

# Agenda Report

August 16, 2021

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (August 10, 2021)

**FROM:** Pasadena Water and Power

**SUBJECT: AUTHORIZE A CONTRACT WITH STAPLES & ASSOCIATES INC.,  
DBA: STAPLES ENERGY IN AN AMOUNT NOT TO EXCEED  
\$4,300,000 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 (CEQA) 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; and
2. Authorize the City Manager to enter into a contract, as a result of a competitive selection process, as specified by 4.08.047 of the Pasadena Municipal Code, with Staples & Associates Inc., DBA: Staples Energy in an amount not to exceed \$4,300,000 over a three-year term for the installation of beneficial electrification and energy/water-conservation devices, equipment and services for the Water and Power Department's ("PWP") Water and Energy Direct Install Program ("WeDIP"). Competitive bidding is not required pursuant to City Charter Section 1002(F) (contracts for professional or unique services).

## **BACKGROUND:**

PWP is committed to supporting its customers in realizing water/energy savings and reducing greenhouse gas emissions which benefit both the environment and have the potential of reducing customer's electric and water bills. Since 2013, PWP has offered the WeDIP program to help small businesses and commercial customers reduce annual electric and water usage through the free installation of proven energy and water saving measures such as LED retrofits, ice machines, pre-rinse spray valves, and more. As PWP's power resource mix becomes cleaner with renewables over time, new WeDIP services will also incorporate beneficial electrification measures where feasible. The current WeDIP program serves approximately 300 small business customers per year

of which 82% have been Disadvantaged Community ("DAC") area assisted living facilities, churches, local businesses, restaurants and lodging facilities. The program produces average annual savings of 16 acre feet ("AF") of water and 2.7 million kilowatt hours ("kWh") in energy.

In 2018, PWP was awarded a \$1.2 million grant from the California Department of Water Resources ("DWR") to expand WeDIP to include more small business customers in the DAC census tract area (Attachment A) and provide a broader range of services, including dishwashers, clothes washers, and combination ovens.

In order to continue providing the no-cost direct installation of energy and water efficiency measures, 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 DAC-area small and medium commercial electric customers with demand of less than 50kW. PWP's water-only customers will qualify for grant-funded program services that result in water savings.

PWP is recommending a contract term of three years to provide ongoing water and energy efficiency measures installed at no cost for small and medium sized businesses. As shown in Table I, following reimbursement from the DWR grant, PWP's net cost for this contract is expected to be approximately \$3,867,000 over the three-year term. The program contributes to meeting PWP's energy and water saving 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"); and the Water Conservation Fund budget.

**Table I: Funding Summary for Proposed Contract<sup>1</sup>**

Efficiency Type	Funding Source	Funding Amount (Year 1-3) <sup>1</sup>	Annual Savings <sup>2</sup> (Year 1-3)	Lifetime Savings <sup>2</sup> (Year 1-3)	Lifetime Cost per Unit Saved
Energy	PWP PBC Fund	\$3,300,000	3,000,000 kWh	21,000,000 kWh	\$0.16/kWh
Water	PWP Water Fund	\$1,000,000	60 AF	600 AF	\$1,666/AF
Energy, Water, Natural Gas	DWR Grant <sup>3</sup>	\$433,000			
<b>Program Cost</b>		<b>\$4,300,000</b>			
<b>PWP Cost</b>		<b>\$3,867,000</b>			

<sup>1</sup> Excludes PWP's direct expenditures for program marketing and staff labor.

<sup>2</sup> Cumulative annual and lifetime savings over a three year Program term

<sup>3</sup> DWR funds cover a 9-month period.

The program is expected to yield approximately 1 million kWh per year in energy savings and 20 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 Proposals ("RFP") in April 2021 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. A total of 33 vendors downloaded the specifications of which two were local. A total of three proposals were received, one from a local firm. The proposals were scored by a panel of staff, 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
<b>Total Score</b>	<b>100</b>

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. Staples has had a local office in the City of Pasadena for the past three years. Staples Energy has a current contract in the original amount of \$3.7 million with the City of Pasadena for the execution of the WeDIP. This contract expires on July 31, 2021.

**Table III: RFP Respondents**

Vendor/Respondent	Company Location City and State	Evaluated Score (Out of 100)
Staples Energy	Pasadena, CA & Pewaukee, WI	84.67
DNV GL	Oakland, CA	79.33
RHA	City of Industry, CA	76.00

PWP is recommending that a new contract be authorized with Staples Energy in an amount not to exceed \$4,300,000 over a three-year term for the installation of beneficial electrification and energy/water-conservation devices, equipment and services for the WeDIP.

**COUNCIL POLICY CONSIDERATION:**

The proposed contract is consistent with the City Council's goals to maintain fiscal responsibility and stability, and PWP's strategic initiatives to enhance customer satisfaction and confidence, improve efficiency and business continuity and maintain PWP's fiscal health and stability.

**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 \$4,300,000 over a three-year period, anticipated to begin in early Fiscal Year ("FY") 2022. Funding for the planned expenditures in FY 2022, 2023 and 2024 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 by FY. Actual expenditures may vary from year to year and extend beyond FY 2024 based on the actual pace of program activity.

**Table IV: Projected Staples Energy Contract Funding Source**

<b>Funding Source</b>	<b>Account</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>Total</b>
PBC Fund	41609140-821510	\$1,100,000	\$1,100,000	\$1,100,000	\$3,300,000
Water Fund	41407820-821500	\$400,000	\$300,000	\$300,000	\$1,000,000
<b>Staples Energy Contract Total</b>		<b>\$1,500,000</b>	<b>\$1,400,000</b>	<b>\$1,400,000</b>	<b>\$4,300,000</b>
California Department of Water Resources Grant Funding	41600010-702300	-\$433,000			-\$433,000
<b>Net Cost to PWP</b>		<b>\$1,067,000</b>	<b>\$1,400,000</b>	<b>\$1,400,000</b>	<b>\$3,867,000</b>

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

**Table V: Projected Program Support (\$000)**

Budget Category	Account	FY2022	FY2023	FY2024	Total
Employee Salary	41609140-800510	\$48	\$48	\$48	<b>\$144</b>
Verification Service	41609140-811410	\$2	\$2	\$2	<b>\$6</b>

The total cumulative energy savings and water savings achieved through the completion of the Program would reduce annual electrical revenues by approximately \$540,000 per year and water revenues by approximately \$21,600 per year.

Respectfully submitted,



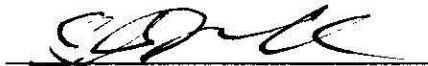
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STEVE MERMELL  
City Manager

**Attachments:**

- Attachment A: Disadvantaged Community ("DAC") census tract area
- Attachment B: Request for Proposal Evaluation Summary