

COUNCIL ACTION FORM

SUBJECT: **ELECTRIC MARKET PARTICIPANT SERVICES CONTRACT**

BACKGROUND:

Electric Services provides electricity to most of the homes and businesses in Ames. Energy that is not produced by the City's local electric generation or received from the utility's long-term wind contract is purchased through a regional organization called the Midcontinent Independent System Operator (MISO).

Energy is purchased on a day-ahead and real-time basis, to match the utility's electric requirements with energy production. To accomplish this, sophisticated software is needed to balance electric load forecasting information, wind production forecasts, and generation pricing to create the right balance of local generation and market purchases.

This action involves a subscription for market-specific software that provides the necessary platform, tools, and functionality to enable staff at Electric Services to transact and communicate with the MISO Energy Market. This software enables Electric Services to market, schedule, and manage the City's load (the electric demand by its customers) and its wind generation in MISO.

The use of this software enables staff to make strategic decisions to optimize the utility's portfolio in the MISO market and provides the critical tools needed by staff to check the accuracy of MISO's complex billing system.

On May 26, 2020, City Council awarded a three-year contract to MCG Energy Solutions, LLC, Minneapolis, MN, for MISO Energy Market software service, with two optional renewal periods. The final renewal period of the contract will expire on July 1, 2025.

Staff is requesting the City Council to waive the Purchasing Policies and Procedures requirement for competitive bids services and enter into a contract with MCG to continue to provide these services. Reasons for this approach as opposed to seeking competitive bids include:

1. MCG Energy Solutions provides Electric staff with several highly specialized and custom reports and a critically needed custom dashboard display module designed specifically for Ames' generation and load within its software application at no cost. MCG has customized its software for Ames' specific needs and requirements for scheduling the City's wind farm in the MISO market. These custom features utilized by City staff would be lost by switching vendors.
2. Less downtime in the day-to-day use and operation of software. Configuring new complex communication systems used to share critical operational data would also impact Ames' other vendors whose critical services are needed. Switching providers would require extensive training for several staff with an estimated 150 hours of labor to

manage the conversion.

MCG has proposed a fixed pricing structure for a five-year contract period. The cost for the first year of the service (FY 2025/26) is a 2.5% increase compared to the cost for the current year. The proposed pricing contains annual 2.5% increases, as shown in the table below.

CONTRACT PERIOD	COST
7/1/2025 to 6/30/2026	\$120,841.32
7/1/2026 to 6/30/2027	\$123,862.44
7/1/2027 to 6/30/2028	\$126,958.92
7/1/2028 to 6/30/2029	\$130,132.92
7/1/2029 to 6/30/2030	\$133,386.24

A new purchase order will be sent for each fiscal year. Payments will be made on a monthly basis over the 5-year period. **The agreement contains a non-appropriation clause that allows the City to cancel if funds are not appropriated in future City budgets. The approved FY 2025/26 operating budget includes \$138,500 for this software support service.**

ALTERNATIVES:

1. Waive the Purchasing Policies and Procedures requirement for formal bidding procedures and award a five-year contract with MCG Energy Solutions, LLC, Minneapolis, MN, for MISO Market Participant Services for the period of July 1, 2025 through June 30, 2030 in the amount of \$635,181.84.
2. Reject the renewal option and instruct staff to seek new competitive bids.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed contract with MCG Energy Solutions, LLC will provide MISO Energy Market software service for Electric Services that assures fixed pricing, continuity of integration and service, and reduced administrative burden. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as stated above.