



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Dave Churchman, Power Operations Manager
DATE: May 7, 2013
SUBJECT: BPA Slice Contract Implementation
OBJECTIVE: Board Action

Issue Statement

This backgrounder is a follow up to correspondence provided to the Board on August 7th, 2012. The focus of this correspondence is the Slice Customer Interface (SCI) software that EWEB will use to manage its slice of Federal system power.

Background

On November 4th, 2008, the Board approved Resolution No. 0838 authorizing the signing of the BPA Slice contract with a term of October 1st, 2011 through September 30th, 2028. The BPA Slice resource represents approximately 40% of EWEB's power portfolio and has annual power supply costs of \$42M/year.

The BPA Slice contract requires that each customer build or procure a simulator that accurately models a 6-project simulation of the Columbia River hydro system. To address this need, a group of Self-Scheduling Slice Customers (SSC), including Tacoma Power, Seattle City Light, Okanogan PUD, Pend Oreille PUD, Snohomish PUD, Idaho Falls Power, and EWEB contracted with Amy Fowler of Lewis & Fowler to facilitate the vendor selection process.

Amy worked to implement the original Subscription Slice contract (2001) at BPA and had experience assessing the BPA Slice development effort from a total program perspective. Amy helped the self-scheduling customers draft a common set of business requirements and launched, through Tacoma, a cooperative Request for Proposal which yielded six viable vendors. Based on customer scoring, one vendor, Ascend Analytics, was asked to conduct a proof-of-concept pilot program which was completed on June 27th, 2012. The proof-of-concept was deemed successful by all SSC group members who voted.

However, as the SSC group began contracting with Ascend, the group discovered various levels of waning interest in the Ascend SCI. Some utilities were uncomfortable with the cost to develop and maintain, other utilities liked the product, but had concerns about successful delivery from Ascend. By November, the group was almost entirely fragmented, and Tacoma cancelled the formal vendor selection in favor of a self build SCI. This left Seattle and EWEB as the only two remaining Slice customers contracting with Ascend. The EWEB/Seattle group spent another two months, working on remaining contract issues and reducing project scope to offset the project costs that remained after

Tacoma departed. By December EWEB, concerned with contract pacing and desiring more options, requested The Energy Authority (TEA), one of the original 6 viable vendors, propose their product as a possible alternative to an Ascend solution. TEA responded to EWEB's request with highly competitive pricing. In January 2013, EWEB began negotiating with TEA and discontinued pursuit of Ascend Analytics as a Slice SCI vendor.

Discussion

TEA is a power marketing company that offers scheduling services to nine other Slicers. TEA is the only company who has a fully-implemented, and commercial-available, SCI with Slice optimizer. Originally the SSC group had not selected TEA, because their pricing was high. When TEA submitted their proposal to EWEB, their pricing had vastly improved. This change was largely due to EWEB's willingness to accept the TEA product "as is", and without some of the major modifications originally requested by the SSC group.

The TEA product is a hosted, SCI with Slice optimizer. This product will allow EWEB to maximize the value of the Slice contract while mitigating many of the complexities inherent in running a Slice simulator. It is a proven product, in use today by 11 Slice customers, and it can meet the needs of both EWEB and its scheduling customer, Clatskanie PUD. Further, since it is a hosted solution, it will require minimal upkeep and maintenance from internal staff.

A critical factor in this decision was timing. EWEB is currently operating the Slice system with a backup (gap) tool. EWEB developed the gap tool as a backup solution for failover situations. It is a labor intensive and operationally restrictive tool. The longer we operate with our gap solution, the greater the potential loss to EWEB. This reality has forced us to look exclusively at solutions that can be available in the near term. It should take one to two months, after contract signing, for EWEB to install, test and train on the software. This timeline contrasts favorably with the more than one year staff anticipated it would take to accomplish the same milestone with Ascend Analytics.

After evaluating all paths, EWEB determined that TEA's product was the only viable Slice solution available today. Though EWEB went through a very extensive period of evaluation, we were left without a formal procurement vehicle, since the RFP process launched by the SSC group was terminated after the group fractured and Tacoma departed. As a result, EWEB will elect to Sole Source and move to contract with TEA.

Recommendation/Action

Management recommends that the Board approve up to \$1,750,000 to license the use of TEA's Slice Optimizer and for TEA to provide up to 5 one-year periods of support and hosting services. Total cost over 5 years includes a one-time setup fee (\$22,000), one-time license fee (\$280,000) and annual hosting, maintenance and support fees (approximately \$250,000 first year and escalating yearly approximately 3%). Staff expects to recover approximately \$375,000 - \$400,000 of the total 5 year cost from our scheduler client Clatskanie PUD due to our current services contract. Under the terms of the contract, EWEB will retain an annual right to terminate the contract, assuming two months of notification.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____