



## **Authorization to Issue a Request for Qualifications (RFQu) for Energy Service Companies for Energy Performance Contracting**

Request approval to seek City Council authority to authorize the City Manager, or his designee, to issue a Request for Qualifications (RFQu) for Energy Service Companies (ESCOs) to implement turnkey energy-saving projects in City facilities. The requested procurement process will result in a recommended Qualified Energy Contractors List for City Council approval in the fall.

### **THIS ITEM IS FOR CONSENT ACTION.**

#### **Summary**

On July 6, 2017, City Council approved five Energy Service Companies (ESCOs) to be on a Qualified Vendors List (QVL) to undertake cost-effective turn-key energy efficiency solutions to achieve energy savings that are sustainable throughout the operating life of the facilities. The scope of work included: surveying applicable sites and facilities; conducting investment grade audits and identifying energy-saving solutions that maximize the economic benefit to the City; providing project recommendations and evaluating cost-saving potential; constructing, implementing, commissioning, and financing of the projects.

Under the current QVL, energy upgrade projects have been completed at the airport, the convention center and in Public Works managed facilities, and numerous Investment Grade Audits (IGAs) are nearing completion. However, the current job order contracts expire at the end of October, 2023. Staff are seeking Council approval to issue a Request for Qualifications (RFQ) to select an updated list of qualified vendors to undertake additional energy efficiency projects.

Projects completed by the current qualified vendors have been directly funded by the City using capital or other funds made available at the time of project proposals. However, under the proposed RFQ, vendors will be required to offer a Contingency Payment Agreement (CPA) such that the City can request the projects be fully funded by the vendor and paid exclusively out of energy savings verified by the third party. In this form of contract, no upfront capital is required by the City, but instead, payments are "contingent" on verified energy savings. In addition, because the payments are not

fixed but contingent on savings, the rating agencies have confirmed the projects would not effect the borrowing capacity of the City. Lastly, because the savings are guaranteed, the vendors typically underestimate the savings to manage risk, so additional savings may be realized by the City beyond what is guaranteed in the payment agreements.

### **Procurement**

The RFQ will be issued as soon as possible. Qualifications must include demonstrated past experience and ability to finance installations through contingency payment agreements. In accordance with Administrative Regulation 3.10, Qualifications Based Selection, a list of qualified Offerers shall be established based on specific criteria, such as statements of qualification and work, key personnel, and firm references.

### **Financial Impact**

This item is for direction to begin the procurement process. A recommendation for approval of firms will be brought back to City Council in the fall. Once procurement is complete and projects are underway, participating departments may elect to use capital or other funds to finance projects in rare cases, however, the procurement will require that all vendors offer contingency payment arrangements as described in the narrative above. The Finance Department will review and approve all contingency payment agreements arising from approved energy performance contractors.

### **Concurrence/Previous Council Action**

Council Action 17-3641 Energy Efficiency Services Job Order Contract - 4108JOC157 (Ordinance S-43807)

### **Responsible Department**

This item is submitted by Deputy City Manager Mario Paniagua and the Office of Sustainability.