TO:          HONORABLE CITY COUNCIL
FROM:       CITY MANAGER                  DEPARTMENT: UTILITIES
DATE:       MAY 5, 2008                     CMR:  218:08
SUBJECT:    APPROVAL OF A UTILITIES PUBLIC BENEFIT PROGRAM
            CONTRACT WITH EAGLE SYSTEMS INTERNATIONAL, INC. DBA
            SYNERGY COMPANIES IN AN AMOUNT NOT TO EXCEED $570,000
            FOR CONTINUED ADMINISTRATION OF A LOW-INCOME
            RESIDENTIAL ELECTRIC AND NATURAL GAS ASSISTANCE
            PROGRAM

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 continued administration of a program to
   install electric and natural gas energy efficiency measures in local low-income

2. Authorize the City Manager or his/her designee to exercise the option to renew the
   program for up to two more years: in FY 2009-2010 in the amount of $190,000 and in
   FY 2010-2011 in the amount of $190,000, subject to available funds and program
   performance.

DISCUSSION
Scope of Services Description

As part of the proposed FY 2008-2009 budget, utility rates are expected to increase in July 2008.
This increase in the cost of energy will 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 complements its existing rate reductions for low-income residents by offering
Residential Electric & Natural Gas Energy Assistance Program (REAP), which helps low-
income residents in lowering their gas and electric expenditures through energy efficiency
education, home weatherization, and other energy efficiency improvements. In addition, since
low-income customers often live in residences with the least efficient appliances and equipment, replacing these items for affected residents will provide significant energy efficiency benefits for those in the community who most need it.

The REAP provides a variety of services to low-income Palo Alto residents that meet the Housing and Urban Development very low-income limits for the San Jose metropolitan area. These services are for residents in single family and multi family homes and 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 also includes the purchase and 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.

Since its initial approval in July 2005 and its full implementation in January 2006, REAP has assisted over 120 Palo Alto single-family residences at an average cost of about $2,750 per home. This amount is more when the customer’s furnace and/or refrigerator need to be replaced for safety reasons. For other customers, the cost of the energy assistance is typically about $1,500 per home. The program to date has saved Palo Alto residents 216,515 kWh of electricity, 18,179 therms of gas and has eliminated 451,947 pounds of CO2 emissions.

In 2007, REAP received the California Municipal Utilities Association’s Community Service/Resource Efficiency Award for a small utility. This award is only offered to one small utility of less than 80,000 customers and one large utility of 80,000 or more customers each year. The award recognized CPAU’s innovative and comprehensive approach in assisting the low-income residents of Palo Alto through REAP.

REAP’s goal for the next three fiscal years is to assist at least 50 single family and 25 multi-family residences per year, at a cost of no more than $190,000 per year. The energy savings will be substantial and are anticipated to exceed current results, helping the City of Palo Alto achieve its energy savings goals. In addition, the improvements to comfort and reductions in utility bills for low-income customers will be even more important.

In addition to REAP, CPAU offers two other 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 give an amount that is added to their utilities bill charges each month. The contributions assist the elderly, disabled, and individuals or families experiencing unusual hardships. ProjectPLEDGE is designed to operate at minimal cost to CPAU by using utilities bills to collect contributions.
### Summary of Solicitation Process

<table>
<thead>
<tr>
<th>Proposal Description/Number</th>
<th>Low-income Energy Efficiency Program Services, RFP Number 125553</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Length of Project</td>
<td>36 months</td>
</tr>
<tr>
<td>Number of Proposals Mailed</td>
<td>3</td>
</tr>
<tr>
<td>Total Days to Respond to Proposal</td>
<td>21</td>
</tr>
<tr>
<td>Pre-proposal Meeting Date</td>
<td>January 23, 2008</td>
</tr>
<tr>
<td>Number of Company Attendees at Pre-proposal Meeting</td>
<td>1</td>
</tr>
<tr>
<td>Number of Proposals Received:</td>
<td>1</td>
</tr>
<tr>
<td><strong>Company Name</strong></td>
<td><strong>Location (City, State)</strong></td>
</tr>
<tr>
<td>1. American Synergy Corporation</td>
<td>Hayward, CA</td>
</tr>
<tr>
<td>Proposal Amount Submitted</td>
<td>$190,000</td>
</tr>
</tbody>
</table>

An evaluation committee consisting of three utilities staff members reviewed the proposal. A total of three companies were invited to bid on this program. Two companies chose not to respond due to the broad scope of services and heavy workloads. 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.

An outside contractor, Synergy Companies (SC), was chosen to implement this program because of the multiple licensing requirements required to install equipment and appliances, weatherization and appliance testing certifications, as well as the need for extra staffing and the overall experience needed when working on low-income programs.

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. SC is the current contractor for REAP and has assisted over 120 Palo Alto low-income residents with a 98% approval rating. SC is very familiar with the customer-first attitude of CPAU as well as the City’s high expectations of quality service. SC has also 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’s housing authority programs. SC also received favorable marks from PG&E and San Diego Gas and Electric Company. SC is a licensed B (General), C2 (insulation), C10 (Electrical), C17 (Glazing), C20 (HVAC), and ASB (Asbestos Abatement) contractor.

SC will be receiving $10,000 for program design, administration, information systems and reporting cost, the remaining $180,000 will be used for weatherization and energy efficiency measures. SC will bill monthly based on measures replaced and labor costs per dwelling. The cost per dwelling can range from $75 to a maximum of $2,000 depending on the weatherization
needs of each individual unit. Any costs that may potentially exceed the maximum allowed will need pre-approval. Attachment C includes a complete cost breakdown per measure replaced.

**RESOURCE IMPACT**

REAP for FY 08-11 will be funded through adopted budgets for FY 08-09, FY 09-10 and FY 10-11. 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**

Approval of this contract is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 15301 (repair, maintenance or minor alteration of existing public or private structures), and Section 15307 (actions taken by regulatory agencies for the protection of natural resources).

**ATTACHMENTS**

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

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