

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 11**

TO: Board of Directors

FROM: Mitch Sears, Executive Officer
Rebecca Boyles, Director of Customer Care and Marketing

SUBJECT: Approve amended Contract with Polaris Inc. for implementation of the AgFIT (Flexible Irrigation Technology) dynamic pricing pilot program

DATE: June 15, 2023

RECOMMENDATIONS

1. Approve an amended services contract with Polaris Inc. for implementation support of the AgFIT (Flexible Irrigation Technology) dynamic pricing pilot program.
2. Authorize the Executive Officer and/or his designee to execute and take all actions necessary to implement the services contract substantially in the form attached hereto on behalf of VCE, and in consultation with legal counsel, to approve minor changes to the services contract so long as the term and amount are not changed.

BACKGROUND AND ANALYSIS

More than 85% of VCE's service territory is designated for agricultural use. Due to this high concentration, the agricultural sector represents approximately 18% of VCE's total annual load and 16% of its peak demand.

At its December 2, 2021 meeting, the CPUC issued decision 21-12-015 authorizing VCE's proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs. The Pilot includes automation of agricultural pumping loads to respond to dynamic prices set by VCE and implementation of an experimental rate that incorporates energy and delivery costs in hourly prices. Customers who successfully respond to the prices and shift load out of expensive hours—typically the ramp hours—are projected to enjoy bill savings of up to 10% while contributing to grid reliability when it is most needed. A significant amount of the State's agricultural irrigation pumping load is shiftable, presenting an important opportunity for California's grid and environment.

The AgFIT pilot is a unique undertaking that requires a combination of technical knowledge, electricity rate structuring that is matched with practical expertise in the agricultural sector that is exceedingly uncommon. Polaris was awarded a grant by the California Energy Commission that is the precursor study for the AgFIT pilot and provides them with the prerequisite skills and knowledge to support the VCE AgFIT pilot.

Pilot Program Consultant Support – Contract Amendment

At its February 10, 2022, meeting the VCE Board approved a contract with Polaris for support services related to the Pilot. As the Pilot has evolved over the past two years, amendments to the original contact have been identified. These include amendments to reflect a larger engineering scope, as well as to subtract amounts already spent in the automation incentives budget. The First Amendment to the contract was approved February 9, 2023.

Since that amendment, the Pilot partners including PG&E, TeMix, Polaris and VCE have identified issues with the AgFIT tariff's subscription component (a pricing component based on past usage, which can be highly variable with agricultural customers) in which the end result was that customers' usage shift was not strongly correlated with their pilot tariff savings. One of the key goals in the AgFIT pilot was to closely correlate customers shifting usage off-peak with their bill savings, to provide ample incentive for the desired behavior change.

The AgFIT Pilot Partners, along with the Energy Division of the California Public Utilities Commission, evaluated several tariff modification options to better correlate usage shift to savings. The decision among the group was to pursue a new approach called "AgFIT 2.0," which resulted in an increased scope for Polaris Energy Services, Inc. This contract amendment will compensate Polaris for the change in scope, in one-time, as well as ongoing, expenses. The total not-to-exceed amount of this contract with Polaris is reimbursable from the CPUC's awarded \$3,940,000 budget for the pilot.

FISCAL IMPACT

The AgFIT program budget is reimbursed by CPUC funds, so there is a net neutral revenue impact on VCE's budget.

CONCLUSION

Staff recommends the Board approve the amended services contract with Polaris for support of the AgFIT dynamic pricing pilot.

ATTACHMENT

1. 2nd Amendment to Polaris (AgFIT) services contract
2. Resolution 2023-XXX

SECOND AMENDMENT
TO THE AGREEMENT FOR CONSULTANT SERVICES
BETWEEN
VALLEY CLEAN ENERGY ALLIANCE AND
POLARIS ENERGY SERVICES, INC.

