

Agenda Report

November 1, 2021

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (October 26, 2021)

FROM: Pasadena Water and Power

**SUBJECT: AUTHORIZE A CONTRACT WITH DNV ENERGY SERVICES USA INC.,
IN AN AMOUNT NOT TO EXCEED \$7,500,000 FOR THE PROVISION
OF RESIDENTIAL 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, based on a competitive selection process pursuant to Pasadena Municipal Code Section 4.08.047, with DNV Energy Services USA Inc. ("DNV") to provide beneficial electrification and energy/water-conservation services and installation of equipment in residential homes for the Water and Power Department's ("PWP") Home Improvement Program ("HIP") in an amount not to exceed \$4,500,000 over a three-year term; with two optional one-year extensions by change order up to \$1,500,000 each, subject to the approval of the City Manager, for a total not to exceed amount of \$7,500,000 or five years.

BACKGROUND:

PWP continues to offer a variety of rebate, behavioral and no-cost "direct install" programs to assist its residential customers in potentially reducing home energy/water use while meeting efficiency targets adopted by City Council. PWP has offered the HIP since September 2017 to help residential customers improve the efficiency and comfort of their homes through the free direct installation of proven energy/water saving measures such as LED retrofits, low-flow toilets, air conditioner tune-ups, and more. Since it is a free program for residential customers, the implementation costs associated with direct install tends to be higher when compared to rebate programs. However, direct install programs result in higher customer satisfaction and also allows the utility to claim additional energy/water savings because a broader range of customers can

receive more comprehensive efficiency upgrades and services. By eliminating any upfront costs typically associated with home efficiency improvements, it encourages customers to participate in the program while also educating homeowners/tenants on other efficiency opportunities that are available. More importantly, the HIP also targets moderate income and elderly customers that may not qualify for PWP's low-income programs and eliminates common barriers associated with identifying reputable vendors or uncertainty about where to start in terms of home efficiency improvements. PWP's low-income customers are able to enroll in the HIP, plus the City's Under-One-Roof program, which offers a wider range of services.

As PWP's power resource mix continues to incorporate more renewables over time, the HIP will be prepared to support residential customers in exploring beneficial electrification to reduce greenhouse gas emissions and total energy bills. This is done through customer education, offering beneficial electrification assessments and possibly installing select heat pump technologies in certain scenarios.

The current HIP program serves approximately 600 residential electric customers per year and produces average annual savings of 12.45 acre feet ("AF") of water, 612,000 kilowatt hours ("kWh") of electricity and 76,250 therms of natural gas. In order to continue providing no-cost direct installation of energy/water efficiency measures across a wide base of residential single/multifamily customers, the value of work performed will be limited for each participating customer account. The current limits, which may be adjusted over time, are \$4,000 for non-weatherization projects or \$5,000 if weatherization projects are included.

Through targeted outreach and marketing efforts, PWP has successfully cultivated participation from moderate income residents, elderly (62+) and high usage customers. Based on HIP customer surveys from the current program cycle, nearly half of the respondents indicated that they fell within the low-to-moderate income category in terms of annual household income.

Direct installation services for the program are currently provided by DNV, who was originally awarded through an RFP selection process in 2017. Through its master inter-utility agreement, PWP has partnered with the Southern California Gas Company ("SoCalGas") to provide HIP services to its joint customers. In turn, SoCalGas provides reimbursements for measures installed through the HIP that produce natural gas savings.

PWP is recommending a contract term of three years to provide beneficial electrification, water conservation and energy efficiency measures/services at no cost for customers with a residential electric account. As shown in Table I, considering reimbursement from SoCalGas, PWP's net cost for this contract is expected to be approximately \$4,335,000 over the initial three-year term. Funding will be provided through a combination of revenues from PWP's Public Benefits Charge ("PBC"); and the Water Conservation Fund budget.

Table I: Funding Summary for Proposed Contract¹

Efficiency Type	Funding Source	Total Costs (Year 1-3) ¹	Total Annual Savings ² (Year 1-3)	Total Lifetime Savings ² (Year 1-3)	Lifetime Cost per Unit Saved
Energy (E)	PWP PBC Fund	\$3,900,000	1,836,000 kWh	15,240,000 kWh	\$0.26/kWh
Water (W)	PWP Water Fund	\$600,000	38 AF	641 AF	\$936/AF
Total Cost		\$4,500,000			
E,W,NG	SoCalGas Reimbursement ³	\$165,000			
PWP Net Cost		\$4,335,000			

1) Excludes PWP's direct expenditures for program marketing and staff labor.

