



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** July 12, 2016

From: Joseph Moon **Item No:** 4
Environmental & Transit Services Manager
Environmental & Transit Services

Subject: APPROVAL TO ADVERTISE REQUEST FOR PROPOSALS (RFP) FOR ENERGY SUPPLY, RESOURCE CAPACITY AND SCHEDULING SERVICES FOR THE APPLE VALLEY CHOICE ENERGY (AVCE) CCA

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

1. That the Town Council review and approve the RFP for Energy Supply, Resource Capacity and Scheduling Services for the Apple Valley Choice Energy (AVCE) CCA.
2. That the Town Council authorize staff to solicit bids for procurement of said services.

SUMMARY:

The Town is seeking proposals to reliably meet the electric supply and operational requirements of the Apple Valley Choice Energy (AVCE) Program. Responsive proposals will accommodate AVCE's anticipated service commencement date, which is expected to occur in April 2017. This RFP seeks proposals for the following energy products and services: (1) Shaped Conventional Energy; (2) RPS-Eligible Renewable Energy; (3) Resource Adequacy Capacity; and (4) Scheduling Coordinator Services necessary to support AVCE operation.

At full enrollment, peak demand for the AVCE Program is projected to be approximately 75 MW; annual energy requirements are projected to be approximately 250GWh; and AVCE's retail service accounts are expected to total approximately 25,000. Pricing provided in response to this RFP will be used to finalize the retail service offering(s), including supply composition and retail rates that will be made available to AVCE customers and may also influence the schedule for customer enrollment.

FISCAL IMPACT:

Funding for this RFP has been appropriated in the Town Council approved Budget Adjustment 16-23. There is no immediate fiscal impact with approval of the RFP documents and authorization to advertise for bids.

ATTACHMENT:

Energy Supply, Resource Capacity and Scheduling Services RFP

APPLE VALLEY CHOICE ENERGY



REQUEST FOR PROPOSALS

FOR

**SHAPED ENERGY, RENEWABLE ENERGY,
RESOURCE ADEQUACY CAPACITY, AND
SCHEDULING COORDINATOR SERVICES**

**RFP RELEASE DATE: July 13, 2016
RESPONSE DEADLINE: August 5, 2016**

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ATTACHMENT 1 TOWN OF APPLE VALLEY’S CCA BID WORKBOOK

Overview

The Town of Apple Valley ("Town") is seeking proposals for energy products and services that will be necessary to supply the retail electricity requirements of customers who will participate in the Town's Community Choice Aggregation ("CCA") Program ("CCA Program" or "Program"). This Program has been named Apple Valley Choice Energy ("AVCE") and will serve certain residential and commercial customers located within the geographic boundaries of the Town.

Through the AVCE Program, the Town aspires to provide two distinct retail service offerings/products to participating customers: 1) a default tariff option, which will include a renewable energy content that meets the minimum procurement requirements established under California's Renewables Portfolio Standard ("RPS") program and provides retail generation rates that are competitive with similar tariff options made available by the incumbent electric utility, Southern California Edison ("SCE"); and 2) a voluntary, 100% renewable energy tariff option, which will be made available to interested AVCE customers, with retail rates that are expected to exceed those reflected in AVCE's default tariff. Prospective respondents should keep these two service offerings/products in mind when developing proposals, as these service offerings/products are critical to the achievement of AVCE's expressed goals and objectives.

Through this Request for Proposals process ("RFP"), the Town is seeking proposals to reliably meet the electric supply and operational requirements of the AVCE Program. Responsive proposals will accommodate AVCE's anticipated service commencement date, which is expected to occur in April 2017. This RFP seeks proposals for the following energy products and services: shaped conventional energy, RPS-eligible renewable energy, resource adequacy capacity, and scheduling coordinator services necessary to support AVCE operation.

At full enrollment, peak demand for the AVCE Program is projected to be approximately 75 MW; annual energy requirements are projected to be approximately 250GWh; and AVCE's retail service accounts are expected to total approximately 25,000. The aforementioned projections are based on an assumption that 15% of prospective AVCE customers will opt-out of (i.e., not participate in) the Program, electing to continue bundled service with SCE instead.

The Town will utilize responses to this RFP for purposes of: 1) selecting one or more qualified suppliers for the AVCE Program; and 2) understanding the cost and availability of requisite renewable energy sources as well as other products and services that will be needed to supply the Program. The Town anticipates enrolling all prospective AVCE customers in one phase (i.e., over the course of one calendar month, generally speaking). Pricing provided in response to this RFP will be used to finalize the retail service offering(s), including supply composition and retail rates that will be made available to AVCE customers and may also influence the schedule for customer enrollment. Respondents selected for short-list consideration will be provided with an updated estimate of expected AVCE energy requirements and will be given an opportunity to update prices (in consideration of AVCE's updated energy requirements and prevailing market

conditions) prior to final supplier selection, which is expected to occur towards the end of the 2016 calendar year.

