

**COUNCIL ACTION FORM**

**SUBJECT: ELECTRIC MARKET PARTICIPANT SERVICES SOFTWARE**

**BACKGROUND:**

Electric Services provides energy to most of the residents in Ames. Energy that is not produced by the City's local electric generation or received from the 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 customer'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 will enable Electric Services to market, schedule, and manage the City's load (the electrical demand needed by its customers) and its wind generation in MISO. **The use of this software will enable 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. Rather than purchasing the software, the City will lease the product.**

This contract is to provide MISO Energy Market software service for the period from July 1, 2020, through June 30, 2023. The contract includes a provision that would allow the City to renew the contract for up to two additional one-year terms.

On January 27, 2020, a Request for Proposal (RFP) document was issued to three firms for proposals. The RFP was advertised on the Current Bid Opportunities section of the Purchasing webpage and was sent to one plan room.

On February 20, 2020, the City received proposals from two firms, which were then sent to a staff committee for evaluation. The staff committee members independently evaluated and scored the proposals based on price, software design, software support, and software training. Each score was based on a scale of 1 to 10. Overall, 1,000 possible points were available cumulatively for each company.

The initial ranking based on the review of the submitted proposals and costs are listed below:

Vendors	Average Score	Fee Proposal for 3 Year Term	Fee Proposal for 5 Year Term
MCG Energy Solutions, LLC Minneapolis, MN	783	\$350,621.25	\$599,221.45
Power Costs, Inc. Norman, OK	743	\$249,000.00	\$435,728.00

Both companies were asked to provide a best and final offer. PCI added an implementation fee in the amount of \$10,800. Both companies modified their pricing as reflected in the chart below.

The firms' combined scores from the written proposal, presentation, and best and final offer were ranked as follows:

Vendors	Average Score	Fee Proposal for 3 Year Term	Fee Proposal for 5 Year Term
MCG Energy Solutions, LLC Minneapolis, MN	804	\$328,476.75	\$561,375.89
Power Costs, Inc. Norman, OK	743	\$259,800.00*	\$433,000.00*

\* Year 1, 2 and 3 – Includes \$3,600 per year for implementation fees

Based on the RFP process and the evaluation committee's cumulative scoring, MCG Energy Solutions, LLC received the highest score. **After follow-up interviews with the respondents, reviewing responses to questions, and weighing the overall best value to the City, the evaluation committee recommended that a three-year contract be awarded to MCG Energy Solutions, LLC, Minneapolis, MN in the amount of \$328,476.75.**

Staff is mindful that the proposed award is to the higher cost proposal. It is important to note that while cost is one component of the evaluation process, it is most important that the product selected meets the City's needs. Staff believes the value provided by MCG's proposal far outweighs the \$68,677 3-year cost difference compared to the PCI proposal.

The decision to recommend MCG was based on the following considerations:

- MCG is Electric's current software service provider and staff has been highly satisfied with the performance of its software.

- 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 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.
- To move to another provider would take considerable staff time, both at Electric and in the IT group, to reconfigure the complex data communication systems used to share critical operational data. This also impacts Ames' other vendors whose critical services are needed.
- Moving to another provider would require significant training time for City staff involved in the day-to-day use and operation of the software. COVID-19 is significantly impacting day-to-day operations and would make changing providers and completing effective training very challenging. Additionally, switching providers would require an estimated 85 hours of labor to manage the conversion.
- MCG's proposed price of \$8,900 per month during the first year, is \$1,921.44 less than the current monthly fee of \$10,821.44. The proposed price increases at 2.5% each year thereafter.

The approved FY 2020/21 operating budget includes \$150,000 for this software and related support services. For the current year, the City contracts with MCG Solutions, LLC for this service at a cost of \$129,857.25. It is worth noting that the new 3-year agreement with MCG averages \$20,365 less each year than the current agreement. With the additional 2 years, the average is \$17,582 less each year.

**ALTERNATIVES:**

1. Award a three year contract to MCG Energy Solutions, LLC, Minneapolis, MN, for MISO Market Participant Services in the amount of \$328,476.75. The contract includes a provision that would allow the City, at its option, to renew the contract for up to two additional one-year terms with a required 2.5% increase per year.
2. Award the contract to the other provider that submitted a proposal.

**CITY MANAGER'S RECOMMENDED ACTION:**

This contract will provide MISO Energy Market software service for Electric Services that assures fixed pricing, continuity of integration and service, and reduced administrative burden. Based on a thorough evaluation of the value provided by each proposal, staff is recommending continuing with the current provider.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.