

# **EnerVision Report**

## **Assessment of MLGW RFP Process**

March 21, 2023

# Who is EnerVision?

- **EVI is a management and technical consulting firm in the electric utility industry**
- **Founded in 1997**
- **Over 35 states, more than 150 clients**
- **Staff in GA, MD, NC, TN, TX & VA**
- **Headquartered in Atlanta**



# Who are we?



- Elaine H. Johns
- Founder and President/CEO

- One of the founders and current President/CEO of EnerVision, where she leads the company's nationwide consulting and business development efforts
- Over 35 years of consulting experience in areas ranging from strategic planning, power supply planning, utility rates, marketing, and economic analysis
- Formerly 13-year employee of Oglethorpe Power (G&T in Georgia)
- Georgia Tech President's Advisory Board, College of Engineering Advisory Board, Council of Industrial and Systems Engineers, Institute of Industrial Engineers (Fellow)



- Mary Ellen Cole
- Partner

- EnerVision Partner, and over 12 years of consulting experience working with power supply teams, leading RFPs for power and solar developments, and developing Wholesale Power Market studies
- Assists in all areas Transmission: Planning, OATT formula rate cases, contract administration, and NERC/Regional reliability standards
- Successfully developed and guided implementation of Strategic and Technology Plans, Succession Plans, and a Financial Forecast application
- Electrical Engineer (B.E. from Vanderbilt University and M.S. from Georgia Tech)

# Directive

- **EnerVision was contracted by the City of Memphis to conduct an independent assessment of MLGW's Request for Proposals (RFP) process**
- **The goals:**
  - Validate or rebut the executed RFP process;
  - Assess the results and recommendations resulting from the RFP process; and
  - Identify other relevant considerations.

# Approach

- **Because EnerVision was not provided access to all requested data and assumptions that MLGW/GDS used in the RFP process, we took a 2-part approach:**
  1. Assessment of MLGW/GDS RFP process using the data and assumptions we were able to confirm,
  2. Our own assessment of the MLGW bids received.
- **This 2-part approach checks the soundness of the MLGW/GDS recommendation to execute the TVA Long Term Agreement**

# Chronology of Events

• Siemen’s Integrated Resource Plan	Published July 2020
• Thermal Generation RFP	Due December 2021
• Renewable and Other RFP <ul style="list-style-type: none"> <li>• Adjusted to allow for non-conforming bids</li> </ul>	Due December 2021 Adjusted August 2021
• Transmission RFP	Due February 2022
• GDS Round 1 presentation <ul style="list-style-type: none"> <li>• MLGW Board of Commissioners and Memphis City Council</li> </ul>	June 9, 2022
• GDS Round 2 presentation <ul style="list-style-type: none"> <li>• MLGW Board</li> </ul>	September 1, 2022
• MLGW Board voted to reject all proposals	December 9, 2022
• EnerVision report posted	February 16, 2023

# EVI Recommendations

- **‘Do Nothing’ approach, for now**
  - Stay with current TVA contract – Business as Usual
  - This is what the MLGW Board decided
  - This is not what GDS recommended
- **Revisit market when conditions improve**
  - Closing door not prudent nor a display of servant leadership
  - Maintain flexibility to exit when desirable and economical
  - Preserve access to future cost savings to consumers
  - 4.8% premium to stay in current contract vs. sign TVA LTA
- **Trigger new RFP when...**
  - Natural gas prices stabilize
  - Supply chain crisis stabilizes
  - Power market stabilize from big events (Winter Storm Uri [& Elliott], Russia-Ukraine conflict, COVID impacts)

# **EVI Recommendations**

## *Lessons Learned for next RFP*

- **Less complicated approach**
- **Concentrate on Portfolio 6 scope**
- **Stay open to alternative options and solutions**
  - Let the market weigh in with beneficial solutions that might fall outside tight scope of a defined Portfolio
- **Transmission RFP revised, separate from Power Supply RFP**
  - Open to alternatives, non-ownership, etc.
  - Let the best power supply arrangement inform the transmission RFP scope



