



CITY OF LONG BEACH

DEPARTMENT OF PUBLIC WORKS

333 WEST OCEAN BOULEVARD • LONG BEACH, CA 90802 • (562) 570-6383 • FAX (562) 570-6012

April 17, 2018

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager, or designee, to execute a contract, and any necessary amendments, with Advanced Microgrid Solutions, of San Francisco, CA, for providing energy management services at four identified sites, on substantially the same terms and conditions offered to the Long Beach Water Department, in an annual amount of \$236,373, and authorize a 25 percent contingency in an amount of \$59,093, for a total annual amount not to exceed \$295,466, for a period of ten years. (Districts 2, 5)

DISCUSSION

City Council approval is requested to adopt a Resolution authorizing the City Manager to execute a contract with Advanced Microgrid Solutions (AMS) for energy management services and to build, own, maintain, and operate an energy storage system (System) at four sites within the City.

The System provides guaranteed energy cost-savings, greenhouse gas reductions, and improved local grid reliability. Installed at each site, the System will consist of large batteries and supporting infrastructure. Total energy storage capacity at each site is approximately 15 megawatt hours. This System will improve the load profile of each site by providing the on-peak energy demand from stored energy instead of consuming power from the grid during higher cost timeframes. The batteries charge using energy from the grid during off-peak times, at a lower cost, along with the local solar panels located at select sites resulting in energy costs savings. The estimated projected annual net savings to the City is \$209,722.

Southern California Edison (SCE) is providing AMS with Local Capacity Requirements (LCR) and Self-Generation Incentive Program (SGIP) funding. AMS will use these funds to offset most of the project costs. In addition to LCR and SGIP funds, AMS will receive approximately 60 percent of the total cost savings of the four sites. AMS will purchase, install, maintain, and operate the System at no upfront cost to the City.

City staff identified ten potential sites to install the System, but upon further study determined that the following four sites are the most ideal locations:

1. City Hall
2. Convention Center
3. Fire Department Headquarters
4. Police Department Headquarters (Public Safety Building)

If for any reason one of these locations becomes infeasible, the location may be removed from the project or an alternative location may be identified. The terms of the incentive provided by SCE, that makes this project feasible for the City, requires the battery storage system to be operational by December 31, 2018.

As part of this contract, the City will pay a monthly service fee of \$16,905 to AMS, \$202,860 annually, which supports the operation and maintenance costs of the System at the four locations. The City is guaranteed a minimum cost savings of \$202,872 a year. If the minimum guaranteed costs-savings is not realized, AMS will provide a rebate of the annual fee up to the amount which allows the City to realize the guaranteed minimum savings. In addition, AMS is entitled to a performance bonus of 50 percent of the City's annual energy bill savings above a specified savings amount at each site. In total among the four sites, the performance bonus cost savings would be paid after the City realizes a savings of \$379,069 a year. At the end of each year, there will be a true-up based on actual savings. The monthly service fees and any true-up payments due to AMS will be paid from the existing energy budgets for each of the four locations from actual savings from the reduced energy costs.

City Charter Section 1802 provides an alternative procurement method by permitting the City to participate in joint and cooperative purchasing of services, supplies, materials, equipment, and labor with other cities, counties, districts, State and Federal governments or other governmental agencies, singly, jointly, or in districts or associations, by purchasing under their contracts on a voluntary and selective basis when authorized by a Resolution of the City Council.

The Water Department released a Request for Proposals (RFP) for a System at the Groundwater Treatment Plant on June 22, 2017. Five companies expressed interest with two submitting conforming proposals. The Water Department evaluated the proposals based on the proposed term framework and experience in providing the requested service. Both companies proposed a framework that guaranteed a net savings. AMS's proposal was deemed to be the most favorable based on the RFP's evaluation criteria. Staff recommends that the City Council approve a contract with AMS on substantially the same terms and conditions offered to the Water Department. The Water Department entered into a similar service agreement with AMS, which was approved by the Water Commission on August 3, 2017.

