TO:        HONORABLE CITY COUNCIL
FROM:  CITY MANAGER        DEPARTMENT: UTILITIES
DATE:  JUNE 13, 2005        CMR:220:05
SUBJECT: APPROVAL OF A UTILITIES PUBLIC BENEFIT PROGRAM
CONTRACT WITH EAGLE SYSTEMS INTERNATIONAL, INC. DBA
SYNERGY COMPANIES IN THE AMOUNT OF $570,000 FOR
IMPLEMENTATION OF A LOW-INCOME RESIDENTIAL ENERGY
ASSISTANCE PROGRAM (REAP)

RECOMMENDATION
Staff recommends that Council:

1. Approve and authorize the City Manager to execute the attached contract with Synergy
Companies in the amount of $190,000 for a new low-income program to install energy

2. Authorize the City Manager or his designee to exercise the option to renew the program
for FY 2006-2007 in the amount of $190,000 and FY 2007-2008 in the amount of
$190,000, subject to available funds and program performance.

DISCUSSION
Scope of Services Description

This new Residential Energy Assistance Program (REAP) will provide a variety of services to
low-income residents that meet the Housing and Urban Development very low-income limits for
the San Jose Metropolitan area. These services include energy efficiency education, home
weatherization, diagnostic energy efficiency testing, minor plumbing and electrical repairs,
weather stripping, caulking, insulation and other energy efficiency improvements. REAP will
also include the installation of ENERGY STAR® programmable thermostats, furnaces,
refrigerators, water heaters, compact fluorescent lighting, and high efficiency plumbing devices.
See Attachment B for a complete scope of services.

As part of the proposed FY 2005-2006 City Budget, utility rates are expected to increase in July
2005. This increase in the cost of energy may cause additional hardship for the low-income
residents of Palo Alto. The City of Palo Alto Utilities (CPAU) offers several key programs to
help customers in need. CPAU would like to complement its existing services to low-income residents by offering REAP. This program will assist low-income residents in lowering their monthly expenditures through energy efficiency education, home weatherization, and other energy efficiency improvements.

Currently, CPAU offers two low-income programs: Rate Assistance Program (RAP) and ProjectPLEDGE, to qualifying utilities customers. RAP provides energy discounts to low-income residents who are unable to pay their utilities bills. RAP also provides assistance when there is a need for more energy due to a medical condition. A 20% discount is available to qualifying utilities users on a continuous basis until the medical need or economic hardship is resolved.

ProjectPLEDGE allows ratepayers to voluntarily pledge a given amount that would be added to their utility bill charges each month. ProjectPLEDGE is designed to operate at minimal cost to CPAU by using utility bills to collect contributions. The contributions assist the elderly, disabled, and individuals or families experiencing unusual hardships.

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<th>Summary of Solicitation Process</th>
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<td>Proposal Description/Number</td>
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<td>Number of Proposals Received:</td>
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<td>Company Name</td>
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<td>1. American Synergy Corporation</td>
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<td>Proposal Amount Submitted</td>
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An evaluation committee consisting of 4 Utilities staff members reviewed the proposal. A total of four companies were invited to bid on this program. Two companies chose not to respond due to high workload, and a third company missed the cut-off date to submit a proposal. The contractor was invited to participate in oral interviews on March 24, 2005. The committee carefully reviewed the firm’s qualifications and submittal in response to the criteria identified in the RFP. The committee evaluated the firm based on four main criteria consisting of: qualifications and experience of contractor, overall expertise with low income programs, cost effectiveness, and response to Request for Proposal. It was also evaluated on 9 sub-categories, which are detailed in Attachment C, and based on its written proposal and oral interview.

Synergy Companies (SC) was selected based on its expertise with low-income energy efficiency programs, with over 20 years of prior experience. SC has audited, educated, and installed energy efficiency and water measures for over 100,000 low-income dwelling units in California. In the past year, SC has done similar work with Pacific Gas and Electric (PG&E) on its Energy Partners Low-Income Program, San Francisco Peak Energy Pilot Program and with the cities of Fresno and Madera housing authority programs. The program directors of Energy Services for San Diego Gas and Electric (SDG&E) and PG&E felt the quality of work and overall program implementation from SC was very good. Southern California Edison (SCE) Director of Energy Efficiency commented that SC has done a lot of energy efficiency work for SCE, has always
been easy to work with and it has never had any problems. SC is a licensed B (General), C2 (insulation), C10 (Electrical, C17 (Glazing), C20 (HVAC), ASB (Asbestos Abatement) contractor.

SC will bill CPAU monthly based on measures replaced including labor cost per dwelling completed. The cost per dwelling can range from $75 to a maximum of $1,000 depending on the weatherization need of each individual unit. SC will be receiving $15,000 for program design, administration, information systems and reporting cost, the remaining $175,000 will be used for weatherization and energy efficiency measures. Attachment D will include a complete cost breakdown per measure replaced.

CPAU chose to have an outside contractor versus CPAU staff to implement this program due to the multiple licensing requirements, weatherization and appliance testing certifications, need for extra staffing, and the overall experience needed when working on low-income programs.

RESOURCES
The Residential Energy Assistance Program (REAP) and Rate Assistance Program (RAP) for FY 05-07 will be funded through adopted budgets for FY 05-06 and FY 06-07. Unspent funds will be returned to the Electric Fund Public Benefits Reserve or the appropriate Rate Stabilization Reserve.

POLICY IMPLICATIONS
This recommendation is consistent with the Council approved Utilities Strategic Plan Key Strategy 6: “Provide targeted customer and environmental programs and service.”

ENVIRONMENTAL REVIEW
This is not a project under the California Environmental Quality Act (CEQA), so no environmental review is necessary.

ATTACHMENTS
A: Contract
B: Scope of Services
C: Selection Criteria
D: Cost Sheet and Rates

PREPARED BY: ________________________________

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