

# Agenda Report

June 6, 2016

**TO:** Honorable Mayor and City Council

**FROM:** Pasadena Water and Power

**SUBJECT: AUTHORIZE A CONTRACT WITH OPOWER, INC. FOR THE PROVISION OF BEHAVIORAL ENERGY EFFICIENCY AND CUSTOMER ENGAGEMENT PROGRAM 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 Interim City Manager to enter into a contract without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services, with Opower, Inc. ("Opower") in the amount of \$1,909,500, for five years of services to implement a behavior-based energy efficiency and customer engagement program.

## **EXECUTIVE SUMMARY:**

Since its 2011 launch in Pasadena, the Home Energy Report ("HER") program has become the largest and the most cost-effective program in Pasadena Water and Power's ("PWP's") residential energy efficiency portfolio. The HER program has helped PWP engage with approximately 40,000 residential customers and encourage them to become more energy efficient by providing specific energy usage and efficiency information. As a result, about 18.9 million cumulative kilowatt hours ("kWh") of energy, enough energy to power approximately 2,700 average Pasadena homes for an entire year, has been saved thus far by customers receiving the reports. In addition, customer surveys have demonstrated those receiving the reports have higher engagement and satisfaction with PWP.

The City of Pasadena's current two-year contract with Opower, in the amount of \$789,000, will expire on June 30, 2016. Given the relatively low projected first-year cost of approximately 7¢ per kWh saved, and the benefit of being able to communicate relevant energy use and program information through the HERs, PWP recommends that the City Council authorize a new contract with Opower, Inc. as a result of a new

competitive selection process to extend the HER program through June 2021, with the option to terminate after three years (June 2019) with at least 60 days prior notice.

Reports will continue to be mailed to all residential customers that meet neighbor comparison eligibility requirements without interruption provided the contract is executed prior to June 30, 2016. These customers will continue receiving reports for the duration of the program, provided they remain eligible. All of PWP's 56,645 residential customers will also have access to the Opower HER's web portal.

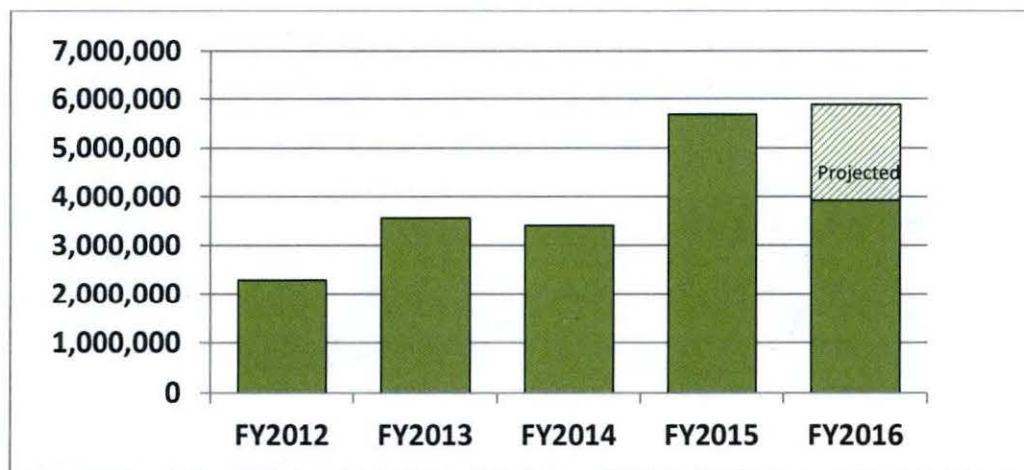
The program is expected to yield approximately 31 million kWh in energy savings over five years, reducing PWP customers' bills by about \$5,600,000 (based on a system average rate of \$0.18 per kWh) at cost of \$1,909,500 contributing significantly to PWP's current and future energy efficiency goals.

Since Opower is currently PWP's HER vendor no additional data integration is required. This will allow for uninterrupted and consistent reporting services, and will not require any additional staff resources or contract services to integrate the necessary data from PWP's billing system.

**BACKGROUND:**

Since its launch, the HER program has resulted in a cumulative total savings of approximately 18.9 million kWh, as shown in Figure 1. The savings impact as a percentage of customer energy use has been, on average, 2.5% since program inception. The growth in energy savings in fiscal years 2015 and 2016 is due to several program expansions that have allowed the HERs to reach additional PWP residential customers. Under the proposed contract, the savings are expected to remain at levels similar to FY2016.

