



City of Palo Alto

City Council Staff Report

(ID # 6038)

Report Type: Consent Calendar

Meeting Date: 9/15/2015

Summary Title: Electric Cost of Service Analysis Consultant Contract Award

Title: Approval of an Agreement for Professional Services with EES Consulting, Inc. in a Not to Exceed Amount of \$200,000 for the Performance of Electric Utility Financial Planning and Rate Consulting Services on an On-Call Task Order Basis for Fiscal Year 2016 through Fiscal Year 2020

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council approve and authorize the City Manager or his designee to execute a professional services master agreement with EES Consulting, Inc. (EES Consulting) (Attachment A) in the amount of \$200,000 for financial consulting services for the City's electric utility over the next five years, primarily focusing on cost of service allocation, rate design and financial planning and forecasting. Various projects will be undertaken under this master agreement. The scope and budget for each project will be agreed upon between the City and the consultant through the execution of a signed task order before the project begins. The first task order will be to perform an electric cost of service analysis (COSA) in time for a July 1, 2016 rate change. The first task order is in the amount of \$97,839, which will leave \$102,161 remaining for future tasks.

Executive Summary

Many changes are occurring in the electric utility industry including expanded local distributed generation (i.e. solar photovoltaic systems) and the introduction of distributed storage. Smart grid components and the availability of smart appliances, sensors and controllers have led to expanded customer choices and the ability for customers to control their energy consumption patterns and sources. In Palo Alto, due to the City's carbon neutral electric supply portfolio, electrification of end uses such as water and space heating as well as the expansion of electric vehicles is of interest to many customers. In July 2009, when they were last adjusted, the City's forecasts did not reflect these changes. In addition, the latest Electric Financial Plan projects the need for a 6% rate increase in July 2016 ([Staff Report 5881](#)). Staff seeks expert assistance to develop electric rates that meet the City's needs as well as comply with the cost of service requirements of State law. EES Consulting has been selected to provide this assistance.

The consultant's first task will be for an electric COSA, which will support rate changes anticipated to take place July 1, 2016. A detailed scope and budget (\$97,839) for this first task are included in Exhibits A-1 and C attached to the professional services master agreement (Attachment A). Subsequent tasks will require a separate scope and budget and be memorialized in a separate signed task order. The first task, the COSA, will involve reviewing the City's existing cost of service methodology and creating an updated cost of service methodology supported by a cost of service model and a report. The scope broadly describes the typical steps involved in a cost of service study, but the specifics of the consultant's work will be guided by the policy guidance provided by the City Council through a set of design guidelines reviewed by the Utilities Advisory Commission and the Council's Finance Committee. These guidelines are proposed for Council adoption on September 15, 2015.

The cost of service model will be the basis for any subsequent work done by the consultant (issued on separate task orders), which may include:

- Updating the model to incorporate future rate changes prompted by policy changes over the next five years;
- Reviewing electric utility connection fees;
- Reviewing the rate and cost issues associated with electric vehicles, storage, distributed generation, and electrification and making recommendations for changes to the cost of service methodology; and
- Researching rate and financial trends in California and advising the City on rates-related issues.

Staff anticipates the need for consultant assistance with several rates-related projects over the next five years due to the changing policy landscape for the electric utility, both at the local and at the State levels. Keeping a single rate consultant involved in all rate-related projects over this time will be more efficient and will allow for policy continuity.

Background

Traditionally, utilities use a COSA to allocate costs among customer classes and to design rates. COSAs gained a more important role for California publicly-owned utilities after the passage of Proposition 26 (2010). Proposition 26 added provisions to the State Constitution essentially defining every local government fee or charge as a tax requiring voter approval unless one of seven exceptions applies. Municipal electric rates that do not exceed the reasonable costs of providing electric service are one exception from the constitutional definition of a tax and its voter approval requirements. The Electric Utility's rates were last adjusted when a 10% rate increase went into effect on July 1, 2009, prior to the passage of Proposition 26. Although Proposition 26 is not retroactive, it will apply to the City's electric rates the next time they are adjusted.

The current rates are based on a COSA completed in 2007. Staff intends to complete a new electric COSA in advance of the anticipated July 1, 2016 rate adjustment. The primary goal of the COSA will be to review the allocation of costs to customer classes and the electric rate

design to ensure customers are charged according to the cost to serve them. However, the COSA will also include a review of the rate design issues created by increasing numbers of local solar installations, higher electric vehicle penetration, and the potential for electrification of buildings. These issues were discussed in depth by the Utilities Advisory Commission (UAC) on July 1, 2015 and by the Finance Committee on August 18, 2015 ([Staff Report 5965](#))¹. At those meetings short-term (Phase One) and long-term (Phase Two) work plans were discussed for addressing various types of rate design issues and a set of design guidelines were established for the Phase One work plan. The guidelines are proposed for Council adoption on September 15, 2015. These will guide the consultant in the completion of Task Order 1, the electric COSA. Subsequent task orders may be signed with the consultant to support staff in its work developing guidelines for the Phase Two work prior to UAC consideration and Council approval, and to complete any rate analysis and cost of service methodology updates required during Phase Two.

Discussion

A Request for Proposals (RFP #159281) was issued on June 12, 2015 seeking on call financial and rate consultant services for the City’s electric utility. Consultants were also asked to provide a budget for Task Order 1, creation of a COSA. Budgets for Task Order 1 ranged from \$72,140 to \$117,055, with most proposers in the \$90,000 to \$100,000 range. Attachment A, the professional services master agreement, contains a general description of the on-call services to be provided, as well as the specific scope and budget for Task Order 1.

Summary of Solicitation Process

Proposal Title	Electric Utility Cost of Service and Rate Study
Proposal Number	159281
Proposed Length of Project	Five Years
Number of RFPs Mailed/Emailed	18
Total Days to Respond to Proposal	32
Pre-Proposal Teleconference	June 18, 2015
Number of Company Attendees at Pre-proposal Meeting	13
Number of Proposals Received:	7
Proposers interviewed	4

Cost of Consultant Services

An evaluation committee reviewed the proposals, proposer qualifications and responses to the criteria identified in the RFP. After interviewing four of the seven proposing consultants, staff determined that EES Consulting was the best fit for the work anticipated to be performed over the next five years. The following criteria were used during the evaluation process to identify the most qualified firms, considering qualitative factors before viewing price proposals:

- Quality and completeness of proposal

¹ Council is set to consider the Finance Committee recommendation on the Design Guidelines for the Phase One Electric COSA in September.

- Quality, performance and effectiveness of the solution or work plan to be provided
- Quality of written reports
- Ability to meet schedule
- Proposer's experience, including the experience of staff
- Cost to the City
- Quality of sample COSA model

Resource Impact

The funds for this contract will come from existing budgets for rate consulting. Task Order 1, for \$97,839, is anticipated to be expended in FY 2016. Funding for additional task orders, if any additional task orders are requested, either in FY 2016 or in future years, will also be provided from existing consulting budgets.

Policy Implications

This contract will provide the City with a consultant with the expertise necessary to create a COSA that will support the City's establishment of cost-justified rates. The analysis performed as part of this COSA will also support other policy initiatives, including the Local Solar Plan ([Staff Report 4608](#)) and the Sustainability and Climate Action Plan (S/CAP). The consultant's work will involve analysis of the impacts of rate design on electrification, and are therefore part of staff's response to the December 15, 2014 Council Colleagues Memo on Climate Action Plan Implementation Strategies to Reduce Use of Natural Gas and Gasoline through Fuel Switching to Carbon Free Electricity ([Staff Report 5961](#)). The consultant's work will also support adoption of a hydroelectric rate adjustment mechanism that is part of the Long-term Electric Acquisition Plan (LEAP) Implementation Plan ([Staff Report 1317](#)).

