

Agenda Report

August 17, 2009

TO: City Council
FROM: City Manager
SUBJECT: Authorization to Enter into Contracts with the Southern California Public Power Authority and with Positive Energy, Inc. for Services to Provide Home Energy use Reports

RECOMMENDATION

It is recommended that the City Council Authorize the City Manager to:

1. Enter into a contract with Southern California Public Power Authority (SCPPA) via a letter of authorization to participate in a Positive Energy Implementation Program Participation Agreement in an amount not to exceed \$618,000; and
2. Enter into a contract with Positive Energy, Inc. (Positive Energy) to provide home energy use reports.

These contracts are exempt from competitive bidding pursuant to City Charter Section 1002(h) contracts with other governmental agencies or their contractors.

EXECUTIVE SUMMARY

Positive Energy has developed the utility industry's first behavioral science driven, customer-centric, data analysis and communications software platform, the Home Energy Reporting System (HERS). The reporting system helps utilities better engage their residential customers to become more energy efficient, target specific and relevant efficiency recommendations to each of their residential customers, and make it easier for each customer to take action on these recommendations.

The Water and Power Department (PWP) seeks to engage the services of Positive Energy through participation in an agreement with SCPPA and other local utilities. This agreement will provide the opportunity for PWP to select only those services offered by Positive Energy that will be most effective with PWP's customers. This agreement will also provide PWP with discount pricing for services and reports offered by Positive Energy due to the higher volume created by combining efforts with other local utilities.

BACKGROUND

PWP currently offers a wide range of residential and commercial energy efficiency programs that are funded from Public Benefit Charge revenues. On September 17, 2007, the City of Pasadena adopted new goals that require PWP to quadruple its annual energy savings from such programs to 1.33% of load. PWP has been ramping up several programs to meet this aggressive goal. In the last two years, PWP's residential programs have focused primarily on free compact fluorescent lighting (CFL) distribution and rebates for Energy Star appliances and air conditioners. As the remaining potential for CFL savings has diminished, PWP seeks to reduce residential energy and water consumption by providing reports to residential water and electric customers that include usage information, available PWP programs and conservation tips. These reports have been proven to yield conservation behaviors.

The Positive Energy Reporting System consists of a home energy efficiency paper report and website that tells customers how they are doing relative to their neighbors and uses their energy profile (e.g. heavy A/C or Heating use, consistent use, home owner/renter, etc) to develop individual recommendations, offers, coupons and rebates most relevant to them. The service is designed to perform in traditional and smart grid environments. The Reporting System employs data mining and behavioral psychology on a robust technology platform. It is the product of decades of field-tested state university energy efficiency research and consumer marketing, data mining and custom report generation experience.

The Reporting System for PWP will include the following:

1. Home Energy Reports delivered in the mail to customers on a monthly or bi-monthly basis (follows PWP's billing schedule);
2. Customer website allowing for access to additional analysis and recommendations;
3. Customer service interface for support and organizational knowledge; and
4. Measurement and verification of customer conservation actions and efficiency program participation.

HERS is currently deployed by several leading utilities across the country. Sacramento Municipal Utility District, Southern California Edison, and San Diego Gas and Electric are currently using the system. Glendale Water and Power, through a contract with SCPA, is currently in the start up phase. The utility departments in the cities of Burbank and Anaheim are also considering participation in this program.

Positive Energy may move forward in the development of a similar information access and reporting system for water consumption if sufficient interest is developed among its clients. PWP has expressed its interest to Positive Energy in a similar product for water usage and will return with a separate proposal if the service becomes available.

Projected Program Savings, Budget and Cost-Effectiveness

The following assumptions are used to project Home Energy Reports Program savings of 2-3%:

- Paper Home Energy Reports will be mailed to 25,000 customers
- Each participating household will receive 6 printed reports per year and continuous website access
- Savings targets are between 5,000-7,500 MWh's per year
- Cost for each year around \$0.05/kWh, with potential payback to PWP within two to four years, depending on actual savings
- Greenhouse gas reductions related to energy savings are projected to be 3,400-5,000 tons per year

Agreements

SPPA's role is to provide a discount for services on behalf of its member agencies using its joint procurement authority. PWP will receive a significant discount (\$127,000) off the standard web license and setup fees if the City authorizes the participation agreement with SPPA by September 1, 2009.

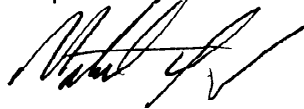
The City will enter into a separate contract with Positive Energy that will detail the scope of work and incorporate the City's required terms and indemnifications as well as the SPPA agreement. PWP will be responsible for all payment obligations incurred by SPPA in connection with work performed by Positive Energy on its behalf.

FISCAL IMPACT

Funds are available in the Public Benefits Fund budget (account 8114-410-831700-0914 24228) for the HERS program. The two-year agreement consists of first year set up and HERS licensing costs of \$172,500 plus \$132,000 for producing and mailing reports to PWP's customers. Second year costs of \$313,500 include the HERS annual license fee, Energy Insider website licensing fee and report production costs.

Over time, the costs associated with these services should be fully offset by reduced energy procurement costs, resulting in no increase or an overall decrease in expenditures from the Light and Power Fund and Water Fund.

Respectfully submitted,



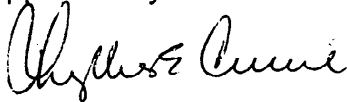
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