

Agenda Report

November 3, 2014

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (October 28, 2014)

SUBJECT: AUTHORIZATION TO ENTER INTO A MASTER INTER-UTILITY AGREEMENT BETWEEN THE CITY OF PASADENA AND SOUTHERN CALIFORNIA GAS COMPANY

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3), the general rule that CEQA applies only to projects that have the potential to cause a significant effect on the environment; and
2. Authorize the City Manager to enter into a Master Inter-Utility Agreement ("Agreement") between the City of Pasadena and the Southern California Gas Company ("So Cal Gas") for the joint coordination and implementation of electric, natural gas, and water efficiency programs in an amount not to exceed \$500,000 per year for up to five years. The proposed Agreement is exempt from competitive bidding requirements pursuant to City Charter Section 1002 (C), Contracts for labor, material, supplies, or services available from only one vendor; Southern California Gas Company is the sole natural gas provider in Pasadena.
3. Grant the proposed contract an exemption from the competitive section process of the Competitive Bidding and Purchasing Ordinance pursuant to Pasadena Municipal Code Section 4.08.049 (B), contracts for which the best interests of the City are served.

EXECUTIVE SUMMARY:

The proposed Agreement will establish a cooperative partnership between So Cal Gas and Pasadena Water and Power ("PWP") to jointly develop, promote, and implement various customer programs aimed at reducing water, electricity, and natural gas usage (collectively, "Conservation Programs") for customers who take utility services from both PWP and So Cal Gas ("Joint Service Territory Customers").

The proposed Agreement will serve as an umbrella agreement (also known as an enabling agreement) that sets forth the general terms and conditions under which conservation programs can be jointly developed and implemented by the two utilities.

Under the proposed Agreement, So Cal Gas would administer and implement Conservation Programs that PWP does not currently have the resources to offer, such as a broad scale low-income housing retrofit program and a multi-family direct install program. So Cal Gas would invoice PWP for costs attributable to electricity and water conservation measures. Such costs would be limited to the lesser of \$500,000 per year or funds available in approved annual budget for Conservation Programs in the Public Benefits Fund budget. PWP would claim and report the corresponding energy and water savings towards meeting its conservation goals.

PWP would be able to expand current offerings, such as the successful small business Water and Energy Direct Install Program ("WeDIP"), to include natural-gas saving measures. Each utility will be responsible for its own costs. For programs administered by PWP, So Cal Gas would either reimburse PWP or pay the third-party vendor directly for costs attributable to natural gas efficiency measures. In either case, the utilities would exchange sufficient data to verify customer participation and the savings that may be counted for conservation goals and regulatory filings.

Under the proposed Agreement, the utility responsible for implementing a given Conservation Program would follow its respective hiring and procurement rules for any staff or contractors retained to perform the work.

So Cal Gas has entered into similar arrangements with other utilities, including the Los Angeles Department of Water and Power, Burbank Water and Power, Anaheim Public Utilities, and Riverside Public Utilities. This approach has been shown to increase the efficiency and reduce costs for implementing Conservation Programs while increasing customer satisfaction by having a "one-stop" source for participating in Conservation Programs.

BACKGROUND:

PWP is constantly seeking innovative ways to offer customers more comprehensive and easy-to-use programs while meeting yearly water and energy conservation goals. One effective way to achieve greater energy and water conservation in Pasadena is to leverage existing successful programs provided by other utilities. Through the administration of the proposed Agreement, PWP will be able to better serve its customers by offering more comprehensive utility savings programs, find new and additional electric and water savings through existing So Cal Gas programs, and have expanded resources to achieve energy and water conservation goals.

Proposed Master Inter-Utility Agreement

The proposed Agreement would serve as an umbrella agreement that sets forth general terms and conditions under which Conservation Programs are implemented by PWP

and So Cal Gas for Joint Service Territory Customers. Through the proposed Agreement, PWP staff will have the ability to partner with So Cal Gas on multiple Conservation Programs that will benefit different types of electric and water customers. Under the proposed Agreement, each utility will continue to follow its individual procurement rules for each contract executed with a third-party vendor. The goals of the proposed Agreement are to:

1. Establish enhanced Conservation Programs for Joint Service Territory Customers.
2. Enable collaborative marketing of each utility's Conservation Programs to increase awareness and participation by Joint Service Territory Customers.
3. Leverage program development and resources of each party to better serve the electric, gas and water efficiency and resource savings needs of Joint Service Territory Customers.
4. Develop a process that standardizes the sharing of information regarding So Cal Gas and PWP's Joint Service Territory Customers participating in each utility's respective Conservation Programs as necessary to verify customer participation, amount of savings achieved, and respective cost shares.