2) Cumulative annual and lifetime savings over a three year Program term

3) SoCalGas reimbursement depends on measures installed with natural gas savings that are cost shared.

Based on past performance, the Program is expected to yield approximately 1,836,000 kWh in energy savings and 38 AF of water savings cumulatively, over the first three years of the contract. The savings are obtained through various efficiency measures installed in each customer's home.

PWP anticipates fully funding the Program without adverse impacts on any existing electrification, water conservation or energy efficiency programs.

Contractor Selection Process

To support implementation of the HIP, PWP issued a Request for Proposal ("RFP") in June 2021 for a residential energy and water efficiency 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. Two proposals were received, both vendors have a local office in the City; one that is existing and another that was recently opened. 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	30
Project Cost/Budget	30
Staffing, Management and Qualifications	25
Overall Quality and Responsiveness	5
Local Pasadena Business Preference	5
Small / Micro-Businesses Preference entitlement	5
Total Score	100

Based upon these criteria, DNV received the highest evaluated score as summarized in Table III and is the recommended vendor. Attachment A includes a detailed breakdown of the evaluated score for each respondent. DNV's 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 customer

satisfaction, and technical experts/subcontractors with a proven track record of providing excellent quality residential direct install services.

In addition to providing a cost-competitive proposal, DNV has over 40 years of experience implementing residential direct install programs for utilities across the nation; including several in the Southern California region. DNV and its HVAC subcontractor both have a local office in the City of Pasadena. DNV's irrigation subcontractor has also hired one local staff member to work on the program. DNV is the current vendor and has one existing five-year contract for \$5.5 million with the City of Pasadena to implement the HIP that expires when approved funds are depleted, or on June 30, 2022.

Table III: RFP Respondents

Vendor/Respondent	Company Location City and State	Evaluated Score (Out of 100)
DNV	Oakland, CA ¹	90.67
Staples Energy	Pewaukee, WI ²	84.66

- 1) DNV Energy Services recently opened a local office in Pasadena at 87 N. Raymond Ave.
- 2) Staples Energy has a local office in Pasadena at 1765 Locust Street.

PWP is recommending that a new contract be authorized with DNV in an amount not to exceed \$4,500,000 over a three-year term, with two optional one-year extensions up to \$1,500,000 each, subject to the approval of the City Manager, for a total not to exceed \$7,500,000 or five years.

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 residential multifamily and single family homes, but not expand the use of the properties. 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 \$7,500,000, including two optional one-year extensions, anticipated to begin in late Fiscal Year ("FY) 2022 or early FY 2023. Funding for this action will be addressed by the utilization of future budgeted appropriations in the Public Benefits Fund account number 41609140-821510 and the Water Conservation Fund account number 41408170-821500.

Table IV summarizes the contract expenditures and anticipated reimbursements from SoCalGas by fiscal year. Actual expenditures/reimbursements may vary slightly from year to year based on the actual pace of program activity and measures installed.

Table IV: Projected DNV Contract Funding Source

Funding Source	Year 1 (FY22-23)	Year 2 (FY23-24)	Year 3 (FY24-25)	Optional Year 4 (FY25-26)	Optional Year 5 (FY26-27)	Total
PBC Fund	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$6,500,000
Water Fund	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000
DNV Contract Total	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$7,500,000
SoCalGas Reimbursement	-\$55,000	-\$55,000	-\$55,000	-\$55,000	-\$55,000	-\$275,000
Net Cost to PWP	\$1,445,000	\$1,445,000	\$1,445,000	\$1,445,000	\$1,445,000	\$7,225,000


The total cumulative energy savings and water savings achieved through the completion of the Program would reduce annual electrical revenues by approximately \$135,000 per year and water revenues by approximately \$8,000 per year.

Respectfully submitted,



 GURCHARAN S. BAWA
 General Manager
 Water and Power Department

Prepared by:



 Jonathan Sun
 Customer Program Manager
 Water and Power Department

Approved by:



 STEVE MERMELL
 City Manager

Attachments:

Attachment A: Request for Proposal Evaluation Summary