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## CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT ORDER

### 350 – PROCUREMENT OF LONG-TERM ENERGY-RELATED RESOURCES

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#### I. BACKGROUND

Department Order (D.O.) 350 establishes Anaheim Public Utilities' (APU) policy and procedure for procurement of Energy-Related Resources (ERRs) including, but not limited to, transmission, capacity, utility-scale renewable and non-renewable energy, energy storage, and fuel supplies. The DO applies to purchase agreements, construction of resources, or decommissioning services.

#### II. APPLICABLE REGULATIONS AND POLICIES

D.O. 350 complies with the City of Anaheim's (City) and APU's policies, rules and regulations regarding a fair and competitive solicitation process and the preparation and administration of agreements, including:

- Administrative Regulation 105 - Council Agenda Items
- Administrative Regulation 120 - Execution and Administration of Agreements
- Council Policy Manual
- Department Order 105 – Processing City Council, Public Utilities Board, and City Manager (Not for Council Action) Staff Reports
- Department Order 110 – Processing and Administration of Agreements
- City of Anaheim Charter, Section 518 – Contracts. Execution.
- City of Anaheim Charter, Section 702 – Administrative Departments.
- City of Anaheim Charter, Section 909 – Public Utilities Board. Power and Duties.
- Anaheim Municipal Code, Sections 1.04.130, 1.04.730, 10.16.020.

#### III. GENERAL AGREEMENT GUIDELINES

The City Council has authorized APU to enter into the following agreements for ERRs: (1) short-term (one year or under) wholesale energy transactions under the Western Systems Power Pool (WSPP) umbrella agreement, (2) the California Independent System Operator agreements, and (3) a long-term natural gas services agreement. Except for those listed above or otherwise authorized by City Council, all other agreements for ERRs shall be submitted to the Public Utilities Board (PUB) for consideration (unless time constraints do not allow for PUB review) and City Council for approval.

#### IV. RESOURCE PLANNING AND IDENTIFICATION

The Integrated Resources (IR) Division is responsible for identifying and assessing the need for ERRs to ensure APU meets its customer needs, compliance obligations and operational goals.

##### A. Resource Planning

The resource planning process utilized by the IR Division leverages a variety of analytical tools over strategic time horizons, including customer load and price forecasts and production cost models. This planning process also considers legislative and regulatory mandates or operational needs and collectively results in periodic forecasts that are the basis for the IR Division's budget and the foundation for the identification of resource procurement needs.

If an ERR procurement need is identified then, in consultation with the Assistant General Manager of Power Supply, the IR Division will determine i) the timing as to when it is in the best interest of APU to fill the need and ii) the procurement approach that will meet competitive guidelines.

## B. Identification

If APU determines that there is an ERR procurement need and elects to take action to identify the type(s) of potential resources to fill the need, then APU will proceed with an open competitive solicitation in the form of a request for proposals or request for offers (either referenced as "RFP" herein). To solicit proposals from a wide variety of respondents, APU may elect to directly issue a RFP or, if it will result in cost savings through economies of scale and the City is a member agency, participate in a RFP issued by a joint powers authority (JPA).

Whether APU elects to directly issue a RFP or to participate in a joint RFP, the IR Division is responsible for ensuring that the procurement process is conducted in a fair and competitive manner, consistent with applicable City and APU policies, rules or regulations, as referenced in Section II above and applicable state and federal law. These policies, rules, and regulations include, but are not limited to, (1) an open RFP solicitation, (2) a comparative assessment of multiple proposals, and (3) an evaluation according to uniform criteria, with the award, if applicable, made for the proposal(s) that best meets the identified needs of APU. Resource developers requesting consideration of opportunities directly, outside of a competitive process, shall be directed to submit a proposal through the next available competitive RFP process (APU RFP or Joint RFP) suited for their particular ERR.

## V. PROPOSAL EVALUATION

### A. APU RFP

In the case of ERRs solicited under a RFP administered by APU, the resulting proposals will be evaluated by a stakeholder review team, which may include external stakeholders, based on criteria pertinent to the solicitation as set forth in the RFP. Proposal evaluation criteria may include:

- i) Completeness and responsiveness of the proposal to perform the specific tasks outlined in the RFP;
- ii) Qualifications of the firm who will deliver the project;
- iii) Demonstrated record of success by the firm on projects previously performed;
- iv) Reasonableness of the cost of the proposal;
- v) The viability of the proposed project(s);
- vi) Technical capabilities of the proposed project(s) to meet operational needs;
- vii) Compliance with regulatory, legislative, or other public policy requirements;
- viii) Compatibility with APU's existing electric resource portfolio;
- ix) Overall value to Anaheim customers; and
- x) Any other criteria prescribed by APU that are required for the benefit of Anaheim customers to review the highest value.

