



Agenda Report

21-227

Agenda Date: 7/13/2021

REPORT TO COUNCIL

SUBJECT

Action on Contracts for Silicon Valley Power as follows, authorize the City Manager to:

1. Execute Amendment No. 1 to the Agreement for the Performance of Services with Precision IceBlast Corporation extending the term through July 31, 2023;
2. Execute Amendment No. 1 to the Agreement for the Performance of Services with Intelligent Technologies and Services, Inc. extending the term through July 31, 2023;
3. Execute Amendment No. 2 to Contract No. 2004D with Daleo, Inc. authorizing staff to issue call orders through July 31, 2022;
4. Execute Amendment No. 1 to the Agreement for the Performance of Services with Grid Subject Matter Experts, LLC to extend the term through July 26, 2024
5. Make minor changes to the proposed amendments attached subject to approval by City Attorney; and
6. 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.

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

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

- Cleaning of Heat Recovery Steam Generators (HRSG) at Donald Von Raesfeld Power Plant (DVR);
- Maintenance and repair of fire alarms, fire suppression systems, gas detection systems, and related systems at SVP's power plants, substations, and other facilities;
- Electric Utility Substructure and Aerial Fiber Optic Cable Construction; and
- Support Federal Energy Regulatory Commission's (FERC) Critical Infrastructure Protection (CIP) requirements and as-needed Supervisory Control and Data Acquisition (SCADA) System.

Staff recommends extending the existing agreements for each of the above services. Each of the following proposed amendments has been developed in collaboration with the Purchasing Division of the Finance Department.

DISCUSSION

Amendment to Agreement with Precision IceBlast Corporation (Precision) for Cleaning of HRSG at

DVR

DVR operates with two horizontal gas flow HRSGs that use waste heat to create steam for power production. Over time, iron oxides, ammonia salts, mineral deposits, and dirt adhere to the heat transfer surfaces reducing the effectiveness of the transfer of thermal energy to create steam, thereby reducing power output of the facility. It is recommended that these HRSGs are cleaned every two years to maintain operating efficiency and power output. Cleaning the heat transfer surface regularly results in an improvement of heat transfer efficiency and a reduction in operating costs for the entire plant. Failure to perform routine cleaning will result in increased fuel use, increased operating costs, and lower power output ultimately requiring the City to purchase more power on the market.

On August 1, 2018, the City executed an agreement with Precision as the result of a competitive Request for Proposal (RFP) process. Staff recommends extending the agreement with Precision from three years to five years with the extended term ending on July 31, 2023, and increasing the maximum compensation from \$401,539 to \$650,000. While, the City has previously entered into three-year agreements, the City has moved to five-year agreements as an industry standard to maximize the value and time investment in the bid or RFP process. Hourly rates have increased eleven percent (11%) or less than four percent (4%) per year since 2017.

Amendment to Agreement with Intelligent Technologies and Services, Inc. (Intelligent Technologies) for monitoring, maintenance and repair of fire alarms, fire suppression systems, gas detection systems, and related systems

SVP requires around the clock monitoring of fire suppression systems, fire alarm systems, gas detection systems, and related systems for its power generation facilities, substations, and other critical facilities. In August 2018, the City executed an agreement with Intelligent Technologies as the result of a competitive RFP process. Under the Agreement, the Contractor provides scheduled maintenance and inspection on the aforementioned systems to ensure compliance with applicable local, state, and federal regulations and maintains safe facilities.

The original term of the Agreement is from August 1, 2018 until July 31, 2021. Staff recommends extending the term of the Agreement for two years through July 31, 2023, and increasing the maximum compensation from \$166,067.69 to \$300,000. Execution of this amendment will ensure ongoing recommended maintenance, repair, and inspection services shall be provided. While, the City has previously entered into three-year agreements, the City has moved to five-year agreements as an industry standard to maximize the value and time investment in the bid or RFP process. Hourly rates have increased twenty-three (23%) percent which is in close to alignment with prevailing wage rate increases which have increased over eighteen percent (18%) since 2018 and are based on first year journey level positions. In some cases, rate increases are higher due to changes in service needs to meet safety and regulatory needs.

Amendment to Electric Utility Substructure and Aerial Fiber Optic Cable Construction Contract

On July 18, 2017, after completion of a competitive Public Works bid process, Council authorized a construction agreement with Daleo, Inc. (Daleo) for the Electric Utility Substructure and Aerial Fiber Optic Cable Master projects. Daleo's services include supporting electric utility substructure and aerial fiber optic projects to construct extensions, capital repairs, and maintenance to SVP's

operations as well as to maintain and extend dark fiber infrastructure to customers. SVP provides dark fiber services to customers including large businesses, fiber carriers, data centers, and the Santa Clara Unified School District while promoting economic development and technology services to the community.

The maximum compensation of the Agreement is \$6,000,000. Currently, over \$3 million is remaining on the Agreement as development and capital programs have been delayed. On September 1, 2020, Council authorized a one-year extension of the term of the Agreement, and authorized staff to issue call orders under this specification through July 31, 2021.

Staff had anticipated going through a competitive process during the past year. During that time however, the City released updated public works specifications documents which are the basis for a solicitation of this type which delayed the selection process. Subsequently, staff recommends extending the term of the Agreement for an additional year, ending July 31, 2022. This extension will permit additional time to complete the bid process using the updated specifications, while ensuring there is no disruption in services. Rates have increased 5% since 2020 which is in alignment with prevailing wage rate increases.

Amendment to Agreement with Grid Subject Matter Experts, LLC (GridSME) to support Critical Infrastructure Protection (CIP) requirements and as-needed Supervisory Control and Data Acquisition (SCADA) System

As a Transmission Operator registered with NERC, SVP is subject to numerous reliability regulations that apply to both its operations and the equipment that support real-time monitoring and control. Specifically, real-time operations of SVP's electric transmission and distribution system is made possible through the use of a SCADA system. Using data points from inside as well as outside of SVP's service area (the California Independent System Operator (CAISO) controlled electric grid), SCADA enables SVP System Operators to assess the state of SVP's power grid and make critical decisions to ensure reliable service to Santa Clara residents and businesses.

In 2015, after an RFP process, the City executed an agreement with GridSME. Under the agreement, GridSME assists SVP with the development of a NERC Critical Infrastructure Protection (CIP) Compliance Program in order to meet compliance with the CIP version 5 (CIP v5) NERC Regulatory standards. GridSME provides additional as-needed services including assisting with maintenance of SVP's Control Center SCADA system, ensuring the SCADA system complies with current and upcoming regulations; updating the utility's mandatory cybersecurity training modules in conjunction with emPower training solutions software system; and performing NERC mandated annual vulnerability assessments of SVP's cybersecurity systems.

Due to the high importance of SCADA in modern Control Centers, NERC and FERC mandate that certain cybersecurity requirements ("CIP - Cybersecurity Infrastructure Protection" Standards) be imposed on Transmission Operators using SCADA systems. Failure to adhere to such standards could result in fines as high as \$1 million per day that the violation was on-going.

Because each entity varies in its organizational structure, tools/equipment, and in-house resources, a utility's CIP Compliance Program is not based on a cookie-cutter approach, but instead, it is tailored to the needs of the specific entity. As GridSME is familiar with SVP's adopted compliance approach as well as SVP's Cyber Assets, it makes the most [cost-effective] sense to continue to use GridSME

to help maintain the new SCADA system and keep it “CIP-compliant.”

GridSME’s in-depth knowledge of SVP’s SCADA systems (legacy and new) and familiarity with SVP’s CIP Program makes them the prime candidate for also performing the annual cybersecurity vulnerability assessment of SVP’s CIP Cyber Assets, as required by NERC CIP regulations. GridSME performed the vulnerability assessment for each of the past four years and SVP encountered no issues in this area during its triennial NERC-CIP Audit in April 2020. GridSME also supports necessary updates to SVP’s training programs to maintain training compliance related to CIP Reliability Standards.

