



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: June 14, 2021

Approved

Date

06/17/21

SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR ENERGY TRADING AND RISK MANAGEMENT SOFTWARE

RECOMMENDATION

Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager to:

- (a) Negotiate and execute an agreement with cQuant.io, Inc. (Louisville, CO) for energy trading and risk management software for an initial one year term beginning on or about July 1, 2021 through June 30, 2022 with a maximum compensation not to exceed \$301,000, subject to the appropriation of funds; and
- (b) Negotiate and execute amendments and change orders as required for any unanticipated changes, including additional software subscriptions, for a contingency amount not to exceed \$60,000 during the initial term, subject to the appropriation of funds; and
- (c) Exercise up to four one-year options to extend the term of the agreement through June 30, 2026 for ongoing software subscriptions, support, maintenance, and related professional services, subject to the appropriation of funds.

OUTCOME

Implement an energy trading and risk management solution to assist City staff in the Community Energy Department with performing complex portfolio analysis, risk management, and asset valuation in furtherance of providing reliable and clean energy at a lower cost.

BACKGROUND

The Community Energy Department (Department) manages 4,500 gigawatt hours of electrical demand per year, with an annual peak demand in excess of 1,000 megawatts. The Department serves approximately 360,000 accounts, with multiple product offerings including renewable and carbon free energy. The Department must meet this electrical demand, associated compliance obligations, and related City objectives through regular procurements to establish a portfolio of energy, capacity, and or renewable products.

The Department entered into approximately two (2) billion dollars in contracts to date for a variety of power products with different delivery terms (hourly, daily, or monthly) through calendar year 2042. Each contract impacts the Department's portfolio risks, costs, and revenue differently. Thus, to reduce costs and risks to consumers, as the Department continues to make power purchases, it must be able to accurately assess each potential and executed contract's performance within its overall portfolio to make the best-informed purchasing decisions for additional contracts. A number of factors must be considered when making these decisions, such as ongoing daily changes in market prices for the products and evolving load forecasts, both of which are impacted by variables like weather, power chain of supply and economic outlook.

To select new contracts, the Department regularly solicits the market for offers; each solicitation results in numerous competing offers. Since each offer impacts the Department portfolio in different ways, staff must conduct timely and complex analysis, optimization, review, and tracking. Once an offer is accepted, a contract is executed and becomes part of its portfolio. Since the Department's portfolio is constantly evolving and the market is regularly changing, staff must continually monitor the overall portfolio's risks and performance to determine if additional procurement activities are prudent.

The Department currently manages these activities using multiple spreadsheets. This is an untenable situation given the size and complexity of the work. A software solution that is capable of asset management, contract valuation, portfolio planning, risk management, and hedge optimization is required to increase staff accuracy and efficiency, improve decision making and achieve cost savings.

ANALYSIS

In January 2021, the Finance Department released a Request for Proposal (RFP) for Energy Trading and Risk Management Software. Five (5) responsive proposals were received prior to the submittal deadline from the following companies:

1. cQuant.io, Inc.
2. Deloitte & Touche, LLP
3. Open Access Technology International, Inc.
4. Power Costs, Inc.
5. Pioneer Solutions LLC

Evaluation Process: The five (5) proposals were evaluated and scored independently in accordance with the evaluation criteria set forth in the RFP by a three-member evaluation team comprised of representatives from the Community Energy Department. Two additional subject matter experts from the Department provided expertise.

Based on evaluation of their submitted technical and cost proposals, the top two (2) proposers were invited to participate in oral interviews to demonstrate their solutions. Scores for the finalists are as follows:

Final Scores	Maximum Points	cQuant.io	Pioneer
General Requirements	10	8	6
Experience and Qualifications	10	9	7
Project Approach/Schedule	5	3	4
Technical Capabilities	10	7	8
Cost Proposal	35	35	30
Oral Interview / System Demonstration	20	16	10
Local Business Enterprise	5	0	0
Small Business Enterprise	5	0	0
TOTAL	100	78	65

Local and Small Business Enterprise Preference: In accordance with San José Municipal Code Section 4.12.320.C.1, ten (10) percent of the total points are reserved for the local and small business enterprise preferences. No requests were received for the local and small business enterprise preferences so the preferences do not impact the award recommendation for this RFP.

