



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

### AGENDA ITEM

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Report: Amendment No. 4 to Service Schedule Agreement (Contract No. 8000569) with Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES").

1. Motion Authorizing the City Manager, or his designee, to execute Amendment No. 4 to the City's existing Service Schedule Agreement (Contract No. 8000569) with Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES"), under Southern California Public Power Authority ("SCPPA") Service Agreement, to extend the City of Glendale's Participation in a Service Agreement for two additional years for real-time energy trading and related support services for a total not to exceed amount of \$2,524,524, plus an additional one-year extension at the City's option for an amount not to exceed \$1,264,170, for a new total contract not-to-exceed amount of \$9,193,235, inclusive of contingencies.

### COUNCIL ACTION

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Item Type: Consent Calendar

Approved for           May 21, 2024           calendar

### EXECUTIVE SUMMARY

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Glendale Water & Power (GWP) has retained Alliance for Cooperative Energy Services Power Marketing LLC ("ACES") under the terms of a Service Agreement between ACES and Southern California Public Power Authority (SCPPA), with City of Glendale as a Participating Member, to provide real-time energy trading and related support services, and energy risk management services for GWP's Power Management operations.

The current term of Glendale's Service Schedule expires on June 30, 2024. Staff is proposing to amend the term of the current agreement to extend the services for two additional years, for a not-to-exceed amount of \$2,524,524, and allow for an additional one-year extension at the City's option for an amount not to exceed \$1,264,170, for a new contract not-to-exceed amount of \$9,193,235, inclusive of contingencies.

The services provided by ACES are essential to GWP's Power Management trading operation, and the extension of agreement will allow for continuity of business, without interruption of services. During this time, GWP staff will engage in issuing a Request for Proposal (RFP) and selection process to recommend authorization of a new contract for these services and utilize the extension period to consider a potential new vendor.

## **RECOMMENDATION**

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Authorize the City Manager to execute Amendment No. 4 to Service Schedule Agreement with Alliance for Cooperative Energy Services Power Marketing, LLC under Southern California Public Power Authority (“SCPPA”) Service Agreement, to extend the City’s Participation in a Service Agreement for two additional years for real-time energy trading and related support services for at total amount not to exceed \$2,524,524, plus an additional one-year extension at the City’s option for an amount not to exceed \$1,264,170, for a total new contract not-to-exceed amount of \$9,193,235, inclusive of contingencies.

## **ANALYSIS**

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Since 2008, GWP has retained ACES under the terms of a Service Agreement between ACES and SCPPA, which enables SCPPA members to engage with ACES and execute a member-specific service schedule through a competitive selection process. The most recent agreement was approved by City Council in May 2019, following a thorough evaluation/selection conducted by SCPPA and members during which ACES was concluded to offer the best combination of cost, relevance of experience, and depth of services. City Council authorized a three-year Service Schedule Agreement, and two one-year extensions, under a Service Agreement between ACES and SCPPA to provide real-time energy trading and related support services for GWP’s energy trading operations.

Glendale’s service schedule has been amended from time to time to include additional services, within City Council authorized contract amounts. The current Service Schedule with ACES expires on June 30, 2024.

Under the proposed extension, ACES will continue to provide the following services:

- Front Office Services
  - Same Day Scheduling and Resource Management
  - Back-up or Emergency Day-Ahead Scheduling Services
  - Day-Ahead Interface With CAISO
  - Portfolio Modeling (Planning and Risk Model and Reporting)
  - Portfolio Strategy
  
- Middle Office Services
  - Risk Management Services (Trading Control Services)
  - Credit Services
  - Contract Administration Services
  - Regulatory Services
  - CAISO Regulatory Services
  - ERO Compliance

- Back Office Services
  - Settlement Services
  - CAISO Market
  - Bilateral Power and Gas
  - IT Services
  - Standard and Custom Reporting
  - Access to the ACES Portal

The 24x7 real-time energy trading and related support services provided by ACES is an essential function for GWP's Power Management operation. Over the years, ACES has consistently demonstrated reliability and proficiency in managing our real-time trading, scheduling, and settlements requirements. They maintain rigorous internal controls to ensure transactions and activities are conducted in accordance with GWP Energy Trading and Risk Policy. Given the critical nature of Power Management operations, and considering the challenges and risks associated with transitioning to a new service provider in the middle of the Grayson Repowering and Scholl Biogas Projects, staff recommends extension of the current agreement for the following reasons:

