Guzman Energy

City of Chicago Franchise for Electricity Delivery

Request for Information

Issued April 30, 2021

Introduction

Commissioner David Reynolds
City of Chicago Department of Assets, Information and Services
ElectricityFranchise@cityofchicago.org

RE: City of Chicago Franchise for Electricity Delivery Request for Information

Dear Commissioner Reynolds,

Guzman Energy LLC www.guzmanenergy.com ("Guzman") is pleased to respond to the City of Chicago ("City") Franchise for Electricity Delivery Request for Information issued April 30, 2021.

Guzman is a full-service wholesale power provider partner and energy manager partnering with cooperatives, municipalities, Native American Tribes, and others to achieve their energy goals through customized and innovative power solutions. Since 2013 we have been focused mainly on building out the Rockies region and currently serves approximately 500 MWs of peak load in Colorado and New Mexico and expects to more than double our load served within the next couple of years however we are actively trading throughout PJM and rest of the United States on a term, daily and hourly basis.

Guzman's 55+ employee platform is designed to leverage our leading energy and finance experience in combination with over 100 years of combined market and transmission experience from our seasoned operational, resource supply, commercial and transmission experts to create value and certainty for our load customers. Bios of senior management and relevant personnel can be found later in the RFI document.

Guzman's energy management services include internal 24-hour Market Operations, Energy Management and Trading teams in our dispatch center located in downtown Denver. We view our internal energy management teams as a critical and required component to reliably serve our customers. Our customers can be assured that we are always working in their best interests and they will never be treated as a 'number' within a pool of customers, which can happen with 3rd party energy managers and large power marketers or retail energy providers. We are 'working for you and with you' to achieve your energy freedom, savings and renewable goals and we will build a power partnership together. If selected Guzman would work with the City to establish a local Chicago based office to manage the City's electricity needs, local engagement and distributed generation initiatives.

Our energy management platform includes monitoring and balancing of customer real-time load and generation supply and analyzing weather conditions to reliably serve our customers. We incorporate multiple proprietary artificial intelligence tools for load forecasting as well as perform ongoing manual verification. Additional energy management services include 24x7 operation center that performs scheduling, tagging, balancing area communications, load and generation balancing, renewable project forecasting, back-office settlements, and other required PJM market services.

We understand that there is no one-size-fits-all energy solution, and we will not offer the same cookie-cutter plan to every community. We take the time to get to know you, listen to your unique challenges and objectives and work together to create a customized solution that centers on cheaper, better, and cleaner energy solutions.

Guzman understands and appreciates the historic magnitude of this RFI and the concerns the City has regarding your electricity needs, renewable aspirations and concern about reliability and resiliency. We have strong relationships with 3rd party partners to assist in financing municipalization efforts, franchise buyouts, distribution system purchases, distribution system operation and maintenance and customer billing. Guzman is also able to work with other selected City partners that would operate and maintain the electricity system throughout the City with Guzman only managing and providing the power supply side for the City. Other than your current incumbent I do not believe there is a single entity that could do all the necessary and required work for the City. In fact, if anyone claims they can I would question the validity, sanity, and reliability of their proposal. I would further encourage the City to continue to 'think-outside-the-box' and partner with an entity that truly wants to be a partner and not just a service provider.

As part of our plan, we would desire to work with the City to provide the following:

- *Safe, equitable, affordable, and reliable supply of electricity to the City and its 77 community areas while also collaborating around City policy goals*
- *Empowering City residents and businesses through greater local engagement and opportunities for local investment into projects with a focus on disinvested neighborhoods (we have some innovative approaches on this that we have been developing for over two years now)*
- *Meet City's sustainability goals of 100% clean and renewable energy within City limits by 2035*
- *Work with City to implement local programs for flexibility in distribution grid services*

In the RFI the City has referenced community choice aggregation and we would encourage further conversation on this with the City. We believe that given the size of the City it may be very risk and expensive to "flip a switch" and transfer all distribution assets and power supply to a new franchisee unless the incumbent was willing to sell the whole utility system along with associated generation. Based on the recent City study this may not be equitable. Instead, we would recommend a phased approach where the City would restart their community choice aggregation program and work with their selected partner to stage the take-over by way of community aggregation as new generation projects are brought online within and around the City. This approach would enable the City to meet the stated objectives of this RFI without the burdensome impacts of financing the billions it will take to purchase and maintain the entire City distribution system and the potential administration headaches with 1000s of new employees.