# **EVI Recommendation**

## ***Communication Transparency***

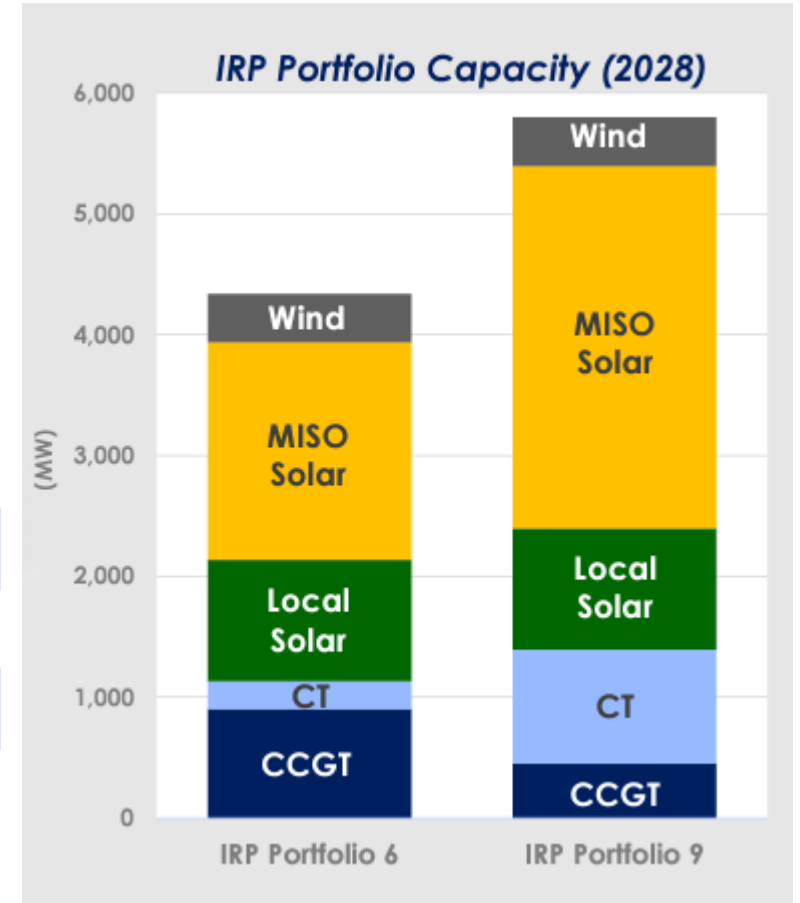
- **Communicate a fair, consistent bidding and evaluation process**
- **Instill confidence that MLGW intends to execute**
  - Not just another exercise
  - Instill confidence in the process ahead of triggering next RFP
- **Reduce unnecessary restrictions that limit solutions**
  - Or the result may be more expensive bids
- **Ensure true apples-to-apples comparisons in bid analysis**

