



City of Palo Alto

City Council Staff Report

(ID # 11409)

Report Type: Consent Calendar

Meeting Date: 10/5/2020

Summary Title: Member Services Agreement with NCPA for BAMx Consultant

Title: Adoption of a Resolution Approving and Authorizing the City Manager to Execute the Professional Services Agreement Between the Northern California Power Agency (NCPA) and the Cities of Palo Alto and Santa Clara for Electric Transmission, Generation and Regulatory Consulting Services, on Behalf of the City of Palo Alto in an Amount Not-to-Exceed \$821,875 Through October 31, 2025

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council adopt a resolution approving and authorizing the City Manager, or his designee, to execute the Professional Services Agreement between the Northern California Power Agency and the Cities of Palo Alto and Santa Clara for Electric Transmission, Generation and Regulatory Consulting Services, on behalf of the City of Palo Alto, for a five-year contract term ending October 31, 2025. The City's share of the cost of the contract will not exceed \$164,375 annually or \$821,875 over the five-year term.

Executive Summary

The Northern California Power Agency (NCPA) provides contract management services to the cities of Palo Alto and Santa Clara for consulting services related to electric transmission issues affecting them both. For consulting agreements executed by NCPA on behalf of one, or a subset of, NCPA members, and to which the members are not a party, NCPA requires that those members enter into a Professional Services Agreement with NCPA. The approval of this Professional Services Agreement with NCPA ([Attachment B](#)) is the subject of this report. NCPA has a separate contract with Flynn Resource Consultants, Inc. (Flynn RCI) to provide electric transmission consulting services to Palo Alto and Santa Clara. The last contract between NCPA and Flynn RCI, initially executed in June 2017, expired on June 30, 2020. In May 2020 NCPA issued an RFP for a consultant to provide these services and in June selected Flynn RCI for a five-year contract through October 2025 for a not-to-exceed total of \$3,250,000, or \$650,000 during each annual period of the agreement. Palo Alto's share of the five-year Flynn RCI contract services and NCPA's contract management fees of \$7,500 per year will not exceed

\$821,875 for the full five-year term.

A major benefit from these services positions Palo Alto to critically review statewide transmission projects that result in increases in high voltage transmission charges, which are estimated to increase over the next five years, from \$10.9 million in FY 2021 to \$14 million in FY 2025 for the City's electric utility. Similar engagement through this agreement provides review of PG&E's local transmission planning, which impact the low voltage transmission charges paid by the utility, also in the range of \$10 million to \$14 million per year over the next several years.

Background

NCPA is a joint powers agency whose members are publicly owned electric utilities, including Palo Alto (City). NCPA arranges for delivery of the City's electric power on the electric transmission system to the point of interconnection with the City's distribution system and manages electric resources that the City jointly owns with other NCPA members. Following the 2000/2001 California electricity market crisis, the California Independent System Operator (CAISO) initiated a major redesign of the state's electricity markets, in which the City participated with the consulting assistance of Flynn RCI. The Cities of Palo Alto, Alameda, and Santa Clara identified common interests in advocating for certain market design proposals, and formed the group referred to as the Bay Area Municipal Transmission Group, or BAMx.

Recognizing their need for technical and regulatory consulting services, the BAMx members considered ways to reduce costs by sharing professional services. The options considered included forming a new joint powers agency that would then retain a consultant; entering into three separate consulting agreements with one consulting company; or working through NCPA. At the time, the members decided that the best alternative was for NCPA to provide the consulting services, thereby reducing administrative costs and facilitating coordination with other NCPA members with common interests. Subsequently, in 2003, the BAMx members requested that NCPA provide professional services related to electric transmission, power generation, regulatory issues, and electric market design issues affecting the three cities. The wider NCPA membership was not engaged in the issues of interest to BAMx, so on March 1, 2003 NCPA entered into a consulting agreement with Flynn RCI to provide these services to the BAMx members. In 2015 Port of Oakland joined BAMx, but in 2016 the Port and City of Alameda withdrew from BAMx, at which time the annual Flynn Contract decreased from \$760,000 to \$650,000, and now BAMx consists of the Cities of Palo Alto and Santa Clara.