This matter was reviewed by Deputy City Attorney Linda T. Vu on March 6, 2018 and by Budget Analysis Officer Julissa José-Murray on April 2, 2018.

TIMING CONSIDERATIONS

City Council action to adopt a Resolution and award a contract concurrently is requested on April 17, 2018, to ensure the contract is in place expeditiously and meet the December 31, 2018, deadline to complete this project.

FISCAL IMPACT

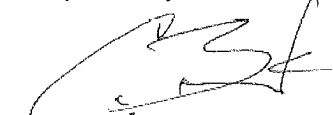
Overall, the City's net savings in the first year after the annual service fee and the performance bonus for AMS is projected at \$209,722. This savings estimate is net of providing AMS the performance bonus of 50 percent of the City's annual energy bill savings above a specified savings amount at each site. It is also net of the annual service fee for the System at \$202,860. Per the contract, the City is guaranteed a minimum annual cost savings of \$202,872, which recoups the cost of the annual payment. The minimum annual cost savings to the City by fund is projected at \$75,103 in the Civic Center Fund (IS 380) for City Hall and the Public Safety Building; \$109,613 in the Tidelands Fund (TF) for the Convention Center; and, \$18,156 in General Fund (GP) for the Fire Department Headquarters.

Sufficient funds are appropriated in the associated funds for the monthly service fees and any necessary annual true-up payment based on actual savings. The total annual contract amount is not to exceed \$295,466, which includes all monthly service fees, annual true-up payment based on actual savings, and a 25 percent contingency in the amount of \$59,093. The contingency would be utilized as needed for any additional true-up costs when actual energy savings exceeds the projected savings amount and the performance bonus must be paid to AMS. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

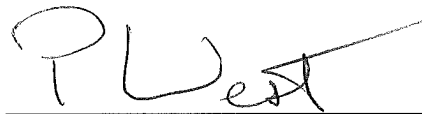
Approve recommendation.

Respectfully submitted,



CRAIG A. BECK
DIRECTOR OF PUBLIC WORKS

APPROVED:



PATRICK H. WEST
CITY MANAGER

CB:SC:EL:bsccb

ATTACHMENT: RESOLUTION

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
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Lona Beach, CA 90802-4664

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT, AND ANY AMENDMENTS THERETO, WITH ADVANCED MICROGRID SOLUTIONS, INC. FOR PROVIDING ENERGY MANAGEMENT SERVICES, THROUGH THEIR AGREEMENT WITH THE BOARD OF WATER COMMISSIONERS OF THE CITY OF LONG BEACH, CALIFORNIA IN AN ANNUAL AMOUNT NOT TO EXCEED \$236,373, FOR A PERIOD OF TEN YEARS

WHEREAS, the Charter of the City of Long Beach, Section 1802, permits the City Manager to enter into a contract on behalf of the City, in writing or otherwise, without advertising for bids, for services, supplies, materials, equipment or labor, with other government agencies, when authorized by resolution; and

WHEREAS, the City desires a Battery Energy Storage System; and

WHEREAS, the Board of Water Commissioners of the City of Long Beach, California has an agreement with Advanced Microgrid Solutions, Inc. ("AMS") to install, operate and maintain a Battery Energy Storage System, Agreement No. WD-3342 ("Board Agreement"); and

WHEREAS, the City's participation in the Board Agreement will facilitate acquisition of the Battery Energy Storage System as well as provide considerable cost benefits to the City; and

WHEREAS, if the City had to go to formal bid rather than participate in the Board Agreement considerably more funds would be required;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as

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follows:

Section 1. The City Manager or designee is hereby authorized to enter a contract with Advanced Microgrid Solutions, Inc. to provide energy management services at four (4) sites within the City, which requires AMS to build, own, operate and maintain a Battery Energy Storage System at each site, in an annual amount not to exceed Two Hundred Thirty-Six Thousand Three Hundred Seventy-Three Dollars (\$236,373), for a period of ten (10) years.

Section 2. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2018 by the following vote:

Ayes:	Councilmembers:	_____

Noes:	Councilmembers:	_____

Absent:	Councilmembers:	_____

City Clerk