# Portfolio 6 and 9

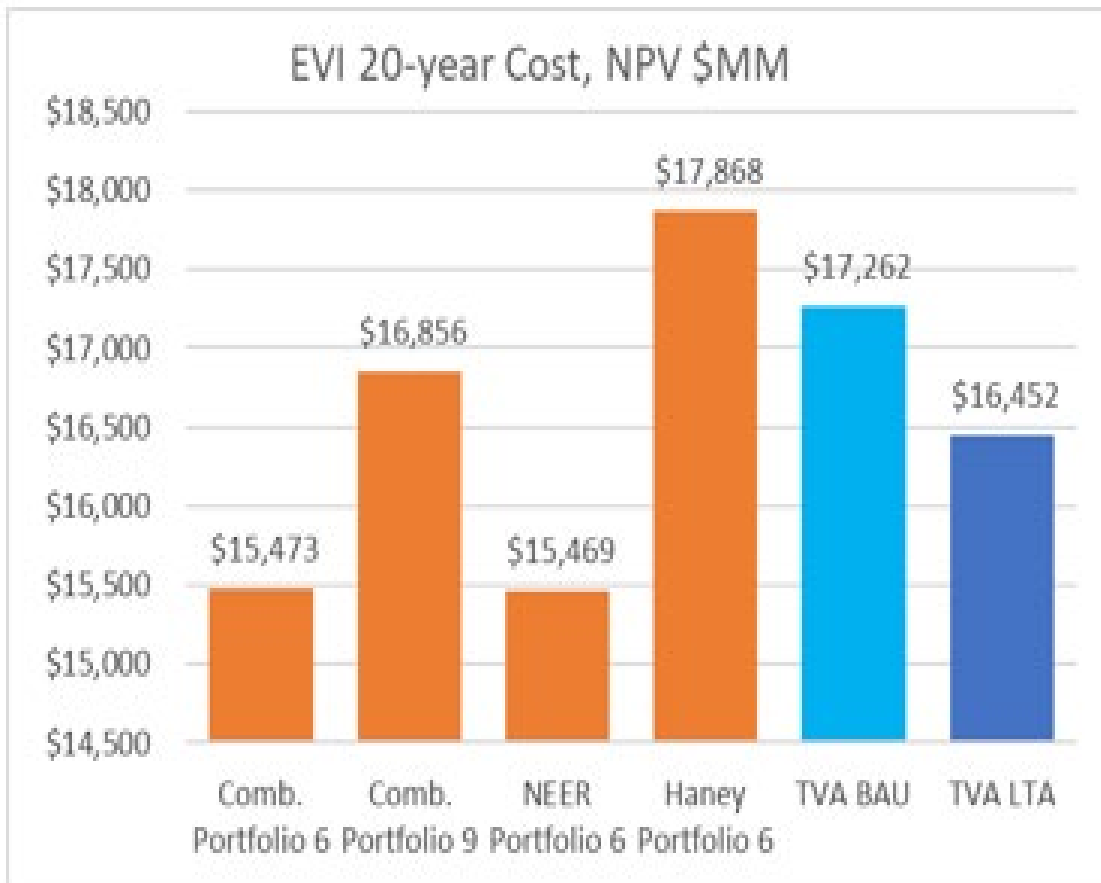
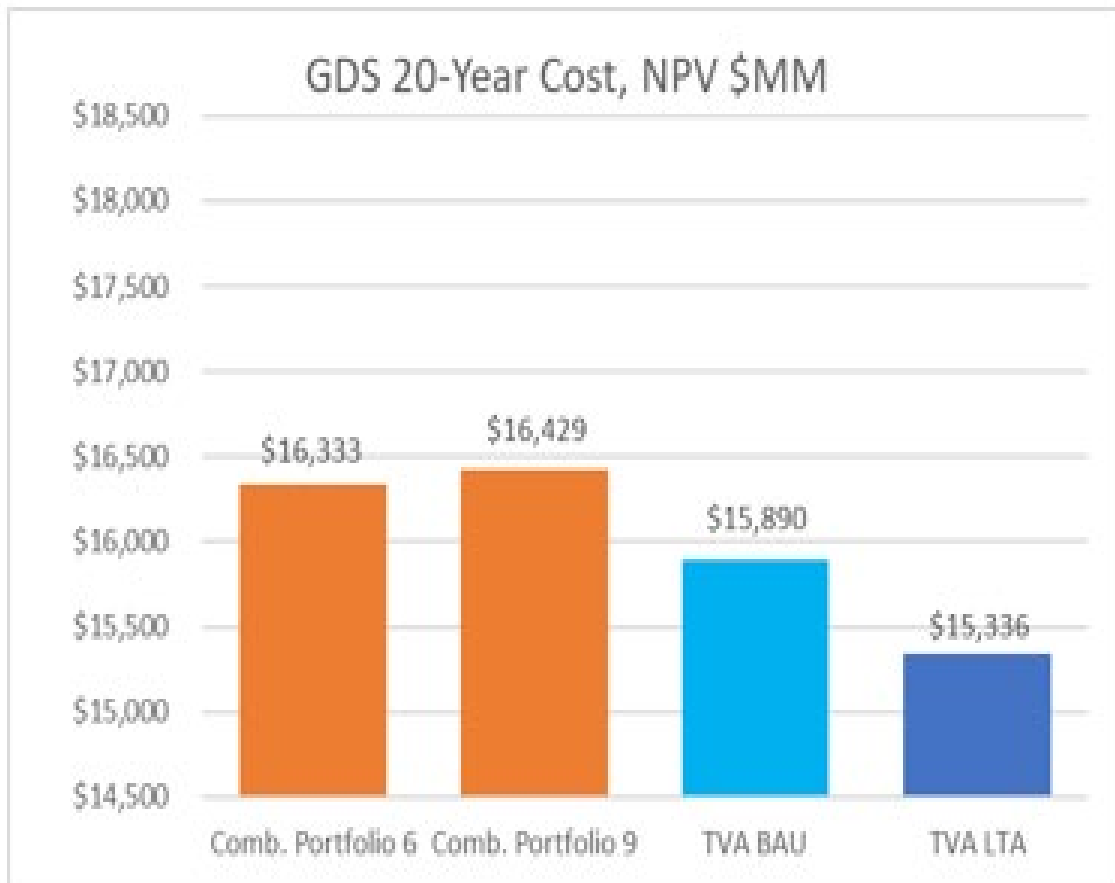
Exhibit 113: Final Portfolio List under Strategy 3

