

# Agenda Report

June 22, 2015

**TO:** City Council

**THROUGH:** Municipal Services Committee (June 16, 2015)

**FROM:** Water and Power Department

**SUBJECT:** AUTHORIZATION TO ENTER INTO A CONTRACT WITH WATERSMART SOFTWARE FOR THE PROVISION OF WATER EFFICIENCY, CUSTOMER ENGAGEMENT AND WATER CONSUMPTION REPORTING SERVICES

## **RECOMMENDATION:**

It is recommended that the City Council

1. Find that the proposed action is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15061 (b)(3) as it does not have the potential for causing a significant environmental effect and, therefore, falls under the "general rule" exemption; and
2. Authorize the City Manager to enter into a contract with WaterSmart Software ("WaterSmart"), to provide water efficiency, customer engagement and water consumption reporting services over a three year period, for a total amount not to exceed \$487,204. Competitive bidding is not required pursuant to City Charter Section 1002 (F) Contracts for Professional or Unique Services.

## **EXECUTIVE SUMMARY:**

As California enters its fourth year of drought, the Governor has issued several executive orders calling for extraordinary water conservation measures. As a result, the State Water Resources Control Board ("State Water Board") has established a requirement for Pasadena Water and Power ("PWP") to reduce overall customer water use by 28% from calendar year 2013 levels.

On June 1, 2015, the City Council ordered the implementation of Pasadena's Level 2 Water Supply Shortage Plan and several other actions to address the drought, including the implementation of various programs to encourage water conservation such as providing water efficiency reports to residential customers.

The proposed contract includes a fixed amount of \$467,204 for WaterSmart's customer-engagement platform, paper and electronic "Home Water Reports", a consumer web portal for residents, and a water efficiency dashboard for PWP staff. The proposed contract includes the following services:

- Initial configuration, hosting services, and license fees for the web-based WaterSmart software application for three years at a cost of \$467,204;
- Provide approximately 30,000 of PWP's single-family residential customers with enhanced water usage information, usage comparisons and water-saving tips;
- Preparation, printing, and delivery of six bimonthly reports for the first year, and four quarterly reports in the second and third year to participating customers;
- Provide email delivery option to participating customers;
- Provide access to a web portal for participating customers to update their household information and access the information; and
- Provide an administrative web portal to PWP staff for analysis and reporting.

The proposed contract also includes a contingency amount of up to \$20,000 for future customizations, integration services that may be needed if PWP's billing or metering systems changes, or unforeseen postal rate increases, bringing the total not to exceed amount to \$487,204.

WaterSmart has a successful track record delivering significant results for over 40 utilities in six states, representing over two million residential water accounts. The WaterSmart program includes use of control groups that do not receive reports in order to measure water savings. Third party verification has demonstrated a five percent reduction in single-family water demand in other water agencies, including the City of Cotati and East Bay Municipal Water District.

A separate contract with PWP's billing system vendor will be required to develop data interfaces necessary to securely provide data to WaterSmart. Depending upon the availability of this vendor and the complexity of the integration project, PWP anticipates that the reports and web portal should be available to PWP residential customers by early 2016.

**BACKGROUND:**

The Water Conservation Act of 2009, Senate Bill (SB X7-7) requires water agencies to reduce per capita water use by 20% by 2020. More recently, on April 1, 2015, Governor Edmund G. Brown Jr. issued Executive Order B-29-15, and directed the State Water Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. On May 5, 2015, the State Water Board adopted additional emergency water use regulations requiring PWP to reduce water usage by 28% compared to 2013 levels. Water agencies that fail to meet the reduction requirement are subject to a civil liability of up to \$10,000 a day. Since the emergency water regulations are currently in effect from June 1, 2015 through February 28, 2016, the theoretical maximum penalty for PWP could reach \$2.74 million.

The Pasadena community has made progress towards conservation, but PWP customers will need to conserve more water to avoid penalties. If Pasadena is to meet both the 20% by 2020 requirement under SB X7-7, and the more recent 28% reduction goal set by the State, it needs to find new ways to help customers conserve water.