Environmental Review

Council award of this contract does not meet the definition of a project, pursuant to Section 21065 of the California Environmental Quality Act, thus no environmental review is required.

Attachments:

- Attachment A: Agreement Between the City of Palo Alto and EES Consulting Services, Inc. for Professional Services (PDF)

CITY OF PALO ALTO CONTRACT NO. C16159281

**AGREEMENT BETWEEN THE CITY OF PALO ALTO AND EES CONSULTING, INC.
FOR PROFESSIONAL SERVICES**

This Agreement is entered into on this 14th day of September, 2015, (“Agreement”) by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and **EES CONSULTING, INC.**, a Washington corporation, located at 570 Kirkland Way, Suite 100, Kirkland, Washington 98033 (“CONSULTANT”).

RECITALS

The following recitals are a substantive portion of this Agreement.

A. CITY’s Utility Department intends to study its cost of service allocation and rate design and engage in financial planning and forecasting related to the operation of its electric Utility (“Project”).

B. CITY periodically requires consulting services to design and update cost of service studies as part of an evaluation related to the adequacy and fairness of its rate structure, as well as provide additional related services from time to time on an on-call basis.

C. CITY desires to engage CONSULTANT to support CITY in continuing rate analysis and potential rate adjustments resulting from policy and operational evaluations CITY is currently undertaking, as well as industry and cost-justification trends, and to provide CITY with additional related services from time to time on an on-call basis as agreed upon by the parties (“Services”).

D. CONSULTANT has represented that it has the necessary professional expertise, qualifications, and capability, and all required licenses and/or certifications to provide the Services.

E. CITY in reliance on these representations desires to engage CONSULTANT to provide the Services as more fully described in Exhibit “A”, attached to and made a part of this Agreement.

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions, in this Agreement, the parties agree:

AGREEMENT

SECTION 1. SCOPE OF SERVICES. CONSULTANT shall perform the Services as set forth on the Scope of Services at Exhibit “A” and as more particularly described in any Task Order(s), including Task Order One: Electric Cost of Service Analysis Scope of Services (“Task Order One”) attached at Exhibit “A-1” and any subsequent On-Call Services task orders (as defined

and described further below) (all task orders together, the “Services”), in accordance with the terms and conditions contained in this Agreement. The performance of all Services shall be to the reasonable satisfaction of CITY.

Optional On-Call Task Order Provision

Services will be authorized by CITY, as needed, with a Task Order assigned and approved by CITY’s Project Manager and executed by both parties. As of the date of this Agreement’s full execution, CITY hereby authorizes the performance of the work described in Task Order One attached hereto, and CONSULTANT hereby acknowledges receipt and acceptance of Task Order One. Each subsequent Task Order shall designate a CITY Project Manager; shall contain a specific scope of work, a specific schedule of performance and a specific compensation amount; and shall be in substantially the same form as Exhibit A-2 (“On-Call Services”). The total price of all Task Orders, including Task Order One and all task orders related to On-Call Services, issued under this Agreement shall not exceed the Not to Exceed Amount of compensation set forth in Section 4 of this Agreement. CONSULTANT shall only be compensated for work performed under an authorized Task Order and CITY may elect, but is not required, to authorize work up to the Not to Exceed Amount of maximum compensation set forth in Section 4.

SECTION 2. TERM.

The term of this Agreement shall be from the date of its full execution through September 13, 2016, with the option to extend the agreement for up to four (4) additional years upon mutual written agreement by CONSULTANT and CITY, or unless terminated earlier pursuant to Section 19 of this Agreement.

SECTION 3. SCHEDULE OF PERFORMANCE. Time is of the essence in the performance of Services under this Agreement. CONSULTANT shall complete the Services within the term of this Agreement and in accordance with the schedule set forth in Exhibit “B”, attached to and made a part of this Agreement. Any Services for which times for performance are not specified in this Agreement shall be commenced and completed by CONSULTANT in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the CONSULTANT. CITY’s agreement to extend the term or the schedule for performance shall not preclude recovery of damages for delay if the extension is required due to the fault of CONSULTANT.

SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit “A”, including both payment for professional services and reimbursable expenses, shall not exceed Two Hundred Thousand Dollars (\$200,000.00) (“Not To Exceed Amount”). In the event Additional Services are authorized in excess of the Not to Exceed Amount, the total compensation for Services, Additional Services and reimbursable expenses shall not exceed zero Dollars (\$0.00). The applicable rates and schedule of payment are set out at Exhibit “C-1”, entitled “HOURLY RATE SCHEDULE,” which is attached to and made a part of this Agreement.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit “C”. CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but

which is not included within the Scope of Services described at Exhibit “A”, including Task Order One attached as Exhibit “A-1” and any subsequent task orders authorized thereunder up to the Not To Exceed Amount.

SECTION 5. INVOICES. In order to request payment, CONSULTANT shall submit monthly invoices to the CITY describing the Services performed and the applicable charges (including an identification of personnel who performed the Services, hours worked, hourly rates, and reimbursable expenses), based upon the CONSULTANT’s billing rates (set forth in Exhibit “C-1”). If applicable, the invoice shall also describe the percentage of completion of each task. The information in CONSULTANT’s payment requests shall be subject to verification by CITY. CONSULTANT shall send all invoices to the City’s project manager at the address specified in Section 13 below. The City will generally process and pay invoices within thirty (30) days of receipt.

SECTION 6. QUALIFICATIONS/STANDARD OF CARE. All of the Services shall be performed by CONSULTANT or under CONSULTANT’s supervision. CONSULTANT represents that it possesses the professional and technical personnel necessary to perform the Services required by this Agreement and that the personnel have sufficient skill and experience to perform the Services assigned to them. CONSULTANT represents that it, its employees and subconsultants, if permitted, have and shall maintain during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services.

All of the services to be furnished by CONSULTANT under this agreement shall meet the professional standard and quality that prevail among professionals in the same discipline and of similar knowledge and skill engaged in related work throughout California under the same or similar circumstances.

SECTION 7. COMPLIANCE WITH LAWS. CONSULTANT shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that may affect in any manner the Project or the performance of the Services or those engaged to perform Services under this Agreement. CONSULTANT shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

SECTION 8. ERRORS/OMISSIONS. CONSULTANT shall correct, at no cost to CITY, any and all errors, omissions, or ambiguities in the work product submitted to CITY, provided CITY gives notice to CONSULTANT. If CONSULTANT has prepared plans and specifications or other design documents to construct the Project, CONSULTANT shall be obligated to correct any and all errors, omissions or ambiguities discovered prior to and during the course of construction of the Project. This obligation shall survive termination of the Agreement.

SECTION 9. COST ESTIMATES. If this Agreement pertains to the design of a public works project, CONSULTANT shall submit estimates of probable construction costs at each phase of design submittal. If the total estimated construction cost at any submittal exceeds ten percent (10%) of CITY’s stated construction budget, CONSULTANT shall make recommendations to CITY for aligning the Project design with the budget, incorporate CITY approved recommendations, and revise the design to meet the Project budget, at no additional cost to

CITY.

SECTION 10. INDEPENDENT CONTRACTOR. It is understood and agreed that in performing the Services under this Agreement CONSULTANT, and any person employed by or contracted with CONSULTANT to furnish labor and/or materials under this Agreement, shall act as and be an independent contractor and not an agent or employee of CITY.

SECTION 11. ASSIGNMENT. The parties agree that the expertise and experience of CONSULTANT are material considerations for this Agreement. CONSULTANT shall not assign or transfer any interest in this Agreement nor the performance of any of CONSULTANT's obligations hereunder without the prior written consent of the city manager. Consent to one assignment will not be deemed to be consent to any subsequent assignment. Any assignment made without the approval of the city manager will be void.

SECTION 12. SUBCONTRACTING.

CONSULTANT shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the city manager or designee.

