

CITY OF AUSTIN
PURCHASING OFFICE
REQUEST FOR PROPOSAL NO. GAL0021
FOR
Independent Review of Resource Plan

1. PURPOSE

Austin Energy ("AE") seeks responses to this Request for Proposal (RFP) from firms qualified and experienced in providing analysis and consulting in the areas of wholesale power markets and the financial assessment of power generation facilities in those markets, for the purpose of providing an economic and financial assessment of the costs and benefits of a nominal 500 MW natural gas combined cycle plant to AE's portfolio to be constructed in the Austin area at either the Decker Creek plant site or the Sand Hill Energy Center site. The assessment shall include the costs and benefits of alternatives such as large-scale and distributed storage, renewables, demand response, energy efficiency and purchased power.

2. BACKGROUND

AE is the municipally electric utility, owned and operated by the City of Austin, Texas, engaged in the generation, distribution, and transmission of electricity to over 450,000 residential, commercial and industrial customers in Travis and Williamson County, Texas. AE's governing body is the Austin City Council.

As part of its 2014 Resource Plan update, AE has identified the potential for retirements and additions to its generation fleet. In particular, it projects the potential retirement of 735 MW of steam gas fired generation at its Decker power plant site and the construction of a new combined cycle gas unit with a nominal rating of 500 MW by the end of 2018. AE plans to reduce dispatch beginning in 2020 and retire its share of Fayette Power Project (FPP) (602 MW) by as early as 2023.

As part of its plan, AE has committed to sponsoring an independent economic, financial and environmental review of a new gas plant and other options for filling the resulting energy and capacity gaps. In addition to a new gas plant, the review should consider large-scale and distributed storage, renewables, demand response, energy efficiency and purchased power. The review is intended to provide an economic cost/benefit perspective of a new plant taking into consideration the construction and operating costs, changes in emissions and water usage, along with potential wholesale market revenue and benefits to the AE load zone and costs and risks as further detailed in the scope below. The review is intended to be shared on a public basis provided that certain specific competitive elements may be treated as confidential and shared only in executive sessions or non-public settings.

3. Scope of Work

The selected firm will serve as the professional consultant to AE and shall provide technical and expert advice and consultation to AE on the tasks identified in the Scope of Work of the RFP.

AE seeks a financial assessment of the costs and benefits of a nominal 500 MW natural gas combined cycle plant to be constructed in the Austin area at either its Decker Creek plant site or its Sand Hill Energy Center site. The assessment shall include the costs and benefits of alternatives such as large-scale and distributed storage, renewables, demand response, energy efficiency and purchased power. At a minimum, the assessment must include the following elements:

- A. The expected and hi/lo sensitivities for construction costs of the gas plant, including direct and financing costs.
- B. The projected operation and dispatch of the gas plant facility that includes:
 - I. Detailed facility performance characteristics including heat rates, ramp constraints and other relevant operational limits.
 - II. Hourly level dispatch using an appropriate production cost model such as UPLAN, PROMOD or MAPs that considers transmission topology in a security constrained economic dispatch approach based on the ERCOT market.
 - a. Detailed description of the market driver inputs such as load, generating capacity and fuel.

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- III. Expected and hi/lo sensitivities for on-going operating costs including operations and maintenance, fuel, and financing.
- IV. Expected and hi/lo sensitivities for power market prices and plant revenue derived from energy and ancillary services.
- C. The impact to revenue, cost and associated risks in the AE load zone under the options below, incorporating the generation plan goals for solar, energy efficiency, storage and demand response as presented in the approved Generation Plan, that include:
 - I. A retirement of its Decker steam units and FPP without a new generator in the AE load zone.
 - II. A retirement of its Decker steam units with the construction of a new 500 MW gas combined cycle plant at the Decker site.
 - III. A retirement of its Decker steam units with the construction of a new 500 MW gas combined cycle plant at the Sand Hill Energy Center site.
- D. A comparison with up to four scenarios that use reasonable combinations of large-scale and distributed storage, renewables, demand response, energy efficiency and purchased power in lieu of investing in a new natural gas plant. Alternatives to be analyzed could include:
 - I. Lowest cost combination of solar and/or wind energy (new or used facilities) with storage.
 - II. Lowest cost combination of solar and/or wind energy (new or used facilities) without storage.
- E. A validation or documentation of inputs to be used for the 20-year Net Present Value (NPV) period of analysis.
- F. Other benefits and impacts associated with the alternatives such as:
 - I. Resultant water use and any expected water quality impacts.
 - II. Resultant impact on local criteria pollutants and broader effects of these pollutants including carbon dioxide and any other Greenhouse Gas emissions that contribute to climate change.
 - III. Land use impacts at Sand Hill or Decker.
 - IV. Revenue benefits and costs to AE customers.
 - V. General fund transfer/tax effects for Austin taxpayers.
 - VI. Local economic impact of project/plant.
- G. The assessment shall result in recommendations to Council of the benefits and costs and impacts of each of the scenarios.
- H. Base Deliverables: The Base Deliverables desired for this project are:
 - I. A written executive summary of the findings.
 - II. A PowerPoint slide deck of the findings.
 - III. A draft and final written report which includes the findings as well as narrative details regarding the findings, methods and assumptions used in the report.
 - IV. At AE's direction, Consultant shall attend and be prepared to participate in up to three (3) meetings to be held in the Austin area to present the findings. (These meetings may be held on non-consecutive dates over a period of several days or weeks.)
- I. Optional Deliverables may include:

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- I. Options for Proposer to attend one or more additional meetings in the Austin area within the next 90 days of Contract Award, unless otherwise agreed upon by both parties.
- II. Option to perform an assessment of local economic development impacts of the alternatives.
- III. Option for an additional Scenario (reference paragraph 3.D. above)

As previously noted, it is AE's intent that the majority of the deliverables will be publicly available. However, proposer may be required to execute a confidentiality agreement in order to receive access to competitive, non-public information from AE and to protect such information as it relates to the deliverables.

- J. Weekly Status Reports: Consultant shall submit weekly status reports to the AE Project Manager. Reports should be sufficiently detailed to confirm that directions being pursued are in compliance with the Services as described herein. Consultant shall propose a template report to AE Project Manager within five (5) business days of award.

At a minimum, the reports shall include:

- I. A description of significant achievements to date;
 - II. A description of issues to date which have a potential effect on scope, schedule or cost;
 - III. A description of progress, including specific tasks completed; and
 - IV. An attachment listing the number of hours worked per assigned personnel (by name, and title). Such hourly reporting shall be for informational purposes and to assess level of effort, not for hourly billing.
- K. Deliverable Criteria: Unless otherwise approved by AE Project Manager, or designee, Consultant shall:
 - I. Deliver each Deliverable free from error (including, but not limited to: formatting, spelling, grammar, mathematic, typographical).
 - II. Submit each written report electronically in a format compatible with Microsoft Word 2007 or later.
 - III. Submit each written presentation electronically in a format compatible with Microsoft Power Point 2007 or later.

4. TIMELINE

Consultant shall be prepared to begin work immediately upon award. Unless otherwise approved in writing by AE Project Manager, or designee, the draft report should be submitted no later than May 29, 2015 and the final draft report no later than June 27, 2015.

5. BUDGET

AE anticipates a budget of an amount not to exceed \$300,000 for this project.