


**Master City of San José Consultant Agreement
Approved Service Order
(Non-Capital Projects)**

Cover Page

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- 1a.** Intentionally Omitted **1b.** AC Contract No.: CON663494-003
- 2.** Approved Service Order No. 3
- 3.** Consultant's Name: Optony, Inc. ("Consultant")
-
- 4.** Project Name: Cost of Services and Rate Design Study ("Project")
- 5.** Project Location: San José, California
- 6.** The Consultant and the City will implement this Approved Service Order in accordance with the Master Agreement, this cover page and Attachments "A" (Tasks), "B" (Terms and Conditions) and "C" (Compensation Table).
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- 7.** Budget/Fiscal:
- a. Current **unencumbered** amount in Master Agreement: \$ 254,250.00
- b. **Maximum Service Order Compensation for this Approved Service Order:** \$ 111,811.00
- c. New unencumbered balance in Master Agreement (7.a – 7.b): \$ 142,439.00
- d. **Appropriation Certification:** I certify that an unexpended appropriation in the amount of the Maximum Service Order Compensation is available in the following fund(s) and that such fund(s) will be encumbered to pay for this Approved Service Order.
- | | | | |
|------------------|-------------------|-------------------|------------------------------|
| Fund: <u>501</u> | Appn: <u>0782</u> | RC: <u>300188</u> | Amount: \$ <u>111,811.00</u> |
| Fund: _____ | Appn: _____ | RC: _____ | Amount: \$ _____ |
| Fund: _____ | Appn: _____ | RC: _____ | Amount: \$ _____ |

Authorized Signature: *Han Nguyen*
Fiscal Analyst


Han Nguyen (Jul 20, 2022 13:58 PDT)

Jul 20, 2022

8. Division Analyst Approval: *Angela Sato-Anderson*
Department Analyst

Angela Sato-Anderson

Jul 20, 2022

9. Consultant Approval: *Jonathan Whelan*
Director of Operations, Optony


Jonathan R Whelan (Jul 20, 2022 13:53 PDT)

Jul 20, 2022

10. Approval as to Form (City Attorney):

Service Order Form Approved by the Office of the City Attorney

(Maximum Service Order Compensation is \$100,000 or less, and the provisions of the service order form are not altered.)

Approved as to Form:

Luisa Elkins
Sr. Deputy City Attorney



Jul 20, 2022

11. City Director Approval:

Lori Mitchell
Director of Community Energy



Lori Mitchell (Jul 20, 2022 14:54 PDT)

Jul 20, 2022

Attachment A: Tasks

The Consultant shall provide the services and deliverables set forth in this **Attachment A**. The Consultant shall provide all services and deliverables required by this **Attachment A** to the satisfaction of the City's contract manager.

General Description of Project for which Consultant will Provide Services: The consultant will perform a rate study that supports San José Clean Energy (SJCE) strategic goals, align with wholesale electricity costs, support stability in rates, and ensure financial performance. From the rate study, the consultant will produce a Cost of Service Model and a Rate Recommendation Strategy.

Task No. 1: Project Startup, Data Request, and Kickoff

- A. Services:** Consultant shall gather detailed information related to SJCE's operations and financials in support of the Rate Study. Consultant will develop an initial data request to gather all supporting power supply contract costs, operating expenses, budgets and projections, customer class characteristics, and related data to support the development of the revenue requirement, COS, and eventual rate recommendations. Consultant will also schedule a virtual kickoff meeting with SJCE staff and the core Consultant team to review current/historical SJCE rate setting practices, approaches, and facilitate a discussion on the overall rate strategy and objectives. The kickoff meeting will also include a discussion of the overall project and schedules, discuss emerging rate trends, and review outstanding data needs/revisions that will inform the development of a financial forecast model. The forecast model will be critical in projecting financial performance, annual cash requirements, reserve needs for rate stabilization, needed rate changes, and related financial key performance indicators (KPIs) (e.g., minimum cash on hand, effective rates, etc.).
- B. Deliverable:** The Consultant will provide an initial data request to gather supporting information described above to the City/SJCE Contract Manager.
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:
- On or before the following date: July 28, 2022.
- On or before ____ Business Days from _____.

