



City Council Staff Report

Date: June 17, 2009 NEW BUSINESS

Subject: APPROVAL OF A REQUEST FOR STATEMENTS OF QUALIFICATIONS
FOR ENERGY MANAGEMENT SERVICES, SOQ 11-09

From: David H. Ready, City Manager

Initiated by: Public Works and Engineering Department

SUMMARY

In keeping with the City Council's endeavor to implement sustainability measures throughout the City, staff has prepared a Request for Statements of Qualifications to solicit qualifications from firms that specialize in analyzing the energy efficiency of buildings and equipment, and to determine a range of solutions to implement that result in energy cost savings which may be used to offset the capital expense of implementing those energy efficiency measures.

RECOMMENDATION:

1. Approve release of the Request for Statements of Qualifications (SOQ #11-09), for Energy Management Services; and
2. Direct the City Manager to appoint an Evaluation Committee for this project.

STAFF ANALYSIS:

The City of Palm Springs owns, operates, and maintains a variety of facilities throughout the City, ranging from fire stations, libraries, a Convention Center, a police station, an airport, recreation facilities, as well as two co-generation power plants. The cost to operate and maintain all of these various facilities is a substantial burden to the City's General Fund.

The 2008/2009 fiscal year budget set aside significant General Fund revenue for operation and maintenance of the City's various facilities. Each Department within the City's budget, in most cases, sets aside a portion of its overall Department budget for a "Facilities Maintenance Service" fee, which is used to offset operation and maintenance expenses for the City. In the 2008/2009 fiscal year, the City budgeted approximately \$4,000,000 for Facilities Maintenance Service fees to offset its operation and

maintenance expenses for the year, which covers Facilities Maintenance staff salaries and benefits, contract and custodial services, electrical parts and supplies, building maintenance and repairs, co-generation plant special parts and repairs, and utilities (water, gas and electricity).

In addition to the nearly \$4,000,000 budgeted for facilities maintenance, the 2008/2009 fiscal year budgeted approximately \$480,000 for electricity expenses, and \$2,337,700 for natural gas expenses for the City's two co-generation plants. The City's natural gas expenses are higher than normal due to the City's self-generation of electricity with its two co-generation plants. Of the \$2,337,500 budgeted for natural gas expenses, \$1,570,700 is budgeted for the Municipal co-generation plant, and approximately \$767,000 is budgeted for the Sunrise co-generation plant.

To address the City's high energy costs, staff has prepared a Request for Statements of Qualifications (SOQ #11-09) which states the following purpose:

The City of Palm Springs is requesting statements of qualifications (SOQ's) from qualified energy services companies ("ESCOs") to provide the city with Energy Management Services to provide a Comprehensive Energy Audit (CEA) to develop a set of programs that will be combined as a performance-based single energy project with the intended purpose to save energy, reduce greenhouse gas emissions and cut the City's energy and maintenance and capital equipment expenditures throughout all of the City's facilities, including two co-generation plants.

Although the purpose of the proposed request for SOQ's is to provide energy management services City-wide, the focus of the attention will be given to evaluating the City's co-generation plants that satisfy a majority of the City's energy demands. The selected energy services company will perform an audit of all of the City's facilities to ensure appropriate HVAC (heating, ventilation and air conditioning) measures are identified (such as upgrading thermostats, installing programmable lighting sensors, etc.), with more important attention given to the co-generation plants to identify cost-effective solutions to improving their performance while decreasing their operating and maintenance costs.

Palm Springs' Journey into Power Generation (a History of the Co-Generation Plants):

In May 1985, the City of Palm Springs began to supply its energy needs through the use of two co-generation plants. The larger of the two plants (the "Municipal" co-generation plant) generates electricity, heating and air conditioning for the City's Municipal Complex: a group of government buildings consisting of the City Hall, Police Station, Fire Station No. 2, Airport and Riverside County administration buildings. The smaller of the two plants (the "Sunrise" co-generation plant) generates electricity, heating and

air conditioning for the Sunrise Plaza, the City's recreational center consisting of the library, entertainment pavilion, administrative offices and community swimming pool.

Spiraling utility costs forced the City to examine alternative energy sources. Although the City instituted strict energy conservation measures in 1980, the City was paying \$1.3 Million in energy costs in 1984, double what was paid in 1978. At the time, many alternative sources of energy were studied: methane recovery, hydro power, geothermal energy, wind resources, solar energy, and co-generation. Of all of these alternative sources of energy studied, the co-generation process was determined to be the best process for the City.

Co-generation is the sequential production of two energy forms, usually steam and electricity, from a single fuel source. In our case, natural gas is used as fuel to run reciprocating engines that turn generators to create electricity. Waste heat (heat created by a running engine) that would normally escape into the air, is recovered from the engines and passed through an absorption chiller to provide cold water for air conditioning. Alternatively, in the winter, waste heat is used to heat water for space heating and hot water needs. Co-generation proved to be the most appropriate alternative energy solution for Palm Springs due to the City's tremendous cooling requirements in the summer.

Facility Facts, Municipal Co-Generation Plant:

- Two 650 kW engine/generator sets
- 360 tons of absorption chilling capacity
- 400,000 gallon thermal energy storage (TES) tank
- 3 miles of underground electrical and thermal distribution lines

Facility Facts, Sunrise Co-Generation Plant:

- One 650 kW engine/generator set
- 130 tons of absorption chilling capacity
- 137,000 gallon thermal energy storage (TES) tank
- 1 mile of underground electrical and thermal distribution lines

The two co-generation plants initially cost \$6,292,691 (including planning, engineering, legal fees, etc.). This cost was financed through the City's sale of Certificates of Participation from the City's Public Facilities Corporation, in the amount of \$11,820,000 on April 1, 1984. This bond sale also included \$2.5 Million for construction of the new police station.¹

¹ The original bonds were scheduled to mature in 2006, but in 1996 the outstanding debt on these bonds was consolidated with other debt being carried on several facilities, extending the maturity date for the bonds to 2026.

At the time the co-generation plants were constructed, they were intended to accommodate 100% of the City's energy needs at the Municipal complex and Sunrise recreation area. (All other City facilities not connected to the co-generation plants remain dependent on SCE for electricity). The City expected to use only 50%-55% of the electricity generated by the co-generation plants, with excess sold to SCE, anticipating that the co-generation plants would generate \$16 Million in excess electricity sales to SCE over 20 years following construction.

For the Sunrise co-generation plant, the City realizes the sale of excess electricity generated year-round. The electrical load on the Sunrise co-generation plant is slightly less than half its capacity (300 kWh² of the 650 kWh generated). At the end of the 2007/2008 fiscal year, the City realized \$137,243.14 in electricity sales to SCE from the Sunrise co-generation plant.

For the Municipal co-generation plant, the story is somewhat different. Following the City's expansion of the Airport, the total energy demand on the Municipal co-generation plant significantly increased; (expansion of the Airport was not considered in the original design of the Municipal co-generation plant). The energy demand has increased so much so, that, in the summer months the co-generation plant is unable to generate electricity to meet our energy demands.³ Whereas the two 650 kW engine/generator sets are capable of generating 1,300 kW of electricity, in the summer the total electrical load is 300 to 400 kW more than the 1,300 kW that can be produced.

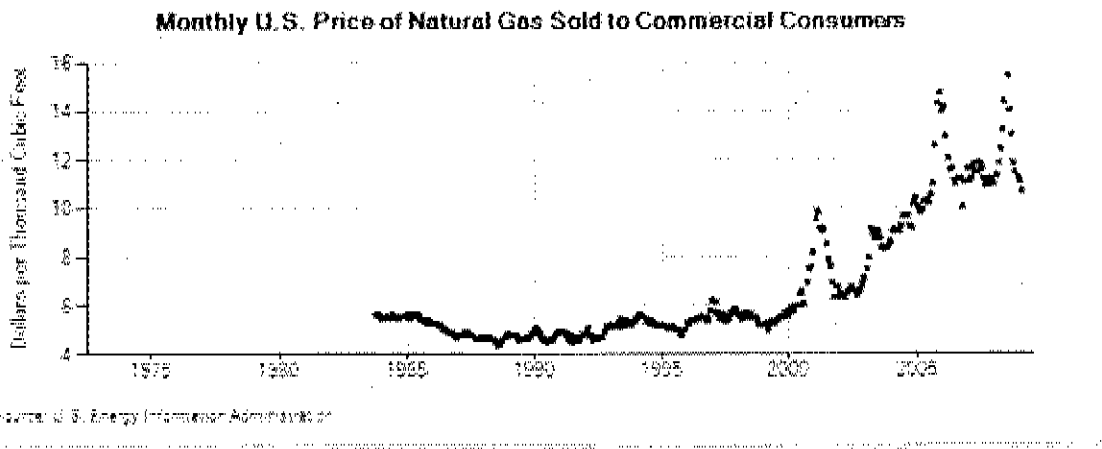
This fact requires the City to purchase additional electricity from SCE. At the end of the 2007/2008 fiscal year, the City purchased a total of \$1,292,832.35 in electricity from SCE. Of this total, \$497,117.31 was purchased for additional electricity for the Municipal co-generation plant (due to the inability of the plant to meet the electrical load demand imposed by the Airport); \$70,455.08 was purchased for electricity for the Sunrise co-generation plant (due to the plant being off-line due to a damaged engine); \$208,398.17 was purchased for electricity for traffic signals and street lighting; and the balance was purchased for electricity at the various facilities throughout the City.

² The unit "kWh" refers to the amount of power, expressed in terms of 1,000 watts (i.e. kilowatts), generated in one hour. Therefore, a 650 kWh engine can generate 650,000 watts of power in one hour.

³ As of the writing of this staff report, the Municipal co-generation plant is down for repairs, requiring the City to purchase electricity directly from SCE. The City has several meters that separately identify the electricity demand from the various municipal facilities, including the Airport. The SCE meter for the Airport is identifying an energy draw of approximately 1,200 kWh, indicating that the Airport's energy demand is approaching 100% of the total capacity of the Municipal co-generation plant.