In the Comprehensive Water Conservation Plan ("Plan"), adopted by City Council on April 13, 2009, a list of Water Conservation Approaches was provided to help the City meet its water reduction goals. The list includes providing water usage data as a measure to achieve higher water efficiency. Specifically, the Plan includes *"the evaluation of web-based systems, to provide water usage graphs, baseline computations, and usage comparisons to customers. In addition to historical water consumption, water use targets by customer class will be provided with appropriate levels of use indicated in gallons, with suggested methods to conserve and use water efficiently."*

WaterSmart is a web-based system that encourages water efficiency through behavioral motivation and change. WaterSmart is designed to provide easy to read print or email reports that show customers how much water their household uses, how they compare to neighbors, and how they can save water and money, with specific water savings tips based on a resident's individual profile. The software includes an on-line dashboard that displays water usage history, comparisons to similar size homes, water-saving resources and tips, and the ability to enter information such as the number of people living in the home, type of landscaping, and any existing water saving measures. It also includes an on-line dashboard for City staff to run reports to track water savings and program participation.

WaterSmart serves over 40 utilities in six states representing over 2 million water accounts, and has a successful track record delivering significant result, including a 3 to 7% reduction in residential water consumption and an increase in utility program participation rates. WaterSmart is working with a number of California cities and water utilities including East Bay Municipal Utility District, Irvine Ranch Water District; South Coast Water District; and the cities of Palo Alto, Cotati, Roseville, Davis, Newport Beach, Glendale, and Burbank. WaterSmart has reported water savings of 5% for the City of Cotati and East Bay Municipal Utility District ("EBMUD"). These savings were verified by an independent evaluation report of EBMUD's Pilot of WaterSmart Home Water Reports, prepared by M.Cubed for the California Water Foundation and EBMUD.

### **Contractor Selection Process**

In April 2015, the City issued a Request for Proposals ("RFP") to provide a web-based software application for water-efficiency. The RFP was posted on the City's website through Planetbids in accordance with the Pasadena Municipal Code provisions. Three proposals were received. The proposals were scored based on the criteria shown in Table I.

**Table I  
 RFP Scoring Criteria**

| <b>Scoring Criteria</b>   | <b>Max Points</b> |
|---------------------------|-------------------|
| Design and Development    | 40                |
| Experience                | 25                |
| Cost of Services          | 25                |
| Local Business Preference | 5                 |
| Small Business Preference | 5                 |
| <b>Total Score</b>        | <b>100</b>        |

Based upon these criteria, WaterSmart Software is recommended as the best option for providing a web-based software application for residential water efficiency engagement in accordance with City specifications. WaterSmart was the only respondent to have experience in maintaining a residential engagement software system to track and report water use and water efficiency measures, with a minimum of one year of implementation with a water utility, and third party verified water savings of at least 3%. Table II shows the final scoring of the three respondents (see Attachment 1 for a full scoring matrix). WaterSmart does not currently have, nor has it had past contracts with the City of Pasadena.

**Table II  
 Final Respondent Evaluation Scoring**

| <b>Vendor/Respondent</b>    | <b>Company Location</b> | <b>Score<br/>(Out of 100)</b> | <b>Proposed Price</b> |
|-----------------------------|-------------------------|-------------------------------|-----------------------|
| Civic Resource Group (CRG)  | Los Angeles, CA         | 59                            | \$411,052             |
| Smart Utility Systems (SUS) | Irvine, CA              | 64                            | \$250,300*            |
| WaterSmart Software         | San Francisco, CA       | 78                            | \$467,204             |

*\*Bid price did not include cost of printing or delivering paper home water use reports*

**Program Overview**

WaterSmart's customer-engagement platform includes paper and electronic Home Water Reports, a consumer web portal for residents, and a water efficiency dashboard analysis tool for PWP staff.

