



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: David Sykes

**SUBJECT: ENERGY SERVICES
COMPANY UPDATE**

DATE: November 4, 2014

Approved

Date

11/5/14

INFORMATION

On September 15, 2014, staff provided the Transportation and Environment Committee a status report on the Energy Services Company (ESCO) program, which detailed the progress of the design and engineering activities for all associated projects, including the conversion of 18,127 existing streetlights to LED lamps and adaptive controls. The report referenced the City and OpTerra Energy Services ("OpTerra", formerly Chevron Energy Solutions) teams were working together to complete the streetlight design work by September 2014, with procurement and installation to follow with the goal of implementing all conversions by December 2014. The report also noted that any delays in the design or construction timelines may cause some streetlight conversions to occur in 2015, which would result in a decreased utility rebate for those units.

OpTerra, with significant support from Public Works and DOT staff, completed the streetlight design work in September 2014. OpTerra released two competitive procurement packages for the work. OpTerra released a bid for the streetlight materials (lamps and controls) on September 24, 2014, with competitive bids received on October 9, 2014. After evaluating the bids with the City, OpTerra had determined the lowest responsive and responsible bid for these materials was submitted by Graybar in the amount of \$7,997,864.33.

OpTerra also released a bid for streetlight installation services (contractual labor) on October 1, 2014, with a sole, non-responsive bid received by Tanko Lighting on October 20, 2014. According to OpTerra, Tanko Lighting's bid had the following issues:

- Tanko Lighting proposed the use of six subcontractors, with concerns regarding four of the companies, including:
 - Two subcontractors have OSHA safety violations that have prevented them from working for the past 200 and 300 days, respectively.
 - One subcontractor does not possess the correct type of State contractor's license to perform streetlight replacement work.

- One subcontractor refuses to submit a pre-qualification package, which is an OpTerra procurement requirement.
- Tanko Lighting refused to enter into a master agreement with OpTerra without significant negotiated changes.
- Tanko Lighting's main bid reflected a completion date into the third week of January 2015, thus not complying with the RFP requirement for completion by December 31, 2014.
- Tanko Lighting indicated they would not be in compliance with OpTerra's General and Special Conditions, which would include the City's Standard Specifications.
- Tanko Lighting's bid included work performed by incorrect trade classifications.

Several months before the release of the bid for streetlight installation services, Tanko Lighting had been very aggressive in advocating to the City that it could provide the streetlight installation work for less than OpTerra.

According to OpTerra, the primary reason other contractors that perform this kind of streetlight installation did not bid on the project was the requirement that the work be completed by the end of this calendar year. OpTerra included the requirement that work be completed by the end of the calendar year in order to maximize the PG&E rebates. The City is exploring options with OpTerra to move the project forward. OpTerra will still try to complete the installation of as many streetlights *this calendar year* as it can and the installation of the remaining streetlights as early as possible next year so that the City can start receiving energy savings as soon as possible. The installations occurring this year will be eligible for a PG&E rebate of approximately \$83 per conversion; installations occurring next year will be eligible for PG&E rebates of approximately \$50 per conversion. Staff is working with PG&E to determine the actual impacts to the rebate amount expected to be received by the City for the energy efficient streetlight equipment.

/s/

DAVID SYKES
Director of Public Works

For questions, please contact Walter Lin, Energy Officer, at 535-5689.