impact on the procedures and software systems employed by PWP for managing energy resources and scheduling power. The market redesign will change the format of these data sources and increase the frequency that the data is refreshed. These changes increase the already existing requirement to improve the CAISO scheduling and charge verification process.

There is significant uncertainty whether the Market Redesign and Technology Upgrade will be implemented in the scheduled timeframe. Additionally the software market is very dynamic and future changes in the software systems may be required. Even with this uncertainty in mind, the nMarket system is recommended since there is an current and ongoing need to manage the large financial transactions entered into on a daily basis. PWP will continue to monitor the market redesign timeline and the software vendor market to determine any adjustments to the above recommendations required in the future.

The current scheduling system, Global Energy (formerly Henwood Energy Services), was purchased in 1999 to meet the initial requirements of transacting with the CAISO. This system will continue to store energy transactions and interface with the nMarket system. Since Global Energy is the vendor for the energy transactions software, they are the best qualified vendor to provide the interface to the nMarket system.

Services to assist in the transition from a spreadsheet based information system to an application-based system will require consulting services from both the Structure Group and Energy Con, Inc., a third party vendor. These services will include:

1. Installing and configuring the software;
2. Identifying data sources and sinks and developing a transition plan;
3. Training PWP business users and technical personnel on the new system;
4. Developing a Test Plan and testing the new software;
5. Developing reports as necessary; and
6. Managing cutover activities.

Vendor Selection Process

For several years PWP has recognized the need to improve the software systems to manage the CAISO scheduling and charge verification process. In April 2005, PWP worked with Southern California Public Power Authority (SCPPA), a Joint Powers Authority, of which Pasadena is a member, to issue a request for information (RFI) for energy transaction and charge verification systems. In August 2005, SCPPA, issued a request for proposals (RFP) for actual proposals. A total of 12 proposals were received of which eight systems had California Energy Market charge verification software, the only component that PWP was interested in procuring.

An analysis was performed on these eight vendors and Structure provided the

best fit and value for PWP. Structure has been a software provider in the California Market since the CAISO inception. It had the lowest overall cost, the most extensive experience, and the largest client base of the vendors reviewed. The scoring matrix is displayed below:

Vendor	Structure	APX	CYCG	GED	NEA	OATI	SoftSmiths	SunGard
Overall Score	85	50	50	33	33	45	55	50

Structure also provides a hosting option that removes the need to:

- Procure separate hardware;
- Augment the Oracle database license;
- Set-up the software and hardware environment; and
- Maintain internal resources dedicated to software upgrades to the nMarket system.

Global Energy is the software provider for PWP's existing schedule management system and will provide the interface between the schedule management system and the charge verification system.

PWP issued a Request for Proposal (RFP) through the City of Pasadena's purchasing rules for professional services to assist with the implementation project was issued on December 2, 2005. Four (4) vendors responded to the RFP. Out of the Four (4) vendors, EnergyCon provided the best overall value based on the criteria established in the RFP. The scoring matrix and detailed criteria are provided in Attachment I.

Vendor	Deloitte & Touche	Vicki Vanderburg	Jeff Blackwell	EnergyCon, Inc.
Overall Score	180	150	235	255

The EnergyCon consultant will be responsible for the overall management of the project as well as coordinating between the vendors and internal PWP staff.

FISCAL IMPACT:

Funds are available in FY2006 CIP Budget Number 3136 "Power System Scheduling System" for the expected \$370,000 costs for product purchase, interface, and implementation. Funds are available in the FY2006 Operating Budget Number 8114-401-841500-0557 for the first year \$70,000 product maintenance and hosting services and will be requested in future budgets for the ongoing maintenance and hosting fees.

Prepared by:



ROBERT SHERICK
Director – Power Supply
Water and Power Department

Respectfully submitted,



CYNTHIA J. KURTZ
City Manager

Approved by:



PHYLLIS E. CURRIE
General Manager
Water and Power Department

ATTACHMENT I

Detailed scoring criteria and scores (out of total 100) for each software vendor:

Criteria	Score							
	Structure	APX	CYCG	GED	NEA	OATI	SoftSmiths	SunGard
Customer Base (50%)	90	40	30	10	10	40	40	60
Cost (25%)	80	60	80	70	70	60	80	30
Functionality (25%)	80	60	60	40	40	40	60	50
Weighted Total	85	50	50	33	33	45	55	50

Detailed scoring criteria and scores (out of total 300) for each implementation vendor:

Criteria	Score			
	Deloitte & Touche	Vicki Vanderburg	Jeff Blackwell	EnergyCon
CAISO Experience	50	50	55	60
Specific nMarket experience	40	0	60	50
Prior Experience with Public Power	20	30	25	30
Project Management Experience	25	30	50	55
Implementation Track Record	20	15	20	30
Customized Reporting Experience	25	25	25	30
Local Pasadena Business	0	0	0	0
Certified Small Business in CA	0	0	0	0
	180	150	235	255

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII**

Contractor hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor Name: Global Energy Decisions, Inc.

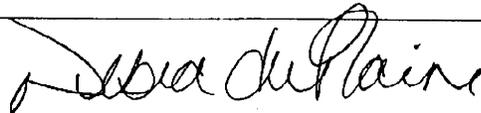
2. Name(s) of trustees, directors, partners, officers of Contractor:

Ron McMahan, CEO
Dan Drechsel, COO
Jenny Greene, CIO
Vikram Janardhan, President
Gary Hunt, President
Derek Porter, Senior Vice President
Tom O'Meara, Senior Vice President

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor:

NONE.

Prepared by: Debra du Plaine



Title: Contract Administrator

Date: January 27, 2006

For office use only
Contract No. _____

Attachment B

Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII

Contractor hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor Name:

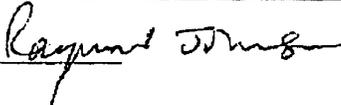
Raymond Johnson (EnergyCon)

2. Name(s) of trustees, directors, partners, officers of Contractor:

Raymond Johnson
Yvonne Johnson

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor:

Raymond Johnson
Yvonne Johnson

Prepared by: ___Raymond Johnson___ 

Title: ___President/Owner___

Date: ___1/27/06___

For office use only
Contract No. _____

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment of 2000
Pasadena City Charter, Article XVII**

Contractor hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor, as follows:
(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor Name:
The Structure Group

2. Name(s) of trustees, directors, partners, officers of Contractor:

Michael Cutler
David Hallam
Vikki Cuddy
Lisa Blackwood
Michael Peterson
Lelon Winstead
Amy Zupon
Stacey Wood
David Shephard

3. Names of those with more than a 10% equity, participation or revenue interest in Contractor:

David Hallam

Prepared by: Michael T. Cutler 

Title: Principal

Date: January 27, 2006

For office use only
Contract No. _____