CONSULTANT shall be responsible for directing the work of any subconsultants and for any compensation due to subconsultants. CITY assumes no responsibility whatsoever concerning compensation. CONSULTANT shall be fully responsible to CITY for all acts and omissions of a subconsultant. CONSULTANT shall change or add subconsultants only with the prior approval of the city manager or his designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign Anne Falcon as the project supervisor to have supervisory responsibility for the performance, progress, and execution of the Services to represent CONSULTANT during the day-to-day work on the Project. If circumstances cause the substitution of the project director, project coordinator, or any other key personnel for any reason, the appointment of a substitute project director and the assignment of any key new or replacement personnel will be subject to the prior written approval of the CITY's project manager. CONSULTANT, at CITY's request, shall promptly remove personnel who CITY finds do not perform the Services in an acceptable manner, are uncooperative, or present a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property.

CITY's project manager is Jon Abendschein, Utilities Department, WGW Division, 3201 East Bayshore Road, Palo Alto, CA 94303, Telephone: (650)329-2309. The project manager will be CONSULTANT's point of contact with respect to performance, progress and execution of the Services. CITY may designate an alternate project manager from time to time.

SECTION 14. OWNERSHIP OF MATERIALS. Upon delivery, all work product, including without limitation, all writings, drawings, plans, reports, specifications, calculations, documents, other materials and copyright interests developed under this Agreement shall be and remain the exclusive property of CITY without restriction or limitation upon their use. CONSULTANT agrees that all copyrights which arise from creation of the work pursuant to this Agreement shall be vested in CITY, and CONSULTANT waives and relinquishes all claims to copyright or other

intellectual property rights in favor of the CITY. Neither CONSULTANT nor its contractors, if any, shall make any of such materials available to any individual or organization without the prior written approval of the City Manager or designee. CONSULTANT makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the scope of work.

SECTION 15. AUDITS. CONSULTANT will permit CITY to audit, at any reasonable time during the term of this Agreement and for three (3) years thereafter, CONSULTANT's records pertaining to matters covered by this Agreement. CONSULTANT further agrees to maintain and retain such records for at least three (3) years after the expiration or earlier termination of this Agreement.

SECTION 16. INDEMNITY.

16.1. To the fullest extent permitted by law, CONSULTANT shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorneys' fees, experts fees, court costs and disbursements ("Claims") resulting from, arising out of or in any manner related to performance or nonperformance by CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party.

16.2. Notwithstanding the above, nothing in this Section 16 shall be construed to require CONSULTANT to indemnify an Indemnified Party from Claims arising from the active negligence, sole negligence or willful misconduct of an Indemnified Party.

16.3. The acceptance of CONSULTANT's services and duties by CITY shall not operate as a waiver of the right of indemnification. The provisions of this Section 16 shall survive the expiration or early termination of this Agreement.

SECTION 17. WAIVERS. The waiver by either party of any breach or violation of any covenant, term, condition or provision of this Agreement, or of the provisions of any ordinance or law, will not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law.

SECTION 18. INSURANCE.

18.1. CONSULTANT, at its sole cost and expense, shall obtain and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit "D". CONSULTANT and its contractors, if any, shall obtain a policy endorsement naming CITY as an additional insured under any general liability or automobile policy or policies.

18.2. All insurance coverage required hereunder shall be provided through

carriers with AM Best's Key Rating Guide ratings of A-VII or higher which are licensed or authorized to transact insurance business in the State of California. Any and all contractors of CONSULTANT retained to perform Services under this Agreement will obtain and maintain, in full force and effect during the term of this Agreement, identical insurance coverage, naming CITY as an additional insured under such policies as required above.

18.3. Certificates evidencing such insurance shall be filed with CITY concurrently with the execution of this Agreement. The certificates will be subject to the approval of CITY's Risk Manager and will contain an endorsement stating that the insurance is primary coverage and will not be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days' prior written notice of the cancellation or modification. If the insurer cancels or modifies the insurance and provides less than thirty (30) days' notice to CONSULTANT, CONSULTANT shall provide the Purchasing Manager written notice of the cancellation or modification within two (2) business days of the CONSULTANT's receipt of such notice. CONSULTANT shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY's Chief Procurement Officer during the entire term of this Agreement.

18.4. The procuring of such required policy or policies of insurance will not be construed to limit CONSULTANT's liability hereunder nor to fulfill the indemnification provisions of this Agreement. Notwithstanding the policy or policies of insurance, CONSULTANT will be obligated for the full and total amount of any damage, injury, or loss caused by or directly arising as a result of the Services performed under this Agreement, including such damage, injury, or loss arising after the Agreement is terminated or the term has expired.

SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.

19.1. The City Manager may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with or without cause, by giving ten (10) days prior written notice thereof to CONSULTANT. Upon receipt of such notice, CONSULTANT will immediately discontinue its performance of the Services.

19.2. CONSULTANT may terminate this Agreement or suspend its performance of the Services by giving thirty (30) days prior written notice thereof to CITY, but only in the event of a substantial failure of performance by CITY.

19.3. Upon such suspension or termination, CONSULTANT shall deliver to the City Manager immediately any and all copies of studies, sketches, drawings, computations, and other data, whether or not completed, prepared by CONSULTANT or its contractors, if any, or given to CONSULTANT or its contractors, if any, in connection with this Agreement. Such materials will become the property of CITY.

19.4. Upon such suspension or termination by CITY, CONSULTANT will be paid for the Services rendered or materials delivered to CITY in accordance with the scope of services on or before the effective date (i.e., 10 days after giving notice) of suspension or termination; provided, however, if this Agreement is suspended or terminated on account of a

default by CONSULTANT, CITY will be obligated to compensate CONSULTANT only for that portion of CONSULTANT’s services which are of direct and immediate benefit to CITY as such determination may be made by the City Manager acting in the reasonable exercise of his/her discretion. The following Sections will survive any expiration or termination of this Agreement: 14, 15, 16, 19.4, 20, and 25.

19.5. No payment, partial payment, acceptance, or partial acceptance by CITY will operate as a waiver on the part of CITY of any of its rights under this Agreement.

SECTION 20. NOTICES.

All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

To CITY: Office of the City Clerk
City of Palo Alto
Post Office Box 10250
Palo Alto, CA 94303

With a copy to the Purchasing Manager

To CONSULTANT: Attention of the project director
at the address of CONSULTANT recited above

SECTION 21. CONFLICT OF INTEREST.

21.1. In accepting this Agreement, CONSULTANT covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. CONSULTANT further covenants that, in the performance of this Agreement, it will not employ subconsultants, contractors or persons having such an interest. CONSULTANT certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California.

21.3. If the Project Manager determines that CONSULTANT is a “Consultant” as that term is defined by the Regulations of the Fair Political Practices Commission, CONSULTANT shall be required and agrees to file the appropriate financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act.

SECTION 22. NONDISCRIMINATION. As set forth in Palo Alto Municipal Code section 2.30.510, CONSULTANT certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person because of the race, skin color, gender, age, religion, disability, national origin, ancestry, sexual orientation, housing status, marital status, familial status, weight or height of such person. CONSULTANT acknowledges that it has read

and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING AND ZERO WASTE REQUIREMENTS.

CONSULTANT shall comply with the CITY's Environmentally Preferred Purchasing policies which are available at CITY's Purchasing Department, incorporated by reference and may be amended from time to time. CONSULTANT shall comply with waste reduction, reuse, recycling and disposal requirements of CITY's Zero Waste Program. Zero Waste best practices include first minimizing and reducing waste; second, reusing waste and third, recycling or composting waste. In particular, CONSULTANT shall comply with the following zero waste requirements:

- All printed materials provided by CCONSULTANT to CITY generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by CITY's Project Manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable based inks.
- Goods purchased by CONSULTANT on behalf of CITY shall be purchased in accordance with CITY's Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Division's office.
- Reusable/returnable pallets shall be taken back by CONSULTANT, at no additional cost to CITY, for reuse or recycling. CONSULTANT shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

SECTION 24. NON-APPROPRIATION

24.1. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. This Agreement will terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This section shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

SECTION 25. MISCELLANEOUS PROVISIONS.