Task No. 2: Development of Test Year Revenue Requirement

- A. Services:** To properly support more stable rate making that will develop sufficient revenue to fully recover costs for multiple years (e.g., two to five years), Consultant will develop a Test Year Revenue Requirement by leveraging existing financial forecasts or models. Consultant will work with SJCE to project or analyze specific system changes and/or refine specific cost projections as needed such as:
- General and administrative, programmatic, cost of energy, uncollectible, and any other relevant components of the required revenue.
 - Rate stabilization fund levels, cash reserves, and stabilization strategies.
- Consultant will collaborate with SJCE staff to optimize cash reserves, rate stabilization strategies, rates, KPIs, and related goals to develop the Test Year Revenue Requirement based on a three-year revenue requirement projection.
- B. Deliverable:** The Consultant will provide financial forecast model, scenario analyses, and Test Year Revenue Requirement in Excel format to the City/SJCE Contract Manager.
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:
- On or before the following date: August 18, 2022.

On or before __ Business Days from _____.

Task No. 3: Cost of Service

- A. Services:** Based on the results of the financial forecast and Test Year Revenue Requirement, noted in Task 1 and 2, Consultant will begin development of the SJCE Cost of Service (COS) integrating multiple sources of data, costs, and organization data. The COS will consider a variety of variables, including but not limited to: current PG&E rate filings; PCIA charge; balance and cost causation of customer function costs (e.g., the balance or possible duplication of customer service function-related costs from SJCE and PG&E); and application/allocation of other non-bypassable IOU or generation costs.

The SJCE COS and related Work Papers will provide all the data required to evaluate and compare the fixed and variable costs (i.e., customer/demand and energy-related costs) with the fixed and variable revenues by customer class. The Work Papers will also support the development of multiple rate structures and/or incentives. A COS Report will provide a description of COS approach and methodology to rate design as compared to SJCE's current methodology of rate design for non-technical audience to set context and understanding for the detailed rate design produced in Task 4 and 5.

- B. Deliverable:** The Consultant will provide SJCE COS, related Work Papers, and COS Report to the City/SJCE Contract Manager.
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:

On or before the following date: September 7, 2022.

On or before __ Business Days from _____

Task No. 4: Rate Setting Approach and Strategy

- A. Services:** Consultant will develop up to three COS-based or informed rate setting approaches. This may include benchmarking a SJCE green product to the standard PG&E offering, or simply setting rates at the SJCE COS results and benchmarking. These rate setting strategies will then be used in the rate design model and supporting analytics in Task 5.

- B. Deliverable:** No Deliverable

- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:

On or before the following date: September 21, 2022.

On or before __ Business Days from _____

Task No. 5: Rate Design

- A. Services:** Consultant will develop the rate design model, billing impacts, and benchmarking for up to three rate setting approaches selected in Task 4. Based on the analysis and outcomes of the rate design for each approach, Consultant will facilitate discussions with SJCE and recommend final rates to stakeholders. Task 5 will include designing base rates and related adjustments, discounts, or riders (e.g., CARE, Energy Cost Adjustment Charges) for each of the customer class rates (e.g., residential, small commercial, etc.) and confirming their ability to fully recover the Test Year Revenue Requirement. The results of the initial rate design will be presented and discussed via a virtual meeting or webinar with SJCE staff. Based on feedback from the rate review, Consultant will revise or provide an optional or alternative rate design scenario such as a phase-in of rate changes or adjustments in customer/demand/energy rate components.
- B. Deliverable:** No Deliverable
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:
- On or before the following date: October 5, 2022.
- On or before Business Days from _____

