

# Agenda Report

July 20, 2020

**TO:** Honorable Mayor and City Council  
**FROM:** Water and Power Department  
**SUBJECT: AUTHORIZE A CONTRACT WITH APPLIANCE RECYCLING CENTERS OF AMERICA, INC. ("ARCA") FOR LOW INCOME REFRIGERATOR REPLACEMENT AND RECYCLING 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) (Common Sense Exemption or General Rule);
2. Authorize the City Manager, or his designee, to enter into a contract without competitive bidding pursuant to City Charter Section 1002 (H) Contracts with other governmental entities or their contractors for labor, material, supplies, or services, with ARCA for procurement, delivery and recycling services in an amount not to exceed \$300,000 or two years, whichever comes first, with three optional one-year extensions of up to \$150,000 each subject to the approval of the City Manager. If these options are exercised the total contract amount would be up to \$750,000; and,
3. It is further recommended that the City Council grant the proposed contract an exemption from the Competitive Selection process pursuant to Pasadena Municipal Code ("PMC") Section 4.08.049(B) contracts for which the City's best interests are served.

## **EXECUTIVE SUMMARY:**

Pasadena Water and Power ("PWP") has been providing a no-cost refrigerator exchange program for low income residential electric customers and free recycling service for refrigerators and freezers for many years. PWP provides this service through a contractor who replaces old refrigerators with new energy-efficient refrigerators and hauls away old refrigerators for recycling. On March 30, 2020, the staff requested contract award to ARCA, however, the City Council was more concerned over the economic impact of COVID-19 and felt the staff should focus on larger financial aid to the community. Staff proposed to bring back this contract later on for the City Council consideration. Since then the City Council has approved a rebate of approximately \$11.4 million to PWP

electric customers and suspended collection of the underground utility surtax for six months (approx. \$ 2 million) amongst several other financial aids to the community to help cope with the economic stress caused by the pandemic. Therefore, staff is requesting the City Council's reconsideration to award contract to ARCA. Free replacement of refrigerators for low income customers and recycling of refrigerators and freezers extends economic help to the community and also provides environmental benefits. Currently, there are 32 low income customers in the waiting list pending the contract award and resumption of the program.

This program is funded by the Public Benefit Fund managed by PWP.

### **BACKGROUND:**

The free refrigerator exchange program is designed to help low income residential electric customers replace their old, functioning refrigerator with a newer and more efficient ENERGY STAR® model; resulting in reduced energy usage and lower utility bills. In addition, PWP also offers a no-cost refrigerator recycling and freezer recycling program, open to any of the utility's residential and commercial electric customers. Through this program, ARCA collects used refrigerator and/or freezers, following environmentally sound protocols to remove, recycle or eliminate chlorofluorocarbons ("CFC") in refrigerants and foam insulation found in refrigerators to prevent their release into the atmosphere.

For the refrigerator exchange program, PWP staff will be responsible for the intake of applications and reviewing eligibility of low income residential electric customers, with the list of qualified customers sent over to ARCA twice a month. On the refrigerator/freezer recycling program, PWP electric customers can call a toll-free number or go online to request a pickup, utility account number and zip code will be required. Starting April 2020, PWP officially suspended both refrigerator/freezer recycling and the low income refrigerator exchange programs. However, the utility maintained a "wait-list" for interested eligible low income customers who wish to participate in the free refrigerator exchange program once a contract is authorized. In total, 32 customers have been placed on the waiting list since the end of June 2020.

ARCA will be responsible for various logistical services in support of both the exchange and recycling programs, which includes, but are not limited to:

- Warehousing, delivery, installation of new refrigerator units;
- Removal and disabling of displaced and spare refrigerators/freezers;
- Scheduling and confirming appointments and other services that may be necessary to affect the delivery, setup and installation of appliances such as inspection of grounded outlets in conformance to program guidelines;
- Preparing periodic inventory tracking and progress reports to properly monitor the effectiveness of the Appliance Delivery Program services.

Staff recommends entering into a professional services contract with ARCA for a maximum of five years, in an amount not to exceed \$750,000 to support implementation, and customer support services for PWP’s refrigerator exchange and refrigerator/freezer recycling programs. As summarized in Table I, ARCA’s comprehensive services and competitive pricing plays a key role in ensuring a cost effective program that greatly benefits all of PWP’s electric customers.

**Table I – Summary of Professional Services**

Program Name/Initiative	Program Services
Refrigerator Exchange Program	Replace and recycle an older, functioning refrigerator with newer and more efficient ENERGY STAR® model for eligible low income residential electric customers enrolled in one of PWP’s utility assistance programs, all at no cost. Newly replaced refrigerator includes a 5 year extended warranty.
Refrigerator/Freezer Recycling Program	Recycle old refrigerators and freezers in an environmentally sound manner, open to all PWP residential and commercial Electric customers. PWP Receives GHG offset credits for proper capture and disposal of the refrigerant.