Since March 2003, Flynn RCI has been representing BAMx in Bay Area electric transmission expansion planning processes, at CAISO proceedings related to electric market design in California, in filings at the Federal Energy Regulatory Commission, and in other regional electric transmission planning venues. BAMx, through Flynn RCI, its consultant, has also advocated for improved reliability of electricity transmission service in and to the Bay Area, has influenced the CAISO's electric transmission planning process to provide for more effective stakeholder participation, and has persuaded the CAISO to take on the responsibility of forecasting the rapidly increasing transmission access charges. BAMx has also had some success in influencing

the transmission interconnection process, thereby lowering the anticipated transmission access charge increases. Recent activities from the ongoing partnership between BAMx, NCPA and Flynn RCI include participation in proceedings reviewing the investor owned utilities (such as PG&E) Public Safety Power Shutoff (PSPS) events; working with the CAISO to better forecast possible outages from such PSPS events; and participating in a stakeholder process to replace the current methodology for allocating grid charges to electric utilities.

Discussion

As the latest contract between NCPA and Flynn RCI expired on June 30, 2020, NCPA staff selected Flynn RCI through a competitive bidding process for a new five-year contract and is preparing to execute a new agreement to continue the consulting services from Flynn RCI through October 31, 2025. This agreement is provided for reference in [Attachment C](#). NCPA requires the two BAMx members to execute a new Professional Services Agreement for the same five-year term, which is the subject of this report and the attached Resolution.

The Professional Services Agreement between NCPA and the BAMx members ([Attachment B](#)) states that NCPA is performing or providing these services at the request of the BAMx members, and formalizes NCPA’s role in processing invoices from Flynn RCI and allocating the monthly charges to each BAMC member. The detailed cost allocation to the BAMx members is provided in Table 1.

Table 1: Contract Cost Allocation per Year

| | % Share | Flynn Contract | NCPA Admin Fee | Total |
|--------------|----------------|-----------------------|-----------------------|------------------|
| Palo Alto | 25% | \$162,500 | \$1,875 | \$164,375 |
| Santa Clara | 75% | \$487,500 | \$5,525 | \$493,125 |
| Total | 100% | \$650,00 | \$7,500 | \$657,500 |

The agreement also contains provisions that limit NCPA’s liability and that of non-participating NCPA members, which NCPA requires in all its agreements.

The value to the City of participating in BAMx is the continued advocacy for fair and equitable electric market rules, beneficial electric transmission solutions, and effective stakeholder participation in electric transmission planning processes. BAMx takes a lead role in advocating for rigorous economic and needs analyses in the CAISO’s transmission planning proceedings to build new transmission to potential renewable electric resource sites in remote locations. To put this in context for Palo Alto, every \$100 million in transmission investments in the CAISO increases the high voltage transmission charge by six to seven cents, resulting in an increase in annual costs for the City’s electric portfolio of \$60,000 to \$70,000 (about 0.6 % of the City’s FY 2020 high voltage transmission access cost of \$11 million).

Resource Impact

The City’s share of the Flynn RCI contract is available in the Electric Fund’s FY 2021 operating budget. The Consulting Agreement between NCPA and Flynn RCI ([Attachment C](#)) specifies a not-

to-exceed contract amount of \$650,000 for FY 2021 for BAMx member services. NCPA's BAMx Agreement ([Attachment B](#)) will also charge BAMx members an annual fee of \$7,500 for monthly billing and contract preparation and review. The City's 25% cost share, outlined in the BAMx Agreement Exhibit B ("Compensation Schedule and Hourly Fees"), is \$164,375 per year. This is further described above in Table 1, with the City's annual maximum of \$164,375 covering 25% of the Flynn RCI contract services (\$162,500) and 25% of the NCPA BAMx contract admin fee (\$1,875). For the subsequent years of the contract the BAMx members will annually set the scope of work and budget up to a maximum of \$650,000 per year. Funding necessary for the City's share of the contract costs for FY 2022 and subsequent years will be contingent upon Council approval.