Guzman believes we would become a valuable partner of the City to assist in achieving your goals and would customize a reliable, renewable, and cost effective solution which, given the public nature of this RFI, cannot be laid out completely to prevent competitors from utilizing our ideas and concepts. We hope the City will agree that including us in the RFQ and RFP would be beneficial to the City in their endeavors.

Kind regards,

Andrew Heinle

Andrew Heinle
Managing Director, Head of Origination

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Executive Summary

Guzman is excited for the opportunity to partner with the City to provide solutions that will meet and exceed the City goals and initiatives. We can be your utility partners to lead and support your efforts to:

1. Power city-owned buildings with renewable energy by 2025 with options for local distributed or community based solar and battery projects
2. Supplying renewable energy for all buildings by 2035 through local and regional utility scale solar, wind and battery projects
3. Finance, innovate and coordinate to convert to an all-electric public bus fleet by 2040
4. Developing a citywide building decarbonization strategy

Guzman experience and expertise are aligned to assist the City in meetin Mayor Lightfoot's vision for the City to provide better governance and transparency, energy and electrification and equity and neighborhood development while continuing to focus on safe, reliable and affordable electricity and community investment and participation for the City, businesses and residents. Our focus will be to enhance collaboration around City policy goals, reduce energy burden to disadvantaged people and provide an incubator vehicle for economic development in historically disinvested neighborhoods through local project development, training, and financial incentives. We have experience partnering with our current customers in meeting these types of goals.

Company Information and Past Experiences

Since 2013, Guzman has been authorized by FERC with Market Based Rate authority. Guzman's energy management services include an internal 24-hour Market Operations and Trading team, monitoring real-time load, supply and weather conditions to provide reliability and mitigate delivery risk of unforeseen events for our customers.

Guzman's current load serving activities are focused in Colorado and New Mexico and consist of cooperatives, municipalities, and Native American Tribes. Our team consists of experienced personnel who have previously led the one of the largest utility operations center in the United States, the lead engineer that was responsible for Xcel Energy's ("Xcel") resource planning and renewable implementation across all of Xcel's territory and innovative thought leaders helping to shape a new type of energy economy.

Energy Management

Guzman currently manages generation assets which include existing distributed generation, renewable power purchase agreements and Federal Power hydro allocations and the forecasting and balancing of customer load in the long-term, daily and hourly markets.

Guzman employs a team of energy industry experts that have experience navigating changes in technology and market structures in other regions of the country. We leverage this experience to anticipate and adjust to changing market dynamics and customer needs. Guzman uses a range proprietary and artificial intelligence ("AI") focused systems and tools, from advanced weather and load forecasting to market fundamental analysis. In addition to the Rocky Mountain region, Guzman is active in CAISO, ERCOT, MISO, PJM, and SPP markets.

Guzman has an extensive portfolio of enabled power trading and transmission provider agreements that enable us to procure and sell power at a variety of locations. The team has extensive experience in managing full and partial requirements load agreements, renewable generation, and thermal generation to reliably serve our customer needs. This experience fully prepares the Guzman team to address the challenges that the City faces

today with power plant retirement announcements in tandem with increasing levels of intermittent supply like solar and wind resources.