**Figure 1. HERs Program Historic Energy Savings (kWh)**



***Contractor Selection Process***

In February 2016, the City issued a Request for Proposals ("RFP") to provide a behavioral energy-efficiency and customer engagement program. The RFP was posted

on the City's website through Planetbids in accordance with the Pasadena Municipal Code provisions. Four proposals were received. The proposals were scored based on the criteria shown in Table I.

**Table I: RFP Scoring Criteria**

Scoring Criteria	Max Points
Project Understanding	10
Project Approach & Technology Requirements	15
Staffing of Project/Ability to Perform	15
Experience	25
Best Value/Cost Effectiveness	25
Small Business Preference	5
Small / Micro-Business Preference entitlement	5
<b>Total Score</b>	<b>100</b>

Based upon these criteria, Opower is recommended as the best option for providing a behavior energy efficiency and engagement platform in accordance with City specifications. A summary of the scores is provided in Attachment A. Opower ranked highest on project understanding and experience, and was cost-competitive on pricing. With respect to experience, Opower was the only vendor to meet the requirement for respondents to include at least three references for behavioral energy efficiency programs that they have implemented for at least two years. Table II shows the four respondents.

**Table II: RFP Respondents**

Vendor/Respondent	Company Location	Evaluated Score
Opower, Inc.	San Francisco, CA	79
Schneider Electric USA, Inc.	Martinez, CA	66
Smart Utility Systems (SUS)	Irvine, CA	69
Simple Energy	Boulder, CO	61

**Program Overview**

Opower's HERs are based on a large body of research that has shown that providing this feedback through normative comparisons, i.e., comparing people to other people similar to them, to be one of the most effective ways to motivate and reinforce energy efficiency behavior. Energy feedback is recognized by American Council for an Energy Efficient Economy, a national energy-efficiency organization, as "a critical first step in engaging and empowering customers to thoughtfully manage their energy resources."<sup>1</sup> Behavioral energy-efficiency programs have been approved as energy resources by commissions in over 35 states, including California.

<sup>1</sup> ACEEE (2010). Advanced Metering Initiatives and Residential Feedback Programs: A Meta-Review for Household Electricity-Saving Opportunities.

The HER program will continue providing all eligible PWP customers with personalized direct-mail and electronic HERs. Each report contains colorful and informative graphics that demonstrate how the resident is doing with their energy use compared to a like grouping of similar homes. Each report also contains historical data in the form of simple graphs and icons, depending on how well the customer is doing, and energy-saving tips, customized by PWP on ways to save energy and water through PWP's energy efficiency programs. The personalized analysis and reports are enabled by Opower's data analytic that uses a software-as-a-service platform.

All PWP residential customers will also continue to have access to the Opower web portal. The program provides for a customer service interface to help manage preferences and questions on the HER program, a PWP-facing dashboard that will provide detailed program performance data, and a regular customer survey to monitor customer reactions and satisfaction with the program.

Through the HER program, PWP will continue to leverage Opower's data analytics platform to develop analysis for customer segmentation that will support PWP's marketing and outreach to residential customers, with targeted and applicable programs and services available to them.

Opower has experience implementing HERs and customer engagement programs with over 100 utilities. Their platform uses robust statistical methods to calculate HER program energy savings for each utility client.

**COUNCIL POLICY CONSIDERATION:**

The proposed contract is consistent with the City Council's Strategic Planning Goal to Increase conservation and sustainability, 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, and the 2015 Integrated Resource Plan. The proposed contract will contribute to greenhouse gas emission reduction goals by reducing electric energy use in Pasadena.

**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 the continuation and expansion of the HER program. This program consists of providing information to electricity customers and does not propose any physical changes to the environment.

**FISCAL IMPACT:**

The cost of this action will be \$1,909,500 for the full term of the five-year contract, or \$1,155,500 if the City's option to terminate after three years is exercised. Funding for this action will be addressed by the utilization of Fiscal Year 2017 and future budgeted appropriations in the Public Benefits Fund account number 41609140-821510. Table III summarizes the contract expenditures by fiscal year:

**Table III – Projected Cash Flow**

FY2017	FY2018	FY2019	FY2020	FY2021	Total for 5 Years
\$387,500	\$393,500	\$374,500	\$379,500	\$374,500	\$1,909,500

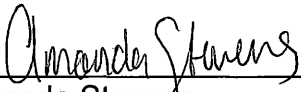
Since the program has already been fully implemented, indirect support costs such as administration, technical, and customer support are expected to be minimal.

Respectfully submitted,

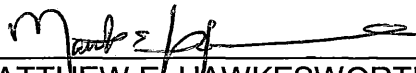


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**Attachments**

Attachment A – RFP Scoring Matrix Summary