NCPA's previous multi-year contracts with Flynn RCI included a 3% increase in hourly fees at the start of each fiscal year. In this contract, NCPA negotiated with Flynn to hold their rates at the FY 2020 levels for the duration of the five year contract. The annual Flynn Contract amount (\$650,000) and annual NCPA fees (\$7,500) are held at the same levels as the previous three-year contract executed in FY 2018, but this year NCPA negotiated a five-year term with the fixed hourly rates.

Policy Implications

Entering into this agreement does not create new policy, is consistent with existing policy, and is consistent with the 2018 Utilities Strategic Plan's priority on Financial Efficiency and Resource Optimization.

Stakeholder Engagement

Through BAMx , Utility staff engages in statewide proceedings related to the electric transmission grid.

Environmental Review

The Council's adoption of a resolution approving and authorizing the City Manager to execute the Professional Services Agreement between the Northern California Power Agency and the Cities of Palo Alto and Santa Clara on behalf of the City of Palo Alto does not require review under the California Environmental Quality Act, because it does not meet the definition of a "project" under section 21065 of the Public Resources Code and section 15378(b)(5) of the CEQA Guidelines, as an administrative governmental activity which will not cause a direct or indirect physical change in the environment.

Attachments:

- Attachment A: Resolution

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving and Authorizing the City Manager to Execute the Professional Services Agreement Between the Northern California Power Agency and the Cities of Palo Alto and Santa Clara For Electric Transmission, Generation and Regulatory Consulting Services, on Behalf of the City of Palo Alto in an Amount not to Exceed \$821,875 through October 31, 2025

R E C I T A L S

A. The City of Palo Alto (“City”), a municipal utility and a chartered city, is a member of the Northern California Power Agency (“NCPA”).

B. In 2003, Palo Alto, along with two other NCPA members, the Cities of Alameda and Santa Clara, formed the Bay Area Municipal Transmission Group (“BAMx”) and requested that NCPA provide professional consulting services related to electric transmission, power generation, regulatory issues, and electric market design issues affecting the BAMx members.

C. Since 2003, NCPA has contracted with Flynn Resource Consultants, Inc. (“Flynn RCI”) to provide these consulting services to the BAMx members.

D. The current contract between NCPA and Flynn RCI expired on June 30, 2020 and NCPA is planning to execute a new contract with Flynn RCI, following a competitive selection process, to continue to provide these consulting services through October 2025.

E. In 2015, the City of Oakland, acting by and through its Board of Port Commissioners (the “Port of Oakland”) expressed a desire to join BAMx, and the BAMx members desired to add the Port of Oakland to their membership.

F. In 2016, the Port of Oakland and City of Alameda both withdrew from BAMx membership (hereinafter, references to “BAMx” include the Cities of Palo Alto and Santa Clara).

G. For consulting agreements executed by NCPA on behalf of one, or a subset of, NCPA members, NCPA requires that those members enter into a Professional Services Agreement with NCPA.

H. The Professional Services Agreement between the BAMx members and NCPA specifies the terms and conditions under which NCPA will procure the requested professional consulting services from Flynn RCI and allocate charges between the BAMx members.

The Council of the City of Palo Alto RESOLVES as follows:

NOT YET APPROVED

SECTION 1. The Council approves and authorizes the City Manager, or his designee, to execute on behalf of the City of Palo Alto the Professional Services Agreement between the Northern California Power Agency and the Cities of Palo Alto and Santa Clara for Electric Transmission, Generation, and Regulatory Consulting services, in an amount not to exceed \$821,875 for Palo Alto’s share for the five year contract term through October 31, 2025.

SECTION 2. The Council finds that funds to cover the City’s share of the Flynn RCI services under the BAMx contract with NCPA for the first year of the contract are allocated in the Electric Fund’s proposed budget for FY 2021.

SECTION 3. The Council finds that the adoption of this resolution does not require review under the California Environmental Quality Act, because it does not meet the definition of a “project” under section 21065 of Public Resources Code and section 15378(b)(5) of the CEQA Guidelines, as an administrative governmental activity which will not cause a direct or indirect physical change in the environment.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Deputy City Attorney

City Manager

Director of Utilities

Director of Administrative Services