

# Agenda Report

August 10, 2009

**TO:** City Council

**FROM:** City Manager

**SUBJECT:** AUTHORIZATION TO ENTER INTO A PURCHASE ORDER CONTRACT WITH MCAVOY & MARKHAM FOR THE PURCHASE OF ELECTRIC POWER METERS FOR THE CITY OF PASADENA WATER AND POWER DEPARTMENT.

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize the City Manager to enter into a Purchase Order Contract with McAvoy & Markham for a period of two years for an amount not to exceed \$2,000,000 for the purchase of electric power meters for the Water and Power Department; and
2. Authorize the City Manager to extend the purchase order contract for up to two additional one-year extensions, each not to exceed \$500,000 per year. The proposed contract is exempt from competitive bidding pursuant to City Charter section 1002(H), contracts with other governmental entities or their contractors for labor, material, supplies or services.

## **BACKGROUND:**

The Water and Power Department's Power Delivery Meter Division (Department) has been installing an average of 1200 new electric power meters annually, attributable to new construction projects and customer requested service upgrades. In addition, as a part of the Power Meter Replacement Capital Improvement Program, the Meter Division has committed to replacing a minimum of 8,000 meters per year. The meters currently being replaced are primarily residential, between 20 and 50 years old. The old meters are mechanical and tend to get slower as they age resulting in an understatement of electric energy consumption, and under-collection of revenue. Eight years ago, staff completed a sample test survey of 500 meters between 20 and 50 years old that indicated a loss of meter accuracy from 2% to 33%.

The Meter Replacement Program began in fiscal year 2003. Approximately \$4,500,000 has been spent to date, and the program is more than 80% complete. The Department

expects to complete the replacement of all electric meters within the next two years, but will have a continuing need for meters for new construction and customer upgrades. The new meters are all electronic solid-state meters with one-way radio that can provide advanced metering capability such as interval data, power off notification, and energy use information and pricing via the web. These meters will be integrated into a "Smart Grid" project being proposed for Department of Energy stimulus funding.

Within approximately three to five years the Department will begin to phase in and deploy "Smart Meters," which are even more advanced, after:

1. The Department has installed the core communications network necessary to support a Smart Grid;
2. The "Smart Meter" functionality and communication standards have been clearly developed; and
3. "Smart Meters" have improved in capability and dropped in cost.

"Smart Meters" are two-way radio meters that could provide additional control by the utility of the customer connection and "Home Area Networks".

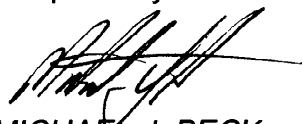
On June 17, 2008, the City of Glendale undertook a competitive bidding process for the purchase of solid-state meters and associated equipment through 2011. As a result of the bid process, the City of Glendale awarded a contract to McAvoy & Markham. McAvoy & Markham has offered to extend to the City of Pasadena the same unit pricing for the supply of Centron and Sentinel solid-state meters, identical to the meters the Department currently uses, and related items delivered on an as needed basis. If the extension years are exercised, pricing could increase by a maximum of 2% per year.

Staff recommends a purchase order contract for a period of two years for an amount not to exceed \$2,000,000, with two optional one-year extensions, not to exceed \$500,000 per year.

**FISCAL IMPACT:**

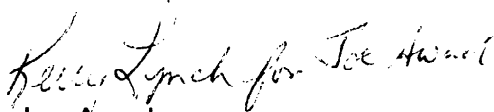
Sufficient funds are available in Capital Power Fund 411, in Capital Improvement Project #3001, Services from Underground System (\$100,000); #3023, Services from Public Right of Way (\$100,000); #3142, Time-of-Use Metering Infrastructure (\$50,000); and #3173, Power Meter Installation and Replacement Program (\$750,000), for a total projected purchase of \$1,000,000 in fiscal year 2010. Additional funds will be requested as needed for future years. Purchases will not be made unless requested funds are appropriated in future years.

Respectfully submitted,



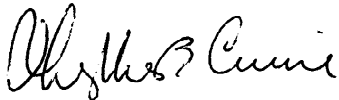
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