

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 16

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Authorization for VCEA Interim General Manager to Execute Task Order 5 with SMUD to Implement Long Term Renewable Energy Procurement

Date: May 10, 2018

Recommendation

Authorize VCEA's Interim General Manager to complete final negotiations and execute Task Order 5 related to Long Term Renewable Procurement (LTP) with SMUD pursuant to the VCEA/SMUD Master Agreement in substantially the same form as attached, with any such additional non-material changes mutually agreed to by SMUD and VCEA Interim General Manager. Services under Task Order 5 are estimated at \$124,550 based on time and materials associated with consummating up to four (4) long term renewable power contracts on VCEA's behalf.

Background

VCEA commences commercial retail operation in June 2018. Although VCEA has and continues to acquire short term resource contracts and hedges to support its upcoming retail power load and RPS needs, VCEA has no long-term supply arrangements in place which help foster out-year business stability, enhanced cost certainty, and regulatory compliance.

Recent changes to California's Integrated Resource Planning (IRP) process pursuant to SB350, require that by 2021, Load Serving Entities (LSEs) like VCEA must have at least 65% of their required Renewable Portfolio Standard (RPS) resources under contracts with a duration of 10 or more years. SB350 further requires that by 2030, 50% of VCEA's retail load be served by RPS eligible resources. SMUD's LTP will provide a process to help meet some or all of VCEA's 2021 and beyond RPS compliance requirements.

Discussion

VCEA's first formal IRP filing is scheduled to be submitted by August 1, 2018 (SMUD is performing this task). This filing will include estimated RPS resource requirements thru at least 2030. By 2021, 65% of VCEA's RPS requirement must be met by contracts of at least ten years in duration. Attaining long term contract resources is a complex process involving contact with

potential suppliers, receiving and evaluating proposals, negotiating with the more favorable counter-parties, followed by contract execution and implementation. Substantial contract delivery performance obligations fall on selected sellers, coupled with reciprocal significant payment obligations on buyers (VCEA in this case). For example, a 10MW “flat” contract, for 10 years, at \$40 / MWh will result in total lifetime contract payments of over \$35 million. Careful analysis will help assure prudent decisions are made.

For VCEA to meet its 2021 long term RPS contract obligations, it must engage wholesale power suppliers and enter long term supply arrangements. VCEA currently has neither the internal capacity nor the experience to perform this undertaking.

SMUD Task Order 5 LTP Proposal

SMUD’s attached Task Order 5 LTP Proposal outlines the following steps and cost estimates for VCEA to issue a Request for Offers (RFO), evaluate and rank offers received, and then to consummate contracts arrangements with 3-4 of the most favorable counter-parties:

Sequence	Task	Cost Estimate
1	Design RFO	\$6,500
2	Issue / Manage RFO	\$19,000
3	Evaluate and Rank	\$54,000
4	Select / Short List	\$4,000
5	Negotiations	\$12,000
6	Contract Approvals / Execution	\$29,000
	Estimated Total	\$124,500 *

*SMUD’s proposal is based on actual time and materials; especially complex projects or contract terms, or additional counter-parties will increase costs accordingly. The hourly rates SMUD used for the cost estimates are those approved within the VCEA/SMUD Master Agreement.

SMUD appropriately places cost emphasis on evaluating and ranking offers received. The many factors which must be assessed/modelled include: project technology; project age; project capacity and energy characteristics; project location; delivery and receipt points; transmission congestion; counter-party credit and performance track record, and the like. In addition, selected counter-parties may have special terms they want applied to VCEA. Only after all such elements are evaluated can prudent recommendations and decisions be made. SMUD estimates that the total process could take in the range of 16 months. SMUD has the capability and experience to undertake this LTP Proposal.

Analysis

SMUD is fully qualified to perform VCEA’s wholesale power market solicitation to meet all or some of VCEA’s long-term RPS contract requirements to be implemented by 2021. VCEA has an existing wholesale services agreement with SMUD (Task Order 3) which provides for the addition of these LTP services subject to VCEA Board authorization. The cost estimates identified by SMUD fall within industry norms (as do the hourly staff rates in the Master

Agreement) and SMUD has the additional advantage of being familiar with VCEA's power supply needs. VCEA does not have the internal capacity or tools to perform this LTP function. Other consultants/vendors may be able to perform some or all of LTP tasks, however VCEA would need to establish one or more new contract relationships to attain these services without reasonable expectation of cost reduction or process outcome improvement versus SMUD.

