



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

Request for Proposals (RFP)

For

ENERGY SCHEDULING, TRADING, SETTLEMENTS, AND RISK MANAGEMENT SERVICES

1. INVITATION FOR PROPOSALS

The Southern California Public Power Authority (SCPPA) is seeking proposals to provide energy scheduling, trading, settlements, and risk management services for interested SCPPA member agencies.

Parties interested in responding are asked send one (1) hard copy and one (1) electronic copy via e-mail no later than 2:00PM on **October 13, 2006** to:

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mrobledo@scppa.org

A Bidders' conference call will take place on September 29, 2006 at 1:00AM (PST) for interested parties to ask questions after they have reviewed this request for proposal. The call-in number for the bidder's conference is 888-662-4141 with an access code of 1108731296.

2. BACKGROUND

The Southern California Public Power Authority is a joint powers authority consisting of 10 municipal utilities and one irrigation district. SCPPA members deliver electricity to approximately 2 million customers over an area of 7,000 square miles, with a total population of 4.8 million.

The Members include the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, Vernon, and the Imperial Irrigation District.

SCPPA was formed in 1980 to finance the acquisition of generation and transmission resources for its members. Currently, SCPPA has three generation projects and three transmission projects, bringing power from Arizona, New Mexico, Utah, and Nevada.

3. SCOPE OF WORK

SCPPA is seeking proposals for a full range services related to energy (including power and/or natural gas commodity and transportation) portfolio management, scheduling, and settlement as outlined below.

Currently, some SCPPA members are not interested in procuring any of these services, others are interested in a subset of the services, and some members may be interested in the entire suite. It is expected that SCPPA member interest in additional services may grow over time, depending upon the value of proposed services and experience of the participants with the solution provider.

SCPPA is seeking proposals for the following services:

- Same Day Scheduling And Resource Management
- Day Ahead Scheduling And Resource Management
- Joint Resource Scheduling
- Position Management And Asset Optimization
- Forward Procurement and Marketing
- CAISO Settlements
- Bilateral Settlements (Power and/or Natural Gas)
- Credit Risk Management
- Management Reports

A further description of each of the services is included below.

Same Day Scheduling and Resource Management

These services would be provided on a 7/24 basis. The services would include updating load forecasts, adjusting for resource changes, recommending or executing redispatch or trades to rebalance loads and resources, submitting updated hour ahead (HA) schedules to the CAISO as required, and communicating with power plant resources for any HA or real-time changes or CAISO dispatch instructions. The primary responsibility would be to manage any generation or transmission outages or curtailments that would result in additional power needing to be obtained to replace the unavailable capacity. Adjustments may also need to be made to account for inaccurate DA load forecasts. Services may also include marketing of excess resources from over-estimated load forecasts or as

market conditions warrant and under established guidelines.

For members with resources participating in CAISO ancillary service (A/S) or supplemental energy markets, these services would include recommending or submitting updated ancillary services and supplemental energy bids. Services would include monitoring and response to CAISO dispatch instructions received through the CAISO's Automated Dispatch System (ADS) system that would be recorded for reference and communicated to the appropriate plant personnel. Appropriate plant response to CAISO instructions would be monitored. Plant outage information would be submitted to the CAISO via the SLIC system.

Day Ahead Scheduling and Resource Management

These services would manage the member's Day-Ahead (DA) scheduling and resource management requirements, including load forecasts, resource availability and dispatch optimization, recommending or executing resource dispatch or trades to balance loads and resources, submitting DA schedules to the CAISO and other transmission operators (e.g. LADWP, BPA, and WAPA) as required, and performing tagging functions. The DA services would include matching obligations and resources to submit appropriate schedules to the CAISO and provide the least cost resources to serve load obligations. Marketing of excess generation and transmission resources would be required as market conditions warrant and under established guidelines.

For members with resources participating in CAISO ancillary service (A/S) or supplemental energy markets, these services would include recommending or submitting ancillary services and supplemental energy bids in the CAISO DA markets, marketing of excess generation resources, and submitted of generator outage information to the CAISO via the SLIC system.

Joint Resource Scheduling

SCPPA members own or have contractual rights to the output of various power generation resources. The CAISO requires that these resources be scheduled into the CAISO markets as a single resource, which then must be allocated to the various members according to their respective contract shares. This service would entail scheduling the joint resources into the CAISO, managing real-time resource changes, and allocating costs to the members based on participation ownership.

Position Management and Asset Optimization

This would extend the above DA/RT resource management from a more restricted DA/RT perspective to a more active strategic marketing perspective. The services would be to define an optimal bidding strategy for generation resources and to identify longer term opportunity to optimize energy and ancillary service resources. This would entail agreeing on asset models, assumptions, constraints, and market parameters to determine a forward strategy that is adjusted on a periodic (daily or weekly) basis to account for market dynamics.

Forward Procurement and Marketing

These services would support longer term strategies to fulfill hedging plans, supply long-term obligations, or capture forward value from assets, including forward energy (power and/or natural gas) procurement and marketing of excess energy. The transaction environment must comply with best practices in risk management and risk control. All transactions would conform to individual member risk policies and credit management practices.

