

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL
Regular Meeting: April 12, 2018

Item Number: **020**

Purchasing Office

Authorize negotiation and execution of a multi-term contract with Ascend Analytics, LLC, to provide hosted software for valuing, simulating and managing Austin Energy's energy portfolio, for up to five years for a total amount not to exceed \$965,000. (Note: Sole Source contracts are exempt from the City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program; therefore, no subcontracting goals were established).

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| Lead Department | Purchasing Office. |
| Fiscal Note | Funding in the amount of \$185,000 is available in the Fiscal Year 2017-2018 Operating Budget of Austin Energy. Funding for the remaining contract term is contingent upon available funding in future budgets. |
| Purchasing Language | Critical Business Need. |
| For More Information | Inquiries should be directed to the City Manager’s Agenda Office, at 512-974-2991 or AgendaOffice@austintexas.gov <mailto:AgendaOffice@austintexas.gov> or to the buyer, Debbie DePaul, at 512-322-6235 or Debbie.DePaul@austintexas.gov <mailto:Debbie.DePaul@austintexas.gov>. |
| Council Committee, Boards and Commission Action | March 19, 2018 - Recommended unanimously by the Electric Utility Commission on a 7-0 vote, with Commissioners Reel and Wray absent and two vacancies. |
| Client Department(s) | |

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| | Austin Energy. |
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Additional Backup Information:

The contract is for analytic software to aid Austin Energy with evaluating its power assets and load in the Electric Reliability Council of Texas (ERCOT) market place. By using real-time variables such as weather, renewable energy generation, electric market spot pricing and customer load, the software will enable Austin Energy to quantify the risk inherent in its power and fuel portfolios. This information results in more informed decision making regarding hedging activity of various lengths and products in the markets Austin Energy participates in. At a time of lower revenues and higher costs, obtaining this software becomes a critical business need.

Austin Energy has spent the last year evaluating this product under a pilot contract, assessing the forecasted economics on renewable offers made to Austin Energy. With ERCOT switching to a nodal market, Austin Energy’s portfolio has an ever increasing exposure to power prices from resources over which it has limited control. In particular, renewable generation’s features make it more difficult to quantify the price risk it creates. This software provides a valuation model to improve Austin Energy’s ability to quantify the renewable portfolio and continue developing strategies improving the economics of these resources.

This software incorporates Austin Energy’s positions in the energy markets and more accurately values the risks Austin Energy is subject to than current tools. Having this information helps Austin Energy reduce the risks related to its market and fuel purchases thereby ensuring more stability in its costs and ultimately the rates it charges its customers. Austin Energy’s power portfolio is valued between \$325,000,000 and \$425,000,000, inclusive of the revenue it receives from owned and contracted generation assets. The risk of not properly capturing this value and cost can come in the form of missed revenue and the assumption of unnecessary risk.

Contract Detail:

| Contract Term | Length of Term | Contract Authorization |
|----------------------|-----------------------|-------------------------------|
| Initial Term | 1 yr. | \$225,000 |
| Optional Extension 1 | 1 yr. | \$185,000 |
| Optional Extension 2 | 1 yr. | \$185,000 |
| Optional Extension 3 | 1 yr. | \$185,000 |
| Optional Extension 4 | 1 yr. | \$185,000 |
| TOTAL | 5 yrs. | \$965,000 |

Note:Contract Authorization amounts are based on the City’s estimated annual usage.