

Agenda Report

Date: February 7, 2000

To: City Council
Through: The Deregulation Committee

From: City Manager

Subject: Authorize the Pasadena Water and Power Department to enter into third-party contracts to provide behind the meter services.

Recommendation

It is recommended that City Council authorize the General Manager of Pasadena Water and Power (PWP) to enter into vendor network program agreements with third-party providers of behind-the-meter water and energy related services in accordance with the principles in Exhibit 1 attached.

Background

As a result of the electric industry deregulation, there has been an increased demand for behind-the-meter services by utility customers. The new services have been primarily aimed at improving the customer's efficient use of electricity and lowering its electric bill.

PWP has received proposals from seventeen prospective vendors. These firms have extensive experience in providing behind-the-meter products and services across all customer segments. These firms have expressed an interest in entering into an agreement with PWP.

To ensure vendors meet the highest standards of performance, PWP will include in its evaluation the following information and/or sources prior to entering into agreements with the vendor:

- Credit history
- Better Business Bureau record
- Contractors' License Board
- References Check
- City License and history check

Additionally all vendors will be required to meet the City's living wage and affirmative action standards.

Through the vendor network program, PWP will promote energy and water technologies to satisfy the needs and desires of its customers. PWP will not endorse particular products or vendors; however, it will support technologies or applications that promote the efficient use of electricity and water.

The objective of the vendor network program is to provide the following benefits to PWP customers:

- Turn-key projects including energy and water audits, load profiling, design, procurement, construction management, testing, commissioning, and savings verification.
- Competitive prices.
- Performance based contracts with the vendors.
- Access to a robust menu of behind the meter solutions and vendors.

PWP customer account managers conducted a products and services needs assessment with their customers for the purpose of assessing levels of interest in specific behind the meter services. The survey information was used in the determination of the types of products and services most desired according to priority by the customer. This information was an essential factor in the development of the menu of products and services to be offered through the vendor network program.

Through the vendor network program, PWP will complement its portfolio of services by offering its customers referrals to companies who wish to align with PWP in providing water and energy related services. Companies wishing to provide behind-the-meter services to PWP's customers through this arrangement, must agree not to compete for energy and/or water sales to PWP's customers for a period at least 12 months beyond the termination of their Agreement with the City. The principles of the agreement are shown in the attached Exhibit 1. PWP will not have a contractual arrangement with the customer.

The City Attorney and Risk Management have actively participated in drafting the Agreement/Contract to be used to create the arrangement between PWP and the vendor. The vendor must provide proof that it has named PWP and the City as additional insured. Furthermore, prior to the execution of each contract between the Customer and vendor, PWP will require the vendor to furnish proof that the "additional insured" status is indeed current.

The vendor network program will be designed to reach all segments of our customer base, and initially promoted through the PWP's marketing organization as all customer contacts and flow of customer information will be through PWP. Customers will be provided at least three vendors from which to choose to provide the particular service they are seeking. Account managers will act as initial liaison between the customer and vendor.

At its May 17, 1999 meeting, City Council discussed the vendor network concept. Comments from council for not moving forward at that time was mainly the lack of approved PWP Business Plan. On October 4, 1999, City Council approved the PWP Business Plan and the proposed vendor network is consistent with the approved Business Plan.

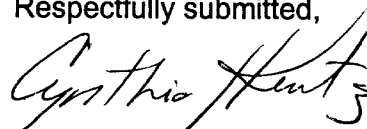
The following is a partial list of the products and services that will be available to PWP customers through the vendor network program:

- Technical and Project Management Services: Building Envelope Modifications, Electric Motor and Drive Replacement or Retrofits, Thermal Energy Storage, Chilled and Hot Water Piping System Upgrades, Preventive Maintenance, Energy Audits, Design and Specifications, Installation, and Commissioning,
- Heating, Ventilation, and Air Conditioning (HVAC) Systems: A/C Units Replacement, Heat Pumps Installation, High Efficiency A/C Units, Variable Air Volume Retrofit, Cooling Tower Retrofit, Economizer Installation, Fans and Pump Replacement, Boiler Improvements, Chiller Retrofits or Replacement
- Lighting Controls Replacement: Occupancy Sensors, LED Exit Signs, Day-lighting
- Building Automation: Energy Management System, Upgrade to DDC controls, Fire/Life Safety
- Infrastructure Services: Power Quality Upgrades, Renewable Energy Systems Installation, Electrical Distribution Systems, Transformers, Water Treatment Facilities, Water and Sewer Conservation Systems, Low Flow Plumbing System, Water Efficient Irrigation
- Electrical and plumbing services

Fiscal Impact

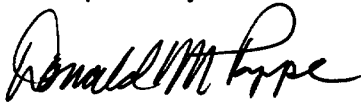
Fiscal impacts are anticipated to be minimal as no additional staff is anticipated to support the vendor network program. Some additional revenues will be generated. This revenue is expected to fluctuate as demand for services and size of contracts vary.

Respectfully submitted,



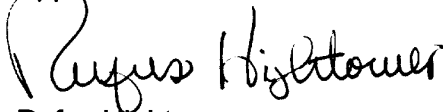
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