TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DATE: MAY 20, 2002

DEPARTMENT: UTILITIES

CMR: 250:02

SUBJECT: APPROVAL OF AMENDMENT NO. 1 TO CONTRACT NO. C-123181 WITH ENERGY MASTERS, INTERNATIONAL IN THE AMOUNT OF $150,000 FOR COMPREHENSIVE ENERGY PROJECT MANAGEMENT SERVICES

RECOMMENDATION
Staff recommends that Council approve and authorize the Mayor to execute the attached contract amendment with Energy Masters, International, Inc. in the amount of $150,000 for comprehensive energy project management services provided to City of Palo Alto Utilities’ (CPAU) key and major customers.

DISCUSSION
In 1994, the Northern California Power Agency (NCPA) facilitated a competitive process to select an energy services company capable of providing comprehensive energy project management services to utility customers on behalf of all NCPA members. CPAU and the NCPA membership unanimously selected Energy Masters International, Inc., based upon its qualifications, experience in engineering and project management, and the ability to offer competitive products and services. In 1999, CPAU staff decided to expand the range of services offered to the commercial and industrial market sectors and utilize the services of Energy Masters International, Inc.

The original contract, approved on April 3, 2000, with Energy Masters International, Inc. was designed for a three year effort in assisting CPAU’s largest revenue commercial, industrial and institutional customers. The plan did not anticipate California’s Energy Crisis of 2001, and CPAU’s aggressive response to that crisis.
The $300,000 funding originally encumbered under this contract was for a broad, sustained effort targeting a number of customers. In response to the energy crisis, however, all auditing services had to be directed to those customers financially and organizationally capable of taking immediate action to reduce their electric demand. While successful in reducing overall City electric demand by almost 5 megawatts, this effort has significantly reduced the funds available under the original contract, thus reducing the level of auditing services available for those customers unable to respond quickly at the time. This amendment provides additional funding to this contract in order to restore technical auditing services for additional customers.

The work to be performed under the original contract and Amendment Number 1 continues to be for energy services provided to CPAU’s key and major customers on an as-needed basis. Services also will be offered to the City of Palo Alto for energy projects at City facilities. Projects will include any or all of the following: project identification, engineering analysis, project design, preparation of bid specifications, construction management, design and build services (providing qualified subcontractors), project financing, and building commissioning services (to assure that new building systems are operating correctly).

**RESOURCE IMPACT**
Funds for this contract amendment are available and budgeted under the Electric Utility’s Public Benefits Program for FY 2001-02.

**POLICY IMPLICATIONS**
This recommendation does not represent any change to existing City policies and is consistent with the Council-approved Utilities Strategic Plan Strategy Number 7 to “Implement programs that improve the quality of the environment”.

**ENVIRONMENTAL REVIEW**
Categorically exempt from the California Environmental Quality Act.
ATTACHMENTS
Attachment A: Contract Amendment to #C-0123181
Attachment B: CMR: 172:00

PREPARED BY:

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