



Public Works Department STAFF REPORT

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TO: Andrew P. Powers, City Manager

FROM: Clifford G. Finley, Public Works Director

DATE: November 9, 2021

SUBJECT: Direct Access Electricity Agreement

RECOMMENDATION:

Authorize City Manager to execute Third Amendment to Agreement with 3 Phases Renewables (Contract No. 11687-2018) of El Segundo, CA, to provide electricity for 14 of the City's metered electrical accounts under California's Direct Access Program, extending termination date from December 31, 2021 to December 31, 2024.

FINANCIAL IMPACT:

No Additional Funding Requested. Funding is available in the Adopted FY 2021-22 and FY 2022-23 General Fund, Library Fund, and selected Enterprise Fund Budgets for the energy purchase costs. Additional funds for the remaining contract term will be requested during the upcoming biennial budget process.

BACKGROUND:

In an effort to reduce the City's overall electricity costs, and utilize 100 percent renewable energy, the City's application to convert to Direct Access with Southern California Edison (SCE) was accepted in July 2010. Direct Access allows the City to purchase electricity generated from a third-party renewable energy provider.

Following a comprehensive Request for Proposals (RFP) process, the City entered into Agreements with 3 Phases Renewables (3PR) in 2011, 2014, 2017, and 2018. Except for Hill Canyon Treatment Plant (HCTP), 3PR currently serves the City's largest 15 electricity accounts with 100 percent renewable energy.

DISCUSSION/ANALYSIS:

Under the original Agreement, the City purchased 100 percent renewable electricity from 3PR between 2018 and 2020 at a fixed rate of \$0.0378 per kilowatt-hour (kWh). On January 14, 2020, an Amendment to this Agreement was signed

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extending it to February 14, 2021 at a fixed rate of \$0.0432 per kWh, and on November 17, 2020, a Second Amendment was signed extending it to December 31, 2021 at a fixed rate of \$0.0481 per kWh. The current agreement with 3PR will terminate on December 31, 2021 unless renewed through agreement by both parties.

The proposed Amendment (Attachment #1) removes the Municipal Service Center (MSC) main facility from the Direct Access Agreement, establishes the energy price, and extends the term of the Agreement by three years, to December 31, 2024.

It is necessary to transfer the MSC electricity account from Direct Access to the default provider, Clean Power Alliance, so that the provider is the same as that for the Compressed Natural Gas (CNG) facility which is co-located at MSC. Construction of the solar carport at MSC is projected to be completed by Spring 2022, and power from that array will feed into the MSC main facility meter. However, through the SCE Net Energy Metering Aggregation (NEM-A) program, the generated power will offset the electric load of the aggregated meters (main facility and CNG). This can be most easily accomplished through a single energy provider for both meters.

The energy market is currently high and extremely volatile, with energy prices spiking around the world. The proposed Third Amendment would extend the term of the Agreement by three years in order to reduce the effect of high energy prices through 2022, based on the SCE trading hub peak energy future prices (<https://www.theice.com/marketdata/reports/142>), and take advantage of the lower energy futures prices for the ensuing two years.

3PR's 36-month rate as of October 8, 2021 is \$0.0672 per kWh based on commodity market rates, compared to a 12-month rate of \$0.0779 and a 24-month rate of \$0.0711. Pass-through charges from SCE are approximately \$0.013/kWh.

It would be cost-effective for the City to renew the existing Agreement with 3PR for three years to capture the best possible rate, with the exact fixed rate based on the commodity market rate on the day of contract execution. Because 3PR's rate will change daily based on energy futures rates, it is recommended City Council authorize the City Manager to execute the Amendment to the Agreement with 3PR. This will allow staff to monitor energy prices closely between now and the end of the calendar year and act quickly to take advantage of any potential reduction in market price that could occur in this volatile market.

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If an unacceptable increase in energy prices occurs, City Manager will decline to execute the Agreement, in which case the City accounts would default from Direct Access to Clean Power Alliance.

SCE will continue to provide and bill for delivery and customer service, and the City will continue to be eligible for energy efficiency, demand response, and other services offered by SCE. 3PR will continue to provide separate billing for generation.

COUNCIL GOAL COMPLIANCE:

Meets City Council Goals C and F:

- C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.
- F. Provide and enhance essential infrastructure to ensure that the goals and policies of the Thousand Oaks General Plan are carried out and the City retains its role and reputation as a leader in protecting the environment and preserving limited natural resources.