Transmission Services

Deliverability is one of the unique aspects of electricity, balancing the real time demand requirements and a variety of supply options within the constraints of the transmission system. Serving loads requires an in-depth knowledge of transmission infrastructure and scheduling practices to handle a variety of grid conditions. Guzman deploys extensive proprietary system tools and procedures to anticipate and address contingency events to balance supply and demand in real time. Guzman has built internal information platforms that anticipate seasonal over generation events when loads are relatively low and intermittent supply is high, with established protocols in place to re-route power throughout the state and avoid curtailments

Guzman's existing load and energy supply portfolio provides the knowledge and experience to properly serve the City's load requirements within the PJM market. Leveraging hourly, daily, and seasonal changes in customer loads across the region enables Guzman to move energy to and from various points on the grid when and where it is needed most. This flexibility allows Guzman to provide enhanced system reliability and resiliency far more effectively than a stand-alone entity.

Key Principals

Chris Riley, Chief Executive Officer

Chris co-founded Guzman Energy and serves as CEO, overseeing all business operations, strategies and initiatives. The son and grandson of rural Utah coal miners, Chris is an experienced entrepreneur and finance executive who is passionate about identifying and correcting complex market inefficiencies in innovative ways. His experience in the energy sector dates back to 1995, when he graduated with honors from the Naval Nuclear Power School. He later served as both Chief Engineer of a guided missile destroyer—where he oversaw the operation of the electrical and propulsion systems—as well as the Commanding Officer of a coastal patrol warship, forward deployed to the Arabian Gulf. Prior to launching Guzman Energy, Chris served as Director of Investment Banking at Guzman & Company. He holds a B.S. degree with merit from the United States Naval Academy and an MBA from Harvard Business School.

Daniela Shapiro, Chief Financial Officer

Daniela is the Chief Financial Officer overseeing Guzman Energy's finance activities and capital strategy. She has over 20 years of energy infrastructure experience, having led teams and transactions in excess of $5 billion. Before joining Guzman Energy, she was leading ENGIE N.A.'s distributed renewables finance and advisory team; and for the last 11 years, she has served other leadership and executive roles in early stage and growth companies in the renewables industry. She also had a successful banking career over a cumulative period of 10 years when she originated, advised, structured and closed landmark deals spanning from project financing, infrastructure advisory, tax equity investments and working capital solutions. Daniela earned a B.S. degree in Electrical Engineering from UNIFEI (Brazil) and an MBA from Northwestern University's Kellogg School of Management.

Robin Lunt, Chief Strategy Officer

Robin guides company strategy and works across all aspects of the business. She crafts strategies for customers to establish just and reasonable exit fees when leaving incumbent providers, develops power supply agreements, and creates solutions to facilitate the energy transition for customers. Robin trained as a lawyer and spent almost a decade in Washington, DC where she worked on off-shore wind regulations, state and federal energy policy, and advised a commissioner on legal and policy matters with regard to oil, gas and the western electric grid at the Federal Energy Regulatory Commission. In addition to her time in DC, she previously worked as an attorney and as the general counsel of a demand side management company in Colorado. She is a graduate of Brigham Young University Law School and Pomona College.

Jeff Heit, Managing Director, Head of Origination

Jeff is the Managing Director and Head of Origination for Guzman Energy. He leads business development with an emphasis on the structuring of complex load-aggregation transactions for municipalities, electric cooperatives and rural electric associations. He has more than three decades of experience in trading, originating and marketing, as well as in asset management and business development. Prior to joining Guzman Energy, Jeff was senior VP of Origination at Twin Eagle Resource Management. He spent 29 years at Public Service of Colorado (XCEL Energy) and also helped launch the trading floor there. Post Public Service of Colorado he opened the Denver office for Integrys Energy, a marketing subsidiary of Wisconsin Public Service. Jeff has held senior positions at EDF Trading as well as Enserco Energy (BHP), and holds a business degree from Regis College.

Kurt Haeger, Head of Resource Planning

With over 37 years in the power business, Kurt has extensive experience in the power supply and utility industry.

Before joining Guzman, Kurt managed the resource planning and procurement activities for Xcel Energy and its predecessors including Northern States Power Minnesota, Northern States Power Wisconsin, Southwestern Public Service and Public Service of Colorado.