- Going through an RFP and selection process would take approximately six to ten months to complete, excluding contract negotiations and approval; with an additional six months to develop, test and implement new system interfaces and procedures.
- GWP has developed a positive working relationship with ACES staff over the years. It will take time to effectively and efficiently replace the shared systems and process that have been cultivated through years of coordination.
- GWP does not currently have the infrastructure to re-establish these services in-house, as it will require hiring additional traders in rotating shifts to cover 24x7 trading operations. Moreover, GWP will need to hire sufficient staff to handle the mid-office, and back-office operations, including settlement validation and credit risk monitoring; and dedicated IT personnel to support the 24x7 operations.
- Currently, GWP does not have the infrastructure to interface with the CAISO system nor risk management software to capture, validate and retain the volume of real-time transactions. ACES is submitting day-ahead Import and Export bids, performing the settlement process, and submitting disputes on GWP's behalf using a sophisticated software system. A significant investment in software would be required to support GWP's CAISO business.
- ACES has been providing both onsite and offsite Energy Risk Management Services. The Energy Risk Manager (ERM) oversees the Energy Risk Management Committee, documents the organizational structure utilized by GWP to meet its customer's electricity needs, and provides guidelines for managing various risks associated with energy portfolio activities. GWP is currently in the process of finalizing recruitment for an in-house Utility Risk

Manager. However, while staff completes the hiring of the ERM, it is prudent utility practice to continue performing certain energy risk management functions, as it establishes and provides necessary framework for GWP to manage the risks that are inherent as participants in the wholesale energy market. Upon hiring of an ERM, ACES will transition the service to GWP’s in-house staff.

Staff acknowledges the need for a competitive selection process, and under normal circumstances staff would recommend it. However, given the bulleted concerns above and potential time constraints, issuing an RFP during this period would not be feasible. However, GWP staff plans to engage in a competitive selection process by issuing an RFP and evaluating qualified providers during the two-year extension. Staff will assess cost, feasibility and risks associated with potentially transitioning the services to a new vendor and will seek City Council’s authorization for a new agreement. The option-to-terminate provision in the proposed amendment with ACES provides GWP the opportunity to ensure the new agreement undergoes the competitive process within a reasonable timeframe.

The fee for the extension of the existing Service Schedule for the real-time energy trading and related support services is shown in the table below:

Service	Contract Year (July 1 - June 30)		
	Year 1	Year 2	Optional Year
	2024-2025	2025-2026	2026-2027
Energy Management Services (Scheduling/RT/Settlement)	\$ 986,304	\$ 1,020,825	\$ 1,056,554
Risk Management Services	\$ 168,000	\$ 173,880	\$ 179,966
On as needed Day Ahead* Services	\$ 27,650	\$ 27,650	\$ 27,650
<b>Total</b>	<b>\$ 1,181,954</b>	<b>\$ 1,222,355</b>	<b>\$ 1,264,170</b>
<b>Not-to-exceed Amount for Year 1 &amp; 2</b>	<b>\$ 2,404,309</b>		
<b>5% Contract Contingency</b>	<b>\$ 120,215</b>		

Therefore, staff recommends City Council’s approval of Amendment No. 4 to the Service Schedule Agreement (Contract No. 8000569) with ACES, under SCPA Service Agreement, to continue with real-time energy trading and related support services through June 30, 2026, for a total amount not to exceed \$2,524,524; plus, an additional one-year extension at the City’s option for an amount not to exceed \$1,264,170. The stated action will increase the approved contract amount by \$3,788,694 for a new total contract amount not-to-exceed \$9,193,235 inclusive of contingencies. The increase for year one of the extension period is approximately 18% from prior year and is largely influenced by the high Consumer Price Index (CPI) trends. This surge reflects the escalating costs across various sectors, including the energy industry. Additionally, the complexity of operations within the energy sector has significantly intensified with the implementation of CAISO’s Energy Imbalance Market (EIM), and related necessary clean/renewable energy integration mandates. Consequently, service providers (including ACES) must adapt to these complexities, which necessitate adjustments in contract pricing to accommodate the increased demand and challenges inherent in the industry. Despite the increase, extending the

contract with ACES is the most prudent course of action at this time as it ensures continued operational efficiency, cost-effectiveness, and alignment with the evolving needs of GWP.

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**STAKEHOLDERS/OUTREACH**

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Non-applicable.

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**FISCAL IMPACT**

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Funding associated with the first year of contract extension is requested in the Power Management’s proposed budget for Fiscal Year 2024-25, per table below:

Existing Appropriation		
Amount	Account String	Funding Source
\$ 1,181,954	GL: 43110-5820-GWP-4680-P0000	Electric Works Revenue Fund

Funds for future years of the agreement will be requested through the annual budgetary process.

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**ENVIRONMENTAL REVIEW (CEQA/NEPA)**

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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.

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**CAMPAIGN DISCLOSURE**

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In accordance with the City Campaign Finance Ordinance No. 5744, the completed Campaign Disclosure for Alliance for Cooperative Energy Services Power Marketing, LLC (“ACES”) is attached hereto as Exhibit 1.

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**ALTERNATIVES TO STAFF RECOMMENDATION**

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Alternative 1: Decline to approve extension Amendment No. 4 to Service Schedule Agreement with Alliance for Cooperative Energy Services Power Marketing, LLC, to extend the City’s Participation for two additional years for real-time energy trading and related support services. This will result in interruption of services provided by ACES for 24x7 trading operation and essential risk management services. GWP does not currently have the infrastructure to fulfill these functions effectively. An interruption of these services 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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Exhibit 1: Campaign Disclosure for Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES").