



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow
Margaret McCahan

SUBJECT: SEE BELOW

DATE: November 13, 2018

Approved

Date

11-19-18

SUBJECT: MASTER SERVICE AGREEMENT WITH PACIFIC GAS & ELECTRIC COMPANY FOR THE SILICON VALLEY ENERGY WATCH PROGRAM AND ASSOCIATED CONTRACT WORK AUTHORIZATION AND RELATED APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager to negotiate and execute:
 - (1) A second Contract Change Order to the Master Service Agreement with Pacific Gas and Electric Company for the Silicon Valley Energy Watch program through January 25, 2020; and
 - (2) An associated Contract Work Authorization with Pacific Gas and Electric Company for the Silicon Valley Energy Watch program in an amount up to \$436,064 through January 25, 2020.
- (b) Adopt the following 2018-2019 Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - (1) Increase the Estimate for Other Revenue by \$218,032; and
 - (2) Establish a new City-Wide appropriation to the Environmental Services Department for Silicon Valley Energy Watch 2019 in the amount of \$218,032.
- (c) Extend the term limit date for 2.0 Environmental Services Specialist positions assigned to the Environmental Services Department from March 31, 2019 through January 25, 2020.

OUTCOME

Execution of a Contract Change Order to the Master Service Agreement (MSA) and new Contract Work Authorization (CWA) with Pacific Gas and Electric (PG&E) will enable the City to be reimbursed for up to \$436,064 in Environmental Services Department (ESD) staff and non-personal costs to operate the Silicon Valley Energy Watch (SVEW) program, which will provide energy efficiency education, outreach, and coordination for eligible public sector entities in Santa

Clara County. The agreements extend the program through December 31, 2019 with a program close out period through January 25, 2020.

BACKGROUND

The City of San José has been a Local Government Partner (LGP) with PG&E, managing small- and medium-sized business and public sector energy efficiency programs in Santa Clara County since 2004. Funding for the program activities are derived from the Public Goods Charge, directed by the California Public Utilities Commission and administered by the state's four investor-owned utilities (including PG&E). The City's focus has been on offering energy audits and upgrades, technical assistance, and county-wide education, outreach, and marketing regarding energy efficiency and renewable energy services and technologies to residential, municipal, school, nonprofit, and business audiences in Santa Clara County.

The SVEW MSA is the umbrella agreement that provides the general terms and conditions under which SVEW operates. The CWA is the scope of services that directs specific activities under the MSA. SVEW's most recent MSA was approved by City Council on December 15, 2015 and coupled with a \$3,113,786 CWA that directed program activities for a three-year term from January 1, 2016 through January 25, 2019.

During the SVEW 2016-2018 program cycle, SVEW delivered energy efficiency projects that total 17,285,776 in kilowatt hour (kWh) savings (as of 10/31/18), equivalent to 12,864 tons of CO₂ or enough to power 1,389 U.S. homes for one year, to PG&E's Santa Clara County utility customers. This includes assisting 13 school districts with energy efficiency evaluation and planning with 7,388,776 projected kWh savings, including lighting audits at 60 school sites. SVEW also hosted 32 energy-related trainings, primarily held at the San José Environmental Innovation Center, with attendees including residents, businesses, and building trade professionals.

During the current cycle, the City also concluded the Step Up and Power Down campaign to reduce commercial energy usage. Step Up and Power Down was a PG&E-sponsored "friendly competition" between the City of San José and City and County of San Francisco, that targeted the commercial sector in the five highest energy-using zip codes in San José. ESD secured a \$1.25 million award for use on sustainability programs by successfully meeting its Step Up and Power Down program goals – 400 enrolled business participants and a 25 million kWh reduction in energy savings. On December 6, 2016, City Council approved the appropriation of these funds for the development and implementation of Climate Smart San José, the City's climate action plan, which was adopted on February 27, 2018.

ANALYSIS

In mid-2018, PG&E announced that the LGPs will shift focus to solely public sector customers, defined as cities, counties, special districts, K-12 schools, and wastewater treatment facilities, starting in 2019. This move was driven by recent California Public Utilities Commission direction to outsource more of its portfolio and increase cost effectiveness over the next couple of years. This directive will cause SVEW to focus programs designed specifically for public sector customers and will eliminate programs designed for residents and small- and medium-sized businesses.

In order to bring contractual requirements up to date (e.g. general terms and conditions, fee schedule, and contract term), PG&E provided a Contract Change Order to the SVEW MSA and a CWA that the City is in the process of negotiating. The anticipated MSA and CWA follow the same format as the expiring three-year agreement, with a few anticipated changes including a cybersecurity and privacy liability insurance clause and reporting requirements on key performance indicators for programs. The term of the MSA and CWA will be through January 25, 2020. The contract term in the MSA and CWA was only extended by a one-year term given the current changes that are occurring around program focus and funding.

Compared to the 2016-2018 program cycle, PG&E instituted a 58 percent cut in the SVEW 2019 total budget compared to the average of the three previous years. In addition, PG&E fully cut a budget of \$153,000 allocated to a third-party supporting SVEW with technical assistance and audit services to municipalities and local educational agencies (LEAs). Despite these dramatic changes in both program scope and budget, SVEW will be able to continue to support important energy-efficiency activities, such as implementation of the LEA's Proposition 39¹ energy efficiency projects, benchmarking policies and services to local jurisdictions, and training events, throughout the Santa Clara County service territory. Implementation of SVEW also supports the City's Climate Smart San José strategy to make buildings more energy efficient.

Approval of the recommendations will allow the City to invoice PG&E and receive reimbursements for all staffing costs that support the SVEW program. The term of 2.0 Environmental Services Specialist positions would also be extended from current end date of March 31, 2019 to January 25, 2020. The PG&E contract will continue to fund all SVEW activities supporting both immediate- and long-term energy savings in the community.

EVALUATION AND FOLLOW UP

ESD will provide an annual status update on SVEW as part of its regular Climate Smart Council updates.

¹ Proposition 39 is the California Clean Energy Jobs Act that funded energy efficiency and clean energy projects for California local educational agencies (LEAs).

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 4, 2018, City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item does not have input from a board or commission.

COST SUMMARY/IMPLICATIONS

SVEW program staffing and activities will be funded by the total contract amount of up to \$436,064. Of this amount, \$218,032 is proposed to be allocated in 2018-2019 for the January-June 2019 period. The remainder of the program funding amount of \$218,032 will be budgeted as part of the 2019-2020 annual budget process.

This contract supports program activities through January 25, 2020, including the funding of 2.0 FTE Environmental Services Specialist positions, and requires no City matching funds. This contract also includes funding for a 0.135 FTE equivalency of current positions within ESD that provide program oversight and administrative support.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the agreement recommended as part of this memorandum.

Fund	Appn. #	Appn. Name	Current Appn.	Recommended Budget Action	2018-2019 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	NEW	Silicon Valley Energy Watch 2019	N/A	\$218,032	N/A	N/A
001	R130	Other Revenue	\$13,640,839	\$218,032	VI-1	10/16/2018, Ord. No. 78825

HONORABLE MAYOR AND CITY COUNCIL

November 13, 2018

Subject: Approval of Agreement with PG&E for Silicon Valley Energy Watch Program

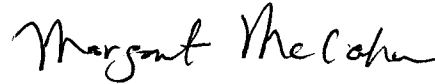
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CEQA

Not a project. File No. PP17-003(Agreements and Contracts), services that involve no physical changes to the environment.

/s/

Napp Fukuda for
KERRIE ROMANOW
Director, Environmental Services



MARGARET MCCAHAN
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the FY 2018-2019, monies in excess of those heretofore appropriated there from, said excess being at least \$218,032.



MARGARET MCCAHAN
Budget Director

For questions, please contact Ken Davies, Sustainability and Compliance Manager, at (408) 975-2587.