The term of the Agreement with GridSME ends on July 26, 2021. Staff recommends extending the Agreement with GridSME for three additional years through July 25, 2024, and increasing the maximum compensation from \$134,700 to \$300,000. Contractor’s rates included increases and decreases. The largest increase is less than 3% per year.

Staff has recommended the ongoing use of this contractor for these services until SVP’s SCADA system for Operations Control is replaced. This unique service has been approved by the Purchasing Manager. As part of the unique service process it was determined that other vendors may be available to provide SCADA compliance Support or update SVP’s CIP on-line training. However, having a new vendor will require a very long process and transition that could be unsuccessful. This could have significant effects on CIP compliance, compromise cybersecurity, and a lack of training that will affect SVP operations. The City expects to pursue a new SCADA system in the future, but there currently is no project or timeframe for that new system. At that time a new vendor will be solicited. At the end of the adjusted term, staff will evaluate ongoing needs which will depend on timeline and plans for a new SCADA system.

ENVIRONMENTAL REVIEW

The actions being considered do not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378 (b)(2) in that the contracts involve continuing maintenance activities.

FISCAL IMPACT

The cost of these proposed agreements are as follows:

Precision IceBlast: The proposed Amendment No. 1 to the Agreement for the Performance of Services with Precision Ice Blast would increase the maximum compensation from \$401,539 for three-years to \$650,000 for five-years. Sufficient funds are available in the Biannual Operating Budget for FY 21/22 and 22/23 in account 091 1377 87600 9240 00016 55300.

Intelligent Technologies: The proposed Amendment No. -1 to the Agreement for the Performance of Services with Intelligent Technologies would increase the maximum compensation from \$166,067 for three-years to \$300,000 for five-years. Sufficient funds are available in the Biannual Operating Budget for FY 21/22 and 22/23 in account based on the location of the asset being serviced.

Daleo: Electric Utility Substructure and Aerial Fiber Optic Cable Construction (Daleo): Staff recommends extending the term of this agreement authorizing call orders to be issued through July 31, 2022 with no change to the contract value of \$6,000,000. Sufficient funds are available in the

applicable capital project for which services are required or, where applicable, in the maintenance account for SVP Transmission and Distribution (T & D).

Grid Subject Matter Experts: The proposed Amendment No. 1 to the Agreement for the Performance of Services with Grid Subject Matter Experts would increase the maximum compensation from \$134,700 for three years to \$300,000 for five-years. Sufficient funds are available in the Biannual Operating Budget for FY 21/22 and 22/23 in account 091-1324-87870-92300.

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

RECOMMENDATION

1. Authorize the City Manager to execute Amendment No. 1 to the Agreement for the Performance of Services with Precision Ice Blast Corporation to extend the term of the Agreement through July 31, 2023 and increase the maximum compensation to \$650,000;
2. Authorize the City Manager to execute Amendment No. 1 to the Agreement for the Performance of Services with Intelligent Technologies and Services, Inc. to extend the term of the Agreement through July 31, 2023 and increase the maximum compensation to \$300,000;
3. Authorize the City Manager to execute Amendment No. 2 to Contract No. 2004D with Daleo, Inc. to authorize staff to issue call orders through July 31, 2022;
4. Authorize the City Manager to execute Amendment No. 1 to the Agreement for the Performance of Services with Grid Subject Matter Experts, LLC to extend the term of the Agreement through July 26, 2024 and increase the maximum compensation to \$300,000
5. Authorize the City Manager to make minor changes to the proposed amendments attached subject to approval by City Attorney
6. 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. Original Agreement with Precision Ice Blast
2. Proposed Amendment No. 1 with Precision Ice Blast
3. Original Agreement with Intelligent Technologies
4. Proposed Amendment No. 1 with Intelligent Technologies

5. Original Contract with Daleo, Inc.
6. Amendment No. 1 with Daleo, Inc.
7. Proposed Amendment No. 2 with Daleo, Inc.
8. Original Agreement with Grid Subject Matter Experts
9. Proposed Amendment No. 1 with Grid Subject Matter Experts