



## Council Agenda Report

---

Item 6m

**Department:** Finance  
**Cost Center:** 2004  
**For Agenda of:** 10/19/2021  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Brigitte Elke, Finance Director  
**Prepared By:** Dan Clancy, Financial Analyst - Purchasing

**SUBJECT:** APPROVE AN AGREEMENT WITH PROCURE AMERICA TO CONDUCT  
A BILLING RATE ANALYSIS

### RECOMMENDATION

Authorize the City Manager to execute an Agreement with Procure America (PA) to conduct a billing rate analysis on the City's electrical and gas accounts and explore further engagements for the City's waste, recycling, and telecommunications accounts.

### DISCUSSION

#### Background

The City of San Luis Obispo currently maintains 134 electricity accounts with PG&E and 15 gas accounts with Southern California Gas. The accounts serve various functions of City government, ranging from buildings to water treatments plants to sports fields such as Damon Garcia.

Both electricity and gas services are tied to a multitude of tariff rates depending on the function and usage. PG&E alone applies 105 different tariff rates. With ongoing changes, it is imperative to keep reviewing the City's accounts for accurate billings and correctness of rate applications.

In order to assure fiduciary oversight, the Finance Department is leading a joint project with the City's Office of Sustainability and Natural Resources to engage PA to review the City's electric and gas accounts to conduct a comprehensive regulatory review, operational evaluation, compliance audit, and to identify potential savings on all City accounts (Attachment A).

Under Municipal Code 3.24.060 E, competitive bidding may be dispensed when the purchase will be made cooperatively with one or more units of Government. The proposed Agreement piggybacks on a Regional Cooperative Agreement (RCA) entered into by the County of Orange and PA (Attachment B). Under this Agreement, the City will receive the negotiated terms and conditions of the original RCA.

### **Review Components**

The regulatory review component of PA's analysis will include California Public Utilities Commission (CPUC) regulations, municipal and county tax and surcharges, and Federal Energy Regulatory Commission (FERC) guidelines.

The operational review component of PA's analysis will include the City's usage profile meter by meter, renewable energy program assessment, and infrastructure and technology modification that may affect the City's future consumption patterns.

The compliance audit component of PA's analysis will conduct a historical review to ensure payment and meter accuracy, validate applicable new rates, time of day usage rates, and surcharges, and confirm refunds and credits due to the City. In addition, PA will document all potential cost reductions achieved through their review and continuously monitor CPUC to identify further opportunities for the City to reduce costs.

The City will have a comprehensive analysis of its utility rates, taxes, and surcharges at the end of the engagement with PA. In addition, the City will receive a proposed enterprise-wide strategic plan to manage its utility usage and gain further transparency into its meters, facilities, and equipment expenses.

PA has a proven track record of identifying savings through its engagements, including the County of San Luis Obispo. Additionally, the Bay Area City of Hayward engaged PA in 2021, which resulted in a cost savings of \$450,000.

Further out, the City will look to the possibility of engaging PA to review its telecommunications, waste, and recycling rates by performing similar services as this engagement. Staff is currently reaching out to staff to discuss a review. This could be especially important for solid waste as the City embarks on a study to update the solid waste rate structure and methodology. Additionally, PA will also review franchise fee agreements which is an additional benefit, especially for solid waste.

### **Policy Context**

Under Municipal Code 3.24.060 E, competitive bidding may be dispensed when the purchase will be made cooperatively with one or more units of Government. The proposed Agreement piggybacks on a Regional Cooperative Agreement (RCA) entered into by the County of Orange and PA. Under this Agreement, the City will receive the negotiated terms and conditions of the original RCA.

### Public Engagement

This is an administrative item, so no outside public engagement was completed. Public comment can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting.

### CONCURRENCE

Finance has discussed the project internally with the City's Sustainability Department and concur that the engagement should move forward, starting with the Utility Tariff Rate Analysis. In addition, Finance will discuss future engagements with the City's Waste and Recycling division and IT department for telecommunications, waste, and recycling rates.

### ENVIRONMENTAL REVIEW

"The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines sec. 15378."

### FISCAL IMPACT

Budgeted: No

Budget Year: 2021-22

Funding Identified: N/A

### Fiscal Analysis:

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$ N/A	\$	\$	\$
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

There is no net financial impact associated with executing the Agreement. PA's compensation is 100% contingency-based. The City will pay PA 50% of the cost savings realized for three years, per the results of the conducted audit of the City's electric and gas bills. After the 36-month term, the City will realize 100% of the savings if continuing to apply the lessons learned during the engagement. In the instance that no cost savings are realized, PA will receive no compensation for services rendered.

## Item 6m

On average, PA finds between 5-15% cost savings. On this assumption, the City's potential savings are summarized below and could amount to \$868,323 for the three-year period.

Bill	2019-20 Yearly Average Expenditure	5% savings (1 year)	15% savings (1 year)
PG&E	\$2,285,644	\$114,282	\$342,846
SoCal Gas	\$108,778	\$5,438	\$16,316
PA Commission		(\$59,860)	(\$229,581)
<b>Total Annual Savings to City for first 3 years</b>		<b>\$59,860</b>	<b>\$229,581</b>

After three years, the City will receive 100% of the savings and will have gained the knowledge to review the billings for accuracy on an ongoing basis.

### ALTERNATIVES

The Council could choose to reject the engagement. Finance does not recommend this action for the reasons set forth in this report.

### ATTACHMENTS

A – Procure America Draft Agreement

B – Regional Cooperative Agreement between the County of Orange and Procure America