This Second Amendment to the Consultant Services Agreement (“Second Amendment”), is made and entered into as of this 15th day of June, 2023 (“Effective Date”), by and between Valley Clean Energy Alliance, a Joint Powers Authority existing under the laws of the State of California with its principal place of business at 604 2nd Street, Davis, California 95616 (“VCE”) and Polaris Energy Services), Inc., a corporation, with its principal place of business at 411 Woodbridge Street, San Luis Obispo, California 93401 (“PES” or “Consultant”). VCE and Consultant are sometimes individually referred to as “Party” and collectively as “Parties.”

Recitals.

1. On February 1, 2023, VCE and Consultant entered into an Agreement for Consultant Services, (“Agreement”), for the purpose of retaining Consultant to provide the services described in Exhibit A of the Agreement and amended such Agreement on [date].
2. VCE and Consultant now desire to amend the Agreement to revise the scope and payment amount for professional services set forth in Exhibit D of the Agreement.

Now therefore, for good and valuable consideration, the amount and sufficiency of which is hereby acknowledged, the Parties agree as follows:

3. The table in the Budget and Compensation section of Exhibit D of the Agreement is hereby amended to add the following costs and scope:

Program Launch: PES will modify its solution to integrate nominal pricing from Temix and translate these prices into final prices for presentation to AgFIT customer participants according to program rules. The prices will be integrated into the new myPOLARIS web application to enable customers to schedule the operation of irrigation pumps and other electrical assets. Customer-created schedules will be considered purchases of electricity and PES will modify its database to record the price and quantity of such purchases.

Tasks for Program Launch Phase	
Modifications to data-in integration	
Derive pricing components	
Generate customer-facing prices	
Integrate new prices into scheduling UI	
Remove subscription calculation from scheduling	
Database modifications to record purchases	
Disable sending purchases to API	
Total One-time Cost for Phase	\$ 8,250

4. **Post-Program Launch:** PES will generate AgFIT monthly shadow bills for customers using customer energy purchase transactions and ex-post transactions that reconcile actual demand behavior using validated PG&E interval data. It is assumed that the shadow bill definition is substantially similar to what has been discussed previously, modified for 2023 program rules. Shadow bills will be generated in Tableau and will be formatted in a manner that is reasonably presentable to customers.

It is also assumed that shadow bills are “hand delivered” to customers from the Tableau exports and no integration to myPOLARIS or any utility billing system are envisioned or included.

In this phase, PES will also allocate a fixed budget to create any analytics, reports, and dashboards required by program stakeholders to monitor program performance throughout the season. Implementation hours beyond the fixed budget can be accommodated at agreed upon rates through separate Statements of Work.

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Tasks for Post-Program Launch Phase	
Modify SMD loader to request validated PG&E data after customer bill is produced	
Implement SMD loader trigger mechanism (in coordination with PG&E)	
Generate ex-post transactions	
Modify database to create system of record for ex-post transactions	
Monthly shadow bill creation in Tableau	
Program performance reports and dashboard creation	
On-going bill generation for each program month (recurring cost)	
Validate monthly bill inputs and outputs with VCE	
Total One-time Cost for Phase	\$ 13,250
Total Recurring Costs for Each Program Month	\$ 2,500/month

- 5. End of Season Reconciliation, Settlement, Reporting:** PES will create an end-of-season roll up summary for each participating customer. The roll-up definition will be agreed upon by program stakeholders, but it is assumed that the summary is substantially based on an aggregation of the monthly shadow bills and monthly performance data contained in the PES platform.

PES will also allocate a fixed budget to create any program-level performance outcome reports required by program stakeholders. Any reporting needs that exceed this budget can be accommodated in separate Statements of Work.

It is also assumed that any payments to customers or on-bill credits to customers are handled by the billing entities and no integration with payment or billing systems is envisioned or included.

