

December 8, 2014

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution No. 8848 authorizing the execution of a performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services, in an amount not to exceed \$1,972,472, and authorizing acceptance of a Washington State Department of Commerce Energy Efficiency Grant in the amount of \$500,000.

FISCAL IMPACT

Approval of this Resolution will authorize City expenditures in an amount not to exceed \$1,972,472 for energy conservation measures. The City's net contribution for this project (less grants and rebates) is \$1,213,056 and is fully funded within the Facility Services Fund and the Capital Investment Program (CIP) Fund. In addition to the Department of Commerce grant, the City will receive a total of \$259,416 from Puget Sound Energy (PSE) incrementally as each energy project is completed.

The table below illustrates the net impact to the City.

Breakout of Project Costs	2015 Up Front Project Costs	\$500K Grant Allocation*	PSE Rebate Allocation **	Net Dept. Cost
Expenditure (maximum):				
Facilities Services	238,829	(43,883)	(10,000)	184,946
Parks Renovation & Refurbishment of Park Facilities (CIP Plan No. P- R-11)	305,539	(53,245)	TBD	252,295
Renovation of Public Safety Facilities (CIP Plan No. PS-16)	304,079	(137,140)	(10,500)	156,438
Minor Capital – Streets & Lighting (CIP Plan No. PW-M-20)	1,100,612	(265,732)	(238,916)	595,964
Department Specific Contingency	23,413			23,413
Totals:	1,972,472	(500,000)	(259,416)	1,213,056

*based on proportional allocation

**based on project savings

The contractor, Integrity Energy Services (IES), also guarantees the City's costs will be reduced by \$198,683 per year, based on 1,169,442 kWh and 21,289 therms savings per year. There are also additional estimated savings from reduced operating and maintenance costs, shown in the table below.

Project Savings Reductions to the City	Amounts
Net Project Cost Total	1,213,056
IES Guaranteed energy bill cost savings per year	(198,683)
Estimated operational and maintenance cost savings	(141,900)
Total Fiscal Impact (year 1) :	872,473
Simple Payback Period :	4.39 years

The City's contribution for this project is fully funded within the adopted 2015-2016 City Budget.

Once the interagency agreement with Department of Enterprise Services is signed, the City will be awarded the 2014 Washington State Department of Commerce Energy Efficiency Grant for Higher Education and Local Governments in the amount of \$500,000. The immediate goal of Commerce's Energy Efficiency Grant is to stimulate Washington's economy by creating jobs. Longer-term goals include reducing energy costs at the state's public higher education institutions, local government facilities and state agencies.

STAFF CONTACT

John Koffley, Facilities Manager, 452-6153

Emma Johnson, Resource Conservation Manager, 452-5246

Civic Services Department

POLICY CONSIDERATIONS

City policy:

The amount of this funding authorization exceeds the City Manager's authority and therefore requires Council approval.

The Council adopted greenhouse gas emission reduction targets in 2007 (Resolution No. 7517). Approval of this energy service agreement will reduce greenhouse gas emissions and show leadership in a community transition to renewable, locally-produced energy.

Environmental Stewardship Initiative:

This project also supports the ESI Strategic Plan 2013-2018, which encourages implementation of energy and water conservation retrofits and operational improvements for municipal facilities, street lights and traffic signals, and pump stations.

State of Washington:

RCW 39.35A provides municipalities the authority to enter into performance-based contracts for energy services. The legislature declared "that it is the policy that a municipality may, after a competitive selection process, negotiate a performance-based energy contract with a firm that offers the best proposal."

BACKGROUND

Commerce Grant

By collaborating across departments, the City was able to successfully compete for the energy efficiency award from the Department of Commerce; selection for the award was based on cost effectiveness, leverage ratio, and energy savings. Projects for Round One were selected from 61 grant applications requesting over \$20 million.

Energy Service Performance Contracting Process

Civic Services introduced the concept of performance-based energy service contracts to Council on April 11, 2011.

The Department of Enterprise Services (DES), formerly General Administration (GA) has designed an Energy Services program to manage and simplify the energy service performing contracting process for state and local entities.

