



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean

SUBJECT: SEE BELOW

DATE: 05-13-08

Approved

Date

4/24/08

COUNCIL DISTRICT: City-Wide

SUBJECT: AGREEMENT WITH QUANTUM ENERGY SERVICES AND TECHNOLOGIES, INC., TO OBTAIN TECHNICAL ASSISTANCE AND FINANCIAL INCENTIVES UNDER THE CALIFORNIA WASTEWATER PROCESS OPTIMIZATION PROGRAM, FOR THE IMPLEMENTATION OF ENERGY SAVINGS PROJECTS AT THE SAN JOSE/SANTA CLARA WATER POLLUTION CONTROL PLANT

RECOMMENDATION

Approve an agreement with Quantum Energy Services and Technologies, Inc. to obtain technical assistance and financial incentives under the California Wastewater Process Optimization Program, for the implementation of energy savings to the San José/Santa Clara Water Pollution Control Plant, at no cost to City, for a term commencing upon approval of the agreement and extending through December 31, 2008.

OUTCOME

Approval of an agreement with Quantum Energy Services and Technologies, Inc. (QuEST) will allow the San José/Santa Clara Water Pollution Control Plant (Plant) to receive technical assistance from QuEST and financial incentives from the Pacific Gas and Electric Company (PG&E) for the implementation of wastewater process optimization improvements that will result in energy savings at the Plant.

BACKGROUND

Utility ratepayers, under the auspices of the California Public Utilities Commission (CPUC), fund the California Wastewater Process Optimization Program (CalPOP). QuEST, Inc. is one of the program managers selected by PG&E to administer CalPOP within the PG&E service area. The Program is designed to produce verifiable energy savings at wastewater treatment facilities

by providing technical resources and financial incentives for the development, implementation, and maintenance of energy saving projects by wastewater treatment facilities.

QuEST's receives compensation for Program administration from the ratepayer funds based on documented energy savings achieved by recommended energy saving projects. The estimated value of the technical assistance to be provided by QuEST for the Plant projects is \$14,700.

Program resources include free energy audits, free verification of project costs and energy savings, recommendations for process optimization, and incentive funding provided upon implementation of energy conservation projects. Program incentive funding is based on the actual amount of energy savings delivered by an energy saving project. Funds are provided upon verification of project implementation and completion of post installation energy monitoring. Program incentives are equal to \$0.11 per annual kWh and \$1 per annual therm saved, and capped at 100% of project cost. The estimated rebate to the Plant based on the estimated energy savings from the projects identified in the QuEST audit is \$652,097. The cost to implement the projects will consist of staff time and resources that can be accommodated within the existing budget. This program ends on December 31, 2008.

ANALYSIS

In February 2007, the City Manager approved a CalPOP Program Access Agreement authorizing QuEST to perform a no-cost facility audit at the Plant. The audit identified potential energy-savings projects that could reduce energy used by blowers and pumps through optimization and automation of operating procedures at the Plant. These energy-savings projects will be tested on a pilot basis to verify their impacts on Plant treatment processes and to document energy savings potential. If successful, they will be expanded to the extent possible to maximize energy efficiency and lower operating costs.

The technical services to be provided by QuEST under the recommended Financial Incentive Agreement consist of verification of project implementation and post installation energy monitoring. The City will be implementing the projects and providing post project data reporting using in-house resources (Plant personnel and laboratory analyses). The City will be eligible for any rebate incentives from PG&E for implemented projects. In order to retain any financial incentives provided, the projects must be maintained to assure that the estimated energy savings are achieved for a period of at least five years.

EVALUATION AND FOLLOW-UP

This agreement will allow the City to access technical resources at no cost, to evaluate energy-saving modifications to Plant wastewater processes. These resources could result in significant financial energy rebates from PG&E. No additional follow up actions by Council are expected at this time.

POLICY ALTERNATIVES

Alternative #1: Assign Financial Incentive to Third Party Payee

Pros: QuEST would lead program implementation for all energy optimization activities at the Plant, and utilization of City resources for these activities would be minimized.

Cons: The City would not receive any financial incentives from PG&E derived from energy savings to Plant processes, and QuEST would receive the rebates rather than the City.

Reason for not recommending: The City could be liable for refunding some or all of the incentive rebates from projected energy savings from projects that were implemented and then discontinued within a five-year window.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action does not meet any of the criteria above. This memorandum will be posted on the City's website for the May 13, 2008 City Council Meeting.

COORDINATION

The project and memorandum have been coordinated with the City Attorney's Office and the Department of General Services. This item is scheduled to be heard at the May 8, 2008 Treatment Plant Advisory Committee meeting.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amt. for Contract	2007-2008 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
513	0762	ESD Non-Personal/Equipment	900000	\$32,516,502	N/A	VIII-42	10/16/07

CEQA

Not a project.



JOHN STUFFLEBEAN
Director, Environmental Services

For questions please contact Bhavani Yerrapotu, Division Manager, Environmental Services Department, at (408) 945-5316.