



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Rick Bruneau

**SUBJECT:** SEE BELOW

**DATE:** April 29, 2024

Approved

Date

5/6/24

**SUBJECT: REPORT ON REQUEST FOR PROPOSALS FOR AN ENERGY STORAGE OPTIMIZATION SOLUTION**

## RECOMMENDATION

Accept the report on the Request for Proposals and adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute an agreement with Customized Energy Solutions, Ltd. (Philadelphia, PA) for an energy storage optimization solution for an initial one-year term beginning on or about June 1, 2024 through May 31, 2025, for a maximum compensation not-to-exceed \$180,000, subject to the appropriation of funds;
- (b) Negotiate and execute amendments and change orders as required for any unanticipated changes, consistent with the procurement and the City's standard terms and conditions, including a contingency amount not-to-exceed \$20,000 during the initial term, subject to the appropriation of funds; and
- (c) Exercise up to six one-year options to extend the term of the agreement through May 31, 2031 for costs related to resources under management, support, maintenance, and related professional services, subject to the appropriation of funds.

## SUMMARY AND OUTCOME

Authorizing the City Manager or her designee to take these actions results in the implementation of an energy storage optimization software solution to assist staff in the Energy Department with performing analysis necessary to optimize offers to buy or sell energy from the City's colocated and stand-alone storage assets.

## **BACKGROUND**

The City of San José's Energy Department manages 4,000 gigawatt hours of electrical demand per year. The Energy Department services over 350,000 accounts, with multiple product offerings, including renewable and carbon-free energy. The Energy Department must procure enough energy, capacity, and/or renewable products in its portfolio to meet the electrical demand, associated compliance obligations, and related City clean energy goals. Of these procurements, 21 are from long-term power purchase agreements which include resources such as wind, solar, energy storage (e.g., batteries), and geothermal.

Energy storage resources present unique market opportunities and require regular timely and complex analyses. The Energy Department currently manages these activities using spreadsheets. This is an untenable situation given the increasing size and complexity of energy storage resources. A software solution that is capable of ingesting real-time resource information, forecasting market conditions, and optimizing market offers is required to increase accuracy, staff efficiency, and improve decision-making.

## **ANALYSIS**

In October 2023, the Finance Department released a Request for Proposals for an energy storage optimization solution.

Five responsive proposals were received prior to the submittal deadline from the following firms:

1. Ascend Analytics, LLC;
2. Customized Energy Solutions, Ltd.;
3. Encored, Inc.;
4. NextEra Analytics, Inc.;
5. Stem US Operations, Inc.

***Evaluation Process:*** The five proposals were evaluated and scored independently — in accordance with the evaluation criteria set forth in the Request for Proposals — by a three-member evaluation team comprising representatives from the Energy Department. Two additional subject matter experts from the Energy Department lent their expertise to the evaluation panel. Four firms were selected to participate in oral interviews and demonstrate their respective solutions. A best and final offer process conducted after the oral interviews allowed three finalists to make additional clarifications and provide final pricing.

In accordance with City Administrative Policy Manual 1.7.6, *Information and Systems Security Policy*, a security review was conducted by the City's Information Technology Department as part of the purchasing process for the highest-scoring finalist.

Scores for the finalists are as follows:

<b>Final Scores</b>	<b>Maximum Points</b>	<b>Customized Energy Solutions, Ltd.</b>	<b>Ascend Analytics, LLC</b>	<b>NextEra Analytics, Inc.</b>
General Requirements	5	5	5	5
Experience and Qualifications	15	13	13	10
Project Approach/Schedule	5	4	4	3
Technical Capabilities	15	11	13	7
Cost Proposal (Best and final offer)	20	20	11	16
Oral Interview/System Demonstration	30	18	17	20
Local Business Preference	5	0	0	0
Small Business Preference	5	0	0	0
<b>TOTAL</b>	<b>100</b>	<b>71</b>	<b>63</b>	<b>61</b>

**Local and Small Business Enterprise Preferences:** In accordance with City policy, 10 percent of the total evaluation points were reserved for local and small business preferences. Two proposers requested but did not receive the local and small business enterprise preferences. The awardee’s proposal was rated highly in the following key areas:

- Lowest total cost of ownership, resources under management, including software, support, and maintenance; and
- Extensive experience, knowledge, and expertise in providing the same or similar solution for other entities; and
- Utilization of current technology.

Reference checks were conducted, and all references provided positive feedback.

**Protest:** The City’s Request for Proposals process included a 10-day protest period that began when the City issued the Notice of Intended Award on April 9, 2024. No protests were received.

**Award Recommendations:** Based on the results of the evaluation, staff recommends award of contract to Customized Energy Solutions, Ltd. whose proposal was scored as the best value proposal per the evaluation criteria and specifications set forth in the Request for Proposals.

**Summary of Agreement:** The agreement with the Customized Energy Solutions, Ltd. will be in accordance with the City’s standard terms and conditions and include the following provisions:

1. Fixed, not-to-exceed rates with compensation based on actual services provided by the vendor;
2. Detailed scope of services and requirements to ensure that the services comply with the City’s requirements; and,
3. One-year initial term with six one-year options to extend the agreement.

**EVALUATION AND FOLLOW-UP**

This memorandum will not require any follow-up from staff.

**COST SUMMARY/IMPLICATIONS**

Total funding of \$200,000 for this agreement and contingency is provided in the San José Clean Energy Fund (501).

<b>1. AMOUNT OF RECOMMENDATION (One-Year Initial Term)</b>	<b>\$180,000</b>
<b>2. COST ELEMENTS:</b>	
<b>One-Time Fee for Data Acquisition – Six Resources (Fixed - \$9,000 per Resource)</b>	\$54,000
<b>First-Year Estimated Costs per Resource</b>	
- Colocated Resource 1 - Storage MW – 10, Storage MWh – 50, Renewable (PV) – 10	3,522
- Colocated Resource 2 - Storage MW – 10, Storage MWh – 40, Renewable (PV) – 100	20,250
- Colocated Resource 3 - Storage MW – 42.5, Storage MWh – 170, Renewable (PV) – 42.5	36,342
- Colocated Resource 4 - Storage MW – 32, Storage MWh – 128, Renewable (PV) – 65	24,320
- Colocated Resource 5 - Storage MW – 37.5, Storage MWh – 150, Renewable (PV) – 37.5	24,941
- Stand-alone Resource 1 - Storage MW – 25, Storage MWh – 100	16,625
<b>CONTRACT NOT-TO-EXCEED TOTAL (One-Year Initial Term)</b>	<b>\$180,000</b>
Contingency (subject to an executed change order or amendment)	\$20,000
<b>GRAND TOTAL NOT-TO-EXCEED TOTAL (One-Year Initial Term)</b>	<b>\$200,000</b>

**BUDGET REFERENCE**

The table below identifies the fund and appropriations to fund the contract recommended as part of this memorandum and contingency costs.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2023-2024 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
501	0782	Non-Personal/Equipment	\$12,680,534	\$180,000	1051	10/17/2023, 30966

**COORDINATION**

This memorandum has been coordinated with the City Attorney’s Office, the City Manager’s Budget Office, and the Energy Department.

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### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the May 21, 2024 City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

RICK BRUNEAU  
Director of Finance

For procurement- and contract-related questions, please contact Albie Udom, Deputy Director of Finance – Purchasing and Risk Management Division, at [albie.udom@sanjoseca.gov](mailto:albie.udom@sanjoseca.gov). For program-related questions, please contact Lori Mitchell, Director, Energy Department, at [lori.mitchell@sanjoseca.gov](mailto:lori.mitchell@sanjoseca.gov).