



Agenda Report

May 6, 2024

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO AMEND CONTRACT 31483 WITH ORACLE AMERICA, INC. FOR SOFTWARE SUPPORT FOR AN AMENDED NOT-TO-EXCEED AMOUNT OF \$9,028,478 FOR THE WATER AND POWER DEPARTMENT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required; and
2. Authorize the City Manager to amend the Master Service Agreement Contract 31483, with Oracle America, Inc. ("Oracle"), to continue to provide billing system software support, cloud hosting, home energy reports and purchase smart meter licensing; increase the contract amount from \$3,965,000 to \$9,028,478; and extend the contract expiration from September 1, 2024, to September 1, 2029.

EXECUTIVE SUMMARY:

Pasadena Water and Power ("PWP") provides utility billing and bill processing services for electric, water, sewer, refuse, and utility-related taxes on behalf of the City using an Oracle Customer Information System ("CIS") hosted in the Oracle Cloud Infrastructure ("OCI"). City Council approved a five-year contract with Oracle in June 2019, and the system was launched in April 2022.

PWP provides home energy reports ("Reports") to PWP customers to encourage energy conservation. The Reports are designed based on scientific research that shows feedback through normative comparisons, i.e., comparing a customer's water and energy use to that of similar households. This is one of the most productive ways to motivate and reinforce energy-efficient behavior.

BACKGROUND:

PWP provides electricity and water for approximately 85,000 accounts, comprising 68,000 electric and 38,000 water meters. These meters are primarily read by the Automated Meter Reading (“AMR”) system through a radio drive-by. In addition, 5,000 meters are manually read, and a secured cellular connection reads 1,600 commercial and industrial meters.

PWP completed the implementation of the new CIS on April 4, 2022. The CIS replacement is the foundation for the City of Pasadena’s commitment to modernizing technology and automating processes to provide excellent customer service; the OCI and cloud hosting services are necessary to support and continue the stable operations of the CIS system.

With the new CIS system fully implemented and stable, staff is now prioritizing the deployment of the Advanced Meter Infrastructure (“AMI”) Project. PWP formed an AMI Steering Committee with representation from multiple City departments. The AMI system will provide enhanced customer service and the ability to implement modern rate structures to align with customers’ usage, among other benefits.

The AMI Project is expected to take three years, starting with the needs assessment, business case, and roadmap phase. The scope, benefits, and schedule will be developed during this phase. The needs assessment phase began in March 2024 and will provide the necessary planning to lay the groundwork for the project's success. The meter data management licensing for the Oracle CIS system is required for the AMI smart meter project to start building the technological backbone of the data supplied by the smart meters. The integration with the CIS is crucial to make the most of the meters’ two-way communication technology.

OPower, acquired by Oracle in 2016, uses a behavioral energy efficiency approach for its home energy reports sent to PWP customers. This method is accepted by the California Energy Commission to encourage conservation and generate energy savings. Electric utilities like PWP are required to set and attain energy conservation goals. The OPower Home Energy Report is one of several programs PWP uses to reach energy conservation goals.

The Reports contain informative graphics that demonstrate how the residents are doing with their energy use compared to a similar grouping of “similar homes,” which may consider location, occupants, home size, and fuel type used for heating/cooling. The Reports contain historical data in the form of simple graphs and icons, energy-saving tips, and customized information and promotional messaging prepared by PWP on ways to conserve, participate in no-cost “direct installation” programs, or apply for rebates for electric vehicles and charging stations through PWP’s customer programs. The vendors’ extensive customer-specific databases and analytic engines enable personalized analysis, messaging, and reports.

Oracle’s OPower services also include utility dashboards and data extracts that enable City staff to perform additional analytics and customer engagement. The OPower data

extracts provide PWP with additional demographic and customer-specific details. The extracts have been successfully used for targeted email marketing campaigns on direct install/rebate programs and other digital transformation initiatives.

Oracle's OPower home energy reports are delivered to approximately 43,000 residential customers, including 26,500 customers receiving hard copy mailings four times annually and 38,000 receiving digital copies each billing cycle. These reports generate approximately 5,500 MWh energy savings each year – roughly 47% of PWP's annual energy efficiency goal of 11,720 MWh – at an average program cost of 6.6¢/kWh compared to PWP's average energy cost of approximately 11.6¢/kWh. The home energy reports measure energy savings through a randomized controlled trial that assigns customers (randomly) into "control" groups and "test" groups. Customers in the control group do not receive a home energy report, while the test group gets a home energy report. The savings are then claimed by comparing the difference in energy use between the control and test groups. Since the report contains various energy conservation tips and utility energy efficiency offerings, it has effectively raised customer awareness of energy conservation and motivated behavior change regarding energy use habits, especially when compared to neighbors with similar housing characteristics.