Before his retirement in 2016 from Xcel, as Vice President of Resource Planning, he was responsible for Xcel's electric resource planning activities in Minnesota, Wisconsin, North Dakota, South Dakota, Michigan, Colorado, New Mexico and Texas. Kurt was responsible for the integration of Xcel's traditional bilateral power supply portfolio into the Midwest Independent System Operator ("MISO") and SPP integrated market, including the development of long-term electric supply plans using physical bilateral agreements in the rapidly changing regional market structure.

Since retiring from Xcel and prior to joining Guzman, Kurt has worked as a consultant in planning and procuring electric generation for Xcel and other large IOUs. Kurt has worked extensively within Colorado and in the MISO and SPP regions and has a thorough understanding of all aspects of the integrated transmission and power supply markets and the operational requirements in these regions.

Andrew Heinle, Managing Director, Head of Origination

Andrew is Managing Director, Head of Origination for Guzman Energy. He has over 20 years of experience spanning from the Mid-continent Area Power Pool ("MAPP") to MISO where he led the generation dispatching group in designing the DART operator system and training of system operators. He also spent 5 years at Black Hills Power leading the trading and origination groups in expanding their energy marketing efforts throughout WECC before becoming the Manager of Origination at Tenaska Power Services. Andrew spent 6 years at Tenaska and assisted in starting and expanding their WECC trading and energy management business.

While at Tenaska, Andrew assisted both MGM and Caesars Entertainment in exiting NV Energy and purchasing energy from the wholesale markets and he won the Origination Deal of the Year award for the first two years that it was offered at Tenaska. Prior to Guzman Energy Andrew was the Executive Vice President at Arevon Energy Management for 1.5 years, where he led the company in structured renewable product solutions across the nation with a pipeline of over 10 GW of opportunities in the works. While at Arevon, Andrew assisted in the closing of structured renewable block deals with City of Glendale, NV Valley Electric Association and Boulder City, NV as well as contracting for the largest behind the meter solar and battery project for a datacenter in the world with Switch.

Max Carpenter, Director of Utility Operations

Max is the Director of Utility Operations at Guzman Energy and oversees all market operations including term hedging, spot market trading, scheduling and back-office functions required to serve wholesale load requirements in the Rocky Mountain Region.

Previous to joining Guzman, Max served in various senior leadership roles at Southern California Edison ("SCE)" particularly in the Energy Procurement & Management department, including roles as the Principal Manager of the Market & Generation Operations Center, overseeing all aspects of the company's wholesale market bidding operations and generations dispatch for diverse portfolio of resources as well as Principal Manager of Power Trading leading a team of traders and analysts to mitigate commodity risk exposure for one of the largest electric utilities in the nation. During his time at SCE, Max also headed other key groups like Structured Risk Group and Demand Response Department, helping integrate battery storage technologies and other key company initiatives related to Smart Grid (Grid-Mod) development.

Before joining SCE in 2009, Max was Vice President of Retail Markets for Commerce Energy Corporation, an energy retail provider serving customers in eleven states and twenty-two utility markets. In that role, he oversaw the company's structured pricing activities, portfolio planning, new market/customer, and optimization a commodities book valued at over $400 million in power and natural gas contracts. During his 10 years with Commerce, Max served in a variety of senior leadership roles predominately in company's energy trading/procurement division helping the company to expand its operations to 22 utility markets across 11 states.

James Norwood, Manager of Trading

James is the Manager of Trading at Guzman and, joined the company from Avangrid Renewables where he enjoyed a successful 10 years. There James was the lead Senior Real-Time Trader, developing key strategies on portfolio and resource optimization, new asset integration efforts, system enhancements and the continuing development of new employees to the trading group. James was recognized by the CEO of Avangrid with the Innovation Award for his efforts to automate transmission and tagging software that saved the company an estimated $2 million annually.