Respondents *must* bid in accordance with the pricing requirements that are described within the Proposal Requirements section (below); responsive proposals *must* also address all specified products and related volumes as described herein.

This RFP will be conducted in accordance with the schedule set forth below. Final supplier selection will be contingent upon the Apple Valley Town Council's authorization to proceed with implementation of the AVCE Program.

RFP Schedule

Release RFP	July 13, 2016
Deadline for Question Submittal	July 22, 2016
Proposals Due	August 5, 2016
Notification of Short List	August 19, 2016
Short List Interviews	August 22-26, 2016
Begin Contract Negotiations	October 3, 2016
Best and Final Pricing	December 2, 2016
Contract Approval and Execution	December 2, 2016

Town of Apple Valley Background

In 2010, the Town began investigating the formation of a CCA Program with the primary objectives of promoting local control, creating local economic benefits, and offering competitively priced retail electricity products for all eligible customers within the Town. A feasibility study for such a CCA Program was completed at the end of 2010 with subsequent updates to the study occurring in 2014 and 2015.

The Town is in the process of drafting its Implementation Plan and intends to submit the document to the CPUC in July 2017 (with the CPUC's certification of the Implementation Plan expected within 90 days of submittal, consistent with timelines established in the Public Utilities Code). As described in the draft Implementation Plan and consistent with the laws and regulations governing CCAs, all current SCE electric customers within the Town's jurisdictional boundaries will be automatically enrolled in the CCA Program and served by AVCE, except for those customers who affirmatively elect to "opt-out" of the CCA Program and remain bundled service customers of SCE. Following AVCE service commencement, SCE will continue to provide distribution, metering and billing services to AVCE customers.

Through the implementation of AVCE, the Town plans to expand the energy choices available to eligible customers by offering a voluntary 100% renewable energy service option in addition to AVCE's standard/default service option, which will provide renewable energy in sufficient quantity to meet California's prevailing RPS procurement mandate. Electric customers within the Town may also exercise their right to opt-out of the AVCE Program and continue purchasing electric energy from SCE.

The Town expects that retail rates associated with the standard/default service option will be competitive with similar rates charged by SCE. Rates associated with the voluntary 100% renewable energy service option may exceed comparable rates charged by SCE in consideration of actual renewable energy procurement costs that will be incurred to support participating customers.

The Town is seeking a reliable electric supply, including specified quantities of renewable energy, for an anticipated delivery term ranging from 33- to 57-month term. During this aforementioned delivery term, the Town may identify (through alternative competitive solicitation processes) one or more renewable energy facilities that will supplement a portion of AVCE's future renewable energy requirements. To the extent that the Town is successful in identifying one or more commercially operable renewable energy facilities during the initial term, the Town will require the selected energy service provider(s) to effectively integrate/substitute electric energy produced by such facilities in the Program's overall energy supply portfolio, subject to reasonable terms, including cost recovery, associated with the disposition of any volumes previously procured and remarketed by the supplier.

The energy supply services being requested under this solicitation are described below.

Energy Products

1. Shaped Conventional Energy - All electric energy requirements associated with the customer accounts that are served by AVCE. The selected supplier shall be responsible for electric energy delivery to the SCE Load Aggregation Point ("Delivery Point"), as defined by the California Independent System Operator ("CAISO"). Respondents should shape conventional energy deliveries to match the projected hourly load profile of AVCE (profiles can be located in Exhibit A, which is provided in the attached Proposal Workbook).
2. Renewable Energy - Energy from qualifying renewable resources that meet the eligibility criteria established under California's RPS program (also known as "Eligible Renewable Resources"), as published and occasionally updated by the California Energy Commission ("CEC"). Eligible Renewable Resources, as defined by the CEC, generally include electric generators utilizing one or more of the following technologies: wind, hydroelectricity (30 MW or less), geothermal, biogas, including landfill gas, digester gases and gas conversion or gasification technologies, direct combustion biomass, biodiesel, photovoltaic solar, solar thermal, fuel cells using eligible renewable fuels, qualifying municipal solid waste conversion, tidal current, ocean wave, and ocean thermal technology. The Town seeks proposals that include renewable energy products meeting the delivery requirements established for Portfolio Content Category 1 ("PCC1"), Portfolio Content Category 2 ("PCC2"), and Portfolio Content Category 3 ("PCC3") as defined under California's RPS program. The specific annual volumes of PCC1, PCC2, and PCC3 renewable energy are provided in Exhibit B of the Proposal Workbook. The Town expects that all renewable energy certificates associated with the requested renewable energy product volumes will be timely transferred by the respondent to the Town via the Western Renewable Energy Generation Information System ("WREGIS").