Attachments:

1. Resolution
2. Task Order 5 - Long Term Renewable Energy Procurement Proposal

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2018- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING LONG TERM RENEWABLE PROCUREMENT SERVICES TASK ORDER 5 – LONG TERM RENEWABLE PROCUREMENT SERVICES

WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, on August 31, 2017, the VCEA Board considered a proposal by the Sacramento Municipal Utilities District (“SMUD”) to provide program launch and operational services and subsequently directed VCEA staff to negotiate a services agreement between VCEA and SMUD for consideration and action by the VCEA Board; and

WHEREAS, on September 21, 2017, the SMUD Board of Directors authorized its CEO to enter into a contract with VCEA to provide CCA support services; and

WHEREAS, On October 12, 2017 the VCEA Board approved the Master Professional Services Agreement and Task Order 1 and Task Order 2 to provide program launch and operational services consistent with the SMUD proposal and VCEA Board direction; and

WHEREAS, On November 16, 2017 the VCEA Board approved Task Order 3 to provide Wholesale Energy Services consistent with the SMUD proposal and VCEA Board direction; and

WHEREAS, On December 14, 2017 the VCEA Board approved Task Order 4 to provide Operational Staff Services to VCEA for program launch and operations.

WHEREAS, VCEA and SMUD staff negotiated the draft Task Order 5 to provide long term renewable procurement services.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. VCEA Interim General Manager, in consultation with VCEA Legal Counsel, is hereby directed to finalize Task Order 5 for long term renewable procurement services, in substantial conformance with the attached Task Order 5, for signature by the VCEA Board Chair.

2. The Chair of the Board is hereby authorized to approve and execute on behalf of VCEA Task Order 5 in substantial conformance with the attached Task Order 5 under the terms set forth in this Resolution.

ADOPTED, this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lucas Frerichs, Chair

Secretary

Approved as to form:

Interim VCEA Counsel

EXHIBIT A - Form long term renewable procurement services Task Order 5 between VCEA and SMUD

EXHIBIT A

Form long term renewable procurement services Task Order 5 between VCEA and SMUD

**Addition to Exhibit A: VCEA/SMUD Master Services Agreement
Task Order 5
Long Term Renewable Energy Procurement**

SMUD and VCEA agree to the following services, terms and conditions described in this Task Order. This Task Order 5 is for Long Term Renewable Energy Procurement (“Task Order 5”), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (“Agreement”) between the Parties. If any provisions of this Task Order 5 conflict with any provisions in the Agreement, the provisions of this Task Order 5 shall take precedence.

The Effective Date of this Task Order 5 is the date of the last signature below.

A. SCOPE OF WORK

SMUD will issue a solicitation and negotiate Power Purchase Agreements (PPA’s) for renewable or other designated resources on behalf of VCEA. VCEA and the successful proposer or proposers will be the parties to the resulting PPA’s. The Scope of Work consists of six tasks as defined below:

1 Task 1: Request for Offers Package Development

1.1 Define Scope of Solicitation

Utilizing the stakeholder discussions from the Integrated Resource Planning Process, and decisions made during that process, SMUD will draft the scope of the solicitation. Items to be considered include:

- Local and non-local (what is local) what is non-local
- Technologies desired (which may include large hydro, for example)
- Define notional capacity/annual energy quantities
- Term(s) of PPAs
- Cost constraints
- Storage (Battery) Integration
- Other factors

This task includes an email review cycle and conference call with VCEA staff.

1.2 Prepare the Solicitation Document

Starting with an existing SMUD solicitation template, SMUD will draft the preliminary solicitation document for VCEA’s Long Term Renewable Energy Procurement.

1.3 RFO Solicitation Document Stakeholder Review Cycle

Review the scope draft, and the solicitation document with VCEA staff and Community Advisory Committee. This subtask may include one or more conference calls, as warranted, and includes one in-person consolidated review session. (Additional sessions would be at additional cost).

