



COUNTY OF LOS ANGELES
Internal Services Department

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United We Stand

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Director

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August 6, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVE ENERGY EFFICIENCY PROGRAM
CALIFORNIA PUBLIC UTILITIES COMMISSION
(4 VOTES) (ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Director of the Internal Services Department or her designee to execute an agreement substantially similar in form to Attachment A with Southern California Edison to perform energy retrofits in various county facilities within Southern California Edison's territory with all costs of these projects funded by the California Public Utilities Commission (CPUC).
2. Authorize the Director of Internal Service Department or her designee to execute an agreement substantially similar in form to Attachment B with various Energy Services Companies to complete energy retrofit projects in various county facilities for a fee not to exceed \$3,119,620 and be advised of the issuance of a work order under the existing Energy Support Services Master Agreement with ASW Engineering for a fee not to exceed \$214,380 to perform monitoring and verification services.
3. Approve the attached Budget Adjustment to increase appropriation in the Utilities Budget by \$3,334,000, offset by unanticipated revenue from the CPUC.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The purpose of these recommendations is to request contract authority to enter into agreements with Southern California Edison (SCE) and various Energy Services Companies to implement energy retrofit projects with all costs funded by the CPUC.

CPUC Program

As mentioned to your Board in a memorandum dated May 28, 2002, and in the latest six-week energy update report (dated June 27, 2002), ISD was awarded \$3.3 million by the CPUC to complete energy retrofit projects and is now seeking your Board's authorization to participate in the program. In August of 2001, the CPUC created the Third Party Local Energy Efficiency Program that allowed for third parties to bid for \$100 million of Public Goods Charges funds. These funds were made available for energy efficiency projects in SCE's territory. In the past, this funding was only made available to investor owned utilities regulated by the CPUC and was used to fund utility-based energy incentive programs. The CPUC revised the program for Fiscal Year 2002/03 to allow non-utility, third parties to submit proposals for the \$100 million. The CPUC would select a portfolio of qualified proposals that met their energy efficiency goals and objectives.

On December 14, 2001, ISD submitted a proposal requesting funding to continue the County's ongoing efforts in the areas of energy retrofit projects. The proposal described the specific energy efficiency measures that could be installed at various County facilities within SCE's territory. The CPUC received nearly 300 proposals of which the Internal Services Department (ISD) was one of sixty-five successful proposers.

ISD was ultimately awarded \$3.3 million. ISD's proposal reflected successful energy project implementation, a large customer base of facilities with energy savings potential, and an existing administrative and project management infrastructure.

The CPUC requires that the investor owned utilities provide program administration and monitoring on behalf of the CPUC. Thus, the County is required to enter into an Agreement for Third Party Energy Efficiency Implementers (Third Party Agreement) with SCE in order to receive the funding.

In order to implement the program, with your Board's authorization, ISD will execute Guaranteed Energy Savings and Monitoring Agreement(s) with Energy Services Companies (ESCOs) contracted with the County under a Master Agreement approved by your Board on August 10, 1999. The final selection of the ESCO(s) will be based upon competitive bids containing specific criteria that provide the best value to the County. The evaluation criteria are more fully defined in the Facts and Legal Provisions section.

Proposals will be evaluated on a facility-by-facility basis and may result in more than one ESCO completing the projects.

It is estimated that the projects funded will result in annual energy savings of \$600,000. In attachment C, ISD has initially identified the facilities and the proposed energy efficiency measures to be installed. ISD is currently in the process of completing preliminary audits to determine the feasibility of the proposed projects. If a project is not economically viable within a particular facility, ISD will substitute with a different facility. The CPUC has approved the energy efficiency measures and the total amount of the award although the County retains discretion in selecting facilities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Participation in the CPUC's program supports Goal Number 4 of the County's Strategic Plan, Fiscal Responsibility. More specifically, it aligns with these strategies by investing in the public infrastructure.