Tasks for End-of-Season Phase	
End-of-Season Customer Roll-up Report	
Program Outcomes Reporting	
Total One-time Cost for Phase	\$ 6,260

Platform and Application Development Cost Summary

One-time Development Costs	Total Hours
Program Launch	\$ 8,250
Post-Program Launch	\$13,250
End-of-Season Reconciliation, Settlement, & Reporting	\$ 6,250
Total One-time Costs Summary	\$ 27,750

Recurring Platform and Services Costs	Total Hours
Monthly bill generation (per month) x 24	\$ 2,500
Total Recurring Costs Summary	\$ 60,000
Total Additional Costs	\$87,750

6. Except as amended by this Second Amendment, all other provisions of the Agreement will remain in full force and effect.

7. If any portion of this Second Amendment is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

[Signatures on Next Page]

**SIGNATURE PAGE FOR SECOND AMENDMENT TO THE AGREEMENT FOR CONSULTANT SERVICES
BETWEEN VALLEY CLEAN ENERGY ALLIANCE
AND POLARIS ENERGY SERVICES, INC.**

IN WITNESS WHEREOF, the Parties have entered into this Second Amendment as of the Effective Date.

VALLEY CLEAN ENERGY ALLIANCE

POLARIS ENERGY SERVICES, INC.

By: _____
Mitch Sears
Executive Officer

By: _____
Its: _____

Printed Name: _____

APPROVED AS TO FORM:

By: _____
Inder Khalsa
VCE Attorney

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2023-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE APPROVING ENTERING INTO A SECOND AMENDMENT IN THE AGREEMENT FOR SERVICES FOR THE AGRICULTURAL FLEXIBLE IRRIGATION TARIFF PILOT (AgFIT) WITH POLARIS ENERGY SERVICES (POLARIS) AND AUTHORIZING EXECUTIVE OFFICER IN CONSULTATION WITH LEGAL COUNSEL TO EXECUTE AND SIGN THE AGREEMENT

WHEREAS, at its December 2, 2021, meeting the California Public Utilities Commission issued decision 21-12-015 authorizing Valley Clean Energy’s proposed dynamic rate pilot to be made available to customers taking electric service on irrigation pumping tariffs, with a budget of \$2.5M to be overseen by VCE; and

WHEREAS, in support of VCE’s significant agricultural sector, the Board adopted a 3-year Programs Plan on June 10, 2021, that included an agricultural demand-side program which evolved into the AgFIT dynamic rate pilot program; and,

WHEREAS, at its February 10, 2022, meeting, the Board approved a contract with Polaris for support services related to the Pilot; and

WHEREAS, at its February 9, 2023, meeting, the Board approved the first amendment with Polaris for an increased scope of support services related to the Pilot; and

WHEREAS, as the Pilot has evolved over the past year, amendments to the original contact have been identified. These include a larger engineering scope, as well as to subtract amounts already spent in the automation incentives budget; and

WHEREAS, The AgFIT Pilot Partners, along with the Energy Division of the California Public Utilities Commission, evaluated several tariff modification options to better correlate usage shift to savings; and,

WHEREAS, the decision was to pursue a new approach to pricing, which resulted in an increased scope for Polaris Energy Services, Inc.; and,

WHEREAS, the increased scope would result in a net-neutral revenue effect for VCE’s budget; and,

WHEREAS, staff recommends that VCE enter into an amended agreement with Polaris, an entity that has prior experience with similar pilots in the agricultural sector, in order to most efficiently execute the pilot.

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NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. Authorize the Executive Officer, in consultation with legal counsel, to execute a contract amendment with Polaris to provide services necessary to implement the pilot, for an increased amount of \$87,750.

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance held on the _____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Tom Stallard, VCE Chair

Alisa M. Lembke, VCE Board Secretary

Attachment A: Second Amendment to Polaris Energy Services Agreement

ATTACHMENT A

**SECOND AMENDMENT TO
POLARIS ENERGY SERVICES AGREEMENT (AGFIT)**