25.1. This Agreement will be governed by the laws of the State of California.

25.2. In the event that an action is brought, the parties agree that trial of such action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

25.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

25.4. This document represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This document may be amended only by a written instrument, which is signed by the parties.

25.5. The covenants, terms, conditions and provisions of this Agreement will apply to, and will bind, the heirs, successors, executors, administrators, assignees, and consultants of the parties.

25.6. If a court of competent jurisdiction finds or rules that any provision of this Agreement or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement and any amendments thereto will remain in full force and effect.

25.7. All exhibits referred to in this Agreement and any addenda, appendices, attachments, and schedules to this Agreement which, from time to time, may be referred to in any duly executed amendment hereto are by such reference incorporated in this Agreement and will be deemed to be a part of this Agreement.

25.8 If, pursuant to this contract with CONSULTANT, CITY shares with CONSULTANT personal information as defined in California Civil Code section 1798.81.5(d) about a California resident ("Personal Information"), CONSULTANT shall maintain reasonable and appropriate security procedures to protect that Personal Information, and shall inform City immediately upon learning that there has been a breach in the security of the system or in the security of the Personal Information. CONSULTANT shall not use Personal Information for direct marketing purposes without City's express written consent.

25.9 All unchecked boxes do not apply to this agreement.

25.10 The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

25.11 This Agreement may be signed in multiple counterparts, which shall, when executed by all the parties, constitute a single binding agreement

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO

City Manager

APPROVED AS TO FORM:

Senior Deputy. City Attorney

EES CONSULTING, INC.

DocuSigned by:
By: Gary Saleba

71DE43F30356416...
Name: Gary Saleba

Title: president/ceo

Attachments:

- EXHIBIT "A": SCOPE OF SERVICES
- EXHIBIT "A-1": TASK ORDER ONE: ELECTRIC COST OF SERVICE ANALYSIS
SCOPE OF SERVICES
- EXHIBIT "A-2": PROFESSIONAL SERVICES ON-CALL TASK ORDER
- EXHIBIT "B": SCHEDULE OF PERFORMANCE
- EXHIBIT "C": COMPENSATION
- EXHIBIT "C-1": SCHEDULE OF RATES
- EXHIBIT "D": INSURANCE REQUIREMENTS

EXHIBIT “A” SCOPE OF SERVICES

The Consultant, EES Consulting, Inc., will provide the City of Palo Alto with financial consulting services related to the operation of its Electric Utility, primarily focusing on cost of service allocation, rate design, and financial planning and forecasting. Utility staff performs annual financial forecasts in-house, but periodically requires consulting services to design and update cost of service studies as part of an evaluation of the adequacy and fairness of its rate structures.

Consultant will support the City in continuing rate analysis and adjustments to its rates resulting from policy and operational evaluations the City is currently undertaking, as well as industry and cost-justification trends. The policy and operational evaluations include a smart grid planning effort, a potential transition to a new billing system, and revisions to the City’s sustainability plan. Industry trends include a trend toward time of use pricing among California utilities, the need to develop a successor to the utility’s current net energy metering rules, evolving cost of service requirements related to Proposition 26, higher electric vehicle penetration, and the continuing development of new customer-side technologies such as storage, net-zero energy buildings, and grid-interactive appliances. Many of these plans and trends are likely to have rate impacts, either in the short term or in the long term. The consultant will provide advisory services and analysis on these topics as requested and subject to an agreed upon budget and scope of each project.

This contract is a master services agreement. The contract specifies the consultant rates, but the consultant and project manager must agree upon a scope of services and budget for each project before work begins which must be memorialized in a separate task order. Projects may include, but are not limited to:

- Building cost of service models related to the electric utility
- Connection fee studies or other fee studies
- Major and minor updates to cost of service models, fee studies, and rate studies
- Rate design studies for new major customers or customer types
- Assistance with designing pilot program rates
- Load research studies
- Marginal cost studies
- Financial planning studies or analysis
- Providing general advice, research, or analysis related to ratemaking, financial planning, or financial impacts of long term system planning
- Writing reports related to ratemaking, financial planning, or financial impacts of long term system planning
- Presenting to policy makers, stakeholders, internal staff, or others regarding ratemaking, financial planning, or financial impacts of long term system planning

EXHIBIT A-1
PROFESSIONAL SERVICES TASK ORDER
TASK ORDER ONE: ELECTRIC COST OF SERVICE ANALYSIS
SCOPE OF SERVICES

I. Project Overview:

The scope of services for Task Order One: Electric Cost of Service Analysis includes a comprehensive cost of service analysis (COSA) on the City of Palo Alto's Electric Utility and proposed revisions to existing rate structures if necessary. The final deliverables will include a cost of service model, recommended rates, and a public report detailing the assumptions used and the consultant's recommended rates. The report and model will provide full cost justification for proposed rate structures including tiered pricing, if necessary, consistent with the requirements of the California constitution, specifically those added by Proposition 26 (2010). The study will show determination of revenue requirements using the Cash basis. For an example of the City's electric utility financial projections and detailed utility information, please refer to the City's proposed FY 2016 Electric Utility Financial Plan:

<http://www.cityofpaloalto.org/civicax/filebank/documents/46767>

Due to the City's budget cycle and associated timelines, the study will be conducted in two phases. Phase I (subtasks one through four) will consist of calculating the cost of service by rate class. In Phase II of the study (subtasks five through eight), the focus will be a review of current rate structures and proposed changes where necessary. In each phase the consultant will be expected to coordinate the cost of service model with the following parallel projects:

1. Development of a hydroelectric rate adjustment mechanism (coordinated by City staff);
2. Development of a set of rules and rates for solar customers once the City's net energy metering program reaches capacity (coordinated by City staff);
3. Updating of the City's renewable and non-renewable energy buyback rates (coordinated by City staff); and
4. A connection fee study (coordinated by consultant or City staff).

The City's list of existing rates is shown below. Rate schedules may be found on the utility's website at:

Residential rates: <http://www.cityofpaloalto.org/gov/depts/utl/residents/rates.asp>

Non-residential rates: <http://www.cityofpaloalto.org/gov/depts/utl/business/rates.asp>

Customer Class	Rate Schedule(s)	Description	Link to Rate Schedule
Separately metered residential	E-1, E-1 TOU	E-1: Three tier rate E-1 TOU: Tiered TOU rate No fixed or minimum charges	E-1 E-1 TOU
Small Commercial (less than 8,000 kWh per month, three highest months)	E-2	Seasonal uniform rate No demand charge No fixed or minimum charges	E-2
Medium Commercial (more than 8,000 kWh per month, three highest months, but less than 1,000 kW demand.)	E-4, E-4 TOU	E-4: Seasonal uniform variable rate with seasonal demand charge E-4 TOU: Seasonal TOU variable rate with seasonal non-TOU demand charge No fixed or minimum charges Standby charge for customer-owned generation (no customers on this rate)	E-4 E-4 TOU
Large Commercial (more than 1,000 kW demand.)	E-7, E-7 TOU	E-7: Seasonal uniform variable rate with seasonal demand charge E-7 TOU: Seasonal TOU variable rate with seasonal non-TOU demand charge No fixed or minimum charges Standby charge for customer-owned generation (no customers on this rate)	E-7 E-7 TOU
City Customers	E-18	Seasonal uniform rate No demand charge No fixed or minimum charges	E-18
Unmetered Lighting	E-14	Fixed charge per lamp	E-14
Unmetered Miscellaneous Equipment	E-16	Fixed charges for traffic signal equipment, custom contract for other types of equipment Charges for pole attachments and conduit use	E-16

All rate schedules listed above should be incorporated into the COSA model. In doing this, some issues of particular concern to the City include:

- The need for a clear cost of service justification for any rate design proposed, not just for allocations between customer classes, but for the rate design itself. For example, if the final outcome of the study is to continue with an inclining block rate for residential customers, the COSA model and report should be able to justify and explain the reasons that allocating additional costs to higher tiers represents the cost of serving the impacted

customers (for example, and for illustrative purposes only, a higher marginal cost of energy or the allocation of peaking costs to higher tiers).

