



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Amendment No.1 to Professional Services Agreement (Contract No. C105576) with Allegro Development Corporation.

1. Motion authorizing the City Manager, or his designee, to execute Amendment No.1 to the Professional Services Agreement (Contract No. C105576) with Allegro Development Corporation, a member of ION Group. Said amendment increases the contract amount by \$80,000, to a new total of \$2,877,629, to provide Allegro Energy Trading and Risk Management (ETRM) Horizon Software Upgrade Implementation Analysis (IA).

COUNCIL ACTION

Item Type: Consent Calendar

Approved for January 31, 2023 **calendar**

EXECUTIVE SUMMARY

Glendale Water and Power (GWP) utilizes Allegro 8 ETRM software for the management of energy trading, scheduling, trading control, and financial settlements. To avoid increased costs and retain system maintenance and support, the Allegro 8 ETRM software must be upgraded to the latest version called Allegro Horizon. Prior to the upgrade, an IA must be performed on GWP's system to properly define the scope of work and associated costs including cloud-based applications. The cost of the IA is \$80,000, which may be applied towards future upgrade costs with Allegro Development Corporation.

COUNCIL PRIORITIES

Connectivity: By approving the amendment, GWP works towards improving business continuity with around-the-clock support for trading operations and increases the ability to manage near-term costs and reliability for retail customers.

RECOMMENDATION

That the City Council approve Amendment No.1 with Allegro Development Corporation to provide Allegro Energy Trading and Risk Management (ETRM) Horizon Software Upgrade Implementation Analysis (IA).

BACKGROUND

In 2014, GWP replaced its aging energy trading and tracking software with Allegro 8 ETRM system to address the increasingly complex energy trading activities of GWP and adapt to the changing energy commodity markets in the western United States, and State of California regulations imposed on electric utilities. When applicable, GWP complies with federal regulations associated with Dodd-Frank legislation and accounting. The software system has provided tools to accurately capture and manage GWP's business, and is able to monitor and report on activities, as prescribed by the Energy Risk Management Policy for managing volatility in energy costs while minimizing impacts to the retail electric rates.

The Agreements with Allegro Development Corporation was approved by City Council for a total amount not to exceed \$2,797,629. This amount includes annual maintenance fees over the expected ten-year life of the software, including an Enterprise Software License and Services Agreement, a License Exhibit, an Allegro University License Exhibit, an Agreement for the Purchase of Hardware, a Services Exhibit, and a Statement of Work for implementation services.

The ever-evolving energy trading market and Federal and State Regulations require utilities such as GWP, to accurately monitor all transactions related to power supply. The systems and tools that are utilized to capture this pertinent information in ETRM must be up-to-date to support the business activities. As we are approaching the ten-year mark of this agreement, it is necessary to analyze the current system and cover any gap in performance. Therefore, GWP is recommending a software upgrade implementation analysis, which will be used to identify potential enhancements in the current ETRM system as well as clarify the scope for the upgraded system implementation.

In 2019, Allegro Development Corporation, a global provider of enterprise commodity management solutions, was acquired by ION Group. The existing agreement between GWP and Allegro Development Corporation would be amended to include the IA.

ANALYSIS

Analyzing GWP's Allegro 8 ETRM system is a necessary first step for the Allegro Horizon upgrade implementation. Factors to be considered in the analysis include:

- Scope
- Phasing
- Confirmation of the exact set of components required
- Custom configuration, and other variations from pre-configuration
- Functional gaps and any requirements for gap development
- Integration requirements
- Reporting requirements
- Connectivity requirements
- Resource availability

The IA will also evaluate the migration of GWP’s Allegro ETRM system to cloud services. Currently, GWP does not utilize cloud for its ETRM system. The migration to cloud can add additional benefits for GWP such as unified operations; scalable/performant data; customizable services; reliability (AWS/Azure); security; auditable (SSAE18/ISAE3402); technology advancement and agility; expedited problem resolution, and faster upgrade implementation.

The deliverables of the IA include the Executive Summary, IA Report, Project Plan, and Commercial Proposal. The information will be evaluated to determine the appropriate support needed to facilitate a successful Allegro Horizon upgrade.

To meet the needs of GWP, Allegro Development Corporation satisfies and retains the proprietary knowledge, experience, and Allegro licensing to perform the IA. Allegro Horizon is the system platform of choice for vendor partners supplying energy services for GWP. Entities, utilizing older versions of Allegro ETRM, will be subject to an increase in costs for system maintenance and support. GWP can avoid the increase with a timely execution of the IA. Allegro Development Corporation has stated that, in the future, system maintenance and support (including cybersecurity patching), for older versions of the Allegro ETRM platform, will be reduced or unavailable.
Pending.

STAKEHOLDERS/OUTREACH

Not Applicable.

FISCAL IMPACT

Amendment No.1 increases the contract amount by \$80,000, to a new total of \$2,877,629. Funding associated with this amendment was approved as a part of the FY 2022-23 budget. No new appropriation is being requested at this time. The City Council approved funding is outlined below:

Existing Appropriation		
Amount	Account String	Funding Source
\$80,000	GL:43110-5820-GWP-4680-P0000-T0000-F1500	Electric Works Revenue Fund

ENVIRONMENTAL REVIEW (CEQA/NEPA)

Not Applicable.

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:**

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

ALTERNATIVES

Alternative 1: Approve Amendment No.1 with Allegro Development Corporation to provide Allegro Energy Trading and Risk Management (ETRM) Horizon Upgrade Implementation Analysis (IA).

Alternative 2: Not approve Amendment No.1 with Allegro Development Corporation to provide Allegro Energy Trading and Risk Management (ETRM) Horizon Upgrade Implementation Analysis (IA). GWP will continue to utilize the current version of Allegro 8 and incur increased costs for system maintenance and support, which may be reduced or unavailable in the future.

Alternative 3: Consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Prepared by:

Scott Mellon, Assistant General Manager, Power Management
Chie Valdez, Integrated Resource Planning Administrator

Approved by:

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

EXHIBITS/ATTACHMENTS

Not Applicable.