

# Agenda Report

May 9, 2022

**TO:** Honorable Mayor and City Council

**FROM:** Water and Power Department

**SUBJECT: AUTHORIZE AN AGREEMENT WITH TESLA, INC., DBA TESLA MOTORS, INC., FOR THE INSTALLATION OF 12 TESLA CHARGING STATIONS IN THE CITY-OWNED SHOPPER'S LANE SOUTH PARKING LOT LOCATED AT 410 SHOPPER'S LANE 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 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, or 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 ten-year term with an option for two additional five-year extensions by mutual consent, for the installation and operation of the "Shopper's Lane Charging Depot" at the South Shopper's Lane parking lot located at 410 Shopper's Lane, Pasadena, CA. As described herein, the agreement authorizes the City to reimburse Tesla, or receive reimbursement from Tesla, in an amount not to exceed \$300,000 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.

## **BACKGROUND:**

In an effort to reduce greenhouse gas ("GHG") emissions, the City of Pasadena ("City") is promoting electric vehicles ("EV") and associated charging infrastructure. This is consistent with the City's Climate Action Plan ("CAP"). Section T-4: Alternative Fuel Vehicles outlines the need to install EV chargers at various locations throughout

Pasadena in section "B" of the "CAP". EVs that are charged in Pasadena Water and Power's ("PWP") electric service territory also increase power fund revenues for the utility.

The Direct Current Fast Charger ("DCFC"), one of the most advanced EV charger technologies, 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. Building DCFC infrastructure is expensive, and complex installation requirements are barriers to widespread growth. PWP currently operates 2 DCFC's located at the Del Mar Parking Garage, 20 DCFC's at the Marengo Charging Plaza, located at the Marengo Parking Garage, and 6 DCFC's at the Arroyo EV Charging Depot all available for use by the public. Pasadena also has an additional 2 DCFC's located in the City Yards lot available for fleet and employee charging.

The Arroyo Charging Depot features 20 DCFC Tesla v3 Superchargers and the Marengo Charging Plaza features 24 DCFC Tesla Superchargers (which are in high demand). Both sites were developed and managed under a joint partnership with Tesla and PWP with both agreements approved by the City Council. This partnership model 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. The Marengo Charging Plaza and the Arroyo EV Charging Depot are delivering over 15,000 charging sessions per month.

The Shopper's Lane location is ideal for this charging facility because it will attract EV drivers to the location to charge their vehicles, and many will shop and dine. The charging facility also provides charging opportunities to those that visit, work, or live in Pasadena and do not have readily available access to charging. The Shopper's Lane EV Charging Depot was approved at the October 2021 monthly meeting of the South Lake Business District Association. The City's Department of Transportation ("DOT") is also supportive of the installation of the EV charging depot.

### ***Shopper's Lane Charging Depot/Agreement***

The Shopper's Lane Charging Depot is located in the South Lake District corridor, at the south parking lot of Shopper's Lane. The proposed charging stations will be installed in a location visible to hundreds of drivers daily who come to shop and dine on South Lake Avenue.

Under the recommended Agreement, Tesla will install and operate 12 Tesla Supercharging EV charging stations at their expense. PWP will install 8 DCFC EV charging stations. All three DCFC types of EV charging standards will be accommodated. PWP and Tesla will share in the cost to install the necessary electric infrastructure to serve the Shopper's Lane Charging Depot. PWP will pay for construction utilizing Low Carbon Fuel Standard ("LCFS") funds available in PWP's capital fund and Utility Underground Surtax fund. All parking rules and parking fees set for this lot will be enforced by DOT, including the 90 minutes of free parking that is currently available at this parking lot.

Under the recommended 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 their 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 the non-Tesla DCFC chargers, and establish appropriate charges within the City Council approved fee schedule. PWP is expected to benefit from additional energy sale revenues generated by electricity sales to both Tesla and non-Tesla vehicles.

### ***Best Interest Exemption***

It is 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. Tesla is unique in the EV market as a result of its greater than 50% market share of current EV's, proprietary charging standard, and back-office support providing charging services that cannot be duplicated by any other company for Tesla vehicles. A jointly-developed project with a company other than Tesla using shared electrical facilities that would provide duplicative charging to CCS, CHAdeMO (non-Tesla) ports standards, and providing Tesla ports without Tesla support and integration would be difficult to replicate.