### B. JOINT RFP

In the event the City is a member of a JPA and APU desires to participate in a RFP or other solicitation conducted by that JPA. The JPA and, if possible APU staff, shall perform an initial screening evaluation to identify and eliminate proposals that (1) are not responsive to the RFP, (2) do not meet the minimum RFP requirements, (3) are not economically competitive, or (4) are submitted by respondents without appropriate creditworthiness, sufficient financial resources, or qualifications. The remaining proposals will be presented to APU for consideration, discussion, and a viability assessment, as described further in Sub-Section C. Viability Assessment below. Proposals that are preliminarily identified as viable will be further reviewed through a consistent and competitive method by APU before being submitted to the appropriate governing board(s) for approval. The JPA and APU shall perform all solicitation activities, including but not limited to screening, viability assessment, and selection of proposed projects, in a fair and competitive process that is

consistent with applicable City and APU policies, rules, or regulations

If APU seeks to participate in a JPA-approved proposal, the proposal will be submitted through APU's approval process as indicated in Section VI. Contract Development below.

### C. VIABILITY ASSESSMENT

For ERRs associated with a specific project, APU will employ screening tools that reflect the best industry practice to evaluate the viability of an energy project reaching commercial operation. The intent of using analysis tools is to evaluate standardized categories and criteria to quantify a project's strengths and weaknesses in key areas of project development.

For all ERRs initially screened as viable, APU will use an industry standard Least Cost/Best Fit Criterion to further assess project viability. A Least Cost determination shall be made by analyzing the financial impact projects have on APU's electric utility through the use of a Production Cost Simulation Model. Direct financial impacts may include, among other things, integration costs of intermittent resources, the value of generation capacity, and transmission costs required for the resource to serve APU's electric load. A Best Fit determination may include, among other things, qualitative criteria that may also be quantified within a Production Cost Simulation Model. These qualitative criteria may include, among other things, resource diversity, local reliability, deliverability to Anaheim, potential for curtailment, dispatchability, environmental impact, and location. The viability assessment must also be performed through a fair and competitive process consistent with applicable City and APU policies, rules, or regulations

## VI. CONTRACT DEVELOPMENT

Whether through an APU or a JPA RFP, once the highest ranked proposal has been selected based on the RFP's evaluation criteria, APU staff will initiate contract development in cases of APU initiated solicitation or work closely with JPA staff to develop contract language acceptable to both parties. To the extent possible, contract development will include standard City of Anaheim terms and conditions for the respective areas of responsibility, as applicable. Typical responsibilities include legal requirements (City Attorney's Office), project risk and compliance with regulatory requirements (Department Risk), operating, technical, project and budgetary impacts (Integrated Resources), and insurance and indemnification (City Risk Management). The contract development process also applies to decommissioning of ERRs.

Whether a solicitation is initiated through APU or a JPA, ERR-related contracts (including, but not limited to, sales contracts with a JPA) shall be submitted to the Public Utilities Board (PUB) for consideration (unless time constraints do not allow for PUB review) and City Council for approval. Approval of a contract for procurement or decommissioning will include authorizing and directing the General Manager or designee(s) to execute the contract and all ancillary documents, on behalf of the City, and to take all actions including, but not limited to, execution, certification, and/or delivery as required of any and all such documents, certificates, notices, consents, disclosures, plans, reports, filings, declarations, and compliance submittals which are necessary, appropriate, or advisable.

## VII. DEPARTMENT ORDER RESPONSIBILITIES

- A. Administrative Control (Interpretation) - AGM Power Supply and Chief Risk Officer, Jointly
- B. Communication and Training – IR Manager
- C. Updates to this Department Order - Chief Risk Officer
- D. Implementation - IR Manager

## VIII. REFERENCE MATERIAL AVAILABLE ON THE CITY CLERK'S INSIDER WEBPAGE:

- A. City Charter
- B. City Administrative Regulations

- C. City Council Policies
- D. City Council Agendas, Staff Reports, and Agreements

Submitted:



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Dukku Lee  
Public Utilities General Manager

6/3/2021

Date

Approved by the Public Utilities Board on

May 27, 2020

Date