



# City of Palo Alto

## City Council Staff Report

(ID # 11146)

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**Report Type: Consent Calendar**

**Meeting Date: 6/15/2020**

**Summary Title: Utilities Large Commercial Energy Efficiency: Three Contract Amendments**

**Title: Approval and Authorization for the City Manager or Designee to Execute the Following Three Utilities Public Benefits Program Contract Amendments: 1) Amendment Number 2 to Ecology Action of Santa Cruz (C15155144A), With No Increase in Compensation and Extending the Term for One Additional Year; 2) Amendment Number 2 to Enovity, Inc. (C15155144B), With No Increase in Compensation and Extending the Term for One Additional Year; and 3) Amendment Number 2 to BASE Energy, Inc. (C15155144C), With No Increase in Compensation and Extending the Term for One Additional Year**

**From: City Manager**

**Lead Department: Utilities**

### **Recommendation**

Staff recommends that Council approve and authorize the City Manager, or his designee, to execute the following three third-party energy efficiency (EE) Utilities Public Benefits Program Contract Amendments (Attachments A, B, and C), extending the contract terms through June 30, 2021 with no increase in compensation:

(1) Amendment Two to Ecology Action of Santa Cruz, Contract C15155144A (Commercial Industrial Energy Efficiency Program), to extend the term of the contract through June 30, 2021 to allow Ecology Action of Santa Cruz to administer the Commercial and Industrial Energy Efficiency Program (“CIEEP”), which provides building EE performance optimization services to large commercial and industrial customers.

(2) Amendment Two to Enovity, Inc., Contract C15155144B (Commercial Industrial Energy Efficiency Program), to extend the term of the contract through June 30, 2021 to allow Enovity, Inc. to administer the Commercial and Industrial Energy Efficiency Program (“CIEEP”), which provides building EE performance optimization services to large commercial and industrial customers.

(3) Amendment Two to BASE Energy, Inc., Contract C15155144C (Commercial Industrial Energy Efficiency Program), to extend the term of the contract through June 30, 2021 to allow BASE Energy, Inc. to administer the Commercial and Industrial Energy

Efficiency Program (“CIEEP”), which provides building EE performance optimization services to large commercial and industrial customers.

**Executive Summary**

City Council (Council) has adopted several policies that support increased goals for energy and water efficiency efforts as well as sustainability goals for the City of Palo Alto (City). In order to achieve these aggressive EE goals, the City has contracted with third-party EE service providers since 2006 to provide a suite of EE programs for large commercial customers. More than 80% of the City’s energy savings goals are expected to be achieved through the large commercial and industrial EE programs. The three contracts in effect are scheduled to expire June 30, 2020.

Staff recommends approval of three contract amendments extending the terms with existing providers by one year to ensure that energy efficiency related services continue for commercial customers while the City’s competitive solicitation process for these ongoing services is underway. With a term extension, these three providers will be able to continue to support the completion of in-progress projects, maintain customer access to City of Palo Alto Utilities (CPAU) programs and services, and provide additional energy savings and continued customer engagement.

Table 1 is a summary of the three proposed contract amendments. No increase in contract amount is proposed, and the total budget of \$2,775,000 is shared among the three contracts over the full term of the contracts. Annual payments to all three contractors are capped at \$925,000.

**Table 1: Summary of Proposed Large Commercial and Industrial EE Program Contract Amendments**

<b>Contract</b>	<b>Not to Exceed Budget over Contract term</b>	<b>Proposed End of Term (one-year extension)</b>	<b>Proposed Increase to Contract Limit</b>
Ecology Action of Santa Cruz C15155144A	Pooled \$2,775,000	June 30, 2021	\$0
Enovity, Inc. C15155144B	Pooled \$2,775,000	June 30, 2021	\$0
Base Energy, Inc. C15155144C	Pooled \$2,775,000	June 30, 2021	\$0

**Background**

Council has adopted a number of policies which support funding programs that maximize the deployment of cost-effective, reliable and feasible EE. Council last adopted the City's ten-year efficiency goals for electric ([Staff Report #7718](#)) and gas ([Staff Report #7862](#)) in 2017 for the period between 2018 and 2027. The cumulative savings targets based on these goals are 5.7% of the City's projected electric usage and 5.1% of the City's projected gas usage.

