



# Agenda Report

March 25, 2024

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (February 27, 2024)

**FROM:** Water and Power Department

**SUBJECT: REQUEST FOR APPROVAL TO ENTER INTO A CONTRACT WITH ENERGY AND ENVIRONMENTAL ECONOMICS, INC. FOR CONSULTING SERVICES TO SUPPORT THE DEVELOPMENT OF AN OPTIMIZED STRATEGIC PLAN TO MEET THE OBJECTIVES OF RESOLUTION 9977.**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed contract authorization is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15262, Feasibility and Planning Studies; and
2. Accept the proposal from Energy and Environmental Economics, Inc. ("E3") dated March 19, 2024, and authorize the City Manager to enter into a contract, without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services,) with E3 for consulting services related to the development of a detailed "Optimized Strategic Plan ("OSP") for achieving the carbon-free goals of City of Pasadena ("City") Resolution 9977, for a period of two years or an amount not-to-exceed \$1,210,000, whichever comes first, which includes the base contract amount of \$1,100,000 plus a contingency of 10% to provide for any necessary change orders; 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.

## **CONDITIONAL RECOMMENDATION OF THE MUNICIPAL SERVICES COMMITTEE:**

Pasadena Water and Power ("PWP") first presented this matter to the MSC on February 27, 2024, with a request to either 1) approve and recommend the action to the City Council; or 2) provide direction to amend the proposed Scope of Work ("SOW") for MSC

consideration at a future meeting (see Attachment B). The MSC elected to approve and recommend the action to the City Council with the condition that the SOW in E3's February 18, 2024, proposal be revised to include the following:

1. Add a reference acknowledging Resolution 9977.
2. Formally change the name of the plan that will be produced through the contract from "Integrated Strategic Plan" to "Optimized Strategic Plan."
3. Provide flexibility on the project timeline to ensure that all relevant studies have been included. Specifically, an update is expected within six months with a completed plan as soon as possible thereafter.
4. Update the SOW to include all recommended studies that will support progress in meeting the goals of Resolution 9977.
  - a. Distributed Energy Resources and Demand Response
  - b. Study options for Glenarm conversion or replacement
  - c. Transmission and Distribution System
  - d. Low-income and Disadvantaged Communities support
  - e. Community Solar Program
  - f. New and emerging Technology Evaluation
  - g. Market Potential Study

Accordingly, E3 provided a revised proposal dated March 19, 2024 (Attachment A) which satisfies Items 1-4 above and is hereby presented for approval.

#### **EXECUTIVE SUMMARY:**

On December 11, 2023, the Pasadena City Council unanimously approved PWP's 2023 Power Integrated Resource Plan (hereinafter referred to interchangeably as "IRP," "2023 IRP," and "2023 Power IRP"). The 2023 IRP incorporates Resolution 9977, which was approved by the City Council on January 30, 2023, and includes the goal to source 100% of Pasadena's electricity from carbon-free sources by the end of 2030. Upon approving the 2023 IRP, the City Council requested that the City Manager's Office oversee the development of an OSP utilizing a third-party consultant with expertise in green energy. In order to maintain project continuity as the IRP Implementation plan is executed, the City Manager's Office proposes to reengage E3, the firm that performed an independent technical review of the 2023 Power IRP modeling results to assist with the development of an OSP that will help meet Pasadena's aggressive carbon-free goals consistent with the Resolution.

Founded in 1989, E3 is a recognized leader in clean energy policy implementation with a client list that includes the California Energy Commission, California Public Utilities Commission, California Air Resources Board, and a variety of public and private utilities throughout North America and the world. Through the recent 2023 IRP technical review process, E3 gained a very good understanding of the City's policy goals and is uniquely positioned to help quickly implement Pasadena's accelerated transition towards a carbon-free energy supply. Moreover, as an established California-based firm, E3 has direct knowledge of the State's energy resource planning landscape and can help PWP

and the City Council navigate through unique industry challenges such as market volatility, renewable resource scarcity, project development delays, statewide transmission and infrastructure challenges, and uncertainties in emerging technologies. In addition, E3 will be able to assist PWP in evaluating opportunities available through the Inflation Reduction Act (“IRA”) that might help achieve IRP goals.

Also, E3’s extensive experience providing analytical, and strategic support to other utilities will also be extremely valuable to Pasadena’s project. For example, having provided technical analysis and support for Sacramento Municipal Utility District’s (“SMUD”) 2030 Zero Carbon Plan, a similarly ambitious and visionary plan that served as an aspirational model for Pasadena’s 2023 IRP, E3 will be able to identify elements that might also merit consideration in PWP’s OSP.

As requested, E3 has provided a new proposal with a revised SOW for the development of an OSP that meets the objectives of Resolution 9977 and includes the references and additional studies requested by the MSC at the February 27, 2024, meeting (Attachment A). E3 proposes to complete the project in four phases over a 12-month period beginning with preparatory studies, followed by portfolio development, impact assessments, and finally, selection of an OSP that best achieves goals. Detailed summaries of all assessments, studies, modeling, and public outreach that will be performed are available in Attachment A.

E3 has proposed a price of \$1,100,000, which includes up to 3,300 hours on a Time and Materials basis and includes research and planning, modeling, meetings with staff, public outreach, and presentation of the selected OSP to the MSC and City Council. As noted in Item 3 on Page 2 of this report, the MSC has recommended flexibility on the project timeline to ensure that the resulting OSP is consistent with City Council’s direction. Therefore, staff recommends a 2-year contract in an amount not-to-exceed \$1,210,000 which includes E3’s base price plus a 10% contingency to allow for any additional unforeseen time or requested studies that might be beneficial for achieving Pasadena’s carbon-free goals.

