

**City of Culver City, California
Agenda Item Report**

Meeting Date: <u>1/25/2010</u>		Item Number: <u>A-2</u>
CITY COUNCIL AGENDA ITEM: Approval of an Agreement with North America Power Partners for a Demand Response Program Pertaining to Electrical Usage at City Owned Facilities.		
Contact Person/Dept.: Eric Mirzaian/PW		Phone Number: (310) 253-6410
Fiscal Impact: Yes ☐ No ☒		General Fund: Yes ☐ No ☒
Public Hearing: ☐		Action Item: ☐ Attachments: ☒
Commission Action Required: Yes ☐ No ☐ Date: _____		
Public Notification (E-mail) Meetings and Agendas – City Council (01/20/10):		
Department Approval: Charles D. Herbertson (01/14/10)		City Attorney Approval: Carol Schwab (by H. Baker) (01/20/10)
Chief Financial Officer Approval: Mark Scott (by K. Marsden) (1/20/10)		City Manager Approval: Mark Scott (01/21/10)
<u>RECOMMENDATION:</u> Staff recommends that the City Council approve an agreement with North America Power Partners (NAPP) for a demand response program pertaining to electrical usage at City owned facilities. <u>BACKGROUND:</u> Over the course of the past few years, California has seen a steady increase in electricity demand by consumers while the supply of electricity by utility providers has remained at a relatively constant level. This increase in demand has put a strain on the State's electrical distribution system which can from time to time result in rotating power outages. <u>DISCUSSION:</u> One way to address the shortage of power supply is the use of demand response programs. These programs offer incentives to businesses that volunteer to participate by temporarily reducing their electricity use during peak demand periods such as during the hot summer days when demand outpaces supply. To illustrate how the proposed demand response program works, in a typical scenario when the state Independent System Operator (ISO) declares a power emergency the utilities are asked to reduce power demand. Southern California Edison will then contact its contractor, NAPP, who will ask the City to voluntarily reduce its electrical load by shutting down various facility components such as		

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lighting and AC package units for a maximum of four hours or until the power emergency abates. The City will only be asked to curtail energy a maximum of four times in any given month. In return, the City will receive credit payments based on a pre-determined per kilowatt-hour rate for the amount of demand response the City has agreed to reduce during shut down periods. The City will receive credit payments each month even when not asked to curtail energy. The City will have the option not to participate in the program in any given month but would not receive any credit payments if it did not participate.

At Staff's request, a preliminary demand response assessment was performed by NAPP at the following City facilities: City Hall, Senior Center, Transportation Department, Police Department, Veteran's Auditorium/Teen Center and Fire Station Number One. The assessment determined how much qualifying demand can be voluntarily reduced while maintaining adequate energy to continue operations at these facilities. Should the City Council authorize entering into an agreement with NAPP, Staff will look into the feasibility of also including Fire Stations Number 2 & 3, and the Public Works Facility into the program.

Should the Proposed Agreement be approved by the City Council, it would be in effect until December 31, 2012. The Proposed Agreement will contain language that allows the City to terminate the contract at the City's discretion with a 30-day notice. However, the Proposed Agreement does allow NAPP the option to match or beat the terms of other demand response providers should the City choose to enter into an agreement with another demand response provider during the full term of the Proposed Agreement.

This agreement for both equipment and services is not required to be formally bid per Culver City Municipal Code §§ 3.07.015 and 3.07.070.

FISCAL ANALYSIS:

To participate in the demand response program, the City will incur costs to purchase metering equipment and to subscribe to monthly communication fees. These fees, however, will be deducted from monthly payments due to the City and will not be incurred up-front or out of pocket. The maximum the City would incur for the metering equipment for each building is \$2,500 and the maximum monthly communication fees would be \$100. The City will receive an actual check from NAPP for the credit payments which will be deposited into account 10116100.339135 (Utility Credit Payments). The current capacity credit payment rate is set at \$3.00 per kilowatt-hour of load reduction with an estimated total of 378 kilowatt-hours of qualifying demand response from all the facilities identified in the preliminary assessment. Therefore, after deducting the initial fixed costs and the monthly communication fees, the estimated on-going monthly revenue from this program would be approximately \$1,034.

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ATTACHMENTS:

1. Preliminary assessment indicating facilities and equipment that qualify for demand response.

MOTION:

That the City Council:

1. Approve an agreement with North America Power Partners to participate in a demand response program pertaining to electricity usage; and
2. Authorize the City Attorney to review/prepare the necessary documents; and
3. Authorize the City Manager to execute such documents on behalf of the City.