CITY OF GLENDALE, CALIFORNIA
REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Amendments to Service Schedule Agreement with Alliance for Cooperative Energy Services Power Marketing, LLC

1. Motion Authorizing the City Manager, or his designee, to execute Amendments to Service Schedule Agreement (Contract No. 8000569) with Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES") and Southern California Public Power Authority ("SCPPA") to provide three years of Onsite Energy Risk Manager Consulting Services for an amount not to exceed $730,739, plus up to one additional one-year renewal at the City's option for an amount not to exceed $253,387, for a new total contract amount not to exceed $5,404,542 inclusive of the extension and contingencies.

COUNCIL ACTION

Item Type: Consent Calendar

Approved for July 13, 2021 **calendar**

ADMINISTRATIVE ACTION

Submitted by:
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Prepared by:
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Reviewed by:
Michele Flynn, Director of Finance
Michael J. Garcia, City Attorney

Approved by:
Roubik R. Golanian, P.E., City Manager

RECOMMENDATION

Glendale Water & Power (GWP) respectfully recommends that the City Council authorize the City Manager, or his designee, to execute Amendments to an existing Service Schedule Agreement with Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES") and SCPPA to provide three years of onsite Energy Risk Manager Consulting Services for an amount not to exceed $730,739, plus one additional renewal term of one year, at the City's option, for an amount not to exceed $253,387, for a new total contract amount not to exceed $5,404,542, inclusive of the extension and contingencies.

BACKGROUND/ANALYSIS

Since 2008, GWP has retained ACES under the terms of a Master Service Agreement between ACES and SCPPA, which enables SCPPA members to engage with ACES and execute a member-specific service schedule or task order. ACES was selected through a competitive selection process conducted by SCPPA. The services provided by ACES include real-time energy trading and scheduling, credit and limit monitoring and reporting, mark-to-market valuation, and bilateral power and California Independent System Operator (CAISO) settlement services to GWP, settlements of bilateral gas transactions, Dynamic Scheduling, Portfolio Modeling, hedging, and Risk Management Consulting Services.

As prudent utility practice requires GWP to perform certain energy risk management functions, in 2016, GWP retained ACES to provide Energy Risk Management Services. In 2018, City Council approved the extension of terms for Energy Risk Management Services and authorized onsite Energy Risk Manager Consulting Services housed in GWP Administration office.

In May 2019, the City Council authorized a three-year Service Schedule Agreement, and up to two Amendments, each to exercise a one-year extension, under a Master Service Agreement between ACES and SCPPA to provide real-time energy trading and related support services for GWP's energy trading operations for an amount not to exceed $4,420,416. Under the current Service Schedule Agreement, ACES continues to perform the aforementioned trading, credit, and settlement services; however, the Service Schedule Agreement does not include the Risk Management services. The Onsite Energy Risk Manager Consulting Services provided by ACES fall under a previous SCPPA Master Service Agreement which is due to expire on August 31, 2021. GWP proposes to move the Energy Risk Manager Services under the Service Schedule Agreement and seeks authority to renew those services for a three-year term plus a one-year extension.

The Risk Manager Consulting Services is an essential function for GWP's Power Management operation as it establishes and provides necessary framework for GWP to manage the risks that are inherent from participating in the wholesale energy markets. Furthermore, the Risk Manager oversees the energy risk management program and document the organizational structure utilized by GWP to meet the electricity needs of its customers, and provide guidelines for GWP to plan, execute, and control the

management of a variety of risks associated with energy portfolio activities. The services provided by the Energy Risk Manager are listed in Exhibit 2 of this report. Therefore, staff recommends City Council's approval of amendments to the Service Schedule Agreement with ACES and SCPPA to continue with Onsite Energy Risk Manager Consulting Services, with an initial term of three years from September 1, 2021 to August 31, 2024, plus authorization for an amendment to renew the Energy Risk Manager services for one additional year. The said action will increase the approved contract amount by $984,126 for a new contract amount not to exceed $5,404,542 inclusive of the one-year extension and contingencies.

During this period, GWP management will take the opportunity to evaluate the feasibility of having an in-house Energy Risk Manager. If it is determined to be a viable option for the City of Glendale to establish an in-house Energy Risk Manager position, GWP will have the option to terminate the services of the onsite Energy Risk Manager, upon establishing an in-house position.

FISCAL IMPACT

The service fee for Onsite Energy Risk Manager Consulting Services is shown in the table below:

Contract Year (September 1 - August 31)	Monthly	Annual Cost*
2021-2022	$ 19,897.67	$ 238,772.00
2022-2023	$ 20,295.62	$ 243,548.00
2023-2024	$ 20,701.54	$ 248,419.00
Not-to-exceed Amount for Initial Term*		**$ 730,739.00**
2024-2025 (Option Year)	**$ 21,115.57**	**$ 253,387.00**
	TOTAL*	**$ 984,126.00**
Annual Cost &Totals Rounded to nearest $		

The total annual cost for the first year of Onsite Energy Risk Manager Consulting Services is $238,772. Each year thereafter, the annual cost would be subject to a 2% increase.

Funding for the first year of the increased cost by the proposed amendment is available in Fiscal Year 2021-22 adopted budget in Contractual Services Account, Electric Works Revenue Fund, GWP, Power Management Cost Center, Power-Production Expense FERC (43110-5820-GWP-4680-P0000-T0000-F1500). Funding for future years will be included as part of the annual budgetary process.

ALTERNATIVES

Alternative 1: Authorize the City Manager, or his designee, to execute amendments to the Service Schedule Agreement with ACES for three-year Energy Risk Management Consulting Services, with an option to renew for one year.

Alternative 2: Decline to authorize the City Manager, or his designee, to execute amendments to the Service Schedule Agreement with ACES for three-year Energy Risk Management Consulting Services, with an option to renew for one year. This option will result in termination of the Onsite Risk Manager Consulting Services on August 31, 2021.

Alternative 3: The City Council may consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

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.

EXHIBIT(S)

Exhibit 1: Campaign Disclosure for Alliance for Cooperative Energy Services Power Marketing, LLC ("ACES")

Exhibit 2: Responsibilities of the Energy Risk Manager