PREPARED BY: Helen Cox, Sustainability Division Manager

Attachment:

Attachment #1 – Third Amendment to Agreement with 3 Phases
Renewables

**THIRD AMENDMENT TO
AGREEMENT FOR SERVICES
BETWEEN THE CITY OF THOUSAND OAKS
AND
“ELECTRIC SERVICE PROVIDER”**

Contract No. 11687-2018

THIS THIRD AMENDMENT to the Agreement for Services entered into between the CITY OF THOUSAND OAKS, a municipal corporation, (hereafter “City”) and 3 Phases Renewables Inc. (“ESP”), entitled AGREEMENT FOR SERVICES BETWEEN THE CITY OF THOUSAND OAKS AND “ELECTRIC SERVICE PROVIDER” and dated February 6, 2018 and as amended January 14, 2020 and November 17, 2020 (herein “Contract”) is made this 9th day of November, 2021.

RECITALS

- A. Section 1 of Contract currently, and as may have been previously amended, provides for a termination date of December 31, 2021.
- B. City and ESP mutually agree and desire to extend the term of the Contract for an additional three (3) year term.
- C. On January 14, 2020, the First Amendment to Agreement was executed to extend the time of the contract for an additional one (1) year to February 14, 2021 and to adjust the electricity rate to \$0.0432 per kWh based on the commodity market rate.
- D. On November 17, 2020, the Second Amendment to Agreement was executed to extend the term of the contract to December 31, 2021 and to adjust the electricity rate to \$0.0481 per kWh based on the commodity market rate.
- E. Exhibit B of Contract currently, and as may have been previously amended, provides for a fixed rate of \$0.0481 per kWh for electricity all year independent of time of use.
- F. Exhibit A of Contract currently, and as may have been previously amended, lists 15 facilities covered by the Agreement.

- G. City and ESP have a need to adjust the electricity rate (per kWh) based on current commodity market rate, to remove one facility, Municipal Service Center from list of facilities in Exhibit A, and update service account numbers in Exhibit A.

AGREEMENT TO AMEND

NOW, THEREFORE, the undersigned parties to Contract agree to amend Contract as described below:

Part 1. The Contract is extended for a period of three (3) years and Section 1 is hereby amended to read as follows:

1. Term

The term of this Agreement is from January 1, 2022 to December 31, 2024 unless the term of this Agreement is terminated as provided herein. There will be no further renewals beyond this date.

Part 2. The electricity rate is adjusted, and EXHIBIT B is hereby amended to read as follows:

The Energy Price shall be fixed at a rate not to exceed _____ per kWh for electricity all year independent of time of use.

Part 3. EXHIBIT A is hereby revoked and replaced in its entirety by Exhibit A-3, attached hereto and incorporated herein.

Part 4. All terms used in Parts 1, 2, and 3 above shall have the meanings ascribed thereto in Contract. Except as amended in Parts 1, 2 and 3 above, all other sections, terms, obligations, duties, clauses, and provisions of Contract shall remain the same.

IN WITNESS WHEREOF, the parties execute this Third Amendment to Contract as of the date set forth above.

3 PHASES RENEWABLES INC.

Mike Mazur, Principal

Eric Hulin, Director
Sales and Marketing

CITY OF THOUSAND OAKS

Andrew P. Powers, City Manager

ATTEST:

Cynthia M. Rodriguez, City Clerk

APPROVED BY DEPARTMENT HEAD:

Clifford G. Finley, Public Works Director

APPROVED AS TO FORM:
Office of the City Attorney

Tracy Friedl, Assistant City Attorney

EXHIBIT A-3

City of Thousand Oaks Direct Access Electric Accounts

	Facility Name	Address	SCE Service Account Number
1	City Hall/Civic Arts Plaza- Meter 1	2100 E Thousand Oaks Blvd	8003776702
2	City Hall/Civic Arts Plaza- Meter 2	2100 E Thousand Oaks Blvd	8005070010
3	Grant R. Brimhall Thousand Oaks Library	1401 E Janss Rd	8004476788
4	Los Robles Golf Course- Meter 1	299 S Moorpark Rd Road	8004951477
5	403 Hillcrest Drive/Conejo Recreation & Park District	401 W Hillcrest Dr Unit A	8003635094
6	401 Hillcrest Drive/National Park Service	403 W Hillcrest Dr	8001563970
7	Los Robles Golf Course – Meter 2	299 S Moorpark Rd	8000793579
8	Goebel Adult Center	1385 E Janss Rd	8000035139
9	Newbury Park Library	2331 Borchard Rd Unit A1	8001748918
10	Alex Fiore Teen Center	1375 E Janss Rd	8000034806
11	Thousand Oaks Transportation Center	265 S Rancho Rd	8003390347
12	City Hall/Civic Arts Plaza - Parking	2100 E Thousand Oaks Blvd	8003967948
13	Golf Course Well	148 Thousand Oaks Blvd	8000692363
14	Kelley Reservoir	452 Whitegate Rd	8000009360