At some times of the year, the Municipal co-generation plant meets the City's energy demands, and excess electricity is sold to SCE. Slightly offsetting the required purchase of electricity from SCE, at the end of the 2007/2008 fiscal year, the City realized \$31,012.88 in electricity sales from the Municipal co-generation plant.⁴

Another factor that has recently affected the City's operating costs for the co-generation plants is the volatility of the natural gas market. After the City's construction of the co-generation plants in 1985, which are dependent on natural gas as the sole fuel source, natural gas prices remained low, between \$4 and \$6 per 1000 cubic feet of natural gas. However, beginning around 2000, the price for natural gas skyrocketed to nearly \$16 per 1000 cubic feet of natural gas. See the graph below demonstrating the current volatility of the natural gas market:



On October 22, 2008, the City Council authorized the City Manager to enter into a purchase contract for natural gas for a term not exceeding 24 months. As seen on the graph above, the price for natural gas has significantly fluctuated recently, and in the 2008/2009 fiscal year, the City's budget for natural gas purchases assumed a natural gas price of \$11 per decatherm. (Note, 1 decatherm = 1,000 cubic feet of natural gas). In accordance with the City Council's authorization, the City Manager executed a purchase contract for natural gas for a 12 month period commencing December 1, 2008, at the rate of \$6.79 per decatherm (resulting in a \$4.21 per decatherm savings from what was budgeted for 7 out of 12 months of the current fiscal year budget).

⁴A Note on Electricity Sales to SCE: Excess electricity generated by the City's co-generation plants is sold to SCE at the Public Utilities Commission's approved wholesale or avoided generation cost, which range from \$0.04 per kWh to \$0.08 per kWh depending upon time of day excess power is sold to SCE. However, electricity purchased from SCE is generally \$0.13 per kWh, the SCE retail rate, (which includes offsets for SCE's generating and distribution costs).

Predicting natural gas prices has been very difficult recently, even for seasoned professionals. Most experts view the increased volatility as an effect of the swings in winter temperatures and increased summer demand for natural gas used by electric generating plants. Since the federal government ended regulation of the wellhead price of natural gas in the mid 1980's, the market forces of supply and demand now set natural gas prices. Prices often change direction for no apparent reason, often due to weather changes, the economy, hurricanes (which can temporarily affect gas production in the Gulf of Mexico), oil prices, and more recently, demand for gas-fired electric generation which is highly dependent on actual or forecasted summer weather.

The City's dependence on natural gas will not change, unless an alternative fuel source is found to replace natural gas as fuel for the City's co-generation plants. One alternative is naturally produced methane gas ("bio-gas") generated by the City's wastewater treatment process. Processes can be added at the wastewater treatment plant to generate significantly more bio-gas through the treatment of Fats, Oils and Grease (FOG) and food wastes. The additional bio-gas generated at the wastewater treatment plant has the ability of being delivered via pipeline to the co-generation plants and either co-mingled with natural gas or replacing natural gas altogether, eliminating the City's dependence on and need to budget for purchase of natural gas.

The City's investment in the co-generation technology is significant, and staff does not recommend that the City consider abandoning the co-generation plants (particularly considering the fact that the City continues to carry outstanding debt on its initial construction). Furthermore, to abandon the City's generation of power would require significant investment (in excess of several million dollars) to install SCE owned infrastructure to connect all of the municipal facilities to the SCE grid, as SCE would not likely consider the City's electrical distribution grid equal to theirs.

Staff expects that the selected energy services company will determine an appropriate range of solutions to improve the efficiency of the co-generation plants, which might include replacing the existing engines with micro-turbines or fuel cells. Additionally, the selected firm will provide a cost-benefit analysis of the ability to generate bio-gas at the wastewater treatment plant, and to deliver bio-gas to the co-generation plants as a replacement for natural gas.

Solar Power

Recently, the City has been solicited from many vendors offering to install solar power systems at City facilities. While the proposed SOQ for energy management services does not exclude any one technology from the menu of solutions that are available to the City in reducing its carbon footprint, solar power systems may or may not be the most cost-effective alternative energy source. The City will expect the selected energy services company to include analysis of solar power generation, and to make a recommendation for or against installation of solar power systems as a complement to the City's co-generation plants.

One of the big problems with solar power has been that it generally costs more than electricity generated by conventional means. Currently, solar power is mainly installed with the financial assistance provided by state and federal tax credits. As a non-profit governmental entity, the City itself can not receive tax credits; therefore, to make use of tax credits the City would likely need to enter into a solar power purchase agreement with an energy firm who, as a for-profit entity, would include the tax credits available to them as part of the financial package for installing the solar power system. However, solar power purchase agreements have many pitfalls, such as:

- Contracts often extend for 15 or 20 years;
- The third party retains ownership of the solar power system during the contract;
- The City purchases solar power generated electricity from the third party for a set rate for a long term to offset the upfront capital cost of the system;
- Electricity costs from the solar system may escalate over the term of the contract (at an escalation rate specified in the contract) which may be higher than the SCE retail rate;
- A separate operation and maintenance agreement is required to ensure the solar power system generates the power required.

Alternatively, the City may purchase the solar power system upfront (by financing the capital costs). However, installation of solar power systems typically cost approximately \$12 per watt of power generated. In the case of the City's Municipal co-generation plant, the additional energy demand on the Municipal plant is as much as 400 kWh during the summer months. If the City were to choose installation of a solar power system as the solution to generating additional electricity to meet this demand, the cost of the system may exceed \$4.8 Million. Given the expected high capital cost of a solar power system, solar power may not be the most cost-effective solution to increasing the City's energy production.

California Government Code 4217.10 – 4217.18 “Alternative Energy Law”

The state of California enacted special legislation in Government Code 4217.10 – 4217.18 in 1984, as a result of an energy crisis, as a way to assist local agencies in expediting and financing energy conservation measures. This statutory procedure eliminates the necessity to separately contract for the design and construction phases of a project, as well as eliminates the public bidding process.

The proposed SOQ for energy management services envisions using this legislation to the City's fullest advantage. The legislation encourages public agencies to develop energy conservation, cogeneration and alternative energy supply sources at public facilities in order to implement the policy of the State of California as set forth in Public Resources Code 25008, which states its intent:

"...to promote all feasible means of energy and water conservation and all feasible uses of alternative energy and water supply sources."

The legislation further states:

"The provisions of this chapter shall be construed to provide the greatest possible flexibility to public agencies in structuring agreements entered into hereunder so that economic benefits may be maximized and financing and other costs associated with the design and construction of alternative energy projects may be minimized. To this end, public agencies and the entities with whom they contract under this chapter should have great latitude in characterizing components of energy conservation facilities as personal or real property and in granting security interests in leasehold interests and components of the alternative energy facilities to project lenders."

What this legislation does is allows the City to sole-source an energy conservation project to an individual firm, provided the energy conservation project has the following results:

- (1) The anticipated cost to the public agency for thermal or electrical energy or conservation services provided by the energy conservation facility under the contract will be less than the anticipated marginal cost to the public agency of thermal, electrical, or other energy that would have been consumed by the public agency in the absence of those purchases; and
- (2) The difference, if any, between the fair rental value for the real property subject to the facility ground lease and the agreed rent, is anticipated to be offset by below-market energy purchases or other benefits provided under the energy service contract.

Many local agencies have used this legislation to implement energy conservation measures at their facilities that otherwise would not be implemented due to fiscal constraints. With the implementation of energy efficiencies, various local agencies have seen reductions in their energy use and cost and have been able to replace old equipment prone to breaking down. The up front capital costs normally necessary for construction and implementation of energy conservation projects is financed and offset by the corresponding savings in energy consumption.

For example, in the case of the Municipal co-generation plant, certain measures may be identified that, when implemented, will increase the energy generated by the plant to eliminate the current shortage caused by the Airport's expansion. The costs to implement these measures would be offset by the City's annual expenditures to purchase electricity directly from SCE.

The proposed SOQ for energy management services lends itself to being applied as a design-build project, given the wide range of energy conservation and energy efficiency

measures that may be selected to give the City the most cost-effective solution to reducing the City's energy costs. To ensure the anticipated energy savings are realized, energy conservation projects such as these are implemented with performance-based contracts that guarantee the City will realize the expected energy savings. In the event the expected energy savings are not realized, the performance-based contract will have provisions that require the contractor to modify or replace the energy conservation measures to provide the energy savings that were expected. Ultimately, if those energy savings can not be produced, financial guarantees are provided where the contractor itself will make up the difference in energy savings not realized.

Staff recommends that the selection of the most qualified energy services company be based on a two-phase approach. The first phase will involve receipt of Statements of Qualifications from interested firms, which will be reviewed strictly on a "Pass/Fail" basis on the following qualifications:

1. The Project Team involves a prime consultant that has demonstrated qualifications and experience in delivering a turn-key approach and utilizes no more than 2 sub-consultants.
2. The Firm has completed at least 5 performance based contracts constructing energy management projects pursuant to California Government Code 4217.10 - 4217.18 with public agencies. Sample of standard performance based contract must be included.
3. The Firm has completed at least 2 energy management projects involving rehabilitation, reconstruction or retrofit of a co-generation power plant of 1.3 MW or greater in size.
4. The Firm has financial capability to guarantee a performance based contract in accordance with the energy management project cash flow analysis; firm has demonstrated ability to facilitate third party financing for implementation of energy management projects.
5. Firms that qualify as a Local Business, or employ local sub-consultants, pursuant to the City of Palm Springs Local Preference Ordinance 1756.

The second phase of the selection process will include firms that "Pass" the initial phase evaluation, who will be asked to submit a detailed technical proposal/scope of work and cost proposal.

Given the importance of selecting the most qualified energy services company for the City, and its relationship to sustainability efforts undertaken by the City Council, staff recommends that the Council allow members of the existing Sustainability sub-committee to coordinate with staff on the evaluation of firms responding to the proposed SOQ for energy management services. Staff also recommends that City Council

authorize the City Manager to appoint other members to the Evaluation Committee, which would consist of:

- (2) City Council Sustainability sub-committee members
- (2) Sustainability Commissioners
- Director of Public Works/City Engineer
- Asst. Dir. of Public Works/Asst. City Engineer
- Facilities Maintenance Manager

FISCAL IMPACT:

None.

