

# Agenda Report

August 19, 2024

**TO:** Honorable Mayor and City Council

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZE AN AGREEMENT WITH THE ALLIANCE FOR COOPERATIVE ENERGY SERVICES POWER MARKETING, LLC FOR ENERGY PORTFOLIO MANAGEMENT SERVICES FOR AN AMOUNT NOT-TO-EXCEED \$5,605,392 FOR THE WATER AND POWER DEPARTMENT**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the action proposed herein is not a “project” subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Section 15378(b); and
2. Authorize the City Manager to enter into a contract as a result of the competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, with Alliance for Cooperative Energy Services Power Marketing, LLC. (“ACES”) for energy portfolio management services for a grand total amount of \$5,605,392 over six years, which includes the option for three additional one-year extensions for an amount not-to-exceed \$2,802,696, at the discretion of the City Manager. Competitive price bidding is not required pursuant to City Charter Section 1002(F), contracts for professional or unique services.

## **BACKGROUND:**

The Pasadena Water and Power (“PWP”) portfolio of energy and fuel supply resources must be continuously monitored and adjusted to ensure adequate supplies and cost-effective utilization of PWP’s resources consistent with sound risk management policies. Furthermore, to participate in the California Independent System Operator (“CAISO”) markets, PWP or a designated agent must operate an around-the-clock power scheduling desk to interact with the CAISO and ensure system reliability. Collectively, these activities are referred to as “energy portfolio management services.”

Prior to 2007, PWP staff performed these services and met CAISO requirements. However, due to increasing complexity of energy markets and growing demands on existing staff, PWP contracted with Southern California Public Power Authority (“SCPPA”)

and ACES in 2007 to perform real-time (same day) and weekend scheduling functions and to provide additional risk management and settlement (accounting) functions. PWP has contracted with ACES and SCPPA for these services from 2007 to the present for a total of 17 years. The existing contract with ACES for energy portfolio management services is set to expire on August 31, 2024.

PWP issued a Request for Proposals (“RFP”) on January 24, 2024, to solicit competitive proposals for a wide range of energy portfolio management services including energy scheduling, settlements, contract and credit and risk management services. The RFP was posted through OpenGov, the City’s procurement platform, which generated notices to all vendors who have previously registered with the city for this particular commodity class. A total of 18 vendors downloaded the RFP of which one were local. PWP staff contacted the local company to confirm interest in submitting a proposal, but they determined this RFP was not a match for their services as they are a manufacturer’s representative firm. PWP received proposals from four vendors, none from local firms. A PWP evaluation team made up of representatives from Risk Management, Resource Planning, Energy Trading, and Energy Settlements evaluated all four proposals. The proposals received were scored based on pre-established criteria listed in the RFP, as shown in Table 1:

**Table 1: RFP Scoring Criteria**

<b>Scoring Criteria</b>	<b>Maximum Points</b>
Qualification of the Vendor/Respondent	45 Points
Services	5 Points
Price Evaluation	15 Points
Quality and Methodology – Anticipated Effectiveness	25 Points
Local Pasadena Business	5 Points
Small or Micro-Business	5 Points

A summary of the scoring is shown below in Table 2. The combined evaluation found that the proposal from ACES met the requirements of the RFP at the most competitive price. Detailed scoring is included in Attachment A.

**Table 2: Proposal Evaluations**

<b>Proposer</b>	<b>Average Total Point (Out of 100)</b>
Alliance for Cooperative Energy Services Power Marketing LLC, Carmel, IN	82.9
ZGlobal, Inc., Folsom, CA	71.5
The Energy Authority, Inc., Bellevue, WA	71.4
City of Riverside, Riverside, CA	62.2

Since fiscal year 2016, ACES has received a total of \$6,353,565 in contract awards from the City for energy management services and professional consulting services. PWP recommends ACES based on their extensive experience with public power clients, specific experience in the California market, as well as the value of ACES having performed these services for SCPPA members over the last 17 years. The resulting selection of ACES will

result in a Service Agreement and the Pasadena-specific Service Schedule (collectively, the “Contracts”) that will allow PWP to retain control and key decision-making authority at all transaction levels.

### ***ACES Service Agreement***

The Service Agreement uses the City’s approved contract for a contractor. Use of the City’s template and contract ensures that all contracting requirements are appropriately met.