In order to achieve these aggressive EE goals, the City has contracted with third-party EE service providers since 2006 to expand the suite of EE programs for its large commercial customers. During FY 2017, third-party EE service providers delivered close to 82% of the electric savings and over 97% of the gas savings; the remaining savings were achieved through City of Palo Alto staff-administered programs.

Funding for electric efficiency programs is primarily from the mandated Public Benefits (PB) Charge, which is 2.85% of the customer retail rate. The majority of PB funding is spent on cost-effective efficiency programs; however, some is used for research and development projects, low-income efficiency programs or to purchase renewable energy. Gas efficiency programs are funded from the gas utility's revenue, at about 1% of the gas revenue as approved by Council ([Staff Report #8343](#)).

Council also adopted the Sustainability and Climate Action Plan (S/CAP) ([Staff Report #7304](#)) in November 2016. This framework serves as a roadmap for achieving Palo Alto's 80% by 2030 greenhouse gas reduction goal and for developing the Sustainability Implementation Plan (SIP) ([Staff Report #8487](#)). All three contracts and the programs they support are in line with the City's goals set forth in the SIP.

## **Discussion**

The City relies on partnerships with third party contractors to deliver energy efficiency programs. Such targeted third-party programs have played an important role in meeting mandated state and local energy efficiency goals and objectives. The contract terms with third-party EE service providers are typically three years. The program is popular with customers, since the contractors often provide turnkey service and require minimal effort to participate. These contract amendments will allow energy savings to continue to accrue without interruption to customers and will continue efforts by the City to meet its aggressive energy efficiency savings and sustainability goals while the competitive selection process for new providers is underway.

The large commercial programs target CPAU Key Account customers in the government, institutional and private sectors within the City. Key Account customers are typically customers with utility bills that exceed \$1 million per year and include customers that have special power needs for their facilities. Buildings within this customer segment typically have more complex energy systems, with a dedicated staff managing the facilities and related energy issues. CPAU maintains regular communication with these customers through an assigned Key Account Representative who acts as a single point of contact for all issues including utility services, garbage and recycling services, emergency preparedness, street maintenance and billing issues.

The three consultants encourage Key Account customers to optimize building energy performance through implementation of building infrastructure improvements, EE equipment upgrades, and retro commissioning of building energy systems. Table 2 is a summary of the energy saving achieved over the past four years.

**Table 2: Actual Energy Savings from Large Commercial Customer EE Programs**

Resource	Savings			
	FY 2016	FY 2017	FY 2018	FY 2019
Electricity (kWh)	4,167,805	2,202,884	5,358,693	2,393,911
Gas (therms)	132,172	115,013	145,640	59,289

Table 3 shows the total compensation paid to each of the three contractors for implementing the large commercial customer EE programs, and Table 4 shows the total cost of the program including rebates paid to the customers.

**Table 3: Annual and Cumulative Compensation to Contractors**

Resource	Annual Contract Compensation (\$)				Contract Compensation To Date
	FY 2016	FY 2017	FY 2018	FY 2019	
Electric	513,486	231,042	529,609	371,081	\$1,645,218
Gas	81,723	46,250	126,244	61,276	\$315,493
<b>Total</b>					<b>\$1,960,711</b>

**Table 4: Annual and Cumulative Large Commercial Customer EE Program Cost**

Resource	Annual Total Program Cost (\$)				Total Program Cost To Date
	FY 2016	FY 2017	FY 2018	FY 2019	
Electric	1,091,000	636,330	1,406,013	800,398	\$3,933,741
Gas	243,000	286,263	566,349	234,449	\$1,330,061
<b>Total</b>					<b>\$5,263,802</b>