Task No. 6: Board, Stakeholder, and Public Meetings or Presentations

- A. Services:** Consultant will support the development of PowerPoint presentations summarizing the findings, conclusions, and recommendations of the Rate Study. As needed, a copy of the presentation will be provided to SJCE staff for review and feedback prior to stakeholder meetings or Board presentations. Consultant will attend up to three Board or stakeholder meetings to present the Rate Study results and recommendations, and to solicit feedback.
- B. Deliverable:** The Consultant will provide presentation materials to be used during stakeholder meetings with relevant SJCE committee and Council meetings to the City/SJCE Contract Manager.
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:
- On or before the following date: October 10, 2022.
- On or before Business Days from _____

Task No. 7: Draft and Final Letter Reports

- A. Services:** Consultant will document the work, analyses, conclusions, and recommendations of the Rate Study. Consultant will provide a draft letter report describing the COS, rate recommendations, and findings from Tasks 1 through 5 for Project Team to review. A conference call will be held with SJCE staff to discuss the draft report and any comments or modifications staff may have. Consultant will incorporate all comments and feedback in a final letter report for SJCE.
- B. Deliverable:** The Consultant will provide final letter report to the SJCE Contract Manager.
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:
- On or before the following date: November 30.
- On or before 45 Business Days from _____

Task No. 8: COS Model Training for SJCE Staff

- A. Services:** Consultant will provide training to SJCE staff on the COS model developed in Task 3. Consultant will embed instructions and guidance on updating within its models for future use by SJCE. Consultant will hold a half-day training session virtually to introduce and summarize the operation and updating of the models.
- B. Deliverable:** The Consultant will provide COS training and instruction materials to the City/SJCE Contract Manager.
- C. Completion Time:** The Consultant must complete the services and deliverables for this task in accordance with whichever one of the following time is marked:

On or before the following date: 12/7/22

On or before __ Business Days from _____

Attachment B: Terms and Conditions

1. **City's Contract Manager:** The City's contract manager for this Approved Service Order is:

Name: Joe Flores	Phone No.: (408) 535-4880
Department: Community Energy	Email: joe.flores@sanjoseca.gov
Address: 200 E. Santa Clara St., San José, CA 95113	

2. **Consultant's Contract Manager and Other Staffing:** Identified below are the following: (a) the Consultant's contract manager for this Approved Service Order, and (b) the Consultant(s) and/or employee(s) of the Consultant who will be principally responsible for providing the services and deliverables. *If an individual identified below does not have a current Form 700 on file with the City Clerk for a separate agreement with the City, and is required to file a Form 700, the Consultant must comply with the requirements of Subsection 17.2 of the Master Agreement, entitled "Filing Form 700."*

		<u>Required to File Form 700?</u>		
		Yes Already Filed (Date Filed)	Yes Need to File	No
<u>Consultant's Contract Manager</u>				
Name: Jonathan Whelan	Phone No.: (415) 450-7032			<input checked="" type="checkbox"/>
Address: 5201 Great America Parkway, Ste. 320 Santa Clara, CA 95054	Email: jonathan.whelan@optonyusa.com			
<u>Other Staffing</u>				
<u>Name:</u>	<u>Assignment:</u>	<u>Email:</u>		
1.				
2.				
3.				

3. Subconsultants: Whichever of the following is marked applies to this Approved Service Order:

The Consultant can use subconsultants.

The Consultant can use the following subconsultants to assist in providing the required services and deliverables:

<u>Subconsultant's Name</u>	<u>Area of Work</u>
1. NewGen Strategies & Solutions, LLC	Task Nos. 1 through No. 8
2.	
3.	

4. Reimbursable Expenses: If the Compensation Table set forth in **Attachment C** of this Approved Service Order states that the City will reimburse the Consultant for expenses, then only the expenses identified in Subsection 10.5.3 of the Master Agreement are Reimbursable Expenses unless the following box is marked and additional reimbursable expenses are set forth:

In addition to the expenses identified in Subsection 10.5.3 of the Master Agreement, the following expenses are Reimbursable Expenses:

<u>Additional Reimbursable Expense(s)</u>	<u>Mark-up</u>
1. _____	_____
2. _____	_____
3. _____	_____

Notwithstanding the foregoing, any additional reimbursable expense(s) set forth in the above table will be disregarded if the Compensation Table states that the City will *not* reimburse the Consultant for any expenses.