PWP has approximately 35,000 Residential Accounts. The project would begin with a hard copy letter mailed to 30,000 "Participating Customers" to inform customers about the program, with a link to an online Customer Insight Survey. The survey takes customers through a series of questions to gather information about their household size, water use, water efficiency behaviors, outside irrigable area, age of appliances, etc. The survey would also collect email addresses, to allow the option of receiving Home Water Reports by email. A "Control Group" of 5,000 residential water customers would be used to compare water savings with the participant group. The Control Group would not receive surveys or Home Water Reports. Following the initial welcome letter, survey results, and data acquisition, WaterSmart will mail Home Water Reports to all Participating Customers on a bi-monthly basis for one year, then on a quarterly basis for

the second and third year. Home Water Reports will include personalized water consumption information and a score; a comparison to similar households called "neighbors"; personalized recommendations; and targeted program promotions of water conservation programs and water education workshops.

The WebPortal for PWP customers would provide customers with their actual water use; historic trend analysis; seasonal use comparison; pie chart illustrating estimated water usage in different areas of the home; targeted recommendations; a "My Action Plan"; and "neighbor" comparisons. The Water Efficiency Dashboard for PWP staff would provide customer relationship management; customer consumption analysis; utility consumption analysis; geospatial analysis; program performance tracking and reporting; program participation history and tracking; managing goals and water use restriction; leak and high use alerts and analysis.

WaterSmart captures changes in consumption for the Participating Customers (treatment group) versus the Control Group. The treatment group will consist of the 30,000 Participating Customers receiving Home Water Reports to the Customer WebPortal. The Control Group, will not receive Home Water Reports, and will not have access to the WebPortal. After three Home Water Reports have been sent, WaterSmart prepares an efficiency study that details the change in water usage over time for the treatment group versus control group, and loads those results into the PWP dashboard. Results are visible to PWP staff on a monthly basis. The cost of this program includes measurement and verification of the water savings after the first year of implementation.

#### **ENVIRONMENTAL ANALYSIS:**

The proposed contract has been determined to be 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 which 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 reporting services related to water efficiency, customer engagement and water consumption. This activity consists of reporting of water information through a customer-engagement platform, paper and electronic Home Water Reports, a Consumer WebPortal for residents, and a Water Efficiency Dashboard for PWP staff. This contract does not involve any physical changes to the environment.

**FISCAL IMPACT:**

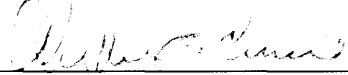
The cost of this action will be \$487,204: \$467,204 for a 3-year contract and \$20,000 contingency for future customizations. Funding for this action will be addressed by the utilization of future budget appropriations in the Water Fund account number 8114-402-831400. The following table presents the contract summary:

**Table III – Project Cash Flow**

| <b>Cost Component</b>           | <b>FY2016</b>    | <b>FY2017</b>    | <b>FY2018</b>    | <b>Total</b>     |
|---------------------------------|------------------|------------------|------------------|------------------|
| WaterSmart Services             | \$175,420        | \$145,892        | \$145,892        | \$467,204        |
| WaterSmart Contract Contingency |                  | \$10,000         | \$10,000         | \$20,000         |
| <b>Total</b>                    | <b>\$175,420</b> | <b>\$155,892</b> | <b>\$155,892</b> | <b>\$487,204</b> |

Indirect support costs such as administrative and technical support are anticipated to be \$142,722 for a period of three fiscal years and will be addressed by utilization of future budget appropriations in account 402-831400. The total cost to implement the WaterSmart program, including the proposed contract and estimated indirect costs, is approximately \$629,926.

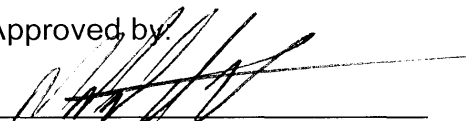
Respectfully submitted,

  
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**Attachments:**

Attachment 1: RFP Scoring Matrix