

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: NOVEMBER 26, 2018

ITEM NO: 9

SUBJECT: CONSOLIDATION OF TWO EXISTING CONSULTING AND SOFTWARE SERVICES AGREEMENTS WITH POWER SETTLEMENTS CONSULTING AND SOFTWARE, LLC INTO ONE LICENSE AND SOFTWARE SERVICES AGREEMENT, WITHIN THE EXISTING PREVIOUSLY APPROVED BUDGET, AND THE OPTION TO SUBSCRIBE TO ADDITIONAL SERVICES IN AN AMOUNT NOT TO EXCEED \$56,000, AS WELL AS, THE OPTION FOR SUBSEQUENT ANNUAL EXTENSIONS

ISSUES:

Approve the consolidation of two existing consulting and software services agreements with Power Settlements Consulting and Software, LLC, of Glendora, California, into one License and Software Services Agreement, within the existing previously approved budget, and the option to subscribe to additional services in an amount not to exceed \$56,000, as well as, the option for subsequent annual extensions.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Approve the consolidation of two existing consulting and software services agreements with Power Settlements Consulting and Software, LLC, of Glendora, California, into one License and Software Services Agreement, within the existing previously approved budget;
2. Approve the option to subscribe to additional software and consulting services from Power Settlements Consulting Software, LLC, if such subscription is deemed to be necessary and appropriate, in an amount not-to-exceed \$56,000 for Fiscal Year 2018/2019;
3. Approve future annual extensions of the License and Software Services Agreement; provided, that such extension do not materially modify the terms and conditions of the Agreement beyond price escalations not greater than 3% for Fiscal Year 2019/2020, 0% for Fiscal Year 2020/2021, 0% for Fiscal Year 2021/2022, and 2% for Fiscal Year 2022/2023 and each year thereafter; and
4. Authorize the City Manager, or his designee, to execute the new License and Software Services Agreement with Power Settlements Consulting Software, LLC, of Glendora, California, and any future amendments to the Agreement under terms and conditions substantially similar or superior to the Agreement, and take all actions deemed necessary, appropriate and advisable to administer the Agreement, including execution of annual extensions, subscription to additional optional services, and termination of the Agreement.

BACKGROUND:

Riverside Public Utilities (RPU) currently has two approved consulting and software agreements with Power Settlements Consulting Software, LLC (Power Settlements): 1) a Consulting Service Agreement for the *SettleCore* system to perform California Independent System Operator (CAISO) settlement functions, and 2) a Statement of Work for the *Deal Capture and Automated Scheduling* system to perform scheduling functions in the CAISO. For Fiscal Year 2018/2019, the budget for both software service contracts with Power Settlements was estimated to be \$259,978 at the time of approval.

Settlement Services

In 2009, the CAISO implemented the Market Redesign and Technology Upgrade (MRTU). Prior to MRTU, RPU settled its wholesale power transactions only in the Real Time Market. MRTU created new Day-Ahead, Hour-Ahead and Real Time markets which are extremely data-intensive and include 165 charge codes which must be validated hourly, daily and monthly. In January 2009, RPU began using Power Settlements' *SettleCore* software to settle the new MRTU markets.

On July 16, 2010, the Board of Public Utilities approved future annual extensions of the Consulting Services Agreement with Power Settlements. Since implementation, the *SettleCore* software has helped RPU validate and verify over \$324 million in market transaction charges each year, which led to the successful recovery and collection of over \$3.4 million in settlement disputes.

Scheduling Services

In October 2009, RPU staff determined that its existing scheduling system, *PositionManager*, was incapable of reliably submitting, capturing and archiving trade information necessary for the new MRTU markets. Staff investigated several commercially available applications for this purpose and determined that RPU would have greater market functionality if it worked with Power Settlements to develop a trade capture and scheduling system, complimentary to the *SettleCore* system, specially tailored to RPU's unique power trading needs.

On November 20, 2009, the Board of Public Utilities approved a Statement of Work with Power Settlements to develop a power trading *Deal Capture and Automated Scheduling* system. The *Deal Capture* system was completed on April 30, 2010 and is still being used today.

DISCUSSION:

Administering two separate Power Settlements contracts, each with irregular payment schedules and different terms, has created unnecessary administrative burdens for RPU staff. In the interest of improving operational efficiency and minimizing administrative redundancy, RPU staff has prepared and negotiated this new License and Software Services Agreement with Power Settlements to consolidate the two existing contracts into one, with the option to extend the term of the Agreement on an annual basis.

Additionally, Power Settlements has recently introduced RPU to some of its new software modules that could provide enhanced value to RPU's various operations in the CAISO market. The new License and Software Services Agreement contains options that would allow staff to subscribe up to four new software modules any time in the future. The additional flexibility built into the new Agreement would ensure RPU staff have the latest and most advanced software packages to operate in the CAISO market environment.

The new License and Software Services Agreement incorporates the terms and pricing of the two contracts currently in place and offers the following characteristics and deliverables:

Contractor's Experience: Power Settlements has an excellent track record of providing functional, user-friendly, customized software solutions for RPU's power-market operational needs over the past nine years.

Term: Initial term through June 30, 2019 with the options for subsequent one-year extensions, and with mutual termination rights in 90 days.

Complimentary Training: Power Settlements will provide complimentary training once per quarter at RPU's request. Annually, one of the complimentary trainings will be an onsite, in-person training, with the remaining trainings being web-based.

Legacy Projects: At no additional cost, Power Settlements agrees to develop a) a customized browser-based contracts database and "tickler" system for contract administration, and b) a series of customized enhancements to the existing scheduling software. Both legacy projects will be completed by June 30, 2019.