2 Task 2: Solicitation

2.1 Set Up SMUD EBSS System

SMUD will utilize its Electronic Bid Solicitation System, which has a large number of suppliers signed up to receive solicitation notices via email. SMUD will provide VCEA with a list of suppliers signed-up to receive bid notices for energy procurements from SMUD's EBSS. The system will be set up to send notices to registrants signed up to receive notifications for "solar," "wind," and other subcategories under the "renewable" category, and other technologies per discussion between SMUD and VCEA. This step will include emailing sign-up notices to any potential suppliers that have contacted VCEA directly or that VCEA want to include. The registration page for SMUD's EBSS can be found at this URL:

Link: <https://www.smud.org/en/Corporate/Do-Business-with-SMUD/Page-Content/Vendor-Registration-for-Contracting-with-SMUD-EBSS>

2.2 Plan/Hold Bidders Conference (WebEx)

SMUD will plan and conduct a bidders' conference using WebEx to walk through the solicitation document and to field questions. VCEA staff will be available to participate in the bidders' conference.

2.3 Manage Bidder Questions

SMUD will document and reply to bidder questions. This includes reposting questions and answers to the EBSS for the benefit of all potential respondents.

2.4 Intake of Solicitations

SMUD will process the incoming proposals, catalog, and post the proposals on a file sharing site for VCEA staff access.

2.5 Review and Compile Offer Data

SMUD will review all offers and compile data into spreadsheets for Rating and Ranking. VCEA will be provided a copy of the initial list of all proposals received.

3 Task 3: Evaluation

Task 3 and each of its sub-tasks has been costed assuming the list of all potential projects will be screened down to, and due diligence performed on, the top 10 projects. There may be additional costs if VCEA requests that SMUD perform due diligence on more than ten (10) projects.

3.1 Initial Screening

Based upon required information submittals, SMUD will screen proposals on criteria such as: price; how far along the project is in the development stage; fit with technology criteria; whether a project fits within the criteria for local and non-local siting; whether proposed technology/equipment is commercial (versus research, and/or pre-commercial); and, developer financial strength/backing. SMUD will

provide VCEA with the detailed results of the initial screening, including the itemized score for each proposer.

3.2 Solicit Additional Information for Screened Proposals

SMUD and VCEA will determine which proposals pass the initial screening process. For the proposals passing screening, SMUD will request additional information on: CAISO Interconnection Process status, Project Development Status, Project Team References, level of site control, status of equipment procurement, detailed annual energy production estimates, and other factors relevant to the selection process.

3.3 Conduct Due Diligence

SMUD will conduct due diligence on each proposal that passes screening. Due diligence will be conducted to verify: CAISO Interconnection Process status; development status; experience of development team; status of site control; status of equipment procurement; review and analysis of detailed annual energy production estimates; and, etc.

If review is required for non-standard technologies (such as a renewable resource with integrated battery storage, or other factors which may increase a given project's complexity), due diligence costs could increase accordingly.

3.4 Pricing and Valuation Analysis

SMUD will conduct a valuation analysis based upon historical nodal pricing to determine the implicit energy value for each project, and will perform a Resource Adequacy value assessment for each. The cost of financial security will be included, based upon each proposer's stated size of letter of credit required. The result of the analysis will be an implicit cost of the renewable premium, which could be either negative (high value) or positive (value not as high).

If evaluation is required for non-standard technologies (such as a renewable resource with integrated battery storage, or other factors which may increase a given project's complexity), pricing and valuation analysis costs could increase accordingly.

3.5 Rating and Ranking

SMUD will develop and populate a proposal rating matrix, based on assessment of information from the proposals, SMUD's pricing and evaluation analysis, and the due diligence checks. This task will include an in-person review of the proposals' rating and ranking with VCEA staff, and may include several conference calls as warranted or requested by VCEA or SMUD.

If additional in-person review cycles are requested, there may be additional cost.

4 Task 4: Selection/Short Listing

4.1 Review Ratings/Rankings and Recommendations with Stakeholders

Review with VCEA staff and Community Advisory Committee. This task includes one preparatory conference call between VCEA and SMUD, and one in-person consolidated review session with incorporation of feedback.

If additional review sessions are requested, there may be additional cost.

4.2 Develop Bidder Short List

From the feedback received in Task 4.1, SMUD, in consultation with VCEA staff, will re-rank screened proposals and develop a short list for negotiations. This task includes review (in-person and/or via conference call) with VCEA staff for concurrence on final Short List.