Local governments, school districts and state agencies (referred to as Client Agencies) enter into an Interagency Agreement (IAA) with DES. The IAA is drafted pursuant to Chapter 39.34 RCW. It allows

the DES Energy Program to provide overall contracting and project management services to the Client Agency. On a biennial basis, the Energy Program prepares an advertisement to be placed in the Seattle and Portland editions of *The Daily Journal of Commerce* and the *Spokesman Review* in Spokane. Energy Service Companies (ESCO) firms submit a summary of their qualifications and experience. The submittals are reviewed by the Energy Program and those ESCOs deemed to be qualified are interviewed and offered a Master Energy Services Agreement. Thirteen firms were selected as eligible to participate in energy-related projects at public facilities managed by the DES Energy Program. The City selected one of those firms, Integrity, as our ESCO.

Use of an energy services performance interagency agreement includes a guarantee of the minimum energy savings estimated by the contractor, as well as the maximum cost of the project. Any shortfall in cumulative actual energy cost savings, less than the minimum guaranteed energy cost savings amount, would be paid by the contractor to the City following the annual reconciliation of savings. The pricing is open book, and any cost savings during project construction will also revert back to the City. Integrity Energy Services conducted a thorough investment grade audit of facilities to determine the best measures in consultation with the City's facility operation managers. The following energy efficiency measures were selected for the Energy Saving Performance Contract with DES Energy Program and Commerce Grant application:

Energy Conservation Projects

PSE Street Lighting Upgrades- retrofit 4,066 residential streetlights to LEDs to improve visibility and reduce utility costs. A comprehensive communications plan about the conversion will be conducted by Transportation. This is a one-time-only opportunity to take advantage of the Commerce grant funding (which will not be offered again), a PSE rebate (that will not be offered again at the same level), and a new PSE rate schedule for these lights, allowing the City to capture cost savings on our energy bills. Furthermore, PSE will install and maintain these lights, meaning there is no future capital impact on the City for replacement costs. The LED retrofit project is expected to be discussed in further detail with Council at a study session in January.

City Street Lighting Upgrades- retrofit 152 City-owned streetlights which require maintenance, primarily on 148th.

Fire Station 8 Rooftop Unit Replacement - three units are beyond their useful life (20 years old) and will be replaced with energy efficient models that will also improve comfort.

Fire Station 9 Rooftop Unit Replacement - three units are beyond their useful life (22 years old) and will be replaced with energy efficient models that will also improve comfort.

Aquatic Center Control Heat Recovery- use building controls and variable frequency drives to shut off heat recovery when not effective.

Aquatic Center Re-commission and Balance the HVAC system- improve building control programming and calibrate all heating and cooling system components and sensors.

Aquatic Center Modifications to the Blue Lagoon Boiler System- replace the existing pool heat exchanger circulating pump with a new pump controlled by a variable frequency drive and employ new strategies to maintain pool water temperature.

Aquatic Center Warm Springs Heat Recovery System- install pool deck exhaust system to pull air off of the pool surface to capture chloramines. Capture heat in the exhausted air to heat pool water.

City Hall Domestic Water Heat Pump- re-work the domestic hot water system at City Hall to decouple hot water from the space temperature heating system via installation of a new heat pump.

Bellevue Service Center Envelope Weatherization- provide weather-stripping, sealant, and caulking to eliminate air leakage.

The projects in this contract are estimated to prevent 849 metric tons of carbon dioxide (MTCO₂) emissions per year, and will provide leadership for residents and other commercial buildings to consider energy efficiency improvements and lower the City's carbon footprint.

EFFECTIVE DATE

If adopted, this Resolution becomes effective immediately.

OPTIONS

1. Adopt Resolution No. 8848 authorizing execution of a performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services, in an amount not to exceed \$1,972,472, and authorizing acceptance of a Washington State Department of Commerce Energy Efficiency Grant in the amount of \$500,000.
2. Do not adopt Resolution No. 8848 and provide alternative direction to staff.

RECOMMENDATION

Move to adopt Resolution No. 8848 authorizing execution of a performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services, in an amount not to exceed \$1,972,472, and authorizing acceptance of a Washington State Department of Commerce Energy Efficiency Grant in the amount of \$500,000.

MOTION

Adopt Resolution No. 8848 authorizing execution of a performance-based energy services Interagency Agreement with the Washington State Department of Enterprise Services, in an amount not to exceed \$1,972,472, and authorizing acceptance of a Washington State Department of Commerce Energy Efficiency Grant in the amount of \$500,000.

ATTACHMENTS

Proposed Resolution No. 8848

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

Washington State Department of Enterprise Services Interagency Agreement Amendment, Funding Authorization, and Energy Service Proposal
Washington State Department of Commerce Grant Letter