



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: SEE BELOW

DATE: June 10, 2021

Approved

Date

06/17/21

SUBJECT: SECOND AMENDMENT TO THE MASTER AGREEMENT WITH FLYNN RESOURCE CONSULTANTS TO PROVIDE PROFESSIONAL CONSULTING SERVICES

RECOMMENDATION

Approve a Second Amendment to the Master Consultant Agreement with Flynn Resource Consultants, Inc. for professional consulting services provided to the Community Energy Department, increasing the maximum compensation from \$990,000 to \$1,990,000 through June 30, 2023, subject to the appropriation of funds, with no change in any other term of the Agreement.

OUTCOME

The Master Consultant Agreement provides City staff with access to highly technical resources, and the amendment would guarantee the continuity of essential energy analysis and planning services to the Community Energy Department (“CED”).

BACKGROUND

On February 5, 2018, the CED released a Request for Proposal (“RFP”) for technical consulting services to assist San José Clean Energy. The RFP included the following scope: power procurement and portfolio management services, energy risk management and analysis, financial analysis, and energy program support.

Flynn Resource Consultants, Inc. (“Flynn”) was selected as one of the vendors to provide technical consulting services and a Master Consultant Agreement was executed for a five-year term through June 30, 2023, with a maximum compensation of \$290,000.

On October 8, 2019, City Council approved the First Amendment to the Master Consultant Agreement with Flynn, increasing the maximum compensation from \$290,000 to \$990,000

through June 30, 2023. The First Amendment was necessary to take advantage of Flynn's extensive energy industry experience, which has been extremely vital in supporting CED staff in a variety of areas, including energy procurement, quantitative and qualitative assessments, historical and financial analyses, and strategic integrated resource and procurement planning. Flynn was also identified as highly qualified to assist the City in evaluating the implementation of energy resilient microgrids in areas of new development, particularly in evaluating the feasibility of establishing City-provided electric distribution and microgrid service to the Downtown West Mixed-Use Project.

ANALYSIS

Staff recommends increasing Flynn's Master Consultant Agreement maximum compensation from \$990,000 to \$1,990,000 to maintain their crucial and uninterrupted consultant support on several important projects.

One important project where Flynn's consulting support is crucial and will continue to be needed over the next 12 months or more is the ongoing evaluation of the City providing electric distribution to the Downtown West Mixed-Use Project. As an expert electric transmission, distribution and energy systems consulting firm, Flynn effectively worked with the City and the developer (Google, Inc.) to perform a Service Study to determine the economic feasibility, benefits, and risks associated with City provided electric service. Flynn has also taken a lead role in working with PG&E on the process for interconnecting the proposed Downtown West microgrid to PG&E's transmission system. With the approval of the Downtown West development by City Council and the provision of electric service by the City as a viable and attractive option for the development, there is a significant body of work that must be completed to fully evaluate and potentially establish City service. Equally important is that much of this work will be a continuation of the work previously performed by Flynn on the Service Study and with PG&E, including the development of a City utility business plan, negotiating business and operating terms for City service with the developer, negotiating an Interconnection Agreement with PG&E, and implementing regulatory and other steps necessary to form a City utility. It is important to note that the developer is funding this work.

Similar to the Downtown West project, Flynn's expertise and experience in electric transmission, distribution and energy systems will be valuable as the City looks to increase energy resiliency across the City through the implementation of microgrids in other areas of new development.

Another critical area of support needed from Flynn includes services related to the status of the power system and transmission system planning and upgrading. This information is critical to accurately assess the expected value and risks of supply and demand side resources. Flynn is uniquely qualified to advise the power resources team on these matters because of their extensive, long-standing and ongoing tracking and participation in power system planning processes, including but not limited to, CPUC Integrated Resource Planning, and CAISO Transmission Planning processes.

Additionally, Flynn is positioned to assist the City in analyzing transmission and distribution infrastructure serving the City in the context of assisting the City in influencing, preparing for, and mitigating the impacts of PG&E's Public Safety Power Shutoff program.

CONCLUSION

Flynn has provided crucial technical support on a variety of key energy related projects over the past several years. Amending the Master Consultant Agreement with Flynn will provide City staff with continued access to highly technical resources and would guarantee the continuity of essential energy analysis and planning support on several important projects, including the ongoing evaluation of the City providing electric distribution to the Downtown West Mixed-Use Project and increasing energy resiliency across the City.

EVALUATION AND FOLLOW-UP

No additional follow-up is anticipated.

CLIMATE SMART SAN JOSÉ

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals:

- It facilitates the reduction of energy or water use consumption, or increases the demand for renewable energy
- It facilitates the energy and water efficiency of homes or commercial buildings
- It facilitates job creation within City limits

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the June 29, 2021 City Council Agenda.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

There is no commission recommendation or input associated with this action.

FISCAL/POLICY ALIGNMENT

This recommendation supports the City Council's goals and direction to improve energy resiliency.

COST SUMMARY/IMPLICATIONS

The recommended action in this memorandum will allow for an amendment to increase the maximum compensation for the Master Consultant Agreement by \$1,000,000 to an aggregate amount not to exceed \$1,990,000. As described above, much of the work performed by Flynn under this agreement has been and will continue to be funded by Google. Staff is currently working with Google to extend and increase the maximum compensation amount of the City's reimbursement agreement with Google to fully fund the work necessary to evaluate the potential for the City to provide electric service to the Downtown West development area.

Given the urgency to complete a business plan and term sheet for the city operated microgrid before November 2021 to meet the developments design and construction schedule; staff recommends beginning the process to draw up the service order and embark on preliminary work items in July, with the anticipation of returning to the City Council in August to recognize proceeds from the reimbursement to fully fund the agreement. It is expected that the business plan and term sheet will take several months to complete, so it's important to begin this work in July. The business plan and draft terms sheet includes an analysis of all the costs including capital and operating, load forecast, on-site distributed energy resources and other power supply options, infrastructure performance criteria, lease and easements terms, rate design and analysis and an economic comparison to other options.

While the initial encumbrance of the agreement will be allocated to the Community Energy Department's Non-Personal/Equipment appropriation in the San José Clean Energy Fund as shown in the Budget Reference Table below, the agreement will ultimately be funded by the Diridon Station Area Development Planning – Electric Microgrid City-Wide Expenses appropriation in the General Fund upon completion of the reimbursement agreement.

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BUDGET REFERENCE

The table below identifies the fund and appropriations recommended to fund the actions included in this memorandum.

Fund #	Appn #	Appn Name	Current Total Appn	Amount for Contract	2021-2022 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
501	NEW	Community Energy Non-Personal/Equipment	\$9,137,801	\$1,000,000	X-87	N/A

* The 2021-2022 Proposed Operating Budget is scheduled to be adopted by City Council on June 22, 2021.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
LORI MITCHELL
Director, Community Energy

For questions, please contact Lori Mitchell, Director of Community Energy, at (408) 535-4800.