Staff recommends that Council approve and authorize the City Manager, or his designee, to execute the attached amendments extending the contract term through June 30, 2021 for the following three contracts:

- (1) Ecology Action of Santa Cruz C15155144A
- (2) Enovity, Inc. C15155144B
- (3) BASE Energy, Inc. C15155144C

There is no change to the not-to-exceed amount of \$2,775,000 across all three agreements over the full Term of the agreements, with an aggregate not-to-exceed amount of \$925,000 per fiscal year.

### Resource Impact

The funds to support these contract amendments are available within the Utilities electric and natural gas Public Benefits funds, subject to the approval of the FY2021 budget. Commercial energy efficiency is among the most cost-effective of the City's energy efficiency programs. Commercial kWh savings typically cost between \$0.05/kWh to \$0.07/kWh, while avoiding approximately \$0.09/kWh to \$0.10/kWh in energy supply costs, resulting in a substantial net savings for the utility and its customers.

### Policy Implications

The proposed contracts support the Council-approved Gas Utility Long-term Plan, the Ten-year EE Portfolio Plan, the Long-term Electric Acquisition Plan, the Utilities Strategic Plan, and

Comprehensive Plan Goal N-9. Implementation of EE programs also support greenhouse gas reduction goals identified in Palo Alto's Climate Protection Plan and in the California Global Warming Solutions Act of 2006 (AB 32).

This contract is on the City's professional services template, which permits the City to terminate without cause/for convenience by providing written notice to the contractor. In the event the City finds itself facing a challenging budget situation, and it is determined that City resources need to be refocused elsewhere, the City can terminate for convenience. Other options include termination due to non-appropriation of funds or amending the contract to reduce the cost, for example, by reducing the scope of work.

### **Community Engagement**

Community engagement occurred through the process of adopting the policies above.

### **Environmental Review**

Approval of the three contract amendments proposed in this staff report does not meet the definition of a project pursuant to Section 21065 of the California Public Resources Code, thus no environmental review under the California Environmental Quality Act (CEQA) is required and the work performed by consultants and staff in connection with these programs is categorically exempt from CEQA pursuant to section 15301 of Title 14 of the California Code of Regulations.

### **Attachments:**

- Attachment A: Amendment #2 C15155144A - Ecology Action
- Attachment B: Amendment #2 C15155144B - Enovity
- Attachment C: Amendment #2 C15155144c - BASE

**AMENDMENT NO. 2 TO CONTRACT NO. C15155144A  
BETWEEN THE CITY OF PALO ALTO AND  
ECOLOGY ACTION OF SANTA CRUZ**

This Amendment No. 2 (this "Amendment") to Contract No. C15155144A (the "Contract" as defined below) is entered into as of \_\_\_\_\_, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and ECOLOGY ACTION SANTA CRUZ, a California corporation, located at 877 Cedar Street, Santa Cruz, CA 95060 ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

**RECITALS**

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of energy efficiency services to CITY's large commercial, industrial and institutional customers, as detailed therein.

B. The Parties now wish to amend the Contract in order to extend the term by one year, from the contract end date of June 30, 2020 through June 30, 2021, with no change to the maximum compensation payable under the Contract for continuation of services per Exhibit "A" Scope of Services.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

**SECTION 1. Definitions.** The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. C15155144A between CONSULTANT and CITY, dated June 1, 2015, as amended by:

Amendment No.1, dated June 26, 2018

- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 2. "TERM" of the Contract is hereby amended to read as follows:

**"SECTION 2. TERM.** The term of this Agreement shall be from the date of its full execution through June 30, 2021 unless terminated earlier pursuant to Section 19 of this Agreement."