Protest: The City’s RFP process included a ten-day protest period that began when the City issued the Notice of Intended Award on April 23, 2021. No protests were received.

Award Recommendation: Staff recommends award of contract to cQuant.io, Inc. (cQuant.io), whose proposal was scored as the best value proposal per the evaluation criteria set forth in the RFP. cQuant.io’s proposal met or exceeded all RFP specifications, and they were highly rated in the following key areas:

1. Extensive experience, knowledge, reputation, and expertise deploying the proposed solution at other public agencies;
2. Lowest overall cost solution, offering several additional services free of charge, including project management/coordination, system testing, initial system training, and support and maintenance;
3. Demonstrated exceptional solutions for asset management, contract valuation, portfolio planning, risk management, and hedge optimization; and
4. Superior data analytics capabilities.

Staff conducted reference checks with Central Coast Community Energy, East Bay Community Energy, and Talen Energy Supply. All references provided positive feedback.

Summary of Proposed Agreement: The agreement with cQuant.io will be in accordance with the City's standard terms and conditions and include the following provisions:

1. A detailed scope of work to ensure that the implemented solution complies with the City's requirements;
2. A preliminary project implementation plan that meets the City's requirements for project completion;
3. A compensation schedule that provides for vendor payments after final acceptance of all milestones and project deliverables;
4. Fixed pricing for the initial one-year term of the agreement, with any vendor requests for increases after the first year justified in accordance with the Producer Price Index and limited to 3% over the previous year's fees unless otherwise negotiated;
5. Four (4) one-year options to extend the agreement for ongoing software subscriptions, data storage, and support and maintenance; and
6. A cQuant.io agreement governing the terms of use of the software.

CONCLUSION

Approval of this recommendation will provide Community Energy Department staff with a solution to enable them to better manage the risk, management, and asset valuation of the Department's portfolio to deliver reliable, clean energy at a lower cost for residents.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

CLIMATE SMART SAN JOSE

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the City of San José Council meeting to be held on June 29, 2021.

COORDINATION

This memorandum has been coordinated with the Community Energy Department, the City Attorney's Office, and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

This action is consistent with City Council-approved budget strategy to effectively manage the City’s technological resources to enable and enhance the delivery of City services and projects. More specifically, the application of these services will increase government service and efficiency by enabling more accurate decision making through improved data, greatly reducing the chance of costly risk or error, and streamlining existing resources to save time and money.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION (1-year Initial Term) \$301,000

2. COST ELEMENTS:

One-Time Implementation Costs

- Project management, training, and testing \$0
- Analysis of historic/archival data 5,000
- Insertion of historic/archival data 15,000
- System installation and configuration 90,000

(including data curation and integration with the vendor’s software platform, as well as various analytic and technical enhancements as specified in the City’s RFP)

Ongoing Costs

- Software subscriptions, including maintenance and support, for 7 users 182,000
- Unlimited data storage 9,000

Contract Amount (Initial Term) \$301,000

Contingency* 60,000

TOTAL NOT TO EXCEED (1-year Initial Term) \$361,000

*Subject to an executed amendment or change order.

3. SOURCE OF FUNDING: San José Clean Energy Fund (501).

4. FISCAL IMPACT: After the initial one-year term, any increases in ongoing costs must be justified by the vendor, approved by the City, and are subject to the appropriation of funds.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2021-2022 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
501	0782	Community Energy Non-Personal/ Equipment	\$9,137,801	\$301,000	X-87	N/A

*The 2021-2022 Proposed Budget will be submitted to Council for approval and adoption in June 2021. The \$60,000 contingency and funding beyond 2021-2022 will be subject to the appropriation of funds.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JULIA H. COOPER
Director of Finance

For procurement and contract questions, please contact Jennifer Cheng, Deputy Director of Finance, at jennifer.cheng@sanjoseca.gov. For program-related questions, please contact Jeanne Solé, Deputy Director of Power Resources, at jeanne.sole@sanjoseca.gov.