Portfolio ID	Final Portfolio	Total Thermal 2039	Local Renew 2039	Battery 2039	Total Local Nameplate 2039	MISO Renew 2039	MISO Cap 2039	950 MW CC	450 MW CC	237 MW CT	NPV Demand (MWh)	Portfolio NPV Cost (\$000)	Demand Weighted NPV (\$/MWh)
S3S1_P	Portfolio 1	1137	1000	0	2137	2200	1761	0	2	1	181,088,154	9,089,087	50.19
S3S1_F	Portfolio 2	1587	1000	0	2587	1550	1487	0	3	1	181,088,154	9,300,273	51.36
S3S2_BB	Portfolio 3	1824	1000	0	2824	1350	1308	0	3	2	181,088,154	9,341,806	51.59
S3S3_BB	Portfolio 4	1350	1000	0	2350	1550	1697	0	3	0	181,088,154	9,126,137	50.40
S3S5	Portfolio 5	1398	1000	100	2498	3450	1183	0	1	4	181,088,154	8,980,510	49.59
S3S7_BB	Portfolio 6	1137	1000	0	2137	2200	1761	0	2	1	181,088,154	9,214,886	50.89
S3S1_2CT	Portfolio 7	1374	1000	0	2374	2200	1550	0	2	2	181,088,154	9,125,223	50.39
S3S7_2CT	Portfolio 8	1374	1000	0	2374	2200	1550	0	2	2	181,088,154	9,251,110	51.09
S3S5_YD	Portfolio 9	1398	1000	100	2498	3450	1186	0	1	4	181,088,154	9,073,691	50.11
S3S10	Portfolio 10	950	1000	0	1950	2250	1901	1	0	0	181,088,154	8,532,493	47.12

Source: Siemens



# GDS vs. EVI: 20-Year Cost



# High-Level Potential Savings across the RFP timeline

Source	IRP	TVA One-Pager	GDS Round 1	GDS Round 2	EnerVision Evaluation
Savings Amount	\$122 million annual savings	-\$261 million annual savings	\$8.2 to \$55.3 million annual savings	-\$70.1 to -\$108.0 million annual savings	\$49 million annual savings
Date Reported	Draft: May 2020 Final: July 2020	June 2020	June 2022	September 2022	February 2023

- **Savings are compared to signing the TVA Long-Term Agreement (baseline)**
- **Savings estimates vary depending on timing and assumptions in analysis**
- **Each stakeholder brings its own perspective and priorities**
- **Vital to have unbiased assessment made at a beneficial time in the market**