In both previous joint project EV charging depot installations, Tesla has proved to be a reliable and professional partner. The vertical integration of Tesla vehicles and the Tesla charging standard simply cannot be duplicated by a company other than Tesla. Tesla is a leader in design, building, and implementation of DCFC charging stations. Collaboration and synergy in the design and build phase of EV charging stations projects decreases the cost and time to build a large DCFC charging station while improving usefulness of each site due to the proven high demand of Tesla charging in the Pasadena area.

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

The initial term of the agreement is ten years from the date the Tesla DCFC Superchargers commence operation. The agreement provides the option to extend the agreement for up to two additional five-year terms by mutual consent.

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

The recommended agreement enables Tesla and PWP to fund equal shares of certain site improvements necessary to complete the project such as permits, shared equipment, communications, security, lighting, fences, and signage. Additionally, the service planning aspect of this job is 60% funded by Tesla and 40% by PWP. The total amount of these shared project costs is estimated to be a maximum of \$500,000. 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 \$300,000.

### **Site Access**

Drivers can enter the south parking lot of Shopper's Lane driving southbound on Mentor Avenue, which is south of Del Mar Avenue. The south parking lot can also be accessed through Shopper's Lane between Del Mar Avenue and San Pasqual Street. PWP staff will work with DOT to develop appropriate signage.

### **COUNCIL POLICY CONSIDERATION:**

The proposed action supports the City Council's Strategic Planning Goals, City's CAP GHG Emission Reduction Strategy goals, PWP's 2018 Power Integrated Resource Plan, the Urban Environmental Accords, and the General Plan by reducing greenhouse gas emissions through the adoption of EVs and the building of related charging infrastructure. It supports the expansion of sustainable mobility and land use, as well as the City's commitment to a more sustainable community. It supports California's goal of installing 250,000 charging stations by 2025 accelerating the market to 5 million zero-emission vehicles on California's roads by 2030. Lastly, the installation of chargers is also in line with Governor Newsom's Executive Order that requires all new cars and passenger trucks sold in California to be zero-emission vehicles by 2035.

### **ENVIRONMENTAL ANALYSIS:**

The recommended action is exempt from CEQA pursuant to State CEQA Guidelines Section 15301 (Class 1 – Existing Facilities). Class 1 exempts from environmental review “the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use.” The proposed project consists of a minor alteration of an existing parking facility to add EV charging capabilities. The proposed project would not increase the number of parking spaces and, therefore, would result in negligible, if any, 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:**

PWP's total cost to build their portion of the Shopper's Lane EV Charging Depot is estimated to be \$1,287,000. After cost-sharing of joint items with Tesla, PWP is expected to have a build cost of \$872,000 including charger installations.

Staff estimates the net benefit to PWP from the partnership will be cost savings totaling approximately \$415,000 to complete the project as follows:

- Tesla will perform certain site improvements (concrete island removal, asphalt resurfacing, paving, and striping, planting of five trees in the lot), valued at approximately \$50,000, at their expense;
- Tesla will fund, or perform in kind services, 50% of certain shared site improvements necessary to complete the project such as permits,

communications, security, lighting, fences, and signage that includes wayfinding to the site. This is expected to save the City approximately \$75,000.


- PWP will install the electrical services necessary to meet the combined electrical demand of the City's and Tesla's EV chargers. Tesla will pay 60% of shared equipment costs and PWP will pay 40% of shared equipment and installation costs. This is expected to save the City approximately \$290,000.
- Each party will bear the cost of procuring, installing, commissioning, and operating their respective EV chargers and related equipment, including electricity costs.

Approval of the \$300,000 authorization for PWP to pay or receive funds from Tesla based on which party performed the work will achieve the cost sharing aspect described above.

Sufficient funds are budgeted in Capital Improvement Program Number 3225, - Electric Vehicle Charging Infrastructure, and revenues derived from the LCFS program and the Utility Underground Surtax Fund to cover all project expenditures for the PWP portion of the installation.

Funding for ongoing maintenance and back-office services for PWP DCFC's 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.

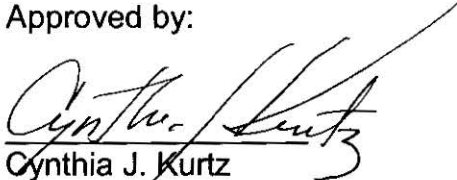
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