- The time periods and hourly cost assumptions underlying the residential TOU and non-residential TOU should be coordinated, and should match the assumptions underlying the energy buyback rate schedules being developed by City staff.
- While the consultant must examine all customer classes to determine their equity and reasonableness, the City is especially interested in existing non-residential customer classes (E-2, E-4, E-7, and E-18) and seeks a determination on whether any customer classes should be consolidated or changed, or new customer classes added.
- The City's unmetered lighting and equipment rates (E-14 and E-16) should be updated.
- Standby rate features of the E-4 and E-7 rate schedules should be included in the cost of service model.
- When evaluating residential rate design, the consultant should be prepared to evaluate the differing load profiles of customers with electric vehicles and electric heating and whether adjustments to the base residential rate design should apply to these customers.

Throughout the Project, the City's responsibilities will include:

- Providing overall project management and scheduling
- Communicating with elected and appointed officials and other stakeholders
- Providing load data, cost data, and other information required for the project
- Providing the consultant with background on the City's operations, customer characteristics, and policy objectives
- Working with the consultant to determine how rate proposals will affect the utility and its customers

Throughout the Project, Consultant's responsibilities will include:

- Providing City staff with regular updates on project progress
- Providing brief memos summarizing recommendations at key phases during model development
- Developing a clear cost of service model in Excel that can be updated by City staff as part of future rate changes
- Reviewing existing customer classes and rate structures and recommending changes if necessary.
- Providing a comprehensive report summarizing the results for the COSA, the rate structure options reviewed and proposed rate structure revisions, if any. The report will provide details of key assumptions and algorithms used in the study results. The report will also include a detailed, clear presentation and explanation of allocation of costs by rate schedule, the required rate adjustments, and the impact of various rate design options on customer bills at various usage levels. Comparisons will be shown between bills in Palo Alto versus similar bills in neighboring cities.
- Presenting the results of the study to City staff and policy bodies upon request.

II. SUBTASKS AND DELIVERABLES:

The following subtasks and deliverables are required for the study:

Subtask 1 – Initial project meeting

Objective: To determine the scope of work, and the utility’s policy goals and objectives.

The first action for the project will be a kickoff meeting where City staff and Consultant meet to discuss overall project objectives, expectations and deliverables. Key assumptions that will be used in the development of rate design will be discussed and a method for obtaining the necessary data will be developed.

1. Key issues and changes identified by the utility from the most recent COSA, and the project goals and objectives will be determined during an initial project kickoff meeting.
2. In addition, communication protocols will be outlined and clarified to ensure a quick response to any requests by the City.
3. A review of the most recent COSA and key issues and recommended changes will be discussed with City staff. The City’s most recent COSA assumptions and methodology will be reviewed and possible modifications will be suggested as appropriate.
4. Assist the City staff in developing an overall cost allocation and rate philosophy.
5. Determine coordination needs with City staff related to the hydroelectric rate adjustment mechanism, solar rules and rates, generation buyback rates, and connection fee study.

Deliverables

- A summary of any adjustments to be made to project scope/schedule.
- A list of all data to be collected during Subtask 2.

Subtask 2 – Data collection

Objective: Gather the necessary data to perform the Cost of Service model and analysis. Consultant will accumulate the necessary data and evaluate current and alternative rate structures. Utilities staff will provide data noted in Subtask 2 of the RFP.

- A data request will be provided to the utility and a process to obtain the information necessary to complete the study will be developed.
- Work with City staff to develop detailed power supply costs data to identify the cost causation rationale for all potential cost components of the City’s electric rates, including TOU rates, tiered rates, demand rates, generation buyback value, net-metering rates, and hydro risks and associated costs.

Deliverables

- Written acknowledgement that all data has been received.

Subtask 3 – Review of Existing Customer Classes

Objective: Consultant will review the City’s customer classes and its retail rate objectives as well as review load data, customer class characteristics, and impacts of customers on the distribution system. Consultant, working with staff, will develop an agreed-upon list of customer

classes to be used in the model.

1. A review of the appropriate number of rate classes, based on the character of service provided, will be completed to ensure the proper rate classes are being considered.

Deliverables

- Memo summarizing recommended adjustments to customer classes.

Subtask 4 – Cost of Service Model Development – Cost Allocation

Objective: Identify the current and projected revenues and expenses for the utility’s electric system. Build COSA model. Determine an equitable allocation of the annual revenue requirement to the various customer classes using generally accepted cost allocation methods.

Consultant will determine the revenue requirements for FY 2017-2023 and calculate the revenue requirements using cash basis. A key concept in this process is the “cost causation” nature of each expense incurred by the utility. While a seven year revenue requirement will be developed, it is anticipated that the COSA and rate design will be done for only one year at a time.

Consultant will then compare revenues received from each class to the cost of service and recommend an overall average rate adjustment target and adjustments required for each rate class.

Revenue Requirement Tasks

1. The model will be set up using a cash basis revenue requirement.
2. The test period will be set up as specified by the City following discussion with the consultant.
3. The City’s load and customer forecast for the utility will be reviewed and incorporated into the COSA model.
4. The utility’s financial records will be analyzed to evaluate the current and budgeted system revenues from current rates and resources available to finance the forecast revenue requirement for the desired test period.
5. The impact of projected revenues and expenses on the utility’s debt-related financial ratios will be determined.
6. The cost of power supply and transmission expenses, other operation and maintenance expenses, taxes, debt service expenses, capital improvements funded from revenues, reserve fund requirements and all other necessary costs associated with the operation of the utility’s system will be analyzed to determine the annual revenue requirement for each year of the study period.
7. Projected revenues will be compared to the annual revenue requirement (total expenses) to identify the need for a rate adjustment to existing monthly rates and charges. If necessary and requested by City, a plan can be developed to phase-in rate changes over time, should large adjustments be required.

Model Building Tasks

8. Consultant has developed an embedded cost of service model consisting of a multi-year forecast period. The model is transparent and costs remain “unbundled” throughout the analysis. This enables utility staff and other reviewers to follow each cost item throughout the process of functionalization, classification and allocation. The cost of service model will be given to the

City at no additional cost.

COSA Tasks

9. The City's most recent COSA assumptions and methodology will be reviewed and modifications will be suggested as appropriate.
10. Costs will be functionalized by itemizing plant investments and related expenses by the following functions: production, transmission, distribution, customer services, and administrative and general (A&G).
11. Costs will be classified to determine whether each individual plant investment or cost was incurred to meet a customer's demand, energy or customer related need. Consultant will consult with the City planning engineers to ensure cost-causation for each function is proper.
12. Costs will be allocated to the utility's rate classes by developing allocation factors based on customer information, historic load data and projected usage by rate class. Where data is not available, industry standard data from Consultant will be applied. A review of the planning, design, and operational data for the system will be used to determine the facilities in place and how each rate class benefits from and uses these facilities. Some costs may be directly assigned to a specific rate class where appropriate.
13. Average unit costs by functional category will be provided based on the allocated costs and billing determinants developed for each rate class. Unit costs will be presented for energy ($\text{\$/kWh}$), demand ($\text{\$/kW}$), and customer related ($\text{\$/Customer/Mo.}$) charges for each customer class. The average unit costs represent cost of service rates and can be used as an input in the rate setting process.
14. Any cost shifts that may exist between rate classes will be identified in this task and addressed and reasonable suggestions to remedy them provided by the consultant, before starting any rate design. Prop 26 considerations will be discussed and coordinated with the City's legal team.

Deliverables

- Draft cost of service model showing allocations of costs to customer classes.
- Memo summarizing any adjustments.

Subtask 5 – Review of Existing Rate Structures and Rate Design Scoping

Objective: Based on the City's goals and adopted rate design guidelines, review the existing rate structures and provide recommendation on possible adjustments going forward. Consultant will review the City's current rate structures and its retail rate objectives as well as assess the structure of existing rate designs. Consultant, working with City, will develop a list of recommended adjustments to existing rates.

1. Review each current rate schedule and provide a discussion on the potential issues or concerns with each rate schedule.
2. Review load profiles, customer class characteristics, power supply characteristics, distribution system requirements to assess the appropriateness of the current rate structure.

3. The City's current schedule of rates and charges is fairly standard and in keeping with generally-accepted utility practice; however, a couple of specific issues may warrant closer consideration in this study.

Deliverables

- Memo summarizing any recommended adjustments to existing rate designs.

Subtask 6 - Cost of Service Model Development – Rate Design and Final Draft Model

Objective: Develop rate options using a variety of approaches, which must each conform to the principle that rates must represent the cost to the City's utility of providing service. While average unit costs provide the cost basis for setting rates, other criteria will also be considered in designing rate options. Consultant will implement rate designs for each customer class incorporating any adjustments from Subtask 5. A comparison of typical bills under existing and proposed rates will be completed.

1. Different rate options based upon the goals and objectives identified by the utility will be analyzed.
2. Proposed rates for energy (¢/kWh), demand ($\text{\$/kW}$), and customer related ($\text{\$/Customer/Mo.}$) charges will be provided for each customer class for the COSA test period.
3. Alternative rate designs including changing the inclining blocks, time of use, seasonal, residential demand rates, electric vehicles impacts, minimum bill and other appropriate charges may be developed, if desired. The pros and cons of each option will be discussed with City staff and documented in the final report.
4. Customer bill comparisons for a large sample group for each rate schedule will be developed to determine the rate impacts on different customers for different rate alternatives. New rate proposals will also be compared to other neighboring electric utilities to compare the relative rate competitiveness of the utility to other local utilities.
5. Un-metered lighting and equipment rates will be reviewed and Consultant will work with city staff to determine the cost of service for these customers. These rates are usually best handled outside the traditional cost of service model as the data available is not sufficient for proper modeling.
6. Standby rate objectives and guidelines will be discussed with City staff. Options for calculating and designing the standby rates will be provided. Based on City staff input, standby rates will be calculated.

Deliverables

- Final draft cost of service model, including all recommended rates.
- Memo summarizing the existing and proposed rates and bill comparisons for residential and non-residential customers.

Subtask 7 – Final Report and Model

Objective: A draft report with the results of the cost of service analysis will be provided after the preliminary cost of service analysis is finalized. In addition, consultant will meet with City staff to review and discuss the results and receive feedback on the analysis and results. Once staff has reviewed the report, comments will be incorporated and a final report will be provided to the

City. The report will summarize the results for the cost of service analysis, the rate structure options reviewed and proposed rate structure revisions, if any. The report will provide details of key assumptions and algorithms used in the study results. The report will also include a detailed, clear presentation and explanation of allocation of costs by rate schedule, the required rate adjustments, and the impact of various rate design options on customer bills at various usage levels. Comparisons will be shown between bills in Palo Alto versus similar bills in neighboring cities. In addition, consultant will provide training on the COSA model as well as provide model documentation.

Deliverables

- Final cost of service model in Excel format.
- Model documentation and training session.
- Electronic copy of comprehensive final report.

Subtask 8 – Workshops, Meetings and Public Hearings

Objective: Consultant will present results and make recommendations to the City’s management staff and policymakers, as desired. Included in the estimated budget is one kick-off meeting and two additional planning meetings on-site to meet with staff. Additional meeting have not been included in the budget. Any additional meetings will require amendment of this Task Order or approval of an additional task order.

I hereby authorize the performance of the work described above in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
EES CONSULTING, INC.

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

EXHIBIT "A-2"
PROFESSIONAL ON-CALL SERVICES TASK ORDER

Consultant hereby agrees to perform the work detailed below in accordance with all the terms and conditions of the Agreement referenced in Item 1A below. All exhibits or attachments referenced in Item 8 are incorporated into the Agreement by this reference. The Consultant shall furnish the necessary facilities, professional, technical and supporting personnel required by this Task Order as described below.

CONTRACT NO.
Purchase Requisition No.

ISSUE DATE

- 1A. MASTER AGREEMENT NUMBER
 - 1B. TASK ORDER NO.
 - 2. CONSULTANT
 - 3. PERIOD OF PERFORMANCE: START: _____ COMPLETION: _____
 - 4. TOTAL TASK ORDER PRICE: \$ _____
BALANCE REMAINING IN MASTER AGREEMENT \$ _____
 - 5. BUDGET CODE: _____
COST CENTER _____ COST ELEMENT _____
WBS/CIP _____ PHASE _____
 - 6. CITY PROJECT MANAGER'S NAME/DEPARTMENT _____
 - 7. DESCRIPTION OF SCOPE OF SERVICES
MUST INCLUDE:
 - WORK TO BE PERFORMED
 - SCHEDULE OF WORK
 - BASIS FOR PAYMENT & FEE SCHEDULE
 - DELIVERABLES
 - REIMBURSABLES (with "not to exceed" cost)
 - 8. ATTACHMENTS: A: Scope of Services B: _____
-

I hereby authorize the performance of the work described above in this Task Order.

I hereby acknowledge receipt and acceptance of this Task Order and warrant that I have authority to sign on behalf of Consultant.

APPROVED:
CITY OF PALO ALTO

APPROVED:
EES CONSULTING, INC.

BY: _____
Name _____
Title _____
Date _____

BY: _____
Name _____
Title _____
Date _____

**EXHIBIT “B”
SCHEDULE OF PERFORMANCE**

CONSULTANT shall perform the Services so as to complete each milestone within the time period specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the project managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement. CONSULTANT shall provide a detailed schedule of work consistent with the schedule below within 2 weeks of execution of the task order.

Milestones	Final Deadline
1. Task One – Cost of Service Analysis	January 8, 2016
2. Subsequent tasks – On-call Services	As set forth in separate task order

TASK ORDER ONE: COST OF SERVICE ANALYSIS

- | | |
|--|--------------------|
| • Notice to Proceed with Task Order One: | September 15, 2015 |
| • Subtask 1 (Scoping) Complete: | September 21, 2015 |
| • Subtask 2 (Data Collection) Complete: | September 28, 2015 |
| • Subtask 3 (Customer Class Review) Complete: | October 12, 2015 |
| • Subtask 4 (COSA Model – Allocations) Complete: | October 19, 2015 |
| • Subtask 5 (Rate Structure Review) Complete: | November 2, 2015 |
| • Subtask 6 (COSA Model – Final Draft) Complete: | November 16, 2015 |
| • Draft report for City review: | December 7, 2015 |
| • Report and model finalized: | January 8, 2016 |

EXHIBIT “C” COMPENSATION

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation shall be calculated based on the hourly rate schedule attached as Exhibit C-1 up to the not to exceed budget amount for each task set forth below.

The compensation to be paid to CONSULTANT under this Agreement for all Services, including those set forth on Task Order One and on any subsequent task order(s), including any reimbursable expenses, shall not exceed \$200,000. CONSULTANT agrees to complete all Services, including reimbursable expenses, within this amount. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

CONSULTANT shall perform the tasks and categories of work as outlined and budgeted below. The CITY’s Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below provided the total compensation for Services, including On-Call Services and reimbursable expenses, does not exceed \$200,000 and the total compensation for Additional Services does not exceed \$0.00.

