



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

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Report: Amendment No. 2 to Professional Services Agreement (Contract No. C105576) with Allegro Development Corporation.

1. Motion authorizing the City Manager, or his designee, to execute Amendment No. 2 to the Professional Services Agreement (Contract No. C105576) with Allegro Development Corporation, a member of ION Group, to provide additional funding for Software License and Service Agreement for maintenance and support services for the Allegro Energy Trading and Risk Management (ETRM) System in the amount of \$240,575, increasing the total not-to-exceed amount to \$3,118,204.

### COUNCIL ACTION

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**Item Type:** Consent Calendar

**Approved for** July 9, 2024 **calendar**

### EXECUTIVE SUMMARY

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Since 2014, Glendale Water and Power (GWP) has been utilizing Allegro 8 ETRM software to manage its energy trading operations, including scheduling, trading control, and financial settlements. The City Council approved various agreements with Allegro Development Corporation ("Allegro"), including an ongoing Software License and Service Agreement for maintenance and support with funding available through June 2024, based on the ten-year expected life of the software.

In June 2023, GWP executed Amendment No. 1 with Allegro for ETRM Horizon Upgrade Implementation Analysis (IA). Conducting an IA on GWP's current ETRM system is necessary to properly define the scope of work and associated costs for cloud-based or hybrid applications. GWP anticipates receiving the final IA Report within the next month, which will provide staff options and cost to upgrade the current system.

While the IA report is being completed and GWP establishes the next steps for upgrading the software to its latest version, it is necessary to ensure continued support and maintenance of the system; until the new version of the system is fully implemented or a replacement ETRM software is in place. Therefore, GWP is requesting funding in the amount of \$240,575, increasing the total not-to-exceed amount of the contract to \$3,118,204, for the ongoing Software License and Service Agreement covering a term of two years. This will allow for continuity of business, covering maintenance and support services for the existing Allegro 8 ETRM system without interruption of services.

## **RECOMMENDATION**

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Authorize the City Manager to execute Amendment No. 2 to the Professional Services Agreement with Allegro to provide additional funding for Software License and Service Agreement for maintenance and support for the Allegro 8 ETRM System in the amount of \$240,575, increasing the total not-to-exceed amount to \$3,118,204.

## **ANALYSIS**

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GWP's current ETRM software system, Allegro 8, was installed in 2014 to address the increasingly complex energy trading activities of GWP and adapt to the changing energy commodity markets in the Western United States, and to the State of California Regulations imposed on electric utilities. The Allegro software system provides the necessary tools to accurately capture and manage GWP's business, and it monitors and reports on activities as prescribed by the Energy Risk Management Policy for managing volatility in energy costs while minimizing retail electric rates.

In 2014, the City Council authorized execution of various Agreements with Allegro for the installation of Allegro 8 ETRM software for a total amount not to exceed \$2,797,629. This amount included annual maintenance fees over the expected ten-year life of the software. In 2019, Allegro, a global provider of enterprise commodity management solutions, was acquired by ION Group

The ever-evolving energy trading market and Federal and State Regulations require utilities like GWP, to accurately monitor all transactions related to power supply. Consequently, the systems and tools used to capture pertinent activity in accordance with the ETRM must be up to date to support the contracts management, energy trading, scheduling, settlements and invoicing activities. In 2023, in anticipation of approaching the ten-year mark of this agreement and the end of this software's useful life, GWP obtained City Council authorization to execute Amendment No. 1 with Allegro for ETRM Horizon Upgrade Implementation Analysis (IA) in the amount of \$80,000. Said amendment increased the contract not-to-exceed amount to \$2,877,629. Conducting an IA on GWP's current ETRM system is necessary to properly define the scope of work and associated costs for cloud-based or hybrid applications.

The Software Maintenance and Support Services provided by Allegro is essential to GWP's Power Management trading operation. Approving additional funding for the ongoing service agreement for two years will allow for continuity of business, without interruption of services.

During this time, GWP staff will establish the project timeline and the next steps for implementation of the software upgrade or replacement ETRM system.

## **STAKEHOLDERS/OUTREACH**

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Non-applicable.

## FISCAL IMPACT

The total cost associated with Amendment No. 2 for continued software and license maintenance is \$240,575, of which \$116,221 will be the cost for the first year. Funding for this is requested in the Power Management's proposed budget for Fiscal Year 2024-25, per table below:

Existing Appropriation		
Amount	Account String	Funding Source
\$ 116,221	GL: 43110-5820-GWP-4680-P0000	Electric Works Revenue Fund

Funds for the software and Maintenance Fees for next fiscal year will be requested through the annual budgetary process.

## ENVIRONMENTAL REVIEW (CEQA/NEPA)

Not Applicable. The action herein is not a project as defined under the California Environmental Quality Act (CEQA) and as such not subject to CEQA.

## CAMPAIGN DISCLOSURE

In accordance with the City Campaign Finance Ordinance No. 5744, the following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors, and any person or entity with more than ten percent interest in the company proposed for contract in this agenda item report:

### Officers of **Allegro Development Corporation, A member of the ION Group**

Full Name	Title	Business Address	City	State	Zip
Michael Cronin	Chairperson and Board of Directors	1345 Ave of the Americas	New York	NY	10105
Sunil Biswas	President and Secretary	1345 Ave of the Americas	New York	NY	10105
Wall Street Systems Delaware, Inc.	More than 10% interest owner	1345 Ave of the Americas	New York	NY	10105

## **ALTERNATIVES TO STAFF RECOMMENDATION**

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Alternative 1: Decline to authorize Amendment No. 2 to the Professional Services Agreement with Allegro to provide additional funding for Software Maintenance and Support Services for the Allegro ETRM System, essential risk management services. The software maintenance and support services are necessary to make sure the proper software security patches are applied, and the system is operating at its optimum. Any unaddressed system malfunction can result in interruption of service which will have a significant financial impact, with the potential to affect customer electric rates.

Alternative 2: Consider any other alternative not proposed by staff.

## **ADMINISTRATIVE ACTION**

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**Submitted by:**

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**Prepared by:**

Scott K. Mellon, Assistant General Manager - Power Management

Chie Valdez, Integrated Resource Planning Administrator

**Approved by:**

Roubik R. Golanian, P.E., City Manager

## **EXHIBITS/ATTACHMENTS**

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None.