

Agenda Report

December 17, 2018

TO: Honorable Mayor and City Council

FROM: Water and Power Department

THROUGH: Municipal Services Committee (December 11, 2018)

SUBJECT: AUTHORIZATION TO INCREASE AND EXTEND CONTRACT NO. 30133 WITH WATERSMART SOFTWARE, INC. FOR THE PROVISION OF BEHAVIORAL WATER 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 ("CEQA") 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;
2. Authorize the City Manager to extend Contract 30133 with WaterSmart Software, Inc. ("WaterSmart") for one year with a one-year optional extension, and increase the value by \$240,000 for a new total not to exceed amount of \$727,204 in order to continue offering a behavior-based water efficiency and customer engagement program; and
3. To the extent this could be considered a separate procurement, grant the proposed contract increase an exemption from the competitive selection process pursuant to P.M.C. Section 4.08.049 (B), contracts for which the City's best interests are served.

MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:

The Municipal Services Committee recommended that the City Council approve these recommendations at its December 11, 2018 meeting. The Committee suggested several clarifications that are incorporated into this report.

EXECUTIVE SUMMARY:

Following a competitive selection process, on June 22, 2015 the City Council authorized a three-year contract with WaterSmart for services that encourage water efficiency through behavioral motivation and change. These services include: easy to read print and email home water reports; a robust customer web portal to educate customers on water use and provide guidance to achieve efficiency; and, a utility dashboard for City staff with more than 40 reports accessible in over ten modules. The City's current three-year contract with WaterSmart expires on February 10, 2019.

Since its 2016 launch, the WaterSmart Program ("Program") has become the largest and most cost-effective program in Pasadena Water and Power's ("PWP's") residential water efficiency portfolio. The Program has helped PWP engage with approximately 26,000 residential customers and encourage more efficient water use. As a result, approximately 569 acre feet ("AF"), or 185 million gallons, of water has been saved by PWP customers receiving the report. This is equivalent to the average water use in approximately 1,407 average California homes for an entire year.

The Program has proven to be very cost effective, with an estimated cost of water savings over the three-year contract term averaging \$856 per AF saved or 3¢ per gallon. Water savings for each program in PWP's residential water efficiency portfolio are tracked separately. By comparison, in FY18 the estimated cost of water savings for the residential and commercial rebate program was \$730 per AF saved, or 2¢ per gallon; the estimated cost of water savings for the residential direct install program was \$1,446 per AF saved, or 4¢ per gallon; and the estimated cost of water savings for the low-income direct install program was \$2,019 per AF saved, or 6¢ per gallon. PWP spends \$1,050 per AF for imported water from the Metropolitan Water District.

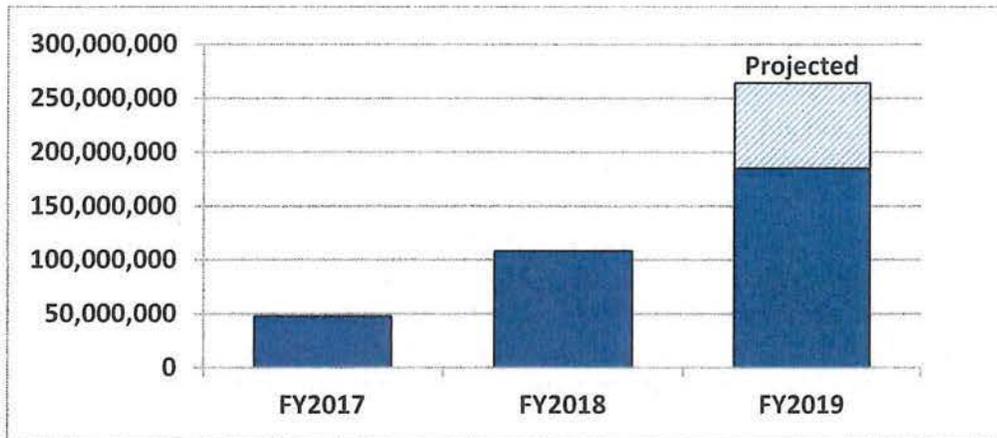
Given the cost effectiveness of the Program, and the benefit of being able to communicate relevant water use and program information through home water reports, PWP recommends that City Council authorize the City Manager to execute up to two one-year extensions to Contract No. 30133, and add \$240,000 (\$118,100 year 1; \$121,900 year 2) to the contract's maximum not to exceed amount.

It is in the City's best interests to extend the current contract in lieu of a new competitive selection process, as this will allow for uninterrupted and consistent reporting services, along with the associated water savings. Currently, PWP is in the process of selecting and implementing a new Customer Information System ("CIS") system, and incorporating only minimal essential changes to the existing CIS system for a smoother transition to the new system. If a new behavioral water savings system was selected through a new competitive selection process, it would require building new data interfaces with the existing CIS which would delay and add cost to the implementation of the new CIS. If the current contract with WaterSmart is extended prior to February 10, 2019, home water reports will continue to be mailed to all participating residential customers without interruption and they will also have access to the Program web portal.