Contract History

On June 3, 2019, the City Council authorized the City Manager to enter into a five-year contract with Oracle for a new state-of-the-art CIS system to replace its aging system and pave the way for future automation projects, including the AMI project.

On December 14, 2020, the City Council authorized an amendment to the contract with Oracle to continue providing OPower Home Energy Reports and customer engagement behavioral program services for 36 months.

On April 25, 2022, the City Council authorized an amendment to the contract with Oracle to increase the capacity of the OCI environment and add 20 user licenses for the field services system. The total authorized contract amount to date over the five-year period totaled \$3,965,000.

Contract Amendment

This contract extension will provide support, software patching, and cloud hosting for the CIS billing system and mobile field services products. It will also allow for the continued delivery of conservation-focused home energy reports. In addition, this amendment will include the purchase of meter data management licensing for the Oracle CIS system, which is necessary for the AMI smart meter project. Without this contract extension, PWP will be unable to bill customers, service accounts and provide home energy reports.

Table 1 – Recommended Additional Not-To-Exceed Amount

| Product | Annual Cost | Total 5-Year Cost |
|---|--------------------|--------------------------|
| Customer to Meter ("C2M") Maintenance and Support | \$150,000 | \$750,000 |
| Oracle Field Service Subscription (80) | \$40,000 | \$200,000 |
| Oracle Cloud Infrastructure ("OCI") Hosting | \$250,000 | \$1,250,000 |
| OPower Home Energy Reports | \$403,150 | \$2,015,750 |
| Oracle Smart Meter Licenses (One Time) | \$445,788 | \$445,788 |
| Oracle Smart Meter License Support | \$80,388 | \$401,940 |
| Total Not-to-Exceed Amount | \$1,369,326 | \$5,063,478 |

COUNCIL POLICY CONSIDERATION:

The proposed contract extensions are consistent with the City Council's Strategic Planning Goal to increase conservation and sustainability; the ten-year energy efficiency goals adopted by the City Council on March 13, 2017; the City's Urban Environmental Accords Goals and the City's Climate Action Plan; the 2023 Power Integrated Resource Behavioral science-based conservation programs comprise a significant segment of the PWP's energy efficiency programs that directly contribute to overall conservation/sustainability efforts within the city.

ENVIRONMENTAL ANALYSIS:

The action proposed herein is not subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378. The authorization to amend an agreement for billing system software support, cloud hosting, home energy reports and purchase smart meter licensing is a continuing administrative and maintenance activity (i.e., purchasing of supplies). This agreement for professional services is intended to promote energy efficiency and would have a beneficial impact on the environment by reducing the use of electricity. This action would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The total cost of this action will be \$5,063,478. Funding for the action will be addressed by the utilization of existing and future budget appropriations in Water and Power Capital Operating funds as shown in Table 2 below. It is anticipated that about \$445,788 will be spent during the current fiscal year. The remainder of the costs will be spent over the next five fiscal years. The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Table 2 – Summary of Fiscal Impact

| Fiscal Year | Operating | | | Capital | | Total |
|--------------|--------------------------------|--------------------------------|--|---------------------|---------------------|--------------------|
| | Power (42209210- 811600) | Water (42207920- 811600) | Public Benefits (41609140- 821500) | Power (CIP 3142) | Water (CIP 1078) | |
| FY 2024 | - | - | - | \$289,762 | \$156,026 | \$445,788 |
| FY 2025 | \$286,000 | \$154,000 | \$403,150 | \$52,252 | \$28,136 | \$923,538 |
| FY 2026 | \$338,252 | \$182,136 | \$403,150 | - | - | \$923,538 |
| FY 2027 | \$338,252 | \$182,136 | \$403,150 | - | - | \$923,538 |
| FY 2028 | \$338,252 | \$182,136 | \$403,150 | - | - | \$923,538 |
| FY 2029 | \$338,252 | \$182,136 | \$403,150 | - | - | \$923,538 |
| TOTAL | \$1,639,009 | \$882,543 | \$2,015,750 | \$342,014 | \$184,162 | \$5,063,478 |

Respectfully submitted,



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