AVCE has a need for renewable energy to meet its RPS procurement obligations (“Compliance Renewable Energy”) and renewable energy to meet its own, voluntary renewable energy procurement requirements (“Voluntary Renewable Energy”), which could exceed applicable compliance mandates. AVCE requires Compliance Renewable Energy that meets all requirements of California’s RPS program. AVCE requires Voluntary Renewable Energy volumes to supplement the requested Compliance Renewable Energy volumes for purposes of supporting participating in AVCE’s voluntary 100% renewable energy service option. All Voluntary Renewable Energy volumes will be met with PCC3 products.

3. Resource Adequacy Capacity - The Town seeks proposals for resource adequacy (“RA”) capacity satisfying applicable requirements for the following capacity products: (1) SP 15 System RA; (2) Local RA; and (3) Flexible RA. RA products are to be provided/scheduled over a minimum term of nine (9) months commencing in April 2017. Local RA is to be provided/scheduled from resources located within the SCE “LA Basin” and the “Big Creek/Ventura” local capacity areas, as specified in Exhibit C of the Proposal Workbook.
4. CAISO Scheduling Coordination Services - All CAISO interface services, which include the submission of all schedules and meter data reports to the CAISO, as required of the Scheduling Coordinator (“SC”) for the meters enrolled in the CCA Program; and the submission of schedules, proposals and other required information for AVCE’s shaped energy, renewable energy, and RA in accordance with the obligations of an SC as defined by the CAISO.

SC services also include short-term load forecasting (i.e., week-ahead, day-ahead, and hour-ahead), scheduling of load into the CAISO day-ahead market, validating CAISO statements for load settlements, minimizing and managing real-time imbalance exposure, accepting Inter-SC Trades, as well as managing a Congestion Revenue Rights (“CRR”) portfolio and bidding into the various CRR auctions. The Town is not requesting generation scheduling services as part of this RFP, but all respondents must possess the capability and experience to schedule future renewable generation projects (into the CAISO market) that may be under contract with the Town. Additionally, the SC will be required to submit regulatory and compliance filings, such as monthly RA compliance reports, to the CAISO on behalf of the AVCE Program.

It is also expected that the SC will be responsible for satisfying the CAISO’s various financial requirements and obligations (i.e., collateral obligations).

Delivery Term

The anticipated duration of the agreement will be a minimum thirty-three month term, but respondents may offer extended term lengths up to fifty-seven months. The term of agreement is expected to begin on/around April 1, 2017.

Proposal Requirements

1. Proposals shall specify the following pricing criteria:
 - For shaped conventional power, pricing must be provided on a fixed \$/MWh basis for each calendar year (or portion thereof) throughout the proposed delivery term. Proposed pricing should reflect product delivery to AVCE's specified delivery point: DLAP_SCE-APND, as defined by the CAISO.
 - For renewable energy, pricing must be provided as a fixed \$/MWh premium (expressed as an adder on top of the proposed shaped conventional energy price) for each calendar year (or portion thereof) throughout the proposed delivery term.
 - For resource adequacy capacity, pricing must be provided on a fixed \$/kW-month basis for each calendar year of the proposed contract term.
 - For SC services, pricing must be provided on a fixed \$/MWh basis over the entire contract term. The Town anticipates that the fixed \$/MWh price for SC services will be applied to the monthly usage of the AVCE Program as reported to the CAISO (SC payments by the Town would be based on the initial CAISO statements as well as all CAISO resettlement statements that may be received thereafter).
2. Respondents offering to provide Energy Products must be certified by the CAISO as a scheduling coordinator, or must put forward a certified scheduling coordinator that will be responsible for scheduling loads and resources throughout the proposed delivery term. If the respondent is not a certified CAISO scheduling coordinator and will be putting forward a third-party to serve in this capacity, the Town requires such respondents to submit proposals that are co-signed by the anticipated scheduling coordinator, verifying the intended business relationship and the anticipated scope of services to be provided.
3. Energy proposals must describe the proposed sources of power supply (Exhibit D of the Proposal Workbook), including resources that will be used to fulfill AVCE's conventional power requirements, renewable energy requirements, and resource adequacy requirements in compliance with the California Public Utilities Commission's and CAISO's resource adequacy standards. Proposals must describe whether electricity will be provided from generation owned by the respondent, obtained under long-term contracts, obtained under short-term contracts and/or obtained via spot market purchases.
4. Proposals must include a description of the proposed invoicing process, including anticipated timelines for AVCE payment delivery. The Town is requesting proposals that provide for monthly invoices to be delivered no later than the fifteenth day of the month for products/services provided during the previous calendar month; payments would be due and payable on the twenty-fifth day of the month following the month in which such invoice was delivered. Example: invoice provided to the Town for April 2017 services no later than May 15, 2017; the Town will ensure delivery of payment no later than June 25, 2017.
5. Energy product proposals must accommodate and include proposed terms for the integration/substitution of electric energy produced by renewable generating facilities that may be owned and/or controlled by the Town throughout the respondent's proposed delivery term.

