
CITY OF ANAHEIM PUBLIC UTILITIES DEPARTMENT ORDER

350 – PROCUREMENT OF LONG-TERM ENERGY-RELATED RESOURCES

I. BACKGROUND

Department Order (D.O.) 350 establishes the Department's policy and procedure for procurement or decommissioning of Energy-Related Resources (ERRs) (including but not limited to transmission, capacity, renewable and non-renewable energy, distributed energy resources, and fuel supplies).

II. APPLICABLE REGULATIONS AND POLICIES

D.O. 350 complies with the City of Anaheim's (City) and the Department's regulations and policies regarding the 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 4.0 – Purchasing Procedures
- 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.
- City of Anaheim Charter, Section 1211 - Contracts on Public Works.
- Anaheim Municipal Code, Sections 1.04.130, 1.04.730, 10.16.020.

III. GENERAL AGREEMENT GUIDELINES

The City Council previously approved Department agreements for ERRs such as the engagement in short-term (one year or under) wholesale energy transactions under the Western Systems Power Pool (WSPP) umbrella agreement, the California Independent System Operator agreements, and a long-term natural gas services agreement. All other agreements for ERRs not specified above 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 Department's need for ERRs to ensure the Department meets its customer needs, compliance obligations and operational goals.

A. Planning

The planning process utilized by the IR Division leverages a variety of analytical tools - including customer load and price forecasts and production cost models - over strategic time horizons. This planning process results in an annual Five-Year Power Supply Forecast that is 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 the Department to fill the need and ii) the procurement approach that will provide the highest value to Anaheim customers.

B. Identification

If the Department 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 the Department will proceed with an open competitive solicitation in the form of a Request for Proposals (RFP). To solicit proposals from a wide variety of

respondents, the Department may elect to directly issue a RFP or participate in a joint RFP with other local public utilities to achieve greater economies of scale and cost savings. Such a joint RFP may be conducted through the Southern California Public Power Authority (SCPPA). SCPPA, in coordination with its members, regularly issues RFPs for ERRs through an open competitive RFP process, and allows the Department with full optionality of whether or not to procure any ERRs.

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 (SCPPA or City/Department) suited for their particular ERR.

V. PROPOSAL EVALUATION

A. City/Department RFP

In the case of ERRs solicited under a RFP administered by the City/Department, 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. Typical proposal evaluation criteria include:

- i) Ability of the respondent to perform the specific tasks outlined in the RFP, including compliance with operational, procedural, legal and technical specifications;
- ii) Qualifications of the firm, including experience of key staff members, sufficient creditworthiness, and financial resources;
- iii) Reasonableness of the fee requested over the proposed term;
- iv) Demonstrated record of success on similar projects previously performed with the ability to provide the proposed deliverables in a dependable and reliable manner;
- v) Specific method and techniques to be employed on the project, including the ability to meet a minimum screening of a viability assessment, as described further in Sub-Section C. Viability Assessment;
- vi) Any other criteria prescribed by the Department that is required for the benefit of Anaheim customers to review the highest value for an ERR, such as in-person interviews, or evaluations of best and final offers.

B. SCPPA RFP

In the case of ERRs solicited under a RFP administered by SCPPA, SCPPA will perform an initial screening evaluation to identify and eliminate proposals that are not responsive to the RFP, do not meet the minimum RFP requirements, are not economically competitive, or are submitted by respondents that lack appropriate creditworthiness, sufficient financial resources, or qualifications to provide the proposed deliverables in a dependable and reliable manner. The remaining proposals will be presented to the SCPPA member utilities for consideration, discussion, and a viability assessment, as described further in Sub-Section C. Viability Assessment below. Proposals that gain member participation interest and are preliminarily identified as viable will be further vetted by the interested SCPPA member utilities (which may or may not include the City/IR Division) before being submitted to the SCPPA Board of Directors for approval. If the City/IR Division seeks to participate in a SCPPA-approved proposal, the proposal will be submitted through the Department's approval process as indicated in Section VI. Contract Development below.

C. VIABILITY ASSESSMENT

For ERRs associated with a specific project, the Department will employ screening tools that reflect the best industry practice, including but not limited to the California Public Utilities Commission (CPUC) Project Viability Calculator (Viability Calculator) 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, the Department 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 the Department'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 the Department'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.

VI. CONTRACT DEVELOPMENT

Once a proposal has been selected as the highest value to Anaheim customers, Department staff will initiate contract development. 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 project is initiated through SCPPA or the Department's solicitation, the approval of ERRs is subject to authorization of entering into an agreement by the Anaheim City Council. Unless timing is of the essence for operational needs, the approval process shall include recommendation of an agreement by the Public Utilities Board to City Council. Approval of a contract for procurement or decommissioning will include authorizing and directing the General Manager or designees 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

APPROVAL

Submitted:



8/8/16

Dukku Lee
Public Utilities General Manager

Date

Approved by the Public Utilities Board on July 27, 2016