5 Task 5: Negotiation

Costs for Task 5 and each of its sub-tasks has been costed assuming that the short list consists of up to four projects. Task Fees are based on time and materials rates. There may be additional costs for additional projects added to the short list, and/or if particular projects are especially complex from a business or technical perspective.

5.1 Develop/Present Term Sheets

SMUD, in consultation with VCEA staff, will develop and present term sheets to the short-listed entities.

5.2 Negotiate Basic Commercial Terms

SMUD will negotiate basic commercial terms for any proposed Power Purchase Agreement(s), and will modify term sheets as appropriate. This task includes review by VCEA staff and counsel, and does not include review by additional stakeholders. Costs may be higher if review is required by other VCEA stakeholders.

5.3 Coordinate Letters of Intent/Non-Disclosure Agreements

SMUD will coordinate development and execution of Letters of Intent/Non-Disclosure Agreements by short-listed bidders and VCEA's General Manager.

6 Task 6: Contracting

Costs for Task 6 and each of its sub-tasks have been estimated assuming that contract negotiations proceed on up to four projects. Task fees are based on time and materials rates and there may be additional costs for additional projects added to the short list and/or if particular projects are especially complex from a technical or contracting perspective.

6.1 Develop Standard Form PPA

Using existing PPA templates, SMUD will develop a standard form Renewable Power Purchase Agreement for inclusion in the solicitation. The scope of this task includes working with VCEA staff and counsel to review. Costs may be higher if review is required by other VCEA stakeholders.

6.2 Negotiate PPA Terms

SMUD will negotiate with short listed entities for PPA terms. This task includes working with VCEA staff and counsel as required.

6.3 Coordinate Execution of PPA

SMUD will coordinate execution of PPAs, including preparing staff reports for Board approval of the PPAs, preparation of Board presentation materials, as well as presentation to the Board. SMUD will collaborate with VCEA staff in preparing and presenting materials for VCEA Board level PPA approvals.

B. DOCUMENTATION

During the procurement process, SMUD will develop and maintain a chronological file of key documentation, project ranking spreadsheets/reports, meeting/conference call schedules, and other materials pertinent to the evaluation and decision process (“Deliverables”). SMUD will provide this file to VCEA and VCEA is to have complete control and discretion over any subsequent VCEA utilization of such materials and or modelling outputs contained in the file. In the provision of Deliverables hereunder, SMUD will not directly provide proprietary models used in the required analysis tasks, but will describe to VCEA any proprietary models/techniques used to evaluate proposals . Such disclosures may be subject to the Confidentiality provisions in the Agreement. SMUD may use any information/results attained during the procurement process for its own purposes.

C. APPROVAL PROCESS / ACCEPTANCE

Both Parties agree to perform tasks, reviews, and approvals in a timely manner in order to maintain agreed upon timelines as set forth in the Deliverables Schedule (“Appendix A”) to this Task Order 5. SMUD will provide deliverables to VCEA’s Interim General Manager for review by VCEA. Deliverables that require VCEA Board review and approval will be identified and sufficient time will be allocated in the project schedule.

D. TERM AND TERMINATION

D.1. Term of Task Order 5

Task Order 5 is effective on the Effective Date of this Task Order and shall remain in effect for a period of sixteen (16) months from the Effective Date, unless terminated in accordance with the Agreement or extended by mutual agreement of the Parties.

The expiration of this Task Order 5 shall not affect the term of the Agreement.

D.2 Termination

This Task Order 5 may be terminated pursuant to Section 4 (“Term and Termination”) of the Agreement.