Optional CAISO Bidding Module: RPU has the option, but not the obligation, to add this module which provides the functionality to create bidding formulas and strategies. RPU will have a 60-day free trial to determine the value of this module over RPU's existing bidding tools.

Optional Etag Module: RPU has the option, but not the obligation, to add this module which provides the functionality to create and submit electronic tags, which track the energy from the generator to the point of delivery and is required as part of the scheduling process. RPU will have a 60-day free trial to determine the value of this module over RPU's existing tagging tool.

Optional CAISO Visual Analytics Module: RPU has the option, but not the obligation, to add this module which offers a graphical view of all of RPU's resources, providing valuable real-time and historical data for analysis. RPU will have a 4-month free trial to determine the value of this module.

Optional CAISO What-if Shadow Settlement Module: RPU has the option, but not the obligation, to add this module which provides the functionality to generate what-if analysis of CAISO charges based on specific market changes, allowing staff to better analyze and recommend optimized strategies for scheduling resources. RPU will have a 60-day free trial to determine the value of this module.

Free Annual Customization Hours: Annually, RPU will receive 200 free hours of use for software enhancements and customizations or for additional trainings. RPU may carry over 125 unused hours to the next fiscal year. The annual carryover amount will increase by an additional 25 hours for each of the following module subscription: CAISO Bidding Module, Etag Module or the CAISO Visual Analytics Module.

Pricing: Under the new License and Software Services Agreement, the costs for the existing settlement and scheduling services will remain the same as those in the current contracts, which have already been approved and budgeted for Fiscal Year 2018/2019. If all four optional software modules are subscribed, then the additional costs would not exceed \$56,000 for the current fiscal year. The below table shows the costs for Fiscal Year 2018/2019 with and without subscribing to the four optional modules.

	FY 18/19 <i>(Existing Services)</i>	FY 18/19 <i>(Optional Services)</i>	FY 18/19 <i>(All Services)</i>
Settlements Software Fee	\$ 132,502.00		\$ 132,502.00
Scheduling Software Fee	\$ 94,421.00		\$ 94,421.00
CAISO Bidding Module		\$ 18,000.00	\$ 18,000.00

Etag Module		\$ 18,000.00	\$ 18,000.00
Visual Analytics Module		\$ 10,000.00	\$ 10,000.00
What-if Shadow Settlements Module		\$ 10,000.00	\$ 10,000.00
Total not-to exceed costs	\$ 226,923.00	\$56,000.00	\$ 282,923.00

Inflation: Under the new Agreement, the total contract cost would increase by 3% for Fiscal Year 2019/2020, 0% for Fiscal Year 2020/2021, 0% for Fiscal Year 2021/2022 and 2% for Fiscal Year 2022/2023 and each annual extension thereafter. The below table reflects the not-to-exceed contract cost for the first five years, assuming full subscription of the four optional modules before any discounts were applied.

	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
<i>Escalator</i>		<i>3%</i>	<i>0%</i>	<i>0%</i>	<i>2%</i>
Settlements Software Fee	\$ 132,502.00	\$ 136,477.06	\$ 136,477.06	\$ 136,477.06	\$ 139,206.60
Scheduling Software Fee	\$ 94,421.00	\$ 97,253.63	\$ 97,253.63	\$ 97,253.63	\$ 99,198.70
OPTIONAL CAISO Bidding Module	\$ 18,000.00	\$ 18,540.00	\$ 18,540.00	\$ 18,540.00	\$ 18,910.80
OPTIONAL Etag Module	\$ 18,000.00	\$ 18,540.00	\$ 18,540.00	\$ 18,540.00	\$ 18,910.80
OPTIONAL Visual Analytics Module	\$ 10,000.00	\$ 10,300.00	\$ 10,300.00	\$ 10,300.00	\$ 10,506.00
OPTIONAL What-if Shadow Settlements Module	\$ 10,000.00	\$ 10,300.00	\$ 10,300.00	\$ 10,300.00	\$ 10,506.00
Total not-to exceed costs	\$ 282,923.00	\$ 291,410.69	\$ 291,410.69	\$ 291,410.69	\$ 297,238.90

Discounts: RPU currently receives a 2.5% discount for customer loyalty and continued contract extensions, and an additional 5% discount for referring Power Settlements' products and services to the City of Vernon and the City of Pasadena. The combined 7.5% discount would bring the not-to-exceed amount for Fiscal Year 2018/2019 down from \$282,923 to \$261,704. However, some of the discounts are dependent upon contracts with other Cities and are subject to change.

This is a renewal of software services provided by Power Settlements Consulting and Software, LLC. Under Section 702 (r) of Purchasing Resolution No. 23256, which provides for informal procurement instead of competitive procurement when the procurement is for the renewal of maintenance, license(s), support or a similar need for existing technology systems, including hardware, and items are procured from a vendor/reseller that was originally selected based on the City's procurement standards, provided that 1) the vendor has been used consecutively since then and 2) if there are any non-substantive changes to the procurement, the Manager is satisfied that the best price, the terms and conditions have been negotiated.

The Purchasing Manager concurs that the recommended actions comply with Purchasing Resolution No. 23256.

FISCAL IMPACT:

The total fiscal impact for the initial year is up to a total of \$282,923. Sufficient funds are available in the Public Utilities' Power Supply Operation Account 6120000-421000 for fiscal years 2018-19 and 2019-20.

Funding for subsequent years will be included as part of the budget process.

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Approved by: Todd L. Jorgenson, Interim Utilities General Manager
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
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Attachments:

1. Power Settlements License and Software Services Agreement
2. Presentation