



Agenda Report

August 28, 2017

TO: Honorable Mayor and City Council

FROM: Pasadena Water and Power

SUBJECT: AUTHORIZE A CONTRACT WITH STAPLES ENERGY IN AN AMOUNT NOT TO EXCEED \$5,000,000 FOR THE PROVISION OF COMMERCIAL ENERGY AND WATER DIRECT INSTALLATION 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 15301 (Class 1: Existing Facilities); and
2. Authorize the City Manager to enter into a contract, based on a competitive selection process pursuant to Pasadena Municipal Code Section 4.08.047, with Staples Energy in an amount not to exceed \$3,685,285 over an initial two-year term with an option for one (1) one-year term extension not to exceed \$1,314,715 at the approval of the City Manager for the installation of energy and water-conservation devices, equipment and services for the Pasadena Water and Power ("PWP") Water and Energy Direct Install Program ("WeDIP").

BACKGROUND:

PWP is committed to supporting its customers in realizing water and energy savings, which result in environmental benefits for the community and financial benefits for the customer. Since 2013, PWP has offered the WeDIP program to help small businesses and commercial customers reduce their annual electric and water usage by installing proven energy and water saving measures at no cost to the customer. The current WeDIP program serves approximately 200 small business customers per year and results in annual water and energy savings exceeding 2.5 million gallons and 1.0 million kilowatt hours ("kWh") respectively.

PWP was recently awarded a \$1.2 million grant from the California Department of Water Resources ("DWR") to expand the WeDIP program ("Program") to reach more small business customers in the Disadvantaged Community ("DAC") census tract area (Attachment A) and provide a broader range of services. PWP expects the grant funding will enable the Program to serve an additional 125 customers per year over the 24-month grant period, of which 85% would be assisted living facilities, churches, local

businesses, restaurants and lodging facilities located in the DAC area. The expanded Program is expected to produce annual savings of 7.7 million gallons of water and 4.1 million kWh in energy.

In order to continue disseminating program participation and benefits across a wide base of commercial customers, the value of work performed will continue to be limited to \$7,500 per qualifying account. Program outreach and marketing efforts will be focused on small commercial customers with a demand of less than 30kW; medium commercial customers with a demand of 50kW or less; and both small and medium sized commercial customers in the DAC area. PWP's water-only customers will qualify for grant-funded Program services that result in water savings.

PWP is recommending a contract term of two years, with one one-year extension at the approval of the City Manager, to ensure that grant funds are fully utilized and provide ongoing PWP-funded services. If the one-year extension is approved, the maximum expenditures will be \$5 million over three years. As shown in Table I, following reimbursement from the DWR grant and the Southern California Gas Company ("SoCal Gas"), PWP's net cost for this contract is expected to be approximately \$2,214,715 over the initial two-year term, and an additional \$1,314,715 if the one-year extension is granted. The level of spending is approximately twenty percent higher than the current level of spending. The Program contributes to meeting PWP's energy and water savings goals while providing economic savings and efficiency benefits to the Pasadena business community. Many small businesses operate on narrow profit margins and are unable to participate in PWP's commercial rebate programs that require up-front investment in energy and water retrofits by the customer. This program promotes broader participation by providing small businesses a no-cost retrofit.

Funding will be provided through a combination of the DWR Water Energy Grant Program fund; revenues from PWP's Public Benefits Charge ("PBC"); the Water Conservation Fund budget and reimbursement from SoCal Gas.

Table I: Funding Summary for Proposed Contract¹

Efficiency Type	Funding Source	Costs Year 1 & 2	Cost Year 3 Extension	Annual Savings ²	Lifetime Savings ²	Lifetime Cost per Unit Saved
Energy (E)	PWP PBC Fund	1,914,715	1,164,715	4,172,637 kWh	51,839,013 kWh	\$.06/kWh
Water (W)	PWP Water Fund	300,000	150,000	7,770,653 gallons	85,477,185 gallons	\$.005/gal
PWP Net Cost		2,214,715	1,314,715			
Natural Gas (NG)	SoCal Gas*	225,000 ³	0			
E,W,NG	DWR Grant*	1,245,570 ³	0			
Total Cost		\$3,685,285	\$1,314,715			

¹ Excludes PWP's direct expenditures for program marketing and implementation.

² Cumulative annual and lifetime savings over a three year Program if the optional one-year extension is approved.

³ Grant and SoCal Gas funds cover a 24-month period.

