

# Agenda Report

October 19, 2020

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (September 22, 2020)

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZE AN AGREEMENT WITH TESLA, INC., DBA TESLA MOTORS, INC., FOR THE INSTALLATION OF 20 TESLA CHARGING STATIONS IN THE CITY-OWNED BROADWAY POWER PLANT PARKING LOT LOCATED AT THE SOUTHWEST CORNER OF SOUTH ARROYO PARKWAY AND GLENARM STREET IN PASADENA**

## **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 per Section 15061 (b)(3), the "General Rule";
2. Authorize the City Manager, or his designee, to execute an Agreement (all documents and instruments to fulfill the Agreement), without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services with Tesla Motors, Inc. ("Tesla"), for a five-year term with an option for two additional five-year extensions by mutual consent, for the installation and operation of the "Arroyo Parkway Charging Depot" at the Broadway Power Plant parking lot located at 85 E. State Street, Pasadena, CA. As described herein, the agreement authorizes the City to reimburse Tesla, or receive reimbursement from Tesla, in an amount not to exceed \$125,000 for shared expenditures necessary to complete the project; 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 Section 4.08.049(B) contracts for which the City's best interests are served.

## **MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:**

At its September 22, 2020 meeting, the Municipal Services Committee recommended that the the City Council approve the staff recommendation. The Committee requested that staff provide additional information related to the term and financial aspects of the

recommended agreement, as well as some discussion of site access for drivers. The clarifications and additional information have been incorporated in this revised report.

### **BACKGROUND:**

As an effort to reduce greenhouse gas (“GHG”) and other air emissions, the City of Pasadena is promoting electric vehicles (“EV”) and associated charging infrastructure. This is consistent with the City’s Climate Action Plan (“CAP”). Electric vehicles being charged within Pasadena also increase revenues for the power fund of the Pasadena Water and Power Department (“PWP”).

The Direct Current Fast Charger (“DCFC”), one of the most advanced electric vehicle charger technology can charge a vehicle up to 80% in 20 - 30 minutes. Fast charging has high demand but the availability of such chargers is scarce throughout the region. The City of Pasadena currently operates one DCFC located at the Del Mar Parking Garage and 20 DCFC at the Marengo Charging Plaza, located at the Marengo Parking Garage. The Marengo Charging Plaza, which also features 24 Tesla Superchargers (which are in high demand), is currently the largest public fast charging site in the nation. The site was developed and managed under a joint partnership with Tesla; an agreement that was approved by the City Council on March 11, 2019. This partnership has provided cost savings for both parties and has garnered national press for both the large number of chargers and benefits of the public-private partnership. Despite a downturn in vehicle usage associated with “Safer at Home” orders, the Marengo Charging Plaza is delivering 5,000 to 7,000 charging sessions per month and associated additional revenues for the power fund.

### **Arroyo Parkway Charging Depot/Agreement**

The Arroyo Parkway Charging Depot is located at the major southern gateway to the City at the southwest corner of the Arroyo Parkway (110 Freeway) and Glenarm Street. The charging stations will be clearly visible to thousands of drivers passing by on the 110 Freeway each day.

Under the recommended Agreement, Tesla will install and operate 20 Tesla Supercharging EV charging stations at their expense. PWP will install up to seven DCFC EV charging stations, and up to 20 Level 2 chargers, that may be used by all types of electric vehicles. PWP will install the necessary electric infrastructure to serve the Arroyo Parkway Charging Depot, utilizing funds available in the PWP capital fund and the Utility Underground Surtax fund. Although there will be charging fees for the use of the PWP EV chargers, EV drivers will not be assessed parking fees to charge at this site.

Under the proposed agreement, Tesla will connect to PWP’s electric service equipment and will be responsible for all of the costs related to equipment procurement, installation, maintenance and electricity use associated with the Tesla charging stations. The Tesla charging stations will be separately metered, and Tesla will be responsible for the associated electric bills. PWP will own and operate non-Tesla EV chargers, and institute appropriate charges within the City Council approved fee schedule. PWP is expected to benefit by additional revenues for electricity sales to Tesla and non-Tesla vehicles.

### ***Term of Agreement***

The initial term of the agreement is five years from the date the EV chargers commence operation. The agreement provides for the option to extend the agreement for an additional five-year term by mutual consent.

### ***Financial Terms of Agreement***

Staff estimates the net benefit to the City from the partnership will be cost savings totaling approximately \$165,000 to complete the project as follows:

- Tesla will perform certain site improvements (concrete island removal, asphalt resurfacing, paving, and striping), valued at approximately \$100,000, at their expense;
- Tesla will fund, or perform in kind services, 50% of certain site improvements necessary to complete the project such as permits, communications, security, lighting, fences, and signage including wayfinding to the site. The total value of these “Shared Expenses” is estimated at \$250,000, of which Tesla would contribute \$125,000;
- PWP will install the electrical services necessary to meet the combined electrical demand of the City’s and Tesla’s EV chargers. The additional costs incurred by the City to upsize service requirements is estimated at \$60,000; and,
- Each party will bear the cost of procuring, installing, commissioning, and operating their respective EV chargers and related equipment, including electricity costs.