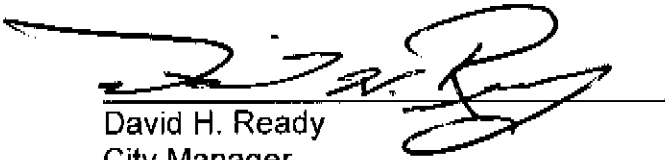
Submitted:



David J. Barakian
Director of Public Works/City Engineer



Thomas J. Wilson
Assistant City Manager



David H. Ready
City Manager

Attachments:

1. Request for Proposals #11-09



CITY OF PALM SPRINGS, CA
REQUEST FOR STATEMENTS OF QUALIFICATIONS (SOQ) #11-09
For
ENERGY MANAGEMENT SERVICES

Statements of Qualifications (SOQ 11-09), for Energy Management Services to the City of Palm Springs, CA will be received at the Office of Procurement & Contracting, 3200 East Tahquitz Canyon Way, Palm Springs, California, until **2:00 P.M. LOCAL TIME, xxxx, xxxxx xx, 2009**. It is the responsibility of the respondent to see that any submittal sent through the mail, or any other delivery method, shall have sufficient time to be received by this specified date and time. The receiving time in the Procurement Office will be the governing time for acceptability of SOQ submittals. Telegraphic, telephonic, faxed or emailed SOQ submittals will not be accepted. Late SOQ submittals will be returned unopened. Failure to register as a Respondent to this SOQ process per the instructions in the Notice Inviting Statements of Qualifications (under "Obtaining SOQ Documents") may result in not receiving Addenda or other important information pertaining to this process. Failure to acknowledge Addenda may render a submittal as being non-responsive. We **strongly advise** that interested firms officially register per the instructions.

1. PURPOSE AND SCHEDULE: The City of Palm Springs is requesting statements of qualifications (SOQ's) from qualified energy services companies ("ESCOs") to provide the city with Energy Management Services to provide a Comprehensive Energy Audit (CEA) to develop a set of programs that will be combined as a performance-based single energy project with the intended purpose to save energy, reduce greenhouse gas emissions and cut the City's energy and maintenance and capital equipment expenditures throughout all of the City's facilities, including two co-generation plants.

This energy management project is to be implemented as an energy conservation / alternative energy project pursuant to California Government Code 4217.10 - 4217.18. A performance based "design/build" contract with a qualified energy services company ("ESCO") will be awarded based on the following requirements:

- The ESCO must guarantee that the cost of the project will be covered by energy savings (this is a requirement to pursuing this project under California Government Code 4217.10 - 4217.18); only a single comprehensive viable energy conservation / alternative energy project that pays for itself will be implemented;
- The ESCO must enter into a performance-based contract, whereby the consultant guarantees that the energy savings and other cost savings resulting from the selected energy conservation / alternative energy project will exceed the financial obligation of the project; in the event savings are not realized, the difference in realized savings and guaranteed savings must be refunded to the City as identified in accordance with a City approved cash flow analysis for the project;

- The ESCO must have the ability to facilitate third-party financing of the selected energy conservation / alternative energy project, whereby the debt service payments for the project are offset by energy savings;
- A contract between the City and ESCO to implement the selected energy conservation / alternative energy project must be based on a Guaranteed Maximum Price Turn Key Proposal – all risks with contingencies, change orders not attributable to City initiated changes, cost overruns, delays, etc., must be borne by the ESCO; the City's financial commitment will never exceed the original guaranteed maximum price;
- The ESCO shall have the resources available to investigate all state/federal grants, rebates, and other financial incentives available to the City in implementation of the selected energy conservation / alternative energy project to be considered as part of the economics of the project; the ESCO must guarantee receipt of available grants, rebates, or incentives in the delivery of the project; grants, rebates, or incentives available to the project, but lost due to a failure to deliver the project within the time frame required of the grant, rebate or incentive will require the ESCO to furnish the equivalent amount of financing to the City at its cost.

SCHEDULE:

Notice requesting Statements of Qualifications posted and issued	xxxx, xxxx xx, 2009
Co-Gen plant and City facility site visit	xxxx, xxxx xx, 2009
Deadline for receipt of Questions.....	xxxx, xxxx xx, 2009, 2:00 P.M.
Deadline for receipt of SOQ Submittals	xxxx, xxxx xx, 2009, 2:00 P.M.
Short List / Interviews/Technical & Cost Proposals	to be determined
Contract awarded by City Council.....	to be determined

2. BACKGROUND: The City's Energy Management Project involves an audit and analysis of the City's existing co-generation plants (the "Municipal" co-generation plant which has two 650kW engine/generator sets and 360 tons of absorption chilling capacity with 400,000 gallon thermal energy storage tank; and the "Sunrise Plaza" co-generation plant which has one 650kW engine/generator set and 130 tons of absorption chilling capacity with 137,000 gallon of thermal energy storage tank), as well as all city-owned facilities. The Municipal co-generation plant provides power, and passive heating/cooling to various facilities around City Hall (i.e. Fire Station No. 2, City Hall, Airport, Police Station, and County Administrative Offices); the Sunrise Plaza co-generation plant provides power, and passive heating/cooling to various facilities in and around Sunrise Park (i.e. Swim Center, Leisure Center, Pavilion, etc).

The City budgeted over \$4 Million in the 08/09 fiscal year budget for the operation and maintenance of the two co-generation plants and nearly \$3 Million for the operation and maintenance of all other city owned facilities combined. There is an urgent need to analyze the current operation of the co-generation plants and other facilities to determine improvements to increase the co-generation power output and efficiencies, and reduce the overall operation and maintenance costs of the co-generation plants and all other facilities. Therefore, time is of the essence to initiate this project.