Attachment C: Compensation Table

The City will compensate the Consultant for providing the services and deliverables set forth in **Attachment A** in accordance with this Compensation Table. This Compensation Table is subject to the terms and conditions set forth in the Master Agreement, including without limitation Section 10 of the Master Agreement.

Part 1 – Compensation for Services and Deliverables			
Column 1	Column 2	Column 3	Column 4
Task Nos. from Attachment A	Basis of Compensation	Invoice Period	Compensation
1	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$3,055
2	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$10,563
3	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$38,240
4	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$8,305
5	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$22,480
6	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$13,975
7	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$8,000
8	<input checked="" type="checkbox"/> Time & Materials <input type="checkbox"/> Fixed Fee	<input type="checkbox"/> Monthly <input checked="" type="checkbox"/> Completion of Task(s) <input type="checkbox"/> Completion of Work	\$7,193
Part 2 – Reimbursable Expenses			
<input checked="" type="checkbox"/> No expenses are separately reimbursable. The amount(s) in Column 4 of Part 1 include(s) payment for all expenses.		<input type="checkbox"/> Expenses are separately reimbursable in the maximum amount of: \$	
Part 3 – Subconsultant Costs			
<input checked="" type="checkbox"/> Subconsultant costs are not separately compensable. The amount(s) in Column 4 of Part 1 include(s) subconsultant costs.		<input type="checkbox"/> Subconsultant costs are separately compensable in the maximum amount of: \$	
		Maximum Service Order Compensation (sum of Parts 1 through 3):	
		\$111,811	

EXHIBIT C
INSURANCE REQUIREMENTS

CONSULTANT, at CONSULTANT's sole cost and expense, shall procure and maintain for the duration of this AGREEMENT insurance against claims for injuries to persons or damages to property which may arise from, or in connection with, the performance of the services hereunder by CONSULTANT, its agents, representatives, employees or subcontractors.

A. Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. The coverage provided by Insurance Services Office Commercial General Liability coverage ("occurrence") Form Number CG 0001; and
2. The coverage provided by Insurance Services Office Form Number CA 0001 covering Automobile Liability. Coverage shall be included for all owned, non-owned and hired automobiles; and
3. Workers' Compensation insurance as required by the California Labor Code and Employers Liability insurance; and
4. Professional Liability Errors and Omissions insurance for all professional services rendered

There shall be no endorsement reducing the scope of coverage required above unless approved by the CITY's Risk Manager.

B. Minimum Limits of Insurance

CONSULTANT shall maintain limits no less than:

1. Commercial General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit; and
2. Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage; and
3. Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the California Labor Code and Employers Liability limits of \$1,000,000 per accident; and
4. Professional Liability Errors and Omissions: \$1,000,000 per claim and \$1,000,000 aggregate.

Any limits requirement may be met with any combination of primary and excess coverage so long as the excess coverage is written on a "follow form" or umbrella basis.

C. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to, and approved by CITY's Risk Manager.

D. Other Insurance Provisions

The policies are to contain, or be endorsed to contain, the following provisions:

1. Commercial General Liability and Automobile Liability Coverages
 - a. The City of San Jose, its officers, employees and agents are to be covered as additional insureds as respects: Liability arising out of activities performed by or on behalf of, CONSULTANT; products and completed operations of CONSULTANT; premises owned, leased or used by CONSULTANT; and automobiles owned, leased, hired or borrowed by CONSULTANT. The coverage shall contain no special limitations on the scope of protection afforded to CITY, its officers, employees, and agents.
 - b. CONSULTANT's insurance coverage shall be primary insurance as respects CITY, its officers, employees, and agents. Any insurance or self-insurance maintained by CITY, its officers, employees, or agents shall be excess of CONSULTANT's insurance and shall not contribute with it.
 - c. Any failure to comply with reporting provisions of the policies by CONSULTANT shall not affect coverage provided CITY, its officers, employees, or agents.
 - d. Coverage shall state that CONSULTANT's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 - e. Coverage shall contain a waiver of subrogation in favor of the City, its officers, employees, and agents.

