



## Agenda Report

21-1308

Agenda Date: 1/26/2021

### REPORT TO COUNCIL

#### SUBJECT

Action on Amendment No. 2 to an Agreement for Services with Guidehouse, Inc. for Consulting Services for North American Electric Reliability Corporation (NERC) Compliance Support

#### 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, including North American Electric Reliability Corporation (NERC) Compliance Support currently provided by Guidehouse, Inc.

SVP is required to comply with over 600 NERC Reliability requirements, as approved by the Federal Energy Regulatory Commission (FERC). Every three (3) years, the department undergoes a NERC Compliance audit conducted by the Western Electric Coordinating Council (WECC), the regional entity responsible for compliance enforcement in the Western Interconnection. The most recent WECC Audit was in Spring of 2020 and the next full Audit will be Spring of 2023. In addition to these audits, SVP undergoes a yearly Self-Certification of Compliance with select Standards. The next self-certification is due in February 2021. The NERC Reliability Standards encompass three main areas of electric reliability:

1. Operations
2. Engineering - called Operations and Planning (O & P)
3. Critical Infrastructure Protection (CIP). CIP Standards require SVP to minimize the exposure of cyber security information, such as cybersecurity practices, tools, and logical data.

SVP relies on professional support from industry experts to assist with applying new or revised Standards/Requirements. Services include providing assistance with interpreting the applicability of regulatory requirements to SVP's electric system; drafting internal policies and procedures; assessing and configuring operational technology or program tools; developing appropriate internal controls, reviewing, correcting, improving current compliance practices; and preparing SVP for its next audit.

In October 2018, the City executed an agreement with Navigant Consulting for NERC Compliance Support services. On October 10, 2019 Navigant was acquired by Guidehouse, Inc. (the City and Guidehouse are in the process of executing a Consent to Assignment Agreement to authorize the assignment of all rights, obligations and interest in the Original Agreement from Navigant to Guidehouse).

In December 2019, the City executed Amendment No. 1 to the Agreement to extend the Agreement term to December 31, 2021 and increase maximum compensation from \$95,000 to \$149,000 to finalize open issues from the 2017 audit and prepare for the 2020 audit. It typically takes between 12-18 months to close out action items from an audit.

## **DISCUSSION**

SVP relies on technical expertise of contractors to maintain compliance with the NERC CIP (“Critical Infrastructure Protection” i.e., cybersecurity) Standards. These standards grow and change as cybersecurity trends emerge, or as SVP upgrades its control system technologies. This proposed amendment increases the maximum compensation from \$149,000 to \$274,000 primarily to support SVP in meeting cybersecurity requirements such as updating SVP’s NERC Cybersecurity Program to address new control systems and devices that are being adopted into the NERC Cybersecurity Program. There are two key items for the necessary increase in funding:

1. The City will be updating its SCADA system in the coming months. As a result, of the update which includes new connectivity, this system will now be part of the audit and will require significant additional effort to assure compliance especially associated with cybersecurity.
2. The NERC audit is directly managed by the SVP Compliance Manager and a Staff Aide II (which is vacant). The consultant will help provide additional support to the Compliance Manager during this period. SVP continues to hold some administrative civil service positions vacant: in the event that positions are eliminated in other departments and staff “bump” to those positions. This avoids having to lay-off newly hired staff due to civil service seniority and “bumping rights.”

Services funded by this amendment include:

- Internal audits to prepare for WECC audit
- SVP internal standard development and revisions to assure SVP’s standards are in alignment with NERC standards which change regularly
- Compliance guidesheets for employees (short documents to consolidate Standards for employee reference). These guidesheets are typically drafted by staff and then reviewed by our consultant at Guidehouse to assure they will be found sufficient in an audit.
- Assistance with development of internal controls through use of automation tools. Currently, most of SVP’s tools for internal control and compliance are manual.
- Preparing SVP for compliance with new or revised NERC Standards.

Staff anticipates issuing a competitive RFP for these services before Summer of 2021.

## **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**

Staff recommends authorizing the City Manager to execute Amendment No. 2 to the Agreement with

Guidehouse, Inc. to increase maximum compensation from \$149,000 to \$274,000. The costs of these services have been included in the Electric Department Operating Budget.

Funds required for these agreements in future years will be included in proposed budgets for corresponding years.

### **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) [<mailto:clerk@santaclaraca.gov>](mailto:clerk@santaclaraca.gov).

### **RECOMMENDATION**

1. Authorize the City Manager to execute Amendment No. 2 to the Agreement for Services with Guidehouse, Inc. to increase the maximum compensation from \$149,000 to \$274,000; and
2. Authorize the City Manager to add or delete services consistent with the scope of the agreements and allow future rate adjustments subject to request and justification by contractor, approval by the City, and the appropriation of funds.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Agreement for Services between the City of Santa Clara and Navigant Consulting
2. Amendment No. 1 to the Agreement for Services between the City of Santa Clara and Navigant Consulting
3. Proposed Amendment No. 2 to the Agreement for Services between the City of Santa Clara and Guidehouse, Inc.
4. Navigant to Guidehouse Consent to Assignment