SECTION 3. **Legal Effect.** Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 4. **Incorporation of Recitals.** The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

*(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)*



**SIGNATURES OF THE PARTIES**

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

**CITY OF PALO ALTO**

**ECOLOGY ACTION OF SANTA CRUZ**

City Manager

**Officer 1**

DocuSigned by:  
*Jim Murphy*  
By:   
Name: Jim Murphy  
Title: Executive Director

APPROVED AS TO FORM:

**Officer 2**

DocuSigned by:  
*Chuck Tremper*  
By:   
Name: Chuck Tremper  
Title: Vice President

City Attorney or designee

## Certificate Of Completion

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	Palo Alto , CA 94301
	Terry.Loo@CityofPaloAlto.org
	IP Address: 199.33.32.254

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## Signer Events

Jim Murphy  
jmurphy@ecoact.org  
Executive Director  
Security Level: Email, Account Authentication (None)

## Signature

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Chuck Tremper  
ctremper@ecoact.org  
Vice President  
Security Level: Email, Account Authentication (None)

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Signature Adoption: Pre-selected Style  
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## Signature

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## Intermediary Delivery Events

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## Certified Delivery Events

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## Carbon Copy Events

## Status

## Timestamp

Tabatha Boatwright  
tabatha.boatwright@cityofpaloalto.org  
Administrative Associate III  
City of Palo Alto  
Security Level: Email, Account Authentication (None)

**COPIED**

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Notary Events	Signature	Timestamp
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Completed	Security Checked	4/20/2020 11:28:31 AM

Payment Events	Status	Timestamps
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**AMENDMENT NO. 2 TO CONTRACT NO. C15155144B  
BETWEEN THE CITY OF PALO ALTO AND  
ENOVITY, INC.**

This Amendment No. 2 (this "Amendment") to Contract No. C15155144B (the "Contract" as defined below) is entered into as of \_\_\_\_\_, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and ENOVITY, INC., a California corporation, located at 100 Montgomery Street, Suite 600, San Francisco, CA 94104 ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

**RECITALS**

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of energy efficiency services to CITY's large commercial, industrial and institutional customers, as detailed therein.

B. The Parties now wish to amend the Contract in order to extend the term by one year, from the contract end date of June 30, 2020 through June 30, 2021, with no change to the maximum compensation payable under the Contract for continuation of services per Exhibit "A" Scope of Services.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

**SECTION 1. Definitions.** The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. C15155144B between CONSULTANT and CITY, dated June 1, 2015, as amended by:

Amendment No.1, dated June 25, 2018

- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 2. "TERM" of the Contract is hereby amended to read as follows:

**"SECTION 2. TERM.** The term of this Agreement shall be from the date of its full execution through June 30, 2021 unless terminated earlier pursuant to Section 19 of this Agreement."

SECTION 3. **Legal Effect.** Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 4. **Incorporation of Recitals.** The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

*(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)*

**SIGNATURES OF THE PARTIES**

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

**CITY OF PALO ALTO**

**ENOVITY, INC.**

City Manager

**Officer 1**

DocuSigned by:

By:

*Joy Ulickey, Sr. Director*

Name:

Joy Ulickey, Sr. Director

Title:

Senior Director

APPROVED AS TO FORM:

**Officer 2**

DocuSigned by:

By:

*Brian Sullivan*

Name:

Brian Sullivan

Title:

Assistant Treasurer

City Attorney or designee

### Certificate Of Completion

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	Palo Alto , CA 94301
	Terry.Loo@CityofPaloAlto.org
	IP Address: 199.33.32.254

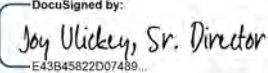
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### Signer Events

Joy Ulickey, Sr. Director  
 julickey@enovity.com  
 Senior Director  
 Enovity, Inc.  
 Security Level: Email, Account Authentication (None)

### Signature

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Brian Sullivan  
 brian.sullivan@veolia.com  
 Assistant Treasurer  
 Security Level: Email, Account Authentication (None)

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Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp

