

COUNCIL ACTION FORM

SUBJECT: MISO MARKET PARTICIPANT SERVICES

BACKGROUND:

This contract is for a subscription to Midwest Independent Transmission System Operator (MISO) market specific software that manages the City's generation resources and electric load requirements in the MISO Energy Market. This software assists Electric Services in managing the load (the electrical demand of our customers), the generation from Electric Services Power Plant, our wind resources, plus the imported power from the MISO market to satisfy electrical consumption. The use of this software allows staff to make informed decisions on how to engage in the MISO market, and allows staff to check the accuracy of MISO's very complex billing system. Rather than owning the software, the City is basically leasing it and the support services that go along with it.

On February 23, 2010, City Council awarded a one year contract to MCG Energy Solutions for MISO Market Participant Services in the amount of \$82,800.00. The contract term was from March 1, 2010 to February 28, 2011.

Staff decided to issue a request for proposal (RFP) for the next contract term which begins March 1, 2011. On December 30, 2010, the RFP was issued to three firms for proposals. On January 25, 2011, staff received one proposal, and that proposal was not from the current provider. Upon receipt of the proposal, staff discussed the implications of awarding an annual contract on the basis of only one response. Due to the critical nature of this system, staff feels that the City would be better served by declining to accept this proposal, researching with other potential suppliers why they did not respond, and then issuing a second RFP at a later date. **As a result, staff recommends rejecting the single proposal received and issuing a change order to MCG Energy Solutions to extend the current contract with them by an additional six months (from March through August of 2011). This will allow staff time to adequately prepare for a second RFP process this spring.**

The recommended extension would be Change Order No. 1 in the amount of \$41,400. Council should note that this equates to \$6,900 per month, which is same amount per month currently being paid. The total cost of the contract with Change Order No. 1 will be \$124,200.

The approved FY2010/11 and FY2011/12 operating budgets each include \$90,000 for this software and related support services. So far in 2010/11, \$55,200 of the \$90,000 available for this service has been spent. This leaves \$34,800 to cover the March through June extension of the change order which will cost \$27,600. The remaining two months of the extension will be in the 2011/12 fiscal year.

ALTERNATIVES:

1. a. Decline to accept the single proposal for MISO market services received.

b. Approve contract Change Order No. 1 in the amount of \$41,400 to MCG Energy Solutions, LLC, for extension of the existing contract by an additional six months. This will bring the total contract cost to \$124,200.
2. a. Accept and evaluate the single proposal received.

b. Reject contract Change Order No. 1 and allow the current contract to expire.

MANAGER'S RECOMMENDED ACTION:

This change order to the contract with MCG Energy will provide MISO Market Participant Services for Electric Services at the lowest possible cost. It will also provide the City with a seamless continuation of critical software service needed for MISO market participation until a second RFP process can be undertaken.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby rejecting the single proposal received and approving contract Change Order No. 1 in the amount of \$41,400 to MCG Energy Solutions, LLC, for extension of the existing contract by an additional six months. This will bring the total contract cost to \$124,200.