This project does NOT involve phases beyond the design/build of an energy conservation / alternative energy project. Operation and maintenance of the co-generation plants or other City facilities is beyond the scope of this project.

3. SCOPE OF WORK:

The scope of work of this project will be determined by the ESCO selected by the City, and will involve the design and construction of appropriate energy efficiency measures throughout City facilities, including rehabilitation, reconstruction or retrofit of the City's two co-generation plants,

and may include solar photovoltaic power generation. The selected ESCO shall determine the exact combination of energy efficiency measures and power generation projects included in the energy project, ultimately approved by the City for implementation pursuant to the required performance based design/build contract.

4. SELECTION PROCESS: The City of Palm Springs is utilizing a Qualifications Based Selection process to select a firm to provide the services covered by this solicitation. The City shall select from the initial qualification statements as requested in this phase of the SOQ a limited number of firms to be invited to make a formal presentation, including detailed technical and cost proposal, at a future date. The format, selection criteria and date of the presentation will be established at the time of short listing. Participation in any presentation is at the sole expense of the proposer.

5. PROPOSAL EVALUATION CRITERIA: This solicitation has been developed in the request for "Statement of Qualifications" format. Accordingly, firms should take note that the City will consider multiple "Pass or Fail" factors in selecting a successful firm. **Price is NOT sought at this time nor will price be accepted or evaluated as part of the ranking criteria.** The firms that "Pass" this initial evaluation first phase will be asked to submit a detailed technical proposal/scope of work and cost proposal at a future date (after short-listing) which the City may use as a basis for negotiating a performance based contract with the successful firm. Should successful negotiations not occur with the highest ranked firm from the second phase of this process, the City may, at its sole discretion, choose to enter into negotiations with the second highest ranked firm, and so on.

A Qualifications Evaluation Committee, using the following Pass or Fail evaluation criteria for this first phase of the SOQ, will evaluate all responsive submittals to this SOQ. The Evaluation Committee will request formal presentations/interviews and detailed technical and cost proposals from the short listed firms at a future date of which the format and presentation evaluation criteria shall be provided at the time of short listing.

Special Note: The City will require selected firms that pass the initial evaluation to perform preliminary analysis of the City's energy demands, review City facilities, and prepare a preliminary recommendation of the energy efficiency measures the firm would likely recommend for implementation with which to realize the most cost-effective energy efficiencies City-wide. The preliminary recommendation will be expected to represent the firm's ability to address the City's various energy conservation needs pursuant to California Government Code 4217.10 - 4217.18. Selected firms responding to the City's invitation to participate in the final evaluation shall do so at their own cost and expense.

Firms are requested to submit their qualifications submittals so that they correspond to and are identified with the following specific evaluation criteria:

A. Firm Qualifications, Project Team, experience and background:

Pass or Fail: Project Team involves a prime consultant that has demonstrated qualifications and experience in delivering a turn-key approach and utilizes no more than 2 sub-consultants.

B. Understanding of Energy Management Services and technical approach/ methodology utilized in developing such programs, including sample performance based contract:

Pass or Fail: Firm has completed at least 5 performance based contracts constructing energy management projects pursuant to California Government Code 4217.10 - 4217.18 with public agencies. Sample of standard performance based contract must be included.

C. References and Experience with Projects of Similar Size and Scope:

Pass or Fail: Firm has completed at least 2 energy management projects involving rehabilitation, reconstruction or retrofit of a co-generation power plant of 1.3 MW or greater in size.

D. Financial resources and approach for Energy Management Services:

Pass or Fail: Firm has financial capability to guarantee performance based contract in accordance with the energy management project cash flow analysis; firm has demonstrated ability to facilitate third party financing for implementation of energy management projects.

E. Local Expertise Demonstrated on the Team:

Pass or Fail: Firms that qualify as a Local Business, or employ local sub-consultants, and submit a valid business license as more fully set forth in Section D.1 below, pursuant to the City of Palm Springs Local Preference Ordinance 1756).

6. PROPOSAL CONTENTS: Firms are requested to format their submittals so that responses correspond directly to, and are identified with, the specific evaluation criteria stated in Section 5 above. **The submittals must be in an 8 ½ X 11 format, may be no more than a total of thirty (30) pages (sheets of paper, double sided), including an organization chart, staff resumes and appendices, and cover letter. NOTE: Dividers, Attachment "A", Addenda acknowledgments and the copy/sample standard performance based contract document requested in (B), do NOT count toward the 30 page limit. Interested firms shall submit EIGHT (8) copies (one original plus seven copies) of its submittal by the deadline.**

All submittals shall be sealed within one envelope and be clearly marked, "SOQ #11-09, STATEMENT OF QUALIFICATIONS FOR ENERGY MANAGEMENT SERVICES". **Submittals not meeting the above criteria may be found to be non-responsive.** At a minimum, firms must provide the information identified below. All such information shall be presented in a form that directly corresponds to the numbering scheme identified below.

SECTION A: FIRM QUALIFICATIONS, PROJECT TEAM, EXPERIENCE AND BACKGROUND

A.1 State your firm's complete name, type of firm (individual, partnership, corporation or other), telephone number, FAX number, contact person and E-mail address. If a corporation, indicate the state the corporation was organized under.

A.2. State the name and title of the firm's principal officer with the authority to bind your company in a contractual agreement.