James has extensive and successful trading and operations experience spanning across all areas of the WECC, with a particular emphasis on the Desert Southwest, CAISO EIM and Pacific Northwest. Prior to joining Avangrid, James worked for Pacific Gas and Electric as a Generation Dispatcher and Real Time Trader optimizing an extensive hydro and thermal generation portfolio in Northern California. Before that, James worked for the California ISO as a Control Area Operator which included NERC Reliability and ISO Dispatch Certification, with extensive generation, scheduling, interchange operations and transmission emergency procedures.

Corporate Compliance and Ethics

Guzman corporate compliance and ethics are installed in all the executive team. Our CEO and President are both former Naval Academy Officers and have built the company culture on accountability, truth and transparency. We have compliance policies in place to direct the full organization as well as fiduciary and compliance responsibility to our investor stakeholders and board of directors. Further, Guzman would not be successful with our customers if we did not perform at high levels of compliance and ethics. We also report to each of our customers executive management on a regular basis on the power supply mix and future resource plans.

Narrative

Guzman believes as staged approach would be best option and approach for the City to maintain reliability and allow for new projects to come online to support the City load and renewable goals. The staged approach would all the City and their energy partner to develop a plan to achieve each of the stated RFI Objectives and Goals. We have strong relationships with top-tier developers for renewable assets in and around the Chicago area and experience in procuring and moving power that will provide a strong partner to facilitate the City's transition to a new power supplier under community aggregation or as a new franchisee. Below are the generation technologies that Guzman has identified to use in the supply portfolio for the City.

Solar

Guzman is committed to utilizing the most recent, best-in-class solar technology and will work with developers with proven experience and execution to collaborate and ensure compliance with existing agreements and state regulations. Solar panels with high efficiency ratings in a functional geographic location would be procured to serve the City to provide a clean, fuel-free source of energy. We have identified over 5,000 MWs of available projects that we would work with the City on to contract or purchase and add to the resource supply portfolio to serve the City.

Battery

Guzman is evaluating to couple battery technologies with solar to maximize tax incentive benefits and realize the lowest cost levelized price for the combined system while providing the most capacity,

reliability, and system benefit to the City's system. Guzman would utilize Tier 1 suppliers of battery cells and the associated equipment that are internationally recognized as for reliability standards. Given the current state of battery storage technology, Guzman has analyzed 4-hour duration batteries to enhance power supply flexibility and enable high levels of renewable integration to manage energy ramps, provide backup power and move renewable supply from high production hours to times of the day when the City's energy needs are greatest.

Wind

Guzman has identified over 5,000 MWs of wind projects in the ComEd area in PJM that could be added to our generation portfolio and delivered to the City. We are currently conducting due diligence and in contract negotiations on the best resources for our portfolio. The wind patterns in Illinois tend to favor evenings and shoulder months and would complement solar generation in our portfolio.

Natural Gas

Guzman is planning to include existing gas generation agreements or purchase to provide and enhance reliability to the grid and to the City's power supply, especially during peak hours. Natural gas would be used to back-up the utility-scale renewable sources contemplated in this proposal due to renewable energy's inherent daily and seasonal intermittency.

Joint Development of Renewable Energy Generating Resources and other Resources

Guzman would work together with the City to solicit proposals for distributed energy resources, including behind-the-meter, community, or other solar generation to be located in or near the City's service territory and the output of which would be used to serve the City to meet their goals and objectives.

Additionally, Guzman and the City would work to develop peak shaving opportunities, demand response, electrification programs, EV charging and other opportunities within the City service territory.

Finally, Guzman would work closely with the City to promote community and business partnerships, involvement and investment from key customers and community members.

Public Benefits

When Guzman develops a partnership with our customers it is much more than a service based approach. We work with your partner customers to become engaged in the communities through scholarships, sponsorships and economic development initiatives such as EV charging, electrification and broadband to name a few. Residents and businesses will be able to point to renewable projects within their communities and know they were involved in the process to bring the project to reality. The construction jobs and local property tax benefits will bring added support and benefits to the local areas for the life of the projects.

