



Agenda Report

22-153

Agenda Date: 3/22/2022

REPORT TO COUNCIL

SUBJECT

Action on Various Agreements for Silicon Valley Power (SVP), Authorizing the Office of the City Manager to:

1. Exercise options to renew an Enterprise Program Agreement with OSIsoft, LLC for up to five years and increase funding authorization to include additional services or addition of assets to the existing licenses;
2. Negotiate and Execute Amendment No. 2 to an Agreement for Services with Efficiency Services Group, LLC to administer the Commercial Parking Lot & Exterior Lighting Program to Silicon Valley Power's (SVP) small and mid-sized business customers;
3. Negotiate and execute additional amendments to add or delete services or licenses consistent with the scopes of the subject agreements, and allow future rate adjustments including associated increases to maximum compensation, subject to request and justification by contractor, approval by the City, and the appropriation of funds; and
4. Execute long lead-time material agreements and purchase orders for the South Loop Reconfiguration Project

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

To meet its mission, goals, and regulatory needs, the City of Santa Clara's Electric Department, Silicon Valley Power (SVP), requires a variety of specialized services and materials, including:

Plant Information Historian Software (OSIsoft)

The Electric Utility Department, Silicon Valley Power (SVP), maintains and supports historical data infrastructure for electric utility operations, generation, and power trading. The data is collected and maintained in numerous systems, such as the Advanced Metering Infrastructure (AMI) and Geospatial Information System (GIS). Using OSIsoft's (OSI) Plant Information (PI) historian software (OSI Software) allows for seamless and secure data collection and configuration from these systems. This streamlines SVP's processes and procedures and supports SVP with regulatory compliance.

On August 28, 2018, Council authorized the City Manager to execute an Enterprise Program Agreement and Corporate Family Software License and Service Agreement with OSIsoft. To achieve continuity, the Enterprise Program Agreement was effective retroactive to April 24, 2017 for a 5-year term and included installation, configuration, modification, and maintenance to OSIsoft software and related systems. The previous fourteen years prior to the 2017 agreement, OSIsoft had been providing service support to the City through an Enterprise and Software License Agreement. The Corporate Family Software License Agreement governs the right for SVP to use the PI historian software and the Enterprise Program Agreement outlines the terms for SVP and OSIsoft to conduct

business. The Enterprise Program Agreement executed in 2018 included the implementation of the system as well as five (5) years of enterprise services including a software reliance program, a dedicated program manager, an annual roadmap, and additional services such as training. The Software License Agreement is valid as long as there is an Enterprise Program Agreement in place.

Administration of Commercial Parking Lot & Exterior Lighting Program (Efficiency Services Group, LLC)

In accordance with Public Utilities Code (PUC) Section 385 covering Public Benefits Charge, and with the City's Public Benefits Program Policy Statement adopted by Council on May 12, 1998, Staff has developed a wide range of cost-effective energy efficiency and renewable energy programs for customers. State law requires that the utility spend a minimum of 2.85% of retail revenue on these programs, in order to encourage customer investments by reducing the payback period in these areas.

In order to expand its energy efficiency programs, Silicon Valley Power periodically issues Requests for Proposals (RFP) for energy efficiency programs managed by third-party firms. An RFP was issued in August 2016 and, as a result of this RFP, Silicon Valley Power selected the Commercial Parking Lot & Exterior Lighting Third Party Energy Efficiency Program offered by Efficiency Services Group, LLC (ESG) to complement SVP's existing energy efficiency programs. This program began in January 2017 and exceeded expectations in customer participation. The original program contract ended on January 11, 2020 and had a total contract cost of \$554,545. Due to significant remaining customer demand for the program, a new Agreement for Services was executed with ESG on April 15, 2020 to renew the program for two years through March 31, 2022 and increase the maximum compensation to \$1,000,000 in order to serve the remaining customers and contribute to the City and utility's energy efficiency goals.

Materials for South Loop Project

On January 11, 2022, Silicon Valley Power (SVP) awarded Contract No. 2124B to Hotline Construction, LLC (Hotline) for Construction of the South Loop Reconfiguration Project in the amount of \$18,583,938 and authorized the City Manager to execute change orders up to 15% (\$2,787,591) of the original contract amount. The primary objective of the South Loop Reconfiguration Project (Project) is to shift the electrical load demand from the South Loop Circuit to the East Loop Circuit while increasing the power transfer capability of the 60 kilovolt (kV) electric system. The system capacity that is gained from the implementation of this Project is needed to maintain system reliability as the electrical demands of the City continue to increase. The Project is also critical to maintaining project timelines for new data center customers as well as allowing for load growth at existing data center sites.

DISCUSSION

Plant Information Historian Software (OSIsoft)

The Agreement with OSIsoft includes an option to extend the term for an additional five years. SVP has found OSI Software's performance satisfactory and OSI continues to develop the PI historian software which has greatly enhanced SVP's data collection, storage, analysis, and presentation capabilities. SVP uses the data collected through the PI historian for troubleshooting, real time operational assessments, and billing functions.

The previous five years of Enterprise Service Fees were fixed at \$97,614 for a total authorization of \$488,070. The Agreement provided for a 7.5% increase in annual fees beginning with the sixth year of service and annual increases in future years based on Consumer Price Index subject to a minimum increase of 3% and maximum increase of 6%. The current executed Agreement for Services with OSIsoft does not include any contingency or additional funds authorized by Council. However, as SVP continues to use OSI Software, opportunities for further efficiencies may be identified or additional assets may need to be added to the license. To save time, staff recommends that additional funding is built into this authorization for future additional services or if additional assets are added to the licensing. Therefore, staff recommends an authorization to increase compensation by up to \$911,930 for a total maximum compensation of \$1,400,000. This increase includes up to \$591,530 for annual licensing cost based on maximum annual increase of six percent and \$320,400 for additional services or to add additional assets to the license.

Administration of Commercial Parking Lot & Exterior Lighting Program (Efficiency Services Group, LLC)

The Commercial Parking Lot & Exterior Lighting Third Party Energy Efficiency Program administered by ESG reduces the energy consumption of small business customers through exterior lighting energy efficiency measures. The program provides free light fixtures with the customers responsible for installation. ESG assists the customer in identifying the appropriate retrofit light fixtures and performs verification of installation, ensuring customer satisfaction with the new product.

Since the program was started, 330 projects have been completed, 2,899 fixtures have been replaced, and 2,761,642 kilowatt hours (kWh) in first year energy savings were achieved. This energy savings will be ongoing depending on the useful life of the new fixtures. While the fixtures are provided at no cost, the customer is essentially paying a “copayment” by paying for the installation of the fixtures. This model still falls within the program cost effectiveness requirements of Silicon Valley Power. ESG has had significantly more interest than expected and, in 2021 was on track to spend the entire budget in one year. Through its outreach efforts to small business customers, ESG estimates that with additional funding of \$527,000, it could retrofit over 2,600 additional fixtures and achieve an additional 2.1 million kWh of first year energy savings.

The total spent on this contract to date is approximately \$835,000 with significant remaining customer interest and reservations for the current funding. Staff recommends extending the program and contract for an additional fifteen months and increasing maximum compensation by \$527,000 from \$1,000,000 to a total maximum compensation of \$1,527,000.

Materials for South Loop Project

Typically, long lead-time materials such as poles, insulators, conductors, and rebar cages are ordered by the City prior to issuance of the construction bid where possible so there are not delays due to long lead times once the construction contract is awarded. Recently, the lead times for these materials increased significantly due to global supply chain issues. Therefore, staff recommends delegation of authority to the Office of the City Manager to approve long lead-time material agreements and purchase orders associated with the South Loop Reconfiguration Project. For example, during the routine construction kick off meeting with Hotline, Hotline recommended that

SVP order conductor optimized in reels to provide for a more efficient and reliable installation of the Project. All materials will be procured under Purchasing guidelines and ordinance.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b)(4) in that it is a fiscal activity that does not involve commitment to a specific project which may result in potential significant impact on the environment.

FISCAL IMPACT

The cost of these proposed agreements are as follows:

OSIsoft, LLC: Exercising the option to extend the agreement with OSIsoft would extend the term through April 23, 2027. The proposed Enterprise Services Fees are anticipated not to exceed \$591,530 and would be paid annually. Staff requests additional authorization for up to \$320,400 for additional services or in the event that the licenses need to be modified for additional assets.

Funding for this agreement is included in the FY 2022/23 budget. Funding for future years will be incorporated into the biennial budget.

Efficiency Services Group, LLC: Sufficient funding is available in the Electric Department Public Benefits program's operating budget for FY 2022/23. The Public Benefits program is funded through a state-mandated charge on all electric bills established by Assembly Bill 1890. Funds shall be spent in four areas: energy efficiency, renewable energy, low income programs, and research and development of energy technologies.

South Loop Materials: Sufficient funds for these materials are available in the Transmission System Reinforcements project (project number 2124) in the Electric Utility Capital Fund.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Authorize the Office of the City Manager to exercise options to renew the Enterprise Program Agreement with OSIsoft, LLC for up to five years through April 23, 2027 and increase funding authorization by \$911,930 to include additional services or addition of assets to the existing licenses for a total maximum authorization of \$1,400,000, subject to annual appropriation of funds;
2. Authorize the Office of the City Manager to negotiate and execute Amendment No. 2 to an Agreement for Services with Efficiency Services Group, LLC to administer the Commercial Parking Lot & Exterior Lighting Program to Silicon Valley Power's (SVP) small and mid-sized business customers extending the term through June 30, 2023 and increasing maximum compensation by

\$527,000 for a total maximum authorization of \$1,527.000, subject to annual appropriation of funds;

3. Authorize the Office of the City Manager to negotiate and execute additional amendments to add or delete services or licenses consistent with the scope of the agreements and allow future rate adjustments including associated increases in maximum compensation subject to request and justification by contractor, approval by the City, and the appropriation of funds; and
4. Delegation of authority to the Office of the City Manager to purchase long lead-time materials for South Loop Reconfiguration Project.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Office of the City Manager

ATTACHMENTS

1. Enterprise Program Agreement with OSIsoft, LLC
2. Agreement for Services with Efficiency Services Group, LLC
3. Amendment No. 1 to the Agreement for Services with Efficiency Services Group, LLC