



# Agenda Report

February 24, 2020

**TO:** Honorable Mayor and City Council

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH COOPER COMPLIANCE CORPORATION FOR NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION COMPLIANCE SERVICES FOR A MAXIMUM CONTRACT AMOUNT NOT-TO-EXCEED \$288,000**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action 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.
2. Authorize the City Manager, or his designee, to enter into a contract with Cooper Compliance Corporation ("Cooper Compliance") for an amount not-to-exceed \$288,000, or five years, whichever occurs first, for the North American Electric Reliability Corporation ("NERC") compliance consulting services. Competitive bidding is not required pursuant to City Charter Section 1002 (H), contracts with other governmental entities or their contractors for labor, materials, supplies or services; and,
3. Grant the proposed contract an exemption from the Competitive Selection process pursuant to Pasadena Municipal Code Section 4.08.049(B) contracts for which the City's best interests are served.

## **BACKGROUND:**

NERC is a not-for-profit international regulatory authority whose mission is to assure the effective and efficient reduction of risks to the reliability and security of the electric grid. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the bulk power system through system awareness; and educates, trains, and certifies industry personnel. The NERC compliance monitoring is the process used to assess, investigate, evaluate, and audit in order to measure compliance with the NERC reliability standards. In addition, NERC has enforcement responsibility with authority to impose fines up to \$1,000,000 per day per violation of any applicable NERC reliability standard.

The Pasadena Water and Power Department ("PWP") performs a number of electric power generation, transmission, and distribution functions that are subject to NERC's jurisdiction and it is essential that PWP ensure compliance with applicable Reliability Standards at all times. PWP has internal staff who are responsible for NERC compliance and has utilized professional services provided by Cooper Compliance since 2013 due to complex nature of the regulations. PWP has been consistently complying with all applicable and evolving NERC reliability standards through monitoring, self-certification, and improved policies and procedures.

### ***Southern California Public Power Authority Contract with Cooper Compliance***

PWP is a member of Southern California Public Power Authority ("SCPPA"), a joint powers authority that is composed of eleven municipal utilities and one irrigation district. At the request of its members, SCPPA facilitates joint service contracts to aggregate similar efforts amongst its members to develop programs or projects that support energy efficiency, demand response, and resource procurement programs or projects to improve operating efficiencies and competitive pricing. By combining the commercial efforts of the small municipal utilities, SCPPA allows for greater market power through cooperative purchasing.

SCPPA has contracted with Cooper Compliance for NERC Reliability consulting services since 2013. On July 2, 2019, SCPPA issued a new request for proposals for NERC Compliance Services and received 16 proposals. Cooper Compliance was selected and awarded a contract by SCPPA based on costs, proposed solutions, and experience.

### ***Recommended Contract with Cooper Compliance***

In order to ensure ongoing compliance with evolving and technically complex NERC Reliability Standards, PWP needs to retain expert consultant to assist with all NERC compliance related issues. Cooper Compliance has satisfactorily provided these type of professional services to PWP since 2013; Cooper Compliance is familiar with unique NERC compliance issues that face PWP, has extensive knowledge of our electrical system, and can effectively identify, mitigate, or correct system/compliance issues or risks. Therefore, staff respectfully recommends that the City Council authorize the City Manager, or his designee, to enter into a contract with Cooper Compliance for an amount not-to-exceed \$288,000, or five years, whichever occurs first, for NERC Compliance Services which include but not limited to:

- Document Content for Regulatory Reports for PWP Compliance
- Monitor pending and approved changes to regulations and industry best practices
- Evaluate NERC compliance risks and provide mitigation recommendations
- Develop internal regulatory policies, processes, and procedures
- Provide training to PWP staff on developed policies, processes, and procedures
- Perform a gap analysis and annual NERC audit-readiness reviews
- Develop mitigation plans and monitor plans to completion

- Assist and administer the NERC Alert Program
- Prepare for and lead internal and external NERC compliance audits, including mock NERC audits as needed

The recommended contract with Cooper Compliance has a number of key advantages that are in the best interest of the City:

- It allows the City to achieve lower pricing through economies of scale by contracting directly with Cooper Compliance using the same terms as those offered to SCPPA members through a competitive selection process
- It enables the City to avoid committing substantial staff resources and expending additional set up and initiation fees that would otherwise be required to switch these services to a new vendor
- Cooper Compliance is very familiar with unique NERC compliance regulations applicable to PWP and other municipal utilities, and can effectively identify, mitigate, and/or correct system compliance issues and risks

Since 2013, Cooper Compliance has received compensation totaling approximately \$228,960 for NERC Reliability Standard consulting services for Pasadena.

Staff are unaware of any local vendors with the expertise to provide similar services.

**COUNCIL POLICY CONSIDERATION:**

The proposed contract is consistent with the City Council's goals to maintain fiscal responsibility and stability, and PWP's strategic initiatives to enhance customer satisfaction and confidence, improve efficiency and business continuity and maintain PWP's fiscal health and stability.

**ENVIRONMENTAL ANALYSIS:**

The action proposed herein is not a project 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. Entering into a contract for NERC compliance consulting services is an organizational and administrative action that 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 maximum cost of this action is \$288,000. Funding for this action will be addressed by the utilization of existing and future appropriations in the Power Operating Fund 401. The following table shows a summary of expected contract costs.

<b>Contract Expenditures</b>	<b>Amount</b>
Base Contract Price	\$240,000
20% Contingency (Including Auditing Expenses)	\$48,000
<b>Total Not-To-Exceed Contract:</b>	<b>\$288,000</b>

Respectfully submitted,



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Approved by:



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