### ***Pasadena-ACES Service Schedule***

The Pasadena-ACES Service Schedule will designate ACES to act as an agent on PWP’s behalf for performing real-time transactions and scheduling in bilateral and CAISO energy markets, and it will enable ACES to be designated to perform similar services for natural gas should those services be needed in the future. In addition to transaction services, ACES will provide analytical support including energy portfolio position analysis, reporting, and optimization; counterparty credit evaluation and monitoring; and transaction confirmation and settlement activities. ACES will use proprietary software tools to model PWP’s assets, loads, and current trade positions.

All services will be provided in accordance with PWP’s current Energy and Credit Risk Management Policy approved by City Council. ACES maintains rigorous internal controls, including continuous monitoring of portfolio and credit positions, and ensuring that all trades are conducted with authorized counterparties and within authorized limits. PWP and ACES will continue to utilize documented practices and procedures, trading controls, and an authority matrix that have been developed and refined over the past 12 years to ensure all activities are performed in accordance with the Energy and Credit Risk Management Policy and related procedures.

ACES will provide the essential “base services” required by PWP for annual fee of \$629,814. The Contracts provides for additional “as-needed” portfolio management services that may be needed on a time and materials basis or quoted by ACES. Staff is recommending the inclusion of the “as-needed” services for an amount not-to-exceed \$304,418 annually to accommodate additional gas and energy portfolio transaction management, analytics, credit monitoring, risk management, and/or reporting services that may be necessary to meet PWP’s evolving needs. With the combined total, staff is recommending approval to enter into a three-year contract for an amount not-to-exceed \$2,802,696 with an option for three additional one-year extensions for an amount not-to-exceed \$934,232 per year, for a total contract amount of \$5,605,392.

### **COUNCIL POLICY CONSIDERATION:**

The proposed action supports the City Council Strategic Planning goals to maintain fiscal responsibility and stability by completing a competitive selection process. This recommended action will allow the scheduling of energy to meet the City’s needs.

**ENVIRONMENTAL ANALYSIS:**

CEQA excludes, from environmental review, actions that are not “projects” as defined by CEQA Guidelines Section 21065 and within the meaning of Section 15378(b). Sections 21065 and 15378(b) define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378 excludes from the definition of “project” organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. The actions proposed herein, authorizing the City Manager to execute an agreement with ACES for energy portfolio management services, are organizational or administrative governmental activities that do not result in physical changes to the environment, and therefore is not a “project” as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

The cost of the recommended action will be \$5,605,392 over six years, as broken out in the following table.

<b>Fiscal Years</b>	<b>Annual Amount</b>
2025 - 2031	\$934,232

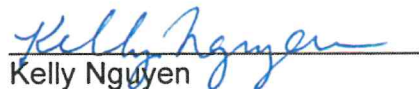
The Department will utilize existing budgeted appropriations in the Power Operating Fund (401) to support the first year of contract costs. Future contract costs will be budgeted as part of the department’s annual operating budget. There is no impact to the General Fund.

Respectfully submitted,



DAVID M. REYES  
Interim General Manager  
Water and Power Department

Prepared by:



Kelly Nguyen  
Assistant General Manager

Approved by:



MIGUEL MÁRQUEZ  
City Manager

Attachment A - Request for Proposal Scores  
 2024-RFP-020 - Energy Transaction Management Services  
 Date Closed: March 7, 2024

Vendor	Qualification of the Vendor/Respondent	Services	Price Evaluation	Quality and Methodology - anticipated effectiveness	Local Pasadena Business	Small or Micro-Business	Total Score
<b>Points Based</b>	<b>45 Points</b>	<b>5 Points</b>	<b>15 Points</b>	<b>25 Points</b>	<b>5 Points</b>	<b>5 Points</b>	<b>(Max Score 100)</b>
ACES	43.75	3.75	11.37	24	0	0	82.87
City of Riverside	29.5	2.75	11.97	18	0	0	62.22
The Energy Authority, Inc.	39.25	3.75	5.69	22.75	0	0	71.44
ZGlobal, Inc	34	3.25	15	19.25	0	0	71.5