In addition to the projected net project cost savings, PWP and the City will benefit from additional retail electricity sales to Tesla and the associated taxes and surcharges.

### ***Shared Project Costs and Reimbursement***

The agreement provides for Tesla and the City to fund equal shares of certain site improvements necessary to complete the project such as permits, communications, security, lighting, fences, and signage including wayfinding to the site. The total amount of these shared project costs is estimated to be a maximum of \$250,000. Each party will perform portions of this work, and seek reimbursement from the other party for 50% of the actual cost incurred. The maximum amount of reimbursement that either party may provide to the other is limited to \$125,000.

### ***City’s Net Cost and Funding***

The preliminary estimate for the City’s net cost to construct the Arroyo Parkway Charging Depot, less contributions from Tesla, is approximately \$1.25 million.

PWP secured a \$280,000 grant on June 2, 2020 from the Southern California Incentive Project (“SCIP”) for this project. The grant reservation is valid for 12 months and time is of the essence. The balance of the City’s costs will be funded from revenues derived from sales of Low Carbon Fuel Standard (“LCFS”) credits and from the Utility Underground Surtax Fund 206 for the underground electric infrastructure. No electric rate payer revenues will be used to construct the project.

It is estimated that approximately \$250,000 will be used from the Utility Underground Surtax Fund 206 for the portion of the project that involves installing underground electric infrastructure in accordance with the Pasadena Municipal Code Chapter 4.24 – Underground Utilities Special Activity Fund. The remaining costs will be funded from revenues derived from the sale of LCFS credits.

The City's net costs will be funded from existing appropriations in the Fiscal Year 2021 Power Fund Capital Improvement Program budget, and will be incurred under separate contracts for materials and services with the exception of any net reimbursement due to Tesla as a result of shared cost allocations under the proposed agreement with Tesla.

### **Site Access**

Like many gas stations on busy corners with a divided road, direct ingress and egress to and from the Arroyo Parkway Charging Depot will be limited to east-bound traffic on Glenarm Street. Drivers approaching from the south, north, and east will need to be redirected through wayfinding signage, driver apps, and informational outreach. PWP staff have worked with Pasadena's Department of Transportation to develop appropriate routes and signage. Furthermore, staff will coordinate with Caltrans to deploy signage for northbound traffic on the 110 Freeway to exit at Fair Oaks and proceed to Glenarm.

### **Best Interest Exemption**

The recommended Agreement is in the City's best interest because it will attract drivers of Tesla and other electric vehicles to Pasadena who may visit local businesses while their cars are charging. Additional charging stations will also motivate others to buy electric vehicles, resulting in overall reduction of GHG and other air pollutants and help Pasadena meet its CAP objectives. This project will also help PWP with increases of electricity sales and revenues.

### **COUNCIL POLICY CONSIDERATION:**

The proposed action supports the City Council Strategic Planning Goals, Pasadena's CAP, the 2018 Power Integrated Resource Plan, the Urban Environmental Accords, and the General Plan, in reducing greenhouse gas emissions by expanding the use of EVs and related infrastructure. It supports expanding sustainable mobility and land use, and the City's commitment to a more sustainable community. Lastly, it supports Governor Brown's goal of installing 250,000 charging stations in the state by 2025 and his Executive Order to help accelerate the market to 5 million zero-emission vehicles on California's roads by 2030.

### **ENVIRONMENTAL ANALYSIS:**

The recommended action is exempt from CEQA pursuant to State CEQA Guidelines per Section 15061 (b)(3), the "General Rule" that CEQA only applies to projects that may have an effect on the environment.

**FISCAL IMPACT:**

The recommended agreement will require Tesla to fund approximately \$100,000 in site improvements and co-fund certain common portions of the project work. Furthermore, it will commit the City to installing electrical infrastructure to serve the entire charging plaza, as well as the DCFC, to be installed by the City under separate agreements at a total estimated cost of \$1,250,000. As a result of Tesla's obligation to fund a portion of work, the City will benefit from approximately \$165,000 in reduced net costs that otherwise would have been borne entirely by the City to install DCFC at this location.

Sufficient funds are budgeted in Capital Improvement Program Number 3225, - Electric Vehicle Charging Infrastructure, and revenues derived from the Low Carbon Fuel Standard program and the Utility Underground Surtax Fund to cover all project expenditures.

Funding for ongoing maintenance and back office services for PWP's DCFC will be addressed in the annual operating budget and is anticipated to be covered by a combination of revenue derived from charger usage and LCFS program revenues.

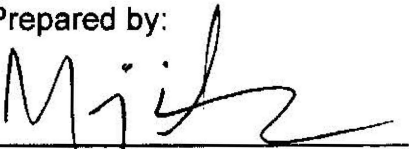
Respectfully submitted,



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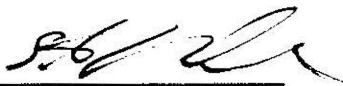
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