6. All proposals must indicate the date after which the proposed prices are no longer valid and subject to re-pricing.
7. For all renewable energy purchased by the Town, the supplier shall complete regular (i.e., monthly) certificate transfers via the WREGIS system. Through such transfers, all Renewable Energy Certificates associated with the Town's renewable energy purchases shall be conferred to the Town, evidencing that the Town has exclusive rights to the Environmental Attributes/Renewable Energy Certificates associated with such renewable energy production.
8. The Town reserves the right to negotiate with any bidder and to engage in simultaneous negotiations with multiple bidders.
9. The Town reserves the right to reject all responses received in relation to this RFP.

Evaluation Criteria

In addition to the aforementioned minimum proposal requirements, all of which are mandatory, bids will be evaluated based on the following on-exhaustive list of criteria:

- Qualifications and experience of the respondent providing similar products and services, including the capability and experience of key personnel as well as experience with other public and/or private agencies in similar capacities;
- History of successfully performing services for public and/or private agencies and other CCA's;
- Financial viability of the respondent;
- Cost to the Town for the products and services identified in this RFP;
- Reliability and environmental attributes of the proposed power supply, including the anticipated fuel source(s) associated therewith;
- Proposed approach, including a clearly demonstrated understanding of the intended scope of products and services to be provided;
- Ability to meet any required timelines or other requirements;
- Existence of and circumstances surrounding any claims and violations against the respondent, its representatives and/or partners; and
- Pertinent references

The Town reserves the right to consider factors other than those specified above and to request additional information from any/all respondents as part of the selection process. Through issuance of this RFP, the Town makes no commitment to any bidder and provides no guarantee that a contract will be awarded. The Town reserves the right to discontinue this RFP process at any time for any reason.

Financial and Operational Capabilities

The respondent must provide evidence of financial, technical and operational capabilities for delivery of the requested energy products and performance of the requested services.

The respondent or any guarantor must provide the following:

- Audited financial statements from the previous two years or a web-link where such information is accessible.
- If available, a credit rating from two of the following: Standard & Poor's, Moody's, or Fitch Investor Services from the most recent rating agency report.

Respondents should demonstrate access to reasonable levels of performance security, which shall be commensurate with the provision of requested products and services.

Respondents should demonstrate their qualifications in providing similar energy products and services within the CAISO control area.

Respondents should provide a minimum of three (3) references for current and/or prior agreements under which the respondent provided similar energy products and services to load serving entities or retail customers, preferably within California.

Respondent Proprietary Information

Information submitted in response to this RFP will be used by the Town or its designated representatives, including consultants, solely for the purpose of evaluating the proposals. Proprietary data should be specifically identified on every applicable page of the respondent's proposal; respondents should mark or stamp applicable pages as "Confidential" or "Proprietary." Reasonable care will be exercised so that information clearly marked as proprietary or confidential will be kept confidential, except as required by law or regulatory authority. The Town, its employees and consultants will not be liable for the accidental disclosure of such data, even if it is marked.

Proposal Format

Proposal information should be organized into the following sections:

Introduction and Executive Summary - Briefly describe the firm, its organization, key personnel, and operations, and provide similar information for any third parties that will be relied upon to provide the proposed services.

Description of Proposed Services - Describe the proposed services and power supply sources.

Financial, Technical, and Operational Qualifications - Demonstrate the firm's financial viability, qualifications, and experience in providing the proposed services. Include supporting financial statements, credit reports, references, description of sustainability practices and other relevant information.

Bid Forms - For energy products and scheduling coordinator services, complete all Exhibits within the Proposal Workbook.

Reservation of Rights

The Town reserves the right to change the requirements, due dates, and other CCA Program requirements as may be necessary for the development of the overall CCA Program.

Proposal Delivery

Proposals must be received by 2:00 P.M. Pacific Prevailing Time on August 5, 2016 through electronic submission and shall be directed to the following point of contact:

Town of Apple Valley
Attention: Joseph Moon
Environmental and Transit Services Manager

Phone: 760-240-7000
Fax: 760-240-7399
Email: jmoon@applevalley.org

Inquiries regarding this RFP may be directed to Mr. Joseph Moon at 760-240-7000. Specific questions about the RFP should be sent via e-mail to jmoon@applevalley.org no later than July 23, 2016.