



Agenda Report

June 10, 2019

TO: Honorable Mayor and City Council
FROM: Water and Power Department
SUBJECT: AUTHORIZATION TO AMEND CONTRACT NUMBER 22,049, THE 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 proposed action is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15301 (Class 1: Existing Facilities); and that there are no features that distinguish this project from others in the exempt class and, therefore, there are no unusual circumstances;
2. Authorize the City Manager to amend contract number 22,049, the Master Inter-Utility Agreement ("Agreement") between the City of Pasadena and the Southern California Gas Company ("SoCalGas") for the joint coordination and implementation of electric, natural gas, and water efficiency programs to extend the term for an additional five years in an amount not to exceed \$1,500,000 over the five year extension. Competitive bidding is not required pursuant to City Charter Section 1002 (C) Contracts for labor, material, supplies, or services available from only one vendor; and,
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:

On November 3, 2014, the City Council approved the Master Inter-Utility Agreement with SoCalGas, which is set to expire on December 31, 2019. Under this Agreement, Pasadena Water and Power ("PWP") and SoCalGas collaboratively develop and administer energy and water efficiency programs in PWP's service territory. Either party may administer a given program and receive compensation from the other party for its respective cost share based on the efficiency activities and measures installed. Partnering on these programs provides customers of both utilities with more convenient and comprehensive "one stop" program options while reducing administration and implementation costs.

Programs associated with this Agreement are managed using Program Orders that specify the respective responsibilities and compensation limits for each joint-program offered. Thus far, four jointly-run efficiency programs have been established. PWP customers may obtain water-and-energy-saving services and measures by participating in the multifamily and low-income residential direct install programs administered by SoCalGas, and PWP reimburses SoCalGas for the services and measures. Likewise, over the last year the utility has expanded the scope of services offered under its existing small business and residential direct-install programs to include additional energy efficiency measures, some of which provide natural gas savings that are eligible for reimbursement to PWP. Staff projects that the City will reimburse SoCalGas roughly \$120,000 in FY2019 for the cost of measures and services that provide electric and water savings. On the other hand, SoCalGas will reimburse the City an estimated \$250,000 in FY2019 for the cost of measures and services that provide such natural gas savings.

The Programs administered through this partnership agreement typically provide audits, water and energy saving devices, and installation at no cost to the customer. The majority of these programs are targeted to serve low- to moderate-income residential customers and small businesses with particular emphasis on disadvantaged communities ("DAC" areas).

Staff recommends extending the Agreement for an additional five years through December 31, 2024 in an amount not to exceed \$1,500,000 with no other changes in terms. Although forecast annual expenditures for existing programs range from than \$120,000 to 150,000 per year, the recommended five-year expenditure limit will provide flexibility to enhance or expand programs in the future, subject to authorized budgets for efficiency programs. The recommended Agreement does not obligate the City to any minimum level of annual expenditures.

SoCalGas is the exclusive natural gas provider in Pasadena and therefore the sole source for the ongoing partnership Agreement. SoCalGas has similar ongoing partnership agreements with numerous public utilities including the Los Angeles Department of Water and Power, Burbank Water and Power, Anaheim Public Utilities, Riverside Public Utilities and the Metropolitan Water District.

BACKGROUND:

PWP is constantly seeking innovative ways to improve the cost effectiveness of efficiency programs while meeting annual conservation goals and providing programs that bring value to different customer segments. The partnership program with SoCalGas has proven to be an effective way to help achieve those goals. The Agreement provides the fundamental framework to enable this cooperative partnership with SoCalGas and achieve the following objectives:

1. Develop and implement efficiency programs for residential and commercial customers who receive utility services from both PWP and SoCalGas ("Joint Customers");
2. Increase program awareness and ease of participation for Joint Customers;

3. Establish protocols that allows for the sharing of Joint Customer information that will benefit the operations of various efficiency and income-qualified programs within each respective utility;
4. Facilitate the implementation of multiple efficiency programs across different customer segments which improves overall customer experience by consolidating program offerings and contractor visits; and,
5. Improve program cost effectiveness by enabling cost-sharing mechanisms for efficiency upgrades and reducing overhead costs otherwise borne separately by each individual party.

Each collaborative effort, including program purpose, roles and responsibilities of each utility, administration and implementation, specific work activities, cost sharing allocations, billing provisions, and budget limitations are described in the Program Orders. The expenditure limits for each Program Order are tracked against monthly activity to ensure that spending aligns with the Agreement and does not exceed PWP's approved Public Benefit Fund budget. Program Orders are approved by SoCalGas and PWP's General Manager, and become part of the Agreement in a manner similar to change orders or task orders for service agreements.

There are currently four joint programs that leverage utility-approved vendors to deliver program implementation services and various efficiency upgrades.

Table I – Summary of Partnership Programs

Program Name	Target Customers	Program Administrator
Energy Savings Assistance Program "ESAP"	Income-qualified residential	SoCalGas
Home Improvement Program "HIP"	Single family residential	PWP
On-Demand Efficiency Program	Multifamily residential (central water heating)	SoCalGas
Water and Energy Direct Install Program "WeDIP"	Small and select Medium Commerical Customers	PWP

Regardless of the utility that is administering the program, Joint Customers are able to receive a comprehensive suite of no-cost efficiency measures in the same visit.

PWP's consistent marketing efforts and favorable referrals from program participants have led to a steady increase in participation for each program. With an increased focus on low-income customers and small businesses in underserved communities, PWP continues to refine its program processes to ensure a positive customer experience and steady participation.

COUNCIL POLICY CONSIDERATION:

The proposed contract is consistent with the ten-year energy efficiency goals adopted by the City Council on March 13, 2017, the City's Urban Environmental Accords Goals, the General Plan Energy Element, the City Council's Strategic Planning Goals, and the 2018 Power Integrated Resource Plan. The proposed contract will contribute to greenhouse gas reduction goals by reducing energy use in Pasadena.

ENVIRONMENTAL ANALYSIS:

The proposed contract authorization is for the joint implementation of Conservation Programs with SoCalGas.

The physical construction that could occur as a result of the Program would be individual and minor home or commercial property improvement projects that categorically exempt from CEQA pursuant to Class 1 (State CEQA Guidelines Section 15301) as minor alterations of existing facilities with no expansion of use. There are no features that distinguish this project from others in the exempt class and, therefore, there are no unusual circumstances.

FISCAL IMPACT:

The cost of this action will be up to \$1,500,000 over five years. Staff anticipates annual expenditures for FY 2019 and FY 2020 will be approximately \$120,000 each year for programs administered by SoCalGas. Funding for this action will be addressed by the utilization of existing and future budgeted appropriations in the Public Benefits Fund accounts 41609140-817610 (Utility Rebates), 41609140-821510 (Direct Install Rebates), and Water Operating Fund 41408170-821500 (Water Conservation Direct Install Rebates).

Staff anticipates that SoCalGas will reimburse the City an estimated \$250,000 in FY 2019 and \$200,000 in FY 2020. The reimbursements apply to PWP administered programs and covers the cost of measures and services that also provide natural gas savings. Such reimbursements from SoCalGas will be recorded as revenues to the Public Benefits Fund and Water Conservation Fund (when applicable).

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

Respectfully submitted,



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