A.3 Describe your firm's background and qualifications in the type of effort that this project will require, specifically identifying experience with turn-key energy management services for other public agencies.

A.4 List the name and qualifications of the key staff/team members that will be assigned to this project. Provide detailed qualifications of the Project Manager that will be assigned to this project.

A.5 Indicate the name of any sub-consultant firms that will be utilized to make up your team. Describe each sub-consultant's background and specific expertise that they bring to this project,

SECTION B: UNDERSTANDING OF ENERGY MANAGEMENT SERVICES AND TECHNICAL APPROACH/ METHODOLOGY UTILIZED IN DEVELOPING SUCH

PROGRAMS, INCLUDING A COPY/SAMPLE OF YOUR STANDARD PERFORMANCE BASED CONTRACT

B.1 Describe in detail the steps that your firm would follow to provide energy management services, including your methodology, process, and review of alternate energy solutions. You must demonstrate in this section that your firm has completed at least five (5) performance based contracts constructing energy management projects pursuant to California Government Code 4217.10 – 4217.18 with public agencies.

B.2 Assuming that as the successful firm you are awarded a performance based contract for the work, please provide a typical schedule that you would follow.

B.3 It is REQUIRED that you submit a copy/sample of your standard performance based contract. This document shall be reviewed, however, the submission of the sample document does not constitute any acceptance by the City of any of the terms, conditions or other language contained within. Submittals that fail to include a copy/sample of the standard performance based contract shall be determined as non-responsive and will not be considered. Note that the copy/sample of the contract does NOT count toward the 30 page submittal limit.

SECTION C: REFERENCES AND EXPERIENCE WITH PROJECTS OF SIMILAR SIZE AND SCOPE

C.1 Describe a minimum of two (2) successful energy management projects involving rehabilitation, reconstruction or retrofit of a co-generation power plant of 1.3 MW or greater in size. Provide contact information, including full name and a current phone number, for each project identified.

C.2 For the representative successful projects completed, explain what key issues/challenges you faced and how you solved them. Also, please comment briefly on your technical approach for each.

SECTION D: FINANCIAL RESOURCES AND APPROACH FOR ENERGY MANAGEMENT SERVICES

D.1 Describe your project financing experience and the sources and types of financing your firm has available and has utilized in prior, proven, successful projects. Explain the availability of capital financing and with whom.

D.2 Demonstrate your financial capability to guarantee a performance based contract in accordance with the energy management project cash flow analysis and ability to facilitate third party financing for implementation of energy management projects.

SECTION E: LOCAL EXPERTISE DEMONSTRATED ON THE TEAM

E.1 Pursuant to the City of Palm Springs Local Preference Ordinance 1756, in awarding contracts for services, including consultant services, preference to a Local Business shall be given whenever practicable and to the extent consistent with the law and interests of the public. The term "Local Business" is defined as a vendor, contractor, or consultant who has a valid physical business address located within the Coachella Valley, at least six months prior to bid or proposal opening date, from which the vendor, contractor, or consultant operates or performs business on a day-to-day basis, and holds a valid business license by a jurisdiction located in the Coachella Valley. "Coachella Valley" is defined as the area between the Salton Sea on the

south, the San Jacinto and Santa Rosa Mountains on the west, and the Little San Bernardino Mountains on the east and north. For the purposes of this definition, "Coachella Valley" includes the cities of Beaumont and Banning and the unincorporated areas between Banning and the City of Palm Springs. Post office boxes are not verifiable and shall not be used for the purpose of establishing such physical address.

The contractor or consultant will also, to the extent legally possible, solicit applications for employment and proposals for subcontractors and subconsultants for work associated with the proposed contract from local residents and firms as opportunities occur and hire qualified local residents and firms whenever feasible.

In order for a business to be eligible to claim the preference, the business **MUST request the preference in the Solicitation response (see Attachment A) and provide a copy of its current business license (or of those it employs for this project) from a jurisdiction in the Coachella Valley.**

E.2 List all team members with local expertise. Clearly define their role in the overall project.

DEADLINE FOR SUBMISSION OF SOQs: All submittals must be received in the City of Palm Springs, Office of Procurement and Contracting by **2:00 P.M., LOCAL TIME, xxx, xxxx x, 2009.** Proof of receipt before the deadline is a City of Palm Springs, Office of Procurement and Contracting time/date stamp. It is the responsibility of the Proposer to see that any submittal sent through the mail, or any other delivery method, shall have sufficient time to be received by the Procurement Office prior to the proposal due date and time. Late submittals will be returned to the Proposer unopened. **Submittals shall be clearly marked and identified and must be submitted to:**

**City of Palm Springs
Division of Procurement and Contracting
3200 E. Tahquitz Canyon Way
Palm Springs, CA 92262
Attn: Craig Gladders, C.P.M., Procurement & Contracting Manager**

QUESTIONS: Proposers, their representatives, agents or anyone else acting on their behalf are specifically directed **NOT** to contact any city employee, commission member, committee member, council member, or other agency employee or associate for any purpose related to this SOQ other than as directed below. Contact with anyone other than as directed below will be cause for rejection of a submittal.