BUDGET SCHEDULE	NOT TO EXCEED AMOUNT
Task Order One (Cost of Service Analysis)	\$97,839.50
Total budget for all subsequent tasks (On-Call Services) – actual budget for each task to be agreed upon in the task order	\$102,160.50
 Maximum Total Compensation	 \$200,000.00

REIMBURSABLE EXPENSES

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses.

ADDITIONAL SERVICES

The CONSULTANT shall provide additional services, if any, only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY’s project manager’s

request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, including reimbursable expense, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's project manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement

EXHIBIT "C-1"
COMPENSATION
HOURLY RATE SCHEDULE

President	\$200
Senior Associate	195
Manager	190
Senior Project Manager	185
Project Manager	180
Senior Analyst/Engineer	175
Analyst/Engineer	170
Senior Administrative Assistant	120

EXHIBIT "D"

INSURANCE REQUIREMENTS

CONTRACTORS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, SHALL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW, **AFFORDED BY COMPANIES WITH AM BEST'S KEY RATING OF A-:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER'S COMPENSATION EMPLOYER'S LIABILITY	STATUTORY STATUTORY		
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$1,000,000	\$1,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE	BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
		ALL DAMAGES		\$1,000,000
YES	THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED: CONTRACTOR, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY CONTRACTOR AND ITS SUBCONSULTANTS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS' COMPENSATION, EMPLOYER'S LIABILITY AND PROFESSIONAL INSURANCE, NAMING AS ADDITIONAL INSURED CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.			

I. INSURANCE COVERAGE MUST INCLUDE:

- A. A PROVISION FOR A WRITTEN THIRTY (30) DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND
- B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR'S AGREEMENT TO INDEMNIFY CITY.
- C. DEDUCTIBLE AMOUNTS IN EXCESS OF \$5,000 REQUIRE CITY'S PRIOR APPROVAL.

II. CONTACTOR MUST SUBMIT CERTIFICATES(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE.

III. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO "ADDITIONAL INSURED"

A. PRIMARY COVERAGE

WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSURED.

B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSURED UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSURED, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

NOTICES SHALL BE MAILED TO:

**PURCHASING AND CONTRACT ADMINISTRATION
CITY OF PALO ALTO
P.O. BOX 10250
PALO ALTO, CA 94303**

This page has been left blank intentionally:

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BLANKET ADDITIONAL INSURED (ARCHITECTS, ENGINEERS AND SURVEYORS)

This endorsement modifies insurance provided under the following:
COMMERCIAL GENERAL LIABILITY COVERAGE PART

A. The following is added to WHO IS AN INSURED (Section II):

Any person or organization that you agree in a "contract or agreement requiring insurance" to include as an additional insured on this Coverage Part, but only with respect to liability for "bodily injury", "property damage" or "personal injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf:

- a. In the performance of your ongoing operations;
- b. In connection with premises owned by or rented to you; or
- c. In connection with "your work" and included within the "products-completed operations hazard".

Such person or organization does not qualify as an additional insured for "bodily injury", "property damage" or "personal injury" for which that person or organization has assumed liability in a contract or agreement.

The insurance provided to such additional insured is limited as follows:

- d. This insurance does not apply on any basis to any person or organization for which coverage as an additional insured specifically is added by another endorsement to this Coverage Part.
- e. This insurance does not apply to the rendering of or failure to render any "professional services".
- f. The limits of insurance afforded to the additional insured shall be the limits which you agreed in that "contract or agreement requiring insurance" to provide for that additional insured, or the limits shown in the Declarations for this Coverage Part, whichever are less. This endorsement does not increase the limits of insurance stated in the **LIMITS OF**

INSURANCE (Section III) for this Coverage Part.

B. The following is added to Paragraph a. of 4. Other Insurance in COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

However, if you specifically agree in a "contract or agreement requiring insurance" that the insurance provided to an additional insured under this Coverage Part must apply on a primary basis, or a primary and non-contributory basis, this insurance is primary to other insurance that is available to such additional insured which covers such additional insured as a named insured, and we will not share with the other insurance, provided that:

- (1) The "bodily injury" or "property damage" for which coverage is sought occurs; and
- (2) The "personal injury" for which coverage is sought arises out of an offense committed;

after you have entered into that "contract or agreement requiring insurance". But this insurance still is excess over valid and collectible other insurance, whether primary, excess, contingent or on any other basis, that is available to the insured when the insured is an additional insured under any other insurance.

C. The following is added to Paragraph 8. Transfer Of Rights Of Recovery Against Others To Us in COMMERCIAL GENERAL LIABILITY CONDITIONS (Section IV):

We waive any rights of recovery we may have against any person or organization because of payments we make for "bodily injury", "property damage" or "personal injury" arising out of "your work" performed by you, or on your behalf, under a "contract or agreement requiring insurance" with that person or organization. We waive these rights only where you have agreed to do so as part of the "contract or agreement requiring insurance" with such person or organization entered into by you before, and in effect when, the "bodily

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injury" or "property damage" occurs, or the "personal injury" offense is committed.

D. The following definition is added to **DEFINITIONS (Section V)**:

"Contract or agreement requiring insurance" means that part of any contract or agreement under which you are required to include a person or organization as an additional insured on this Cov-

erage Part, provided that the "bodily injury" and "property damage" occurs, and the "personal injury" is caused by an offense committed:

- a. After you have entered into that contract or agreement;
- b. While that part of the contract or agreement is in effect; and
- c. Before the end of the policy period.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BUSINESS AUTO EXTENSION ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM

GENERAL DESCRIPTION OF COVERAGE – This endorsement broadens coverage. However, coverage for any injury, damage or medical expenses described in any of the provisions of this endorsement may be excluded or limited by another endorsement to the Coverage Part, and these coverage broadening provisions do not apply to the extent that coverage is excluded or limited by such an endorsement. The following listing is a general coverage description only. Limitations and exclusions may apply to these coverages. Read all the provisions of this endorsement and the rest of your policy carefully to determine rights, duties, and what is and is not covered.

- | | |
|---|---|
| <ul style="list-style-type: none"> A. BROAD FORM NAMED INSURED B. BLANKET ADDITIONAL INSURED C. EMPLOYEE HIRED AUTO D. EMPLOYEES AS INSURED E. SUPPLEMENTARY PAYMENTS – INCREASED LIMITS F. HIRED AUTO – LIMITED WORLDWIDE COVERAGE – INDEMNITY BASIS G. WAIVER OF DEDUCTIBLE – GLASS | <ul style="list-style-type: none"> H. HIRED AUTO PHYSICAL DAMAGE – LOSS OF USE – INCREASED LIMIT I. PHYSICAL DAMAGE – TRANSPORTATION EXPENSES – INCREASED LIMIT J. PERSONAL PROPERTY K. AIRBAGS L. NOTICE AND KNOWLEDGE OF ACCIDENT OR LOSS M. BLANKET WAIVER OF SUBROGATION N. UNINTENTIONAL ERRORS OR OMISSIONS |
|---|---|

PROVISIONS

A. BROAD FORM NAMED INSURED

The following is added to Paragraph **A.1.**, **Who Is An Insured**, of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**:

Any organization you newly acquire or form during the policy period over which you maintain 50% or more ownership interest and that is not separately insured for Business Auto Coverage. Coverage under this provision is afforded only until the 180th day after you acquire or form the organization or the end of the policy period, whichever is earlier.

B. BLANKET ADDITIONAL INSURED

The following is added to Paragraph **c.** in **A.1.**, **Who Is An Insured**, of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**:

Any person or organization who is required under a written contract or agreement between you and that person or organization, that is signed and executed by you before the "bodily injury" or "property damage" occurs and that is in effect during the policy period, to be named as an additional insured is an "insured" for Covered Autos Liability Coverage, but only for damages to which

this insurance applies and only to the extent that person or organization qualifies as an "insured" under the Who Is An Insured provision contained in Section II.