2. Workers' Compensation and Employers' Liability

Coverage shall contain waiver of subrogation in favor of the City of San Jose, its officers, employees, and agents.

3. Claims Made Coverages

If coverage is obtained on a "claims made" policy form, the retroactive date shall precede the date services were initiated with the City and the coverage shall be maintained for a period of three (3) years after termination of services under this Agreement.

4. All Coverages

Each insurance policy required by this AGREEMENT shall be endorsed to state that coverage shall not be suspended, voided, cancelled, or reduced in limits except after thirty (30) days' prior written notice has been given to CITY, except that ten (10) days' prior written notice shall apply in the event of cancellation for nonpayment of premium.

E. Acceptability of Insurers

Insurance is to be placed with insurers acceptable to CITY's Risk Manager.

F. Verification of Coverage

CONSULTANT shall furnish CITY with certificates of insurance and endorsements affecting coverage required by this AGREEMENT. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

Proof of insurance shall be emailed in pdf format to: Riskmgmt@sanjoseca.gov:

Certificate Holder

City of San Jose—Finance
Risk Management & Insurance
200 East Santa Clara Street, 14th Floor Tower
San Jose, CA 95113-1905

G. Subcontractors

CONSULTANT shall include all subcontractors as insureds under its policies or shall obtain separate certificates and endorsements for each subcontractor.

City of San José Contract/Agreement Transmittal Form

Route Order

Attached / Completed

Electronically Signed

TO: City Attorney
 City Manager
 City Clerk OR Return to
Dept. (circle one)

Insurance Certificates / Waivers Electronically Signed: Yes
 Business Tax Certificate Audit Trail Attached (if applicable)
 Contacted Clerk re: Form 700 Scanned Signature Authorization
 Supplemental Memorandums (if applicable): Select One

Type of Document: Service Order

Type of Contract: Consulting Services

REQUIRED INFORMATION FOR ALL CONTRACTS:

Existing GILES # 663494-003

Contractor: Optony, Inc.

Address: 5201 Great America Parkway, Ste. 320, Santa Clara, CA 95054

Phone: (415) 450-7032

Email: Jonathan.whelan@optonyusa.com

Contract Description: SO #3 - The consultant will perform a rate study that supports San José Clean Energy (SJCE) strategic goals and, from the rate study, the consultant will produce a Cost-of-Service Model and a Rate Recommendation Strategy.

Term Start Date: upon execution Term End Date: June 30, 2023 Extension: No

Method of Procurement: RFP RFB, RFP or RFQ No.: CED-22018 Date Conducted: 02/02/22

Agenda Date (if applicable): _____

Agenda Item No.: _____

Resolution No.: _____

Ordinance No.: _____

Original Contract Amount: \$111,811.00

Amount of Increase/Decrease: _____

Option #: ____ of ____ Option Amount: _____

NTE/Updated Contract Amount: _____

Fund/Appropriation: 501-78300188-4052

Form 700 Required (Selection mandatory for processing): No

Revenue Agreement: No

Tax Certificate No.: 9277557600

Expiration Date: 07/15/23

Department: Community Energy

Department Contact: angela.satao-anderson@sanjoseca.g Customer (Finance Only): _____

Notes:

Department Director Signature: _____ Date

Office of the City Manager Signature: _____ Date

Pricing information within this Contract is confidential and may not be subject to disclosure under the California Public Records Act, and has been redacted.

Unredacted versions of Power Supply Contracts and Energy Confirmations are with the Community Energy Department.

For additional information, contact the Community Energy Department at:

- Email: Invoices@sanjosecleanenergy.org
- Phone: (408) 535-4898