CAISO Settlements

These services would provide trade date plus 2 estimates for most CAISO charge types, daily and monthly settlement statement processing, identification of variance between estimates and statements, dispute resolution management support, and accounting reports.

Bilateral Settlements

These services would provide counterparty checkout, verification, and dispute resolution. Bilateral settlements could be provided for power and/or natural gas counterparties.

Credit Risk Management

These services would provide evaluation of counterparty's credit worthiness and make recommendations for credit approval and limits. Services would also include periodic reviews of counterparty credit, monitoring of counterparty limits based on forward transactions, and identification of any counterparty limit violations.

Management Reports

These services would provide pre-defined and ad hoc reports to identify all aspects of energy transactions. Typical reports would include: position report, transaction summary, daily Value-at-Risk, Cash-Flow-at-Risk, counterparty credit limit monitoring, and index and basis forward prices.

SCPPA member service areas and asset ownership range from a very large municipality to very small municipalities. To the extent pricing is dependent on the MW level of generation and/or transmission capacity and/or load served, please indicate this information in your pricing.

SCPPA recognizes that proposals are based on the general guidelines outlined in this RFP and specific assets and requirements may result in adjustments to the proposed pricing. SCPPA is interested in discovering the vendor's capabilities and pricing to make an informed decision and proceed to more specific negotiations. Pricing should be made based on good faith estimates of the requirements defined in this RFP.

SCPPA and/or SCPPA members in purchasing the services pursuant to this RFP may discuss and transact collectively or individually with interested parties to better define

products and services that interest them.

SCPPA anticipates entering into a one year contract with a 90 day notice requirement to renew. The proposal should include a pro forma contract with standard terms and conditions. If there are recommended performance incentives or penalties, please provide a description and short examples.

4. EVALUATION PROCEDURES AND CRITERIA

The competitive selection evaluation criteria are as follows:

- A) Service Provider's Experience – 20%
Demonstrated ability to perform the Scope of Work
- B) Breadth of Services Offer – 20%
Range of services offered and flexibility of service arrangement
- C) Public Power Client References – 20%
Proven experience effectively providing service to public power agencies
- D) Economic Benefit - 40%
The overall value proposition and economic benefit (price and quality of services) to SCPPA members

5. CONTENTS OF PROPOSAL

Proposals must include but need not be limited to the following information:

- A) Company background, relevant experience, approach, and client references
- B) Proposed services, value provided to client, and pricing structure. Because SCPPA members are of different size in terms of loads and assets to be managed, may be interested in different subsets of the services listed under the Scope of Work, and some members may have more assets to be considered for a given service (e.g., those with participating generators versus those without), the proposal should include sufficient details and flexibility to allow individual members the ability to select the desired services and determine their associated member-specific cost.
- C) Flexibility in services provided and ability to retain additional services through time
- D) Proposed implementation methodology, communications and technology systems or protocols, and timeline
- E) Proposed pro forma contract with standard terms and conditions.
- F) Description of Company's CAISO MRTU market readiness plans and commitment to serving both a pre-MRTU and post-MRTU CAISO market environment
- G) Identified expectations from customer including requirements definition, strategy refinement, and staffing requirements to support implementation methodology

6. ADDITIONAL TERMS AND CONDITIONS

1. SCPPA, at its sole discretion, shall evaluate responsive proposals and may select proposals, if any, which provide the most value to SCPPA and its customers. SCPPA members may respond collectively or individually to any proposal.
2. Proposals may be combined with other proposals, at SCPPA's sole discretion.
3. SCPPA shall determine at its sole discretion the value of any and/or all proposals.
4. SCPPA shall evaluate any proposals in terms of price and non-price attributes.
5. SCPPA shall perform an initial screening evaluation to identify and eliminate any proposals that are not responsive to the RFP, do not meet the minimum requirements set forth in the RFP, are clearly not economically competitive with other proposals, or are submitted by respondents that lack appropriate creditworthiness, sufficient financial resources, or qualifications to provide dependable and reliable services.
6. SCPPA reserves the right to reject any, all, or portions of the proposals received for failure to meet any criteria set forth in this RFP. SCPPA also may decline to enter into a power purchase arrangement with any respondent, terminate negotiations with any respondent, or abandon the RFP process in its entirety.
7. Those respondents who submit proposals agree to do so without legal recourse against SCPPA, its members, and their directors, officers, employees and agents for rejection of their proposal(s) or for failure to execute a power purchase agreement for any reason. SCPPA shall not be liable to any respondent or party in law or equity for any reason whatsoever for any acts or omissions arising out of or in connection with this RFP.
8. Respondent shall be liable for all its costs, and SCPPA shall not be responsible for any respondent's costs incurred to prepare, submit, or negotiate its proposal, a contract or for any other activity related thereto, except as may be explicitly agreed upon in any power purchase contract arising from a proposal.