

Agenda Report

Date: May 17, 1999

To: City Council
Through: Deregulation Committee

From: City Manager

Subject: Adopt resolution authorizing the Pasadena Water and Power Department to enter into third-party contracts to provide behind-the-meter services.

Recommendation

It is recommended that the City Council authorize the General Manager of Pasadena Water and Power (PWP) to enter into agreements, with third-party providers of behind-the-meter water and energy related services.

Background

As a result of electric industry deregulation, there has been an increased demand for behind-the-meter services by utility customers. The new services have been primarily aimed at improving customers' efficient use of electricity and lowering customers' electric bill.

PWP has received proposals from seventeen prospective vendors. These firms have extensive experience in providing behind-the-meter products and services across all customer segments. Additionally, PWP received an offer from Southern California Edison to furnish behind-the-meter services through the strategic alliance Request For Proposal process. These firms have expressed an interest in entering into an agreement with PWP to permit PWP to refer its customers to the vendor for these behind-the-meter services. The vendors will be commonly referred to as Water and Energy Solutions Providers or "WESP".

Through the WESP program, PWP will complement its portfolio of services by offering its customers a referral service to companies who align with PWP in providing water and energy related services. Companies providing behind-the-meter services to PWP's customers through this arrangement, agree not to compete for energy sales to any customer for which the vendor provides behind-the-meter services, for a period of not less than 24 months beyond termination of the agreement. The principles of the agreement are stated in the attached Exhibit 1.

Project liabilities and any associated risks are the sole responsibility of WESP. PWP will not have a contractual agreement with the customer. WESP shall be required to meet the standard risk management requirements of the City of Pasadena ("City"), including insurance requirements, and shall agree to indemnify and hold the City harmless. The agreement will contain safeguards to ensure that the vendors' insurance requirements remains current. WESP must provide proof that it has named PWP and the City as additional insureds. Additionally, WESP will be required to meet the City's living wage standards.

Through the WESP program, PWP will promote energy and water technologies to satisfy the needs and wants of its customers. PWP will not endorse particular products or vendors; rather, it will support technologies or applications that promote the efficient use of electricity and water. PWP will receive a referral fee for commissioned customer projects.

After PWP identifies a customer's service needs or identifies customers who could potentially benefit from water or energy related services, PWP will refer a group of WESP to the customer to propose a solution, which may consist of design, procurement and installation of water and energy efficient measures. Should the customer decide to proceed with the proposed project and selects the WESP, the contract for implementing the solution will ultimately be between the WESP and the customer. WESP are required to guarantee their performance (energy and water savings, and customer satisfaction).

The objective of the WESP program is to provide the following benefits to PWP customers:

- Turnkey projects including energy and water audits, load profiling, design, procurement, construction management, testing, commissioning, and savings verification
- Competitive prices
- Performance based contracts with WESP
- Access to a robust menu of behind the meter solutions and vendors

PWP customer account managers conducted a products and services needs assessment with their customers for the purpose of assessing levels of interest in specific behind the meter services. This information was an essential factor in the development of the menu of products and services offered through the WESP program.

The WESP program will be promoted exclusively through PWP's marketing organization, as all customer contacts and flow of customer information will be through PWP. Account managers will act as initial liaison between the customer and vendor. Subsequent to the execution of an agreement between a WESP and a PWP customer, PWP will request feedback from customers as projects progress to completion. A post project completion survey will be obtained from the customer to critique the vendor's performance for consideration regarding future referrals.

The following is a partial list of the products and services that will be available to PWP customers through the WESP program:

- **Technical and Project Management Services:** Building envelope modifications, electric motor and drive replacement or retrofits, thermal energy storage, chilled and hot water piping system upgrades, preventive maintenance, energy audits, design and specifications, installation, and commissioning
- **Heating, Ventilation, and Air Conditioning (HVAC) Systems:** A/C units replacement, heat pumps installation, high efficiency A/C units, variable air volume retrofit, cooling tower retrofit, economizer installation, fans and pump replacement, boiler improvements, chiller retrofits or replacement
- **Lighting Controls Replacement:** Occupancy sensors, light emitting diodes exit signs, day-lighting
- **Building Automation:** Energy management system, upgrade to direct digital controls, fire/life safety
- **Infrastructure Services:** Power quality upgrades, renewable energy systems installation, electrical distribution systems, transformers, water treatment facilities, water and sewer conservation systems, low flow plumbing system, water efficient irrigation

Fiscal Impact

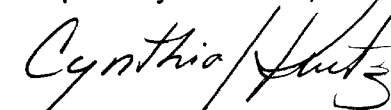
The WESP program is expected to generate approximately \$300,000 in FY 2000 and provide similar revenues in the subsequent years. Administration costs are anticipated to be minimal, as no additional staff is anticipated to support the WESP program.

Prepared by:



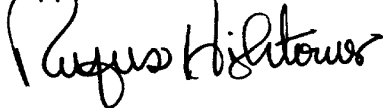
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Respectfully submitted,



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City Manager

Approved:



Rufus Hightower
General Manager
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