If the one-year extension is granted, the Program is expected to yield approximately 4.1 million kWh per year in energy savings and 24 Acre Feet (“AF”) per year of water savings.

PWP anticipates fully funding the Program without adverse impacts on any existing water or energy conservation programs.

Contractor Selection Process

To support implementation of the WeDIP program expansion, PWP issued a Request for Proposal (“RFP”) in March 2017 for a water and energy commercial direct install program. The RFP was posted on the City’s website through Planetbids in accordance with the applicable provisions of the Pasadena Municipal Code. Four proposals were received. The proposals were scored based on the criteria shown in Table II.

Table II: RFP Scoring Criteria

Scoring Criteria	Max Points
Statement of Work	40
Project Cost/Budget	30
Overall Quality and Responsiveness	20
Local Pasadena Business Preference	5
Small / Micro-Businesses Preference entitlement	5
Total Score	100

Based upon these criteria, Staples Energy received the highest evaluated score as summarized in Table III and is the recommended vendor. Attachment B includes a detailed breakdown of the evaluated score for each respondent. Staples Energy proposal ranked highest based on its comprehensive and detailed statement of work that covered the full set of services and measures sought by PWP, a program approach that emphasized strong customer service, and technical experts with a proven track record of providing excellent quality service. In addition to providing a cost-competitive proposal, Staples Energy has over 15 years of experience implementing commercial direct install programs for utilities. Their proposed Pasadena program also includes local subcontractors which will support the City’s local procurement efforts. Staples Energy does not have any current or past contracts with the City of Pasadena.

Table III: RFP Respondents

Vendor/Respondent	Company Location City and State	Evaluated Score (Out of 100)
Staples Energy	Bakersfield, CA	81
Synergy Companies	Perris, CA	75
Clear Result	San Francisco, CA	70
AmGreen Solutions, Inc.	Los Angeles, CA	53

The recommended contract fully complies with Prevailing Wage Law (Senate Bill 7) per Resolution 9406 adopted by the City Council on December 15, 2014.

ENVIRONMENTAL ANALYSIS:

The project is categorically exempt from CEQA pursuant to State CEQA Guidelines Section 15301 (Class 1: Existing Facilities). The Class 1 categorical exemption covers the repair, maintenance, or minor alteration of existing public or private structures, involving negligible or no expansion of use. The proposed contract would provide for improvements to reduce energy and water consumption from existing commercial structures but not expand the use of the properties.

FISCAL IMPACT:

The cost of this action will be up to \$5,000,000 over a three-year period, anticipated to begin in early Fiscal Year 2018 (“FY18”). Funding for the planned expenditures in Fiscal Years 2018, 2019 and 2020 will be addressed by the utilization of existing and future budgeted appropriations within the Public Benefits Fund account number 41609140-821510 and the Water Conservation Fund account number 41407820-821500.

Table IV summarizes the contract expenditures and anticipated reimbursements from the California Department of Water Resources, and SoCal Gas, by fiscal year. Actual expenditures may vary from year to year and extend beyond FY 2020 based on the actual pace of program activity.

Table IV: Projected Staples Energy Contract Funding Source

Funding Source	Account	FY2018	FY2019	FY2020 *	Total
SoCalGas	41600010-702300	112,500	112,500	0	225,000
PBC Fund	41609140-821510	750,000	1,164,715	1,164,715	3,079,430
Water Fund	41407820-821500	150,000	150,000	150,000	450,000
California Department of Water Resources Grant Funding	41600010-702300	622,785	622,785	0	1,245,570
Staples Energy Contract Total		\$3,685,285		1,314,715	5,000,000
Net Cost to PWP		\$2,214,715		1,314,715	3,529,430

* Optional one year program extension

Table V summarizes additional support services required for PWP to administer the Program.

Table V: Projected Program Support

Budget Category	Account	FY2018	FY2019	FY2020	Total
Employee Salary	41609140-800510	40,000	20,000	20,000	80,000
Verification Service	41609140-811410	4,000	4,000	4,000	12,000

If the one-year extension is granted, the total cumulative energy savings and water savings achieved through the completion of the Program would reduce annual electrical revenues by approximately \$660,000 per year and water revenues by approximately \$31,000 per year.

Respectfully submitted,



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Prepared by:



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Water and Power Department

Approved by:



STEVE MERMELL
City Manager

Attachments:

- Attachment A: Disadvantaged Community ("DAC") census tract area
- Attachment B: Request for Proposal Evaluation Summary
- Attachment C: Taxpayer Protection Act ("TPA") filing