



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 28, 2023

FROM: PUBLIC UTILITIES DEPARTMENT WARDS: ALL

SUBJECT: AMEND PROFESSIONAL CONSULTANT SERVICES AGREEMENTS TO ADD ADDITIONAL FUNDING FOR VENDOR ADMINISTERED ENERGY EFFICIENCY PROGRAMS FOR REFRIGERATED LOAD WITH STAPLES & ASSOCIATES, INC. OF BAKERSFIELD, CALIFORNIA FOR AN ADDITIONAL \$500,000, TOTAL CONTRACT AMOUNT OF \$750,000 AND FOR SMALL BUSINESS WITH RICHARD HEATH AND ASSOCIATES OF FRESNO, CALIFORNIA IN THE ADDITIONAL AMOUNT OF \$2,500,000, TOTAL CONTRACT AMOUNT OF \$3,750,000

ISSUES:

Approval of the amended Professional Consultant Services Agreements, to increase program funding for vendor administered energy efficiency programs for Refrigerated Load Program with Staples & associates, Inc. Bakersfield, California to add \$500,000 for a total three-year contract amount of \$750,000; and for Small Business Program with Richard Heath and Associates of Fresno, California, to add \$2,500,000, for a total three-year contract amount of \$3,750,000.

RECOMMENDATIONS:

That the City Council:

1. Approve the amended Professional Consultant Services Agreement with Staples & Associates, Inc. of Bakersfield, California, to add \$500,000, for a revised contract amount of \$750,000;
2. Approve the amended Professional Consultant Services Agreement with Richard Heath and Associates of Fresno, California, to add \$2,500,000, for the Small Business Program for contract amount of \$3,750,000; and
3. Authorize the City Manager, or designee, to execute the amended Professional Consultant Services Agreements, including making minor and non-substantive changes to the agreements.

BOARD RECOMMENDATION:

On November 13, 2023, the Board of Public Utilities unanimously approved to forward a recommendation to City Council to approve the amended Professional Consultant Services

Agreement with Staples & Associates, Inc. of Bakersfield, California, to add \$500,000, for a revised contract amount of \$750,000; approve the amended Professional Consultant Services Agreement with Richard Heath and Associates of Fresno, California, to add \$2,500,000, for the Small Business Program for contract amount of \$3,750,000; and to authorize the City Manager, or designee, to execute the amended Professional Consultant Services Agreements, including making minor and non-substantive changes to the agreements.

BACKGROUND:

In the early 2000's, RPU began offering energy efficiency programs to its customers. Due to the requirements set forth in SB1037, energy efficiency remains the lowest cost energy resource that can be procured within the RPU service territory and Assembly Bill (AB) 1890 (Brulte, 1996), requires that 2.85% of electric revenue be utilized to fund public benefits programming and must be used in at least one of four areas: demand side management (energy efficiency), renewable energy, low-income assistance, or research, development, and demonstration.

RPU has focused considerable energy efficiency outreach efforts towards commercial customers as they represent approximately 12% of the customer base, but account for approximately 65% of the entire City's load. Previously, commercial incentive programs were provided to customers via agreements administered and managed by SCPPA. As RPU no longer participates in SCPPA administered rebate programs, it has been necessary to pursue new programming via internal Request for Proposals (RFP) processes to continue to provide energy efficiency incentives to the local business community.

Three (3) new Direct Installation programs formed part of a suite of RFP proposals that were posted through the City's Planet Bids system in October 2021. These new programs were designed to proactively target unique customer segments that are typically harder to reach through traditional incentive models. RPU's commercial direct installation programs have been established to provide a range of bespoke measures and audits to fit the diverse array of businesses that RPU serves. Direct Installation programs utilize the services of outside vendors to satisfy the needs of rate payers efficiently and economically.

In October 2021, two (2) RFPs sought vendors who could offer Direct Installation programs to RPU commercial rate payers. On November 28, 2022 and on January 10, 2023, the Board and City Council respectively approved the following three-year contracts, with two additional years, from the RFPs:

1. RFP 2138 Consultant Administered Refrigerated Load Program - with Staples & Associates
2. RFP 2139 Consultant Administered Direct Installation Services for Small Business with Richard Heath and Associate

DISCUSSION:

RFP 2138 Consultant Administered Refrigerated Load Program

The Consultant Administered Refrigerated Load Program targets customers with significant refrigerated food and beverages storage such as mini-marts, delicatessens, convenience stores and restaurants. The program offers the direct installation of energy efficiency measures such as air curtains, cooler gaskets, automatic door closures, LED case lighting retrofits and high-efficiency motor upgrades. Customers who participate in the program receive a site audit by a program auditor who inspects existing equipment for energy upgrade opportunities and prepares a scope of work for the customer, who can elect to pursue this.

Since being introduced in February 2023, this program has surpassed expectations, and funding is currently exhausted. The significant customer demand for this program has exhausted all program funds, customers will not be able to participate unless additional funds are made available.

