

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 Plants, 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. Council may recall that staff decided to issue a request for proposal (RFP) for the next contract term which began March 1, 2011. Only one proposal was received and that proposal was not from the current provider. Due to the critical nature of this system, staff felt that the City would be better served by declining acceptance of the proposal, researching why other potential suppliers did not respond, and then reissuing the RFP at a later date. As a result, at the February 28, 2011 City Council meeting the Council rejected the single proposal received, and approved a contract Change Order to extend the existing contract with MCG Energy by an additional six months. This allowed staff enough time to adequately prepare for the reissuance of the RFP later in the spring.

On May 26, 2011, the RFP document was reissued to three firms for proposals. It was also advertised on the Current Bid Opportunities section of the Purchasing webpage and sent to one plan room.

On June 14, 2011, staff received competitive sealed proposals from two firms. These proposals were then sent to a committee for evaluation. The committee consisted of the Electric Services Director, Assistant Director, Energy Procurement Coordinator and Principal Clerk.

The committee members independently evaluated and scored both proposals. Each proposal was evaluated based on price, software support, software training, software design, and references. In addition, responders were given the option to submit their

product pricing according to their licensing structure. The proposal was evaluated based on a contract length of three years.

During their evaluation, the evaluation team deemed the proposal from MCG Energy Solutions, LLC, Minneapolis, MN, to be non-responsive.

MISO Energy Market recently proposed a new market mechanism for wind resources. This mechanism, Dispatchable Intermittent Resource (DIR), adds considerable complexity to managing the City of Ames' wind resource. MCG Energy Solutions was unable to fully provide the functionality of the anticipated MISO requirement for Dispatchable Intermittent Resource Management (DIR). Due to our contracted 36 MW of wind from Garden Wind LLC, the City anticipates that wind energy will soon be required to be dispatched into the MISO system as if it were a controllable generator (like our coal units).

MCG also could not provide for the MISO Shadow Settlements based on calculations utilizing MISO formulas. In order to properly settle with MISO, we must have software capable of using MISO's formulas to determine whether we have been properly billed by MISO. This is necessary for us to contest any bills we feel may be in error. Both of these issues (DIR and Shadow Settlements capability) were critical requirements of the RFP.

As a result, only one responsive proposal remains:

Power Costs, Inc., Norman, OK \$449,400

Electric Services staff reviewed the proposal and concluded that it is acceptable. As a result, staff recommends that a contract be awarded to Power Costs, Inc., Norman, OK, for a period of three years at a total cost of \$449,400. Power Costs, Inc. is not licensed to collect sales taxes for the State of Iowa. The City of Ames would pay applicable Iowa Sales Taxes directly to the State of Iowa. The tax to be paid is \$27,958.

Staff and Power Costs Inc. negotiated and mutually agreed to a fixed pricing structure for the entire three year contract period. The pricing is structured as follows:

<u>Year</u>	<u>Amount</u>
1	\$171,000
2	\$136,800
3	\$141,600

It should be noted that the first year includes a one time \$50,000 implementation fee and the term is eleven months instead of twelve in order for the contract in years two and three to coincide with the City's fiscal year. The annual balances of the charges are associated with the monthly licensing and hosting fees.

The City Council is being asked to approve a three-year agreement at this time, rather than a one-year contract with renewal options. It should be noted that to protect the City and meet legal requirements, the contract does contain language that will allow for the termination of the contract in future years should the Council not appropriate funds for its payment.

The approved FY2011/12 operating budget includes \$200,000 for this software and related support services. Payment for this software will be budgeted in future years as those budgets are prepared, and as renewal options are exercised.

ALTERNATIVES:

1. Award a three year contract to Power Costs, Inc., Norman, OK for MISO Market Participant Services in the amount of \$449,400 plus applicable sales taxes to be paid directly by the City of Ames to the State of Iowa.
2. Reject all proposals and purchase and use the existing software on an annual basis.

MANAGER'S RECOMMENDED ACTION:

This contract will provide MISO Market Participant Services for Electric Services. The Power Costs, Inc. software contains features, including management of Dispatchable Intermittent Resources and Shadow Settlement capabilities, that offer economic benefits to the City and increase the efficiency of staff.

In addition, the award of a three-year contract provides Ames with the benefit of fixed pricing, continuity of integration and service, and reduced administrative burden. Staff believes that the reason only two proposals were received was due to the fact that the two responding vendors are uniquely well qualified to compete in the smaller electric utility market.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding a three year contract to Power Costs, Inc., Norman, OK for MISO Market Participant Services in the amount of \$449,400 plus applicable sales taxes to be directly paid by the City of Ames to the State of Iowa.