Jeff Guild  
 jguild@enovity.com  
 Director  
 Enovity  
 Security Level: Email, Account Authentication (None)

**COPIED**

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Tabatha Boatwright tabatha.boatwright@cityofpaloalto.org Administrative Associate III City of Palo Alto Security Level: Email, Account Authentication (None) <b>Electronic Record and Signature Disclosure:</b> Not Offered via DocuSign	<b>COPIED</b>	Sent: 5/1/2020 4:37:56 PM
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Payment Events	Status	Timestamps



**AMENDMENT NO. 2 TO CONTRACT NO. C15155144C  
BETWEEN THE CITY OF PALO ALTO AND  
BASE ENERGY, INC.**

This Amendment No. 2 (this "Amendment") to Contract No. C15155144C (the "Contract" as defined below) is entered into as of \_\_\_\_\_, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and BASE ENERGY, INC., a California corporation, located at 5 Third Street, Suite 630, San Francisco, CA 94103 ("CONSULTANT"). CITY and CONSULTANT are referred to collectively as the "Parties" in this Amendment.

**RECITALS**

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of energy efficiency services to CITY's large commercial, industrial and institutional customers, as detailed therein.

B. The Parties now wish to amend the Contract in order to extend the term by one year, from the contract end date of June 30, 2020 through June 30, 2021, with no change to the maximum compensation payable under the Contract for continuation of services per Exhibit "A" Scope of Services.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

**SECTION 1. Definitions.** The following definitions shall apply to this Amendment:

- a. **Contract.** The term "Contract" shall mean Contract No. C15155144C between CONSULTANT and CITY, dated June 1, 2015, as amended by:

Amendment No.1, dated June 26, 2018

- b. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

**SECTION 2.** Section 2. "TERM" of the Contract is hereby amended to read as follows:

**"SECTION 2. TERM.** The term of this Agreement shall be from the date of its full execution through June 30, 2021 unless terminated earlier pursuant to Section 19 of this Agreement."

SECTION 3. **Legal Effect.** Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 4. **Incorporation of Recitals.** The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

*(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)*

**SIGNATURES OF THE PARTIES**

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

**CITY OF PALO ALTO**

**BASE ENERGY, INC.**

City Manager

**Officer 1**

DocuSigned by:  
*Ahmad R. Ganji*  
By: Ahmad R. Ganji  
Name: Ahmad R. Ganji  
Title: Principal

APPROVED AS TO FORM:

**Officer 2**

DocuSigned by:  
*Sandra Chow*  
By: Sandra Chow  
Name: Sandra Chow  
Title: Secretary

City Attorney or designee

### Certificate Of Completion

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	Terry.Loo@CityofPaloAlto.org
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### Signer Events

Ahmad R. Ganji  
arg@baseco.com  
Principal  
Security Level: Email, Account Authentication (None)

### Signature



DocuSigned by:  
Ahmad R. Ganji  
160A29D9E282489...

Signature Adoption: Pre-selected Style  
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**Electronic Record and Signature Disclosure:**  
Not Offered via DocuSign

Sandra Chow  
schow@baseco.com  
BASE Energy, Inc. Principal  
BASE Energy, Inc (Ahmad Ganji)  
Security Level: Email, Account Authentication (None)



DocuSigned by:  
Sandra Chow  
BC6ACDF49E6F4C0...

Signature Adoption: Pre-selected Style  
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Carbon Copy Events	Status	Timestamp

Tabatha Boatwright  
tabatha.boatwright@cityofpaloalto.org  
Administrative Associate III  
City of Palo Alto  
Security Level: Email, Account Authentication (None)

COPIED

Sent: 4/20/2020 4:42:17 PM

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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	4/20/2020 4:42:18 PM
Certified Delivered	Security Checked	4/20/2020 4:42:18 PM
Signing Complete	Security Checked	4/20/2020 4:42:18 PM
Completed	Security Checked	4/20/2020 4:42:18 PM

Payment Events	Status	Timestamps
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