We welcome the opportunity to discuss in more direct detail on how a partnership with Guzman can and will provide Public Benefits above these listed.

Lessons Learned / Next Steps

Delta-Montrose Electric Association

Guzman led the Delta-Montrose Electric Association's ("Delta-Montrose") exit from Tri-State G&T ("TSGT") and on July 1, 2020 started to serve as Delta-Montrose's wholesale power provider and real-time operations center. DMEA had previously sought greater energy independence with their incumbent provider for nearly a decade and our partnership helped make the difference in their transition. This transition enables Delta-Montrose to lower and stabilize electric rates for its 28,000 members in southwest Colorado, while fostering a cleaner power supply with more local control and flexibility including jointly developed renewable generation. Guzman provided financing for the $62.5 million exit payment that was due to TSGT.

In 2020, DMEA posted adjusted net operating margin more than double its margins in 2019 and strongest since 2014 https://www.businesswire.com/news/home/20210517005251/en/Delta-Montrose-Electric-Association-Reports-Strongest-Financial-Results-Since-2014. Guzman also partnered with DMEA on building an 80MW local solar project that will provide up to 400 jobs, property tax of $10 million over 35 years and helping DMEA achieve their goal of 20% local renewable generation https://www.montrosepress.com/news/dmea-and-guzman-energy-closing-in-on-local-power-goal-with-new-80-megawatt-site/article_33a77de8-b445-11eb-8ec7-135db07c3788.html

Holy Cross Energy

Holy Cross Energy ("HCE") is a cooperative serving more than 55,000 members including major ski resorts in the Aspen and Vail areas as well as farms, ranches, and rural communities with a goal of 100% reduction in carbon and 100% renewable by 2030. In February 2019, Guzman worked with HCE to swap their coal generation from Comanche 3 for renewable energy, which helped HCE achieve their renewable goal ahead of their 2030 target. Additionally, this swap substantially reduced HCE's wholesale power costs.

Kit Carson Electric Cooperative

Kit Carson Electric Cooperative ("Kit Carson") is a rural electric cooperative serving the Taos, Colfax, and Rio Arriba counties in northern New Mexico. Kit Carson provides electric services to 29,000 members. In 2016, Kit Carson, with funding from Guzman Energy Partners, exited its long-term contract with TSGT. Kit Carson and Guzman Energy Partners began their partnership in July 2016 with a 10-year fixed cost power purchase agreement including a plan to develop 35 MWs of locally owned solar power by 2022 to meet Kit Carson's 100% daytime solar goal.

City of Aztec, NM

The City of Aztec Utility is a municipal electric utility located in northwest New Mexico with a population of nearly 7,000. Guzman entered a 7-year full services, fixed price contract with the City in July 2016. During the first year of the contract Guzman developed a 1 MW solar array for the City. In Q1 2020, the City signed an extension with Guzman for 10 years.

Jicarilla Apache Nation, NM

In November 2016, Guzman signed a 7-year power purchase agreement to serve the Jicarilla Apache Nation Power Authority, which consists of approximately 3,500 members and covers 377,000 acres of land in the San Juan Basin in New Mexico.

Pueblo of Acoma, NM

The Pueblo of Acoma is located west of Albuquerque in west central New Mexico. There are 5,196 enrolled tribal members with 2,906 located on Acoma Tribal Lands. The Pueblo of Acoma Utility Authority issued a Wholesale Power Supply RFP in October 2017 and awarded Guzman the contract in November 2018. The contract is a 10-year, fixed price power purchase agreement that is expected to begin in 2021.

City of Fountain, CO

The City of Fountain is located south of Denver in southeast Colorado. Guzman will be the City's partial requirements supplier starting in 2028 under a 12-year fixed power purchase agreement. The City of Fountain has a load of approximately 300,000 MWhs per year and continues to grow. The agreement between the City of Fountain and Guzman helps Fountain pursue its goal to own its energy future.

References:

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