Any questions, technical or otherwise, pertaining to this request for Statements of Qualifications **must be submitted IN WRITING and directed ONLY to:**

Craig Gladders, C.P.M.
Procurement & Contracting Manager
3200 East Tahquitz Canyon Way
Palm Springs, CA 92262
via FAX (760) 323-8238
or via EMAIL: Craig.Gladders@palmsprings-ca.gov

Interpretations or clarifications considered necessary in response to such questions will be resolved by the issuance of formal Addenda to the SOQ. **The deadline for all questions is 2:00 P.M., Local Time, xxxx, xxxx xx, 2009.** Questions received after this date and time may not be answered. Only questions that have been resolved by formal written Addenda via the Division of Procurement and Contracting will be binding. Oral and other interpretations or clarifications will be without legal or contractual effect.

FORM OF AGREEMENT: The successful firm will be required to enter into a performance based contractual agreement, inclusive of insurance requirements, with the City of Palm Springs. Pursuant to section B, each firm must include with their submittal a copy/sample of their standard performance based contract for review. The submittal of this document does not constitute any acceptance by the City accepts of any of the terms, conditions or other language contained within the document. The final form of the performance based contractual agreement shall be negotiated by, and be in a form acceptable to, the City Attorney of the City of Palm Springs.

Failure or refusal to enter into an Agreement or to conform to any of the stipulated requirements in connection therewith shall be just cause for an annulment of the award.

AWARD OF CONTRACT: It is the City's intent to award a contract to the firm that can provide all of the services identified in the SOQ document. However, the City reserves the right to award a contract to multiple Respondents or to a single Respondent, or to make no award, whichever is in the best interest of the City. It is anticipated that award of the contract will occur at the next regularly scheduled City Council meeting after the evaluation committee has made its final selection of the firm to be recommended for award and a contract has been negotiated and agendized for consideration. The decision of the City Council will be final.

RESPONSIBILITY OF OFFEROR: All offerors shall be responsible. If it is found that an offeror is irresponsible (e.g., has not paid taxes, is not a legal entity, submitted an SOQ without an authorized signature, falsified any information in the submittal package, etc.), the submittal shall be rejected.

PUBLIC RECORD: All documents submitted in response to this solicitation will become the property of the City of Palm Springs and are subject to the California Code Section 6250 et seq., commonly known as the Public Records Act. Information contained in the documents, or any other materials associated with the solicitation, may be made public after the review process has been completed, negotiations have concluded and a recommendation for award has been officially agendized for City Council consideration, and/or following award of contract to a specific firm, if any, by the City Council.

COST RELATED TO SUBMITTAL PREPARATION: The City will NOT be responsible for any costs incurred by any offeror in the preparation of their submittal or participation in any presentation if requested.

BUSINESS LICENSE: The successful team will be required to be licensed in accordance with the City of Palm Springs Business License Ordinance, Municipal Code Chapter 3.40 through 3.96, entitled "Business Tax".

SUBMITTAL INFORMALITIES OR DEFECTS: The City of Palm Springs reserves the right to waive any informality or technical defect in an SOQ submittal and to accept or reject, in whole or in part, any or all submittals and to seek new SOQ's, as best serves the interests of the City.

INVESTIGATIONS: The City reserves the right to make such investigations as it deems necessary to determine the ability of the offeror to perform the Work and the offeror shall furnish to the City all such information and data for this purpose as the City may request. The City reserves the right to reject any submittal if the evidence submitted by or investigation of such offeror fails to satisfy the City that such offeror is properly qualified to carry out the obligations of the Contract and to complete the Work contemplated therein.

SIGNED SUBMITTAL AND EXCEPTIONS: Submission of a signed submittal will be interpreted to mean that Proposer has hereby agreed to all the terms and conditions set forth in all of the sheets which make up this Request for Statements of Qualifications, and any attached sample agreement. Exceptions to any of the language in either the SOQ documents or attached sample agreement, including the insurance requirements, must be included in the submittal and clearly defined. Exceptions to the City's SOQ document or standard boilerplate language, insurance requirements, terms or conditions may be considered in the evaluation process.

ATTACHMENT "A"

NOTE: THIS FORM MUST BE COMPLETED AND INCLUDED WITH YOUR SUBMITTAL

**STATEMENTS OF QUALIFICATIONS (SOQ) # 11-09
FOR**

ENERGY MANAGEMENT SERVICES

SIGNATURE AUTHORIZATION

PROPOSER:

A. I hereby certify that I have the authority to submit this Statement of Qualifications to the City of Palm Springs for the above listed individual or company. I certify that I have the authority to bind myself/this company in a contract should I be successful in my submittal.

SIGNATURE

B. The following information relates to the legal contractor listed above, whether an individual or a company. Place check marks as appropriate:

1. If successful, the contract language should refer to me/my company as:

An individual;
 A partnership, Partners' names: _____

A company;
 A corporation
 A Local Business (Licensed within the jurisdiction of the Coachella Valley).
Copy of current business license is required to be attached to this document.

2. My tax identification number is: _____

ADDENDA ACKNOWLEDGMENT:

Acknowledgment of Receipt of any Addenda issued by the City for this SOQ is required by including the acknowledgment with your proposal. Failure to acknowledge the Addenda issued may result in your submittal being deemed non-responsive.

In the space provided below, please acknowledge receipt of each Addenda:

Addendum(s) # _____ is/are hereby acknowledged.