C. EMPLOYEE HIRED AUTO

1. The following is added to Paragraph **A.1.**, **Who Is An Insured**, of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**:

An "employee" of yours is an "insured" while operating an "auto" hired or rented under a contract or agreement in an "employee's" name, with your permission, while performing duties related to the conduct of your business.

2. The following replaces Paragraph **b.** in **B.5.**, **Other Insurance**, of **SECTION IV – BUSINESS AUTO CONDITIONS**:

b. For Hired Auto Physical Damage Coverage, the following are deemed to be covered "autos" you own:

- (1)** Any covered "auto" you lease, hire, rent or borrow; and
- (2)** Any covered "auto" hired or rented by your "employee" under a contract in an "employee's" name, with your

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permission, while performing duties related to the conduct of your business.

However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".

D. EMPLOYEES AS INSURED

The following is added to Paragraph A.1., **Who Is An Insured**, of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**:

Any "employee" of yours is an "insured" while using a covered "auto" you don't own, hire or borrow in your business or your personal affairs.

E. SUPPLEMENTARY PAYMENTS – INCREASED LIMITS

1. The following replaces Paragraph A.2.a.(2), of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**:

(2) Up to \$3,000 for cost of bail bonds (including bonds for related traffic law violations) required because of an "accident" we cover. We do not have to furnish these bonds.

2. The following replaces Paragraph A.2.a.(4), of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**:

(4) All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$500 a day because of time off from work.

F. HIRED AUTO – LIMITED WORLDWIDE COVERAGE – INDEMNITY BASIS

The following replaces Subparagraph (5) in Paragraph B.7., **Policy Period, Coverage Territory**, of **SECTION IV – BUSINESS AUTO CONDITIONS**:

(5) Anywhere in the world, except any country or jurisdiction while any trade sanction, embargo, or similar regulation imposed by the United States of America applies to and prohibits the transaction of business with or within such country or jurisdiction, for Covered Autos Liability Coverage for any covered "auto" that you lease, hire, rent or borrow without a driver for a period of 30 days or less and that is not an "auto" you lease, hire, rent or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households.

- (a) With respect to any claim made or "suit" brought outside the United States of America, the territories and possessions of the United States of America, Puerto Rico and Canada:
 - (i) You must arrange to defend the "insured" against, and investigate or settle any such claim or "suit" and keep us advised of all proceedings and actions.
 - (ii) Neither you nor any other involved "insured" will make any settlement without our consent.
 - (iii) We may, at our discretion, participate in defending the "insured" against, or in the settlement of, any claim or "suit".
 - (iv) We will reimburse the "insured" for sums that the "insured" legally must pay as damages because of "bodily injury" or "property damage" to which this insurance applies, that the "insured" pays with our consent, but only up to the limit described in Paragraph C., Limits Of Insurance, of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**.
 - (v) We will reimburse the "insured" for the reasonable expenses incurred with our consent for your investigation of such claims and your defense of the "insured" against any such "suit", but only up to and included within the limit described in Paragraph C., Limits Of Insurance, of **SECTION II – COVERED AUTOS LIABILITY COVERAGE**, and not in addition to such limit. Our duty to make such payments ends when we have used up the applicable limit of insurance in payments for damages, settlements or defense expenses.
- (b) This insurance is excess over any valid and collectible other insurance available to the "insured" whether primary, excess, contingent or on any other basis.
- (c) This insurance is not a substitute for required or compulsory insurance in any country outside the United States, its territories and possessions, Puerto Rico and Canada.

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You agree to maintain all required or compulsory insurance in any such country up to the minimum limits required by local law. Your failure to comply with compulsory insurance requirements will not invalidate the coverage afforded by this policy, but we will only be liable to the same extent we would have been liable had you complied with the compulsory insurance requirements.

- (d) It is understood that we are not an admitted or authorized insurer outside the United States of America, its territories and possessions, Puerto Rico and Canada. We assume no responsibility for the furnishing of certificates of insurance, or for compliance in any way with the laws of other countries relating to insurance.

G. WAIVER OF DEDUCTIBLE – GLASS

The following is added to Paragraph **D.**, **Deductible**, of **SECTION III – PHYSICAL DAMAGE COVERAGE**:

No deductible for a covered "auto" will apply to glass damage if the glass is repaired rather than replaced.

H. HIRED AUTO PHYSICAL DAMAGE – LOSS OF USE – INCREASED LIMIT

The following replaces the last sentence of Paragraph **A.4.b.**, **Loss Of Use Expenses**, of **SECTION III – PHYSICAL DAMAGE COVERAGE**:

However, the most we will pay for any expenses for loss of use is \$65 per day, to a maximum of \$750 for any one "accident".

I. PHYSICAL DAMAGE – TRANSPORTATION EXPENSES – INCREASED LIMIT

The following replaces the first sentence in Paragraph **A.4.a.**, **Transportation Expenses**, of **SECTION III – PHYSICAL DAMAGE COVERAGE**:

We will pay up to \$50 per day to a maximum of \$1,500 for temporary transportation expense incurred by you because of the total theft of a covered "auto" of the private passenger type.

J. PERSONAL PROPERTY

The following is added to Paragraph **A.4.**, **Coverage Extensions**, of **SECTION III – PHYSICAL DAMAGE COVERAGE**:

Personal Property

We will pay up to \$400 for "loss" to wearing apparel and other personal property which is:

- (1) Owned by an "insured"; and

- (2) In or on your covered "auto".

This coverage applies only in the event of a total theft of your covered "auto".

No deductibles apply to this Personal Property coverage.

K. AIRBAGS

The following is added to Paragraph **B.3.**, **Exclusions**, of **SECTION III – PHYSICAL DAMAGE COVERAGE**:

Exclusion **3.a.** does not apply to "loss" to one or more airbags in a covered "auto" you own that inflate due to a cause other than a cause of "loss" set forth in Paragraphs **A.1.b.** and **A.1.c.**, but only:

- a. If that "auto" is a covered "auto" for Comprehensive Coverage under this policy;
- b. The airbags are not covered under any warranty; and
- c. The airbags were not intentionally inflated.

We will pay up to a maximum of \$1,000 for any one "loss".

L. NOTICE AND KNOWLEDGE OF ACCIDENT OR LOSS

The following is added to Paragraph **A.2.a.**, of **SECTION IV – BUSINESS AUTO CONDITIONS**:

Your duty to give us or our authorized representative prompt notice of the "accident" or "loss" applies only when the "accident" or "loss" is known to:

- (a) You (if you are an individual);
- (b) A partner (if you are a partnership);
- (c) A member (if you are a limited liability company);
- (d) An executive officer, director or insurance manager (if you are a corporation or other organization); or
- (e) Any "employee" authorized by you to give notice of the "accident" or "loss".

M. BLANKET WAIVER OF SUBROGATION

The following replaces Paragraph **A.5.**, **Transfer Of Rights Of Recovery Against Others To Us**, of **SECTION IV – BUSINESS AUTO CONDITIONS**:

5. Transfer Of Rights Of Recovery Against Others To Us

We waive any right of recovery we may have against any person or organization to the extent required of you by a written contract signed and executed prior to any "accident" or "loss", provided that the "accident" or "loss" arises out of operations contemplated by

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such contract. The waiver applies only to the person or organization designated in such contract.

N. UNINTENTIONAL ERRORS OR OMISSIONS

The following is added to Paragraph **B.2., Concealment, Misrepresentation, Or Fraud,** of **SECTION IV – BUSINESS AUTO CONDITIONS:**

The unintentional omission of, or unintentional error in, any information given by you shall not prejudice your rights under this insurance. However this provision does not affect our right to collect additional premium or exercise our right of cancellation or non-renewal.