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

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

*(If printing, please print legibly. Use additional sheets as necessary.)*

**1. Contractor/Organization Name: Alliance for Cooperative Energy Services Power Marketing LLC**

**2. Type of Entity:**  
 non-government     nonprofit 501(c)(3), (4), or (6)

**3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:**

See Attached Exhibit A

**4. Names of those with more than 10% equity, participation or revenue interest in Contractor/Organization:**

None

Prepared by: Michael Thomas Stoffes  
 Title: President and CEO \_\_\_\_\_  
 Phone: 317-344-7000 \_\_\_\_\_  
 Date: 2-22-2024



Exhibit A

3. Name(s) of trustees, directors, partners, officer of Contractor/Organization:

Michael Thomas Steffes	President & CEO
Andy Whitesitt	Senior Vice President & CCO
David H. Claspell	Senior Vice President & CFO
Jeffrey L. Walker	Senior Vice President & CRO
Andrew Hall	Senior Vice President & CSO
Matthew Fischesser	Senior Vice President & CIO
Ryan Donovan	Vice President of Business Development
Leah Smith	Vice President of External Affairs
Joanna Lehner	Vice President of Finance and Accounting
Paula Rabb	Vice President of Human Resources
Keith Pope	Vice President of Portfolio Management – East Region
Todd Pilcher	Vice President of Portfolio Management – West Region
Graham Becker	Vice President of Portfolio Strategy
Patrick Maquire	Vice President of Resource Planning
Eric Lavery	Vice President of Regulatory and Reliability Services
Melissa Fischer	Vice President of Risk Management Services
Alex Huff	Vice President of Advanced Grid Operations
Kevin Suhanic	Vice President of Portfolio Strategy and Origination



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*(If printing, please print legibly. Use additional sheets as necessary.)*

<b>1. Contractor/Organization Name:</b> Riverside Public Utilities
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<b>2. Type of Entity:</b> California charter city and municipal corporation <input type="checkbox"/> non-government <input type="checkbox"/> nonprofit 501(c)(3), (4), or (6)
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<b>3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:</b>
Riverside Public Utilities is a department of the City of Riverside, a California charter city and municipal corporation. The following is a list of the RPU Executive Team:
General Manger: Todd Corbin
Deputy General Manager: Daniel E. Garcia
Assistant General Manager – Business Systems and Customer Service: Carlie Myers
Assistant General Manager – Energy Delivery – Daniel Honeyfield
Assistant General Manager – Water Delivery: David A. Garcia

<b>4. Names of those with more than 10% equity, participation or revenue interest in Contractor/Organization:</b>
n/a

Prepared by: Jarod Mayne

Title: Power Resources Manager

Phone: (951) 826-8502

Date: February 26, 2024





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

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

*(If printing, please print legibly. Use additional sheets as necessary.)*

**1. Contractor/Organization Name:** The Energy Authority, Inc.

**2. Type of Entity:**  
 non-government  nonprofit 501(c)(3), (4), or (6)  other: government instrumentality

**3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:**

Joanie C. Teofilo – President & CEO
John B. Lucas – VP, Finance & CFO

**4. Names of those with more than 10% equity, participation or revenue interest in Contractor/Organization:**

American Municipal Power
JEA
Nebraska Public Power District
South Carolina Public Service Authority (Santee Cooper)
Municipal Electric Authority of Georgia

DocuSigned by:  
John B. Lucas  
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Prepared by: \_\_\_\_\_

Title: VP, Finance & CFO & Secretary

Phone: 904-356-3900

Date: February 29, 2024



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

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

*(If printing, please print legibly. Use additional sheets as necessary.)*

<b>1.</b>	<b>Contractor/Organization Name:</b> ZGlobal, Inc.
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<b>2.</b>	<b>Type of Entity:</b> <input checked="" type="checkbox"/> non-government <input type="checkbox"/> nonprofit 501(c)(3), (4), or (6)
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<b>3.</b>	<b>Name(s) of trustees, directors, partners, officers of Contractor/Organization:</b> Ziad Alaywan, Deborah Alaywan

<b>4.</b>	<b>Names of those with more than 10% equity, participation or revenue interest in Contractor/Organization:</b> Ziad Alaywan, Deborah Alaywan

Prepared by: Ziad Alaywan

Title: CEO

Phone: (916) 985-9461

Date: 3/6/2024