E. COMPENSATION FOR SERVICES

E.1. Long Term Renewal Energy Procurement

Estimated Hours

	Hours					Cost
	VP	Principal	Senior	Journey	Admin	
	\$ 250	\$ 190	\$ 150	\$ 100	\$ 80	
1 Request for Offers Package Development						\$ 6,520
1.1 Define Scope of Solicitation	0	6	3	0	0	\$ 1,590
1.2 Prep the Solicitation Document	0	4	18	0	0	\$ 3,460
1.3 RFO Document Stakeholder Review Cycle	0	3	6	0	0	\$ 1,470
2 Solicitation						\$ 18,850
2.1 Set Up SMUD EBSS system.	0	0	7	0	0	\$ 1,050
2.2 Plan/Hold bidders conference (WebEx)	0	2	6	0	0	\$ 1,280
2.3 Manage Bidder Questions	0	4	28	0	0	\$ 4,960
2.4 Intake of Solicitations	0	0	8	40	0	\$ 5,200
2.5 Review and Compile Offer Data	0	4	24	20	0	\$ 6,360
3 Evaluation						\$ 53,810
3.1 Initial Screening	0	10	50	0	0	\$ 9,400
3.2 Solicit Additional Information for Screened Proposals	0	0	14	0	0	\$ 2,100
3.3 Conduct Due Diligence	0	0	110	0	0	\$ 16,500
3.4 Pricing and Valuation Analysis	0	29	60	0	0	\$ 14,510
3.5 Rating and Ranking	0	20	50	0	0	\$ 11,300
4 Selection/Short Listing						\$ 4,070
4.1 Review Ratings/Rankings and Recommendations with Stakeholders	0	6	12	0	0	\$ 2,940
4.2 Develop Bidder Short List	0	2	5	0	0	\$ 1,130
5 Negotiation						\$ 11,900
5.1 Develop/Present Term Sheets	0	5	15	0	0	\$ 3,200
5.2 Negotiate Basic Commercial Terms	0	10	14	0	0	\$ 4,000
5.3 Coordinate Letters of Intent/Non-Disclosure Agreements	0	5	25	0	0	\$ 4,700
6 Contracting						\$ 29,400
6.1 Develop Standard Form PPA	0	40	20	0	0	\$ 10,600
6.2 Negotiate PPA Terms	0	15	90	0	0	\$ 16,350
6.3 Coordinate Execution of PPAs	0	5	10	0	0	\$ 2,450
Total						\$ 124,550

Estimated Fees

Based upon the assumptions outlined in the Scope of Work, the estimated fee for this Task Order 5 is \$124,550.

E.2. Hourly Rates

Services performed under this Task Order 5 are to be performed on a time and materials basis, calculated monthly. SMUD shall receive compensation, including authorized reimbursements, for services rendered under this Task Order at the rates set forth in below. Additional Professional Services work may be mutually agreed by the Parties.

The SMUD hourly billing rates in the schedule below are applicable to any work performed by SMUD under this Task Order 5. Hourly rates are fixed through June 30, 2019 and are subject to escalation at U.S. Department of Commerce, Bureau of Labor

Statistics, "Consumer Price Index-All Urban Consumers less food and energy" Series ID: CUUR0000SA0LIE thereafter.

Professional Services Hourly Rates

Resources	Hourly Rate
SMUD CEO/VP	\$250.00
Principal	\$190.00
Senior Analyst/Specialist	\$150.00
Analyst/Specialist	\$100.00
Administrative	\$80.00

F. PAYMENT TERMS

SMUD will record the monthly charges for staff and hours expended for the professional services provided under this Task Order 5. From the Effective Date of Task Order 5 through September 30, 2018, SMUD will provide a monthly statement to VCEA for review and validation. Payment of the fees incurred through September 30, 2018, will be deferred until October 1, 2018, and will be payable in accordance with Section 8.8 of the Agreement.

Invoices for fees incurred from October 1, 2018, through the termination of Task Order 5, will be submitted to VCEA monthly. For services under this Task Order 5, VCEA shall pay all undisputed portions of invoices within thirty (30) calendar days of the date of the invoice.

G. TASK AMENDMENT

This Task Order 5 may only be amended or otherwise modified with the written agreement of the Parties, and approved by each Party's governing body where required by law or policy.

It is mutually understood that business requirements, resources, and dates may change subject to the applicable terms of Task Order 5. Any changes to the scope defined in Task Order 5 will be addressed through a task amendment process. Material changes that require a formal task amendment, are those which will specifically impact defined scope, schedule, budget, or resources.

H. SIGNATURES

The Parties have executed this Task Order 5 and it is effective as of the date of last signature below.

Valley Clean Energy Alliance

By: _____

Name: Mitch Sears

Title: Interim General Manager

Date: _____

Sacramento Municipal Utility District

By: _____

Name: Arlen Orchard

Chief Executive Officer and General

Title: Manager

Date: _____

APPENDIX A: DELIVERABLES SCHEDULE

#	Deliverable	Timing
	To be determined.	To be determined.

VCE Long Term Procurement Schedule