Considering E3’s knowledge and expertise in implementing clean energy policy, and familiarity with Pasadena’s goals, an exemption from Competitive Bidding and Competitive Selection is in the best interests of the City as it will also allow PWP to leverage knowledge gained through the IRP technical review without the additional time and cost of conducting a new solicitation process and acclimating a new vendor.

### **BACKGROUND:**

The City has undertaken several recent initiatives in support of ambitious clean energy objectives of the 2023 Power IRP; specifically, to meet the goals of Resolution 9977, which was adopted by the City Council in January 2023, and has been incorporated in the 2023 IRP. The Resolution directs the City Manager to use the IRP process to plan multiple approaches to achieve the policy goal to source 100% of Pasadena’s electricity

from carbon-free sources by the end of 2030, while optimizing for affordability, rate equity, stability, and reliability.

A challenge arises for the City Council, staff, and stakeholders in understanding how each of these efforts will align together and contribute to the City's broader energy sector objectives. The central goal of this OSP is to comprehensively identify the various concurrent workstreams and studies that have been completed and adopted, or that are in the process of being undertaken and to ensure that they are collectively aligned to support and advance adopted policy.

E3 has worked extensively with utilities throughout California and North America to develop high-quality, robust IRPs, providing both direct analytical support and critical review to utilities working to decarbonize while maintaining reliability. Also, because of the services provided for the 2023 IRP, E3 has gained a comprehensive understanding of the opportunities and challenges associated with PWP's specific clean energy goals and is in an excellent position to provide the associated OSP development services.

E3 assisted SMUD in a similar effort by helping to develop its 2030 Zero Carbon Plan, which also includes an accelerated decarbonization plan and was used as a reference source in the development of PWP's 2023 Power IRP.

Under the proposed scope of work, which has been revised to reflect specific references and additional studies requested by the MSC on February 27, 2024, E3 presents a plan to support the City Manager's Office and PWP in a collaboratively-developed OSP which will synthesize existing plans and workstreams to articulate a clear set of actionable next steps that will allow the utility to optimize its progress toward its goals.

The revised SOW for the OSP will incorporate the following assessments, studies, modeling, and support tasks:

- Distributed Solar and Storage Study
- Demand Response and Flex Loads Potential Study
- Emerging Technology Assessment
- Transmission Expansion Options Assessment
- Distribution System Analysis
- Glenarm Conversion and Replacement Study
- Long-term Capacity Expansion Modeling
- Production Cost Modeling
- Cost Impacts Analysis
- Stakeholder and Community Outreach

E3 has proposed a price of \$1,100,000 on a Time and Materials basis with hourly rates that range from \$225-\$555, which are consistent with market rates, with an expected project timeline of 12 months and 3,300 hours from the date of the Notice to Proceed. Staff recommends a two-year contract plus a 10% contingency to cover any unforeseen

changes in scope for a maximum not-to-exceed contract value of \$1,210,000. The City Manager's office will manage the contract and will award any contingency through an internal change order process subject to approval by the City Manager.

It is respectfully requested that an exemption be granted from Competitive Bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services; and Competitive Selection pursuant to Pasadena Municipal Code Section 4.08.049(B) contracts for which the City's best interests are served, and a contract in the amount of TBD be awarded to E3 for consulting services related to the development of PWP's 2023 OSP.

In addition to E3's proven experience on similar projects, the knowledge gained through the recent technical review of the 2023 Power IRP provides leveraging opportunities that will save the time and cost of conducting a new solicitation process and acclimating the new vendor. To meet the quickly approaching 2030 target of Resolution 9977, it is imperative that an informed OSP be in place as soon as possible.

E3 has been awarded one City contract (2023) in the amount of \$70,510 for the technical review of PWP's 2023 Power IRP. Considering the anticipated efficiencies and cost savings to be realized by the firm's previous related work, no other outreach was performed for this Recommendation.

#### **COUNCIL POLICY CONSIDERATION:**

Developing the strategic plan supports an increase in renewable energy resources and reduction in GHG emissions, is consistent with the City's Urban Environmental Accords; specifically, Action 1, Renewable Energy; Action 2, Energy Efficiency; and Action 3, Climate Change as well as with Resolution 9977, passed by the City Council on January 30, 2023, declaring a climate emergency and setting a goal to source 100% of Pasadena's electricity from carbon-free sources by the end of 2030.

#### **ENVIRONMENTAL ANALYSIS:**

The proposed action is the execution of a contract for professional consulting services to assist in the preparation of an IRP related document. This action has been determined to be statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15262. This Section states that a project involving only feasibility and planning studies for possible future actions which the agency has not approved, adopted, or funded are exempt from CEQA. Execution of a professional services contract for the preparation of an IRP does not commit the City to undertaking any improvements or other actions that would result in a physical change in the environment.

**FISCAL IMPACT:**

The maximum cost of this action will be \$1,210,000, which includes the base contract amount of \$1,100,000 and a \$110,000 contingency to cover any unforeseen change orders. Funding for this action will be addressed by the utilization of existing appropriations in the Power Operating Fund 401 Consultant Services (Object 811500). It is estimated that approximately 10% will be spent in FY 2024 and the remaining amount will be spent in FY 2025 and 2026.

There are no anticipated impacts to other operational programs or capital projects resulting from this action.

Respectfully submitted,

  
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Attachment A - Proposed Scope of Work for Optimized Strategic Planning Support  
Attachment B – Agenda Report for Municipal Services Committee Meeting dated  
February 27, 2024