

A G E N D A



Recommendation for Council Action (Purchasing)

Austin City Council	Item ID:	50211	Agenda Number	32.
Meeting Date:	October 1, 2015			
Department:	Purchasing			
Subject				
Authorize negotiation and execution of Amendment No. 2 to a contract with NEWGEN STRATEGIES AND SOLUTIONS, LLC, to provide regulatory consulting services for Austin Energy in an amount not to exceed \$500,000 - for a total contract amount not to exceed \$945,885.				
Amount and Source of Funding				
Funding in the amount of \$500,000 is available in the Fiscal Year 2015-2016 Operating Budget of Austin Energy.				
Fiscal Note				
There is no unanticipated fiscal impact. A fiscal note is not required.				
Purchasing Language:	Contract Amendment			
Prior Council Action:	November 6, 2014 - Approved original contract, item 53.			
For More Information:	Leslie Giannattasio, Senior Buyer, 512-322-6583			
Boards and Commission Action:	September 21, 2015 - Not approved by the Electric Utility Commission on a 4-5-2 vote, with Commissioners Ferchill, Heidebrecht, Norris and Wray voting in favor; Biedrzycki, Hadden, Mahmood and Roa voting against, and Fath and Stout abstaining.			
Related Items:				
MBE / WBE:	This contract was awarded in compliance with City Code Chapter 2-C Minority Owned and Women Owned Business Enterprise Procurement Program. No subcontracting opportunities were identified; therefore, no goals were established for this contract.			
Additional Backup Information				

The amendment is for Phase II of a contract with NewGen Strategies and Solutions, LLC (NewGen) to assist Austin Energy in conducting a cost of service study. The City's financial policies require that Austin Energy conduct a cost of service study a minimum of every five years (Austin Energy Financial Policies No. 17). Also Council Ordinance No. 20120607-055 establishes that Council will review Austin Energy's rates every five years. The cost of service study and review of Austin Energy's rates began in Fiscal Year 2015 and is anticipated to be concluded in Fiscal Year 2016.

On November 6, 2014, Council approved item 20141106-053 authorizing the award and execution of a 24-month contract with NewGen Strategies and Solutions LLC., for regulatory consulting services for Austin Energy, which authorized funding for Phase I only. In Phase I, NewGen conducted several studies related to inputs for the cost of service study, including an assessment of demand charges applicable to small commercial customers with peak demand above 10 kilowatts (as called for under Council Resolution No. 20140626-073); a study of Austin Energy's reserves and reserve fund policies; and a conservation pricing signal study.

Included in the original scope of work was a second, unfunded phase of work to engage NewGen's assistance with the analysis required to conduct a cost of service study used to determine Austin Energy's revenue requirements as required by Ordinance No. 20120607-055. Austin Energy is now returning to Council for authorization of funds for Phase II as required by Council's November 6, 2014 action.

During Phase II, NewGen will be responsible for the following objectives, to be completed by the end of September 2016:

- Review and advise on updates to Austin Energy's revenue requirement and cost of service model: NewGen will provide expert advice on Austin Energy's updates to its cost of service model and will review the outputs from the updated cost of service study to ensure work meets industry best practice.
- Review, advise, and recommend changes to rate design options: NewGen will provide expert advice on potential changes to retail rate design that meet Council direction, community objectives, and industry best practice.
- Assist with preparation of a rate filing package: NewGen will assist Austin Energy staff with the development, writing, and review of materials that explain in detail Austin Energy's revisions to its revenue requirement and cost of service and explain any recommended changes to retail rates.
- Participate in the cost of service and rates review process before Council. NewGen will assist Austin Energy with delivering presentations to the Electric Utility Commission, Council, and Impartial Hearings Examiner on Austin Energy's cost of service review and rate recommendations; help develop responses to requests for information; and serve as an expert witness throughout the review process.

An additional task has been identified in the scope of work for Phase II: Task 4 – Rate proceeding before the Public Utility Commission of Texas. In the event that an appeal of Council's action on Austin Energy's revised revenue requirement and retail rates is filed with the Public Utility Commission of Texas by Austin Energy's customers located outside the city limits of Austin, Austin Energy will require NewGen's assistance in revising rate filing materials, help developing responses to discovery requests, and serving as an expert witness in that proceeding. Austin Energy will return to Council for authorization of funds for Phase II, Task 4 should these services be required.

The additional authority represents approximately a 112% increase to the original contract amount. In accordance with Senate Bill 7, as adopted by the City of Austin as Resolution No. 040610-02, Austin Energy contracts may be increased in excess of the 25% limit required by Chapter 252 of the Texas Local Government Code.

Approval of this action is requested in order to support and maintain the schedule to complete the cost of service study and Council review of Austin Energy's rates in a timely manner that will allow for implementation of any approved rate changes in tandem with the Fiscal Year 2017 budget.

Contract Summary

Action	Description	Amount
Council Authorization – November 6, 2014	Original Authorization	\$ 445,885
Amendment No. 1 – August 7, 2015	Scope modification	\$ 0
Proposed Amendment No. 2	Phase II	\$ 500,000
	Revised Total Contract Authorization	\$ 945,885