FISCAL IMPACT/FINANCING

ISD did not receive final notification of the CPUC funding prior to adoption of the Fiscal Year 2002/03 budget. Therefore, a Budget Adjustment is necessary to increase the Utilities Budget Appropriation in order to pay the ESCOs for the completion of the work. This appropriation will be fully offset by revenue to be received from the CPUC allocation. There are no net County cost expenditures in implementing these projects. Completion of the projects will result in an estimated annual savings of \$600,000.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Third Party Agreement (Attachment A) and the Guaranteed Energy Savings and Monitoring Agreement (Attachment B) have been approved as to form by County Counsel.

The Guaranteed Energy Savings and Monitoring Agreement require that the ESCOs guarantee the energy savings and reimburse the County for any shortfalls. As further security, the ESCOs will be required to post a Letter of Credit. These Letters of Credit will equal the amount of the dollar value of the County's annual energy savings for a term of three years from the completion of the project. In addition, the contract contains a termination clause that further allows for termination both for the County's convenience and for contract default by the ESCO.

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The CPUC requires that an independent third party be responsible for the evaluation, monitoring, verification and reporting of the energy savings. This reporting is a prerequisite to receiving quarterly payments from the CPUC for work performed. ISD has procured ASW Engineering to complete this work through a competitive bidding process under the Energy Support Services Master Agreement. ASW Engineering, who is on the master agreement list, proved to be the lowest priced, qualified bidder. The work order will be in the amount of \$214,380 and all costs will be paid from the CPUC funds.

No expenditures will be incurred until after your Board approves the authorization to enter into the proposed agreements.

CONTRACTING PROCESS

The CPUC requires that ISD enter into the Third Party Agreement with SCE. It memorializes the terms and conditions for payment for the authorized work to be performed. SCE will also act as a liaison between the CPUC and the County for the purpose of reporting job progress and final results.

Terms of the Third Party Agreement include submission of quarterly reports. These quarterly reports summarize the energy efficiency measures installed to date. The agreement requires SCE to be responsible for review and approval of all payments.

A Request for Proposals (RFP) for the recommended energy retrofit projects will be issued to the pre-qualified ESCOs. The RFP will be structured such that each proposal would be evaluated on a facility-by-facility basis and could result in more than one ESCO being selected.

All proposals will be evaluated by a committee. The selection process will be based on the competitively bid scope of work for lamp and ballast replacement, the installation of lighting controls, and the installation of energy efficient HVAC equipment and will be evaluated on a facility by facility basis. All awards will be based upon cost versus energy savings, proposed work plan, technical expertise, demonstrated experience, project schedules, and staffing and project specific resource allocation. All selections will be made without regard to race, color, gender, creed, or national origin.

The Guaranteed Energy Savings and Monitoring Agreement requires the ESCOs to offer employment to qualified County employees on reemployment lists or who are targeted for layoff, as well as qualified participants of the County's DPSS Greater Avenues for Independence (GAIN) Program. The five pre-qualified ESCOs have complied with the Child Support Compliance Program (CSCP) Certification required by the Department of Child Support Services.

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In addition, the Guaranteed Energy Savings and Monitoring Agreement requires the ESCOs to comply with the County Contractor Employee Jury Service Program.

ISD has evaluated and determined that the Living Wage Ordinance (County Code Chapter 2.201) does not apply to the recommended Agreements.

IMPACT ON CURRENT SERVICES OR PROJECTS

Upon completion of the projects, old, inefficient equipment will have been replaced and the County's demand for electricity will decrease.

CONCLUSION

Your Board's approval of the recommended actions will provide the County a reduction in utility costs by replacing inefficient equipment with new, energy efficient equipment and will reduce the County's utility costs.

Respectfully submitted,



JOAN OUDERKIRK
Director

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Attachments

- c: Chief Administrative Officer
- Executive Officer, Board of Supervisors
- County Counsel
- District Attorney
- Sheriff
- Alternate Public Defender
- Auditor Controller
- Grand Jury
- Human Relations Commission
- Mental Health
- Office of Public Safety
- Probation
- Public Defender
- Regional Planning
- Superior Court
- Treasurer-Tax Collector