The proposed Agreement allows for individual program elements to be clearly defined through Program Orders.

Program Orders

The proposed Agreement provides for the development and implementation of Program Orders for specific joint programs. The Program Orders will describe the joint program and provide the roles, responsibilities, and specific work activities that will take place under the program. In addition, Program Orders will specify cost sharing allocations and any billing provisions or cost and budget limitations that may apply. Each program order will also outline which organization will serve as the implementer for that specific program. Program Orders will be signed by PWP's General Manager, and become part of the proposed Agreement in a manner similar to change orders or task orders for service agreements.

PWP and So Cal Gas aspire to have numerous Program Orders through the proposed partnership, such as the joint administration of the Energy Savings Assistance Program to qualified low-income customers and enhancement of the WeDIP. As outlined in Table 1, this program would use local contractors to provide attic and pipe insulation, door weather stripping, faucet aerators, caulking, window and door repairs, water heater blankets, and more to customers. Through the PWP and So Cal Gas partnership, the co-branded program would provide additional electric saving measures such as LED light bulbs, and refrigerator replacements.

Table 1: Low-Income Energy Savings Assistance Program Enhancements

Energy Savings Assistance Program	
Services Currently Offered by So Cal Gas	
Attic insulation	Pipe insulation
Door weather-stripping	Caulking repairs
Low flow shower heads	Faucet aerators
Water heater blankets	Furnace repair or replacement
Water heater repair or replacement	
Additional Services Offered by Joint Administered Program	
LED Light bulbs	LED Nightlights
Energy Star Refrigerator Exchange	

As shown in Table 2, PWP and So Cal Gas also aspire to enhance the offerings of PWP's WeDIP program and add various gas saving measures that our small-business customers could receive free of charge.

Table 2: WeDIP Program Enhancements

WeDIP	
Services Currently Offered by PWP	
Lighting Upgrades	LED Exit Signs Upgrades
Occupancy Sensors	Programmable Thermostats
Faucet Aerators	Pre-Rinse Spray Valves
Low-Flow Showerheads	Efficient Toilets and Urinals
Refrigeration Gaskets	Strip Curtains
LED Refrigerated Case Lighting	Electronically Commutated Motors
Auto Door Closers	Evaporator Fan Controllers
Anti-Sweat Heaters (ASHs)	
Additional Services Offered by Joint Administered Program	
Pipe insulation	Tank insulation

In the implementation of new and expanded Conservation Programs under the proposed Agreement, PWP and So Cal Gas will make opportunities available for local businesses and labor to participate.

COUNCIL POLICY CONSIDERATION:

The proposed contract is consistent with the ten-year energy efficiency goals adopted by the City Council on January 28, 2013, the City's Urban Environmental Accords Goals, the General Plan Energy Element, the City Council's Strategic Planning Goals, and the 2012 Integrated Resource Plan. The proposed contract will contribute to greenhouse gas reduction goals by reducing electric energy use in Pasadena.

ENVIRONMENTAL ANALYSIS:

The proposed contract has been determined to be exempt from the CEQA pursuant to State CEQA Guidelines Section 15061 (b)(3), the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to

CEQA. Such is the case with the proposed contract authorization for the joint implementation of Conservation Programs with So Cal Gas.

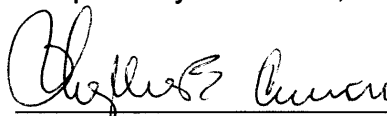
The physical construction that could occur as a result of the Program would be individual and minor home or commercial property improvement projects that individually or cumulatively would not have a significant effect on the environment.

FISCAL IMPACT:

The cost of this action will be \$500,000 per year for up to 5 years. Funding for this action will be addressed by the utilization of existing budgeted appropriations in accounts 410-831700-8716 (Utility Rebates) and 410-831700-8215 (Direct Install Rebates). It is anticipated that \$200,000 will be spent in the current fiscal year. The remainder of costs will be spent up to a maximum of \$500,000 each year of the remaining 4 year period.

The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



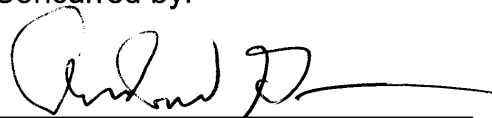
PHYLLIS E. CURRIE
General Manager

Prepared by:



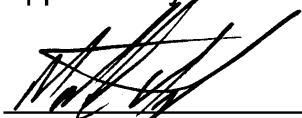
Wendy De Leon
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Concurred by:



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Approved by:



MICHAEL J. BECK
City Manager