BACKGROUND:

Since its launch, the Program has resulted in a cumulative water savings of 185 million gallons, shown in Figure 1. The savings impact as a percentage of customer water use has averaged 2.5% since program inception. Under the proposed contract amendment, the savings are expected to remain at levels similar to FY2019.

Figure 1. Program Historic Cumulative Water Savings (Gallons)



Program Overview

Program services include the issuance of home water reports to 26,000 single family residential customers on a bi-monthly basis. The home water reports contain features such as water consumption, water score, and water use comparison to similar size households, personalized ways to save water, and a link to a customer web portal to find additional information. The Program also created a utility dashboard for City staff which serves as an analytics and customer engagement tool. The utility dashboard has been extremely beneficial to staff to help address customer questions and complaints regarding water use, trouble shoot possible issues such as leaks, and increase participation in rebates, workshops, PWP's greywater program, and direct install programs.

The Program has been effective in reducing water use. WaterSmart determines the Program's water savings by comparing actual water use of those customers receiving the home water reports with the water usage of a control group of customers that do not receive the reports. The results indicate that for the period of November 2016 to August 2018, the Program resulted in a 3.2% reduction in water use when compared to a control group. WaterSmart also conducted a customer satisfaction survey in March 2018. The results were very positive. Over 9,500 customers were invited to participate and 1,705 responses were received. Three-quarters of the respondents indicated that the home water reports made them more water efficient and 86% of the respondents would like to continue to receive the report.

The benefits of the Program are evident, and it is important for PWP to continue offering this cost effective service to its customers, to support the City in reaching its water

saving goals. Under Senate Bill X7-7, the City is mandated to reduce water use 20% by 2020, and reach a target of 169 gallons per person daily. The WaterSmart Program provides multiple tools for PWP to educate and engage customers to reduce their water use. PWP recommends an extension of the contract and exemption from the competitive selection process as the most effective option for PWP, and is consistent with the provisions provided for in the initial competitive selection process. The Program has been fully implemented, and all necessary data interfaces were completed in FY17 during program launch. At this time, if a competitive selection process resulted in a new vendor selection, PWP would be unable to build new data interfaces in a timely manner, resulting in an interruption of service for customers. PWP is currently in the process of selecting a vendor to replace the current CIS. To keep the new CIS project on time, within the predetermined scope and cost, the existing data structure and interfaces are "frozen" except for absolutely necessary changes.

Given the resources and complexity of transitioning to a new CIS, extending the contract with WaterSmart is in the best interest of the City. This option ensures uninterrupted Home Water Report services for Pasadena residents, while providing staff with a critical tool to continue to assist customers and support their efforts to reduce water use, identify leaks, and participate in PWP's rebate and conservation programs.

COUNCIL POLICY CONSIDERATION:

The proposed contract amendment is consistent with the City Council's Strategic Planning Goal to increase conservation and sustainability, the City's adopted 2009 Water Conservation Plan, the City's Urban Environmental Accords Goals, the City's Climate Action Plan, the 2015 Urban Water Management Plan Update, and the 2011 Integrated Water Resource Plan. The proposed contract amendment will contribute to greenhouse gas emission reduction goals by reducing water use, and the embedded energy use therein, in Pasadena.

ENVIRONMENTAL ANALYSIS:

The proposed contract amendment has been determined to be exempt from 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 amendment 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 Web Portal for residents, and a Water Efficiency Dashboard for PWP staff. This contract amendment does not involve any physical changes to the environment.

FISCAL IMPACT:

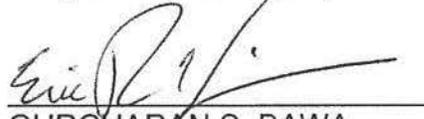
The cost of this action will be \$240,000: \$232,360 if both one-year contract extensions are granted and an additional \$7,640 contingency for future customizations. Funding for this action will be addressed by the utilization of current and future budget appropriations in the Water Fund account number 8114-402-831400. Table I summarizes the historical and proposed expenditures by contract year:

Table I – Project Cash Flow

Contract Year (Fiscal Year)	Year 1 (FY2016)	Year 2 (FY2017)	Year 3 (FY2018)	Year 4 (FY2019)	Year 5 (FY2020)	Total
WaterSmart Services	\$175,420	\$145,892	\$145,892	\$114,280	\$118,080	\$699,564
WaterSmart Contract Contingency		\$10,000	\$10,000	\$3,820	\$3,820	\$27,640
Total	\$175,420	\$155,892	\$155,892	\$118,100	\$121,900	\$727,204
<i>Proposed Extensions</i>				\$240,000		

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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