ARCA, Inc. is a renewables and environmental corporation headquartered in Minneapolis, MN. The company is currently under contract with the Southern California Public Power Authority (“SCPPA”) through January 2023, with the option to extend an additional three years, if requested by a member utility. SCPPA wrapped up its Request For Proposal (“RFP”) process back in August 2019; seeking qualified vendors to provide appliance procurement, delivery and recycling services for its members and their respective energy efficiency/low income programs. In total, SCPPA reviewed and scored two responses to its RFP that met minimum qualification requirements and proposed schedules. ARCA was unanimously selected by SCPPA’s “RFP Review Panel”, consisting of three representatives from different member utilities. The evaluation criteria categories consisted of fees and cost competitiveness (50%), qualification of the firm (25%), quality/methodology and anticipated effectiveness (20%) and other (5%). ARCA’s current SCPPA contract provides services to several member utilities such as the City of Colton Electric Utility, Burbank Water and Power as well as the Los Angeles Department of Water and Power.

For the refrigerator exchange program, PWP averages about \$110,000 in expenditures, providing roughly 132 exchanges for eligible low-income customers. In addition, ARCA recycles an average of 205 refrigerators and freezers per year, equating to approximately \$26,400 in expenditures for the utility. Staff anticipates that ARCA will continue to provide turnkey refrigerator procurement, delivery and recycling services. Since the bulk pricing negotiated by SCPPA member utilities will be also be reflected in contract between ARCA and the City, it would be appropriate for the City to contract directly with ARCA at this time.

It is in the City’s best interest to authorize the recommended contract to ARCA based on their regional presence, distinct qualifications in a niche sector, familiarity with PWP’s existing refrigerator recycling/exchange programs, extensive experience working with

many local public utilities, and competitive rates based on responses to the SCPA RFP. Based on previous and current SCPA RFP Responses, PWP has not identified a local vendor that can provide the level of specialized services, combined with ARCA's pricing for appliance procurement, recycling and delivery. Standard junk removal or garbage hauling services do not ensure that appliances are broken down and recycled in an environmentally responsible manner. While staff anticipates spending up to \$150,000 per year on average, services will be provided only on an "as-needed" or task-order basis and the recommended contract does not guarantee any particular amount of work or compensation to ARCA.

ARCA has no current or past contracts with the City, but the company has been providing PWP with refrigerator exchange and refrigerator/freezer recycling services for the past 15 plus years through SCPA procurement, which consists of an RFP competitive selection process. Staff does not anticipate that the recommended contract award will result in any new hires.

**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 March 13, 2017; the City's Urban Environmental Accords Goals; the City's Climate Action Plan; and, the 2018 Power Integrated Resource Plan. Appliance procurement, delivery and recycling services comprises a segment of the PWP's energy efficiency programs that directly contributes to overall conservation/sustainability efforts within the city. Both programs will result in decreased chlorofluorocarbons ("CFC") refrigerants released into the atmosphere while benefitting all of the utility's electric customers; especially the low-income segment.

**ENVIRONMENTAL ANALYSIS:**

The proposed action is the execution of an agreement for professional services related to appliance procurement, delivery and recycling services. This action has been determined to be exempt from environmental review pursuant to State CEQA Guidelines Section 15061(b)(3), the common sense exemption (formerly 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 for the proposed professional services agreement for appliance procurement, delivery and recycling services, proposed professional services agreement for appliance procurement, delivery and recycling services. There would be no direct physical changes in the environment. The proposed services would have a beneficial impact on the environment by replacing older refrigerators with newer and more efficient ENERGY STAR® models and ensuring refrigerators and freezers are disposed of in an environmentally sound manner.

**FISCAL IMPACT:**

The maximum cost of this action will be \$750,000, including three optional one-year extensions if exercised. Funding for this action will be addressed by the utilization of existing and future budgeted appropriations in the Public Benefits Fund 410 Direct Installation Account (41609140-821500). It is anticipated that \$120,000 of the cost will be spent during the current fiscal year. The remainder of the costs will be spent over the next four fiscal years with annual expenditures estimated at \$150,000.

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

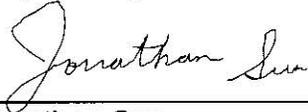
Respectfully submitted,



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GURCHARAN S. BAWA  
General Manager  
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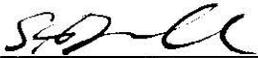
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