Program	Businesses Assisted	Lifetime kWh Savings	Program Costs	Available budget	% Funds Spent
Refrigerated Load	34	1,213,608	\$249,925	\$250,000	99.97%

RFP 2139 Consultant Administered Direct Installation Services for Small Business

The Consultant Administered Small Business Program provides small and medium-sized businesses with energy audits, and direct installation of energy efficiency measures such as lighting upgrades and controls, HVAC tune-ups, exit and open/closed signs, advanced power strips and weatherization. Customers who participate in the program receive a site audit by a program auditor who inspects existing equipment and reviews it for energy upgrade opportunities and prepares a scope of work for the customer who may elect to undertake the recommended upgrades.

The program has assisted 269 small business customers with audits and upgrades expending more than half of the available program funds in the short time it has been available to customers. The consistent demand is expected to run out of funding in a few months.

Program	Businesses Assisted	Lifetime kWh Savings	Program Costs	Available budget	% Funds Spent
Small Business Direct Install	269	13,109,230	\$824,011	\$1,250,000	66%

Combined Program Benefits

All the programs are aimed at maximizing energy efficiency savings for RPU's commercial customers. In addition to helping with efficiencies, these programs also support RPU's customers in making savings that can help to reduce business overhead or operating costs. On average, SBDI participants are expected to save approximately 3,400 kWh or about \$500 per year, which can amount to significant savings for these ratepayers. Additionally, the combined kWh savings from these programs deliver approximately 30% of the annual 1% total energy efficiency savings that the Utility has committed to making under Assembly Bill AB 2021 (Levine, 2006). AB 2021 requires publicly owned utilities (POUs) to identify, target and achieve all potentially cost-effective electric savings and establish 10-year energy efficiency targets.

Participation numbers show that these programs have been successful since their implementation in February 2023. The number of customers included on the program interest lists suggests that there is a consistent, ongoing demand for these programs across RPU's business community. Currently the SBDI program has 18 businesses scheduled for site evaluations, 57 scheduled installations and 28 customers who have called expressing interest to schedule site evaluations.

Per Purchasing Resolution 23914 Section 1104 states, "Unless otherwise specifically authorized by the Awarding Entity, Change Orders which cumulatively exceed the following will require Awarding Entity approval.... (c) 10% of the original contract price for Contracts and/or Purchase Orders previously approved by the Awarding Entity and the total Change Order amount will not exceed \$150,000."

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23914.

STRATEGIC PLAN ALIGNMENT:

The agreement to deliver energy efficiency direct installation programs to RPU electric customers aligns with Strategic Priority 4, Environmental Stewardship. Program deliverables will focus on helping commercial customers maximize energy efficiency practices and support the Priority goals of championing proactive and equitable climate solutions based in science to ensure clean air, safe water, a vibrant natural world, and a resilient new green economy for current and future generations.

The agreements align with the following of the City's Cross-Cutting Threads as described below:

1. **Community Trust** – The RFPs issued to administer the consultant administered energy efficiency programs were released to the public in an effort to gain the subject matter expertise from vendors who specializes in such projects as well as gain the great value for the least financial impact to RPU. These projects are intended to benefit customers and improve the community environment by encouraging energy efficiency.
2. **Equity** – The programs contained in this report offer direct benefit to the participating customers, however, by helping RPU business customers minimize their utility costs RPU ensures a healthy business environment for all rate payers to enjoy.
3. **Fiscal Responsibility** – The competitive cost of the programs will be managed with fiscally responsible practices. The remit of these programs allows them to qualify for public benefits funding per Assembly Bill (AB) 1890. (as noted above)
4. **Innovation** – The consultant administered energy efficiency programs offer RPU's commercial electric rate payers the latest energy efficiency measures as well as provide a roadmap for them to follow to improve their energy efficiency, and to reduce their operation expenditure.
5. **Sustainability & Resiliency** – The consultant administered energy efficiency programs provide RPU energy customers an opportunity to improve their energy efficiency as well as demonstrates industry best practices, resulting in better sustainability and resiliency practices.

FISCAL IMPACT:

The fiscal impact of the amendments is \$3,000,000, for the total fiscal impact is \$4,500,000 over a three-year period for the customer programs. Sufficient funds are available in the Electric Public Benefits Fund, Public Benefit, Refrigerated Load Account No: 6020100-456106 (\$500,000) and Electric Public Benefits Fund, Public Benefit, Small Business Direct Install Account No. 6020100-456080 (\$2,500,000) for FY 2023/24.

Funding for future years will be included in the next biennial budget. Energy efficiency programs are budgeted and funded through the Public Benefits Charge currently set at 2.85% of customer electric charges.

Prepared by: Todd Corbin, Utilities General Manager

Certified as to

availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. First Amendment to Consultant Services with Staples, Inc for Refrigerated Load
2. First Amendment to Consultant Services with Richard Heath for SBDI
3. Presentation